

*Minnesota State Colleges and Universities*

# State Farm Business Management Program Database

*2077 Farms*

## *State Executive Summary - 2013*

*Summary Income Statement & Average Money Spent  
Financial Summary  
Financial Standards Measures  
Current year data by Region  
Selected Financial Charts*

MnSCU Community and Technical Colleges with FBM programs providing data for this report:

Central Lakes  
Minnesota West  
Northland  
St. Cloud

Ridgewater  
Riverland  
South Central  
Alexandria

April, 2014



A MEMBER OF THE MINNESOTA STATE COLLEGES  
AND UNIVERSITIES SYSTEM

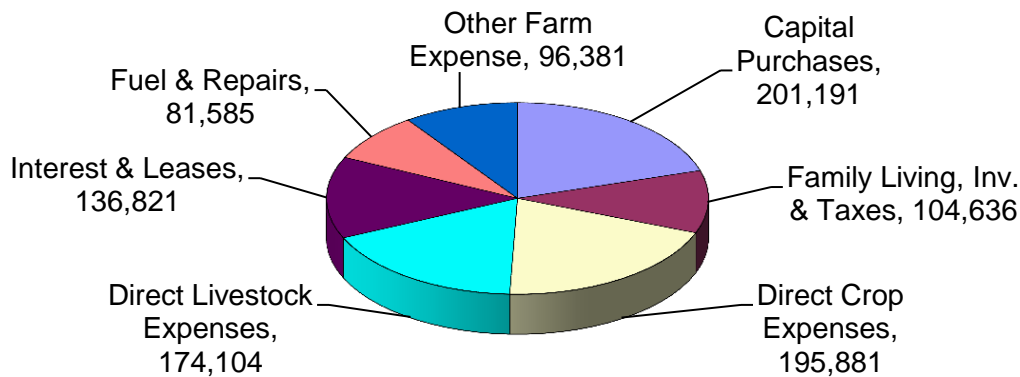
In Cooperation with the Center for Farm Financial Management University of Minnesota  
Compiled by DelRay Lecy (Retired)

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**Summary Farm Income Statement**  
**(Farms Sorted By Years)**  
**Minnesota State Colleges & Universities - Farm Business Management**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Number of farms	2077	2200	2306	2336	2323
<b>Farm Revenue</b>					
Crop sales	464,635	512,894	431,612	374,470	348,613
Crop inventory change	-98,251	122,568	24,614	81,773	4,602
Gross crop income	366,384	635,462	456,226	456,260	353,217
Livestock sales	279,049	237,617	253,712	199,384	168,428
Livestock inventory change	10,636	3,853	5,417	7,598	663
Gross livestock income	289,685	241,470	259,129	206,981	169,091
Government payments	19,607	21,250	16,576	19,771	21,465
Other cash income	110,033	84,197	84,707	61,340	74,143
Change in accounts receivable	22,982	4,861	8,920	1,070	-6,751
Gain or loss on hedging accounts	942	-3,130	-1,121	-6,624	-1,271
Change in other assets	3,805	3,216	3,803	2,745	2,756
Gain or loss on breeding lvst	-1,089	-601	589	357	-1,092
<b>Gross revenue</b>	<b>812,349</b>	<b>986,724</b>	<b>828,829</b>	<b>741,901</b>	<b>611,557</b>
<b>Farm Expenses</b>					
Cash operating expenses	653,148	629,931	583,452	500,463	476,907
Change in prepaid exp & supplies	-15	-14,451	-18,800	-14,314	11,022
Change in growing crops	125	-156	-46	-143	-452
Change in accts pay & other inv.	3,465	22	296	-3,289	3,883
Depreciation	52,182	48,587	43,076	39,764	35,443
Total operating expense	708,904	663,933	607,978	522,481	526,802
Interest paid	31,624	31,691	31,247	32,652	31,366
Change in accrued interest	572	493	59	-26	415
Total interest expense	32,196	32,184	31,306	32,626	31,781
<b>Total expense</b>	<b>741,100</b>	<b>696,117</b>	<b>639,284</b>	<b>555,108</b>	<b>558,584</b>
Net farm income from operations	71,249	290,607	189,545	186,793	52,974
Gain or loss on capital sales	849	1916	976	1088	731
<b>Net farm income</b>	<b>72,098</b>	<b>292,523</b>	<b>190,521</b>	<b>187,881</b>	<b>53,704</b>

