

Whole-Farm Reports

The whole-farm reports summarize the financial performance of FBMA member farms in 2004. Each table includes the average of the 91 farms included in the report and the average of four equally divided brackets from the lowest to highest profits (based on Net Farm Income). Appendix I provides detail on how the whole-farm measures are calculated. Below is a short summary of the whole farm reports.

Farm Income Statement

The Income Statement calculates the accrual Net Farm Income generated by the average farm for year 2004. Net Farm Income represents the return to the operator's and family's unpaid labor, management, and equity capital (net worth). It is the amount the farm contributed to owner family living, income taxes, and net worth growth. However, it does not include any asset appreciation, debt forgiveness or asset repossessions. The *Inventory Changes* and *Depreciation and Other Capital Adjustments* tables provide further detail on the non-cash adjustments made to calculate the accrual Net Farm Income.

Profitability Measures

The profitability measures are calculated based on both the cost value of assets and the market value. When calculated based on the market value of assets, the profitability measures can be compared to interest rates and returns available on alternative investments. When based on cost values, the returns more closely estimate the actual returns from the actual investment. (Cost values do not necessarily reflect the tax basis of farm assets. Instead, a method of calculating depreciation is used that estimates economic depreciation over the useful life of the assets).

The *Rate of Return on Assets* (ROA) can be thought of as the interest rate earned by all investment in farm assets. *Rate of Return on Equity* (ROE) is the rate earned on the operator's equity or net worth in the farm business. If ROE is higher than ROA, borrowed funds more than paid for their cost in interest expense. *Operating Profit Margin* measures efficiency in farm operations. The higher the margin, the more of the farm income remained in pockets of the farm operator. *Asset Turnover Rate* measures efficiency in use of capital. Again, the higher the better. Farms with high investment in fixed assets will generally have a lower turnover rate than those who lease a major share of their capital.

Liquidity Measures

Liquidity reflects the ability of the farm family to meet cash obligations including family living withdrawals, income taxes, and debt repayment. Liquidity measures are calculated on both a cash and accrual basis. The cash measures reflect how cash actually flowed through the operations during the year. The accrual measures, which adjust for changes in crop, livestock, and other inventories, more accurately reflect the income generation capacity of the businesses.

Years to Turnover Intermediate Debt reflects the ability of the business to repay short and intermediate term liabilities. Because intermediate term debt is usually scheduled for repayment over a three to seven year term, this measure is a simple way to reflect debt repayment capacity.

Expense as a Percent of Income reflects the portion of gross income that was used to pay operating expenses. It includes interest expense but not depreciation. *Interest as a Percent of Income* shows how much of gross income went solely to pay interest expenses.

Balance Sheets

Balance sheet reports are included for both the cost and market value of assets. In both tables, current assets are identical, with crop and livestock inventories generally valued at market value. This conforms to the methodology recommended by the Farm Financial Standard Council. Intermediate and long term assets are shown at depreciated value using estimated economic depreciation, not tax, on the cost-based table. On the market table, they are valued at estimated market value.

Liabilities are the same on the cost and market tables.

Net Worth Change on the cost value table is the amount of earned net worth growth or loss for the year. Net worth change on the market value table includes both earned growth and changes in the market valuation of capital assets.

Statement of Cash Flows

The statement of Cash Flows displays the sources and uses of cash for the year. *Cash From Operating Activities* includes sources and uses of cash related to normal farm operations. In the case of sole proprietors and partnerships, it also usually includes non-farm income and expenses activities. *Cash From Financing Activities* reflect cash used to buy and sell capital assets. *Cash From Financing Activities* includes sources and uses of borrowed funds.

Financial Standards Measures

The Farm Financial Standards Council recommends that farms use these sixteen measures as standard measures of farm financial performance. They are sometimes called the *Sweet 16*. Many are repeated from the Profitability, Liquidity, and Balance Sheet tables. For a complete description, see the Financial Guidelines for Agricultural Producers at www.ffsc.org/html/guidelin.htm.

