



MINNESOTA STATE

Farm Business Management Program Database

(2209 Farms)

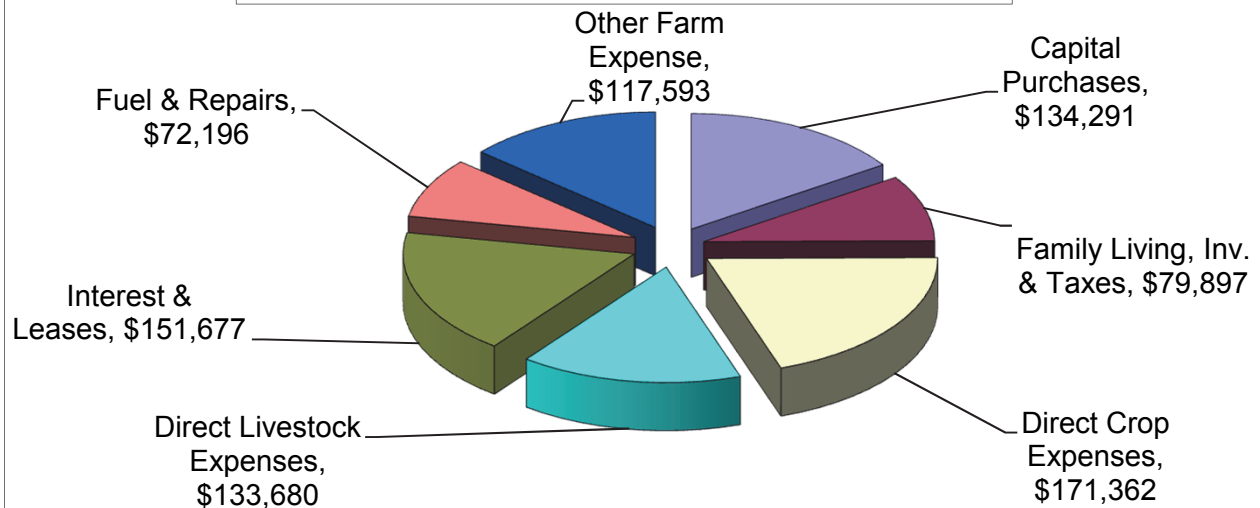
State Executive Summary - 2018

Financial Summaries & Financial Standards for 2015-2018
Current year data by Region, Farm Type, & Years Farming

April, 2019

Average Money Spent by each Farm totals

\$860,696



In Cooperation with the Center for Farm Financial Management, University of Minnesota
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Farm Business Management Websites at: agcentric.org or centerofagriculture.org

Brief Overview of 2018 in Production Agriculture

Farm Business Management Program Database

Minnesota farmers experienced their sixth consecutive year of low profitability in 2018. This is one of the key findings in the annual report developed by the Minnesota State Farm Business Management Education program (FBM) in cooperation with the University of Minnesota. The data in this report comes from 2,209 farmers participating in the Minnesota State FBM program.

Based on the graphic on the cover, over a 40 year farming career, each farmer would spend \$34,427,840. Based on that same graphic, those 2209 farms spent \$1,901,277,464 in their greater communities in 2018. The majority of this money is spent locally, including businesses and cooperatives; demonstrating the vital importance of farms on the economy of Minnesota.

The median farm earned \$24,817, down slightly from \$26,556 in 2017. Declines in farm income were largely driven by low profits and losses for cash crop farms on a regional basis along with lower profits on a wide variety of livestock farms throughout the state. With average investment just under \$3 million, farms earned a 1.8% return on investment. Across all farms types, almost one third of farms lost net worth in 2018.

For the third consecutive year, many Minnesota farmers produced bumper crops of Minnesota's primary cash crops, corn and soybeans, while others struggled to get average yields due to various weather challenges. Similar to the two previous years, high yields did not produce high profits. The median crop farm earned \$29,712, up from the \$21,920 in 2017, while still lower than the \$43,705 earned in 2016.

Profits were down significantly for each of Minnesota's major types of livestock operations: dairy, pork and beef. The median livestock producer earned only \$10,350 from farm operations for the year, compared to \$47,902 in 2017. All livestock producers were at low levels of income by historical standards.

