

Top Efficient

**2008
Nebraska
Farm & Ranch
Annual
Report**

**In cooperation with Nebraska Farm Business, Inc., the University of Nebraska—
Lincoln and Nebaskaland Farm & Ranch Management Education Program.**



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Table of Contents

Table of Contents

Introduction and NFBI Contact Information	1
Top Efficient Farms	
Table 1: Summary Information, 2008	2
Table 2A: Gross Cash Farm Income, 2008	3
Table 2B: Gross Cash Farm Expenses, 2008	4
Table 3A: Inventory Changes & Depreciation, 2008	5
Table 3B: Inventory Changes & Depreciation, 2008 (cont.)	6
Table 4: Profitability Analysis at Cost Value, 2008	7
Table 5: Profitability Analysis at Market Value, 2008	7
Table 6: Liquidity Repayment Capacity Measures, 2008	8
Table 7: Balance Sheet - Cost Value, 2008	9-10
Table 8: Balance Sheet - Market Value, 2008	11-12
Table 9: Statement of Cash Flows, 2008	13
Table 10: Financial Guidelines, 2008	14
Table 11: Household and Personal Expenses, 2008	15
Table 12: Operator Information & Non-Farm Summary, 2008	16
Table 13: Crop Production, Marketing & Labor Summary, 2008	17
Crop Enterprise Reports	18
Table 14: Irrigated Corn on All Tenure Types, 2008	19
Table 15: Irrigated Corn on Owned Land, 2008	20
Table 16: Irrigated Corn on Cash Rented Land, 2008	21
Table 17: Irrigated Corn on Share Rented Land, 2008	22
Table 18: Dryland Corn on All Tenure Types, 2008	23
Table 19: Dryland Corn on Owned Land, 2008	24
Table 20: Dryland Corn on Cash Rented Land, 2008	25
Table 21: Dryland Corn on Share Rented Land, 2008	26
Table 22: Irrigated Soybeans on All Tenure Types, 2008	27
Table 23: Irrigated Soybeans on Owned Land, 2008	28
Table 24: Irrigated Soybeans on Share Rented Land, 2008	29
Table 25: Dryland Soybeans on All Tenure Types, 2008	30
Table 26: Dryland Soybeans on Owned Land, 2008	31
Table 27: Dryland Soybeans on Cash Rented Land, 2008	32
Table 28: Dryland Soybeans on Share Rented Land, 2008	33
Top Efficient Farms - 2000 thru 2008 Trend Data	
Table 29: Gross Farm Income Trend	34
Table 30: Net Farm Income Trend	35
Table 31: Net Farm Income as a % of Gross Trend	36
Table 32: Operating Expense Ratio Trend	37
Table 33: Interest Expense Ratio Trend	38
Table 34: Family Living Expense Trend	39
Table 35: Net Worth Trend	40
Table 36: Corn Price Received Trend	41
Table 37: Dryland Corn Yield Comparison Trend	42
Farm Financial Ratios and Guidelines	43-45

Introduction

In 2004, we modified a study of farms in Nebraska that started as an effort to answer if a small farm could really survive in today's economy. We found that not only could a small farm survive, it could also out perform the average's profitability. Knowing that efficiency wasn't only attainable by small operations, we expanded that study to include any size operation that was consistently efficient.

To select these "efficient" farms, we gathered all the operations that attained a Net Farm Income Ratio of greater than 20% for a three year period. The Net Farm Income Ratio shows what percent of gross income is retained as net income or how many cents of each dollar brought in that is kept.

Here are a few observations about the data for these efficient farms:

1. Due to the calculation of the Net Farm Income Ratio, there is not a large representation of livestock operations, especially those in a purchased feeder operation. This does not mean that you can not be efficient if you are a livestock operation, but that we were unable to make equivalent numerical comparisons with those operations.
2. The farms are spread across the state and are consistent with the versatility of all the farms included.
3. Starting in 2005, we added enterprise information to look more closely at just how these farms maintain the efficiency level. This per acre information is much easier to compare "apples to apples"
4. One difference that has been obvious from the beginning is the amount of debt carried by these operations. This difference is another one highlighted by the enterprise analysis.

We hope you find value in this study and can use the information presented to help your operation or ones that you work with. These farms are showing that bigger is not always better and that a very good income can be made from much less work and management.

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Table 1: Top Efficient - Summary Information, 2008

Farm Income

Gross Cash Farm Income	\$698,400
Inventory Change - Income Items	123,972
Gross Revenue	\$822,372
Cash Farm Operating Expenses	\$427,744
Interest Expense	20,153
Depreciation	57,995
Total Farm Expense	\$505,892

Net Accrual Farm Income From Operations

\$316,480

Net Worth Change

Net Farm Income From Operations	(+)	\$316,480
Personal Income	(+)	74,737
Family Living/Owner Withdrawals	(-)	60,665
Income & Social Security Tax	(-)	36,140
Market Value Adjustment	(+)	68,056

Earned Net Worth Change

(=) \$226,356

Ending Net Worth *

\$2,073,949

*Please note land values are not adjusted so the Net Worth reported is a true, earned net worth.

Farm Financial Standards Measures

	<u>Beginning</u>	<u>Ending</u>
<u>Liquidity</u>		
Current Ratio	4.85	6.81
Working Capital	\$429,654	\$582,065
Working Capital to Gross Income		72.5%
<u>Solvency (Market)</u>		
Debt to Asset Ratio	19%	17%
Debt to Equity Ratio	23%	20%
<u>Profitability (Cost)</u>		
Rate of Return on Assets		21.0%
Rate of Return on Equity		25.0%
Operating Profit Margin		38.2%
EBIDTA		395,123
<u>Efficiency</u>		
Asset Turnover Rate (Cost)		55.2%
Operating Expense Ratio		50.8%
Depreciation Ratio		7.2%
Interest Expense Ratio		2.5%
Net Farm Income Ratio		39.6%

Repayment Capacity

Replacement Margin	306,411
Term Debt Coverage Ratio	10.79%
Replacement Coverage Ratio	7.21%

Table 2A: Top Efficient - Gross Cash Farm Income, 2008

	Average Of 20 Farms	Average Of Low 33%	Average Of High 33%
Crop Income			
Corn	266,632	139,017	353,355
Seed Corn	139,689	30,276	250,064
Soybeans	207,444	142,390	299,788
Wheat	6,964	804	3,494
Hay Crops	2,595	6,796	1,116
Grain Sorghum	285	949	0
White Corn	0	0	0
Sugar Beets	0	0	0
Great Northern Beans	0	0	0
Miscellaneous Crop Income	2,598	0	5,951
Total Crop Income	\$626,207	\$320,232	\$913,768
Livestock and Product Income			
Beef Finishing	1,492	4,974	0
Beef Calves	9,418	6,334	5,899
Background Beef	1,395	0	3,371
Farrow-to-Finish, Hogs	4,235	14,116	0
Finish Feeder Pigs	0	0	0
Dairy, Milk	0	0	0
Cull Breeding Livestock	2,632	3,356	2,679
Contract Livestock Income	0	0	0
Miscellaneous Livestock Income	0	0	0
Total Livestock Income	\$19,172	\$28,780	\$11,949
Other Farm Income			
LDP Payments	0	0	0
Direct & CC Gov't Payments	23,761	12,218	36,594
CRP & Other Gov't Payments	2,749	1,314	3,860
Custom Work	5,249	3,019	2,116
Patronage Dividends, Cash	2,872	1,298	2,824
Insurance Income	8,552	1,497	10,419
Other Miscellaneous Farm Income	9,838	5,438	9,662
Total Other Farm Income	\$53,021	\$24,784	\$65,475
Gross Cash Farm Income	\$698,400	\$373,796	\$991,192

Table 2B: Top Efficient - Gross Cash Farm Expenses, 2008

	Average Of 20 Farms	Average Of Low 33%	Average Of High 33%
Crop Expense			
Seed	52,107	40,433	66,051
Fertilizer	55,935	36,408	68,908
Crop Chemicals	45,192	18,905	76,780
Crop Custom Hire	14,847	2,502	27,260
Crop Insurance	18,527	10,701	32,030
Drying Fuel & Storage	20,596	1,821	10,592
Irrigation Energy	15,294	6,519	25,543
Irrigation Repairs	2,711	1,002	3,152
Crop Marketing	831	446	1,248
Crop Miscellaneous	2,827	71	2,592
CCC Buyback	1,795	0	5,127
Total Crop Expense	\$230,662	\$118,808	\$319,283
Livestock Expense			
Feeder Livestock Purchases	1,518	412	3,984
Purchased Feed	5,776	10,627	1,885
Breeding Fees	466	1,552	0
Veterinary	863	1,333	197
Livestock Supplies	388	1,235	-79
Livestock Repairs	311	50	614
Livestock Leases	417	1,390	0
Grazing Fees	1,629	2,701	0
Livestock Marketing	0	0	0
Livestock Custom Hire	453	690	398
Total Livestock Expense	\$11,821	\$19,990	\$6,999
Other Farm Expense			
Interest	20,153	9,537	37,753
Fuel and Oil	33,660	15,220	48,385
Repairs	41,819	25,165	64,732
Custom Hire	8,414	12,278	3,217
Hired Labor	16,339	1,414	26,456
Land Rent	46,143	13,170	68,038
Machinery and Building Lease	1,633	1,148	3,516
Real Estate Taxes	14,398	8,248	16,872
Personal Property Taxes	1,855	648	2,598
Farm Insurance	7,613	4,782	6,649
Utilities	5,412	6,457	5,443
Dues and Professional Fees	3,406	1,766	3,855
Miscellaneous	4,569	3,210	6,181
Total Other Cash Farm Expense	\$205,414	\$103,043	\$293,695
Total Cash Operating Expense	\$447,897	\$241,841	\$619,977
Summary			
Gross Cash Farm Income (Table 2A)	\$698,400	\$373,796	\$991,192
- Total Cash Operating Expense	\$447,897	\$241,841	\$619,977
Net Cash Farm Income	\$250,503	\$131,955	\$371,215

Table 3A: Top Efficient - Inventory Changes & Depreciation, 2008

	Average Of <u>20 Farms</u>	Average Of <u>Low 33%</u>	Average Of <u>High 33%</u>
Net Cash Farm Income	\$250,503	\$131,955	\$371,215
Crops and Feed			
Ending Inventory	502,523	297,176	771,553
Beginning Inventory	422,534	341,834	531,537
Inventory Change	79,989	-44,658	240,016
Market Livestock			
Ending Inventory	7,825	8,489	2,148
Beginning Inventory	8,759	8,385	1,874
Inventory Change	-934	104	274
Accounts Receivable			
Ending Inventory	24,466	2,350	33,993
Beginning Inventory	5,750	7,761	0
Inventory Change	18,716	-5,411	33,993
Prepaid Expenses and Supplies			
Ending Inventory	48,447	26,291	63,413
Beginning Inventory	22,764	11,462	33,038
Inventory Change	25,683	14,829	30,375
Hedging Activities			
Ending Inventory	7,546	4,790	6,734
Withdrawals	12,736	11,167	16,103
Beginning Inventory	5,000	2,779	3,240
Deposits	10,215	6,404	12,840
Gain or Loss	5,067	6,774	6,757
Other Current Assets			
Ending Inventory	972	0	1,974
Beginning Inventory	1,290	827	2,264
Inventory Change	-318	-827	-290
Breeding Livestock			
Ending Inventory	5,932	2,748	9,017
Capital Sales	3,723	933	9,838
Beginning Inventory	5,912	6,353	5,668
Capital Purchases	5,013	1,277	11,045
Depreciation & Capital Adjustments	-1,270	-3,949	2,142
Other Capital Assets			
Ending Inventory	25,600	20,588	23,046
Capital Sales	2,759	0	7,883
Beginning Inventory	23,411	19,693	19,881
Capital Purchases	1,538	0	3,357
Depreciation & Capital Adjustments	3,410	895	7,691

Table 3B: Top Efficient - Inventory Changes & Depreciation, 2008 (cont.)

	<u>Average Of 20 Farms</u>	<u>Average Of Low 33%</u>	<u>Average Of High 33%</u>
Accounts Payable			
Beginning Inventory	7,886	0	20,426
Ending Inventory	13,763	0	36,619
Inventory Change	-5,877	0	-16,193
Accrued Interest			
Beginning Inventory	8,435	3,776	17,266
Ending Inventory	8,929	2,614	20,050
Inventory Change	-494	1,162	-2,784
Total Inventory Change	123,972	-31,081	301,981
Net Operating Profit	374,475	100,874	673,196
Machinery and Equipment			
Ending Inventory	155,570	40,083	284,780
Capital Sales	1,475	0	4,158
Beginning Inventory	121,911	34,808	196,490
Capital Purchases	84,151	31,536	160,704
Depreciation & Capital Adjustments	-49,017	-26,261	-68,256
Titled Vehicles			
Ending Inventory	9,530	1,143	20,636
Capital Sales	0	0	0
Beginning Inventory	8,363	2,775	18,206
Capital Purchases	6,183	2,425	9,373
Depreciation & Capital Adjustments	-5,016	-4,057	-6,943
Buildings and Improvements			
Ending Inventory	39,633	18,365	81,070
Capital Sales	0	0	0
Beginning Inventory	35,373	20,799	64,731
Capital Purchases	8,222	833	22,092
Depreciation & Capital Adjustments	-3,962	-3,267	-5,753
Total Depreciation & Capital Adjustments	-\$57,995	-\$33,585	-\$80,952
Net Farm Income from Operations	\$316,480	\$67,289	\$592,244
Gain or Loss on Capital Sales	\$1,471	\$1,903	\$2,571
Net Farm Income	\$317,951	\$69,192	\$594,815

Table 4: Top Efficient - Profitability Analysis At Cost Value, 2008

	Average Of 20 Farms	Average Of Low 33 %	Average Of High 33%
Profitability (Valued at Cost)			
Net Farm Income From Operations	\$316,480	\$67,289	\$592,244
Rate of Return on Assets	21.0%	4.4%	30.2%
Rate of Return on Equity	25.0%	4.0%	38.1%
Operating Profit Margin	38.2%	12.1%	47.1%
Asset Turnover Rate	55.2%	36.2%	64.0%
Farm Interest Expense	\$20,647	\$8,376	\$40,537
Value of Operator Labor & Mgt.	\$33,500	\$37,333	\$31,714
Return on Farm Assets	\$303,629	\$38,334	\$601,066
Average Farm Assets	\$1,442,600	\$871,195	\$1,992,936
Return on Farm Equity	\$282,982	\$29,958	\$560,529
Average Farm Equity	\$1,130,158	\$745,933	\$1,472,832
Value of Farm Production	\$795,765	\$315,685	\$1,275,905

Table 5: Top Efficient - Profitability Analysis At Market Value, 2008

	Average Of 20 Farms	Average Of Low 33 %	Average Of High 33 %
Profitability (Valued at Market)			
Net Farm Income From Operations	\$338,175	\$79,234	\$618,671
Rate of Return on Assets	18.3%	4.6%	26.1%
Rate of Return on Equity	20.7%	4.4%	31.2%
Operating Profit Margin	40.9%	15.9%	49.2%
Asset Turnover Rate	44.7%	29.1%	53.1%
Farm Interest Expense	\$20,647	\$8,376	\$40,537
Value of Operator Labor & Mgt.	\$33,500	\$37,333	\$31,714
Return on Farm Assets	\$325,322	\$50,277	\$627,494
Average Farm Assets	\$1,780,780	\$1,086,430	\$2,401,787
Return on Farm Equity	\$304,675	\$41,901	\$586,957
Average Farm Equity	\$1,468,338	\$961,167	\$1,881,683
Value of Farm Production	\$795,765	\$315,685	\$1,275,905

