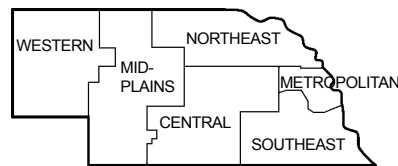


\$30

Nebraska Farm/Ranch Business Management

2004 Annual Report
Top Efficient Farms



Nebraska Community Colleges

UNIVERSITY OF
Nebraska
Lincoln

University of Nebraska
Cooperative Extension

In cooperation with Nebraska Farm Business, Inc.
and Nebraskaland Farm & Ranch Management
Education Program

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Table 28: Operator Information and Non-farm Summary, 2004

	Average Of All Farms	Average Of 10 Farms
Operator Information		
Average Number of Operators	1.2	1.0
Average Age of Operators	49.2	45.8
Average Number of Years Farming	26.6	22.5
Acreage Summary		
Total Acres Owned	641	472
Total Crop Acres	1034	1160
Crop Acres Owned	310	369
Crop Acres Cash Rented	337	183
Crop Acres Share Rented	387	607
Average Price Received (Cash Sales Only)		
Soybeans, per Bu.	\$6.32	\$6.94
Corn, per Bu.	\$2.26	\$2.33
Wheat, Winter, per Bu.	\$3.28	\$3.36
Non-farm Income		
Non-farm Wages & Salary	10,964	28,778
Non-farm Business Income	2,762	-1,348
Non-farm Rental Income	1,106	4,173
Non-farm Interest Income	896	809
Non-farm Cash Dividends	180	224
Tax Refunds	394	0
Gifts and Inheritances	6,680	24,428
Other Non-farm Income	3,351	4,613
Total Non-farm Income	\$26,333	\$61,677
Non-farm Assets (Market Value)		
Checking & Savings	19,428	19,606
Stocks & Bonds	17,272	51,101
Other Current Assets	9,730	13,587
Non-farm Vehicles & Furniture	12,241	15,315
Cash Value of Life Ins.	9,036	9,362
Retirement Accounts	37,784	67,040
Other Interm. Assets	4,592	5,047
Non-farm Real Estate	40,663	104,233
Other Long Term Assets	19,570	16,020
Total Non-farm Assets	\$170,316	\$301,311
Non-farm Liabilities		
Accrued Interest & Accounts Payable	161	29
Current Notes	336	0
Princ Due on Term Debt	429	684
Total Current Liabilities	926	713
Intermediate Liabilities	4,098	8,328
Long Term Liabilities	6,952	16,203
Total Non Farm Liabilities	\$11,976	\$25,244
Nonfarm Net Worth	\$158,340	\$276,067

