

North Dakota Agriculture Recent Farm Financial Performance

Outlook Conference for Agricultural Lenders

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Production Costs were the highest ever in 2007, then much higher in 2008, but Crop Prices trumped Costs

Record North Dakota Marketing Year Average Prices in 2007 and 2008*

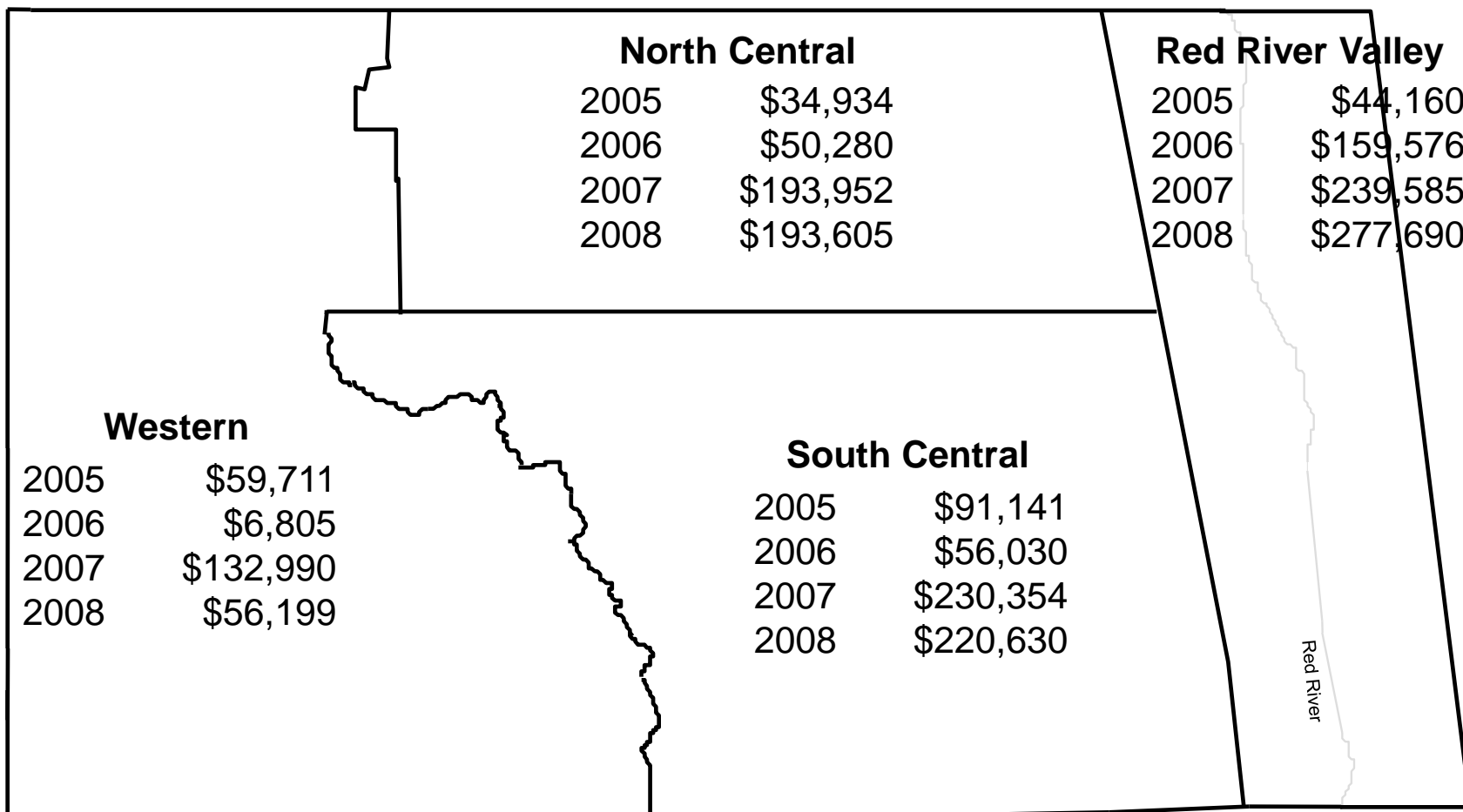
| Crop | Unit | 2008 | 2007 | 2006 Price | <u>Record prior to 2007</u> | |
|-------------------|------|-------|-------|---------------|-----------------------------|-------|
| | | | | | Year | Price |
| Spring Wheat | Bu. | 7.00 | 7.45 | 4.49 | 1995 | 4.71 |
| Durum | Bu. | 10.30 | 11.00 | 4.58 | 1973 | 6.17 |
| Winter Wheat | Bu. | 6.12 | 5.62 | 4.12 | 1995 | 4.66 |
| Barley | Bu. | 4.90 | 3.91 | 2.65 | 1974 | 3.10 |
| Corn | Bu. | 3.85 | 4.06 | 2.77 | 1995 | 3.16 |
| Soybeans | Bu. | 9.10 | 9.63 | 5.98 | 1983 | 7.37 |
| Oil Sunflower | Cwt. | 18.90 | 21.50 | 13.80 | 2006 | 13.80 |
| Non Oil Sunflower | Cwt. | 30.90 | 23.20 | 15.80 | 2004 | 18.50 |
| Canola | Cwt. | 19.10 | 18.30 | 11.90 | 1996 | 12.90 |
| Flax | Bu. | 13.10 | 13.00 | 5.80 | 1974 | 9.60 |
| Lentils | Cwt. | 34.00 | 22.80 | 9.72 | 2003 | 15.00 |
| Field peas | Cwt. | 14.20 | 13.00 | 6.33 | 2002 | 6.70 |
| Oats | Bu. | 2.60 | 2.53 | 1.84 | 1988 | 2.34 |