Table 6: Top Efficient - Liquidity & Repayment Capacity Measures, 2008

	Average of 20 Farms	Average Of Low 33%	Average Of High 33%
Liquidity			
Current Ratio	6.81	18.55	5.03
Working Capital	582,065	391,898	836,474
Working Capital to Gross Inc.	72.5%	119.9%	65.3%
Current Assets	682,286	414,224	1,044,269
Current Liabilities	100,220	22,326	207,795
Gross Revenues (Accrual)	\$803,059	\$326,724	\$1,281,774
Repayment Capacity			
Net Farm Income From Operations	\$316,480	\$67,289	\$592,244
Depreciation (+)	57,995	33,585	80,952
Personal Income (+)	74,737	17,799	169,951
Family Living/Owner Withdrawals (-)	60,665	43,583	79,755
Payments on Personal Debt (-)	2,048	0	5,850
Income Taxes Paid (-)	36,140	20,305	50,866
Interest on Term Debt (+)	5,355	7,791	19,979
Capital Debt Repayment Capacity (=)	\$355,714	\$62,576	\$726,655
Scheduled Term Debt Payments (-)	32,965	14,871	62,942
Capital Debt Repayment Margin (=)	\$322,749	\$47,705	\$663,713
Cash Replacement Allowance (-)	16,341	14,599	19,997
Replacement Margin (=)	\$306,408	\$33,106	\$643,716
Term Debt Coverage Ratio	10.79	4.21	11.54
Replacement Coverage Ratio	7.21	2.12	8.76



Table 7A: Balance Sheet - Assets at Cost Value, 2008

	Average Of 20 Farms		Average of Low 33%		Average of High 33%	
	Beginning	Ending	Beginning	Ending	Beginning	Ending
Current Farm Assets						
Cash and Checking Accounts	57,240	82,139	44,735	69,233	80,938	153,161
Prepaid Expenses & Supplies	22,764	48,447	11,462	26,292	33,038	63,413
Growing Crops	652	556	0	0	1,150	1,000
Accounts Receivable	5,750	24,466	7,761	2,350	0	33,993
Hedging Accounts	5,000	7,546	2,779	4,790	3,240	6,734
Crops Held for Sale or Feed	416,323	508,733	335,939	303,070	520,244	782,846
Crops Under Government Loan	24,153	2,156	24,505	0	39,043	0
Market Livestock Held for Sale	8,759	7,825	8,385	8,489	1,874	2,148
Other Current Assets	638	416	827	0	1,114	974
Total Current Farm Assets	\$541,279	\$682,284	\$436,393	\$414,224	\$680,641	\$1,044,269
Intermediate Farm Assets						
Breeding Livestock	5,912	5,932	6,353	2,748	5,668	9,017
Machinery and Equipment	121,911	155,570	34,808	40,083	196,490	284,780
Titled Vehicles	8,363	9,530	2,775	1,143	18,206	20,636
Other Intermediate Assets	22,942	25,082	19,693	20,588	18,542	21,564
Total Intermediate Farm Assets	\$159,128	\$196,114	\$63,629	\$64,562	\$238,906	\$335,997
Long Term Farm Assets						
Farm Land	586,718	653,258	368,569	368,569	723,079	830,814
Buildings and Improvements	35,373	39,633	20,799	18,365	64,731	81,070
Other Long Term Assets	469	519	0	0	1,339	1,482
Total Long Term Farm Assets	\$622,560	\$693,410	\$389,368	\$386,934	\$789,149	\$913,366
Total Farm Assets	\$1,322,967	\$1,571,808	\$889,390	\$865,720	\$1,708,696	\$2,293,632
Non-Farm Assets	515,858	505,746	382,602	387,011	712,293	796,911
Total Farm & Non-Farm Assets	\$1,838,825	\$2,077,554	\$1,271,992	\$1,252,731	\$2,420,989	\$3,090,543



Table 7B: Balance Sheet - Liabilities at Cost Value, 2008

	Average Of 20 Farms		Average Of Low 33%		Average Of High 33%	
	Beginning	Ending	Beginning	Ending	Beginning	Ending
Current Farm Liabilities						
Accrued Interest	8,456	8,929	3,818	2,614	17,291	20,050
Accounts Payable	7,886	13,763	0	0	20,426	36,619
Current Notes	56,729	50,743	24,000	12,540	105,642	100,711
Government Crop Loans	10,944	1,104	12,675	0	16,433	0
Principle Due on Term Debt	27,610	25,681	7,080	7,172	42,963	50,415
Total Current Farm Liabilities	\$111,625	\$100,220	\$47,573	\$22,326	\$202,755	\$207,795
Intermediate Farm Liabilities	\$68,327	\$73,561	\$6,133	\$2,303	\$96,019	\$129,160
Long Term Farm Liabilities	\$130,599	\$150,129	\$95,490	\$89,418	\$192,892	\$228,046
Total Farm Liabilities	\$310,551	\$323,910	\$149,196	\$114,047	\$491,666	\$565,001
Non-Farm Liabilities	34,488	33,239	37,585	40,317	63,869	59,895
Total Deferred Liabilities	N/A	N/A	N/A	N/A	N/A	N/A
Total Farm & Non-Farm Liabilities	\$345,039	\$357,149	\$186,781	\$154,364	\$555,535	\$624,896
Net Worth (Farm and Non-Farm)	\$1,493,786	\$1,720,405	\$1,085,211	\$1,098,367	\$1,865,454	\$2,465,647
Net Worth Change (Cost Value)	\$226,619		\$13,156		\$600,193	

Graph of Table 7B
Average Farm & Non-Farm Debt, 2000-2008

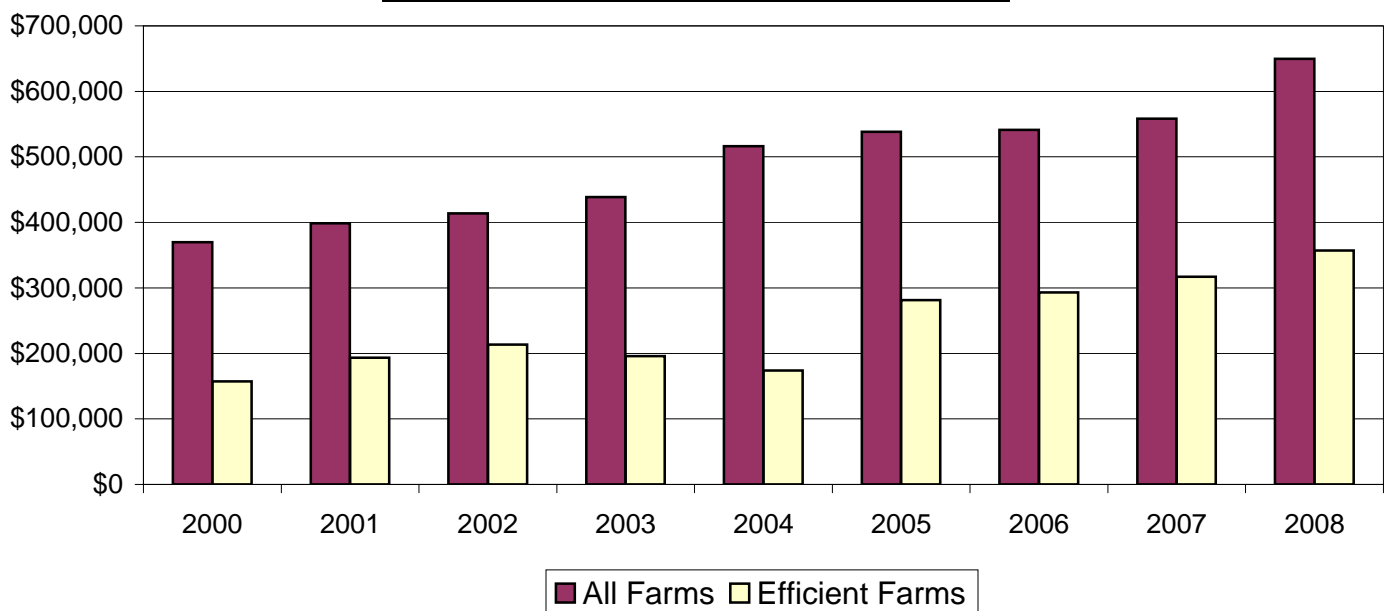


Table 8A: Balance Sheet - Assets at Market Value, 2008

	Average Of 20 Farms		Average Of Low 33%		Average Of High 33%	
	Beginning	Ending	Beginning	Ending	Beginning	Ending
Current Farm Assets						
Cash and Checking Balance	57,240	82,139	44,735	69,233	80,938	153,161
Prepaid Expenses & Supplies	22,764	48,447	11,462	26,291	33,038	63,413
Growing Crops	652	556	0	0	1,150	1,000
Accounts Receivable	5,750	24,466	7,761	2,350	0	33,993
Hedging Accounts	5,000	7,546	2,779	4,790	3,240	6,734
Crops Held for Sale or Feed	416,323	508,733	335,939	303,070	520,244	782,846
Crops Under Government Loan	24,153	2,156	24,505	0	39,043	0
Market Livestock Held for Sale	8,759	7,825	8,385	8,489	1,874	2,148
Other Current Assets	638	416	827	0	1,114	974
Total Current Farm Assets	\$541,279	\$682,284	\$436,393	\$414,223	\$680,641	\$1,044,269
Intermediate Farm Assets						
Breeding Livestock	15,738	16,374	18,200	19,158	12,257	13,000
Machinery and Equipment	272,253	322,156	157,483	165,546	375,951	487,524
Titled Vehicles	15,127	19,869	16,643	19,487	21,429	29,950
Other Intermediate Assets	22,948	25,082	19,693	20,588	18,558	21,564
Total Intermediate Farm Assets	\$326,066	\$383,481	\$212,019	\$224,779	\$428,195	\$552,038
Long Term Farm Assets						
Farm Land	708,292	774,833	392,850	392,850	890,505	998,240
Buildings and Improvements	74,194	79,719	57,389	55,072	103,653	119,668
Other Long Term Assets	469	519	0	0	1,339	1,482
Total Long Term Farm Assets	\$782,955	\$855,071	\$450,239	\$447,922	\$995,497	\$1,119,390
Total Farm Assets	\$1,650,300	\$1,920,836	\$1,098,651	\$1,086,924	\$2,104,333	\$2,715,697
Non-Farm Assets	542,332	510,262	398,044	402,697	766,807	788,480
Total Farm & Non-Farm Assets	\$2,192,632	\$2,431,098	\$1,496,695	\$1,489,621	\$2,871,140	\$3,504,177



Table 8B: Balance Sheet - Liabilities at Market Value, 2008

	Average Of 20 Farms		Average Of Low 33%		Average Of High 33%	
	Beginning	Ending	Beginning	Ending	Beginning	Ending
Current Farm Liabilities						
Accrued Interest	8,456	8,929	3,818	2,614	17,291	20,050
Accounts Payable	7,886	13,763	0	0	20,426	36,619
Current Notes	56,729	50,743	24,000	12,540	105,642	100,711
Government Crop Loans	10,944	1,104	12,675	0	16,433	0
Principle Due on Term Debt	27,610	25,681	7,080	7,172	42,963	50,415
Total Current Farm Liabilities	\$111,625	\$100,220	\$47,573	\$22,326	\$202,755	\$207,795
Intermediate Farm Liabilities	\$68,327	\$73,561	\$6,133	\$2,303	\$96,019	\$129,160
Long Term Farm Liabilities	\$130,599	\$150,129	\$95,490	\$89,418	\$192,892	\$228,046
Total Farm Liabilities	\$310,551	\$323,910	\$149,196	\$114,047	\$491,666	\$565,001
Non-Farm Liabilities	34,488	33,239	37,585	40,317	63,869	59,895
Total Deferred Liabilities	N/A	N/A	N/A	N/A	N/A	N/A
Total Farm & Non-Farm Liabilities	345,039	357,149	186,781	154,364	555,535	624,896
Net Worth (Farm and Non-Farm)	\$1,847,593	\$2,073,949	\$1,309,914	\$1,335,257	\$2,315,605	\$2,879,281
Net Worth Change (Market Value)		\$226,356		\$25,343		\$563,676