**Average Money Spent by each Farm totals**  
**\$990,599**



**Financial Summary  
(Farms Sorted By Years)**

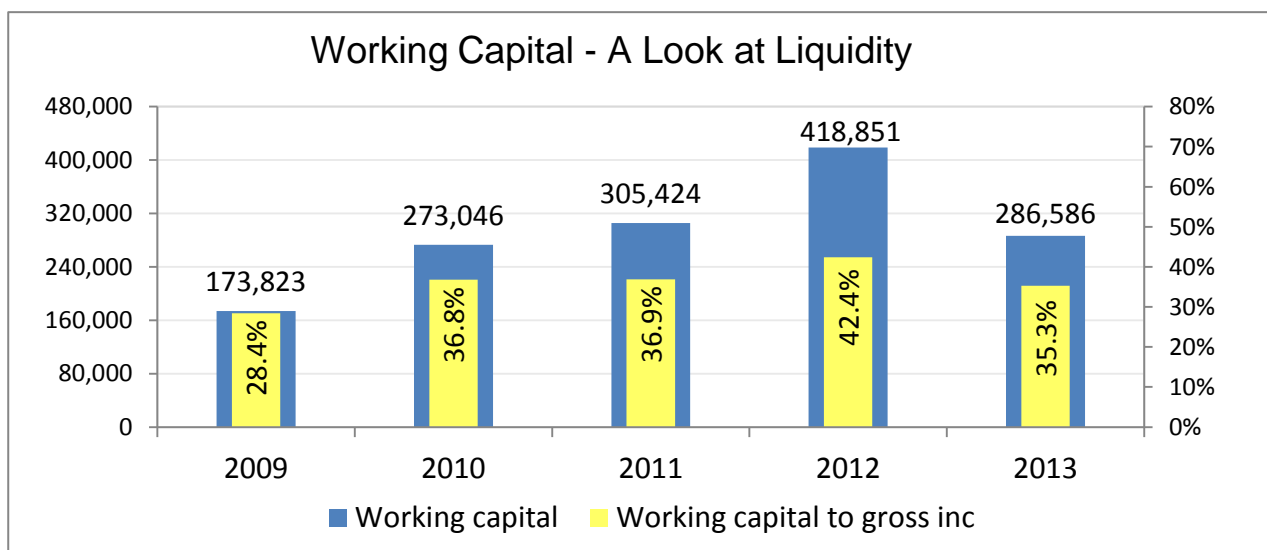
**Minnesota State Colleges & Universities - Farm Business Management**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Number of farms	2077	2200	2306	2336	2323
<b>Income Statement</b>					
Gross cash farm income	873,325	855,958	786,607	654,983	612,651
Total cash farm expense	684,772	661,622	614,698	533,116	508,273
Net cash farm income	188,553	194,335	171,909	121,867	104,378
Inventory change	-65,122	144,858	60,713	104,690	-15,962
Depreciation	-52,182	-48,587	-43,076	-39,764	-35,443
Net farm income from operations	71,249	290,607	189,545	186,793	52,974
Gain or loss on capital sales	849	1,916	976	1,088	731
Average net farm income	72,098	292,523	190,521	187,881	53,704
Median net farm income	40,330	181,183	119,961	116,518	32,405
<b>Profitability (cost)</b>					
Rate of return on assets	2.7%	15.1%	11.1%	12.2%	3.2%
Rate of return on equity	1.6%	22.7%	16.2%	18.6%	1.4%
Operating profit margin	7.5%	30.6%	24.0%	26.6%	7.9%
Asset turnover rate	35.3%	49.3%	46.4%	46.1%	39.9%
<b>Liquidity</b>					
Current assets	573,717	692,272	551,590	526,212	422,285
Current liabilities	287,131	273,422	246,166	253,166	248,462
Ending current ratio	2.00	2.53	2.24	2.08	1.70
Ending working capital	286,586	418,851	305,424	273,046	173,823
End working capital to gross inc	35.30%	42.4%	36.9%	36.8%	28.4%
Term debt coverage ratio	1.00	3.93	2.89	2.93	1.04
Replacement coverage ratio	0.82	3.20	2.37	2.42	0.87
<b>Solvency (market)</b>					
Number of farms	2,077	2,200	2,306	2,336	2,323
Total farm assets	2,528,792	2,492,023	2,104,491	1,968,569	1,761,595
Total farm liabilities	1,012,044	1,049,798	899,269	888,113	821,572
Total assets	2,779,004	2,720,524	2,312,517	2,174,196	1,955,532
Total liabilities	1,162,280	1,106,382	953,422	941,077	870,326
Net worth	1,616,724	1,614,143	1,359,095	1,233,119	1,085,206
Net worth change	86,140	277,534	177,152	169,796	59,000
Farm debt to asset ratio	40%	42%	43%	45%	47%
Total debt to asset ratio	42%	41%	41%	43%	45%
<b>Nonfarm Information</b>					
Net nonfarm income	29,439	29,547	28,013	27,972	26,495
Farms reporting living expenses	518	511	554	618	620
Total family living expense	64,874	61,797	58,284	53,985	51,948
Total living, invest, & capital	109,868	102,160	91,271	78,783	80,124
<b>Crop Acres</b>					
Total acres owned	268	268	255	263	269
Total crop acres	765	806	786	812	798
Total crop acres owned	232	232	222	226	226
Total crop acres cash rented	516	554	546	565	551
Total crop acres share rented	17	20	18	21	21

