

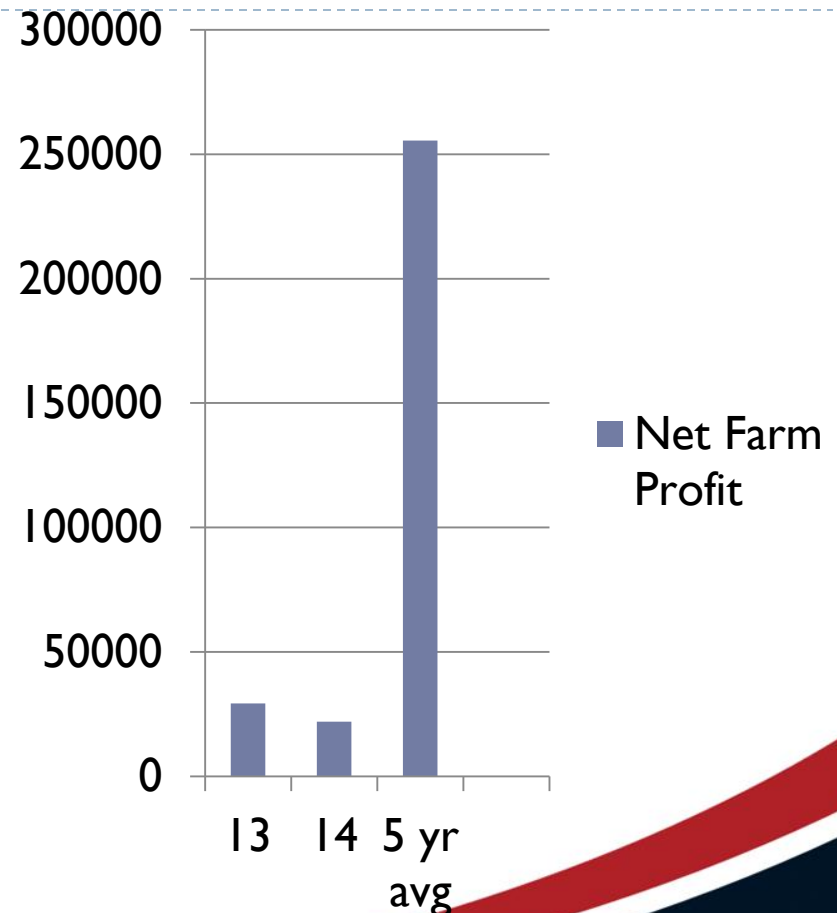
2014 Moorhead Averages and Comparisons

Presented by: Josh Tjosaas and Ron Dvergsten, Northland College FBM-Moorhead

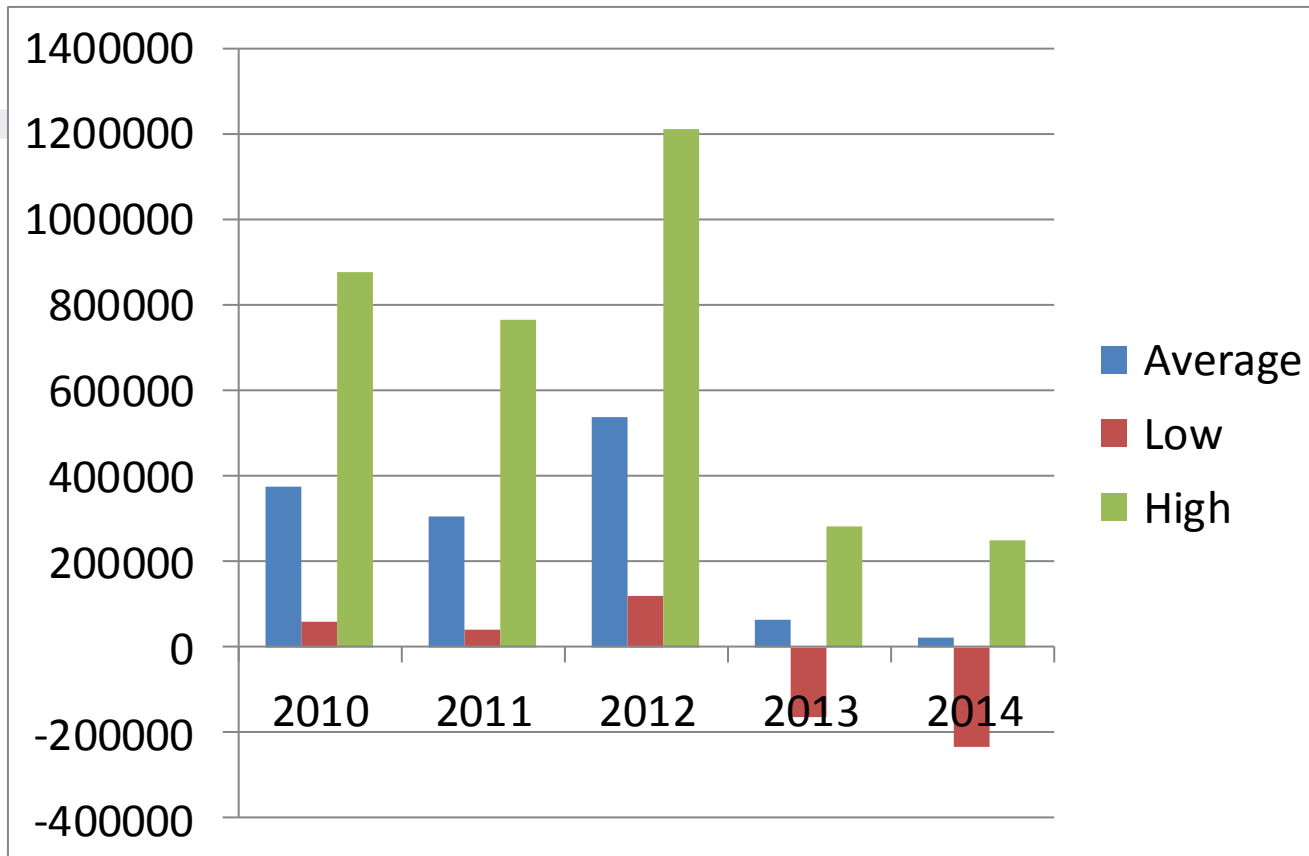
Another low net farm profit year!

- ▶ Net Farm Income or Profit
(Net Cash Income + Inventory Changes - Depreciation) per farm was **\$21,990 (12,723-V1y)** (**State Average \$95,000**) down **91%** from 5 year average of **\$255,553**.
- ▶ Reasons-Lower Sale prices of 2013 inventory, highest historical direct/overhead expenses and significantly lower sale prices for 2014.

