FARM INCOME STATEMENT ANALYSIS

AAE 320
Paul D. Mitchell
Goal

• Overview accounting Income Statement as it pertains to agricultural operations
• How to prepare and/or read one
• How to use one to calculate rates of return
Income Statement

• Income Statement: Record of revenues and expenses over a period of time
  • Remember: Balance Sheet is statement of assets, liabilities and equity at a point in time
• Other names for an income statement
  • Operating Statement
  • Profit and Loss Statement (P & L)
• Income = Revenue minus Costs
• Question it answers:
  Did you make money last year?
Income Statement

- Income = Revenue minus Costs
- Revenue consists of Cash Revenue and Non-Cash Revenue
- Costs consist of Cash Costs and Non-Cash Costs
Cash Revenue

• Account for all business revenue earned during the period: cash and non-cash

• **Cash Revenue**
  • Crop sales
  • Feeder livestock sales
  • Crop and Livestock product sales
  • Government program payments, including crop insurance and disaster payments

• Anything you sell!

• Will generally have a record for checks received
Non-Cash Revenue

- Will not always have records for these revenues
- **Inventory Changes** for commodities ready for sale
  - Grain, feeder livestock
  - Accrual basis: value of ending inventory minus value of beginning inventory
- **Accounts Receivable**: ending balance minus beginning balance
- **Miscellaneous**: Non-cash payments in kind, trades, custom harvest arrangements, etc.
Revenue: Special Agricultural Cases

- Gain/Loss from sale of culled breeding livestock or milk cows
  - Treat as Cash Revenue, a normal part of production process
  - Typically do not treat it as gain/loss from sale of a capital asset

- Change in value of raised breeding livestock or milk cows (calf to heifer, heifer to cow)
  - Treat the increase in value of raised livestock as an increase in revenue
  - Like inventory changes: Use the book value for each animal type, then do ending value minus beginning value for herd
Revenue: Special Agricultural Cases

• Gains or Losses on Sales of Capital Assets are treated as revenue

• Land: Selling Price minus Selling Costs
  • Revenue changes only due to price changes
  • Selling costs: often there are deferred taxes due

• Depreciable Assets: Selling Price minus “Book” Value” (value according to your depreciation schedule)
  • Revenue changes due to price changes and errors in estimating depreciation
  • This adjusts revenue for “errors” in depreciation, which are very common
Cash Expenses

• Account for all business expenses incurred during the period: cash and non-cash
• Purchased inputs: fertilizer, seed, fuel, chemicals, feeder livestock, feed, etc.
• Labor and services
• Repairs and maintenance
• Property taxes, insurance, etc.
• Everything you buy for the farm!!!
• Will generally have a record for checks written
Non-Cash Expenses

- Will not always have records for these expenses
- Depreciation
  - All capital assets (buildings, tractors, etc.)
  - Breeding livestock, milk cows, perennial crops
  - Cost of production to account for, even if you don’t pay cash
- Accounts Payable
  - Ending accounts payable balance minus beginning accounts payable balance
Prepaid Expenses

• Expenses paid in previous tax period for production during the current tax period
• Common examples: fertilizer, seed, feed etc. bought in previous tax year for this crop year
• Goal: to put expenses into the year they were used to produce crops/livestock
• Expenses for This Year = Prepaid Expense Last Year – Prepaid Expense This Year
• Main idea: put expenses into the crop year the purchased inputs are used
Accrued Expenses

- Cash interest paid
  - Add accrued interest owed
  - Subtract interest prepaid
- Property taxes paid
  - Add accrued taxes owed
  - Subtract taxes prepaid
- Income taxes owed
  - Should estimate, but very difficult
  - Do Income Statement as pre-tax income
  - Do after-tax Income Statement later after pay taxes
Income Statement

• **Main Idea**
  - Revenue – Expenses = Net Farm Income from Operations
  - Include unpaid labor & management & net gains from sale of capital assets = Net Farm Income

• Trying to separate income from production activities versus income from investment activities

• This is the general idea, many variations due to differences in the non-cash costs and non-cash revenues included
Cash Accounting and Accrual Adjustments