*National Agricultural Statistics Service

Net Farm Income

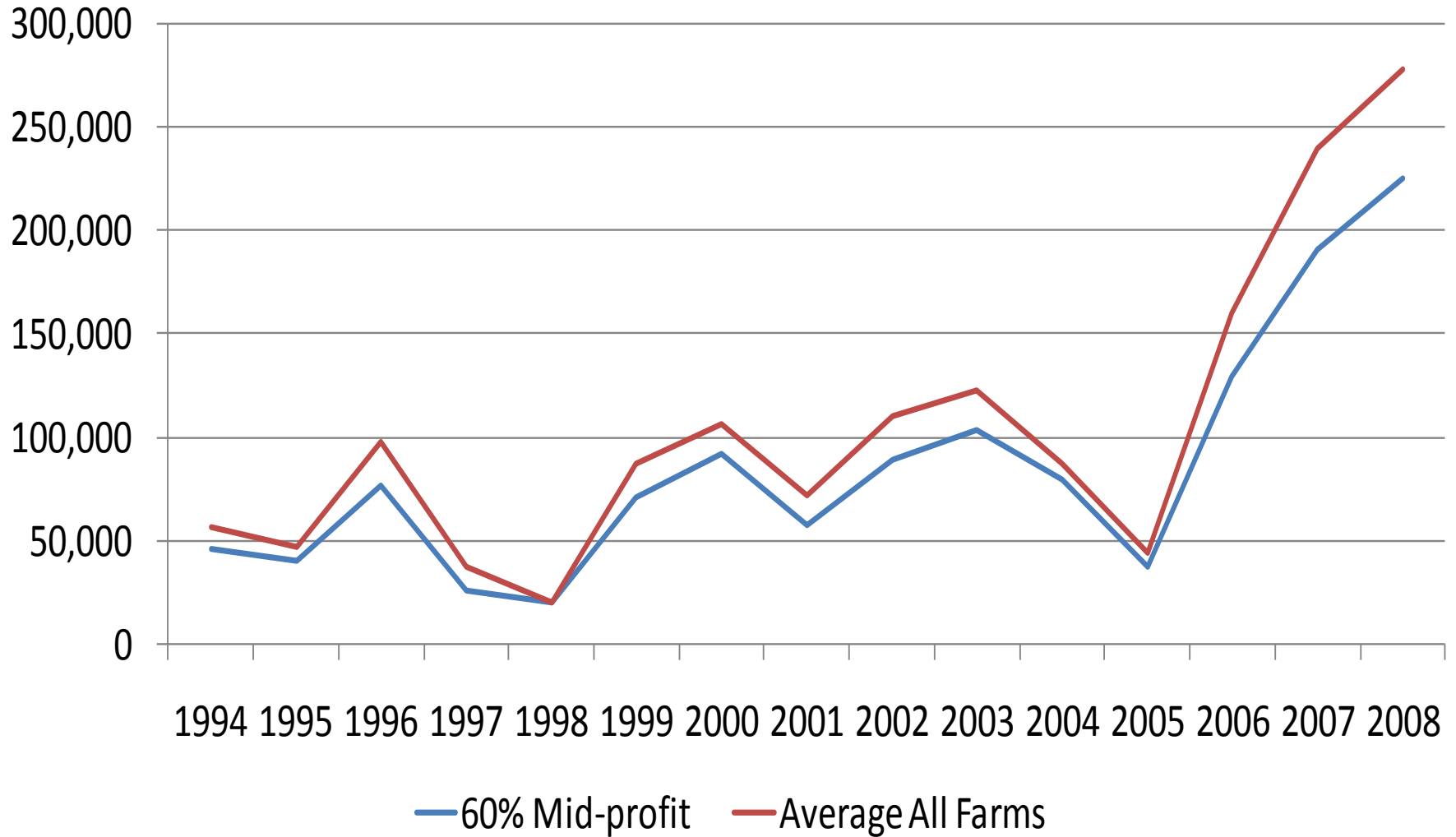
by Region of North Dakota and Red River Valley, 2005-2008

North Dakota and Minnesota Farm Business Management Education Program



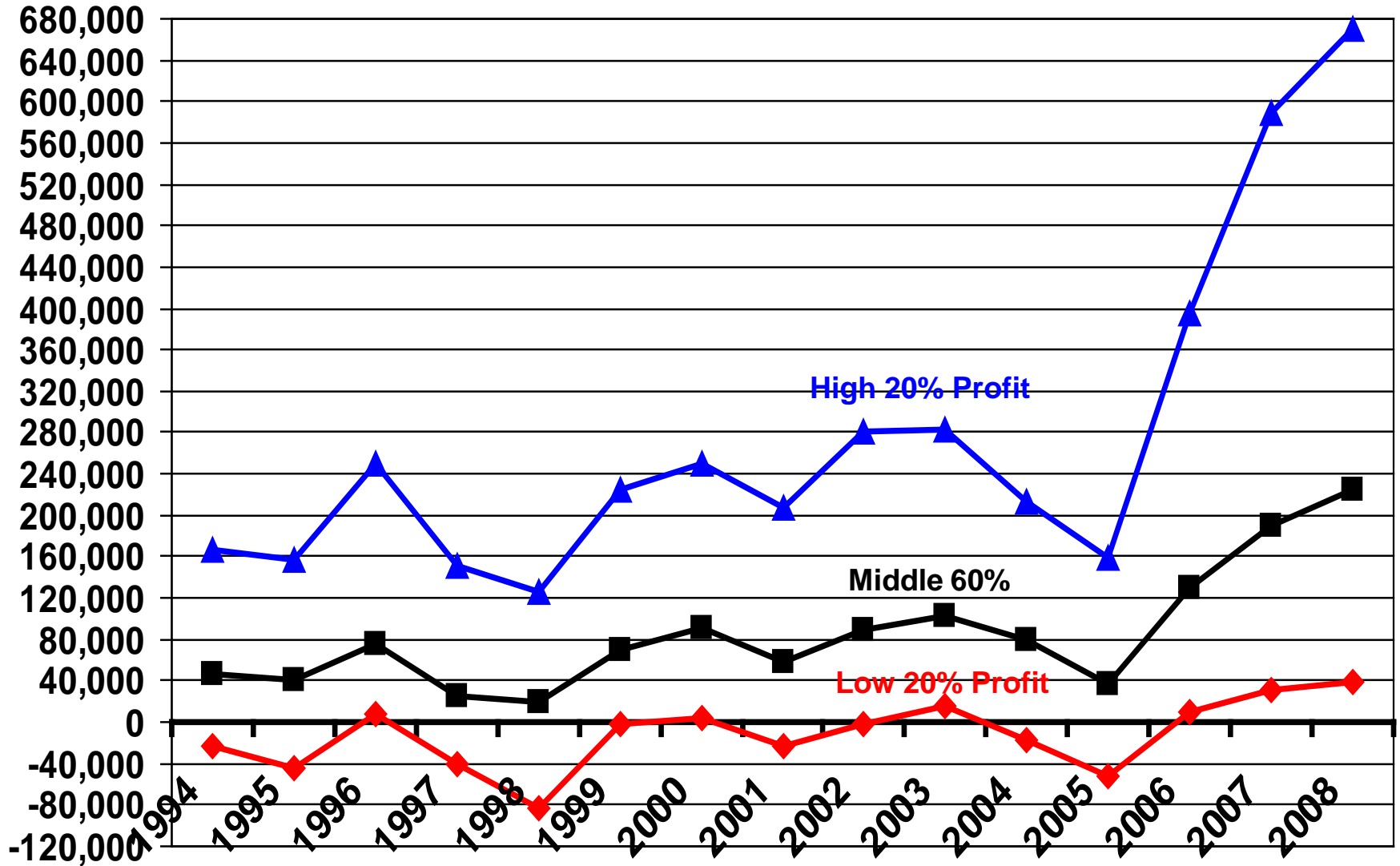
Average Net Farm Income, Red River Valley, 1994-2008