**Financial Standards Measures  
(Farms Sorted By Years)**

**Minnesota State Colleges & Universities - Farm Business Management**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Number of farms	2077	2200	2306	2336	2323
<b>Liquidity</b>					
Current ratio	2.00	2.53	2.24	2.08	1.70
Working capital	286,586	418,851	305,424	273,046	173,823
Working capital to gross inc	35.3%	42.4%	36.9%	36.8%	28.4%
<b>Solvency (market)</b>					
Farm debt to asset ratio	40%	42%	43%	45%	47%
Farm equity to asset ratio	60%	58%	57%	55%	53%
Farm debt to equity ratio	0.67	0.73	0.75	0.82	0.87
<b>Profitability (cost)</b>					
Rate of return on farm assets	2.7%	15.1%	11.1%	12.2%	3.2%
Rate of return on farm equity	1.6%	22.7%	16.2%	18.6%	1.4%
Operating profit margin	7.5%	30.6%	24.0%	26.6%	7.9%
Net farm income	72,098	292,523	190,521	187,881	53,704
EBIDTA	155,626	371,377	263,927	259,184	120,198
<b>Repayment Capacity</b>					
Capital debt repayment capacity	89,028	312,116	211,225	210,055	72,226
Capital debt repayment margin	-105	232,716	138,212	138,470	2,449
Replacement margin	-19,351	214,558	122,030	123,343	-10,653
Term debt coverage ratio	1.00	3.93	2.89	2.93	1.04
Replacement coverage ratio	0.82	3.20	2.37	2.42	0.87
<b>Efficiency</b>					
Asset turnover rate (cost)	35.3%	49.3%	46.4%	46.1%	39.9%
Operating expense ratio	80.8%	62.4%	68.2%	65.1%	80.3%
Depreciation expense ratio	6.4%	4.9%	5.2%	5.4%	5.8%
Interest expense ratio	4.0%	3.3%	3.8%	4.4%	5.1%
Net farm income ratio	8.9%	29.6%	23.0%	25.3%	8.8%