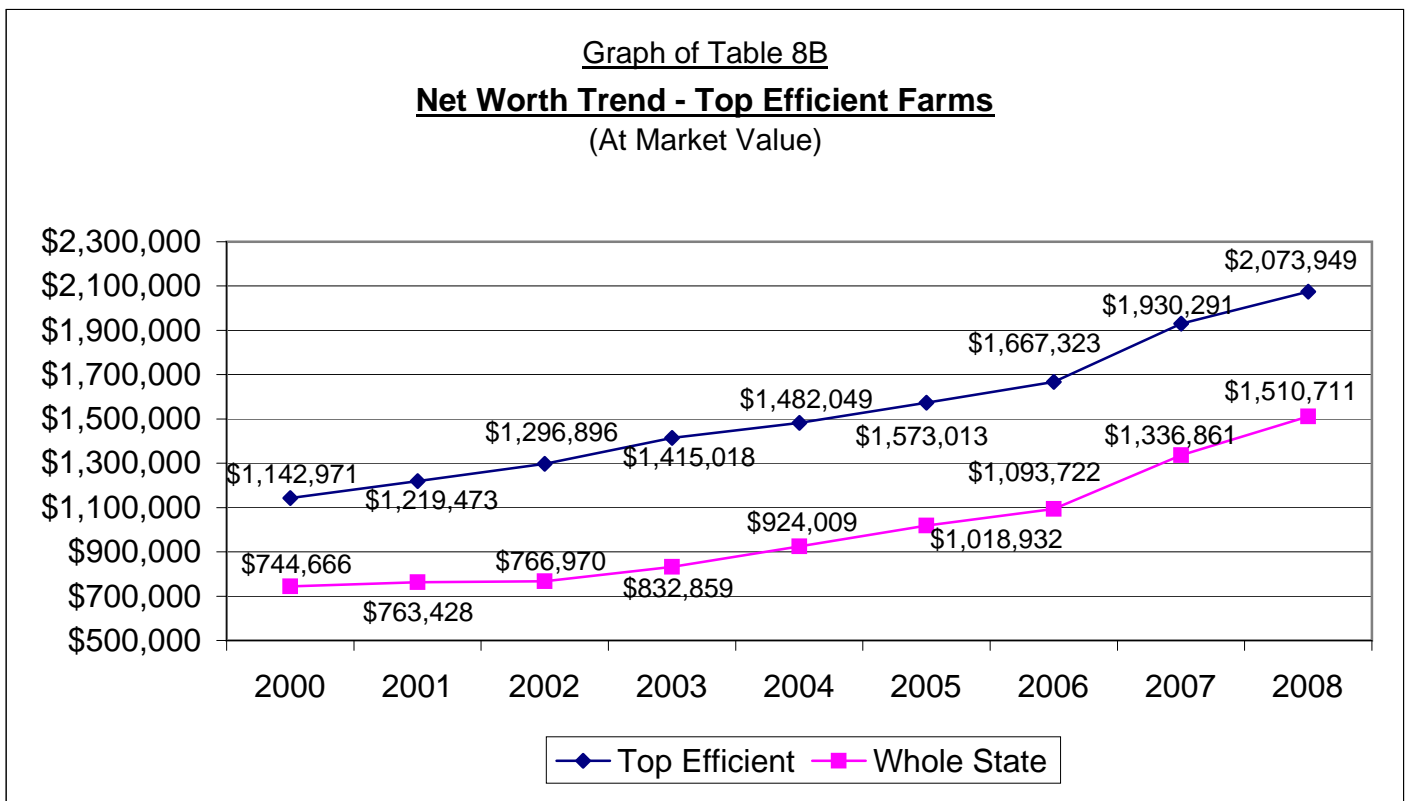


Table 9: Statement of Cash Flows, 2008

		Average Of 20 Farms	Average Of Low 33%	Average Of High 33%
(A) Beginning Cash Balance (Farm & Non-Farm)		\$171,210	\$150,516	\$179,756
Cash Provided By Operating Activities				
Gross Cash Farm Income	(+)	698,400	373,796	991,192
Total Cash Farm Expense	(-)	447,897	241,841	619,977
Net Cash From Hedging Transactions	(+)	2,521	4,763	3,263
(B) Cash Provided By Operating	(-)	\$253,024	\$136,718	\$374,478
Cash Provided By Investing Activities				
Sale of Breeding Livestock	(+)	3,723	933	9,838
Sale of Machinery & Equipment	(+)	2,046	1,903	4,158
Sale of Titled Vehicles	(+)	0	0	0
Sale of Farm Land	(+)	0	0	0
Sale of Farm Buildings	(+)	0	0	0
Sale of Other Farm Assets	(+)	3,659	0	10,455
Sale of Non-Farm Assets	(+)	85,406	11,450	134,524
Purchase of Breeding Livestock	(-)	5,013	1,277	11,045
Purchase of Machinery & Equip.	(-)	84,151	31,536	160,704
Purchase of Titled Vehicles	(-)	6,183	2,425	9,373
Purchase of Farm Land	(-)	66,541	0	107,736
Purchase of Farm Buildings	(-)	8,222	833	22,092
Purchase of Other Farm Assets	(-)	1,538	0	3,357
Purchase of Non-Farm Assets	(-)	126,424	21,599	294,163
(C) Cash Provided By Investing	(-)	-\$203,238	-\$43,384	-\$449,495
Cash Provided By Financing Activities				
Money Borrowed	(+)	201,673	120,767	246,258
Principle Payments	(-)	186,442	139,381	179,543
Personal Income	(+)	74,737	17,799	169,951
Family Living/Owner Withdrawals	(-)	60,665	43,583	79,755
Income and Social Security Tax	(-)	36,140	20,305	50,866
Capital Contributions	(-)	0	0	0
Capital Distributions	(-)	25,346	0	0
Dividends Paid	(-)	29,999	0	0
Cash Gifts and Inheritances	(+)	7,372	213	334
Gifts Given	(-)	2,113	0	6,037
(D) Cash Provided By Financing	(-)	-\$56,923	-\$64,490	\$100,342
(E) Net Change In Cash Balance (B+C+D)		-\$7,137	\$28,844	\$25,325
(F) Ending Cash Balance (Farm & Non-Farm) (A+E)		\$164,073	\$179,360	\$205,081



Table 10: Financial Guidelines, 2008

	Average of 20 Farms	Average of Low 33%	Average of High 33%	Guideline or Range		
				Green	Yellow	Red
<u>Liquidity</u>						
Current Ratio	6.81	18.55	5.03	> 1.7	1.1-1.7	< 1.1
Working Capital	\$582,065	\$391,898	\$836,474		Positive	
Working Capital to Gross Income	72.5%	119.9%	65.3%	> 25%	10-25%	< 10%
<u>Solvency (Market)</u>						
Farm Debt to Asset Ratio	17%	10%	21%	< .30	.30-.60	> .60
Farm Equity to Asset Ratio	83%	90%	79%	> .70	.40-.70	< .40
Farm Debt to Equity Ratio	0.20	0.12	0.26	< .43	.43-1.50	> 1.5
<u>Profitability (Cost)</u>						
Rate of Return on Farm Assets	21.0%	4.4%	30.2%	> 8%	4-8%	< 4%
Rate of Return on Farm Equity	25.0%	4.0%	38.1%	> 10%	3-10%	< 3%
Operating Profit Margin	38.2%	12.1%	47.1%	> 25%	15-25%	< 15%
Net Farm Income	\$317,951	\$69,192	\$594,815			
EBIDTA	\$395,123	\$109,253	\$713,733			
<u>Repayment Capacity</u>						
Capital Debt Repayment Capacity	\$355,716	\$62,580	\$726,656			
Capital Debt Repayment Margin	\$322,751	\$47,709	\$663,713			
Replacement Margin	\$306,411	\$33,110	\$643,716			
Term Debt Coverage Ratio	10.79	4.21	11.54	> 1.50	1.20-1.50	< 1.20
Replacement Coverage Ratio	7.21	2.12	8.76	> 1.40	1.10-1.40	< 1.10
<u>Efficiency</u>						
Asset Turnover Rate (Cost)	55.2%	36.2%	64.0%	> 45%	30-45%	< 30%
Operating Expense Ratio	50.8%	66.6%	44.3%	< 60%	60-80%	>80%
Depreciation Expense Ratio	7.2%	10.3%	6.3%	< 5%	5-15%	>15%
Interest Expense Ratio	2.5%	2.9%	2.9%	< 5%	5-10%	>10%
Net Farm Income Ratio	39.6%	21.2%	46.4%	> 20%	10-20%	< 10%

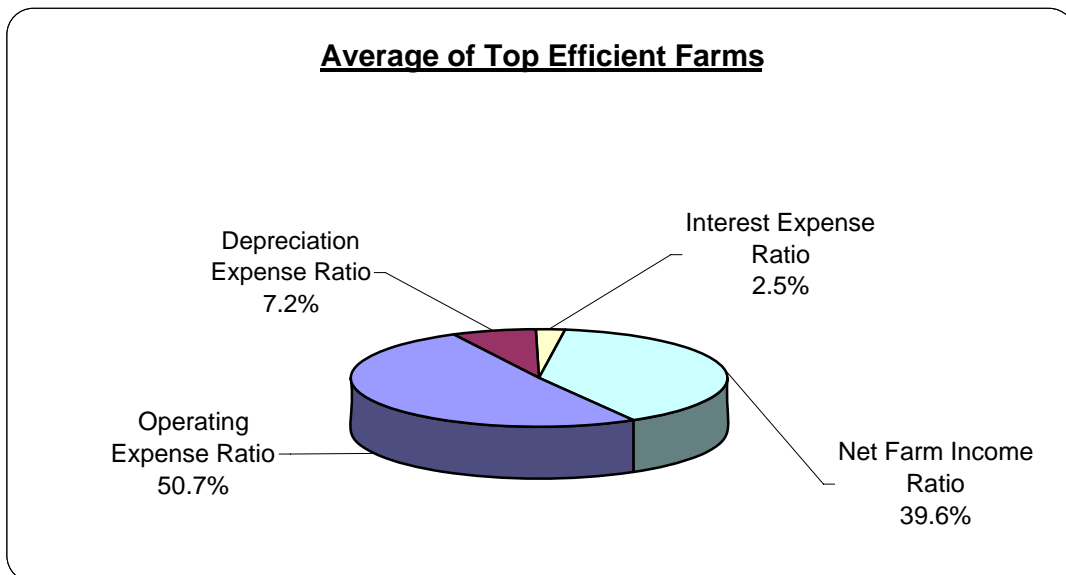


Table 11: Household and Personal Expense, 2008

	Average Of 6 Farms
Average Family Size	3.8
Family Living Expense	
Food and Meals Expense	5,664
Medical Care	5,168
Health Insurance	1,985
Cash Donations	2,963
Household Supplies	3,928
Clothing	1,637
Personal Care	2,850
Child / Dependent Care	2,877
Alimony & Child Support	0
Gifts	731
Education	1,850
Recreation	1,744
Utilities (Household Share)	1,402
Non-Farm Vehicle Operating Expense	3,839
Household Real Estate Taxes	745
Dwelling Rent	0
Household Repairs	2,051
Non-Farm Interest	3,330
Disability / Long Term Care Ins.	0
Life Insurance Payments	5,206
Personal Property Insurance	152
Miscellaneous	13,970
Total Cash Family Living Expense	\$62,092
Family Living from the Farm	0
Total Family Living Expense **	\$62,092
Other Non-Farm Expense	
Income Taxes	29,999
Furnishing & Appliance Purchases	0
Non-Farm Vehicle Purchases	5,508
Non-Farm Real Estate Purchases	0
Other Non-Farm Capital Purchases	3,733
Non-Farm Savings & Investments	13,778
Total Other Non-Farm Expense	\$53,018
Total Cash Family Living, Investment & Non-Farm Capital Purchases	\$115,110



** Includes only farms that provided detailed family living expenses.

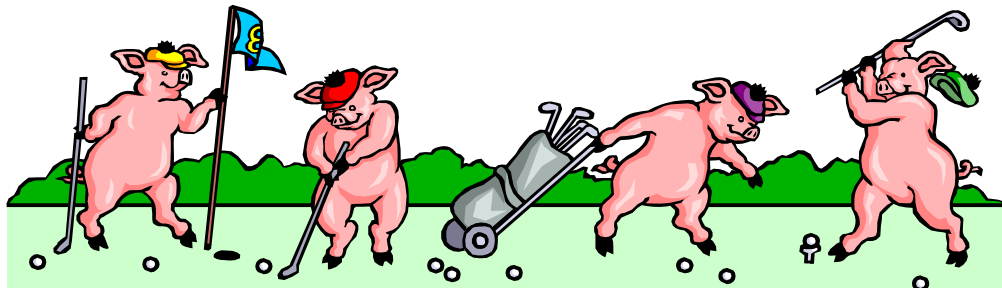
Table 12: Operator Information and Non-Farm Summary, 2008

	Average Of 20 Farms	Average Of Low 33%	Average Of High 33%
Operator Information			
Average Number of Operators	1.1	1.0	1.1
Average Age of Operators	52	57.8	45.9
Average Number of Years Farming	30.2	33.8	25.6
Non-Farm Income			
Personal Wages & Salary	11,802	9,157	13,302
Net Non-Farm Business Income	319	217	0
Personal Rental Income	2,354	2,240	2,124
Personal Interest Income	5,737	6,204	3,747
Personal Cash Dividends	50,897	1,093	144,459
Tax Refunds	1,208	223	1,824
Other Non-Farm Income	2,420	-1,336	4,495
Gifts and Inheritances	7,372	213	334
Total Non-Farm Income	\$82,109	\$18,011	\$170,285
Non-Farm Assets (Market Value)			
Checking & Savings	81,935	110,129	51,920
Stocks & Bonds	67,057	113,201	94,563
Other Current Assets	156,919	33,261	325,875
Furniture & Appliances	1,063	0	2,907
Non-Farm Vehicles	9,846	2,168	8,069
Cash Value of Life Ins.	5,063	3,482	5,724
Retirement Accounts	76,283	52,305	109,043
Other Interm. Assets	10,747	9,413	714
Non-Farm Real Estate	89,639	74,902	162,379
Personal Bus. Investment	0	0	0
Other Long Term Assets	11,710	3,837	27,286
Total Non-Farm Assets	\$510,262	\$402,698	\$788,480
Non-Farm Liabilities			
Accrued Interest	380	161	948
Accounts Payable	181	0	0
Current Notes	0	0	0
Princ. Due on Term Debt	1,936	1,740	4,039
Total Current Liabilities	2,497	1,901	4,987
Intermediate Liabilities	11,574	0	33,069
Long Term Liabilities	19,169	38,416	21,839
Total Non-Farm Liabilities	\$33,240	\$40,317	\$59,895
Non-Farm Net Worth	\$477,022	\$362,381	\$728,585
Non-Farm Debt to Asset Ratio	7%	10%	8%

Table 13: Crop Production, Marketing & Labor Summary, 2008

	Average Of 20 Farms	Average Of Low 33%	Average Of High 33%
Acreage Summary			
Acres Owned	493	324	451
Crop Acres	1,221	714	1,817
Crop Acres Owned	363	212	471
Crop Acres Cash Rented	276	150	416
Crop Acres Share Rented	583	352	930
Pasture Acres	0	0	0
% Crop Acres Owned	29.73%	29.69%	25.92%
Average Price Received in Dollars (Cash Sales Only)			
Corn per bu.	\$4.46	\$4.45	\$4.54
Corn, Seed per bu.	N/A	N/A	N/A
Soybeans per bu.	\$10.46	\$10.21	\$10.78
Wheat, Winter per bu.	\$7.55	N/A	N/A
Average Yield Per Acre			
Corn, Dryland (bu.)	146.48	N/A	N/A
Corn, Irrigated (bu.)	192.90	N/A	N/A
Soybeans, Dryland (bu.)	45.81	N/A	51.04
Soybeans, Irrigated (bu.)	59.31	N/A	N/A
Labor Analysis			
Total Unpaid Labor Hours*	2,393	2,427	2,380
Total Hired Labor Hours	913	210	1,344
Total Labor Hours per Farm	3,306	2,637	3,724
Unpaid Hours per Operator	2,226	2,427	2,083
Value of Farm Production / Hour	\$240.68	\$119.74	\$342.62
Net Farm Income / Unpaid Hour*	\$132.25	\$27.73	\$248.84

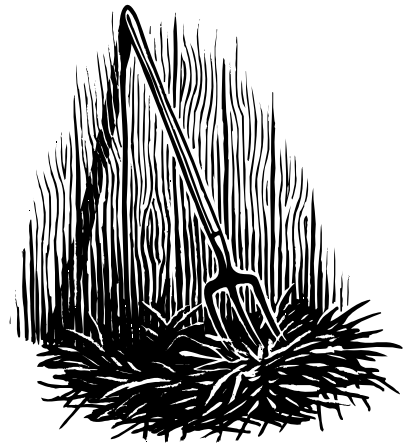
* Based on 2080 Hrs. Annually Per Full Time Operator



Crop Enterprise Reports

The following pages contain detailed crop enterprise data. In each report, the first column is an average of the efficient farms for which we have enterprise data, the second is the average of all the farms across the state that we work with, and the third column is the percentage difference between the efficient and all farms. These percentages will not equal the total as the percentage is calculated separately for each expense line. We have included all the enterprises that at least five of the efficient farms participated in and these may vary from year-to-year. This is done both to maintain accuracy as well as the confidentiality of the participants.

As in the Annual Report, individual crop data that is reported on the following tables provides separate detail for “Owned Land,” “Cash Rented Land” and “Crop Shared Land.” There are also several “All Tenure Types” averages. These averages combine all the “Owned Land,” “Cash Rented Land” and “Crop Shared Land” into one report. Note that an opportunity charge for owner’s equity is not shown here. This is important to keep in mind when comparing returns for owned vs. rented land. Also, “Share Rented Land” includes many different share rent agreements and reports only the operator’s share of cost and returns, divided by total acres. Therefore, Total Costs and Returns per Crop Shared Acre will appear low when compared to Owned or Cash Rented Land.



“Value per Unit” represents the average marketing price received or contracted. “Direct Expenses” are out of pocket costs allocated by the producer from inventories and/or purchases. “Allocated Expenses” are expenses allocated by the computer using the same formula for each producer.