MN-ND Farm Business Mgmt Education Program



Average Net Farm Income Red River Valley, 1994-2008

N.D. Farm Business Management Education Program



Net Farm Income

Cash Income

- Cash Expense

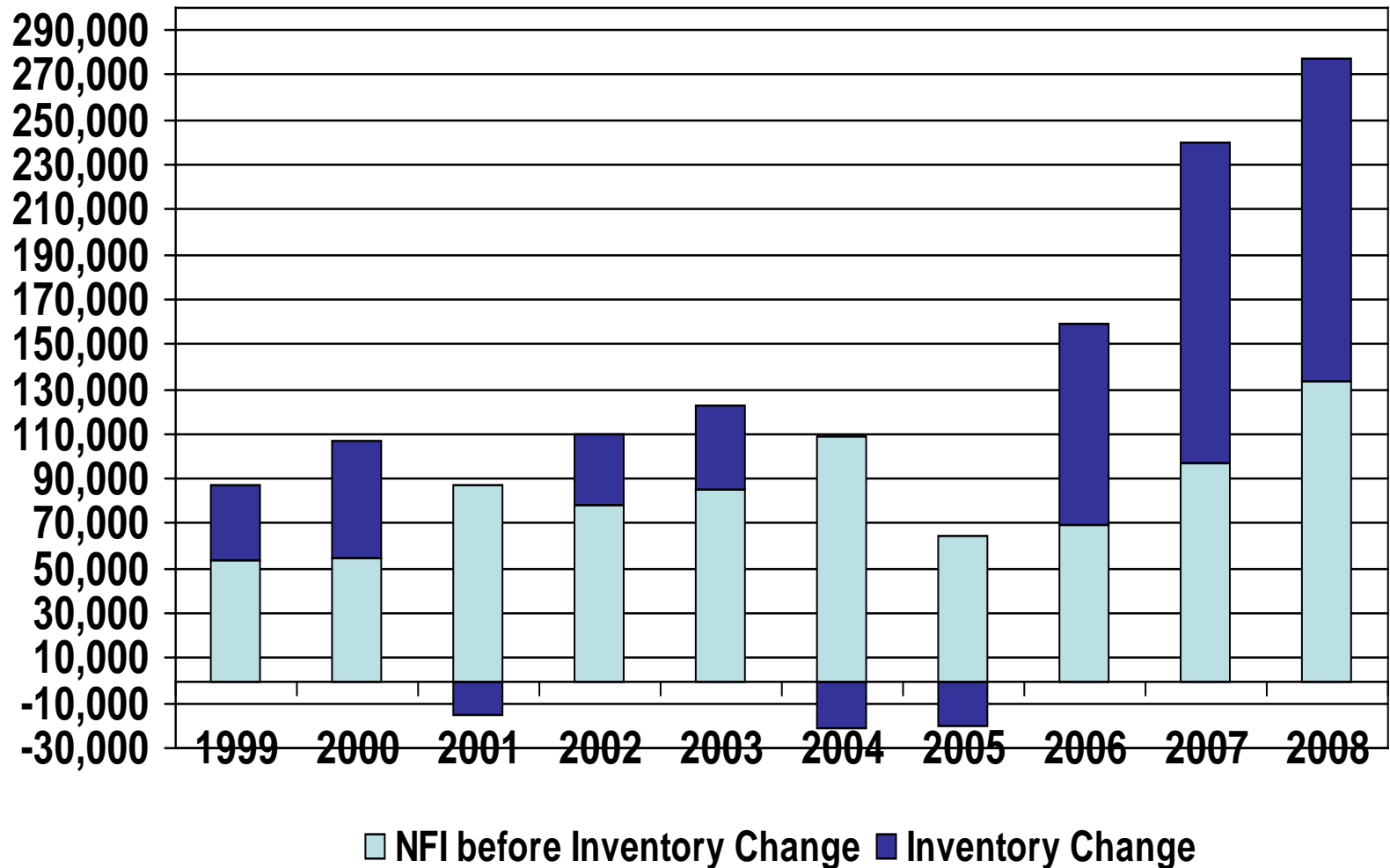
± Inventory Change

- Depreciation

± Gain/Loss on Capital Sales

Average Net Farm Income and Value of Inventory Change

ND Farm Business Management, RRV