Most Minnesota farmers are still in reasonably good shape financially, even after six years of low earnings. The average farm's debt to asset ratio was 48% in 2018, an increase of 2 percent from 2017. Working Capital has declined since 2012 to a 6 year low of \$180,805.

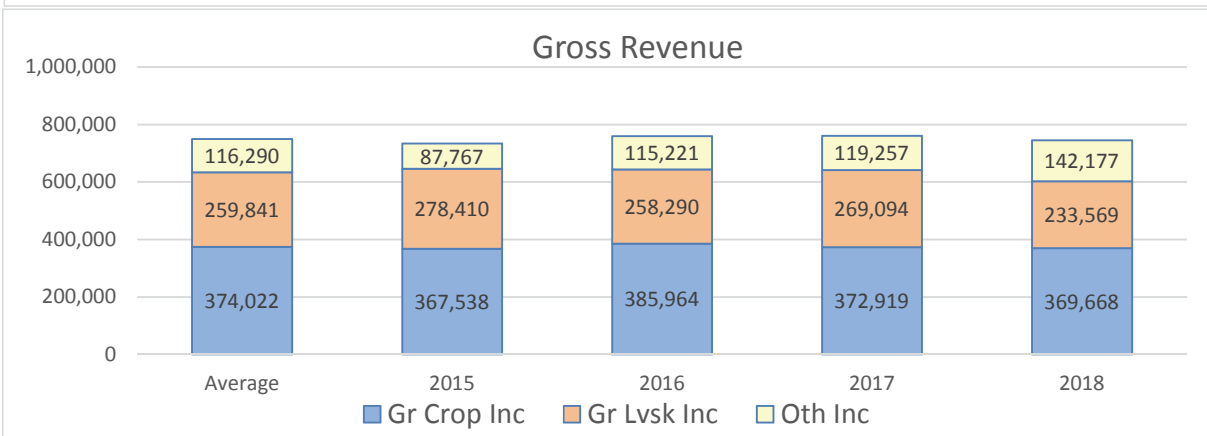
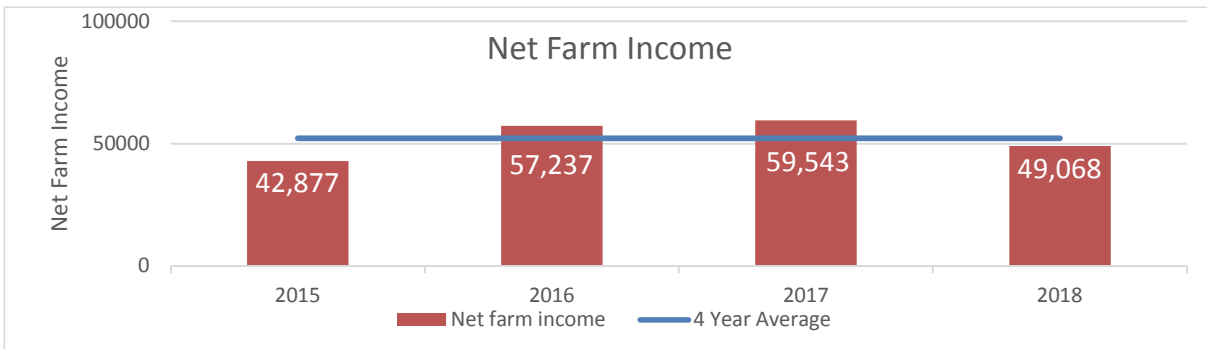
What is Net Farm Income used for?

Net Farm Income dollars are used to pay for Family Living, Social Security and Income Tax, Retirement Accounts, Medical and Health expenses, and loan principal payments. The list below shows the data for the current year. A positive balance indicates that there is revenue available for other uses, while a negative balance indicates there is a need for revenue from other sources.