Table 14: Irrigated Corn on All Tenure Types, 2008 *

	Average of Efficient Farms	Average Of All Farms	Difference
Number of Fields	37	168	
Number of Farms	11	53	
Acres	138.51	157.67	
Bushel Yield per Acre	192.90	191.43	1.47
Operator's Share of the Yield %	73.71%	81.11%	-7%
Value per Bushel at Harvest	\$3.86	\$3.96	-\$0.10
Total Product Return	\$548.84	\$614.86	-66.02
Hedging Gain/Loss	5.58	3.48	2.10
Crop Insurance	39.94	14.87	25.07
Other Crop Income	0.46	0.90	-0.44
Gross Return	\$594.82	\$634.11	-39.29
Direct Expenses			
Seed	39.47	47.36	-7.89
Fertilizer	68.33	92.33	-24.00
Crop Chemicals	38.30	33.05	5.25
Crop Insurance	23.12	24.21	-1.09
Drying Fuel & Storage	6.20	4.47	1.73
Irrigation Energy	22.67	33.90	-11.23
Irrigation Repairs	3.75	8.04	-4.29
Operating Power & Crop Machinery	73.47	74.90	-1.43
Building Repairs	1.34	2.33	-0.99
Hired Labor	14.77	12.99	1.78
Utilities	4.02	3.12	0.90
Miscellaneous	7.29	11.40	-4.11
Land Rent	36.78	50.06	-13.28
Operating Interest	8.71	8.66	0.05
Total Direct Expenses	\$348.22	\$406.82	-\$58.60
Return Over Direct Expenses	\$246.60	\$227.29	\$19.31
Allocated Expenses			
Machinery & Building Depreciation	58.24	50.10	8.14
Real Estate & Personal Property Taxes	9.74	9.95	-0.21
Farm Insurance	5.46	5.79	-0.33
Interest	14.71	16.68	-1.97
Total Allocated Expenses	\$88.15	\$82.52	\$5.63
Total Listed Expenses	\$436.37	\$489.34	-\$52.97
Net Return	\$158.45	\$144.77	\$13.68
Supplementary Management Information			
Total Direct Expense Per Bushel	2.45	2.62	-0.17
Total Listed Expense Per Bushel	3.07	3.15	-0.08
Net Return Per Bushel	\$0.79	\$0.81	-\$0.02
Government Payments	18.33	19.64	-1.31
Labor & Management Charge Per Acre	24.81	13.74	11.07
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$151.97	\$150.67	\$1.30
Machinery Cost per Acre	\$135.82	\$114.48	\$21.34
Estimated Labor Hours Per Acre	2.73	1.89	0.84

* Includes an average of crops grown on Owned, Cash Rented, and Share Rented Land

Table 15: Irrigated Corn on Owned Land, 2008

	Average of Efficient Farms	Average Of All Farms	Difference
Number of Fields	12	45	
Number of Farms	8	36	
Acres	84.26	162.28	
Bushel Yield per Acre	176.66	187.94	-11.28
Operator's Share of the Yield %	100.00%	100.00%	0.00
Value per Bushel at Harvest	\$3.98	\$4.00	-\$0.02
Total Product Return	\$703.11	\$751.76	-\$48.65
Hedging Gain/Loss	6.19	3.17	3.02
Crop Insurance	84.87	19.86	65.01
Other Crop Income	0.43	1.95	-1.52
Gross Return	\$794.60	\$776.74	17.86
Direct Expenses			
Seed	44.25	56.57	-12.32
Fertilizer	95.23	116.85	-21.62
Crop Chemicals	41.10	36.53	4.57
Crop Insurance	33.84	32.16	1.68
Drying Fuel & Storage	6.93	5.51	1.42
Irrigation Energy	22.99	37.22	-14.23
Irrigation Repairs	4.70	8.07	-3.37
Operating Power & Crop Machinery	68.60	76.57	-7.97
Building Repairs	0.64	2.05	-1.41
Hired Labor	7.38	9.88	-2.50
Utilities	5.51	3.81	1.70
Miscellaneous	9.95	12.63	-2.68
Land Rent	0.00	0.00	0.00
Operating Interest	5.70	10.96	-5.26
Total Direct Expenses	\$346.82	\$408.81	-\$61.99
Return Over Direct Expenses	\$447.78	\$367.93	\$79.85
Allocated Expenses			
Machinery & Building Depreciation	62.41	56.66	5.75
Real Estate & Personal Property Taxes	44.29	31.95	12.34
Farm Insurance	6.65	7.75	(1.10)
Interest	41.48	48.10	(6.62)
Total Allocated Expenses	\$154.83	\$144.46	\$10.37
Total Listed Expenses	\$501.65	\$553.27	-\$51.62
Net Return	\$292.95	\$223.47	\$69.48
Supplementary Management Information			
Total Direct Expense Per Bushel	1.96	2.18	-0.21
Total Listed Expense Per Bushel	2.84	2.94	-0.10
Net Return Per Bushel	\$1.14	\$1.06	\$0.08
Government Payments	22.49	22.35	0.14
Labor & Management Charge Per Acre	31.21	23.25	7.96
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$284.23	\$222.57	\$61.66
Machinery Cost per Acre	\$129.82	\$130.85	-\$1.03
Estimated Labor Hours Per Acre	2.86	2.20	0.66

Table 16: Irrigated Corn on Cash Rented Land, 2008

	Average of Efficient Farms	Average Of All Farms	Difference
Number of Fields	7	51	
Number of Farms	5	34	
Acres	177.91	166.96	10.95
Bushel Yield per Acre	184.85	193.58	-8.73
Operator's Share of the Yield %	100.00%	100.00%	0.00
Value per Bushel at Harvest	\$3.75	\$3.89	-\$0.14
Total Product Return	\$693.19	\$753.03	-\$59.84
Hedging Gain/Loss	3.75	4.18	-0.43
Crop Insurance	14.77	12.96	1.81
Other Crop Income	1.22	0.80	0.42
Gross Return	\$712.93	\$770.97	-58.04
Direct Expenses			
Seed	42.94	54.12	-11.18
Fertilizer	84.15	114.21	-30.06
Crop Chemicals	54.52	44.11	10.41
Crop Insurance	22.74	27.35	-4.61
Drying Fuel	6.87	4.79	2.08
Irrigation Energy	21.28	40.70	-19.42
Irrigation Repairs	6.61	8.02	-1.41
Operating Power & Crop Machinery	65.29	73.20	-7.91
Building Repairs	4.07	1.52	2.55
Hired Labor	20.01	17.18	2.83
Utilities	2.25	2.86	-0.61
Miscellaneous	7.72	11.99	-4.27
Land Rent	151.35	155.72	-4.37
Operating Interest	4.46	7.77	-3.31
Total Direct Expenses	\$494.26	\$563.54	-\$69.28
Return Over Direct Expenses	\$218.67	\$207.43	\$11.24
Allocated Expenses			
Machinery & Building Depreciation	60.35	50.60	9.75
Real Estate & Personal Property Taxes	1.30	1.53	-0.23
Farm Insurance	5.09	5.84	-0.75
Interest	8.24	4.61	3.63
Total Allocated Expenses	\$74.98	\$62.58	\$12.40
Total Listed Expenses	\$569.24	\$626.12	-\$56.88
Net Return	\$143.69	\$144.85	-\$1.16
Supplementary Management Information			
Total Direct Expense Per Bushel	2.67	2.91	-0.24
Total Listed Expense Per Bushel	3.08	3.23	-0.15
Net Return Per Bushel	\$0.67	\$0.66	\$0.01
Government Payments	\$22.68	\$23.47	-\$0.79
Labor & Management Charge Per Acre	19.32	20.87	-1.55
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$147.05	\$147.45	-\$0.40
Machinery Cost Per Acre	\$132.11	\$120.84	\$11.27
Estimated Labor Hours Per Acre	2.61	2.28	0.33

Table 17: Irrigated Corn on Share Rented Land, 2008

	Average of Efficient Farms	Average Of All Farms	Difference
Number of Fields	18	70	
Number of Farms	9	34	
Acres	159.36	150.10	9.26
Bushel Yield per Acre	202.12	191.83	10.29
Operator's Share of the Yield %	55.17%	53.02%	0.02
Value per Bushel at Harvest	\$3.88	\$4.03	-\$0.15
Total Product Return	\$432.66	\$409.88	\$22.77
Hedging Gain/Loss	6.16	3.17	2.99
Crop Insurance	35.04	13.19	21.85
Other Crop Income	0.14	0.27	-0.13
Gross Return	\$474.00	\$426.51	47.48
Direct Expenses			
Seed	36.27	35.70	0.57
Fertilizer	51.99	57.82	-5.83
Crop Chemicals	30.27	21.68	8.59
Crop Insurance	19.51	16.22	3.29
Drying Fuel & Storage	5.65	3.51	2.14
Irrigation Energy	23.17	26.34	-3.17
Irrigation Repairs	2.17	8.05	-5.88
Operating Power & Crop Machinery	78.70	75.73	2.97
Building Repairs	0.63	2.60	-1.97
Hired Labor	15.10	11.94	3.16
Utilities	4.27	2.85	1.42
Miscellaneous	5.99	10.26	-4.27
Land Rent	0.00	0.00	0.00
Operating Interest	11.61	7.79	3.82
Total Direct Expenses	\$285.33	\$280.49	\$4.84
Return Over Direct Expenses	\$188.67	\$146.02	\$42.64
Allocated Expenses			
Machinery & Building Depreciation	55.86	45.46	10.40
Real Estate & Personal Property Taxes	1.22	1.15	0.07
Farm Insurance	5.21	4.37	0.84
Interest	8.09	4.09	4.00
Total Allocated Expenses	\$70.38	\$55.07	\$15.31
Total Listed Expenses	\$355.71	\$335.56	\$20.15
Net Return	\$118.29	\$90.95	\$27.33
Supplementary Management Information			
Total Direct Expense Per Bushel	2.56	2.76	-0.20
Total Listed Expense Per Bushel	3.19	3.30	-0.11
Net Return Per Bushel	\$0.69	\$0.73	-\$0.04
Government Payments	14.97	13.65	1.32
Labor & Management Charge Per Acre	24.94	19.20	5.74
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$108.32	\$85.40	\$22.91
Machinery Cost Per Acre	\$139.55	\$119.25	\$20.30
Estimated Labor Hours Per Acre	2.73	2.12	0.61

Table 18: Dryland Corn on All Tenure Types, 2008*

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	39	224	
Number of Farms	11	62	
Acres	96.77	70.08	
Bushel Yield per Acre	146.48	134.31	12.17
Operator's Share of the Yield %	81.48%	82.10%	-0.62%
Value per Bushel at Harvest	\$3.94	\$3.90	\$0.04
Total Product Return	\$470.25	\$430.05	\$40.20
Hedging Gain/Loss	1.66	1.92	-0.26
Crop Insurance	1.93	4.33	-2.40
Other Crop Income	0.79	1.01	-0.22
Gross Return	\$474.63	\$437.31	37.32
Direct Expenses			
Seed	40.15	42.79	-2.64
Fertilizer	61.53	65.15	-3.62
Crop Chemicals	28.17	29.07	-0.90
Crop Insurance	11.14	18.60	-7.46
Drying Fuel & Storage	3.22	2.28	0.94
Irrigation Energy	0.00	0.55	-0.55
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	65.86	66.81	-0.95
Building Repairs	2.42	1.53	0.89
Hired Labor	6.30	8.97	-2.67
Utilities	3.69	3.23	0.46
Miscellaneous	5.64	7.54	-1.90
Land Rent	43.52	35.67	7.85
Operating Interest	2.43	5.90	-3.47
Total Direct Expenses	\$274.07	\$288.09	-\$14.02
Return Over Direct Expenses	\$200.56	\$149.22	\$51.34
Allocated Expenses			
Machinery & Building Depreciation	38.41	37.96	0.45
Real Estate & Personal Property Taxes	12.36	10.21	2.15
Farm Insurance	4.91	5.80	-0.89
Interest	14.73	10.32	4.41
Total Allocated Expenses	\$70.41	\$64.29	\$6.12
Total Listed Expenses	\$344.48	\$352.38	-\$7.90
Net Return	\$130.15	\$84.93	\$45.22
Supplementary Management Information			
Total Direct Expense Per Bushel	2.30	2.61	-0.32
Total Listed Expense Per Bushel	2.89	3.20	-0.31
Net Return Per Bushel	\$1.05	\$0.70	\$0.35
Government Payments	17.00	12.54	4.46
Labor & Management Charge Per Acre	28.69	31.18	-2.49
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$118.46	\$66.29	\$52.17
Machinery Cost Per Acre	\$104.31	\$105.30	-\$0.99
Estimated Labor Hours Per Acre	2.19	2.65	-0.46

* Includes an average of crops grown on Owned, Cash Rented, and Share Rented Land

Table 19: Dryland Corn on Owned Land, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	6	46	
Number of Farms	6	38	
Acres	154.41	93.60	
Bushel Yield per Acre	150.66	135.23	15.43
Operator's Share of the Yield %	100.00%	100.00%	0.00%
Value per Bushel at Harvest	\$4.11	\$3.94	\$0.17
Total Product Return	\$619.21	\$532.81	\$86.41
Hedging Gain/Loss	1.02	1.82	-0.80
Crop Insurance	0.70	9.03	-8.33
Other Crop Income	0.72	1.62	-0.90
Gross Return	\$621.65	\$545.28	\$76.38
Direct Expenses			
Seed	45.31	46.62	-1.31
Fertilizer	54.73	82.37	-27.64
Crop Chemicals	27.37	36.47	-9.10
Crop Insurance	7.38	24.78	-17.40
Drying Fuel & Storage	1.23	1.92	-0.69
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	55.70	67.72	-12.02
Building Repairs	2.29	1.35	0.94
Hired Labor	0.65	8.37	-7.72
Utilities	3.15	3.68	-0.53
Miscellaneous	4.36	10.01	-5.65
Land Rent	0.00	0.00	0.00
Operating Interest	0.91	6.61	-5.70
Total Direct Expenses	\$203.08	\$289.90	-\$86.82
Return Over Direct Expenses	\$418.57	\$255.38	\$163.20
Allocated Expenses			
Machinery & Building Depreciation	36.40	38.45	-2.05
Real Estate & Personal Property Taxes	46.47	31.33	15.14
Farm Insurance	4.27	5.96	-1.69
Interest	49.29	27.23	22.06
Total Allocated Expenses	\$136.43	\$102.97	\$33.46
Total Listed Expenses	\$339.51	\$392.87	-\$53.36
Net Return	\$282.14	\$152.41	\$129.74
Supplementary Management Information			
Total Direct Expense Per Bushel	1.35	2.14	-0.80
Total Listed Expense Per Bushel	2.25	2.91	-0.65
Net Return Per Bushel	\$1.86	\$1.03	\$0.82
Government Payments	19.53	16.49	3.04
Labor & Management Charge Per Acre	20.04	30.89	-10.85
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$281.63	\$138.01	\$143.63
Machinery Cost Per Acre	\$89.50	\$103.53	-\$14.03
Estimated Labor Hours Per Acre	1.54	2.41	-0.87

Table 20: Dryland Corn on Cash Rented Land, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	13	78	
Number of Farms	8	40	
Acres	95.15	61.92	
Bushel Yield per Acre	142.38	134.87	7.51
Operator's Share of the Yield %	100.00%	100.00%	0.00%
Value per Bushel at Harvest	\$3.80	\$3.86	-\$0.06
Total Product Return	\$541.04	\$520.60	\$20.45
Hedging Gain/Loss	3.06	2.98	0.08
Crop Insurance	3.30	4.58	-1.28
Other Crop Income	1.60	0.97	0.63
Gross Return	\$549.00	\$529.13	\$19.88
Direct Expenses			
Seed	41.35	45.25	-3.90
Fertilizer	84.15	78.73	5.42
Crop Chemicals	34.10	33.92	0.18
Crop Insurance	17.16	22.11	-4.95
Drying Fuel & Storage	5.68	3.79	1.89
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	72.16	69.81	2.35
Building Repairs	3.54	0.74	2.80
Hired Labor	9.09	6.91	2.18
Utilities	4.42	3.41	1.01
Miscellaneous	7.41	7.28	0.13
Land Rent	132.77	115.94	16.83
Operating Interest	1.91	5.22	-3.31
Total Direct Expenses	\$413.74	\$393.11	\$20.63
Return Over Direct Expenses	\$135.26	\$136.02	-\$0.75
Allocated Expenses			
Machinery & Building Depreciation	41.60	39.54	2.06
Real Estate & Personal Property Taxes	0.90	1.81	-0.91
Farm Insurance	5.84	6.28	-0.44
Interest	4.39	4.25	0.14
Total Allocated Expenses	\$52.73	\$51.88	\$0.85
Total Listed Expenses	\$466.47	\$444.99	\$21.48
Net Return	\$82.53	\$84.14	-\$1.60
Supplementary Management Information			
Total Direct Expense Per Bushel	2.91	2.91	-0.01
Total Listed Expense Per Bushel	3.28	3.30	-0.02
Net Return Per Bushel	\$0.52	\$0.56	-\$0.04
Government Payments	20.68	15.55	5.13
Labor & Management Charge Per Acre	35.32	33.29	2.03
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$67.89	\$66.40	\$1.50
Machinery Cost Per Acre	\$114.52	\$109.08	\$5.44
Estimated Labor Hours Per Acre	2.61	3.21	-0.60