Table 29: Gross Farm Income Trend, 1996-2004

**Gross Farm Income Comparison
Average Farms Vs. Top 10 Small Farms**

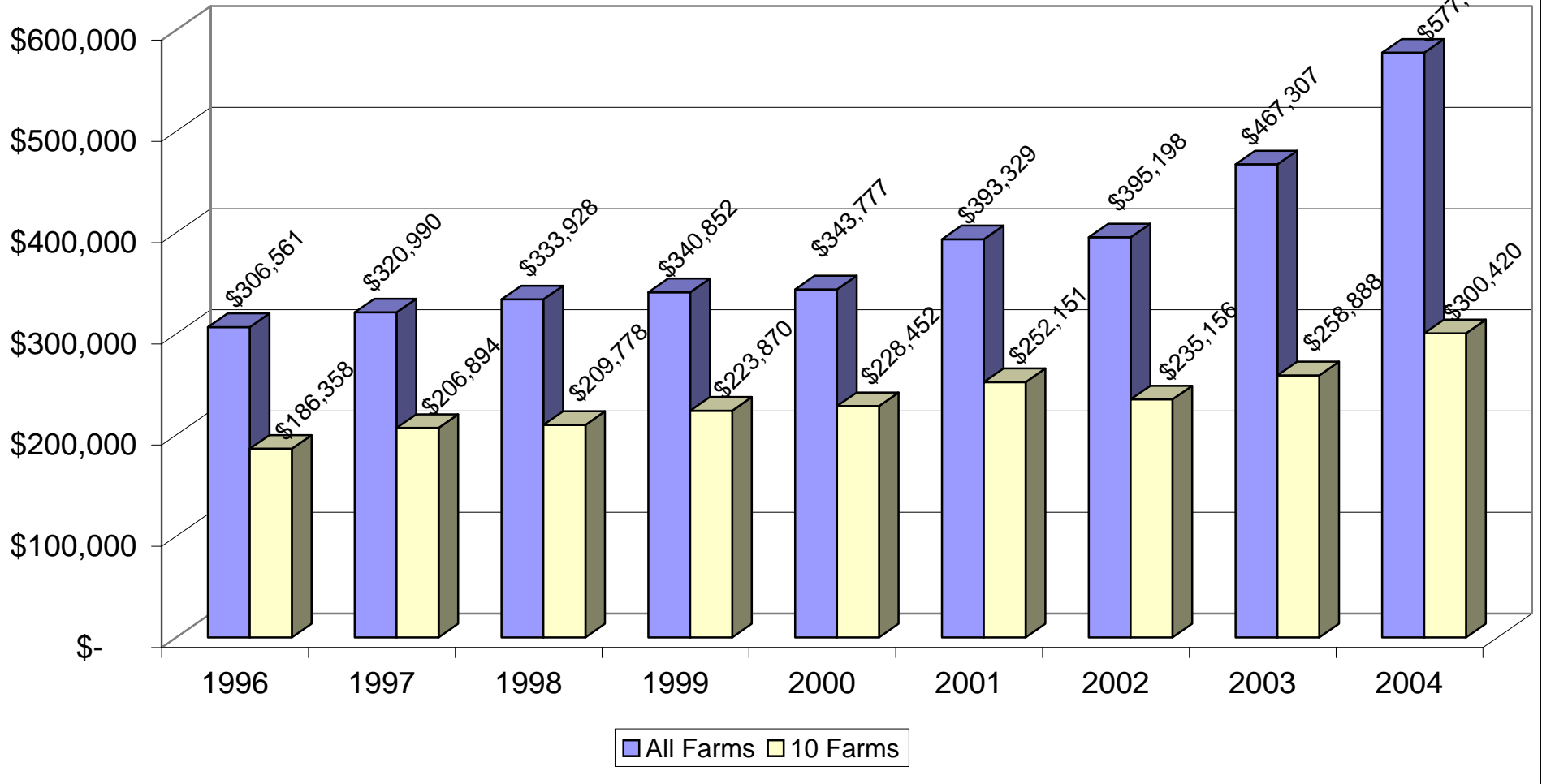