Crop Production and Marketing

This table reports farm size in acres farmed, average crop yields for major commodities and average crop sales prices for the calendar year. Yields and prices are reported for the average of all farms for more commodities than those included in the High and Low columns because a minimum of four farms are required to report the yield or price for any group.

Operator and Labor Information

All previous tables report results per farm, regardless of the number of families or operators involved in the operation. This report repeats several measures from previous tables on a *Per Operator* basis. It also summarizes estimated labor hours used and labor performance.

Farm Income Statement
(Farms Sorted By Net Farm Income)

	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Cash Farm Income					
Corn	35,567	14,548	3,251	41,636	81,919
Corn Silage	26	-	-	104	-
Grass Seed, Fescue	246	-	124	850	-
Hay, Grass	102	-	222	40	142
Hay, Mixed	149	-	462	128	-
Sorghum, Grain	1,804	2,576	650	849	3,174
Soybeans	51,158	20,950	11,206	48,808	122,354
Straw	85	-	18	208	111
Timber	129	-	-	511	-
Wheat, Winter	6,224	1,779	413	7,111	15,400
Corn, White	434	1,794	-	-	-
Miscellaneous crop income	80	133	81	53	56
Beef Bulls	198	-	784	-	-
Beef Cow-Calf, Beef Calves	17,062	7,676	24,484	14,746	20,935
Beef Replacement Heifers	142	-	563	-	-
Beef, Background Beef	13,788	-	1,251	41,605	11,695
Beef, Finish Beef Calves	4,493	144	4,587	9,938	3,115
Beef, Grazing Beef	28	115	-	-	-
Dairy, Milk	95	-	375	-	-
Dairy Steers	2,186	-	-	-	8,648
Hogs, Farrow-Fin, Raised Hogs	95,174	1,117	6,854	9,029	359,606
Hogs, Finish Feeder Pigs	6,602	2,581	-	22,342	1,310
Horses, Breed Horses, Foals	110	-	435	-	-
Sheep, Market Lambs, Mkt Lambs	387	17	124	1,158	234
Beef, Finish Cull Cows	105	-	414	-	-
Beef Cow-Calf (shares), Beef Calv	3,640	3,994	1,116	7,373	2,093
Cull breeding livestock	2,263	428	1,703	853	5,989
Misc. livestock income	412	150	661	11	814
LDP payments	3,141	1,897	324	4,770	5,520
Direct & CC govt payments	7,089	2,919	2,745	10,025	12,485
CRP payments	573	-	-	1,957	310
Other government payments	4,047	55	984	1,089	13,888
Custom work income	3,593	1,026	3,625	4,629	4,982
Patronage dividends, cash	764	369	163	609	1,896
Insurance income	7,828	2,289	330	5,919	22,532
Cash from hedging accts	265	-	-	-	1,047
Other farm income	9,027	2,135	9,478	7,170	17,025
Gross Cash Farm Income	279,016	68,691	77,425	243,522	717,281

Inventory Changes
(Farms Sorted By Net Farm Income)

	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Net cash farm income	57,309	4,871	16,131	55,544	150,412
Crops and Feed					
Ending inventory	96,993	25,131	29,044	99,654	231,017
Beginning inventory	70,054	25,748	17,783	77,638	157,120
Inventory change	26,939	-617	11,262	22,016	73,897
Market Livestock					
Ending inventory	62,244	10,749	24,721	62,089	149,178
Beginning inventory	47,252	8,285	23,347	46,097	109,587
Inventory change	14,991	2,464	1,374	15,991	39,592
Accts Receivable & Other Current Assets					
Ending inventory	9,162	1,043	1,029	8,417	25,807
Beginning inventory	11,050	1,559	443	12,113	29,672
Inventory change	-1,888	-517	586	-3,696	-3,866
Prepaid Expenses and Supplies					
Ending inventory	11,863	253	2,241	8,124	36,330
Beginning inventory	8,612	259	2,619	10,746	20,460
Inventory change	3,251	-6	-378	-2,622	15,870
Accounts Payable & Accrued Expenses					
Beginning inventory	7,435	5,628	3,487	6,329	14,216
Ending inventory	7,618	7,426	2,097	7,853	13,087
Inventory change	-183	-1,798	1,390	-1,524	1,130
Total inventory change	43,111	-474	14,234	30,166	126,622
Net operating profit	100,420	4,397	30,365	85,710	277,034