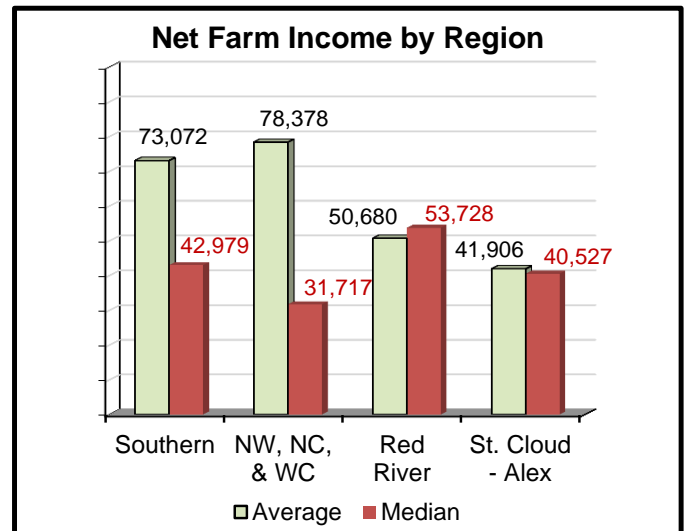
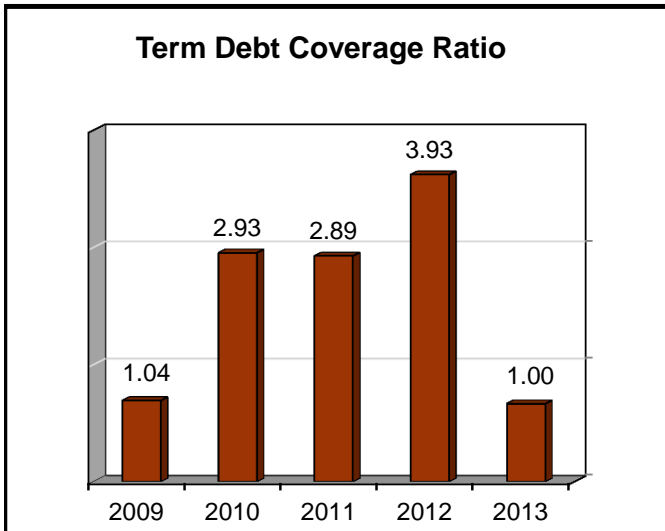
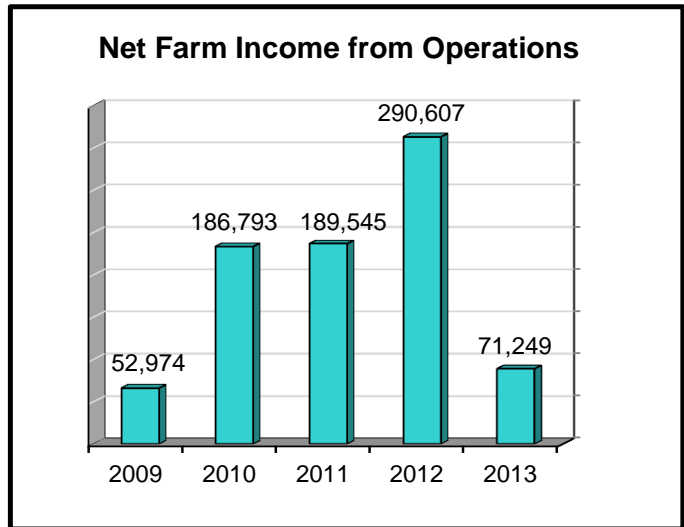
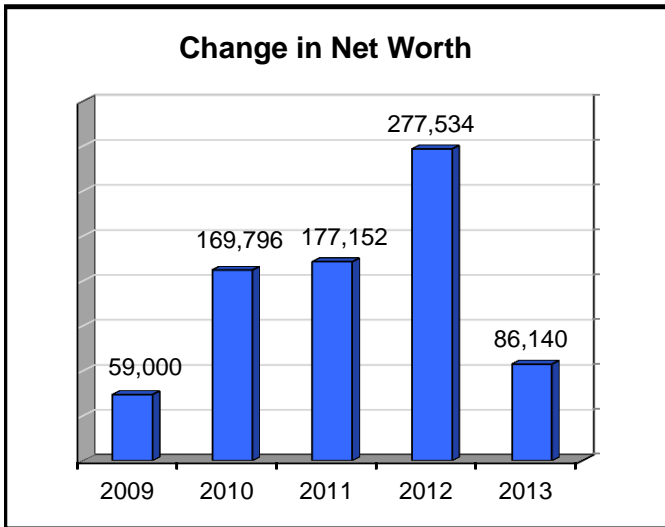
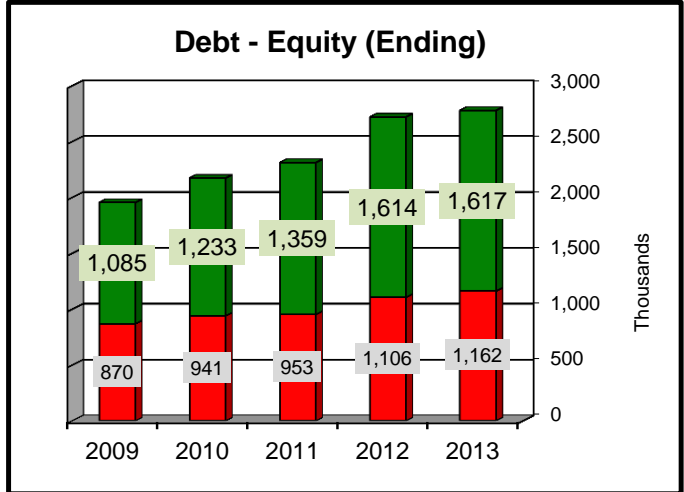
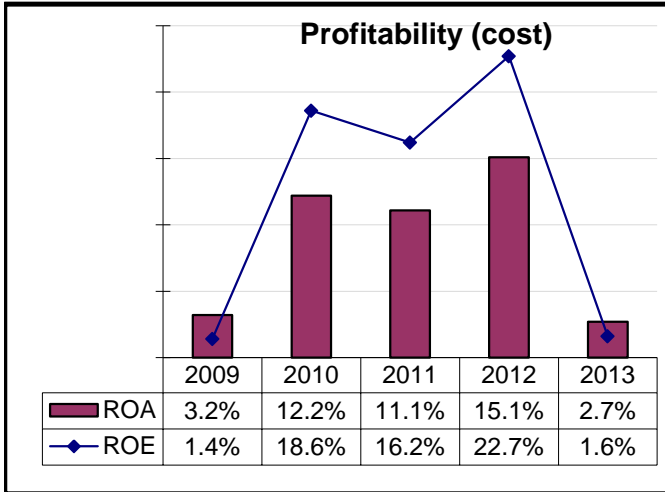