Net Farm Profit

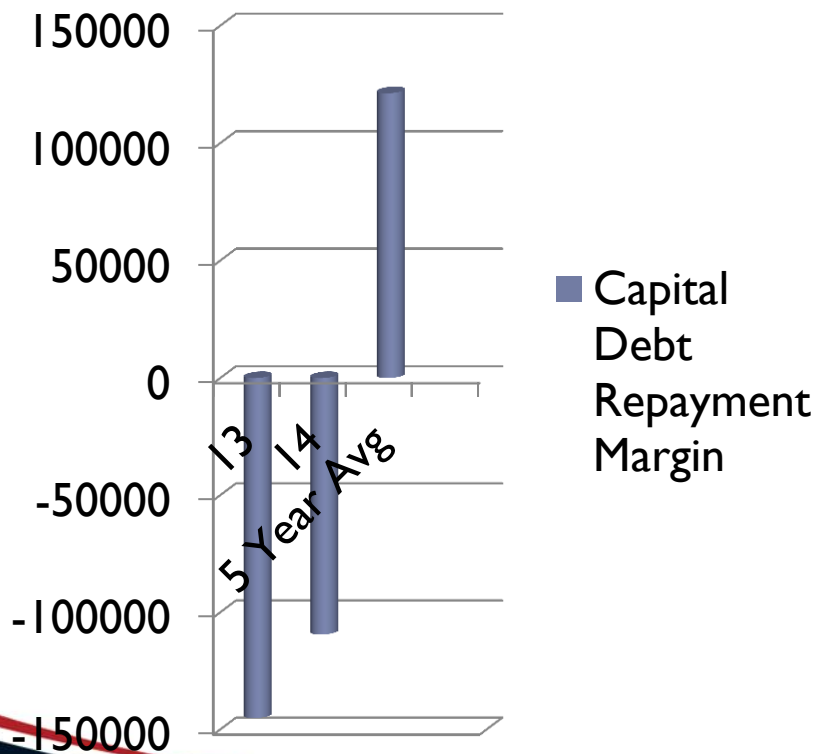


Net Farm Income (Profit) By Year (Before Living and Taxes)