Depreciation and Other Capital Adjustments
(Farms Sorted By Net Farm Income)

	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Net operating profit	100,420	4,397	30,365	85,710	277,034
Breeding Livestock					
Ending inventory	34,120	16,868	28,495	41,497	48,869
Capital sales	5,792	2,582	2,551	6,788	11,108
Beginning inventory	30,717	12,404	25,667	38,672	45,330
Capital purchases	7,981	8,685	5,077	7,049	11,142
Depreciation, capital adjust.	1,214	-1,639	302	2,564	3,506
Machinery and Equipment					
Ending inventory	132,470	67,715	47,724	117,993	293,634
Capital sales	1,801	511	1,923	2,138	2,574
Beginning inventory	114,453	57,876	46,184	110,946	240,348
Capital purchases	28,388	17,285	6,654	22,128	67,001
Depreciation, capital adjust.	-8,570	-6,934	-3,191	-12,943	-11,141
Buildings and Improvements					
Ending inventory	46,112	15,682	13,093	23,137	131,212
Capital sales	-	-	-	-	-
Beginning inventory	43,735	13,860	11,844	21,247	126,691
Capital purchases	3,003	2,148	1,798	2,790	5,239
Depreciation, capital adjust.	-627	-326	-549	-901	-719
Other Capital Assets					
Ending inventory	17,267	2,606	222	5,552	60,050
Capital sales	1,412	-	-	328	5,259
Beginning inventory	17,675	2,606	224	4,936	62,278
Capital purchases	2,210	-	-	717	8,028
Depreciation, capital adjust.	-1,206	-	-2	227	-4,997
Total depreciation, capital adj.	-9,189	-8,900	-3,440	-11,053	-13,351
Net farm income	91,231	-4,502	26,925	74,657	263,682

Profitability Measures
(Farms Sorted By Net Farm Income)

	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Profitability (assets valued at cost)					
Net farm income	91,231	-4,502	26,925	74,657	263,682
Labor and management earnings	66,947	-13,687	14,830	51,827	211,312
Rate of return on assets	11.5 %	-3.3 %	4.7 %	8.9 %	17.0 %
Rate of return on equity	15.8 %	-10.5 %	4.5 %	11.4 %	24.7 %
Operating profit margin	30.8 %	-15.6 %	16.5 %	26.3 %	38.6 %
Asset turnover rate	37.5 %	21.3 %	28.5 %	33.9 %	44.0 %
Interest on farm net worth	24,284	9,185	12,094	22,830	52,371
Farm interest expense	12,379	6,496	3,758	14,244	24,761
Value of operator lbr and mgmt.	27,443	11,642	17,792	31,309	48,344
Return on farm assets	76,166	-9,648	12,890	57,592	240,099
Average farm assets	659,748	291,529	273,862	644,647	1,412,945
Return on farm equity	63,788	-16,144	9,132	43,348	215,338
Average farm equity	404,734	153,085	201,569	380,495	872,846
Value of farm production	247,317	62,037	78,186	218,682	622,309
	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Profitability (assets valued at market)					
Net farm income	103,496	7,272	38,690	94,677	269,162
Labor and management earnings	64,754	-7,780	18,693	55,900	189,052
Rate of return on assets	9.8 %	0.5 %	6.1 %	8.5 %	13.1 %
Rate of return on equity	11.8 %	-1.7 %	6.3 %	9.8 %	16.5 %
Operating profit margin	35.8 %	3.4 %	31.5 %	35.5 %	39.5 %
Asset turnover rate	27.5 %	15.9 %	19.3 %	24.0 %	33.2 %
Interest on farm net worth	38,742	15,053	19,997	38,776	80,110
Farm interest expense	12,379	6,496	3,758	14,244	24,761
Value of operator lbr and mgmt.	27,443	11,642	17,792	31,309	48,344
Return on farm assets	88,431	2,127	24,655	77,613	245,579
Average farm assets	900,706	389,319	405,584	910,423	1,875,264
Return on farm equity	76,053	-4,370	20,898	63,368	220,818
Average farm equity	645,692	250,876	333,291	646,271	1,335,165
Value of farm production	247,317	62,037	78,186	218,682	622,309