**Financial Summary**  
**(Farms Sorted By Report Region)**

**Minnesota State Colleges & Universities - Farm Business Management**

	<u>Southern</u>	<u>NW, NC, &amp; WC</u>	<u>Red River</u>	<u>St. Cloud - Alex</u>
Number of farms	1141	684	132	111
<b>Income Statement</b>				
Gross cash farm income	942,036	735,526	1,194,082	635,343
Total cash farm expense	742,794	580,686	897,092	480,302
Net cash farm income	199,242	154,840	296,989	155,041
Inventory change	-72,076	-34,766	-162,888	-69,423
Depreciation	-55,435	-41,927	-83,687	-43,821
Net farm income from operations	71,730	78,148	50,414	41,796
Gain or loss on capital sales	1,341	230	265	110
Average net farm income	73,072	78,378	50,680	41,906
Median net farm income	42,979	31,717	53,728	40,527
<b>Profitability (cost)</b>				
Rate of return on assets	2.6%	3.7%	0.4%	1.5%
Rate of return on equity	1.5%	3.4%	-1.5%	-0.7%
Operating profit margin	7.3%	10.5%	1.0%	4.6%
Asset turnover rate	35.5%	35.3%	36.1%	31.9%
<b>Liquidity &amp; Repayment (end of year)</b>				
Current assets	612,026	478,322	948,206	312,052
Current liabilities	304,038	236,667	532,623	162,037
Ending current ratio	2.01	2.02	1.78	1.93
Ending working capital	307,988	241,655	415,583	150,015
End working capital to gross inc	35.30%	34.50%	38.70%	32.1%
Term debt coverage ratio	1.01	1.22	0.27	0.82
Replacement coverage ratio	0.82	1.02	0.22	0.72
<b>Solvency (cost)</b>				
Number of sole proprietors	1,141	684	132	92
Ending farm assets	2,002,136	1,679,668	2,990,379	1,282,016
Ending farm liabilities	874,128	742,085	1,208,986	569,554
Ending total assets	2,246,247	1,826,783	3,247,391	1,480,670
Ending total liabilities	926,575	778,236	1,298,551	625,032
Ending net worth	1,319,671	1,048,547	1,948,841	855,638
Net worth change	35,366	44,980	-68,150	1,230
Farm debt to asset ratio	44%	44%	40%	44%
Total debt to asset ratio	41%	43%	40%	42%
<b>Solvency (market)</b>				
Number of sole proprietors	1,141	684	132	92
Ending farm assets	2,709,465	2,103,846	3,856,944	1,506,548
Ending farm liabilities	1,084,577	873,740	1,282,539	742,131
Ending total assets	3,005,790	2,278,748	4,158,953	1,711,990
Ending total liabilities	1,224,307	998,170	1,744,265	799,451
Ending net worth	1,781,483	1,280,577	2,414,688	912,539
Net worth change	105,113	82,379	-11,483	26,994
Farm debt to asset ratio	40%	42%	33%	49%
Total debt to asset ratio	41%	44%	42%	47%
<b>Nonfarm Information</b>				
Net nonfarm income	33,061	25,677	20,089	24,448
Farms reporting living expenses	347	127	10	31
Total family living expense	68,082	56,817	93,285	55,136
Total living, invest, & capital	118,960	93,066	159,923	65,023
<b>Crop Acres</b>				
Total acres owned	223	319	438	205
Total crop acres	677	744	1,873	477
Total crop acres owned	202	253	425	177
Total crop acres cash rented	457	479	1,407	296
Total crop acres share rented	17	12	41	3