		2018	2017	2016	2015
Net Farm Income		\$49,068	\$59,543	\$57,237	\$42,877
Depreciation	(plus)	\$49,692	\$51,002	\$53,496	\$53,309
Family Living (Excl Health/Med)	(minus)	\$45,702	\$49,652	\$49,107	\$50,224
Social Security and Income Tax	(minus)	\$8,123	\$9,829	\$10,793	\$13,574
Health and Medical Expense	(minus)	\$9,701	\$9,891	\$10,436	\$10,574
Retirement Accounts	(minus)	\$6,638	\$1,781	\$2,920	\$5,462
Principal Payments	(minus)	\$59,201	\$63,286	\$63,286	\$66,266
Balance		-\$30,605	-\$23,894	-\$25,809	-\$49,914

Summary Farm Income Statement
(Farms Sorted by Years)
Minnesota State - Farm Business Management

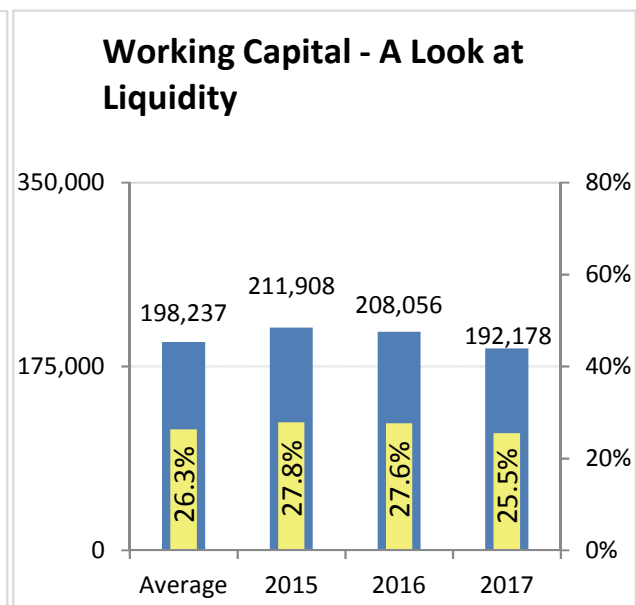
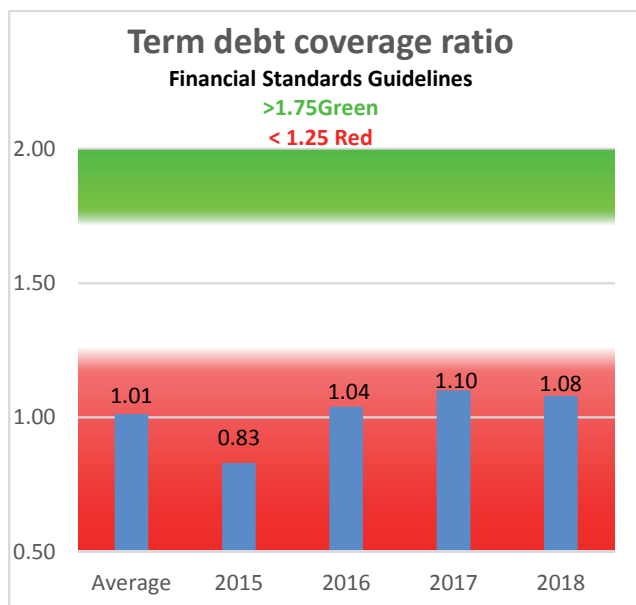
	<u>Average</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of farms	2127	2031	2103	2164	2209
Farm Revenue					
Crop sales	360,010	330,589	369,807	366,823	372,821
Crop inventory change	14,012	36,949	16,157	6,096	-3,154
Gross crop income	374,022	367,538	385,964	372,919	369,668
Livestock sales	264,167	290,405	267,230	264,814	234,219
Livestock inventory change	-4,326	-11,994	-8,940	4,280	-650
Gross livestock income	259,841	278,410	258,290	269,094	233,569
Government payments	25,304	32,682	22,205	16,361	29,968
Other cash income	94,291	112,729	80,100	87,142	97,193
Other accrual changes	-1,653	-28,822	6,458	7,877	7,139
Gross revenue	754,177	762,537	753,016	753,393	747,761
Farm Expenses					
Cash operating expenses	608,388	625,111	599,291	600,637	608,512
Inventory Changes	8,355	8,772	9,448	7,543	3,955
Depreciation	51,875	53,309	53,496	51,002	49,692
Total operating expense	667,692	687,192	662,234	659,181	662,159
Interest paid	35,132	32,394	34,867	35,269	37,996
Change in accrued interest	987	1,027	407	1,140	1,373
Total interest expense	36,118	33,422	35,273	36,409	39,369
Total expense	703,809	720,613	697,507	695,590	701,527
Net farm income from operations	50,367	41,924	55,509	57,803	46,233
Gain or loss on capital sales	1,814	953	1,728	1,740	2,834
Net farm income	52,181	42,877	57,237	59,543	49,068



