

North Dakota and Minnesota Farm Business Management Business Management

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2006 Red River Valley Report Summary

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Overview

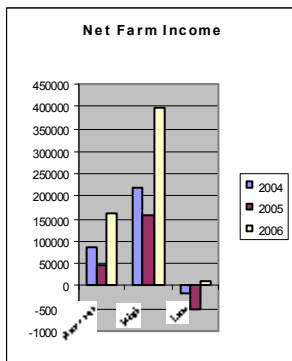
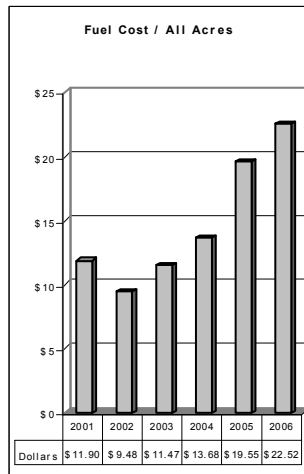
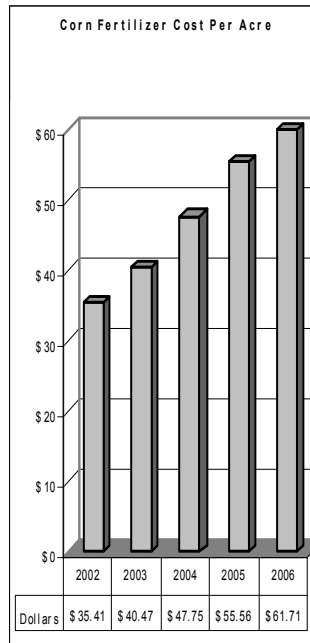
This report includes information from 241 farmers enrolled in the Farm Business Management Programs in the Red River Valley. These programs are located in North Dakota and Minnesota. In 2006, the average farmer was 44.3 years of age, has farmed for 21.3 years, and farms about 1524 acres. This average farmer spent \$508,716 in the local community.

In 2006, net farm income for the 241 farms enrolled in the FBM Programs averaged \$159,576 which was an increase

of \$115,416 from 2005.

Crop production varied greatly in 2006, but timely rains arrived for the row crops and many farmers had the best row crop harvest ever. Significant increases in crop prices also added to the profit for the year, but many farmers had a large part of their crop sold at lower prices. Farmers also felt the impact of increased energy costs.

Fertilizer Cost for Corn from 2002-2006



Where are we headed? Future Directions?

Precision agriculture
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

Alternative Energy

Non Farm Income

● Average Non Farm Income was \$16,006, which is down \$374 from last year





2006 Crop Yields and Returns

Wheat

2006 was 53 bushels compared with 42 bushels for 2005.

Return for Wheat:

Average	\$17.28
Low 20%	- \$ 43.48
High 20%	\$67.44

Fertilizer Costs for both wheat and corn would have been higher if not for fall applied fertilizer in 2004 and 2005.

The average price for Spring wheat was \$4.45

Soybeans

Average yield was 38.33 bushels per acre

Soybeans returned \$26.11 per acre.

Average return was about the same as 2005

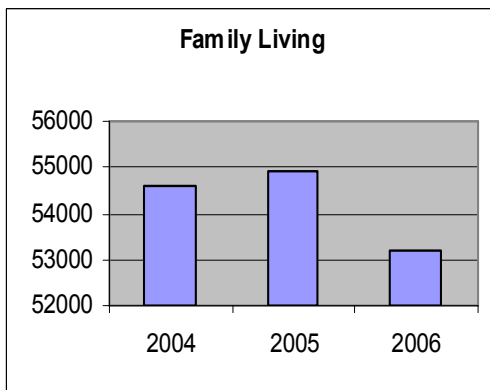
The average price for soybeans was \$5.76

Corn

2001	106 bu	\$10.10
2002	142 bu	\$60.46
2003	127 bu	\$21.84
2004	105 bu	- \$11.63
2005	145 bu	\$37.54
2006	138 bu	\$51.51

The average price for the corn for 2006 was \$2.76.