Table 30: Net Farm Income Trend, 1996-2004

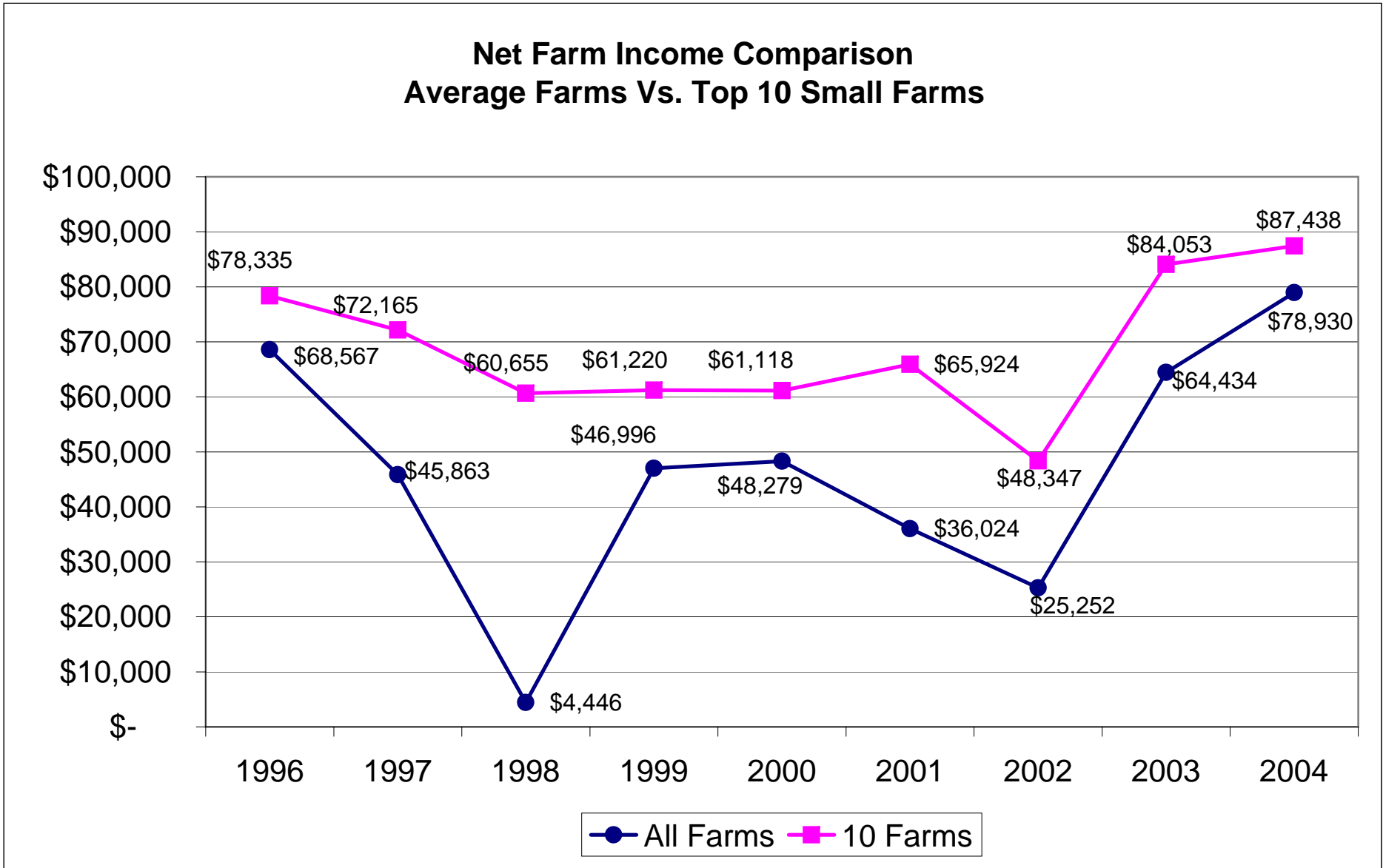


Table 31: Net Farm Income As a % of Gross Trend, 1996-2004