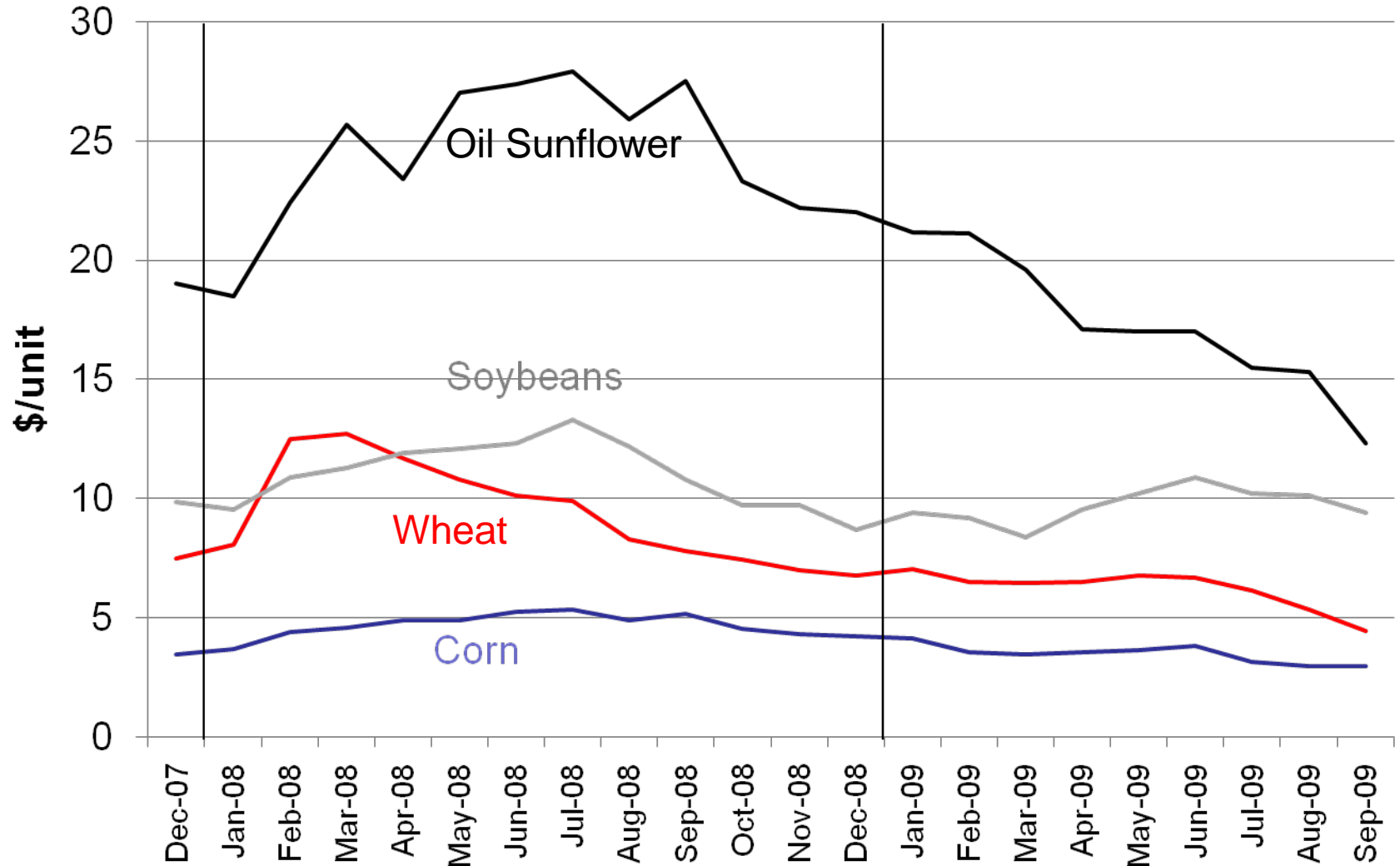


Inventory Changes per Farm, 2008

MN-ND Farm Business Mgmt.

| | Beginning | Ending | Change |
|--|------------------|----------------|----------------|
| Crops & Feed | 384,722 | 487,554 | 102,832 |
| Accts. Receivables | 49,847 | 57,259 | 7,412 |
| Prepaid Expenses & Supplies | 71,551 | 106,206 | 34,655 |
| All Other | | | -507 |
| Total Inventory Change | | | 144,392 |

