Central and West Central Minnesota
Farm Business Management Report

April 1, 2011

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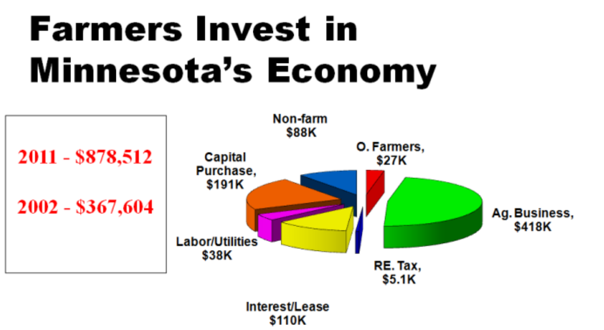
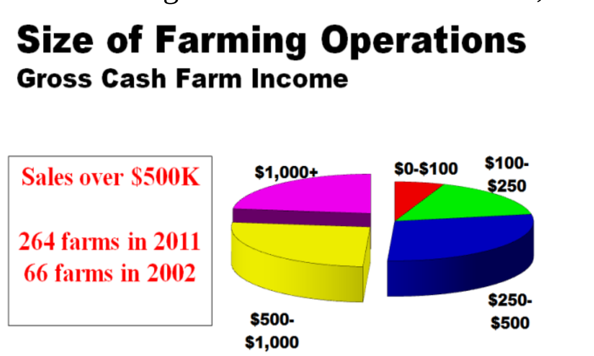
A Brief Overview

The 2011 Annual Report includes information from 537 farmers enrolled in the Farm Business Management program. The average farmer, or farm, invested $878,512 in the service community or Minnesota's economy. The average farmer was 46 years of age and has been farming for 22.5 years.

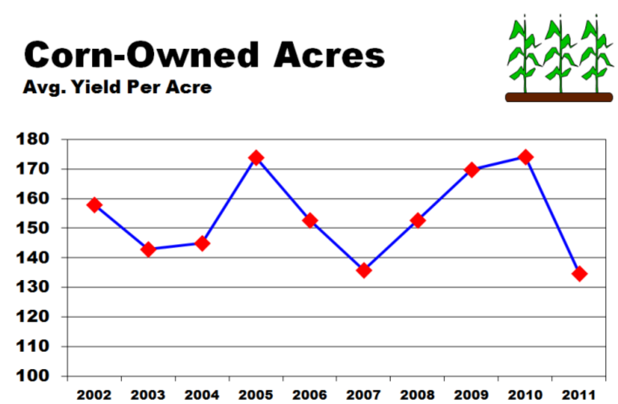


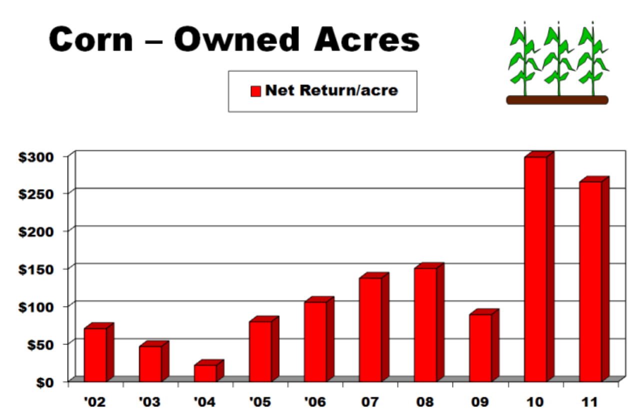
In 2011, Net Farm Income was strong ranking as the second only to 2010 of the last ten years. While crop yields were reduced due to unusual weather patterns, strong prices offset reduced production. Livestock returns improved with stronger market prices in dairy, beef and hogs.

It is significant to note that the size of the farm as measured by gross cash sales has significantly increased in the last ten years. Nearly one half of the farms in the 2011 database had gross cash sales of over $500,000.