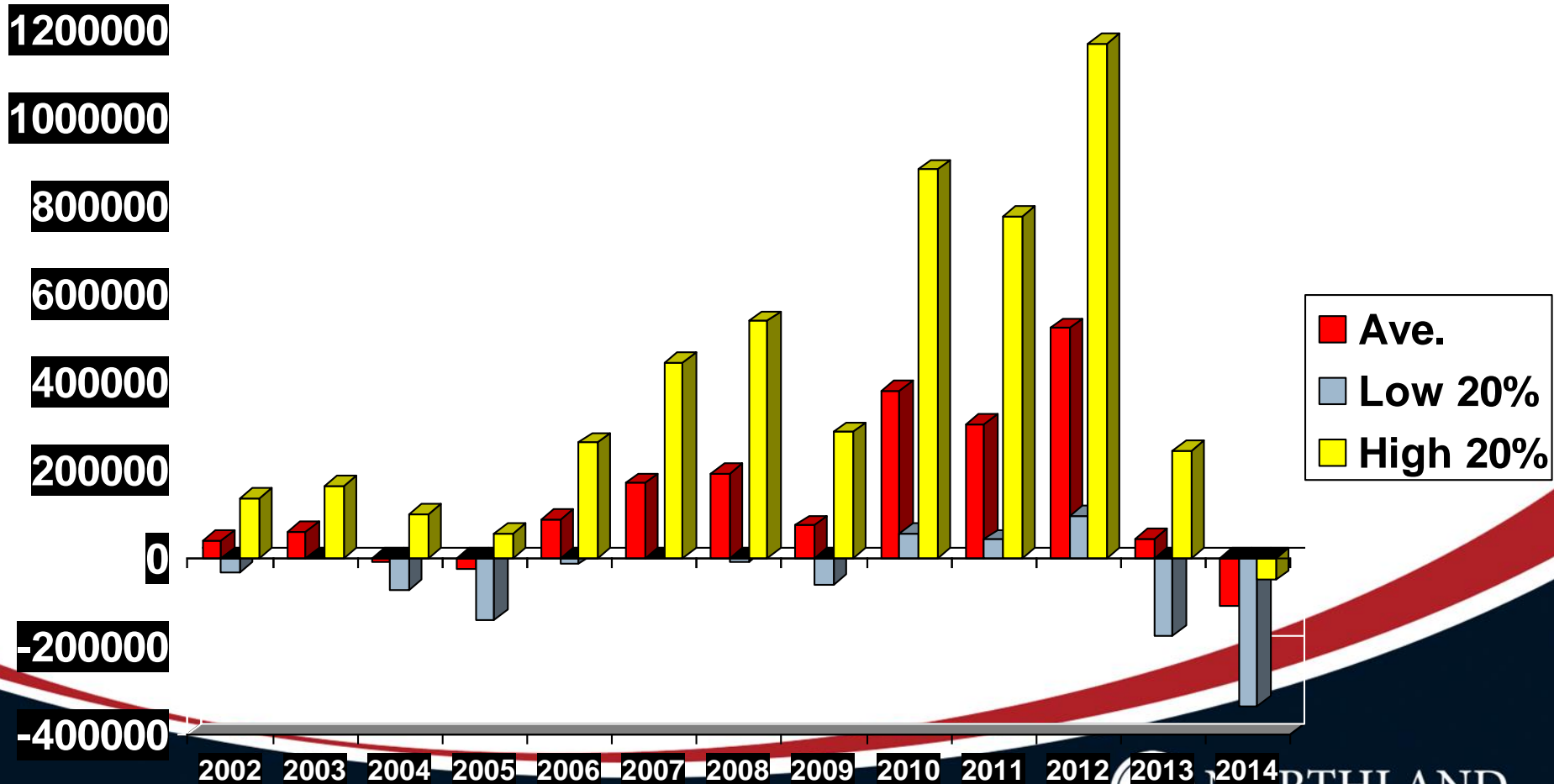
Similar to last year

Capital Debt Repayment Margin

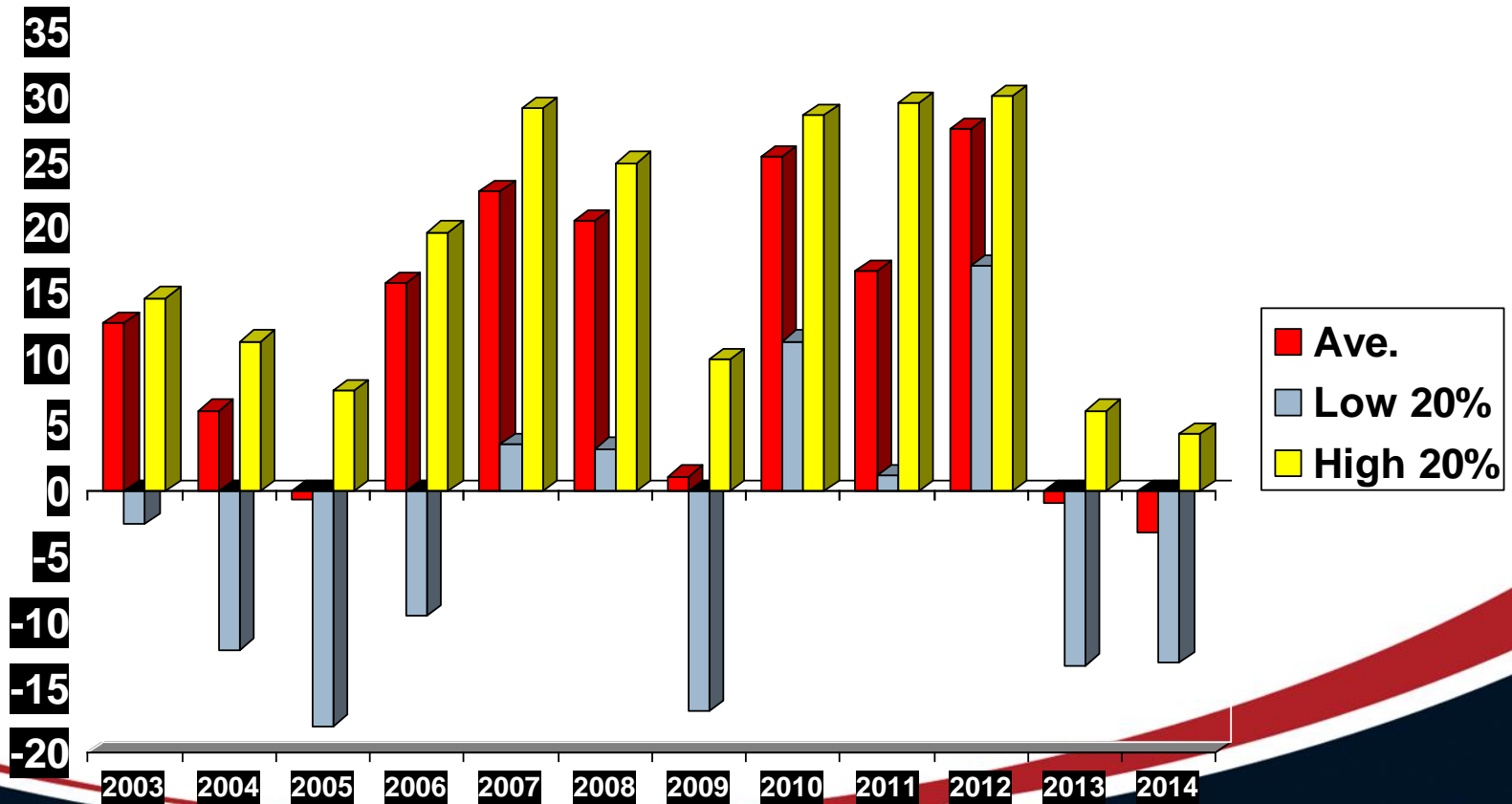


- ▶ Capital Debt Repayment Margin-Money left after paying all expenses to reinvest in the business was **\$-109,434** (-104,607 Valley)
- ▶ This was second negative CDRM since 2009 the 5 year average is now **\$121,265**.

Capital Replacement Dollars/Year decreased for each group



Rate of Return on Equity/Year (Cost)



Burn Rate versus Working Capital

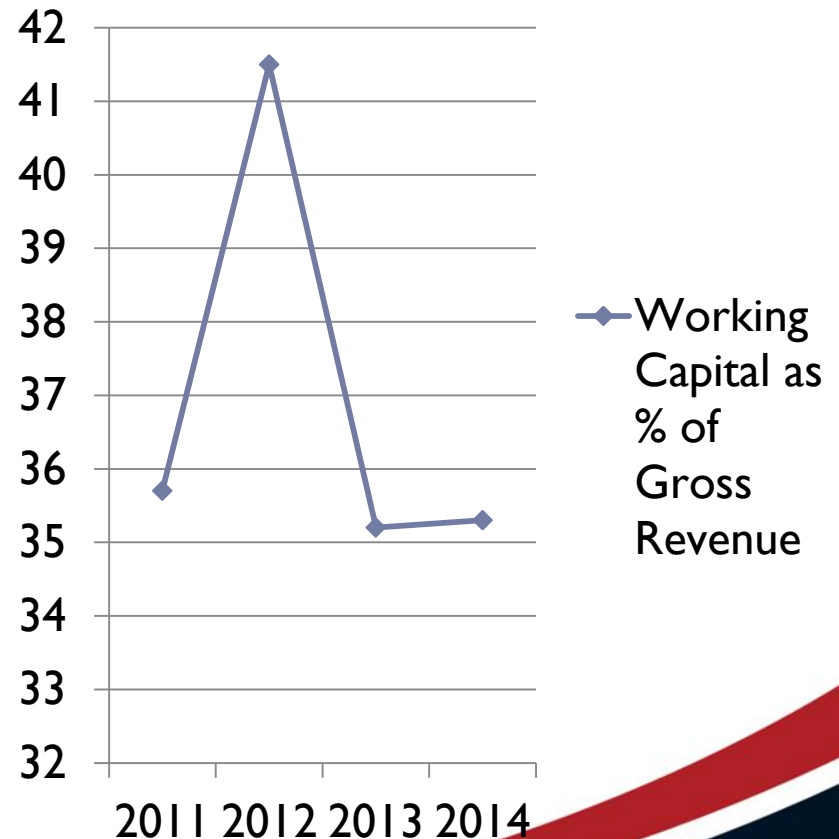
- ▶ Working capital as a percentage of gross revenue

was **35.3% (33.4% Vly)**

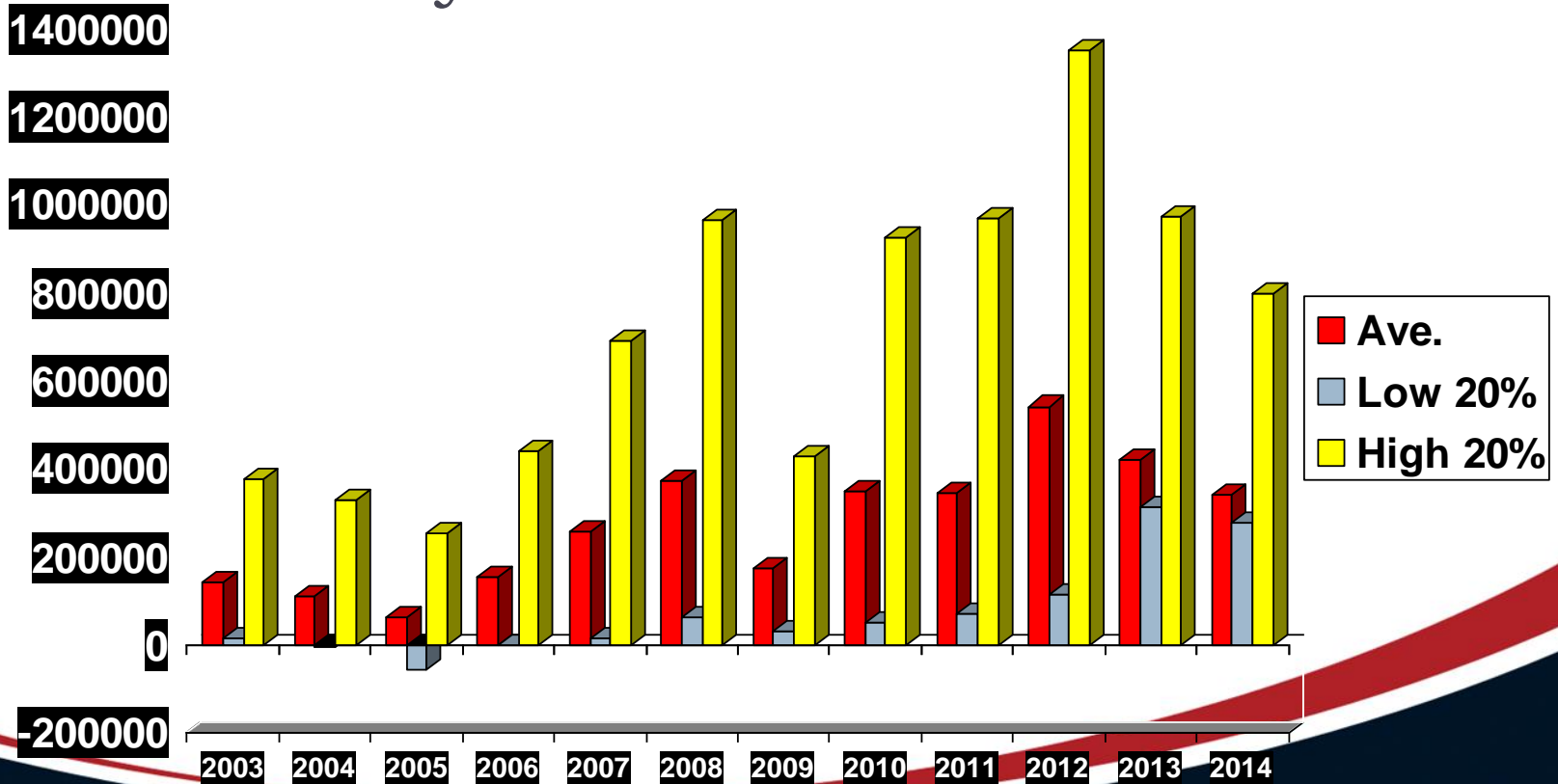
which still gives good financial support for unknown future prices/production, it was **4.3%** lower than 5 year average.

