

# North Dakota and Minnesota Farm Business Management

## 2018 Red River Valley Report Summary



MARCH 12, 2019

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### Overview

This report includes information from 235 farms enrolled in the Farm Business Management Programs in the Red River Valley. These programs are located in North Dakota and Minnesota. In 2018, the average farmer was 47 years of age, has farmed for 23 years, and farms about 1,778 acres. This average farmer spent \$956,634 for inputs in the local community. In 2018, net farm income for the 235 farms enrolled in the FBM Programs averaged \$173,275 which was an increase of \$70,492 from 2017.

### Government Payments

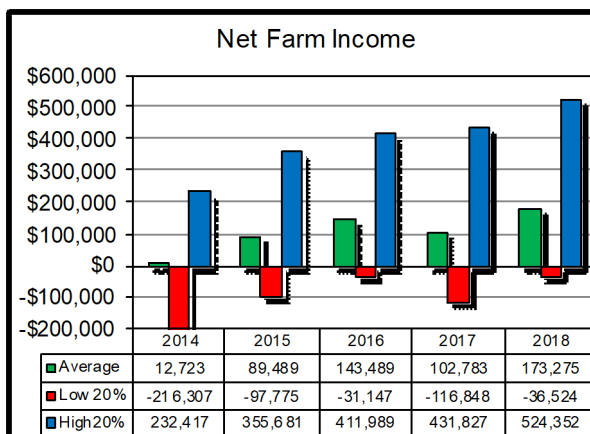
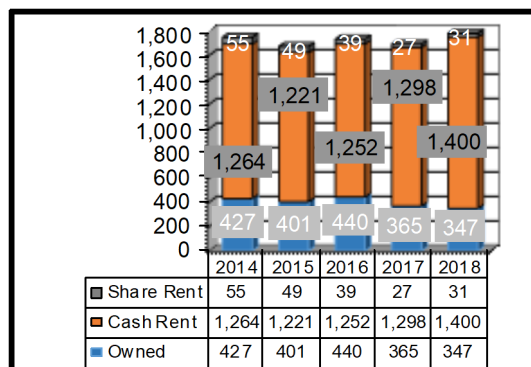
• 2011	\$36,606
• 2012	\$22,152
• 2013	\$32,384
• 2014	\$17,082
• 2015	\$33,835
• 2016	\$35,575
• 2017	\$22,590
• 2018	\$56,808

2018 represented a net increase of \$34,218 from 2017. This is due largely in part by the Market Facilitation Program Payments.



### Factor's that caused this year's increase in Net Farm Income were:

- Higher Soybean and Corn Yields
- Market Facilitation Program Payments on soybeans and wheat.



Total acres farmed in 2018 was 1,778 compared with 1,689 in 2017.



### Non Farm Income

Average Non Farm Income was \$28,899 which is an increase of \$3,637 from last year.

### Where are we headed? Future Directions?

- Precision agriculture
- Drones
- Biotechnologies (Livestock & Crops)
- Internet
- Are you working with partners to use capital more efficiently?
- Is your business the low cost producer?
- Natural, Organic, Niche Markets and Non GMO Markets



# 2018 Crop Yields and Returns Cash Rented Acres



## Wheat

In 2018 wheat had an average yield of 65 bushels compared with 74 bushels for 2017.

Net Return for Wheat:

Average	\$1.29
Low 20%	<b>-\$89.69</b>
High 20%	\$89.60

The average price for spring wheat was \$5.62 compared to \$5.96 last year. The wheat also had an average of \$6.25 of crop insurance, \$2.12 of hedging income, and \$15.35 of other income per acre—consisting mostly of the MFP payment.

## Soybeans

The average yield was 45 bushels per acre, up 6 bushels from last year.

Net Return for Soybeans:

Average	\$98.70
Low 20%	\$11.41
High 20%	\$194.55

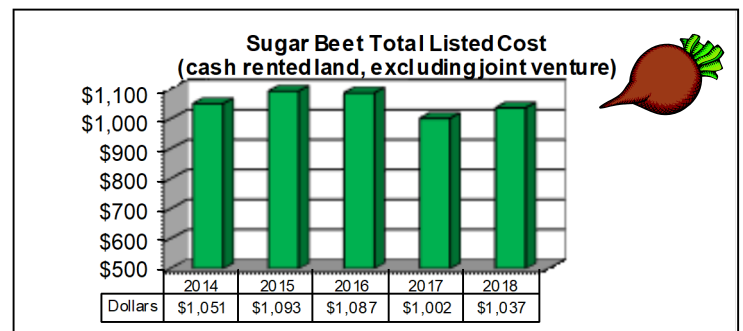
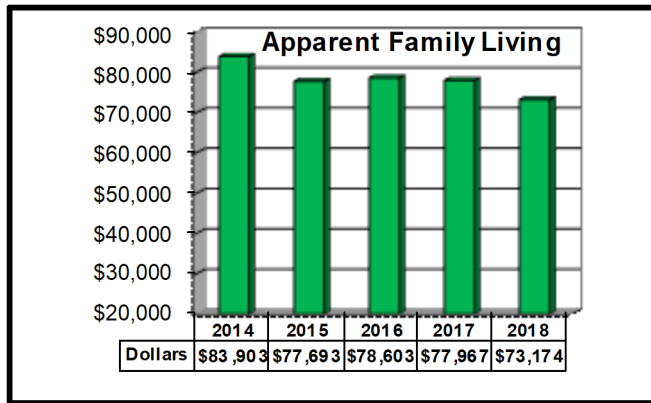
The average price for soybeans was \$8.40 compared to \$9.06 last year. Soybeans suffered a price loss due to the trade war with China. Other crop income per acre averaged \$74.13, consisting majority of the MFP payment.

## Corn

Year	Yield	Return
2011	115 bu	\$154.78
2012	145bu	\$331.42
2013	131 bu	<b>-\$62.04</b>
2014	132bu	<b>-\$77.19</b>
2015	167bu	<b>-\$23.10</b>
2016	190 bu	\$27.58
2017	177 bu	<b>-\$26.90</b>
2018	189 bu	\$44.15

The average price for corn was \$3.36 compared to \$3.09 last year. The average farm also collected \$2.59 of crop insurance and \$3.10 of hedge income per acre in 2018.

## Family Living Without Income Taxes



## 2018 Income Tax

### Paid

### Average Farm

\$20,503

40% - 60%

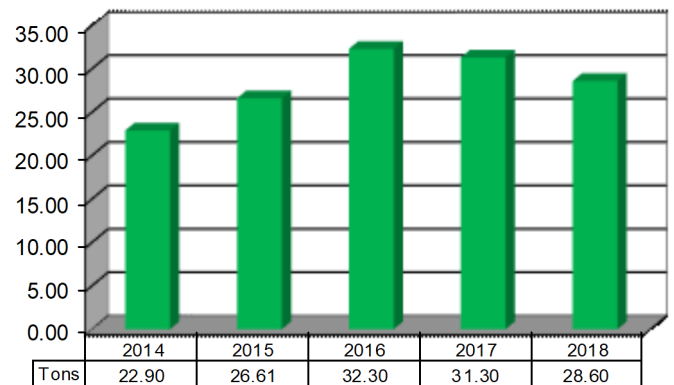
\$9,452

### High Profit

\$45,783



## Sugar Beet Yields



## Summary of Cash Inflow and Outflow for 2018

Beginning Cash	\$72,522
Gross Farm Income:	\$1,126,590
Hedging:	\$6,183
Total Non Farm Income:	\$28,899
Gifts & Inheritances:	\$7,603
Total Cash Farm Expense:	-\$956,634
Taxes:	-\$16,848
Family Living:	-\$72,837
Investing:	-\$174,708
Money Borrowed:	\$564,997
Principal Payments:	-\$482,484
Ending Cash:	\$97,162

These numbers come from page 16 in the Red River Valley Average Book. Not all of the numbers are listed on this summary.

## Ratios

**Repayment capacity** measures the ability to repay term debt and to replace capital assets. The Term Debt Coverage Ratio for 2018 was 1.95 with a capital replacement margin of a positive \$100,677 compared to \$24,747 last year.

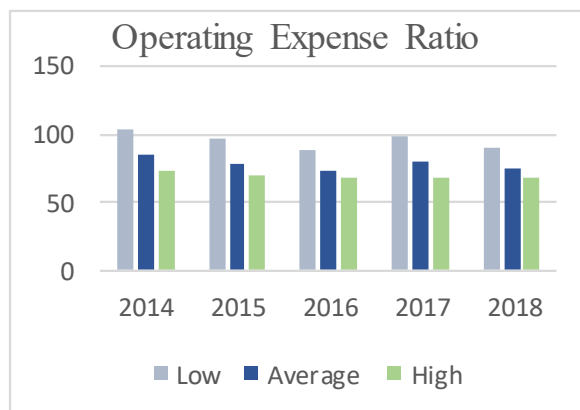
**Solvency** is important in evaluating the risk position of the farm and family. The average farm in the Farm Business Management Program in the Red River Valley had Debt to Asset Ratio of 39%. This means that for every dollar of assets the farm had, they owed 39 cents of debt compared to 38 cents last year.

**Efficiency** is an area that looks at what it costs to produce a dollar of income. In 2018 the average operating cost was 75.4 cents, compared to 79.2 cents last year.