N.D. Monthly Average Cash Prices

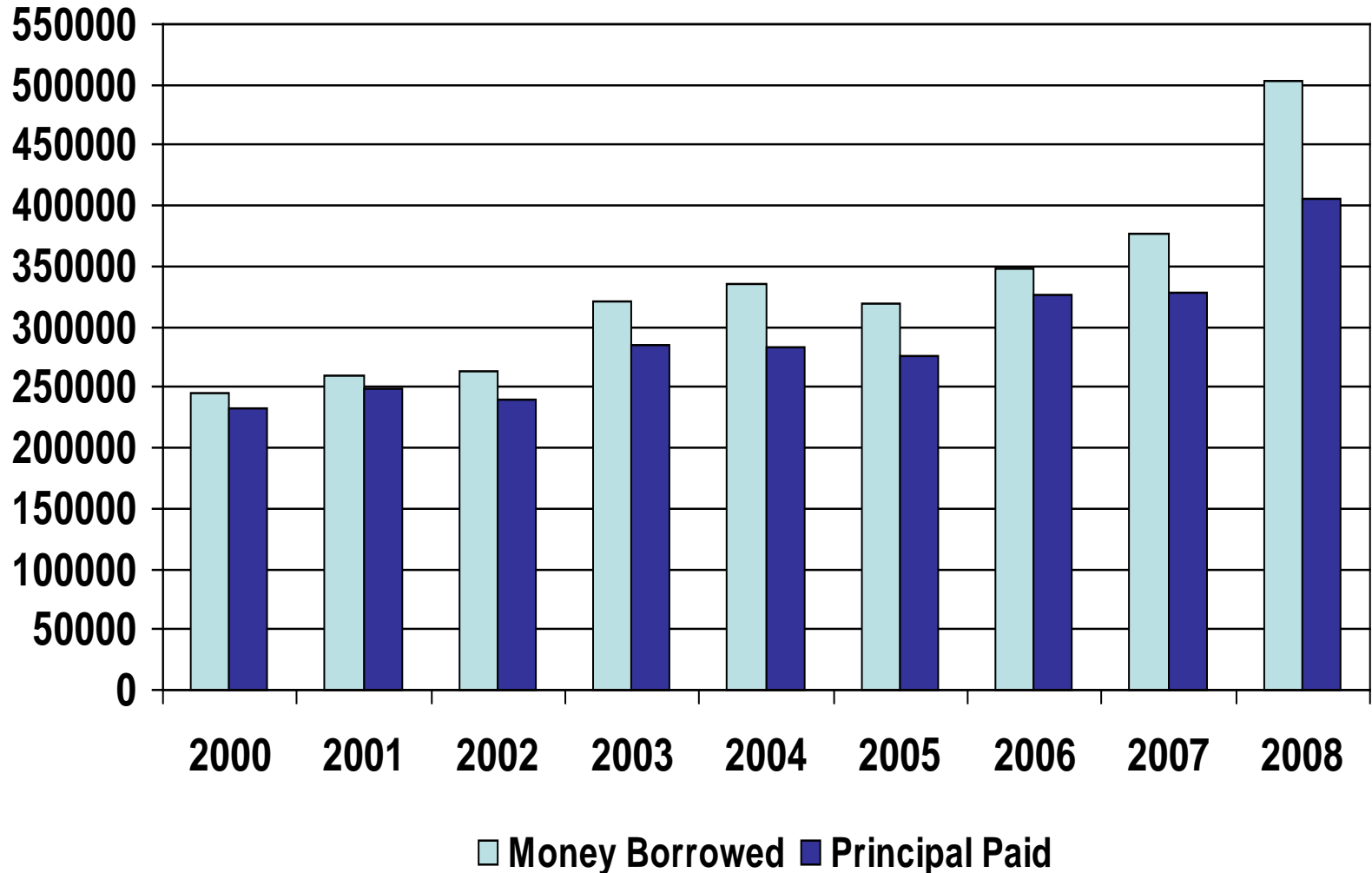


Total Assets and Net Worth
Jumped in Recent High Profit
Years but Debt Continues to
Increase.

Understandably, Machinery
Purchases and Family Living
Expenditures also Jumped

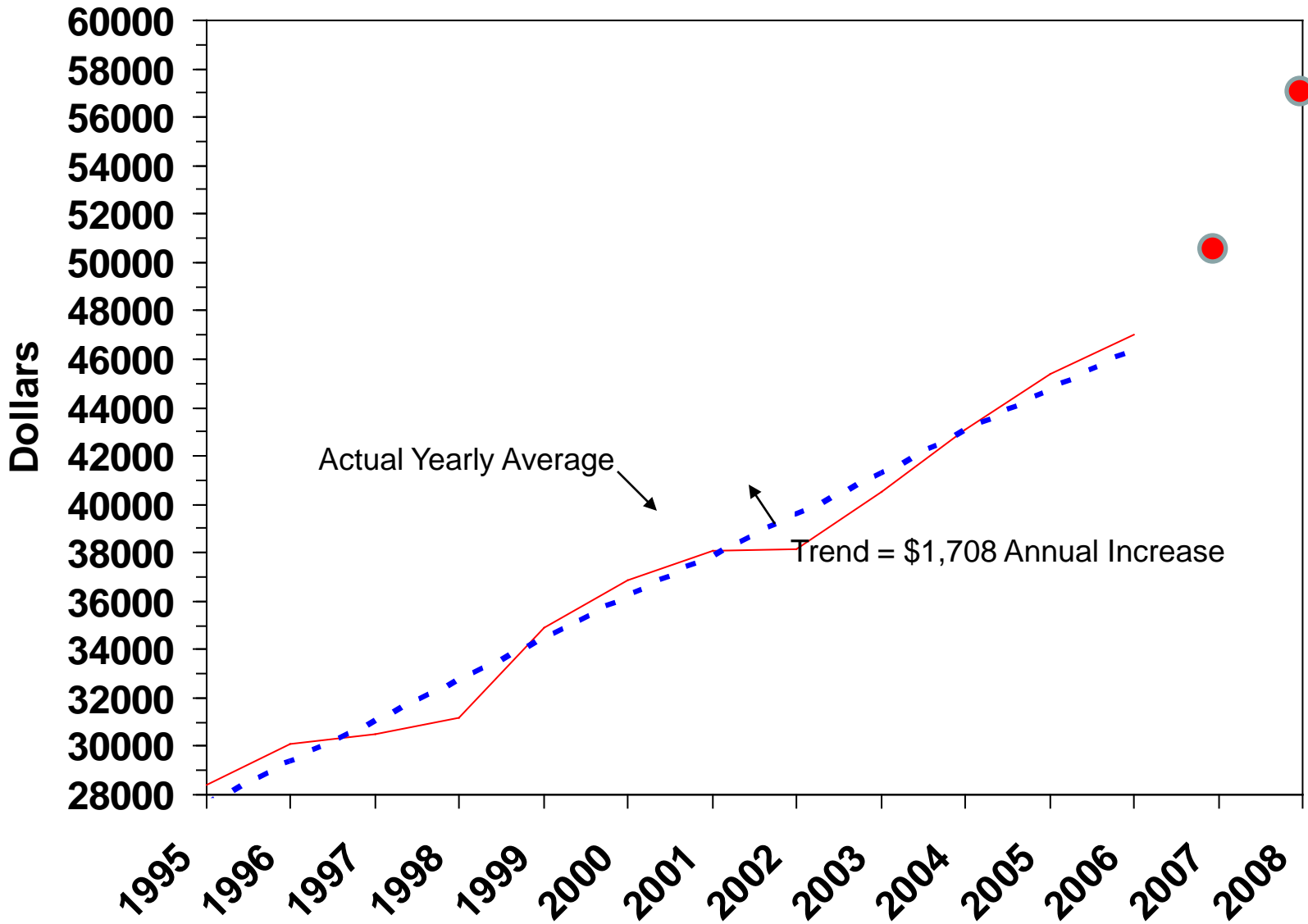
Money Borrowed and Principal Paid, per Farm, 2000-2008

N.D. Farm Business Mgmt Education, Red River Valley



Purchases of Machinery and Equipment, per Farm MN-ND Farm Business Mgmt, Red River Valley





Family Living Expense, NDFBMEP (excluding RRV)