- ▶ Rates of return on assets
- ▶ **(-0.5%), (-0.8% Valley)** and Rate of return on equity
- ▶ **(-3.2%) (-3.4% Valley)** are

Working Capital as % of Gross Revenue

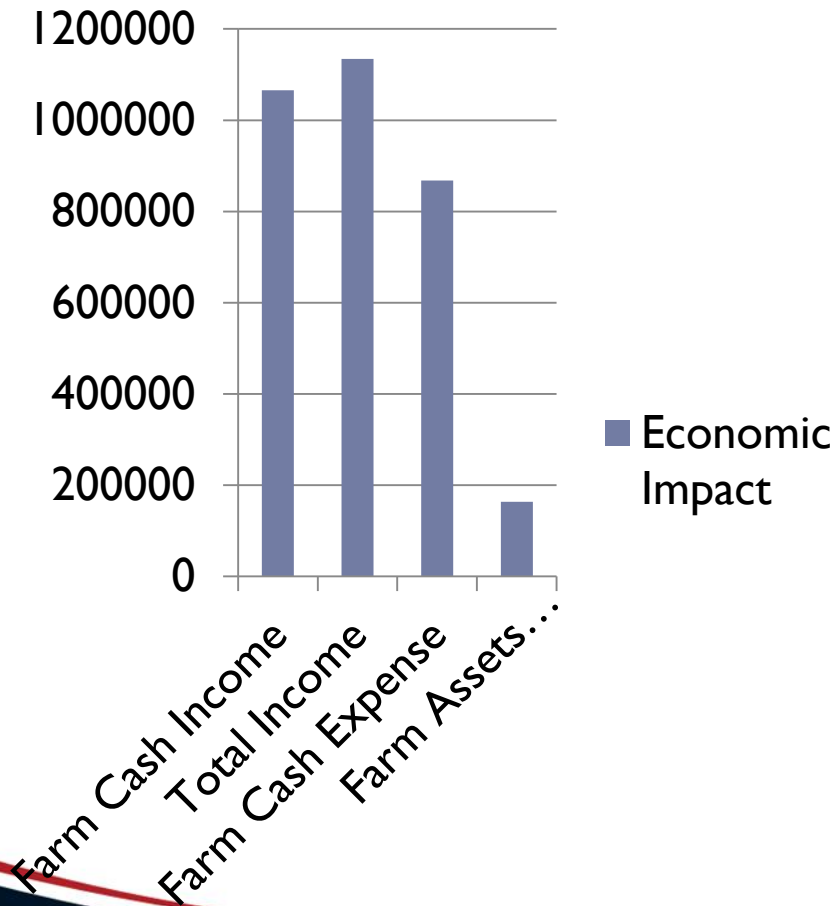


Average Working Capital decreased by \$3,049 and the low 20% increased due some high profit farms slipping into the low 20% this year