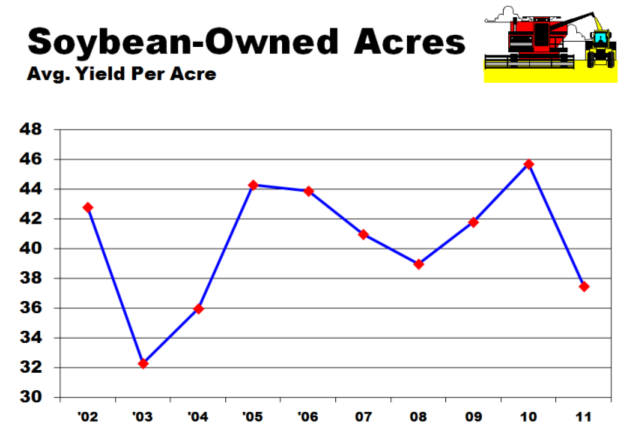


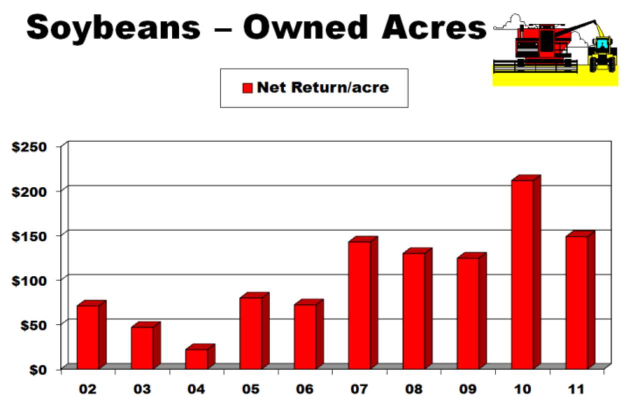
Corn yields were generally reduced compared to the region's 10-year average. 2011 profits remained strong due to improved market price with an average harvest price of $5.51 per bushel. Wet conditions delayed planting for the first portion of the growing season, followed by limited rainfall in the second half of the growing season. High winds in mid-summer contributed to "green snap" an additional factor that limited corn to an average yield of 135 bushels per acre. Considering those factors, it then seems remarkable than corn earned a net return of $266 per acre.





Soybean producers experienced average yields of 37.5 bushels per acre with strong prices averaging above $11 per bushel. Net return averaged $149 per acre, down slightly from the returns of 2010.





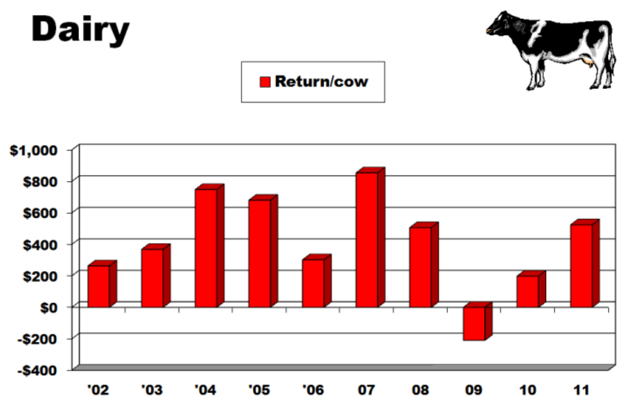
Spring Wheat growers experienced reduced yields of 36 bushels per acre and a harvest price of $7.80 per bushel. The average net return of $25 per acre was the second lowest net of the last ten year period.

Alfalfa hay continues to be a major feed crop supplying the region's dairy and beef enterprises. Yield for an acre of this forage crop was 4 tons with an average value of $129 per ton. Net return per acre of alfalfa hay was $165 per acre in 2011.

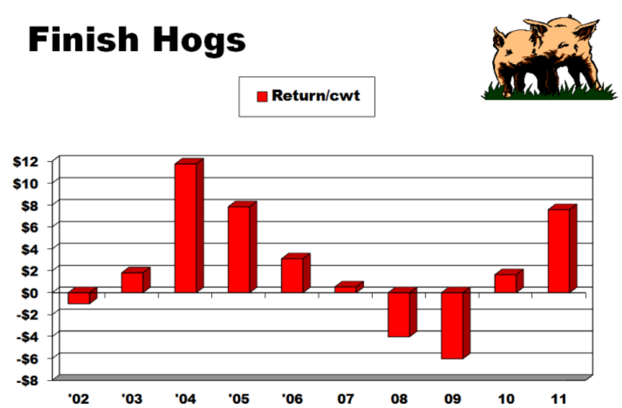
The 2011 report contained organic corn information with an average corn yield of 100 bushels per acre and a price of $10.53 per bushel. Organic soybean production resulted in a yield of 21 bushels per acre and a harvest price of $21 per bushel. The net return for corn was $650 per acre and $328 per acre on soybeans.

Livestock producers experienced improved profitability to what might be described as an "average" year. Continued high feed prices, along with higher direct and overhead costs, were offset by improved market prices. The net effect was a return to profitability in the livestock sector, however livestock producers will note that it may take several years to regain the losses experienced in 2008 and 2009.

Dairy farmers experienced an improved average milk price of $19.84 per cwt leading to a net return of $524 per cow for the year. Feed costs and other input costs continue to rise putting financial pressure on this enterprise.