• Most farms use cash accounting for taxes
• Problems: Prepaid expanses and sales in following tax year are common
• Buy many inputs (seed, fertilizer, chemicals, feed, fuel) in one year, but use them the next year
• Harvest crops and livestock born/raised in one year, but sell in next year
• Tax management: buy inputs and make sales to reduce taxable income – cannot use tax accounting to determine profitability of specific enterprises
  • Do not use costs and revenue from 2017 taxes to calculate your profits from the 2017 corn crop
• Accrual Adjustments: put costs and revenues into the right year to determine profitability
Accrual Adjustment of Cash Basis Income Statement

- Accrual accounting: the business standard: GAAP
  - Accrual accounting: more accurate and useful for decision making: puts costs and revenue in the right years
- Cash accounting simple and has tax advantages
- Farms end up with two sets of accounting records if do it “right”: cash for taxes, accrual for decisions
- Farms must create cash accounting records for tax purposes, then can develop an accrual adjusted cash basis income statement from them
- Farm accountants work out the details
Simple Example to Illustrate Cash versus Accrual Accounting

• If 2017 a high revenue year, to lower 2017 taxes
  • Increase prepaid expenses: Buy more than usual inputs in 2017 for 2018 (fertilizer, seed, feed, fuel)
  • Sell 2017 grain after Dec 31, 2017 so less 2017 income
  • Just “kicks the can down the road” but eventually a low income year happens and you can “catch up”
• To calculate profits from growing corn in 2017
• Do not include revenue from corn grown in 2016 and sold in 2017, but do include revenue from corn sold in 2018 and grown in 2017
• Include costs paid in 2016 for inputs used in 2017, but not costs paid in 2017 for inputs used in 2018
Uses for Income Statement

• See if made a business had a profit or a loss, but really want to know **profitability**
• Profitability: normalize for size to see if there is efficient use of resources to produce income
• Five Measures commonly used
  • Net Farm Income from Operations
  • Net Farm Income
  • Rate of Return on Assets
  • Rate of Return on Equity
  • Operating Profit Ratio

  Should be Accrual Adjusted
Calculating Farm Income: Revenue

- You decide what non-cash sources to include and whether it’s accrual adjusted or not
  - 1) Selling things: self explanatory
  - 2) Capital Gains: Selling of capital (non-current) assets for prices different than their basis
    - Sell land for different price than original cost
    - Depreciable assets: selling for price different than remaining basis
Calculating Farm Income: Cost

1) Operating Costs: You decide what non-cash costs to include and whether to use accrual adjustments.
2) Interest: separate it out as operating expense.
   - Need to account for interest in some measures.
3) Unpaid Labor and Management: how much you “pay yourself” for labor and management.
   - Need to account for in some measures.
Net Farm Income from Operations (NFIfO)

- NFIfO = Revenue – Operating Costs – Interest
- NFIfO = Income made by farm operation
- Does not include investment income from capital asset sales: depreciation should already be included as a non-cash expense
- Does not include paying the operator/manager for time and labor
Net Farm Income (NFI)

• NFI = Revenue – Operating Costs – Interest – Unpaid Labor & Management + Capital Gains
• Income generated by farm business after paying all expenses (operation & investment activities)
• Includes net gain from sale of capital assets
• Includes paying for owner/operator’s time and management
• NFI = NFIfO – Unpaid Labor & Management + Capital Gains
NFIfO vs NFI

• A farm is a mix of different activities: labor, management, investment, financing, etc.
• NFIfO: trying to get at the crop growing and livestock part of the operation, not investment or management
• NFI: tries to get at all the farm business: pay yourself for management, plus investment earnings included
Return on Assets (ROA)

- ROA = Revenue – Operating Costs – Unpaid Labor & Mngmt + Capital Gains
- ROA = NFI + Interest
- Income generated by all Farm Assets, including investment income
- Don’t Subtract Interest
  - Interest = cost of using someone else’s money so your farm can have more assets than just what you can own with your equity
  - ROA wants to calculate income generated by all assets, yours and other people’s
- Other terms: Return to Capital
Return on Assets (ROA)

• Estimate cost of Unpaid Labor and Management
  • What it would cost to hire someone to do all the currently unpaid labor and management?
  • What would you/family make at your next best alternatives (opportunity costs)?
• Removing Unpaid Labor and Management arbitrary, but important
  • Whatever value you choose changes estimated ROA
• If ignore unpaid labor and management (many do), will get higher ROA
• Know these issues before you compare with other businesses and with market returns
Rate of Return on Assets (ROROA)