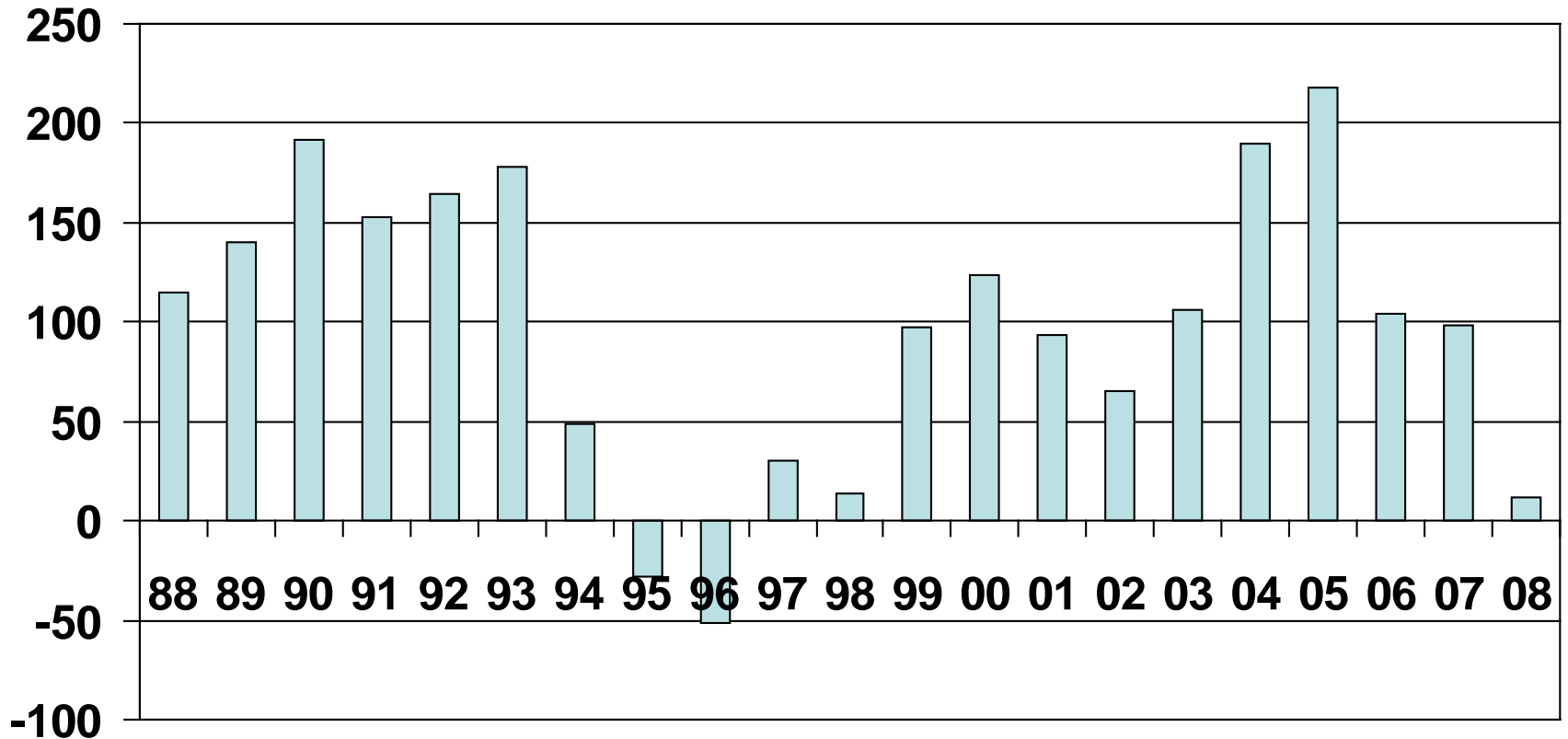
**2008 Average Family Living Expenses
N.D. Farm Business Mgmt Program**

| Family Living Expenses | | Percent of Total Expense |
|-----------------------------------|-----------------|-------------------------------------|
| Food | \$7,540 | 13 |
| Shelter, supplies, furnishings | 9,082 | 16 |
| Clothing | 1,996 | 3 |
| Medical care and health insurance | 9,374 | 16 |
| Vehicle operation and purchase | 8,347 | 14 |
| Utilities | 2,676 | 5 |
| Education | 1,746 | 3 |
| Contributions and gifts | 3,227 | 6 |
| Personal purchase and recreation | 8,434 | 15 |
| Life and other personal insurance | 1,752 | 3 |
| Non-farm interest expense | 1,044 | 2 |
| Other | 2,186 | 4 |
| Total | \$57,404 | 100 |

Livestock Farms Did Not
Participate in All-Time Record
Profit in 2007 and 2008

Average Net Return per Beef Cow

ND Farm Business Mgmt., Excluding RRV



North Dakota Farm Business Management Education Program (excluding RRV) Farm Type, 2008

| Number of farms | 216 | 44 | 77 |
|-------------------------------|--------------|-------------|------------------------|
| | <u>Crops</u> | <u>Beef</u> | <u>Beef & Crop</u> |
| Gross cash farm income | 752,294 | 252,089 | 448,625 |
| Total cash farm expense | 571,302 | 217,511 | 385,391 |
| Net cash farm income | 180,992 | 34,578 | 63,234 |
| Inventory change | 114,750 | -8,047 | 56,213 |
| Depreciation and capital adj. | -31,937 | -11,557 | 19,464 |
| Average NFI | 263,806 | 14,707 | 107,535 |
| Median NFI | 216,838 | 13,357 | 53,224 |
| Debt to Asset | 39% | 53% | 51% |
| Interest Exp. as % of Gross | 3.4% | 7.3% | 5.5% |
| NFI as % of Gross Rev. | 31.5% | 6.0% | 21.0% |
| | | | |

“Every financial measure for 2007 was much superior to any other year for the 1998-2007 period.”

