

North Dakota and Minnesota Farm Business Management Business Management

VOLUME 1, ISSUE 1

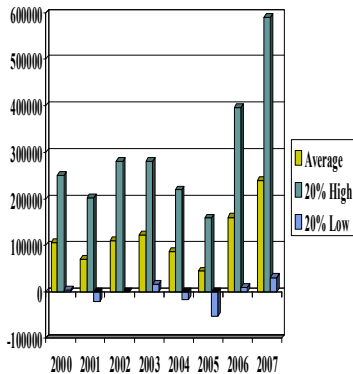
MARCH 18, 2008

2007 Red River Valley Report Summary

Overview

This report includes information from 248 farmers enrolled in the Farm Business Management Programs in the Red River Valley. These programs are located in North Dakota and Minnesota. In 2007, the average farmer was 44 years of age, has farmed for 21.2 years, and farms about 1534 acres. This average farmer spent \$602,429 in the local community.

In 2007, net farm income for the 248 farms enrolled in the FBM Programs averaged \$239,585 which was an increase of \$80,009 from 2006.



Non Farm Income

● Average Non Farm Income was \$16,637, which is up \$631 from last year



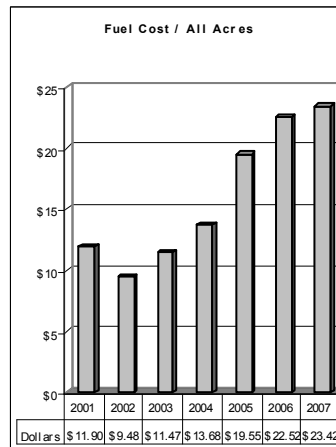
Where did this year's Net Farm Income Come From

- Higher Farm Prices
- Gain's in inventory value.
- For example, if you had 5,000 bushels of Soybeans on the beginning balance sheet that were valued @ \$6.00 and you sold them for a \$1 more, that would increase net farm income by \$5,000.
- Disaster Payments
- For many, especially in the Northern Part of the Valley, it was just a good crop
- Crop Insurance

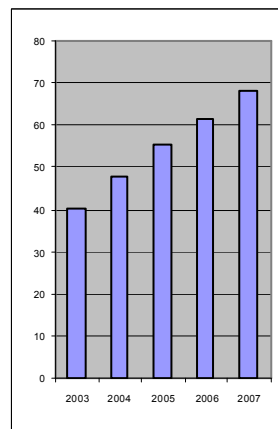
Government Payments

- 2001 \$87,206
- 2002 \$21,952
- 2003 \$48,363
- 2004 \$36,881
- 2005 \$54,301
- 2006 \$29,339
- 2007 \$26,431
- A net decrease of \$27,871 from 2005

Fuel Cost per Acre



Fertilizer Costs for Corn per acre



Inside this issue:

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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





2007 Crop Yields and Returns

Wheat

2007 was 48 bushels compared with 53 bushels for 2006.

Net Return for Wheat:

Average	\$77.99
Low 20%	- \$ 44.20
High 20%	\$198.44

Fertilizer Costs for both wheat corn, and other crops would have been higher if not for fall applied fertilizer in 2005, 2006, and 2007. This trend looks like it will continue for 2008.

The average price for spring wheat was \$6.41

Soybeans

Average yield was 36.31 bushels per acre
Soybeans returned \$113.78 per acre.

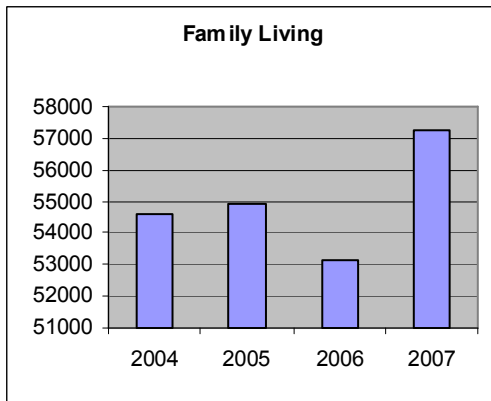
The average price for soybeans was \$8.90

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
2007	131 bu	\$140.54

The average price for corn was \$3.76.