• ROA compared to size of business
  • How much income is the farm generating relative to the amount of assets used?
• ROROA = (ROA/Average Assets) x 100
• Average Assets = average of assets over the time period of the Income Statement
  • Go to Balance sheet and use average of total assets (current and non-current) at start and end of period
• Rates of return are why Balance Sheet and Income Statement go together
Rate of Return on Assets (ROROA)

- \[ \text{ROROA} = \left( \frac{\text{ROA}}{\text{Average Assets}} \right) \times 100 \]
- Average Assets = “size” of business during the accounting period
- Which basis for asset valuation: cost or market?
  - Market basis to compare farms and to compare to liquidating and getting market rates of return on financial investments
  - Use cost basis to look at your trend over years
- Compare ROROA only if done in same way, especially asset valuation
- Do not include non-farm assets and income
Return on Equity (ROE)

- ROE = Revenue – Operating Costs – Interest – Unpaid Labor and Management + Capital Gains
  - ROE = ROA – Interest
  - ROE = NFI
- Of all the income generated by the Farm Assets, the part that goes to you as holder of equity in the business
  - Return on your equity invested in the farm
Rate of Return on Equity (ROROE)

- ROROE = (ROE/Average Equity) x 100
- Average Equity = average of equity at the beginning and end of the period
  - Obtain from Balance Sheet
- Like ROROA, except use ROE, not ROA
- ROE removes Interest from ROA
  - Interest is farm income to pay for debt equity
  - Interest is the “ROE” for the bank, and the Interest Rate is roughly the bank’s “ROROE”
ROROA, ROROE and Interest Rate

- Interest the only difference between ROE and ROA.
- If Rate of Return on Assets > Interest Rate, Rate of Return on Equity > Rate of Return on Assets.
- If Rate of Return on Assets < Interest Rate, Rate of Return on Equity < Rate of Return on Assets.
- If ROROA > Interest Rate, then extra generated from use of external funds goes to increase ROROE.
Operating Profit Margin Ratio ("Profit Margin")

- Operating profit as percent of Revenue
- Operating profit = Return on Assets
- Operating Profit Margin Ratio
  \[= \frac{\text{ROA}}{\text{Total Revenue}}\]
- Of all revenue generated by the business, how much does the business keep?
- Low Profit Margin: improve ratio first (by lowering costs) before expansion
- High Profit Margin: expansion may make sense
Summary of Farm Income Definitions

- Net Farm Income from Operations (NFI\textsubscript{fO}) = Revenue – Operating Costs – Interest
- Net Farm Income (NFI) = Revenue – Operating Costs – Interest – UnpaidLaborManagement + CapGains
  - NFI = NFI\textsubscript{fO} – UnpaidLaborManagement + CapGains
- Return on Assets (ROA) = Revenue – Operating Costs – UnpaidLaborManagement + CapGains
  - ROA = NFI\textsubscript{fO} + Interest – UnpaidLaborManagement + CapGains
  - ROA = NFI + Interest
- Return on Equity (ROE) = Revenue – Operating Costs – Interest – UnpaidLaborManagement + CapGains
  - ROE = ROA – Interest
  - ROE = NFI
Farm Income: Final Comment

• When you do your accounting, or pay some one to do it, and you calculate your farm income
  • You decide how you want to deal with non-cash costs, non-cash revenues, depreciation, inventory changes, accrued expenses, prepaid expenses, accrual adjustments and unpaid labor and management costs for yourself and your family

• When you compare yourself to other farmers, know how they deal with these same things and make adjustments if the comparison is important
Summary

• How to develop an Income Statement
  • Accrual Accounting
  • Accrual Adjusted Cash Accounting
• Measures from Income Statement
  • Net Farm Income
  • Net Farm Income from Operations
  • Return on Assets and Rate of Return on Assets
  • Return on Equity and Rate of Return on Equity
  • Profit Margin
• Look at example rates and margins
• Look at example income statement
Rates of Return in Dairy

• UW Center for Dairy Profitability
  http://cdp.wisc.edu/pdf/02bench.pdf
  http://cdp.wisc.edu/Financial%20Benchmarks.htm