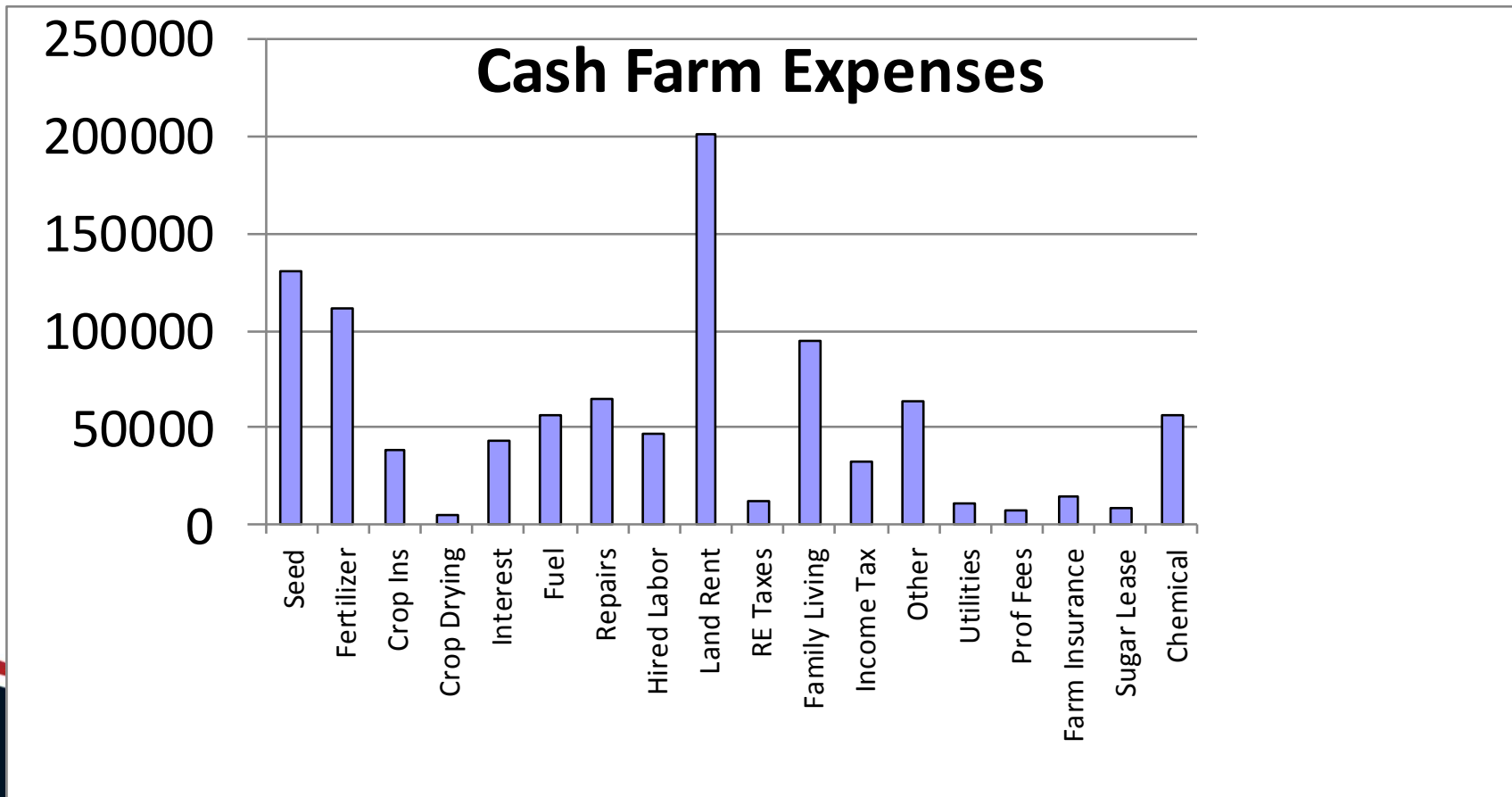
Economic Impact of Moorhead FBM Farms

Economic Impact



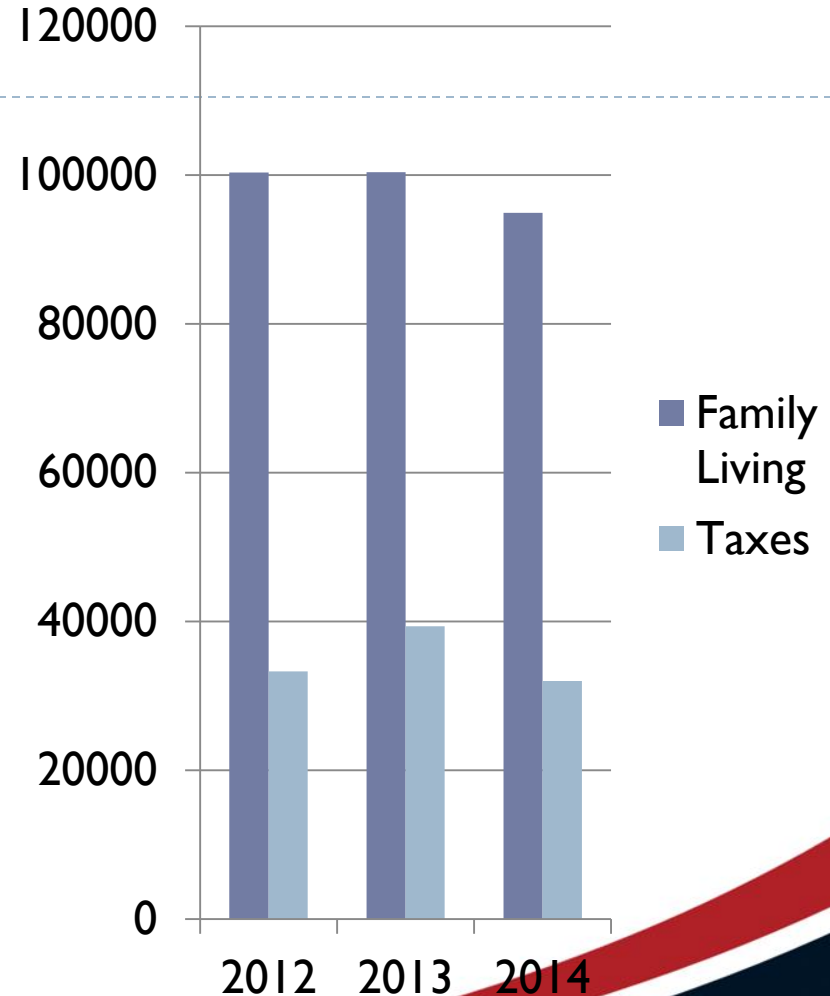
- ▶ Out of the 62 Farms analyzed, number are average per farm:
- ▶ Farm Cash Income : **\$1,065,268**
- ▶ Total Income: **\$1,134,296**
- ▶ Farm Cash Expense: **\$867,564**
- ▶ Farm Assets Purchased: **\$163,795**

How the \$994,457 was spent including family living and income taxes. The three largest expense are seed, fertilizer and rent.

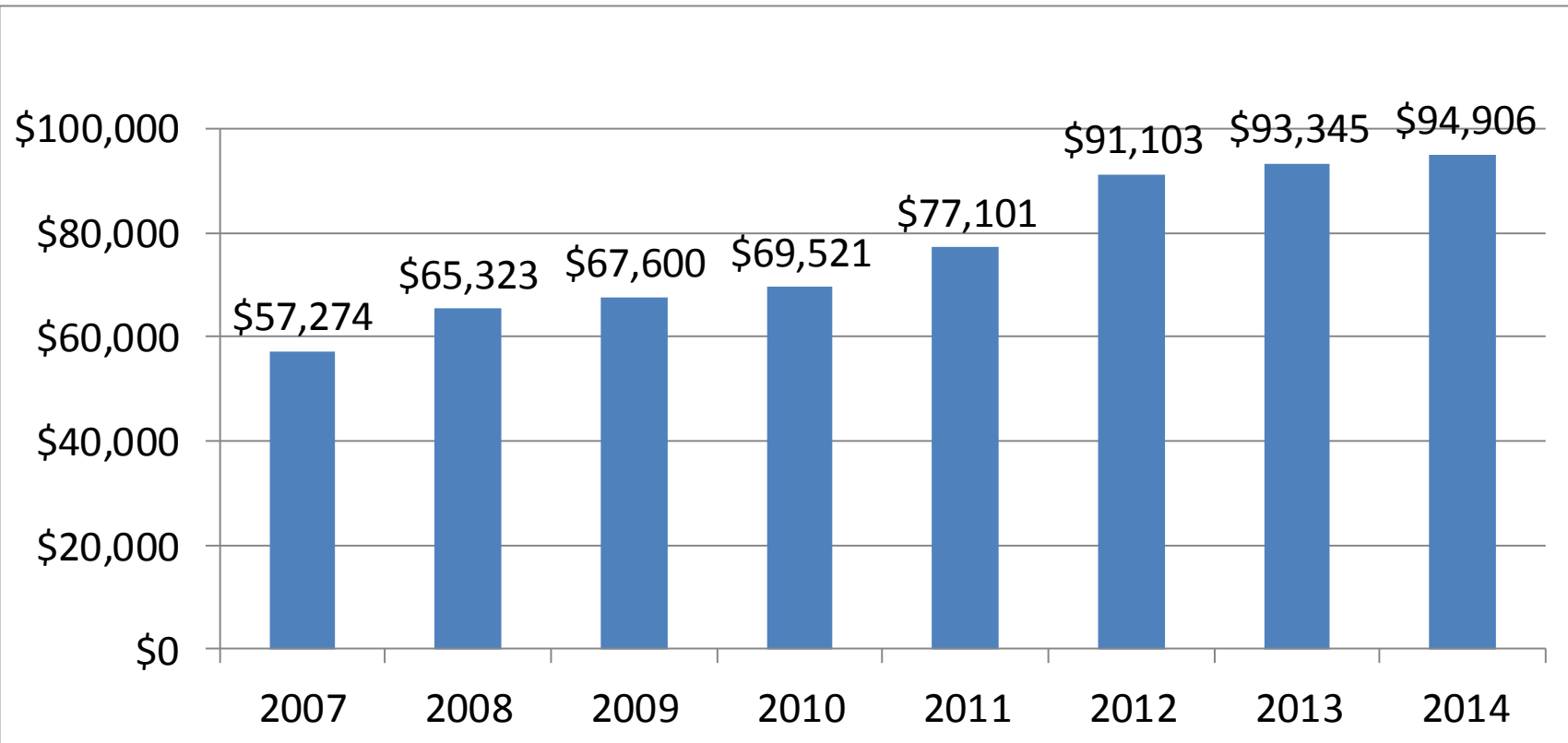


Economic Impact of Moorhead FBM Farms

- ▶ Family Living and Income Taxes Paid: \$126,893, lower due to taxes paid in 2014, FL slightly lower.
- ▶ Dollars spent in area on all expenses: \$1,184,463 (Total \$73,436,706)
- ▶ Inventory Change:
- ▶ **-\$97,707**