Table 21: Dryland Corn on Share Rented Land, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	20	94	
Number of Farms	10	41	
Acres	80.52	64.25	16.27
Bushel Yield per Acre	147.21	137.03	10.18
Operator's Share of the Yield %	56.82%	56.95%	-0.13%
Value per Bushel at Harvest	\$3.94	\$3.90	\$0.04
Total Product Return	\$329.56	\$304.35	\$25.21
Hedging Gain/Loss	0.94	1.30	-0.36
Crop Insurance	1.60	1.15	0.45
Other Crop Income	0.21	0.68	-0.47
Gross Return	\$332.31	\$307.48	\$24.83
Direct Expenses			
Seed	36.26	38.96	-2.70
Fertilizer	48.08	45.02	3.06
Crop Chemicals	24.07	21.12	2.95
Crop Insurance	8.67	11.73	-3.06
Drying Fuel & Storage	2.46	1.52	0.94
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.27	-0.27
Operating Power & Crop Machinery	66.80	65.62	1.18
Building Repairs	1.61	1.55	0.06
Hired Labor	7.36	9.49	-2.13
Utilities	3.40	2.82	0.58
Miscellaneous	5.22	6.05	-0.83
Land Rent	0.00	0.00	0.00
Operating Interest	3.70	5.57	-1.87
Total Direct Expenses	\$207.63	\$209.72	-\$2.09
Return Over Direct Expenses	\$124.68	\$97.76	\$26.92
Allocated Expenses			
Machinery & Building Depreciation	37.11	36.68	0.43
Real Estate & Personal Property Taxes	1.55	2.44	-0.89
Farm Insurance	4.57	5.39	-0.82
Interest	2.80	3.47	-0.67
Total Allocated Expenses	\$46.03	\$47.98	-\$1.95
Total Listed Expenses	\$253.66	\$257.70	-\$4.04
Net Return	\$78.65	\$49.78	\$28.87
Supplementary Management Information			
Total Direct Expense Per Bushel	2.48	2.69	-0.21
Total Listed Expense Per Bushel	3.03	3.30	-0.27
Net Return Per Bushel	\$0.91	\$0.60	\$0.31
Government Payments	12.71	8.34	4.37
Labor & Management Charge Per Acre	28.58	31.58	-3.00
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$62.78	\$26.54	\$36.24
Machinery Cost Per Acre	\$104.99	\$103.07	\$1.92
Estimated Labor Hours Per Acre	2.23	2.31	-0.08

Table 22: Irrigated Soybeans on All Tenure Types, 2008*

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	36	153	
Number of Farms	11	51	
Acres	122.08	122.60	
Bushel Yield per Acre	59.31	59.33	-0.02
Operator's Share of the Yield %	75.29%	81.06%	-5.77%
Value per Bushel at Harvest	\$9.62	\$9.43	\$0.19
Total Product Return	\$429.58	\$453.52	-\$23.94
Hedging Gain/Loss	5.61	1.41	4.20
Crop Insurance	28.90	17.23	11.67
Other Crop Income	0.36	1.03	-0.67
Gross Return	\$464.45	\$473.19	-\$8.74
Direct Expenses			
Seed	28.94	35.59	-6.65
Fertilizer	6.52	8.75	-2.23
Crop Chemicals	30.64	34.35	-3.71
Crop Insurance	18.89	20.91	-2.02
Drying Fuel & Storage	0.00	0.84	-0.84
Irrigation Energy	18.97	25.92	-6.95
Irrigation Repairs	3.28	5.90	-2.62
Operating Power & Crop Machinery	64.71	67.01	-2.30
Building Repairs	0.89	2.48	-1.59
Hired Labor	12.14	12.12	0.02
Utilities	3.38	2.99	0.39
Miscellaneous	6.39	9.85	-3.46
Land Rent	17.58	50.79	-33.21
Operating Interest	7.64	6.82	0.82
Total Direct Expenses	\$219.97	\$284.32	-\$64.35
Return Over Direct Expenses	\$244.48	\$188.87	\$55.61
Allocated Expenses			
Machinery & Building Depreciation	45.05	42.81	2.24
Real Estate & Personal Property Taxes	14.23	9.86	4.37
Farm Insurance	4.36	5.10	-0.74
Interest	22.11	14.33	7.78
Total Allocated Expenses	\$85.75	\$72.10	\$13.65
Total Listed Expenses	\$305.72	\$356.42	-\$50.70
Net Return	\$158.73	\$116.77	\$41.96
Supplementary Management Information			
Total Direct Expense Per Bushel	4.93	5.91	-0.99
Total Listed Expense Per Bushel	6.85	7.41	-0.56
Net Return Per Bushel	\$2.77	\$2.02	\$0.75
Government Payments	19.96	19.67	0.29
Labor & Management Charge Per Acre	18.91	19.86	-0.95
Net Return Inc'l Gov't Pmts and Labor & Mgn	\$159.78	\$116.58	\$43.20
Machinery Cost Per Acre	\$111.59	\$107.51	\$4.08
Estimated Labor Hours Per Acre	2.01	1.90	0.11

* Includes an average of crops grown on Owned, Cash Rented, and Share Rented Land

Table 23: Irrigated Soybeans on Owned Land, 2008

	Average of Efficient Farms	Average Of All Farms	Difference
Number of Fields	11	35	
Number of Farms	8	27	
Acres	121.42	131.94	
Bushel Yield per Acre	55.90	59.02	-3.12
Operator's Share of the Yield %	100.00%	100.00%	0.00%
Value per Bushel at Harvest	\$9.58	\$9.63	-\$0.05
Total Product Return	\$535.52	\$568.36	-\$32.84
Hedging Gain/Loss	9.20	4.58	4.62
Crop Insurance	38.03	16.66	21.37
Other Crop Income	0.61	0.43	0.18
Gross Return	\$583.36	\$590.03	-\$6.67
Direct Expenses			
Seed	36.46	39.33	-2.87
Fertilizer	10.75	7.20	3.55
Crop Chemicals	31.80	36.49	-4.69
Crop Insurance	22.40	23.77	-1.37
Drying Fuel & Storage	0.20	0.92	-0.72
Irrigation Energy	20.05	29.76	-9.71
Irrigation Repairs	3.89	6.76	-2.87
Operating Power & Crop Machinery	67.62	69.67	-2.05
Building Repairs	1.01	3.35	-2.34
Hired Labor	7.33	9.33	-2.00
Utilities	4.67	3.92	0.75
Miscellaneous	7.65	10.24	-2.59
Land Rent	0.00	0.00	0.00
Operating Interest	7.02	6.14	0.88
Total Direct Expenses	\$220.85	\$246.88	-\$26.03
Return Over Direct Expenses	\$362.51	\$343.15	\$19.36
Allocated Expenses			
Machinery & Building Depreciation	44.55	46.30	-1.75
Real Estate & Personal Property Taxes	43.83	34.65	9.18
Farm Insurance	5.14	6.57	-1.43
Interest	59.14	44.46	14.68
Total Allocated Expenses	\$152.66	\$131.98	\$20.68
Total Listed Expenses	\$373.51	\$378.86	-\$5.35
Net Return	\$209.85	\$211.17	-\$1.32
Supplementary Management Information			
Total Direct Expense Per Bushel	3.95	4.18	-0.23
Total Listed Expense Per Bushel	6.68	6.42	0.26
Net Return Per Bushel	\$2.90	\$3.21	-\$0.31
Government Payments	25.26	23.66	1.6
Labor & Management Charge Per Acre	20.68	23.51	-2.83
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$214.43	\$211.32	\$3.11
Machinery Cost Per Acre	\$110.58	\$111.78	-\$1.20
Estimated Labor Hours Per Acre	1.90	2.08	-0.18

Table 24: Irrigated Soybeans on Share Rented Land, 2008

	Average of Efficient Farms	Average Of All Farms	Difference
Number of Fields	19	62	
Number of Farms	10	31	
Acres	126.67	125.99	
Bushel Yield per Acre	60.42	59.79	0.63
Operator's Share of the Yield %	55.71%	55.38%	0.33%
Value per Bushel at Harvest	\$9.81	\$9.51	\$0.30
Total Product Return	\$330.20	\$314.89	\$15.31
Hedging Gain/Loss	4.72	3.06	1.66
Crop Insurance	27.68	14.95	12.73
Other Crop Income	0.17	1.69	-1.52
Gross Return	\$362.77	\$334.59	\$28.18
Direct Expenses			
Seed	24.12	28.32	-4.20
Fertilizer	5.59	5.46	0.13
Crop Chemicals	24.99	23.89	1.10
Crop Insurance	14.72	14.30	0.42
Drying Fuel & Storage	0.00	0.50	-0.50
Irrigation Energy	19.34	20.64	-1.30
Irrigation Repairs	1.97	5.45	-3.48
Operating Power & Crop Machinery	66.78	64.64	2.14
Building Repairs	0.97	2.36	-1.39
Hired Labor	14.78	10.75	4.03
Utilities	3.02	2.42	0.60
Miscellaneous	5.63	8.17	-2.54
Land Rent	0.00	0.00	0.00
Operating Interest	8.93	6.05	2.88
Total Direct Expenses	\$190.84	\$192.95	-\$2.11
Return Over Direct Expenses	\$171.93	\$141.64	\$30.29
Allocated Expenses			
Machinery & Building Depreciation	46.12	40.96	5.16
Real Estate & Personal Property Taxes	1.04	1.09	-0.05
Farm Insurance	4.09	3.79	0.30
Interest	6.71	4.49	2.22
Total Allocated Expenses	\$57.96	\$50.33	\$7.63
Total Listed Expenses	\$248.80	\$243.28	\$5.52
Net Return	\$113.97	\$91.31	\$22.66
Supplementary Management Information			
Total Direct Expense Per Bushel	5.67	5.83	-0.16
Total Listed Expense Per Bushel	7.39	7.35	0.04
Net Return Per Bushel	\$2.42	\$2.16	\$0.26
Government Payments	15.24	19.59	-4.35
Labor & Management Charge Per Acre	18.41	16.33	2.08
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$110.80	\$94.57	\$16.23
Machinery Cost Per Acre	\$117.15	\$102.10	\$15.05
Estimated Labor Hours Per Acre	2.11	1.42	0.69

Table 25: Dryland Soybeans on All Tenure Types, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	43	221	
Number of Farms	13	59	
Acres	88.40	63.97	
Bushel Yield per Acre	45.81	41.38	4.43
Operator's Share of the Yield %	73.49%	78.61%	-5.12%
Value per Bushel at Harvest	\$9.73	\$9.43	\$0.30
Total Product Return	\$327.57	\$306.75	\$20.82
Hedging Gain/Loss	0.84	1.23	-0.39
Crop Insurance	2.15	6.44	-4.29
Other Crop Income	0.51	0.67	-0.16
Gross Return	\$331.07	\$315.09	\$15.98
Direct Expenses			
Seed	26.54	33.68	-7.14
Fertilizer	2.85	9.88	-7.03
Crop Chemicals	18.41	22.44	-4.03
Crop Insurance	10.77	14.48	-3.71
Drying Fuel & Storage	1.41	0.64	0.77
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	56.66	57.71	-1.05
Building Repairs	1.48	1.11	0.37
Hired Labor	5.39	7.02	-1.63
Utilities	3.12	2.71	0.41
Miscellaneous	4.22	6.35	-2.13
Land Rent	14.56	33.37	-18.81
Operating Interest	2.78	4.88	-2.10
Total Direct Expenses	\$148.19	\$194.27	-\$46.08
Return Over Direct Expenses	\$182.88	\$120.82	\$62.06
Allocated Expenses			
Machinery & Building Depreciation	31.73	30.64	1.09
Real Estate & Personal Property Taxes	13.13	9.62	3.51
Farm Insurance	4.15	4.94	-0.79
Interest	3.70	6.29	-2.59
Total Allocated Expenses	\$52.71	\$51.49	\$1.22
Total Listed Expenses	\$200.90	\$245.76	-\$44.86
Net Return	\$130.17	\$69.33	\$60.84
Supplementary Management Information			
Total Direct Expense Per Bushel	4.40	5.97	-1.57
Total Listed Expense Per Bushel	5.97	7.56	-1.59
Net Return Per Bushel	\$3.76	\$1.87	\$1.89
Government Payments	16.16	11.64	4.52
Labor & Management Charge Per Acre	25.74	29.42	-3.68
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$120.59	\$51.55	\$69.04
Machinery Cost Per Acre	\$88.28	\$88.73	-\$0.45
Estimated Labor Hours Per Acre	1.94	2.26	-0.32

* Includes an average of crops grown on Owned, Cash Rented, and Share Rented Land

Table 26: Dryland Soybeans on Owned Land, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	6	37	
Number of Farms	6	30	
Acres	143.24	75.24	
Bushel Yield per Acre	44.83	39.47	5.36
Operator's Share of the Yield %	100.00%	100.00%	0.00%
Value per Bushel at Harvest	\$9.70	\$9.55	\$0.15
Total Product Return	\$434.85	\$376.94	\$57.91
Hedging Gain/Loss	0.45	2.12	-1.67
Crop Insurance	1.00	14.85	-13.85
Other Crop Income	1.47	1.30	0.17
Gross Return	\$437.77	\$395.21	\$42.56
Direct Expenses			
Seed	31.16	35.90	-4.74
Fertilizer	4.97	13.10	-8.13
Crop Chemicals	18.38	28.58	-10.20
Crop Insurance	14.07	17.52	-3.45
Drying Fuel & Storage	0.00	0.44	-0.44
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	53.04	62.41	-9.37
Building Repairs	2.91	1.13	1.78
Hired Labor	1.37	3.94	-2.57
Utilities	3.46	3.52	-0.06
Miscellaneous	4.10	9.10	-5.00
Land Rent	0.00	0.00	0.00
Operating Interest	1.55	4.57	-3.02
Total Direct Expenses	\$135.01	\$180.21	-\$45.20
Return Over Direct Expenses	\$302.76	\$215.00	\$87.76
Allocated Expenses			
Machinery & Building Depreciation	27.28	29.02	-1.74
Real Estate & Personal Property Taxes	52.03	36.48	15.55
Farm Insurance	3.79	5.09	-1.30
Interest	7.87	17.63	-9.76
Total Allocated Expenses	\$90.97	\$88.22	\$2.75
Total Listed Expenses	\$225.98	\$268.43	-\$42.45
Net Return	\$211.79	\$126.78	\$85.01
Supplementary Management Information			
Total Direct Expense Per Bushel	3.01	4.57	-1.55
Total Listed Expense Per Bushel	5.04	6.80	-1.76
Net Return Per Bushel	\$4.66	\$2.75	\$1.91
Government Payments	\$24.24	\$18.52	\$5.72
Labor & Management Charge Per Acre	21.81	33.83	-12.02
Net Return Inc'l Gov't Pmts and Labor & Mgr	\$214.22	\$111.47	\$102.75
Machinery Cost Per Acre	\$76.52	\$90.62	-\$14.10
Estimated Labor Hours Per Acre	1.71	2.56	-0.85