Financial Summary (Farms Sorted by Years)

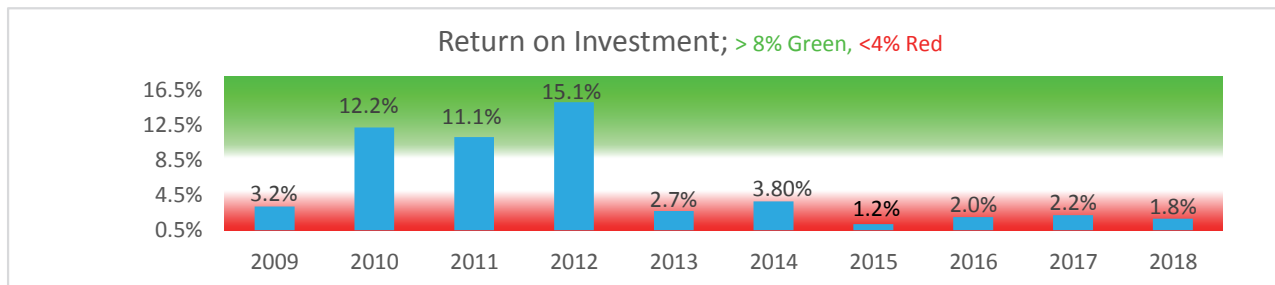
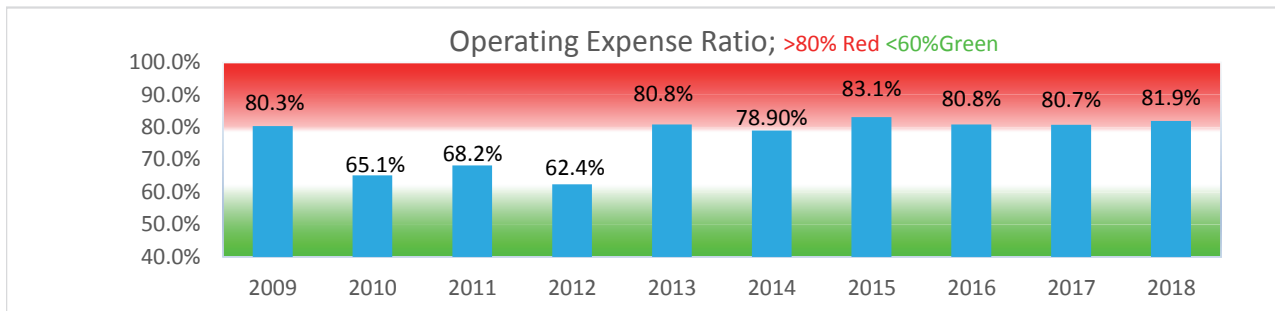
Minnesota State - Farm Business Management