## Five Year History of Selected Financial Measures



**Financial Summary by Farm Type  
(Farms Sorted By Years)**  
*Minnesota State Colleges & Universities - Farm Business Management*

	<u>Crop</u>	<u>Dairy</u>	<u>Hog</u>	<u>Beef</u>	<u>Crop &amp; Dairy</u>	<u>Crop &amp; Hog</u>	<u>Crop &amp; Beef</u>	<u>Other</u>
Number of farms	1092	336	36	39	97	41	81	351
<b>Income Statement</b>								
Gross cash farm income	842,087	1,081,415	2,615,488	532,056	846,011	1,937,302	632,439	574,731
Total cash farm expense	611,745	926,531	2,430,741	542,349	674,159	1,568,266	517,838	459,311
Net cash farm income	230,342	154,884	184,748	-10,293	171,852	369,036	114,601	115,420
Inventory change	-100,095	-25,208	-28,789	38,612	-52,243	-70,431	-16,928	-24,273
Depreciation	-58,185	-49,224	-65,732	-21,917	-50,303	-79,324	-40,401	-38,746
Net farm income from operations	72,062	80,452	90,227	6,403	69,307	219,282	57,272	52,402
Gain or loss on capital sales	1,237	268	1,310	13	581	978	229	456
Average net farm income	73,299	80,720	91,537	6,416	69,888	220,259	57,501	52,858
Median net farm income	44,124	43,857	82,204	-1,640	54,367	105,205	24,206	23,155
<b>Profitability (cost)</b>								
Rate of return on assets	2.3%	3.4%	2.9%	1.4%	2.8%	4.9%	2.7%	3.0%
Rate of return on equity	1.3%	2.5%	1.5%	-3.3%	1.3%	5.2%	1.7%	1.7%
Operating profit margin	6.5%	8.2%	8.0%	6.9%	8.0%	13.3%	8.9%	9.1%
Asset turnover rate	34.9%	40.8%	35.9%	19.9%	35.7%	36.8%	29.8%	32.8%
<b>Liquidity</b>								
Current assets	689,842	328,021	1,130,286	516,983	432,550	1,359,159	546,748	354,539
Current liabilities	327,755	190,070	673,614	416,540	209,125	465,978	277,884	203,781
Ending current ratio	2.10	1.73	1.68	1.24	2.07	2.92	1.97	1.74
Ending working capital	362,087	137,950	456,672	100,442	223,425	893,181	268,864	150,758
End working capital to gross inc	48.6%	12.9%	17.5%	17.6%	27.9%	48.3%	43.4%	27.3%
Term debt coverage ratio	0.93	1.08	1.04	0.68	0.96	1.52	1.24	1.03
Replacement coverage ratio	0.73	0.97	0.92	0.59	0.81	1.22	0.96	0.88
<b>Solvency (cost)</b>								
Number of sole proprietors	1,092	336	36	39	97	41	81	351
Ending farm assets	2,126,906	1,793,533	2,625,249	1,307,005	1,811,225	3,538,502	1,556,259	1,376,899
Ending farm liabilities	857,917	825,579	1,494,547	824,507	833,208	1,218,090	677,528	709,796
Ending total assets	2,391,059	1,901,940	2,801,610	1,519,460	1,985,816	3,763,706	1,689,876	1,539,077
Ending total liabilities	920,775	846,378	1,528,634	859,307	866,665	1,277,741	707,736	753,889
Ending net worth	1,470,285	1,055,563	1,272,976	660,152	1,119,151	2,485,965	982,140	785,188
Net worth change	23,519	44,688	52,295	12,534	24,267	110,140	25,997	31,785
Ending farm debt to asset ratio	40%	46%	57%	63%	46%	34%	44%	52%
End total debt to asset ratio	39%	45%	55%	57%	44%	34%	42%	49%
<b>Solvency (market)</b>								
Number of farms	1,092	336	36	39	97	41	81	351
Total farm assets	2,814,362	2,186,062	3,256,877	1,568,088	2,437,892	4,656,240	1,982,716	1,916,058
Total farm liabilities	1,056,919	942,180	1,759,774	915,662	1,019,489	1,652,171	816,382	845,738
Total assets	3,132,308	2,303,379	3,459,436	1,787,218	2,642,269	4,909,660	2,165,176	2,120,420
Total liabilities	1,254,275	1,007,886	1,857,262	977,392	1,117,920	1,907,524	930,413	957,431
Net worth	1,878,033	1,295,492	1,602,174	809,826	1,524,349	3,002,136	1,234,763	1,162,989
Net worth change	94,943	81,284	92,385	38,464	71,115	142,628	64,100	71,443
Farm debt to asset ratio	38%	43%	54%	58%	42%	35%	41%	44%
Total debt to asset ratio	40%	44%	54%	55%	42%	39%	43%	45%
<b>Nonfarm Information</b>								
Net nonfarm income	34,967	14,199	17,932	41,495	16,077	25,226	28,568	31,290
Farms reporting living expenses	304	58	10	8	21	10	19	84
Total family living expense	69,993	49,961	75,310	49,518	64,129	79,438	61,959	57,317
Total living, invest, & capital	127,480	56,056	141,194	61,336	85,915	142,866	108,296	89,698
<b>Crop Acres</b>								
Total acres owned	316	178	133	268	268	385	280	200
Total crop acres	1,039	360	418	284	552	1,073	639	442
Total crop acres owned	301	130	125	120	223	364	200	137
Total crop acres cash rented	715	227	290	151	326	698	416	292
Total crop acres share rented	24	3	2	14	3	11	23	14