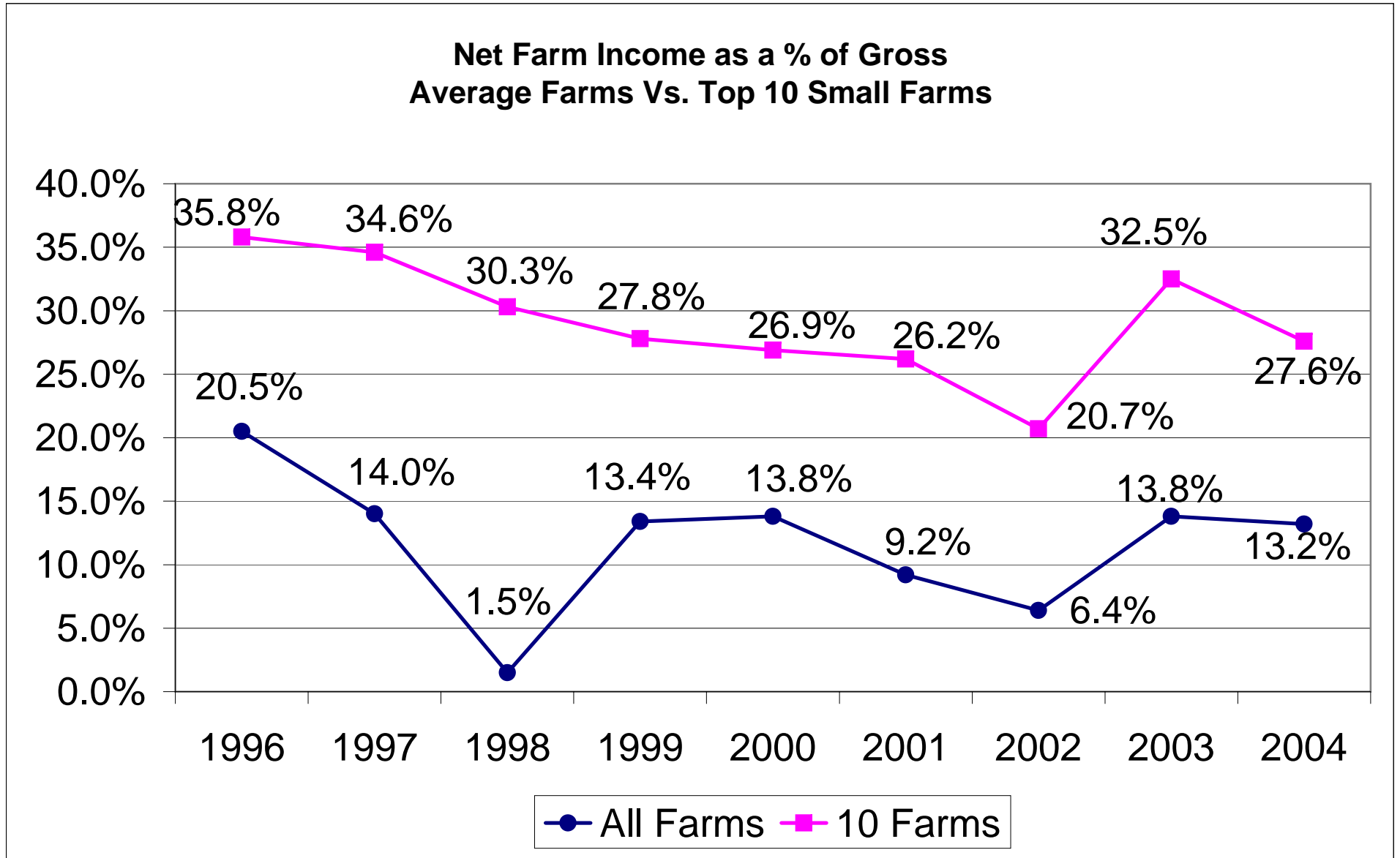


Table 32: Operating Expense Ratio Trend, 1996-2004

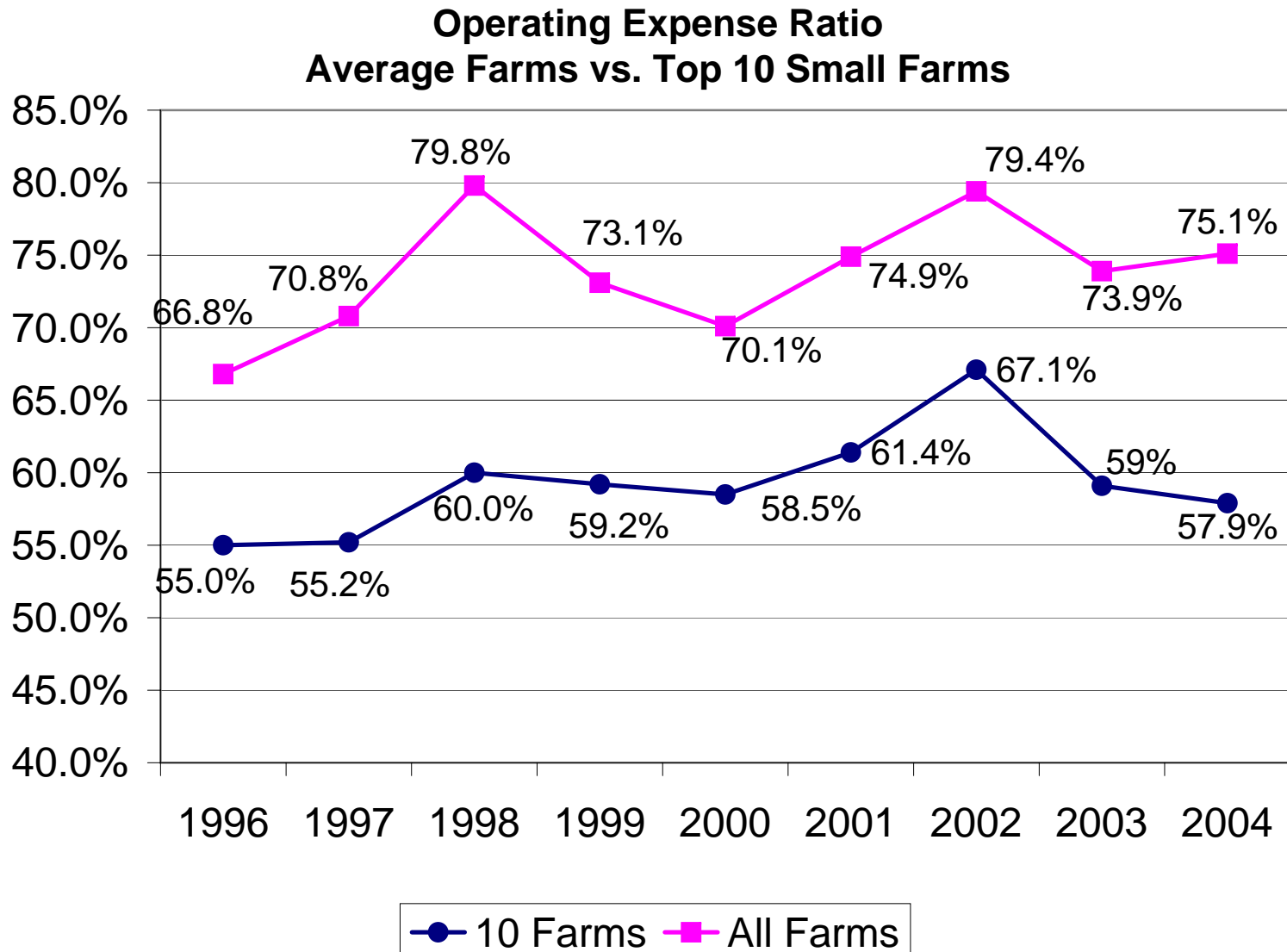