• Two methods
• Assets at Cost Basis with Tax Depreciation
• Assets at Market Basis with Economic Depreciation

• Does NOT include cost of unpaid labor and management or opportunity cost of owner equity
## Average Profitability in WI Dairy

### Cost Basis and Tax Depreciation

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROROA</td>
<td>4.00%</td>
<td>10.01%</td>
<td>7.91%</td>
</tr>
<tr>
<td>ROROE</td>
<td>-1.69%</td>
<td>16.15%</td>
<td>9.07%</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>4.99%</td>
<td>12.38%</td>
<td>10.25%</td>
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</table>

### Market Value and Economic Depreciation

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROROA</td>
<td>2.17%</td>
<td>5.65%</td>
<td>4.24%</td>
</tr>
<tr>
<td>ROROE</td>
<td>0.05%</td>
<td>4.82%</td>
<td>2.34%</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>5.79%</td>
<td>13.31%</td>
<td>10.52%</td>
</tr>
</tbody>
</table>
## ROROA in WI Dairy: AgFA Farms

<table>
<thead>
<tr>
<th>Year</th>
<th>ROROA</th>
<th>Year</th>
<th>ROROA</th>
<th>2002 Range of ROROA</th>
<th>Range</th>
<th>% Farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>5.57%</td>
<td>2005</td>
<td>6.77%</td>
<td></td>
<td>&lt; 0%</td>
<td>35.5%</td>
</tr>
<tr>
<td>1996</td>
<td>5.36%</td>
<td>2006</td>
<td>3.25%</td>
<td></td>
<td>0% - 2.5%</td>
<td>20.1%</td>
</tr>
<tr>
<td>1997</td>
<td>5.42%</td>
<td>2007</td>
<td>8.39%</td>
<td></td>
<td>2.5% - 5%</td>
<td>16.3%</td>
</tr>
<tr>
<td>1998</td>
<td>9.20%</td>
<td>2008</td>
<td>6.49%</td>
<td></td>
<td>5% - 7.5%</td>
<td>14.0%</td>
</tr>
<tr>
<td>1999</td>
<td>7.56%</td>
<td>2009</td>
<td>-1.65%</td>
<td></td>
<td>7.5% - 10%</td>
<td>7.1%</td>
</tr>
<tr>
<td>2000</td>
<td>4.24%</td>
<td></td>
<td></td>
<td></td>
<td>&gt; 10%</td>
<td>7.1%</td>
</tr>
<tr>
<td>2001</td>
<td>5.65%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>2.17%</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

* Assets at Market Value and Economic Depreciation
2009: A Bad Year for Dairy

- 473 AgFA farms in 2009

<table>
<thead>
<tr>
<th></th>
<th>NFI</th>
<th>ROROA</th>
<th>ROROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 40%</td>
<td>$77,098</td>
<td>3.32%</td>
<td>2.63%</td>
</tr>
<tr>
<td>The Rest</td>
<td>-$23,794</td>
<td>-7.84%</td>
<td>-2.83%</td>
</tr>
</tbody>
</table>
Even in Bad years, some farms make money

Source: http://cdp.wisc.edu/pdf/09bench.pdf
## More Recent WI Dairy Data

**250 farmers for 2014-2016**

<table>
<thead>
<tr>
<th>Herd Size</th>
<th>ROA</th>
<th>Profit Margin</th>
<th>Debt to Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50</td>
<td>0.5%</td>
<td>3.5%</td>
<td>15.6%</td>
</tr>
<tr>
<td>50-99</td>
<td>1.6%</td>
<td>8.9%</td>
<td>25.5%</td>
</tr>
<tr>
<td>100-199</td>
<td>2.4%</td>
<td>8.7%</td>
<td>45.6%</td>
</tr>
<tr>
<td>200-499</td>
<td>4.0%</td>
<td>10.6%</td>
<td>59.1%</td>
</tr>
<tr>
<td>500-999</td>
<td>4.9%</td>
<td>12.4%</td>
<td>62.0%</td>
</tr>
<tr>
<td>&gt;1,000</td>
<td>6.8%</td>
<td>13.3%</td>
<td>62.2%</td>
</tr>
<tr>
<td>All</td>
<td>2.2%</td>
<td>9.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: [https://cdp.wisc.edu/wp-content/uploads/Profitability-14_15_16-C-1.pdf](https://cdp.wisc.edu/wp-content/uploads/Profitability-14_15_16-C-1.pdf)