Selected Financial Measures

N.D. Farm Business Management Education Program

| Measure | 2008 Median | 2007 Median | Avg of 2002-2006 Medians |
|----------------------------------|--------------------|--------------------|---------------------------------|
| Current Ratio | 1.8 | 1.7 | 1.3 |
| Return on Assets | 10.6% | 15.7% | 5.7% |
| Return on Equity | 15.8% | 25.3% | 5.2% |
| Term Debt Coverage | 267% | 328% | 138% |
| Asset Turnover | 52% | 56% | 39% |
| Interest Expense as a % of gross | 4.4 | 5.2 | 6.2 |
| Net Farm Income as a % of gross | 24.2% | 30.6% | 17.1% |

Sugar Beet Economics

Red River Valley Sugar Beet Enterprises, 2008

Minnesota and North Dakota Farm Business Management Programs

| | Own Stock | | Joint Venture | |
|----------------------|------------|-----------|---------------|-----------|
| | Owned Land | Cash Rent | Owned Land | Cash Rent |
| # of Farms Reporting | 40 | 76 | 21 | 63 |
| Gross Revenue* | 932 | 1,007 | 1,010 | 1,005 |
| Direct Cost | 524 | 506 | 551 | 516 |
| Land Rent | -- | 90 | -- | 87 |
| Joint Venture | -- | -- | 181 | 216 |
| Overhead Cost | 225 | 163 | 205 | 150 |
| Total Listed Costs | 749 | 759 | 937 | 969 |
| Net Return | 183 | 248 | 73 | 36 |

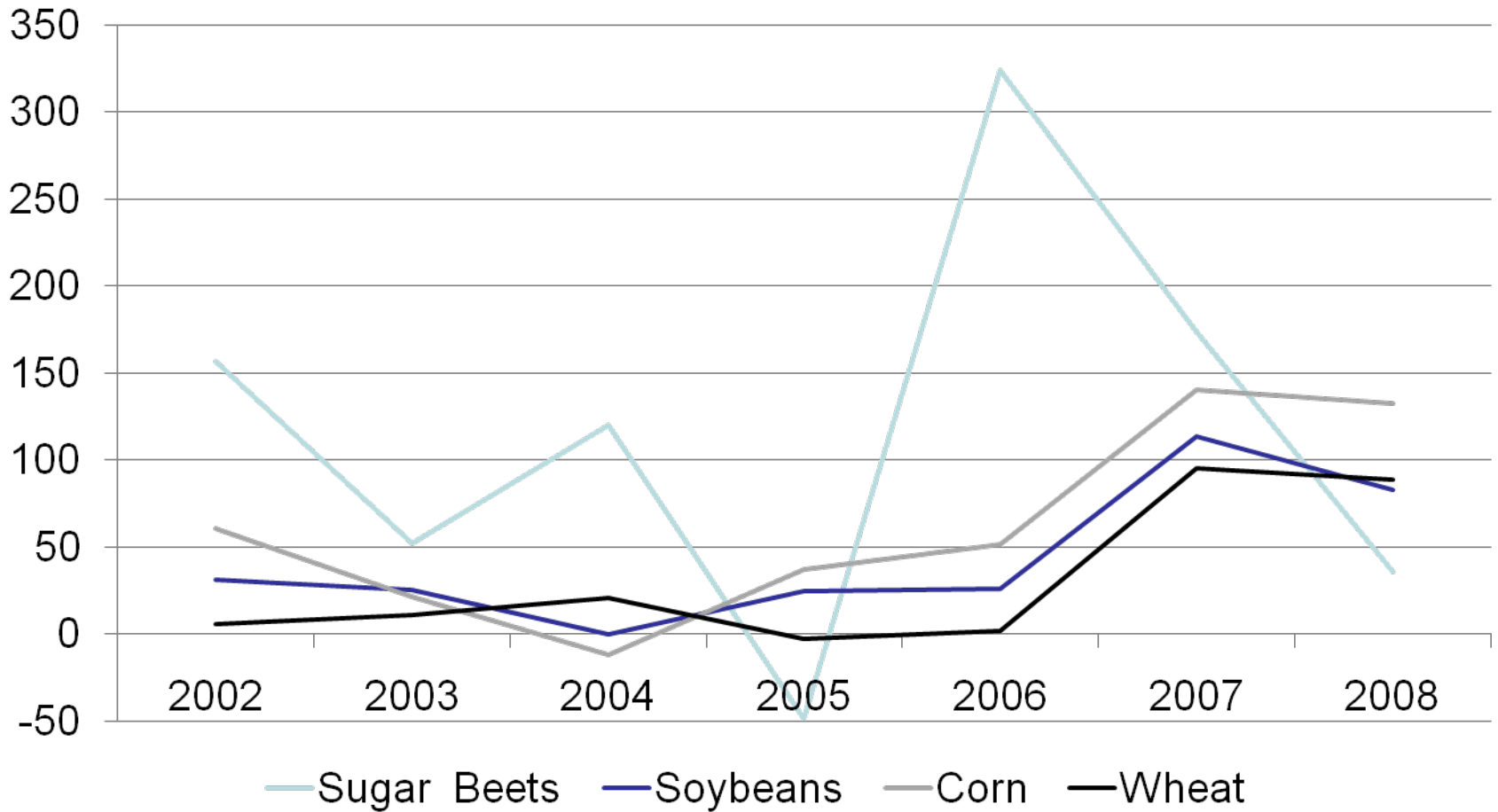
*Updated with final American Crystal net payment per ton (\$45.04).

MN-ND Red River Valley Farm Business Mgmt Sugar Beet Enterprise Analysis, 2002-2008, on Cash Rented Land and Stock Joint Venture.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Yield | 17.38 | 19.75 | 19.59 | 18.78 | 24.24 | 21.66 | 20.98 |
| Price (updated*) | 43.64 | 38.70 | 43.86 | 37.33 | 47.25 | 47.30 | 45.04 |
| Misc inc | 56.13 | 14.19 | 22.81 | 30.85 | 7.61 | 30.01 | 59.73 |
| Gross | 814.59 | 778.52 | 882.03 | 731.91 | 1,152.95 | 1,054.53 | 1,004.67 |
| Seed | 47.30 | 47.76 | 51.84 | 51.12 | 55.39 | 58.65 | 93.61 |
| Fertilizer | 26.86 | 27.55 | 35.84 | 41.81 | 43.96 | 52.37 | 75.53 |
| Chemical | 107.63 | 122.94 | 113.32 | 105.67 | 92.94 | 102.10 | 89.94 |
| Crop Ins. | 13.79 | 16.11 | 17.51 | 16.06 | 18.77 | 19.39 | 21.77 |
| Fuel & Oil | 24.98 | 30.41 | 38.86 | 51.48 | 56.54 | 59.85 | 75.05 |
| Repair | 56.11 | 54.97 | 60.19 | 64.34 | 60.91 | 71.13 | 80.69 |
| Other Direct | 36.57 | 51.22 | 52.37 | 55.16 | 76.39 | 73.24 | 79.22 |
| Cash Rent | 64.35 | 71.78 | 68.15 | 69.41 | 78.70 | 80.69 | 86.61 |
| Stock Joint Vent. | 162.14 | 174.19 | 189.06 | 188.28 | 214.05 | 214.93 | 216.11 |
| Overhead | 118.31 | 129.37 | 134.48 | 137.18 | 130.87 | 148.64 | 150.21 |
| Listed Costs | 658.04 | 726.30 | 761.62 | 780.52 | 828.52 | 881.01 | 968.75 |
| Net Return | 156.55 | 52.22 | 120.41 | -48.61 | 324.43 | 173.52 | 35.92 |

