

North Dakota and Minnesota Farm Business Management

2017 Red River Valley Report Summary



MARCH 14, 2018

Inside this issue:

Crop Yields and Returns	2
Family Living Costs	2
Summary of Cash	3
Ratios	3
Ratios	4

Overview

This report includes information from 235 farmers enrolled in the Farm Business Management Programs in the Red River Valley. These programs are located in North Dakota and Minnesota. In 2017, the average farmer was 48 years of age, has farmed for 24 years, and farms about 1689 acres. This average farmer spent \$877,025 for inputs in the local community. In 2017, net farm income for the 235 farms enrolled in the FBM Programs averaged \$102,783 which was a decrease of \$40,706 from 2016

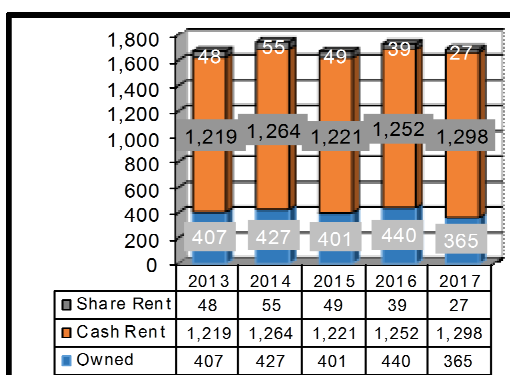
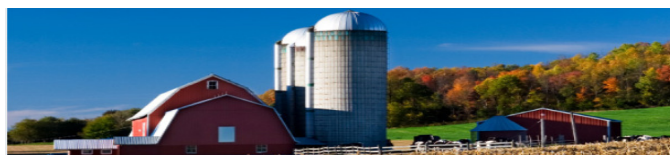
Factor's that caused this year's decrease in Net Farm Income were:

- Decreased government payments
- Lower Sugar Beet Payments made by Min Dak
- Lower Soybean and Corn yields with lower commodity prices

Government Payments

●2010	\$39,737
●2011	\$36,606
●2012	\$22,152
●2013	\$32,384
●2014	\$17,082
●2015	\$33,835
●2016	\$35,575
●2017	\$22,590

A net decrease of \$12,985 from 2016. One reason for the decrease is the smaller ARC payment for 2016 received in 2017.



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

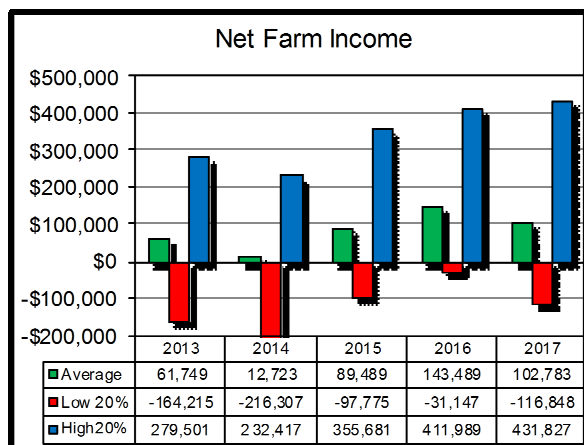


Total acres farmed in 2017 was 1689 compared with 1671 in 2016



Non Farm Income

Average Non Farm Income was \$25,262 which is a decrease of \$123 from last year





2017 Crop Yields and Returns Cash Rented Acres



Wheat

In 2017 wheat had an average yield of 74 bushels compared with 68 bushels for 2016.

Net Return for Wheat:

Average	\$70.83
Low 20%	-\$20.01
High 20%	\$153.43

The average price for spring wheat was \$5.96 compared to \$5.00 last year. The wheat also had an average of \$2.51 of crop insurance, \$1.47 of hedging income and \$2.18 of other income per acre.

Soybeans

The average yield was 39 bushels per acre, down 8 bushels from last year

Soybeans returned **-\$2.99** per acre. Compared to a positive \$89.07 last year.

The average price for soybeans was \$9.06 compared to \$9.23 last year. Soybeans also had \$10.67 of crop insurance and \$3.47 other income per acre.

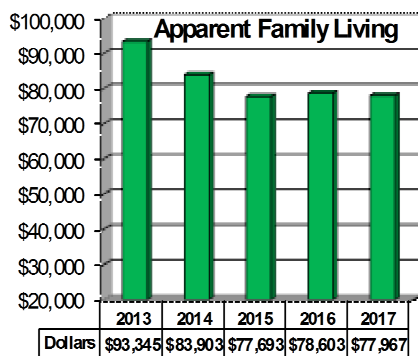
Corn

2011	115 bu	\$154.78
2012	145 bu	\$331.42
2013	131 bu	-\$62.04
2014	132bu	-\$77.19
2015	167bu	-\$23.10
2016	190 bu	\$27.58
2017	177 bu	-\$26.90

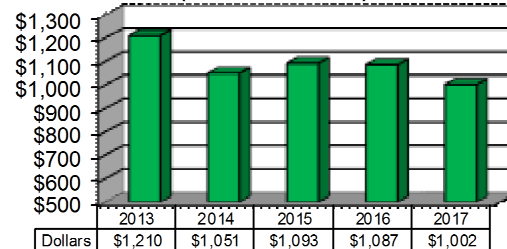
The average price for corn was \$3.09 compared to \$3.14 last year. The average farm also collected \$5.11 of crop insurance and \$2.44 of hedge income per acre in 2017