	<u>Average</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of farms	2127	2031	2103	2164	2209
Income Statement					
Gross cash farm income	\$743,772	766,404	739,342	735,140	734,201
Total cash farm expense	\$643,519	657,505	634,157	635,906	646,508
Net cash farm income	\$100,253	108,899	105,184	99,234	87,693
Average net farm income	\$52,181	42,877	57,237	59,543	49,068
Median net farm income	\$27,772	25,392	34,321	26,556	24,817
Profitability (cost)					
Rate of return on assets	1.8%	1.2%	2.0%	2.2%	1.8%
Rate of return on equity	-0.1%	-1.0%	0.4%	0.6%	-0.3%
Operating profit margin	5.6%	3.6%	6.2%	6.8%	5.7%
Asset turnover rate	32.2%	32.3%	31.9%	32.1%	32.4%
Liquidity & Repayment (end of year)					
Current ratio	1.59	1.64	1.63	1.57	1.52
Working capital	198,237	211,908	208,056	192,178	180,805
Working capital to gross inc	26%	27.8%	27.6%	25.5%	24.2%
Term debt coverage ratio	1.01	0.83	1.04	1.10	1.08
Solvency (end of year at market)					
Total assets	2,896,294	2,816,577	2,915,331	2,955,907	2,897,360
Total liabilities	1,242,537	1,204,953	1,238,075	1,261,663	1,265,455
Net worth	1,653,758	1,611,624	1,677,256	1,694,245	1,631,905
Farm debt to asset ratio	45%	45%	45%	45%	46%
Nonfarm Information					
Net nonfarm income	34,472	33,868	33,082	33,090	37,849
Farms reporting living expenses	444	470	453	442	409
Total family living expense	59,099	60,798	58,526	58,933	58,139
Total living, invest, & capital	86,454	97,314	80,890	84,694	82,916



Financial Standards Measures
(Farms Sorted by Years)
Minnesota State - Farm Business Management

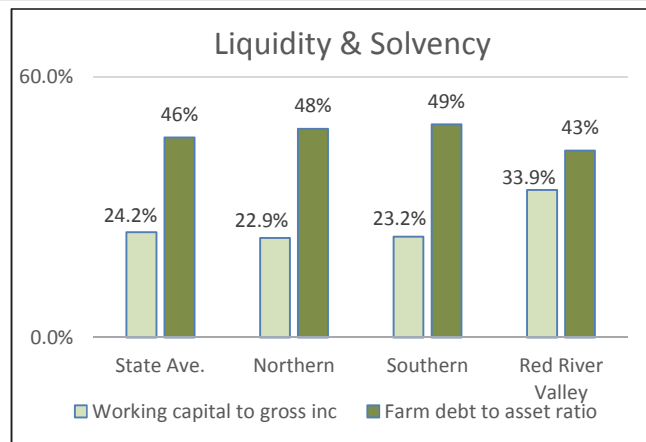
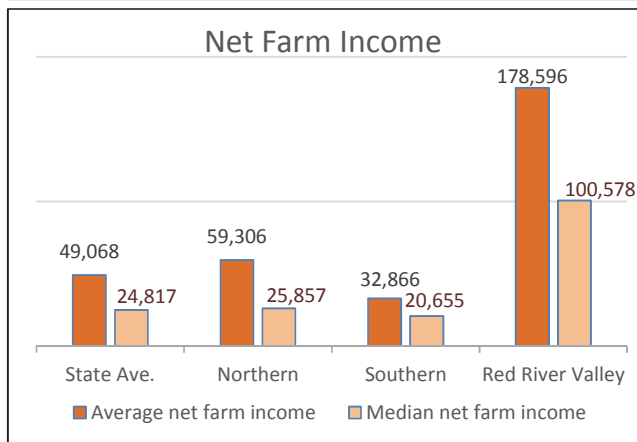
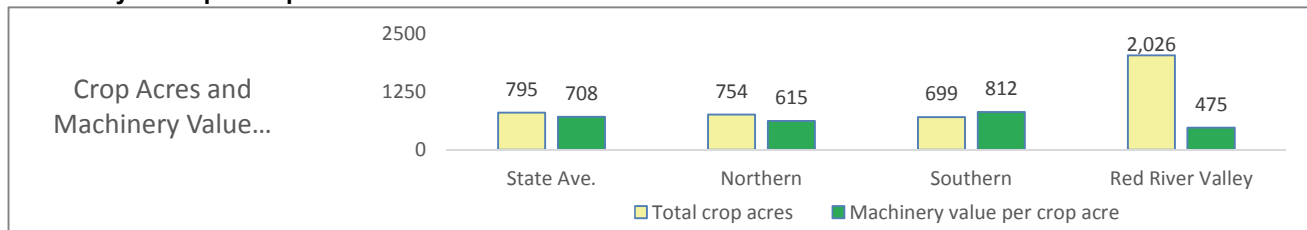
	<u>Average</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of farms	2127	2031	2103	2164	2209
Liquidity					
Current ratio	1.59	1.64	1.63	1.57	1.52
Working capital	198,237	211,908	208,056	192,178	180,805
Working capital to gross inc	26.3%	27.8%	27.6%	25.5%	24.2%
Solvency (market)					
Farm debt to asset ratio	45.3%	45%	45%	45%	46%
Farm equity to asset ratio	54.8%	55%	55%	55%	54%
Farm debt to equity ratio	0.83	0.82	0.82	0.82	0.86
Profitability (cost)					
Rate of return on farm assets	1.8%	1.2%	2.0%	2.2%	1.8%
Rate of return on farm equity	-0.1%	-1.0%	0.4%	0.6%	-0.3%
Operating profit margin	5.6%	3.6%	6.2%	6.8%	5.7%
Net farm income	52,181	42,877	57,237	59,543	49,068
EBIDTA	138,361	128,655	144,279	145,214	135,294
Repayment Capacity					
Capital debt repayment capacity	90,509	76,187	95,471	97,230	93,148
Capital debt repayment margin	990	-15,363	3,710	8,645	6,967
Replacement margin	-26,283	-39,205	-23,718	-20,346	-21,863
Term debt coverage ratio	1.01	0.83	1.04	1.10	1.08
Replacement coverage ratio	0.78	0.66	0.80	0.83	0.81
Efficiency					
Asset turnover rate (cost)	32.2%	32.3%	31.9%	32.1%	32.4%
Operating expense ratio	81.6%	83.1%	80.8%	80.7%	81.9%
Depreciation expense ratio	6.9%	7.0%	7.1%	6.8%	6.6%
Interest expense ratio	4.8%	4.4%	4.7%	4.8%	5.3%
Net farm income ratio	6.9%	5.6%	7.6%	7.8%	6.6%