Liquidity Measures
(Farms Sorted By Net Farm Income)

	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Liquidity (cash)					
Net cash farm income	57,309	4,871	16,131	55,544	150,412
Net nonfarm income	27,430	48,426	28,425	22,543	11,238
Family living and taxes	47,103	41,219	36,664	45,042	65,231
Principal due on long term debt	8,022	2,736	172	6,613	22,338
Cash available for interm. debt	29,614	9,342	7,719	26,432	74,081
Average intermediate debt	42,720	26,949	10,382	35,355	97,509
Years to turnover interm. debt	1.4	2.9	1.3	1.3	1.3
Expense as a % of income	79 %	93 %	79 %	77 %	79 %
Interest as a % of income	4 %	9 %	4 %	5 %	4 %
Liquidity (accrual)					
Total accrual farm income	319,058	70,021	90,646	277,834	826,904
Total accrual operating expense	218,638	65,624	60,282	192,124	549,870
Net accrual operating income	100,420	4,397	30,365	85,710	277,034
Net nonfarm income	27,430	48,426	28,425	22,543	11,238
Family living and taxes	47,103	41,219	36,664	45,042	65,231
Principal due on long term debt	8,022	2,736	172	6,613	22,338
Available for intermediate debt	72,725	8,868	21,953	56,599	200,703
Average intermediate debt	42,720	26,949	10,382	35,355	97,509
Years to turnover interm. debt	0.6	3.0	0.5	0.6	0.5
Expense as a % of income	69 %	94 %	67 %	69 %	66 %
Interest as a % of income	4 %	9 %	4 %	5 %	3 %

Statement Of Cash Flows
(Farms Sorted By Net Farm Income)

	Avg. Of All Farms	Low 25%	25 - 50%	50 - 75%	High 25%
Number of farms	91	22	23	23	23
Beginning cash (farm & nonfarm)	14,765	10,095	14,041	17,190	17,531
Cash From Operating Activities					
Gross cash farm income	279,016	68,691	77,425	243,522	717,281
Net nonfarm income	27,430	48,426	28,425	22,543	11,238
Total cash farm expense	-221,707	-63,820	-61,294	-187,978	-566,870
Apparent family living expense	-44,326	-38,159	-34,590	-42,548	-61,738
Income and social security tax	-2,764	-3,060	-2,075	-2,440	-3,493
Cash from operations	37,650	12,078	7,891	33,098	96,419
Cash From Investing Activities					
Sale of breeding livestock	5,792	2,582	2,551	6,788	11,108
Sale of machinery & equipment	1,801	511	1,923	2,138	2,574
Sale of titled vehicles	-	-	-	-	-
Sale of farm land	3,576	7,052	1,773	2,449	3,180
Sale of farm buildings	-	-	-	-	-
Sale of other farm assets	1,412	-	-	328	5,259
Sale of nonfarm assets	2,953	8,767	228	3,069	-
Purchase of breeding livestock	-7,981	-8,685	-5,077	-7,049	-11,142
Purchase of machinery & equip.	-27,297	-17,285	-6,567	-20,588	-64,313
Purchase of titled vehicles	-1,091	-	-87	-1,541	-2,688
Purchase of farm land	-7,495	-8,432	-5,652	-5,417	-10,521
Purchase of farm buildings	-3,003	-2,148	-1,798	-2,790	-5,239
Purchase of other farm assets	-2,210	-	-	-717	-8,028
Purchase of nonfarm assets	-9,174	-11,660	-8,402	-14,890	-1,854
Cash from investing activities	-42,717	-29,298	-21,107	-38,219	-81,663
Cash From Financing Activities					
Money borrowed	100,171	56,610	33,143	89,970	219,069
Cash gifts and inheritances	4,987	13,241	305	-	6,759
Principal payments	-95,822	-53,141	-16,286	-88,179	-223,826
Dividends paid	-13	-	-	-53	-
Gifts given	-1,936	-697	-434	-251	-6,309
Cash from financing activities	7,386	16,013	16,728	1,487	-4,307
Net change in cash balance	2,318	-1,207	3,512	-3,634	10,449
Ending cash (farm & nonfarm)	17,084	8,888	17,553	13,556	27,980