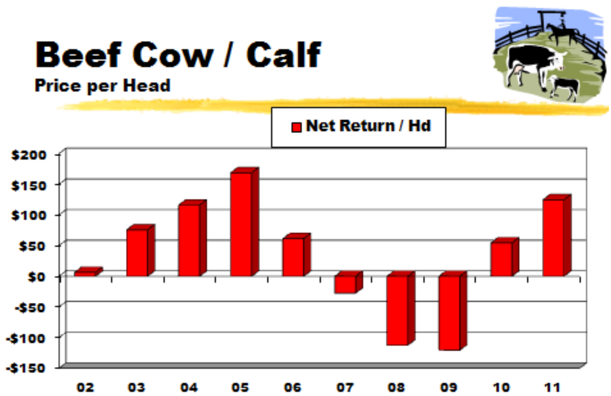


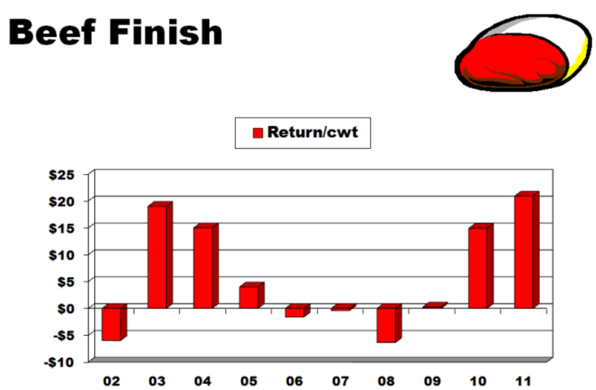
The finishing hog operations in the region experienced a return to profitability at $7.57 per cwt of production. An average sale price of $63.84 per cwt live offset rising feed and input expenses for this enterprise.

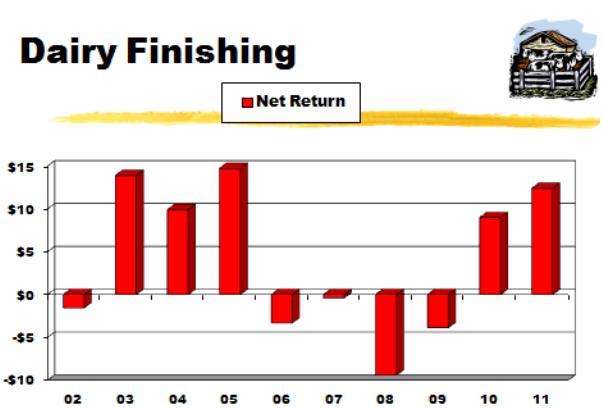


Weaning pig producers experienced a net return of $7.20 per pig sold and weaning to finish operations experienced a net return of $5.86 per cwt of production in 2011.

Beef cow-calf operations saw improved profitability in 2011. Strong prices for feeder calves and stable prices for forage and pasture costs, created a return of over $200 per cow on average. Finishing beef operations averaged a net return of $20.90 per cwt. in 2011. Returns were also improved in dairy finishing at $12.39cwt.

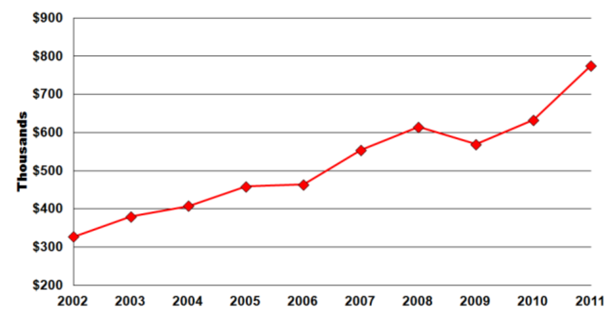




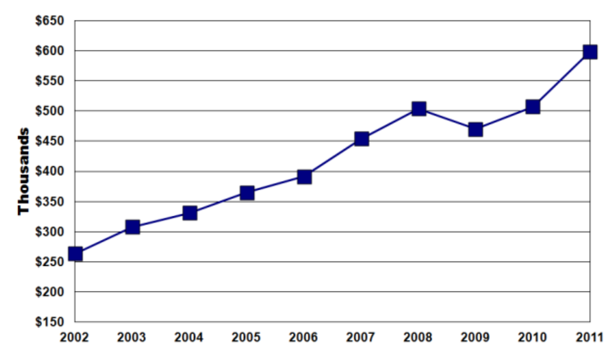


The following graphs of the "average producer" indicate the volume of the business, with both gross returns and expenses *up from 2010*. The trend for the region has been towards larger financial scope of the average farming operation.