Family Living Without Income Tax



2006 Income Tax

Paid

Average Farm

\$10,995

40%-60%

\$8,179

High Profit

\$20,260



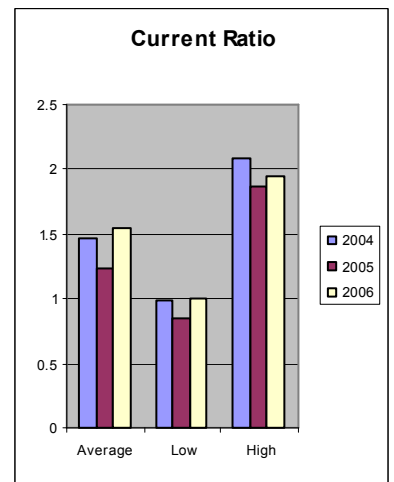
Summary of Cash Income and Expenses for 2006

Gross Farm Income:	\$604,651
Non Farm Income:	16,606
Total Cash Farm Exp	508,176
Taxes:	- 10,995
Family Living	- 53,172
Investing	- 69,480
Money Borrowed	348,160
Principal Payments	-326,323

This would leave an ending cash balance for farm and non farm of \$1271.



Current Ratio 2004-2006



Ratios

Repayment capacity measures the ability to repay term debt and to replace capital assets. This ratio for 2006 was 226% with a capital replacement margin of \$89,385.

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 47%. This means that for every dollar of Assets the farm had, they owed 47 cents of debt.

Efficiency is an area that looks at what it costs to produce a dollar of income. In 2006, the average cost was 73 cents compared with 87 cents last year.

Complete enterprise Information

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 701-328-3162.

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



For More information on the Minnesota Farm Business Management Programs Call Northland College.

1-800-959-6282 ext 1797



**FBM Programs of ND
And Minnesota**

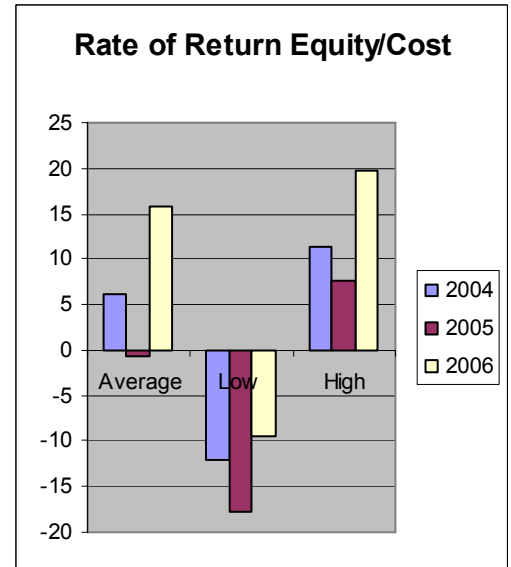
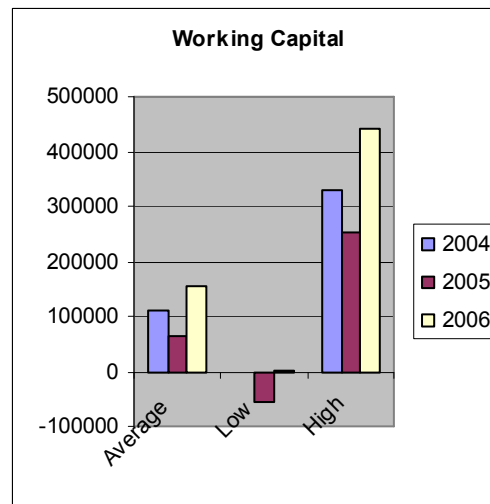
**NORTH DAKOTA AND
MINNESOTA FARM
BUSINESS MANAGEMENT
BUSINESS MANAGEMENT
EDUCATION**

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

[Www.ndfarmmanagement.com](http://www.ndfarmmanagement.com)

Minnesota Farm Business
Management Website

<http://www.mgt.org>



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 do your business stack up?
- Evaluate possible changes if needed.

Complete enterprise information can be found in the Valley Average Book on pages 29-48. 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 is a possible three tables for each crop depending on the farmer's tenure on the land. Value per unit is the market price received plus any LDP. Miscellaneous income is crop insurance and any disaster payments for the crop.