Table 27: Dryland Soybeans on Cash Rented Land, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	12	81	
Number of Farms	8	41	
Acres	46.42	52.47	-6.05
Bushel Yield per Acre	41.72	41.77	-0.05
Operator's Share of the Yield %	100.00%	100.00%	0.00%
Value per Bushel at Harvest	\$9.45	\$9.34	\$0.11
Total Product Return	\$394.25	\$390.13	\$4.12
Hedging Gain/Loss	0.39	1.25	-0.86
Crop Insurance	0.73	6.09	-5.36
Other Crop Income	0.29	0.25	0.04
Gross Return	\$395.66	\$397.72	-\$2.06
Direct Expenses			
Seed	33.06	39.65	-6.59
Fertilizer	0.62	14.08	-13.46
Crop Chemicals	23.89	28.29	-4.40
Crop Insurance	17.93	20.15	-2.22
Drying Fuel & Storage	6.77	1.25	5.52
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	59.88	60.07	-0.19
Building Repairs	0.59	0.89	-0.30
Hired Labor	4.69	7.23	-2.54
Utilities	4.70	2.77	1.93
Miscellaneous	6.71	6.27	0.44
Land Rent	99.33	111.00	-11.67
Operating Interest	0.80	4.68	-3.88
Total Direct Expenses	\$258.97	\$296.33	-\$37.36
Return Over Direct Expenses	\$136.69	\$101.39	\$35.30
Allocated Expenses			
Machinery & Building Depreciation	32.33	32.00	0.33
Real Estate & Personal Property Taxes	0.85	1.78	-0.93
Farm Insurance	5.41	5.31	0.10
Interest	0.51	3.05	-2.54
Total Allocated Expenses	\$39.10	\$42.14	-\$3.04
Total Listed Expenses	\$298.07	\$338.47	-\$40.40
Net Return	\$97.59	\$59.25	\$38.34
Supplementary Management Information			
Total Direct Expense Per Bushel	6.21	7.09	-0.89
Total Listed Expense Per Bushel	7.14	8.10	-0.96
Net Return Per Bushel	\$2.31	\$1.24	\$1.07
Government Payments	16.64	13.39	3.25
Labor & Management Charge Per Acre	45.65	28.96	16.69
Net Return Inc'l Gov't Pmts and Labor & Mgt	\$68.58	\$43.68	\$24.90
Machinery Cost Per Acre	\$91.84	\$91.51	\$0.33
Estimated Labor Hours Per Acre	2.65	2.50	0.15

Table 28: Dryland Soybeans on Share Rented Land, 2008

	Average Of Efficient Farms	Average Of All Farms	Difference
Number of Fields	24	97	
Number of Farms	12	41	
Acres	98.32	70.73	
Bushel Yield per Acre	47.39	41.53	5.86
Operator's Share of the Yield %	58.73%	57.63%	1.10%
Value per Bushel at Harvest	\$9.85	\$9.46	\$0.39
Total Product Return	\$274.15	\$226.41	\$47.73
Hedging Gain/Loss	1.10	0.90	0.20
Crop Insurance	2.77	3.43	-0.66
Other Crop Income	0.22	0.42	-0.20
Gross Return	\$278.24	\$231.16	\$47.07
Direct Expenses			
Seed	23.20	29.14	-5.94
Fertilizer	2.63	5.96	-3.33
Crop Chemicals	17.06	15.98	1.08
Crop Insurance	7.85	9.78	-1.93
Drying Fuel & Storage	0.65	0.27	0.38
Irrigation Energy	0.00	0.00	0.00
Irrigation Repairs	0.00	0.00	0.00
Operating Power & Crop Machinery	57.40	55.51	1.89
Building Repairs	1.16	1.14	0.02
Hired Labor	7.01	8.36	-1.35
Utilities	2.63	2.36	0.27
Miscellaneous	3.78	5.03	-1.25
Land Rent	0.00	0.00	0.00
Operating Interest	3.72	5.10	-1.38
Total Direct Expenses	\$127.09	\$138.63	-\$11.54
Return Over Direct Expenses	\$151.15	\$92.53	\$58.61
Allocated Expenses			
Machinery & Building Depreciation	33.35	30.90	2.45
Real Estate & Personal Property Taxes	1.69	2.22	-0.53
Farm Insurance	3.97	4.52	-0.55
Interest	2.75	2.87	-0.12
Total Allocated Expenses	\$41.76	\$40.51	\$1.25
Total Listed Expenses	\$168.85	\$179.14	-\$10.29
Net Return	\$109.39	\$52.02	\$57.36
Supplementary Management Information			
Total Direct Expense Per Bushel	4.57	5.79	-1.23
Total Listed Expense Per Bushel	6.07	7.48	-1.42
Net Return Per Bushel	\$3.78	\$1.98	\$1.81
Government Payments	13.15	7.79	5.36
Labor & Management Charge Per Acre	22.42	27.89	-5.47
Net Return Inc'l Gov't Pmts and Labor & Mgmt	\$100.12	\$31.92	\$68.19
Machinery Cost Per Acre	\$92.04	\$87.71	\$4.33
Estimated Labor Hours Per Acre	1.85	2.00	-0.15