Financial Summary (Farms Sorted by Region)

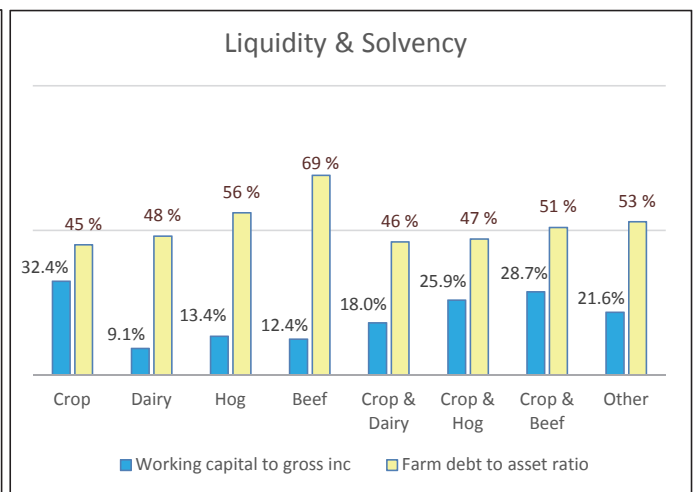
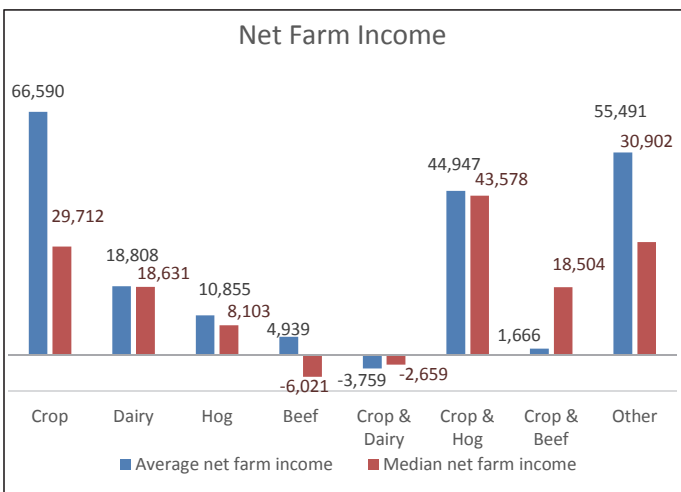
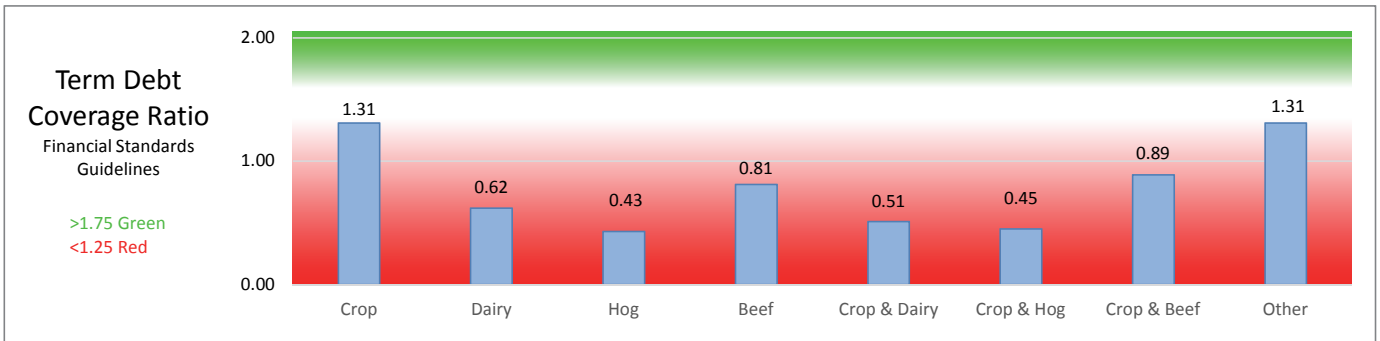
Minnesota State - Farm Business Management