Apparent Family Living



Economic Impact of Moorhead FBM Farms



- ▶ Money borrowed:
\$639,741
- ▶ Principal Payments:
\$642,904

Economic Impact of Moorhead FBM Farms

Farm Financial Scorecard

	This Year	5-Year Ave	Strong	Vulnerable
Liquidity				
Current ratio	1.72	1.97	1.7	1.1
Working capital	\$342,136	\$433,860		
Working cap to gross revenue	35.3%	36.9%	25%	10%
Solvency (market)	Note: These solvency ratios include deferred liabilities			
Farm debt/asset ratio	39%	35%	30%	60%
Farm equity/asset ratio	61%	65%	70%	40%
Farm debt/equity ratio	0.65	0.56	0.43	1.50
Profitability (Cost)				
Rate of return on farm assets	-0.5%	9.0%	8%	4%
Rate of return on farm equity	-3.2%	12.5%	10%	3%

Economic Impact of Moorhead Farms

Profitability (Cost)

Rate of return on farm assets	-0.5%	9.0%	8%	4%
Rate of return on farm equity	-3.2%	12.5%	10%	3%
Operating profit margin	-1.5%	15.9%	25%	15%
Net farm income	\$21,990	\$253,553		
EBITDA	\$142,377	\$355,830		
Repayment Capacity (Accrual)				
Capital debt repay capacity	\$14,361	\$230,429		
Capital debt repay margin	-\$109,434	\$121,265		
Replacement margin	-\$151,424	\$92,034		
Term-debt coverage ratio	0.12	2.28	1.50	1.20
Replacement margin ratio	0.09	1.82	1.40	1.10

Economic Impact of Moorhead Farms

Financial Efficiency					
Asset-turnover rate (market)	33.6%	47.2%	45%	30%	
Operating-expense ratio	85.3%	71.3%	60%	80%	
Depreciation-expense ratio	8.8%	6.2%	5%	15%	
Interest-expense ratio	4.4%	3.6%	5%	10%	
Net farm income ratio	2.3%	19.6%	20%	10%	

Developed by: University of Vermont Extension and Center for Farm Financial Mgt, University of Minnesota

Updated by: Greg Tullis, Farm Business Mgt Program, Northland College

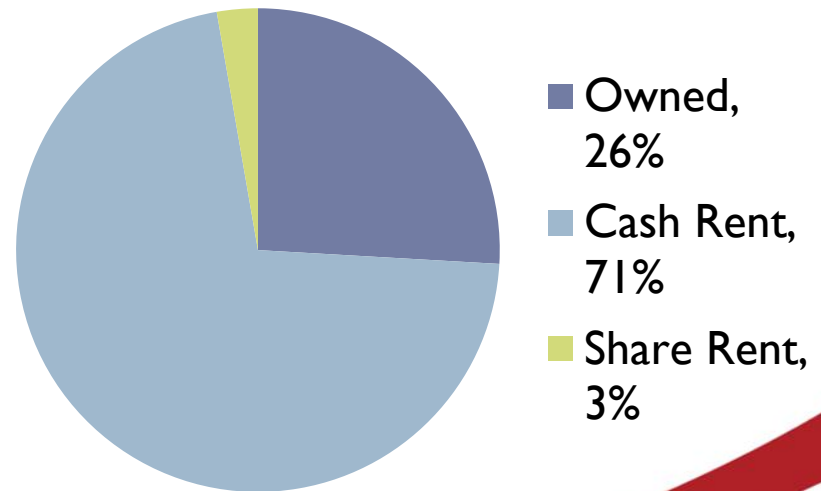
Conclusions about the ratios

- ▶ 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.

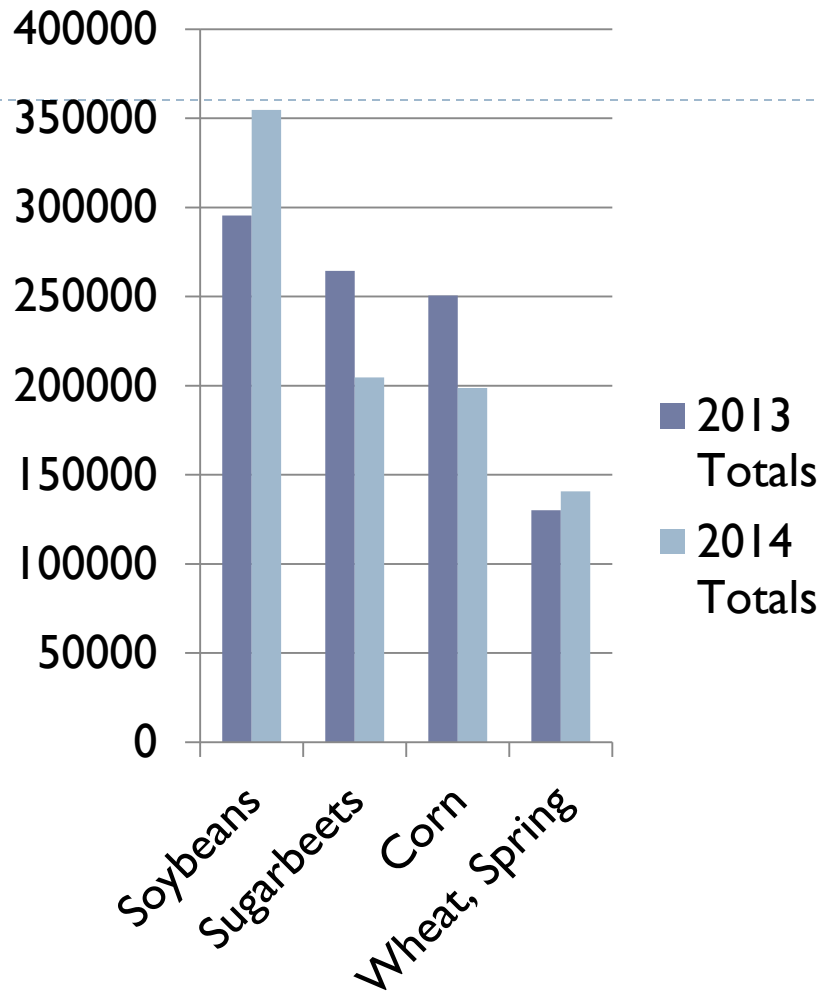
Whole Farm Data

- ▶ **62** Farms completed the FINAN, mostly in Clay and Norman counties, (Valley had 231 Farms)
- ▶ Average farmer age was **47.7** with **24.9** years of farming. (Valley was 47.6 and 24.2 years)
- ▶ Average acres was **1,794** with **484** owned, **1,333** cash rented and **51** share rented.
- ▶ Valley #'s (1,576 Total, 389 own, 1141 Rent, 49 share)