Family Living Without Income Tax



2007 Income Tax

Paid

Average Farm

\$11,488

40%-60%

\$11,926

High Profit

\$16,326



Summary of Cash Income and Expenses for 2007



Gross Farm Income:	\$729,735
Non Farm Income:	16,637
Total Cash Farm Exp	-602,429
Taxes:	- 11,488
Family Living	- 57,274
Investing	- 126,326
Money Borrowed	377,584
Principal Payments	-328,998

This would leave an ending cash balance decrease for farm and non farm of—\$2,379



Machinery Purchased

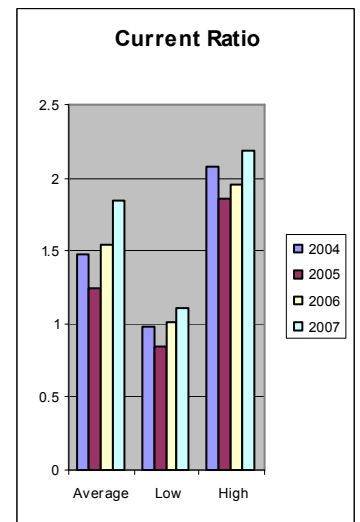
Machinery purchased for the year was \$81,723 up \$31,637 from last year

Ratios

Repayment capacity measures the ability to repay term debt and to replace capital assets. This ratio for 2007 was 340% with a capital replacement margin of \$169,593.

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 45%. This means that for every dollar of Assets the farm had, they owed 45 cents of debt.

Efficiency is an area that looks at what it costs to produce a dollar of income. In 2007, the average cost was 64 cents compared with 73 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 701-328-3162.

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**

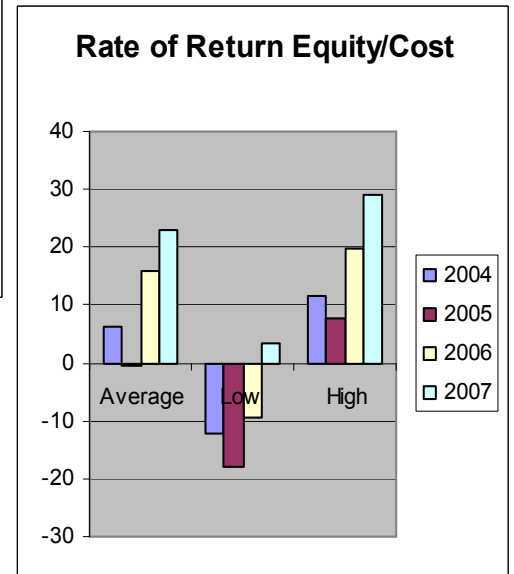
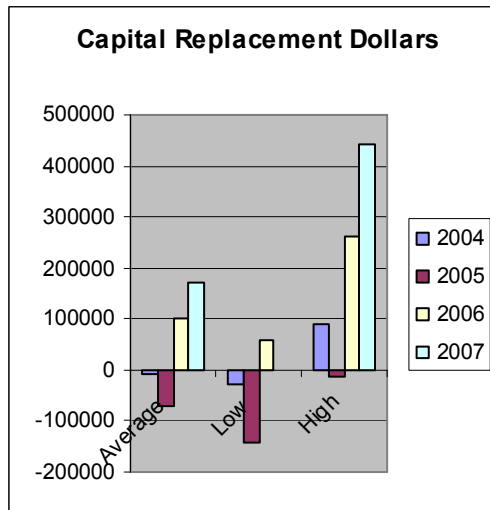
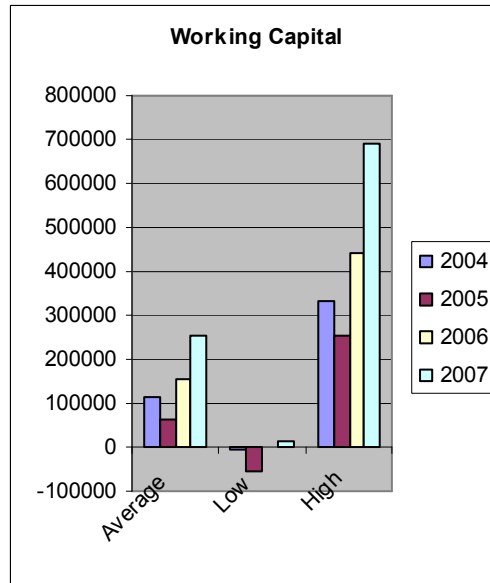
**NORTH DAKOTA AND
MINNESOTA FARM
BUSINESS MANAGEMENT
BUSINESS MANAGEMENT
EDUCATION**

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 does 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. Miscellaneous income is crop insurance and any disaster payments for the crop.