Table 33: Interest Expense Ratio Trend, 1996-2004

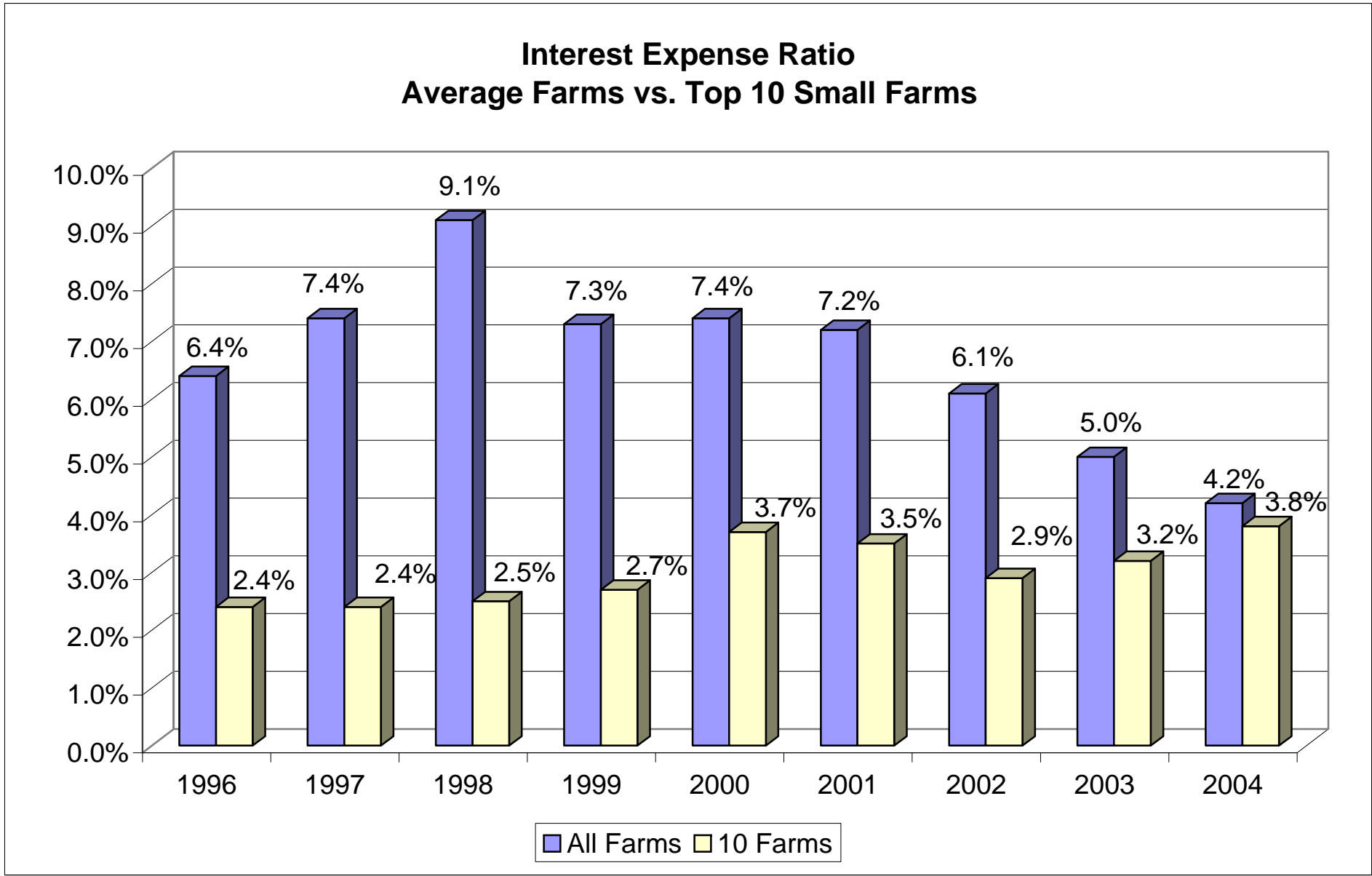


Table 34: Family Living Expense Trend, 1996-2004