	<u>State Ave.</u>	<u>Northern</u>	<u>Southern</u>	<u>Red River Valley</u>
Number of farms	2209	615	1460	134
Income Statement				
Gross cash farm income	734,201	585,946	759,254	1,141,656
Total cash farm expense	646,508	505,816	675,400	977,426
Net cash farm income	87,693	80,130	83,855	164,230
Average net farm income	49,068	59,306	32,866	178,596
Median net farm income	24,817	25,857	20,655	100,578
Profitability (cost)				
Rate of return on assets	1.8%	3.1%	1.0%	4.2%
Rate of return on equity	-0.3%	2.0%	-2.0%	4.6%
Operating profit margin	5.7%	10.0%	3.2%	11.4%
Asset turnover rate	32.4%	30.6%	32.3%	37.10%
Liquidity & Repayment (end of year)				
Current ratio	1.52	1.51	1.51	1.65
Working capital	180,805	140,409	175,969	418,888
Working capital to gross inc	24.2%	22.9%	23.2%	33.9%
Term debt coverage ratio	1.08	1.27	0.91	1.83
Solvency (end of year at market)				
Total assets	2,897,360	2,267,883	2,216,859	5,001,063
Total liabilities	1,265,455	1,026,167	1,014,208	2,077,349
Net worth	1,631,905	1,241,716	1,202,651	2,923,714
Farm debt to asset ratio	46%	48%	49%	43%
Nonfarm Information				
Net nonfarm income	37,849	31,318	41,383	29,329
Farms reporting living expenses	409	75	320	14
Total family living expense	58,139	50,802	58,828	81,707
Total living, invest, & capital	82,916	63,149	86,327	110,842
Total crop acres	795	754	699	2,026
Machinery value per crop acre	708	615	812	475



Financial Summary
(Farms Sorted by Farm Type)
Minnesota State - Farm Business Management