Table 29: Gross Farm Income Trend, 2000-2008

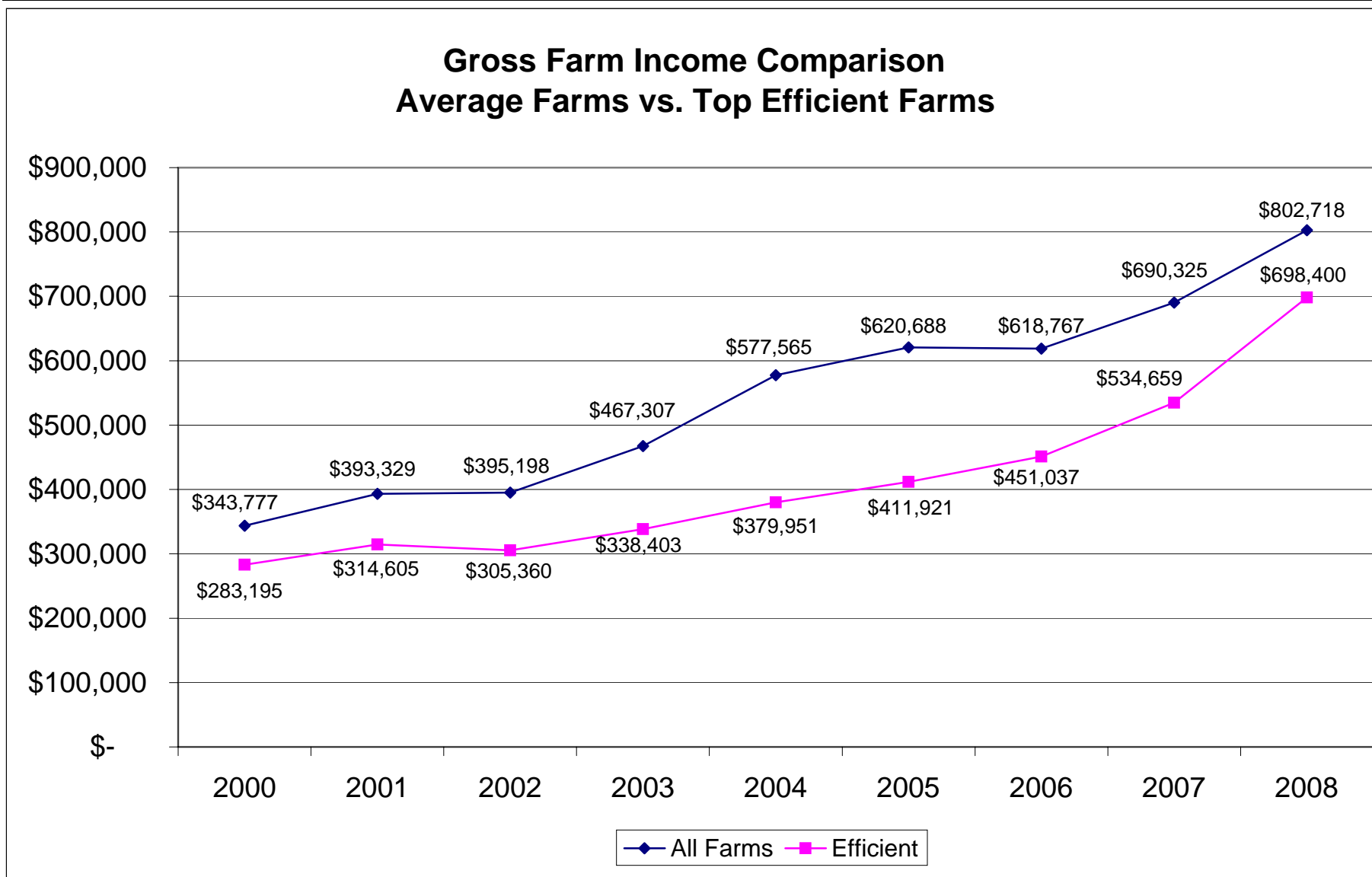


Table 30: Net Farm Income Trend, 2000-2008

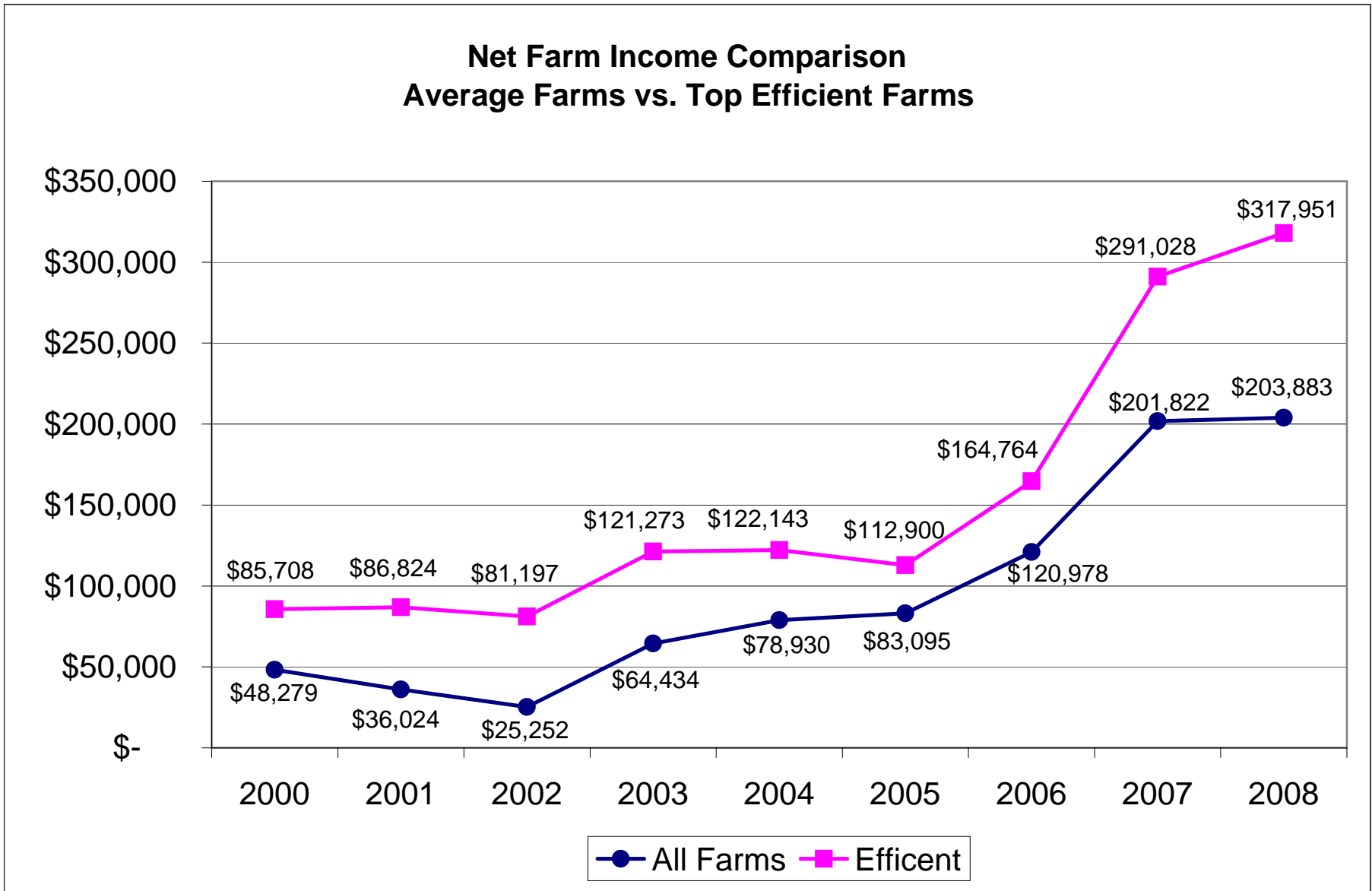


Table 31: Net Farm Income as a % of Gross Trend, 2000-2008

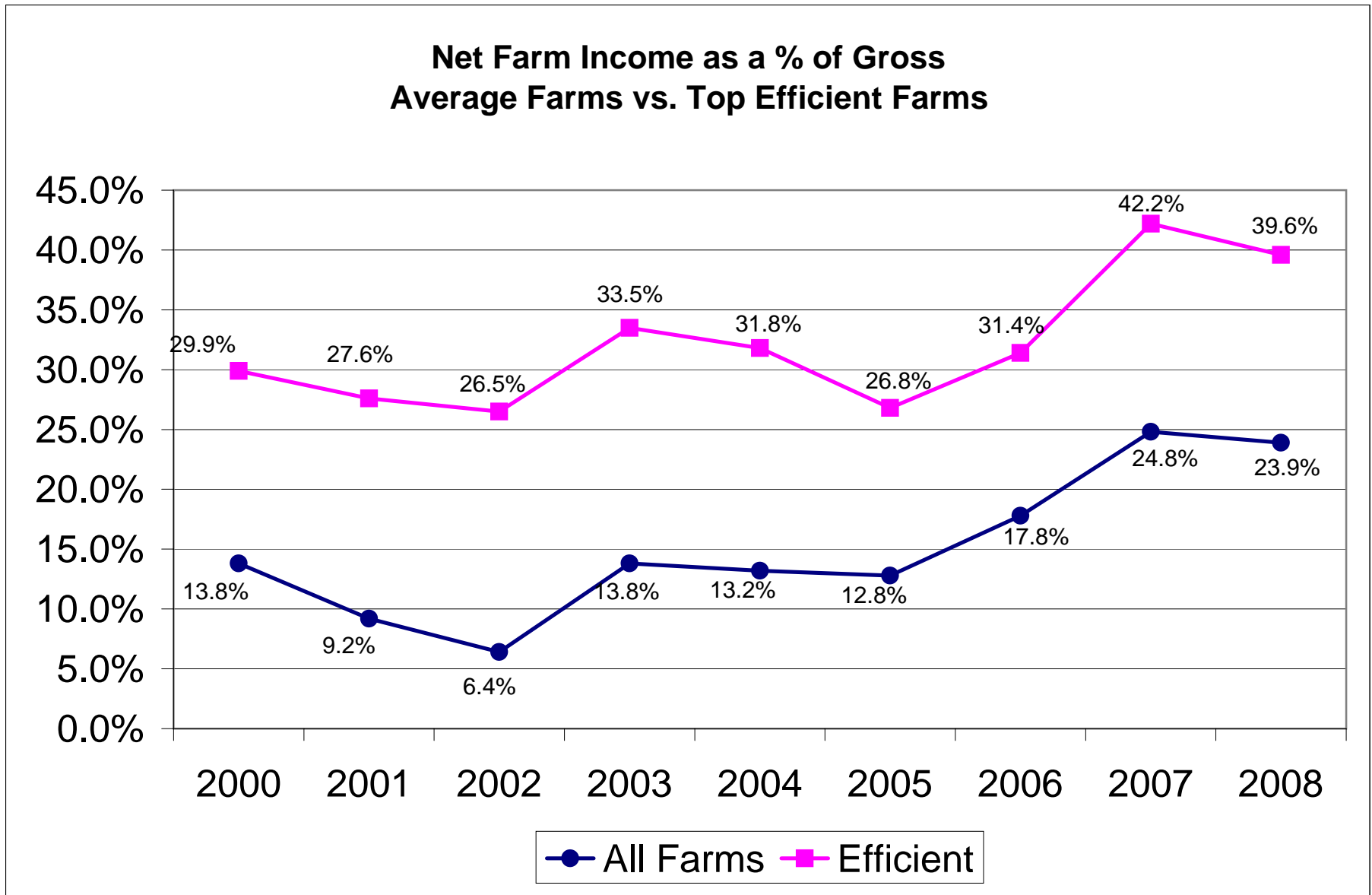


Table 32: Operating Expense Ratio Trend, 2000-2008

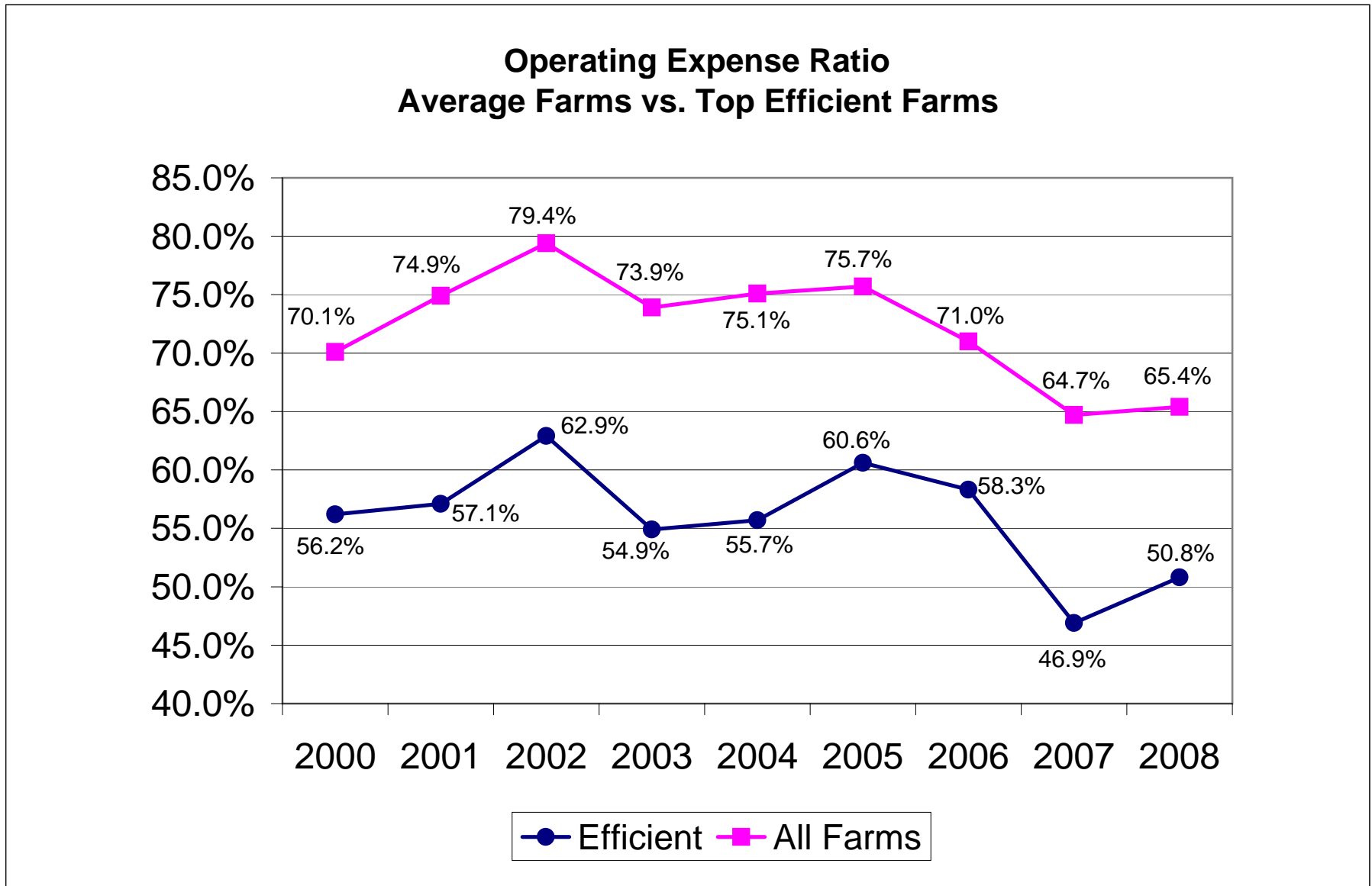


Table 33: Interest Expense Ratio Trend, 2000-2008

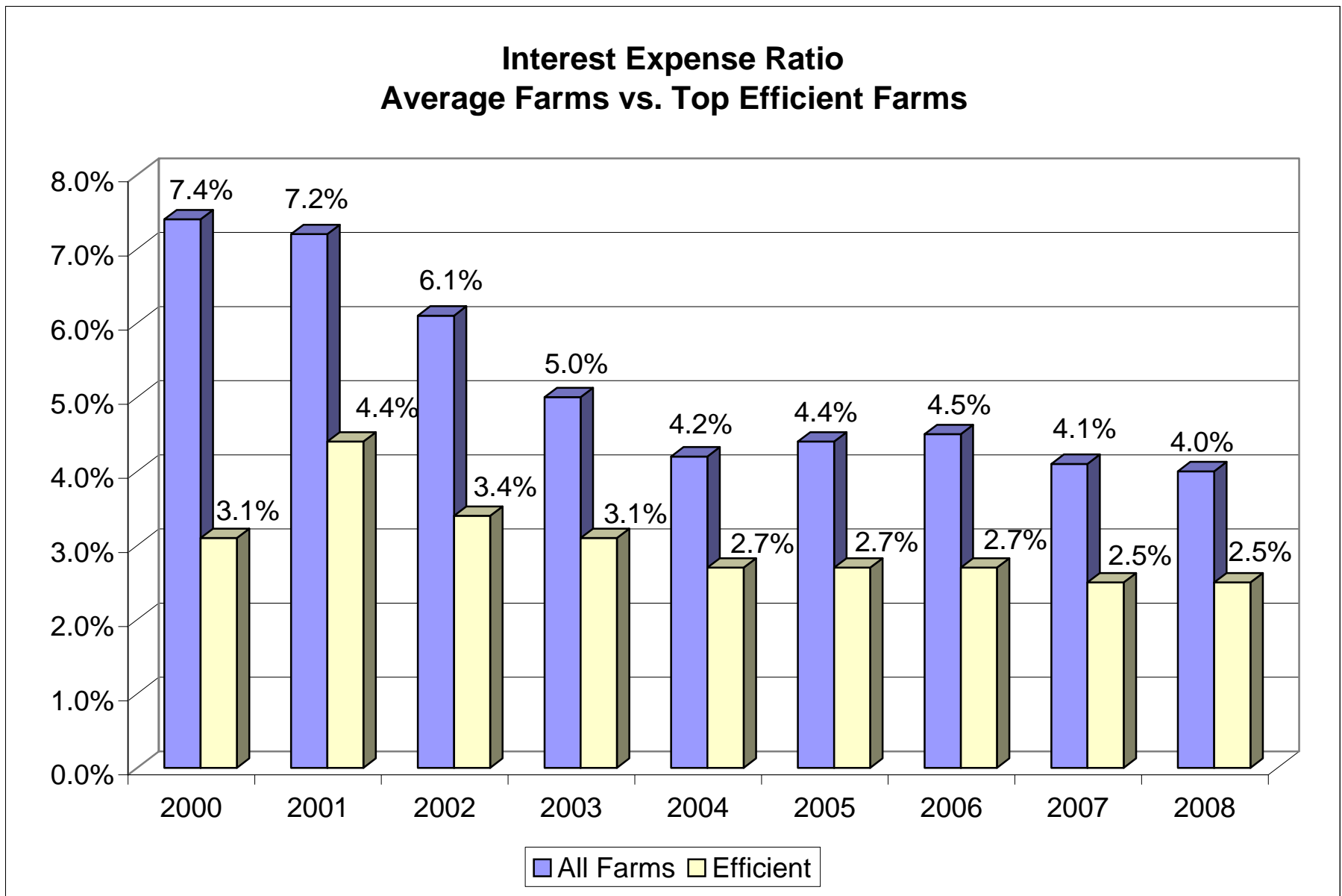


Table 34: Family Living Expense Trend, 2000-2008

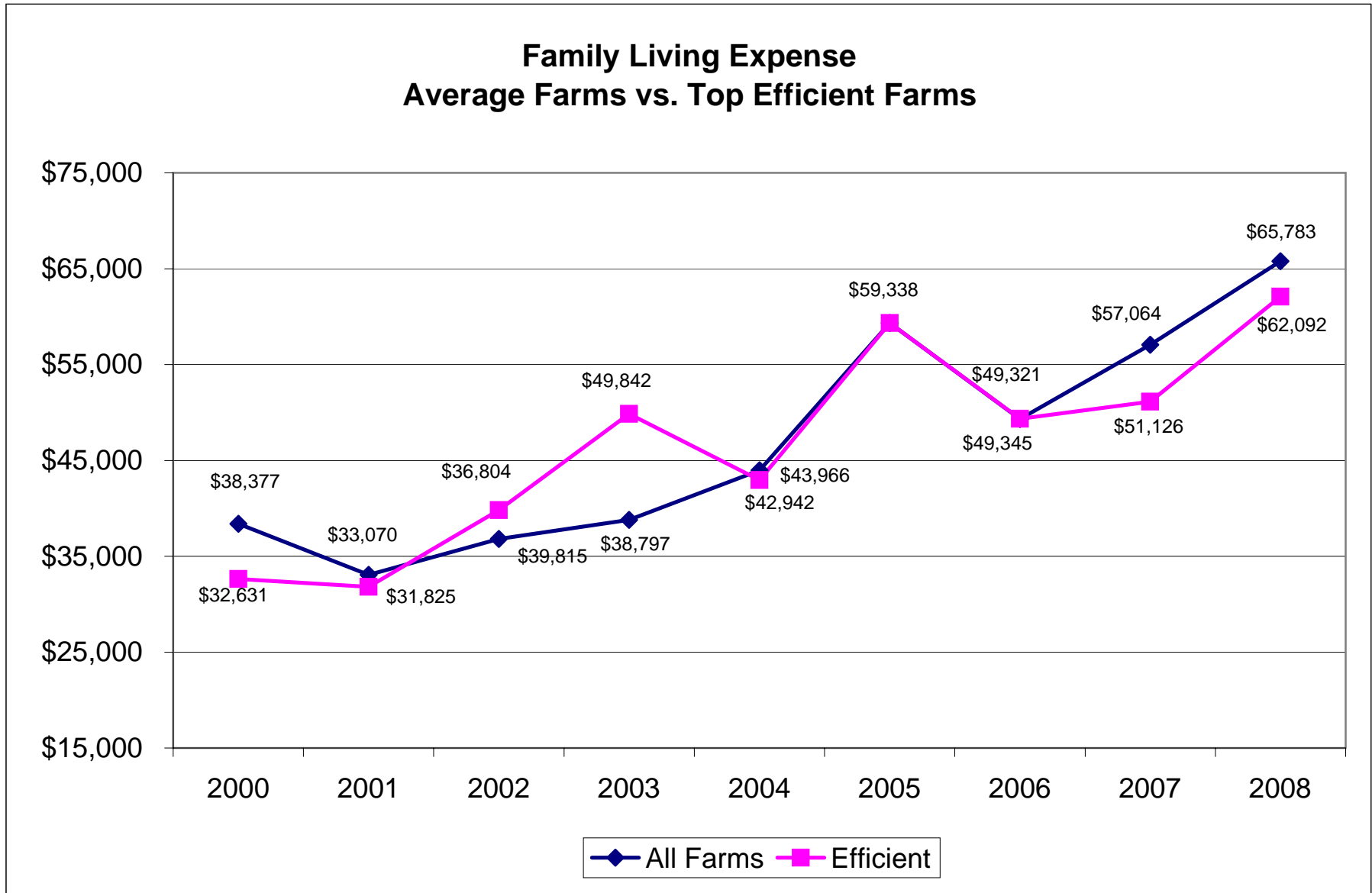


Table 35: Net Worth Trend, 2000-2008

**Net Worth Comparison
Average Farms vs. Top Efficient Farms**

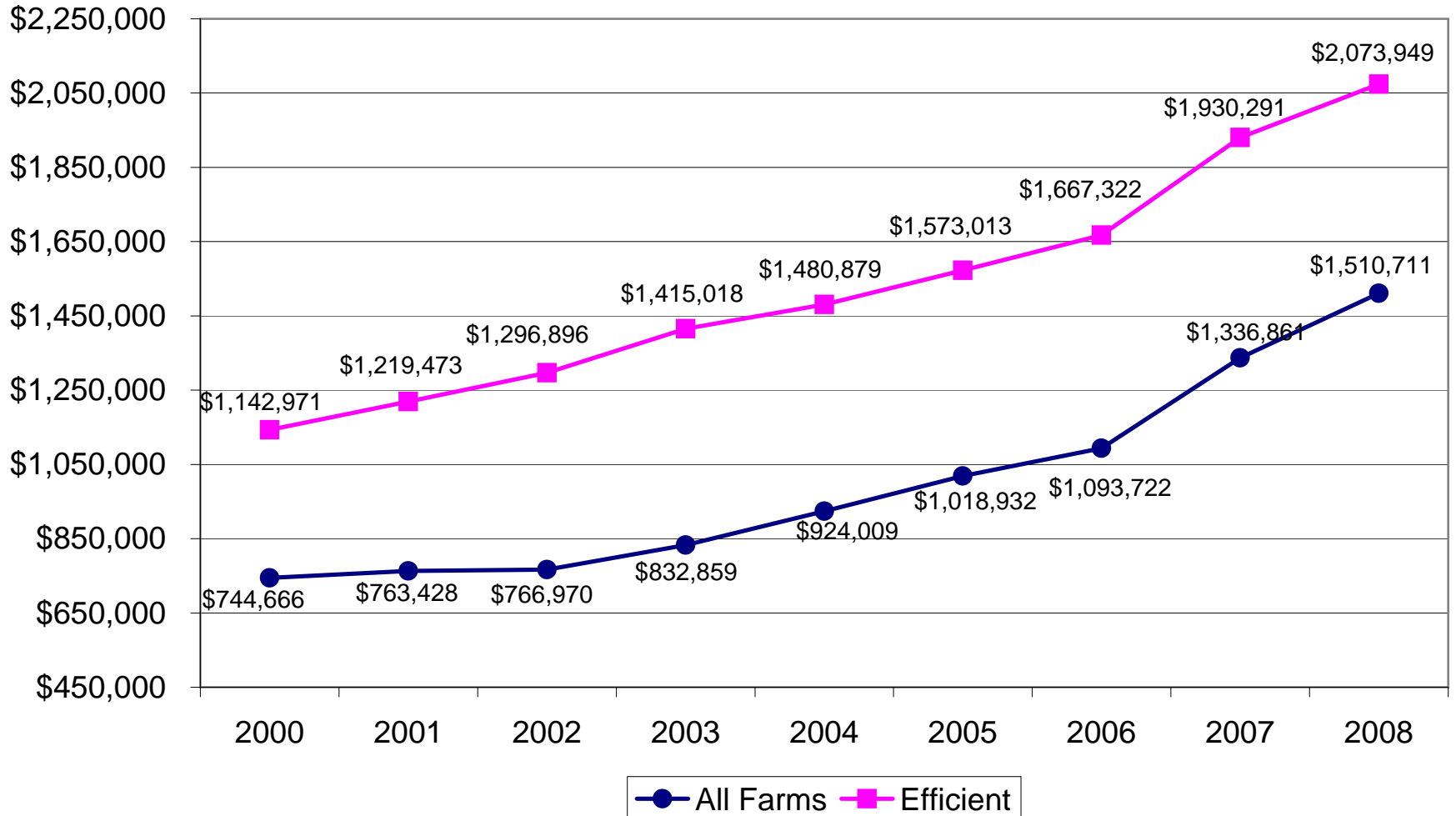


Table 36: Corn Price Received Trend, 2000-2008

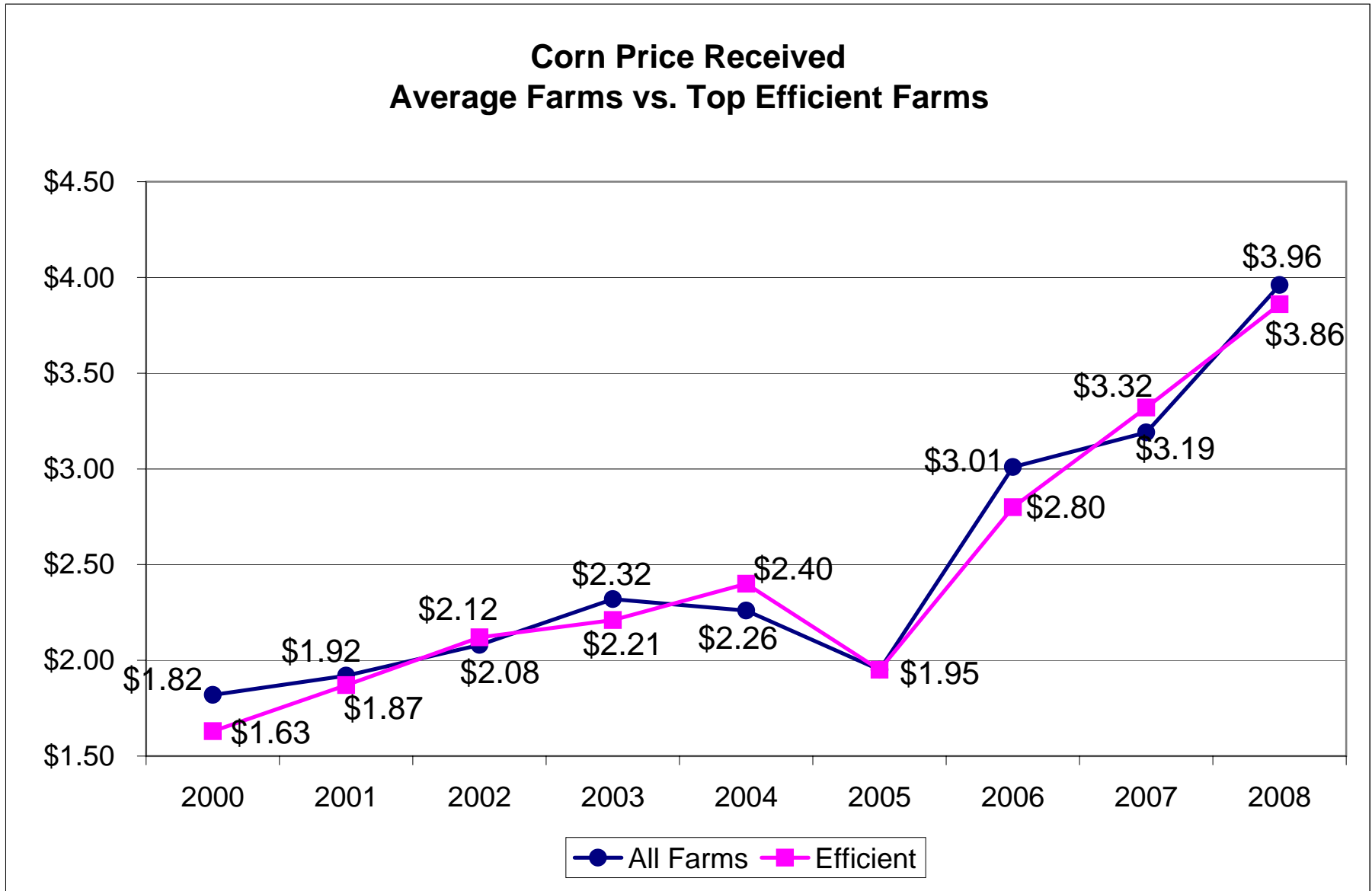
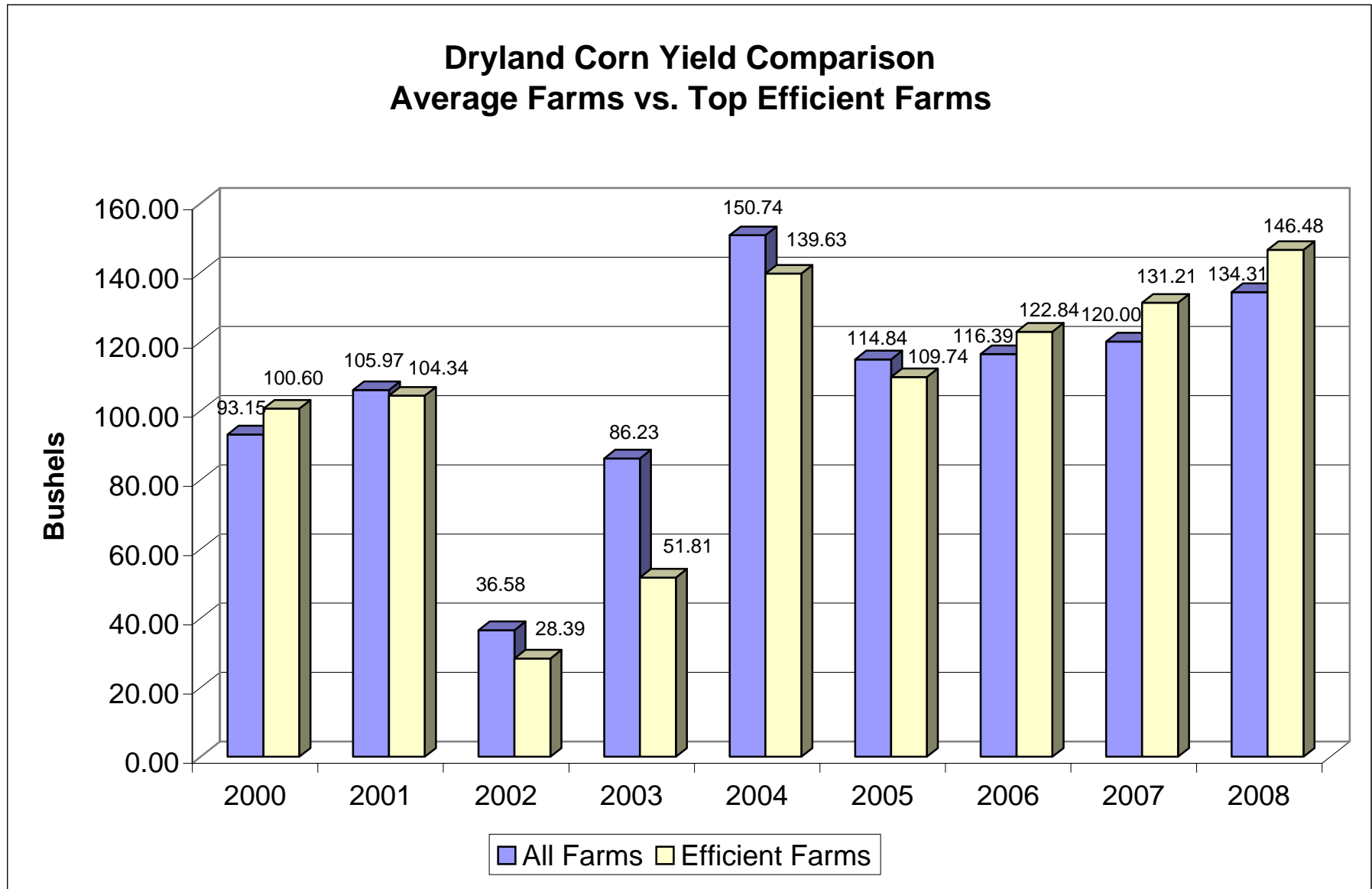


Table 37: Yield Comparison, 2000-2008



Farm Financial Ratios and Guidelines

Definitions

Calculations

From the Balance Sheet

Liquidity

Is the ability of your farm business to meet the financial obligations as they come due - to generate enough cash to pay your family living expenses and taxes, and make debt payments on time.

Current Ratio

Measures the extent to which current farm assets, if sold tomorrow, would pay off current farm liabilities.

Total Current Farm Assets
/ Total Current Farm Liabilities

Working Capital

Tells us the operating capital available in the short term from within the business.

Total Current Farm Assets
- Total Current Farm Liabilities

Working Capital to Gross Revenues

Measures operating capital available against the size of the business.

Working Capital
/ Gross Farm Income

Solvency

Is the ability of your business to pay all its debts if it were sold tomorrow. Solvency is important in evaluating the financial risk and borrowing capacity of the business.

Farm Debt-to-Asset Ratio

Is the bank's share of the business. It compares total farm debt to total farm assets. A higher ratio is an indicator of greater financial risk and lower borrowing capacity

Total Farm Liabilities
/ Total Farm Assets

Farm Equity-to-Asset Ratio

Is your share of the business. It compares farm equity to total farm assets. If you add the debt-to-asset ratio and the equity-to-asset ratio, you must get 100%

Total Farm Net Worth
/ Total Farm Assets

Farm Debt-to-Equity Ratio

Compares the bank's ownership to your ownership. It also indicates how much the owners have leveraged (i.e., multiplied) their equity in the business.

Total Farm Liabilities
/ Total Farm Equity

From the Income Statement

Profitability

Is the difference between the value of goods produced and the cost of the resources used in their production.

Net Farm Income

Represents return to your labor, your management and your equity that you have invested in the business. It is the reward for investing your unpaid family labor, management and money in the business instead of elsewhere. Anything left in the business, i.e., not taken out for family living and taxes, will increase your farm net worth.

Gross Cash Farm Income
- Total Cash Farm Expenses
+ / - Inventory changes
- Depreciation

Rate of Return on Farm Assets

Can be thought of as the average interest rates being earned on all (yours and creditors') investments in the farm. Unpaid labor and management are assigned a return before return on farm assets is calculated.

Net Farm Income
+ Farm Interest
- Value of Operator Labor & Mgt
= Return on Farm Assets
/ Average Farm Assets

Rate of Return on Farm Equity

Represents the interest rate being earned by your investment in the farm. This return can be compared to returns available if your equity were invested somewhere else, such as a certificate of deposit.

Net Farm Income
- Value of Operator Labor & Mgt
= Return on Farm Equity
/ Average Farm Net Worth

Operating Profit Margin

Shows the operating efficiency of the business. If expenses are low relative to the value of farm production, the business will have a healthy operating profit margin. A low profit margin can be caused by low product prices, high operating expenses, or inefficient production.