**Family Living Expense
Average Farms vs. Top 10 Small Farms**

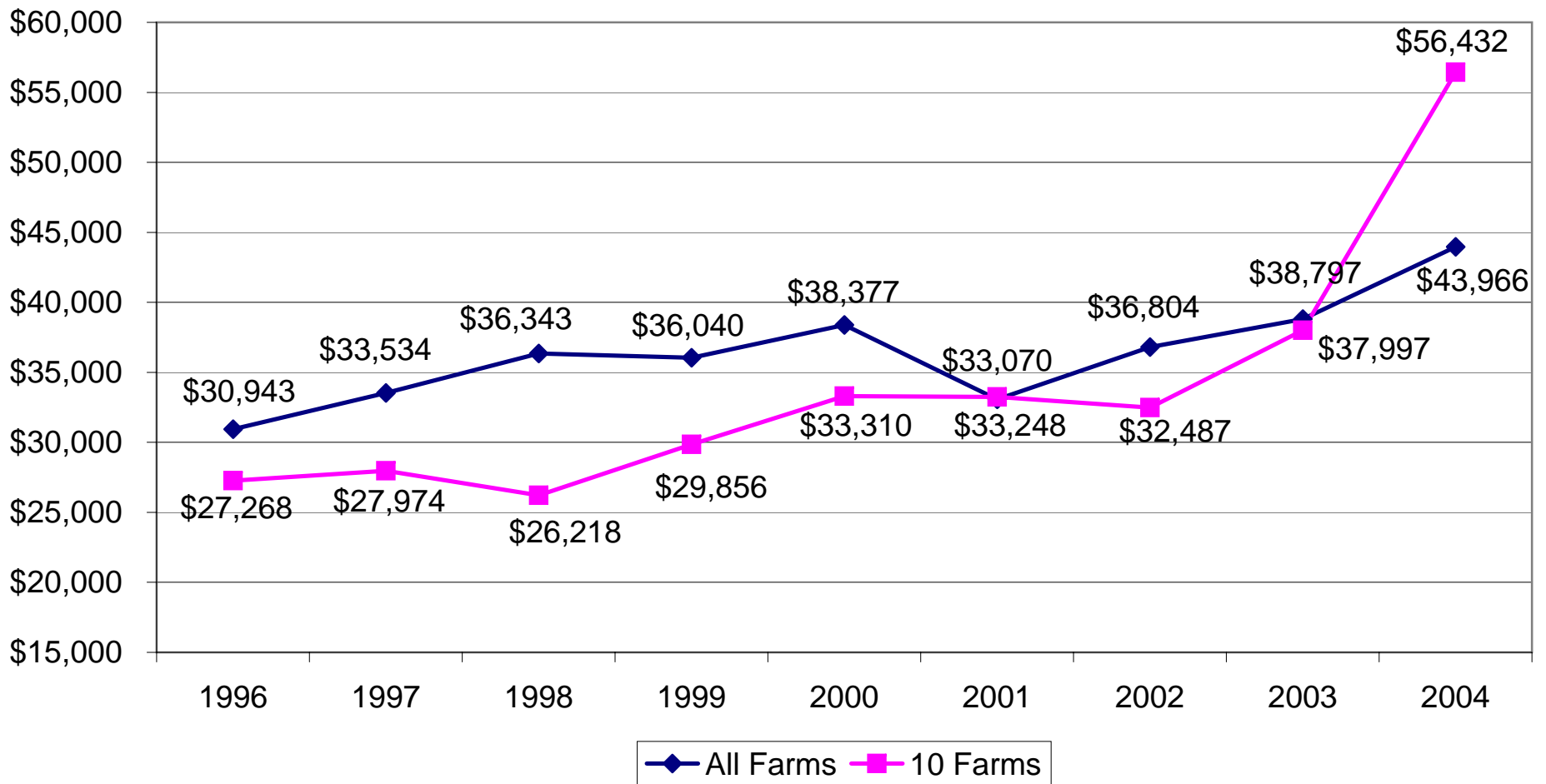


Table 35: Net Worth Trend, 1996-2004