Financial Standards Measures
(Farms Sorted By Net Farm Income)

	<u>Avg. Of All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Liquidity					
Current ratio	2.36	1.17	5.20	2.13	2.51
Working capital	111,693	6,362	55,313	99,739	280,780
Solvency (market)					
Farm debt to asset ratio	27 %	35 %	18 %	28 %	27 %
Farm equity to asset ratio	73 %	65 %	82 %	72 %	73 %
Farm debt to equity ratio	37 %	53 %	23 %	39 %	37 %
Profitability (cost)					
Rate of return on farm assets	11.5 %	-3.3 %	4.7 %	8.9 %	17.0 %
Rate of return on farm equity	15.8 %	-10.5 %	4.5 %	11.4 %	24.7 %
Operating profit margin	30.8 %	-15.6 %	16.5 %	26.3 %	38.6 %
Net farm income	91,231	-4,502	26,925	74,657	263,682
Repayment Capacity					
Term debt coverage ratio	320 %	143 %	755 %	242 %	377 %
Capital replacement margin	39,070	3,765	8,018	26,307	116,654
Efficiency					
Asset turnover rate (cost)	37.5 %	21.3 %	28.5 %	33.9 %	44.0 %
Operating expense ratio	64.6 %	84.4 %	62.4 %	64.0 %	63.5 %
Depreciation expense ratio	2.9 %	12.7 %	3.8 %	4.0 %	1.6 %
Interest expense ratio	3.9 %	9.3 %	4.1 %	5.1 %	3.0 %
Net farm income ratio	28.6 %	-6.4 %	29.7 %	26.9 %	31.9 %

Crop Production and Marketing Summary
(Farms Sorted By Net Farm Income)

	<u>Avg. Of</u> <u>All Farms</u>	<u>Low 25%</u>	<u>25 - 50%</u>	<u>50 - 75%</u>	<u>High 25%</u>
Number of farms	91	22	23	23	23
Acreage Summary					
Total acres owned	390	164	226	481	681
Total crop acres	597	285	179	589	1,321
Crop acres owned	234	74	78	259	520
Crop acres cash rented	178	99	61	182	366
Crop acres share rented	185	113	41	148	435
Total pasture acres	100	51	157	119	69
Average Price Received (Cash Sales Only)					
Soybeans per bushel	6.94	6.64	6.00	7.40	6.91
Corn per bushel	2.42	2.28	2.27	2.40	2.46
Wheat, Winter per bushel	3.21	-	-	3.24	3.20
Sorghum, Grain per bushel	2.39	-	1.91	-	-
Hay, Grass per ton	34.54	-	-	-	-
Hay, Mixed per ton	45.52	-	-	-	-
Average Yield Per Acre					
Soybeans (bushel)	51.09	38.45	47.06	54.35	53.12
Corn (bushel)	169.20	123.78	156.81	168.89	183.46
Wheat, Winter (bushel)	57.03	-	-	-	54.66
Pasture (aum)	3.60	3.36	3.31	-	4.00
Hay, Mixed (ton)	2.18	-	2.10	2.11	2.34
Sorghum, Grain (bushel)	131.62	-	-	-	136.39
Hay, Grass (ton)	1.73	2.32	-	-	-