Return on Farm Assets
/ Value of Farm Production

Value of Farm Production =
Gross Cash Farm Income
+/- Inventory Changes
- Feeder Livestock Purchased
- Purchased Feed

EBITDA

Earnings Before Interest, Taxes, Depreciation, and Amortization. Measures earnings available for debt repayment.

Net Farm Income
+ Interest Expense
+ Depreciation & Amortization

From the Cash-Flow Statement

Repayment Capacity

Shows the borrower's (i.e., your) ability to repay term debts on time. It includes non-farm income and so it not a measure of business performance alone.

Capital Debt Repayment Capacity

Measures the amount generated from farm and non-farm sources, to cover debt repayment and capital replacement.

Net Farm Income
+ Depreciation
+ Net Non-Farm Income
- Family Living & Income Taxes
+ Interest Expense on Term Loans

Capital Debt Repayment Margin

Is the Amount of money remaining after all operating expenses, taxes, family living costs, and scheduled debt payments have been made. It's really the money left, after paying all bills, that is available for purchasing or financing new machinery, equipment, land or livestock.

Capital Debt Repayment Capacity
- Scheduled Principal & interest on term loans *

Replacement Margin

The amount of income remaining after paying principal and interest on term loans and unfunded (cash) capital purchases.

Capital Debt Repayment Capacity
- Unfunded (Cash) Capital Replacement Allowance

Term-Debt Coverage Ratio

Tells whether your business produced enough income to cover all intermediate and long-term debt payments. A ratio of less than 1.0 indicates that the business had to liquidate inventories, run up open accounts, borrow money, or sell assets to make scheduled payments.

Capital Debt Repayment Capacity
/ Scheduled Principal & Interest on
Term Loans *

Replacement Margin Coverage Ratio

A Ratio Under 1.0 indicates that you did not generate enough income to cover term debt payments and unfunded capital purchases.

Capital Debt Repayment Capacity
/ (Scheduled Principal & Interest
on Term Loans *
+ Unfunded Capital Replacement
Allowance)

From All the Financial Statements

Financial Efficiency

Shows how effectively your business uses assets to generate income. Past performance of the business could well indicate potential future accomplishments. It also answers the questions:

- ⇒ Are you using every available asset to its fullest potential?
- ⇒ What are the effects of production, purchasing, pricing, financing and marketing decisions on gross income?

Asset-Turnover Rate

Measures efficiency in using capital. You could think of it as capital productivity. Generating a high level of production with a low level of capital investment will give a high asset-turnover rate. If, on the other hand, the turnover is low you will want to explore methods to use the capital invested much more efficiently or sell some low-return investments. (It could mean getting rid of that swamp and ledge on the Back 40 and getting something that produces income.)

Value of Farm Production
/ Average Farm Assets

The last four ratios show how Gross Farm Income is used. The sum of the four equal 100% (of Gross Farm Income).

Operating Expense Ratio

Shows the proportion of farm income that is used to pay operating expenses, not including principal or interest.

Total Farm Operating Expenses
excluding Interest & Depreciation
/ Gross Farm Income

Depreciation Expense Ratio

Indicates how fast the business wears out capital. It tells what proportion of farm income is needed to maintain the capital used by the business.

Depreciation
/ Gross Farm Income

Interest Expense Ratio

Shows how much of gross income is used to pay for interest on borrowed capital

Farm Interest
/ Gross Farm Income

Net Farm Income Ratio

Compares profit to gross farm income. It shows how much is left after all farm expenses, except for unpaid labor and management, are paid

Net Farm Income
/ Gross Farm Income

* Includes payments on capital leases