**Net Worth Comparison
Average Farms vs. Top 10 Small Farms**

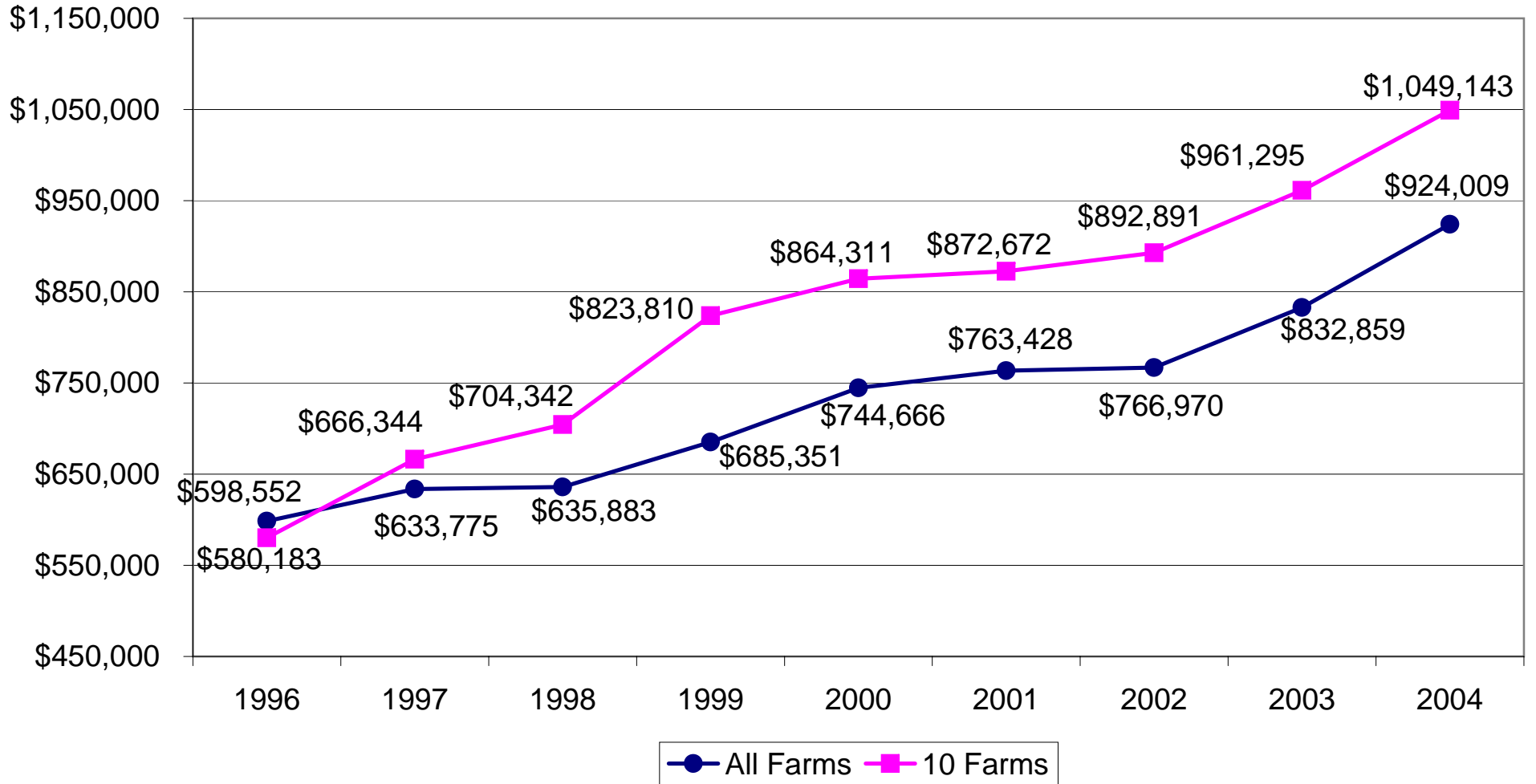
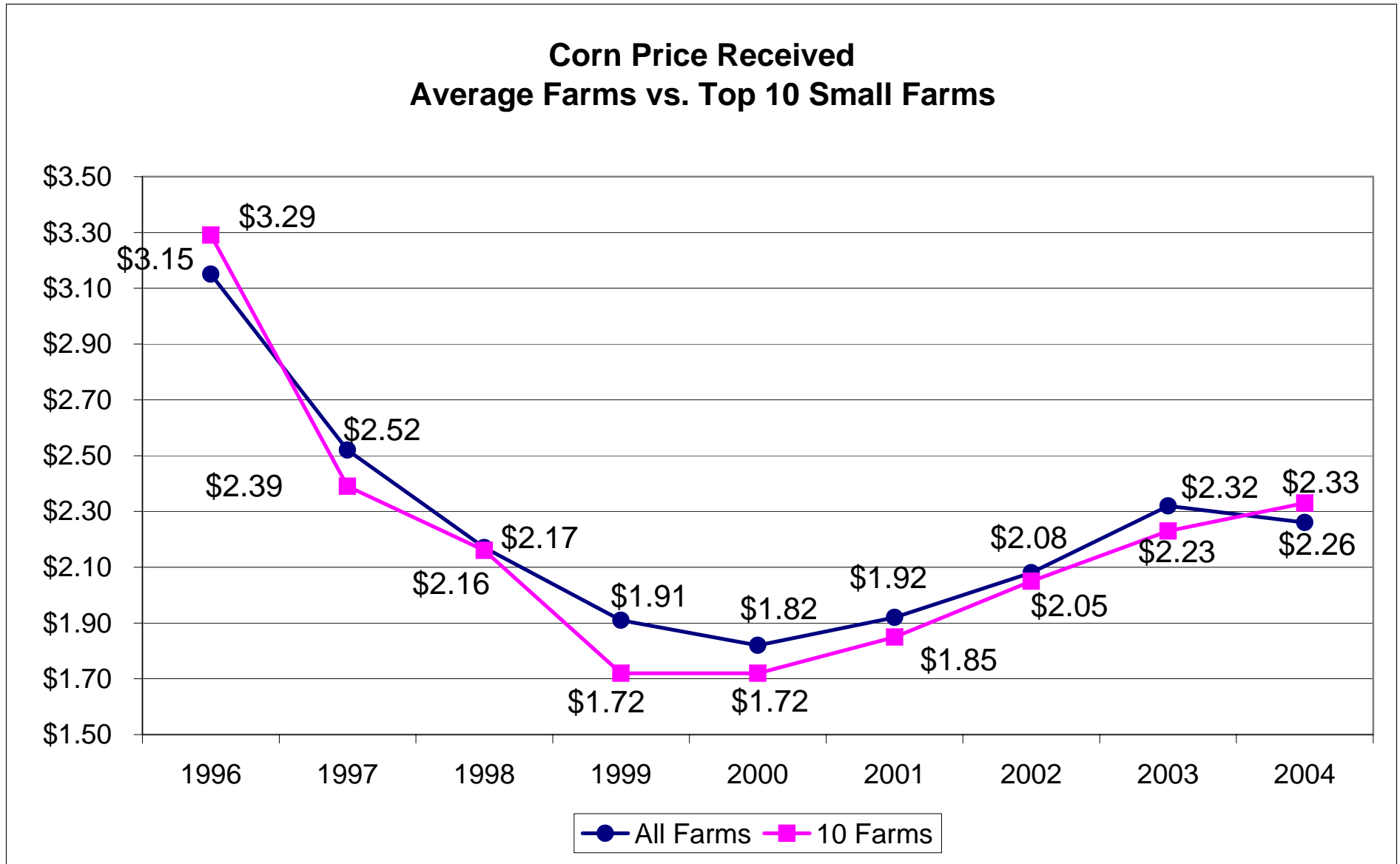