Gross Cash Farm Income

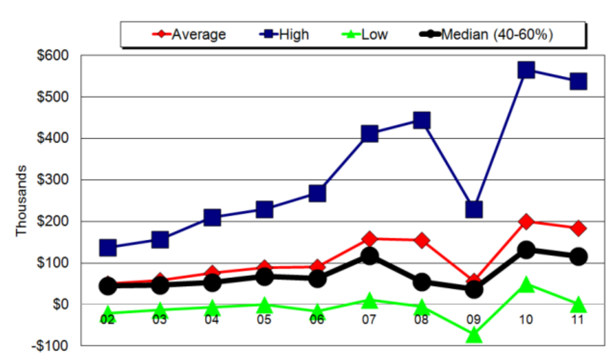


Cash Farm Expense



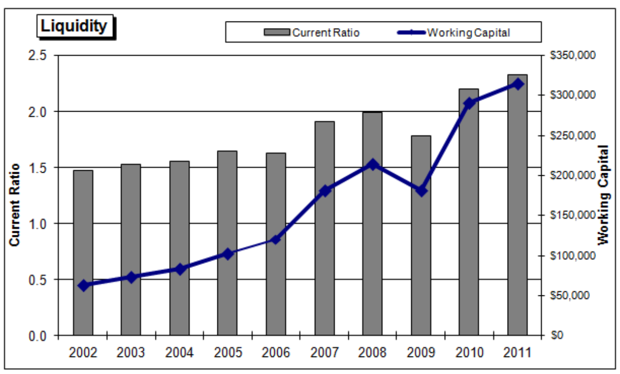
Net Farm Income is calculated as the difference between cash income and expense, with accrual accounting for changes in inventory, depreciation, and capital adjustments. The average Net Farm Income (profit) *decreased slightly from 2010*, but was second highest for the ten year period. A 10-year history of Net Farm Income for the average, low, median, and high farms is shown on the chart below:

Net Farm Income



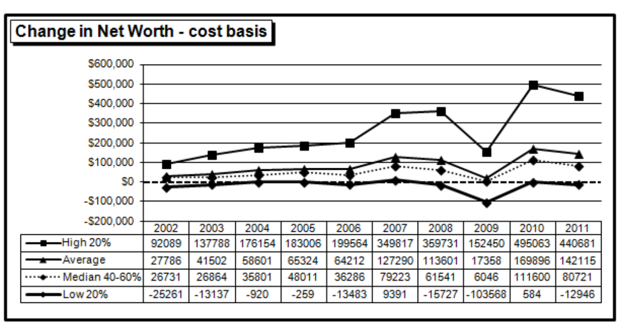
Financial Standards Measures are accepted factors that highlight key areas of a farm business. These measures provide a quick method of evaluating the business. The areas of: Liquidity, Solvency and Profitability highlight those measures.

Liquidity is the ability of the farm business to meet financial obligations on a timely manner, without disrupting normal business operations. Two indicators of liquidity are the Current Ratio (Current Assets / Current Liabilities) and Working Capital (Current Asset Value minus Current Debt Value). Both of these indicators *increased in 2011*.



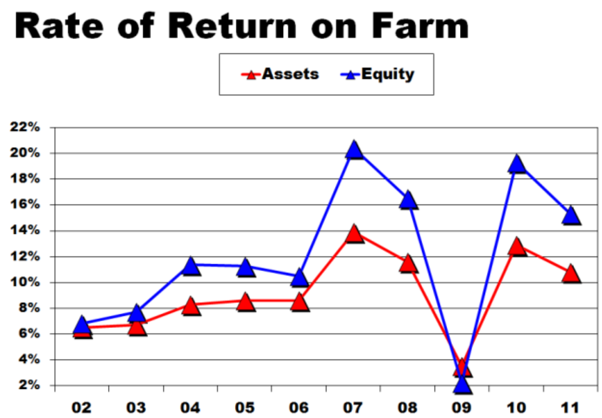
Solvency is important in evaluating the risk position of the farm and family, and in considering future borrowing capacity. Solvency measures the ability of the business to pay off all debts if liquidated.

Total Assets, Liabilities, and Net Worth on the average farm declined from prior year levels. Change in Net Worth is an indicator of business growth, and is driven by profitability.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High 20%	92089	137788	176154	183006	199564	349817	359731	152450	495063	440681
Average	27786	41502	58601	65324	64212	127290	113601	17358	169896	142115
Median 40-60%	26731	26864	35801	48011	36286	79223	61541	6046	111600	80721
Low 20%	-25261	-13137	-920	-259	-13483	9391	-15727	-103568	584	-12946

Profitability is the measure of the value of goods produced by the business in relation to the cost of resources used in their production. (Profitability calculated on a cost basis does not consider changes in market valuation of capital assets such as machinery and breeding livestock.) Rate of Return on Assets and Rate of Return on Equity, two profitability indicators, are illustrated in the chart that follows:



Non-farm income for the average farm in 2011 was $25,004, a *level consistent in the 10 year trend*. For farms reporting Total Non-Farm Expenses, the level *increased* from $69,200 in 2010, to $88,691 in 2011. (These family spending levels were taken from 151 of the 537 farms in the report.) Non-Farm spending includes family living, income taxes, non-farm vehicle expenses and non-farm investments.