Crop Acres



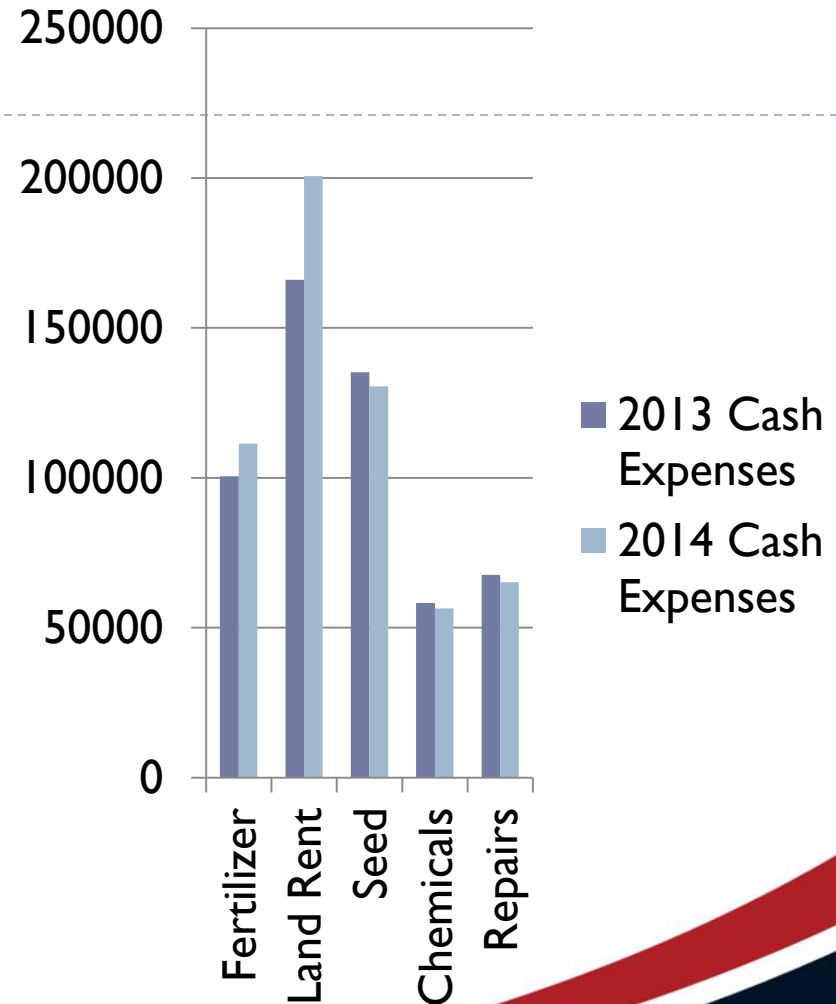
Whole Farm Data



- ▶ **Average Crop Income:**
Doesn't include inventory value of crops
- ▶ **Soybeans- \$354,644** up **20.0%** from 2013 (**\$295,539**).
- ▶ **Sugarbeets-\$204,625** down **22.6%** from (**\$264,324**) in 2013.
- ▶ **Corn- \$198,756** down **20.7%** from 2013 (**\$250,578**).

Whole Farm Data

- ▶ Wheat- **\$140,778** up **8.2%** from 2012 (**\$130,160**).
- ▶ Average Crop Expenses-Includes prepaids for 2015!
- ▶ Land Rent-**\$200,671** up **20.9%** from 2013 (**\$166,047**)
- ▶ Seed-**\$130,552** down **3.5%** from 2013 (**\$135,254**)



Whole Farm Data

- ▶ Fertilizer- **\$111,387** up **10.8%** from 2013 (**\$100,503**)
- ▶ Repairs-**\$65,143** down **3.6%** from 2013 (**\$67,594**)
- ▶ Chemicals-**\$56,455** down **3.0%** from 2013 (**\$58,198**).

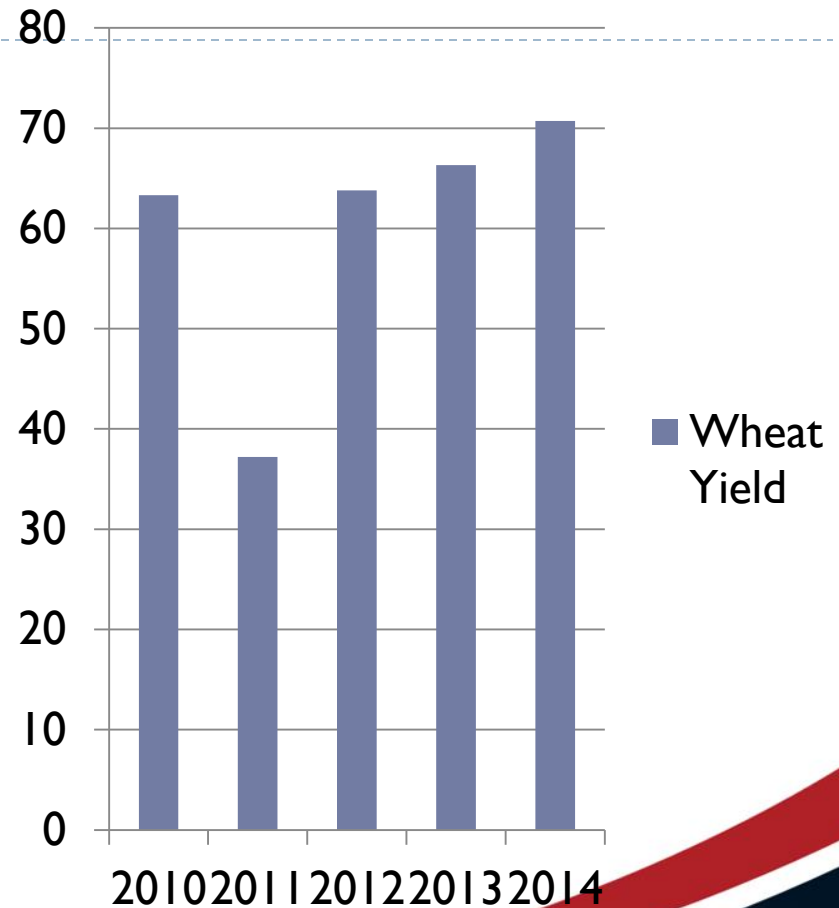
Comparison to Valley

- ▶ **Income:** Soybeans is #1 in crop income (\$279,050), followed by Corn (\$232,410), Sugarbeets (\$160,778) then Spring Wheat (\$119,619).
- ▶ **Expenses:** Land Rent is #1 at \$165,720 followed by Seed (\$115,505), Fertilizer (\$112,281), Repairs(\$65,901) and Chemicals(\$55,622).