### Farm Machinery and Buildings Purchased in 2017

Farm Machinery purchased for the year was \$94,784 up \$21,397 from last year. Buildings and Improvements purchased for the year was \$19,922, which was up \$6,567 from last year. Farmers also sold **\$24,826** of Farm Machinery.

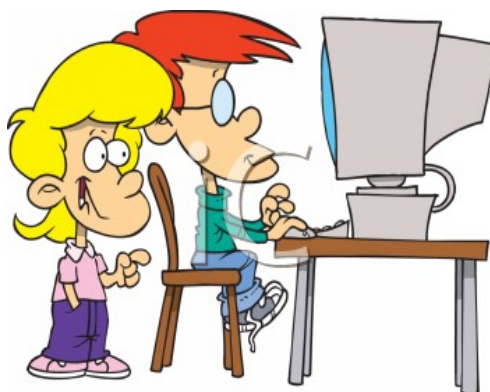


## Complete Red River Valley Average Books

### North Dakota Farm Business Management Programs

If you would like a complete book, please get in touch with the local FBM program in your area. You can also call the North Dakota Agricultural Supervisor at 701-328-3179.

This program is sponsored by the ND Department of Career and Technical Education.



## NORTHLAND COLLEGE

For More information on the Minnesota Farm Business Management Programs, you may contact Ron Dvergsten:

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Highway 1 East, Thief River Falls, MN 56701  
Phone: 218-683-8747





  
FBM Programs of ND  
And Minnesota

**NORTH DAKOTA AND  
MINNESOTA FARM  
BUSINESS  
MANAGEMENT**

Check out our Website for a  
listing of program location and  
additional information  
[www.ndfarmmanagement.com](http://www.ndfarmmanagement.com)

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[www.fbm.mnscu.edu](http://www.fbm.mnscu.edu)



### Conclusion about the Ratios:

Start to compare your information to the last 3 to 5 years of data.

Determine your own trend lines.

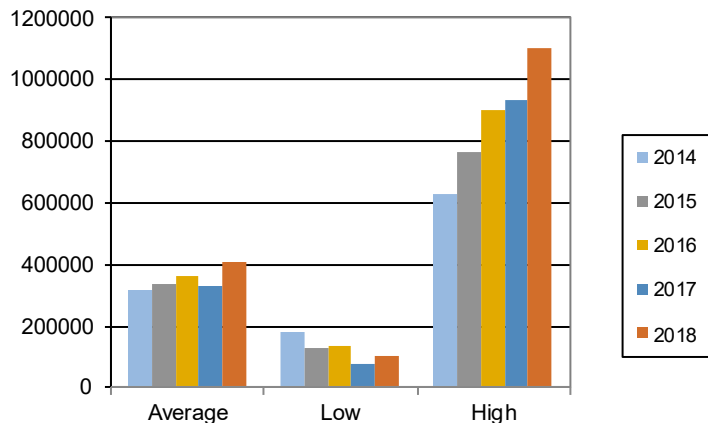
Compare your data to the area averages.

How does your business stack up?

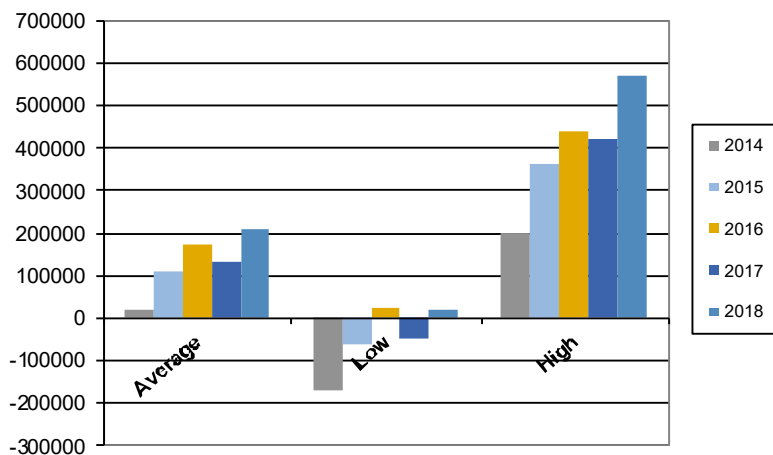
Evaluate possible changes if needed.



### Working Capital



### Capital Replacement Dollars



Complete enterprise information can be found in the Valley Average Book. These crop enterprise tables show the average physical production, gross return, direct costs, and net returns per acre. The Net Return per Acre is the gross return per acre minus the direct and overhead costs. There are three possible tables for each crop depending on the farmer's tenure on the land. Value per unit is the market price received. Crop insurance is now a separate line item and no longer under miscellaneous income.