Family Living Without Income Taxes



Sugar Beet Total Listed Cost (cash rented land)



2017 Income Tax

Paid

Average Farm

\$21,424

40%-60%

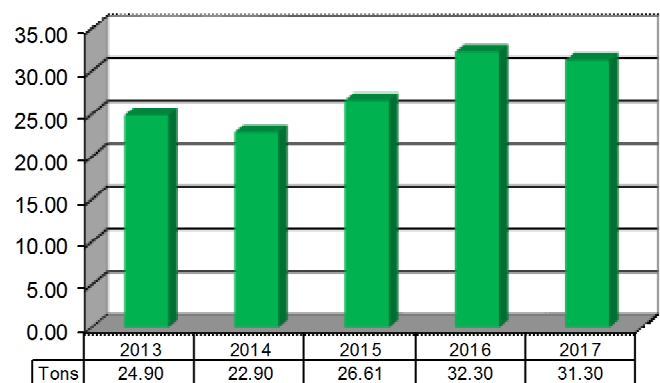
\$13,185

High Profit

\$51,488



Sugar Beet Yields



Summary of Cash Inflow and Outflow for 2017

Beginning Cash	62,654	Investing	- 149,410
Gross Farm Income:	1,046,483	Money Borrowed	510,347
Hedging	248	Principal Payments	-454,285
Total Non Farm Income:	25,262		
Gifts & Inheritances	7,456		
Total Cash Farm Exp	-877,925		
Taxes:	-20,978		
Family Living	- 77,967		

\$68,223 is the ending cash balance . These numbers come from page 16 in the Red River Valley Average Book. Not all of the numbers are listed on this summary.



Farm Machinery and Buildings Purchased in 2017

Farm Machinery purchased for the year was \$73,387 up \$13,466 from last year. Building purchased for the year was \$13,355 which was up \$5,385 from last year. Farmers also sold **\$11,074** of Farm Machinery.

Ratios

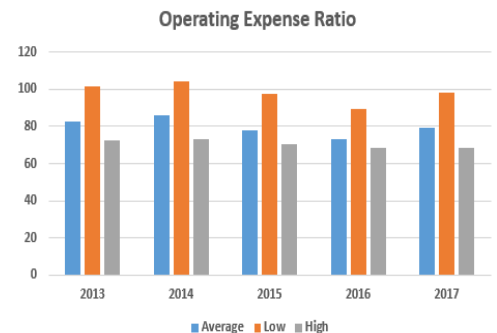
Repayment capacity

measures the ability to repay term debt and to replace capital assets. The Term Debt Coverage Ratio for 2017 was 1.24 with a capital replacement margin of a positive \$24,747 compared to \$68,385 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 38%. This means that for every dollar of assets the farm had, they owed 38 cents of debt compared to 37 cents last year.



Efficiency is an area that looks at what it costs to produce a dollar of income. In 2017 the average operating cost was 79.2 cents, compared to 73.5 cents last year.



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, Northland Community and Technical College, Highway 1 East, Thief River Falls , MN 56701 Phone 218-683-8747



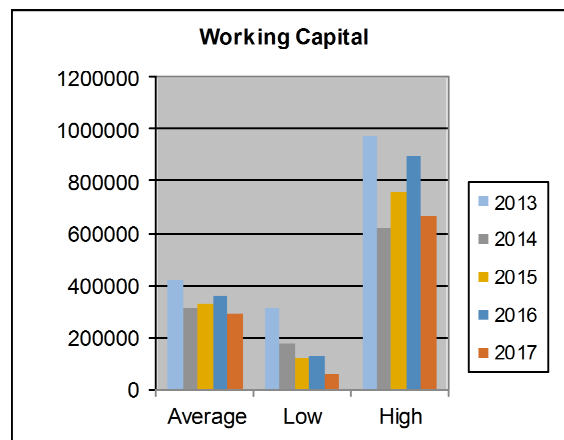


FBM Programs of ND
And Minnesota

NORTH DAKOTA AND MINNESOTA FARM BUSINESS MANAGEMENT

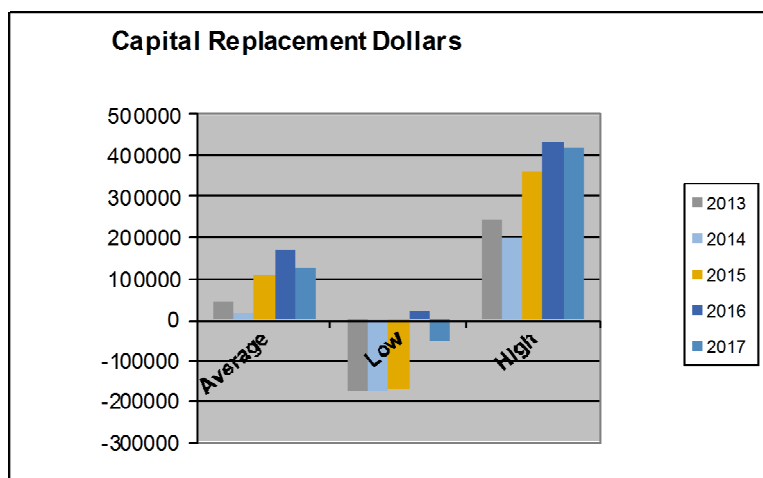
Check out our Website for a listing
of program location and additional
information

www.ndfarmmanagement.com



Check out our Website for a
listing of program location
and additional information

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.

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.