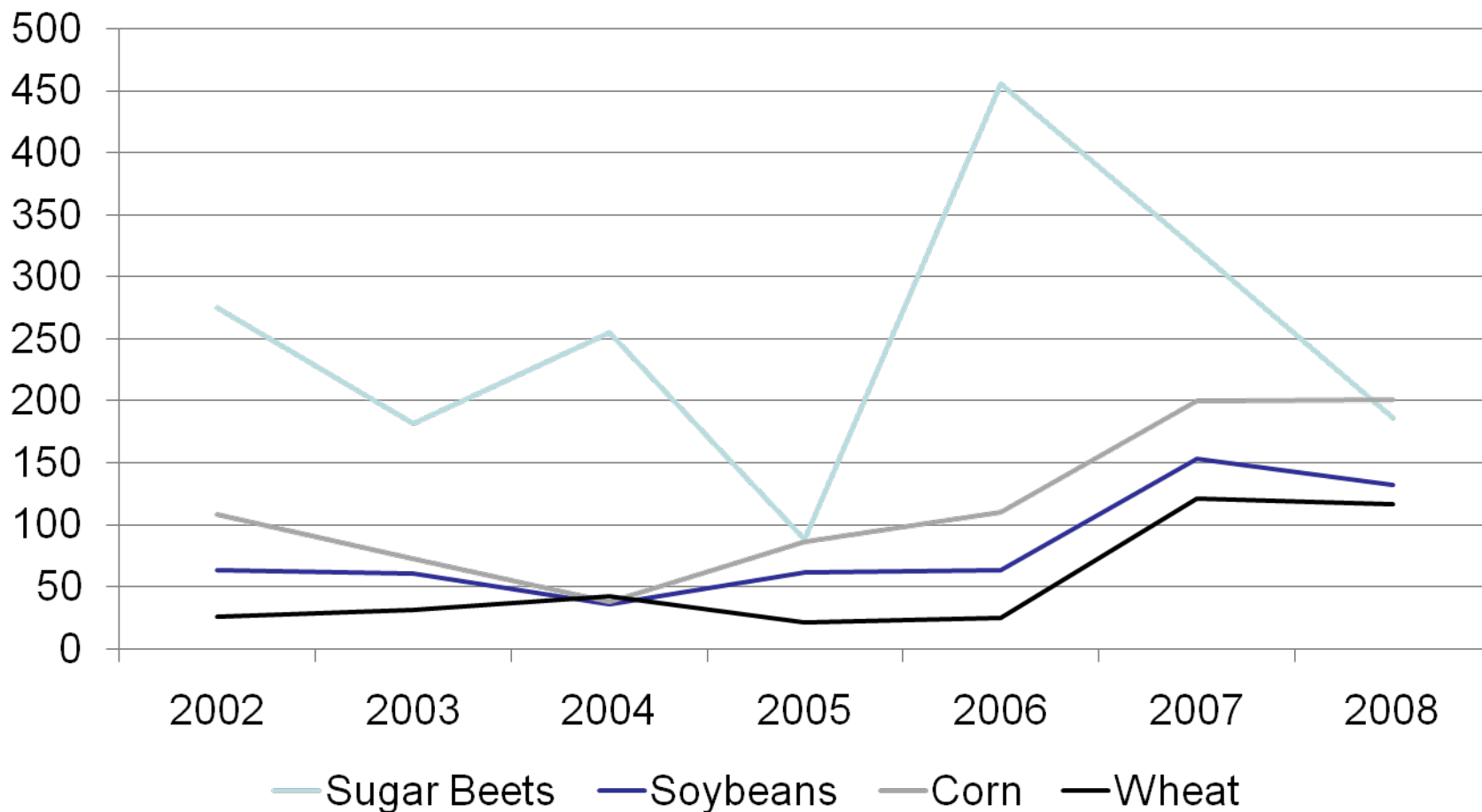
*Final American Crystal net payment per ton is used.

Red River Valley Net Income per Acre, on Cash Rented Land, of Sugar Beets* (joint venture), Soybeans, Corn and Wheat MN-ND Farm Business Mgt.



*Revenue was updated with final American Crystal Net Payment Per Ton.

Red River Valley Return over Direct Costs (included Land Cash Rent) of Sugar Beets* (joint venture), Soybeans, Corn and Wheat. MN-ND Farm Business Mgt.



*Revenue was updated with final American Crystal Net Payment Per Ton.

Crop Insurance Safety Net

| Crop | APH | Coverage Level | RA Price | Guarantee |
|---------------|-----|----------------|----------|-----------|
| 2008 Wheat | 50 | 70% | 11.11 | 388.85 |
| 2009 Wheat | 50 | 70% | 6.20 | 217.00 |
| | | | | |
| 2008 Corn | 130 | 70% | 5.40 | 491.40 |
| 2009 Corn | 130 | 70% | 4.04 | 367.64 |
| | | | | |
| 2008 Soybeans | 35 | 70% | 13.36 | 327.32 |
| 2009 Soybeans | 35 | 70% | 8.80 | 215.60 |

What has changed from last year's conclusions?

Conclusions (Oct. 2008)

- The future (2009) outlook has gone from sunny to cloudy due to financial crisis and its impact on world demand.
- Decline in commodity markets will have some positive impacts on costs.
- Grain futures are still high by historic standards and may offer a profit, if inputs are purchased right.
- Consider forward pricing some 2009 crop at futures prices above \$4.50 corn, \$9.50 soybeans and \$6.75 wheat.
- Marketing loan safety net has eroded because of high COP. There is more dependence on crop insurance.