- Larger farms have higher ROA, but more leveraged, so means they don’t capture as much of the ROA
- Write-up does not explain asset valuation method, non-cash costs used and unpaid labor and management assumptions
# More Recent WI Dairy Data

## Distribution of ROA by Herd Size

<table>
<thead>
<tr>
<th>Herd Size</th>
<th>top 10%</th>
<th>top 25%</th>
<th>median</th>
<th>bottom 25%</th>
<th>bottom 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50</td>
<td>4.6%</td>
<td>1.9%</td>
<td>0.5%</td>
<td>-1.5%</td>
<td>-3.8%</td>
</tr>
<tr>
<td>50-99</td>
<td>9.1%</td>
<td>4.2%</td>
<td>1.6%</td>
<td>-0.6%</td>
<td>-3.2%</td>
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<tr>
<td>500-999</td>
<td>14.1%</td>
<td>9.6%</td>
<td>4.9%</td>
<td>2.0%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>&gt;1,000</td>
<td>15.4%</td>
<td>9.0%</td>
<td>6.8%</td>
<td>2.4%</td>
<td>0.4%</td>
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</tbody>
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Source: [https://cdp.wisc.edu/wp-content/uploads/Profitability-14_15_16-C-1.pdf](https://cdp.wisc.edu/wp-content/uploads/Profitability-14_15_16-C-1.pdf)

- Even in good years, some farms lose money
- Even in bad years, some farms make money
## IA 1990-1998 by Type and 2000-2006

<table>
<thead>
<tr>
<th>IA 1990-1998</th>
<th>ROROA</th>
<th>ROROE</th>
<th>Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain</td>
<td>7.3%</td>
<td>6.0%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Hog</td>
<td>7.4%</td>
<td>6.3%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Fed Beef</td>
<td>6.0%</td>
<td>4.6%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Cow-Calf</td>
<td>4.5%</td>
<td>2.6%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Dairy</td>
<td>7.6%</td>
<td>7.5%</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grain</th>
<th>7.3%</th>
<th>6.0%</th>
<th>22.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hog</td>
<td>7.4%</td>
<td>6.3%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Fed Beef</td>
<td>6.0%</td>
<td>4.6%</td>
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<tr>
<td>Dairy</td>
<td>7.6%</td>
<td>7.5%</td>
<td>21.1%</td>
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</table>

## IA 2000-2006

<table>
<thead>
<tr>
<th>IA 2000-2006</th>
<th>ROROA</th>
<th>ROROE</th>
<th>Profit Margin</th>
<th>Current Ratio</th>
<th>Debt to Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 20%</td>
<td>12.8%</td>
<td>15.1%</td>
<td>22.9%</td>
<td>3.45</td>
<td>0.41</td>
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<tr>
<td>Upper 20-40%</td>
<td>11.4%</td>
<td>12.7%</td>
<td>20.1%</td>
<td>3.44</td>
<td>0.37</td>
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<tr>
<td>Middle 20%</td>
<td>7.9%</td>
<td>8.1%</td>
<td>17.0%</td>
<td>2.50</td>
<td>0.37</td>
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<tr>
<td>Lower 20-40%</td>
<td>9.2%</td>
<td>11.5%</td>
<td>16.7%</td>
<td>1.87</td>
<td>0.36</td>
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<tr>
<td>Lowest 20%</td>
<td>4.4%</td>
<td>2.9%</td>
<td>9.0%</td>
<td>1.62</td>
<td>0.44</td>
</tr>
</tbody>
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Source: [http://www.extension.iastate.edu/Publications/FM1883.pdf](http://www.extension.iastate.edu/Publications/FM1883.pdf)
IL and MN 2004