## **Selected Definitions**

### **Income Statement**

Net farm income from operations	Net farm income from operations is the farm earnings before adjusting for gain or loss from capital sales.
Net farm income	Net farm income represents the returns to labor, management, and equity capital invested in the business. Without income from other sources, or appreciation of capital asset values, net farm income must cover family living expenses and taxes, or net worth will decrease

### **Profitability (Cost)**

Rate of return on assets	Rate of return on assets is, in effect, the interest rate your farm earned in the past year on all money invested in the business. If assets are valued at market value, the rate of return on investment can be looked at as the "opportunity cost" of investing money in the farm instead of alternative investments. If assets are valued at cost (cost less depreciation), the rate of return represents the actual return on the average dollar invested in the business.
Rate of return on equity	Rate of return on equity is, in effect, the interest rate your investment in the business earned in the past year. If assets are valued at market value, this return can be compared with returns available if the assets were liquidated and invested in alternative investments. If assets are valued at cost, this represents the actual return to the amount of equity capital you have invested in the farm business.
Operating profit margin	The operating profit margin is a measure of the profit margin from the employment of assets. It measures how effectively you are employing assets relative to the value of output produced. Low prices, high operating expenses, or production problems are all possible causes of a low operating profit margin.
Asset turnover rate	Asset turnover is a measure of how efficiently assets are used in the business. A farm with good operating profit margin and asset turnover will show a strong rate of return on farm assets. If operating profit margin is low, the asset turnover rate must be strong, or vice versa, to maintain the rate of return on assets.

### **Liquidity**

Working capital	Working capital shows the dollar amount that current assets can or cannot cover current liabilities. It approximates the amount of capital available to purchase crop and livestock inputs and equipment necessary to produce farm products. The amount of working capital considered adequate must be related to the size of
Working capital as % of gross inc	Measures operating capital available against the size of the business.
Term debt coverage ratio	The term debt coverage ratio measures the ability of the business to cover all term debt payments. A number less than 100 percent indicates that the business, plus non-farm income, is not generating sufficient cash to meet all of the debt payments, after family living expenses and taxes have been paid. A number greater than 100 indicates the business is generating sufficient cash to pay all term debt obligations with some surplus margin remaining.
Replacement coverage ratio	This represents the ability to term debt and unfunded capital purchases. A ratio under 1.0 indicated that you did not generate enough income to cover term debt payments and unfunded capital purchases.

### **Solvency**

Farm Debt to Asset Ratio	The farm debt to asset ratio measures the financial position or solvency of the farm or ranch by comparing the total liabilities to the total assets. It measures the portion of the farm assets that have debt against them. A higher ratio is considered an indicator of greater financial risk.
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### **Efficiency**

Operating Expense Ratio	This ratio indicates the percent of the gross farm income, which is used to pay the operating expenses. Operating expenses do not include interest or depreciation expense.
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