Table 36: Corn Price Received Trend, 1996-2004



Financial Guideline Ratios

Current Ratio: shows the value of current assets relative to current liabilities. It is an indicator of the liquidity of the business. It measures the extent to which current farm assets, if liquidated, would cover current farm liabilities.

Working Capital: is another measure of liquidity. It approximates the operating capital available from within the business. It is calculated by subtracting current farm liabilities from current farm assets.

Farm Debt to Asset Ratio: measures the total financial solvency position of the farm or ranch by comparing the total liabilities with the total assets. It measures the portion of the farm assets that have debt against them. A higher ratio is generally considered an indicator of greater financial risk and lower borrowing capacity.

Farm Equity to Asset Ratio: measures farm equity or net worth relative to the value of farm assets. It measures the proportion of the farm assets financed by the owner's equity as opposed to debt. It is the opposite of the debt to asset ratio.

Farm Debt to Equity Ratio: measures farm debt relative to farm equity. It is calculated by dividing the Total Farm Liabilities by the Total Farm Net Worth. It measures the borrowed capital being employed for every dollar of equity capital.

Rate of Return on Farm Assets: can be thought of as the average interest rate earned on all investments in the farm business. For market value assets, this can be looked at as the "opportunity cost" versus alternate investments. For cost value assets, this more closely represents the actual return on the average dollar invested.

Rate of Return on Farm Equity: represents the interest rate being earned on your farm net worth. For market value assets, this return can be compared to returns available if the assets were liquidated and invested in alternative investments. For cost value assets, this more closely represents the actual return retained in the business.

Operating Profit Margin: is a measure of the operating efficiency of the business. It is calculated as: Return to Farm Assets divided by Value of Farm Production. If expenses are held in line relative to the value of output produced, the farm will have a healthy profit margin. Low prices, high operating expenses or inefficient production may cause a low profit margin.

Net Farm Income: represents the returns to labor, management, and equity capital invested in the business. Net farm income is the reward for investing unpaid family labor, management, and farm net worth in the farm business instead of elsewhere.

Term Debt Coverage Ratio: measures whether the business generated enough cash to cover term debt payments. It is calculated by dividing the funds generated by the business for debt repayment. A ratio less than 100 percent indicates that the business did not generate sufficient cash to meet scheduled payments in the past year. A ratio greater than 100 indicates the business generated enough cash to pay all term debt payments.

Capital Replacement Margin: is the amount of money remaining after all operating expenses, taxes, family living costs, and scheduled debt payments have been made. It is the cash generated by the farm business that is available for financing capital replacement such as machinery and equipment.

Asset Turnover Rate: is a measure of efficiency in using capital. It is calculated as the Value of Farm Production divided by Total Farm Assets. If your farm business generated a high level of production given your level of capital investment, your asset turnover rate will be strong.

Operating Expense Ratio: Subtracting Farm Interest Expense from Total Farm Operating Expense and dividing by Gross Farm Income calculates the operating expense ratio. This ratio indicates the percent of the gross farm income that was used to pay operating expenses.

Depreciation Expense Ratio: The depreciation expense ratio is calculated by dividing Depreciation by Gross Farm Income. This ratio indicates the percent of the gross farm income that was used to cover depreciation and other capital adjustments.

Interest Expense Ratio: Dividing Farm Interest Expense by Gross Farm Income calculates the interest expense ratio. This ratio indicates the percent of the gross farm income used for farm interest expenses.

Net Farm Income Ratio: The net farm income ratio is calculated by dividing Net Farm Income by Gross Farm Income. This ratio indicates the percent of the gross farm income that remained after all expenses.

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