<table>
<thead>
<tr>
<th>IL 2004</th>
<th>ROROA</th>
<th>ROROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain</td>
<td>6.2%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Hog</td>
<td>13.4%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Beef</td>
<td>2.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Dairy</td>
<td>9.6%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MN 2004</th>
<th>ROROA</th>
<th>ROROE</th>
<th>Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>8.0%</td>
<td>10.9%</td>
<td>17.6%</td>
</tr>
<tr>
<td>Top 20%</td>
<td>13.4%</td>
<td>20.8%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Btm 20%</td>
<td>-2.7%</td>
<td>-18.0%</td>
<td>-8.0%</td>
</tr>
</tbody>
</table>
Table 1. Financial Performance of Grain Farms Enrolled in Illinois Farm Business Farm Management

<table>
<thead>
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<tbody>
<tr>
<td><strong>Efficiency</strong></td>
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<tr>
<td>Operating expense ratio</td>
<td>71%</td>
<td>57%</td>
<td>55%</td>
<td>55%</td>
<td>69%</td>
<td>72%</td>
<td>81%</td>
</tr>
<tr>
<td>Depreciation expense ratio</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Interest expense ratio</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
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<tr>
<td><strong>Profitability</strong></td>
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<tr>
<td>Net income from operations</td>
<td>18%</td>
<td>33%</td>
<td>36%</td>
<td>35%</td>
<td>18%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Return on farm assets</strong></td>
<td><strong>3.4%</strong></td>
<td><strong>8.4%</strong></td>
<td><strong>9.6%</strong></td>
<td><strong>3.8%</strong></td>
<td><strong>2.6%</strong></td>
<td><strong>1.6%</strong></td>
<td><strong>-0.6%</strong></td>
</tr>
<tr>
<td><strong>Repayment Capacity</strong></td>
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<tr>
<td>Term debt and capital lease ratio</td>
<td>1.64</td>
<td>3.67</td>
<td>4.67</td>
<td>4.57</td>
<td>1.57</td>
<td>1.38</td>
<td>0.44</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td></td>
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<tr>
<td>Current ratio</td>
<td>2.31</td>
<td>2.56</td>
<td>2.73</td>
<td>3.08</td>
<td>2.59</td>
<td>2.32</td>
<td>2.05</td>
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<tr>
<td><strong>Solvency</strong></td>
<td></td>
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<tr>
<td>Debt-to-asset ratio</td>
<td>0.22</td>
<td>0.21</td>
<td>0.20</td>
<td>0.18</td>
<td>0.18</td>
<td>0.18</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Source: Illinois Farm Business Farm Management as reported in Financial Benchmarks tool on farmdoc, http://www.farmdoc.illinois.edu/finance/benchmarks.asp.
Figure 2. Net Farm Income from Operations

Avg = 23%

Source: http://farmdocdaily.illinois.edu/2016/10/financial-performance-of-illinois-grain-farms.html
Farm Accounting Programs
(from Jenny Vanderlin, UW CDP)

• AAIMS: Agricultural Accounting and Management Information System
  • UW CDP developed and CDP, UWEX supports, cheap ($150) for dairy only
• AgManager by AgriSolutions
  • General farm accounting, Farm Credit Services
• Redwing sells CenterPoint and Perception
  • More expensive, used by ag accounting firms
  • CenterPoint is newer, more for farmers
Farm Accounting Programs
(from Jenny Vanderlin, UW CDP)

• Several Others: Farm Fund$, PeachTree, QuickBooks, Quicken, MoneyWorks

• CDP and UWEX do presentations and workshops for farmers to learn more about these
  • Heart of the Farm, Annie’s Project
  • UWEX as requested
WI Farm Management Associations

• Fox Valley Farm Management
  • [http://fvfma.com/](http://fvfma.com/) in Appleton, WI with about 700 members

• Lakeshore Farm Management
  • [http://www.lakeshorefarmmanagement.com/](http://www.lakeshorefarmmanagement.com/) in Valders, WI with about 1,000 members

• Services provided to members
  1. Tax preparation, management and planning
  2. Computerized and hand record-keeping systems
  3. Scheduled "on the farm" consultations
  4. Yearly farm business summary and analysis

• Ag Lenders, UW Extension and UW CDP
More Information

- Web pages I gave with Balance Sheets
  - UWEX Center for Dairy Profitability
  - FarmDOC IL Extension
  - Center for Farm Financial Management MN Ex
  - AgDecision Maker IA Extension
- Farm Financial Standards Council
- UW CDP soon to relase FARMBENCH to replace Agriculture Financial Advisor (AgFA)
  - Other states have comparable groups