	<u>Crop</u>	<u>Dairy</u>	<u>Hog</u>	<u>Beef</u>	<u>Crop & Dairy</u>	<u>Crop & Hog</u>	<u>Crop & Beef</u>	<u>Other</u>
Number of farms	1133	309	33	73	75	28	96	455
Income Statement								
Gross cash farm income	694,461	1,046,693	1,802,672	610,175	797,059	15,757,159	605,873	521,777
Total cash farm expense	604,554	963,432	1,665,580	567,643	709,692	1,575,991	553,606	430,760
Net cash farm income	89,907	83,261	137,092	42,533	87,367	181,168	52,267	91,017
Average net farm income	66,590	18,808	10,855	4,939	-3,759	44,947	1,666	55,491
Median net farm income	29,712	18,631	8,103	-6,021	-2,659	43,578	18,504	30,902
Profitability (cost)								
Rate of return on assets	2.4 %	0.2 %	-0.5 %	1.1 %	-1.1 %	0.2 %	1.2 %	3.3%
Rate of return on equity	0.9 %	-3.5 %	-6.2 %	-5.6 %	-5.5 %	-3.2 %	-2.1 %	2.0 %
Operating profit margin	7.1 %	0.5 %	-1.5 %	5.6 %	-3.9 %	0.6 %	4.1 %	10.6 %
Asset turnover rate	33.6 %	34.0 %	30.7 %	19.2 %	29.3 %	33.1 %	28.1 %	30.6 %
Liquidity								
Current ratio	1.57	1.40	1.41	1.15	1.49	1.67	1.55	1.52
Working capital	232,424	96,116	235,310	75,144	140,057	442,227	176,561	115,123
Working capital to gross inc	32.4%	9.1%	13.4%	12.4%	18.0%	25.9%	28.7%	21.6%
Term debt coverage ratio	1.31	0.62	0.43	0.81	0.51	0.45	0.89	1.31
Solvency (end of year at market)								
Number of farms	1,133	309	33	73	75	28	96	455
Total assets	2,435,008	2,350,556	2,878,780	1,735,466	2,226,106	4,054,886	1,719,192	1,634,949
Total liabilities	1,029,507	1,079,848	1,509,063	1,113,409	976,749	1,833,913	824,373	806,140
Net worth	1,405,501	1,270,708	1,369,717	622,058	1,249,357	2,220,974	894,819	828,809
Farm debt to asset ratio	45 %	48 %	56 %	69 %	46 %	47 %	51 %	53 %
Total crop acres	1,108	404	454	322	658	1,250	660	408
Machinery value per crop acre	597	1,365	890	890	1035	824	751	854



Financial Summary
(Sorted by Number of Years Farming)
Minnesota State - Farm Business Management

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Number of farms	611	347	327	440	484
Income Statement					
Gross cash farm income	332,666	645,747	871,265	955,683	1,010,563
Total cash farm expense	302,538	560,476	772,204	840,817	880,846
Net cash farm income	30,128	85,270	99,061	114,867	129,717
Average net farm income	40,414	70,084	52,794	47,345	43,973
Median net farm income	25,423	33,543	18,560	25,052	21,230
Profitability (cost)					
Rate of return on assets	3.8 %	3.8 %	1.7 %	1.7 %	1.0 %
Rate of return on equity	3.9 %	3.5 %	-1.1 %	-1.2 %	-1.3 %
Operating profit margin	10.1 %	10.3 %	5.3 %	3.9 %	3.3 %
Asset turnover rate	37.9 %	37.1 %	31.8 %	29.4 %	31.5 %
Liquidity & Repayment (end of year)					
Current ratio	1.51	1.42	1.37	1.50	1.71
Working capital	78,105	117,233	177,533	228,250	315,108
Working capital to gross inc	21.4 %	17.4 %	20.0 %	23.9 %	31.5 %
Term debt coverage ratio	1.68	1.44	0.93	0.87	0.91
Solvency (end of year at market)					
Number of farms	611	347	327	440	484
Total assets	999,811	1,764,296	2,726,132	3,033,051	3,011,361
Total liabilities	585,943	929,174	1,335,922	1,220,630	1,137,934
Net worth	413,868	835,123	1,390,210	1,812,421	1,873,427
Farm debt to asset ratio	62 %	55 %	52 %	43 %	40 %
Total crop acres	404	651	1020	1013	1,039
Machinery value per crop acre	407	599	712	802	818