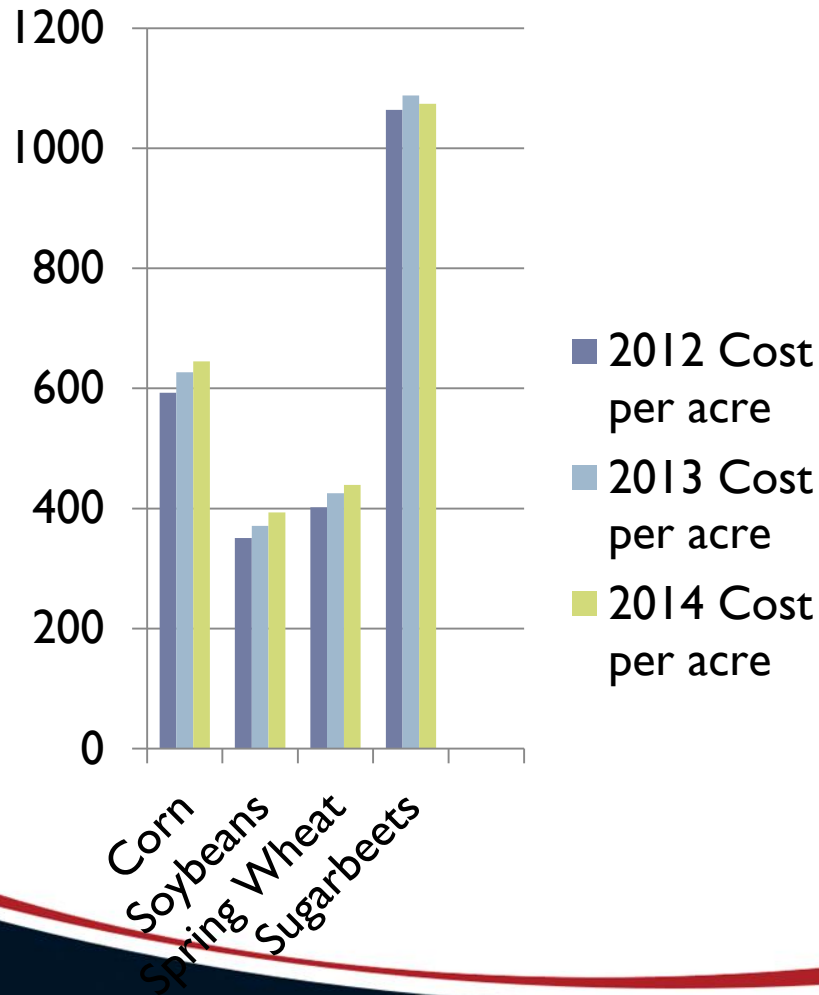
Production Data

- ▶ Average Crop Yields in 2014
(Valley #)-Great Yields!!
- ▶ Corn- **139.78** bu/acre
(131.21)
- ▶ Soybeans- **40.27** bu/acre
(37.67)
- ▶ Sugarbeets- **22.56** ton/acre
(22.89)
- ▶ Wheat, Spring- **70.73**
bu/acre (66.14)

Wheat Yield

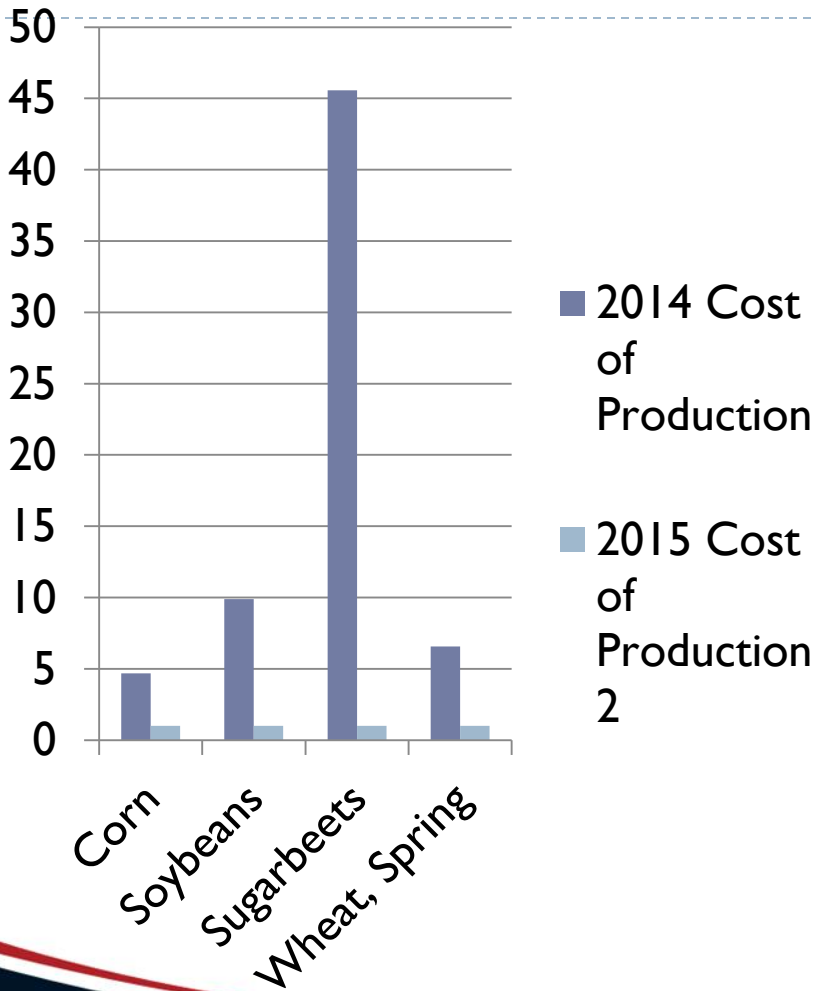


Production Data



- ▶ Total costs per acre and per bushel-does not include principal payments or personal draw-All are 5 year highs except Sugarbeet.
- ▶ Corn- **\$644.96** and **\$4.61**
- ▶ Soybeans- **\$393.39** and **\$9.77**
- ▶ Sugarbeets-**\$1,073.95** and **\$47.60**
- ▶ Wheat, Spring-**\$438.94** and **\$6.21**

Production Data



- ▶ 2015 Cost of Production Projections-include Family Living, Principal Payments, Operating Interest vs 2014.
- ▶ Corn- **\$4.40** vs **\$4.68** (**\$3.29-\$5.52**)
- ▶ Soybeans- **\$9.39** vs **\$9.88** (**\$6.81-\$12.17**)
- ▶ Sugarbeets- **\$44.38** vs **\$45.58** (**\$33.07-\$54.79**)
- ▶ Wheat, Spring- **\$6.11** vs **\$6.59** (**\$4.49-\$7.22**)

Grain Prices Recommendations

2015 Outlook-Overall Grain

Bullish Factors

- ▶ 1. Drought Concerns in US/Russia.
- ▶ 2. Fed is not raising interest rates.
- ▶ 3. Increasing demand every year-more demand for better food products/proteins

Bearish Factors

- ▶ 1. Large beginning supplies of most grains.
- ▶ 2. Large Soybean crop in S. America/Good world supplies of grains.
- ▶ 3. Strong US Dollar Index

2015 Outlook-Corn

Bullish Factors

- ▶ 1. Decrease in significant acres of corn in 2015 projected.
- ▶ 2. Dry conditions doesn't favor increase in yields or difficulty to hit trendline.
- ▶ 3. Late plantings in South may switch to other crops.
- ▶ 4. World supply is not burdensome

Bearish Factors

- ▶ 1. Still have adequate stocks.
- ▶ 2. Demand isn't growing fast enough with lower cattle/feed.
- ▶ 3. Potential change to RFS, blend wall cap.
- ▶ 4. Strong dollar
- ▶ 5. World Competition/Feed Wheat

2015 Outlook-Soybeans- Watch old crop basis widen after planting.

Bullish Factors

- ▶ 1. Increase demand from the world for US soybeans every year.
- ▶ 2. Potential dry conditions to affect yield.

Bearish Factors

- ▶ 1. Large Projected planted acres.
- ▶ 2. Even normal yield will dramatically increase ending supplies.
- ▶ 3. Current Corn/Bean Ratio favors Bean plantings.
- ▶ 4. Late corn plantings in South

2015 Outlook-Spring Wheat

Bullish Factors

- ▶ 1. Drought and winterkill in winter wheat areas US/Russia. Worse than in 2010
- ▶ 2. Only moderate supplies.
- ▶ 3. Possible switch of spring wheat to durum wheat based on current pricing.
- ▶ 4. Lower winter wheat seedings by 2 million acres.

Bearish Factors

- ▶ 1. Good world supply but feed wheat mostly.
- ▶ 2. Corn/Soybean prices will keep wheat lower.

Ron Rank Report Benchmark Report

