

North Dakota Agriculture Recent Farm Financial Performance

Outlook Conference for Agricultural Lenders

October 19-27, 2009

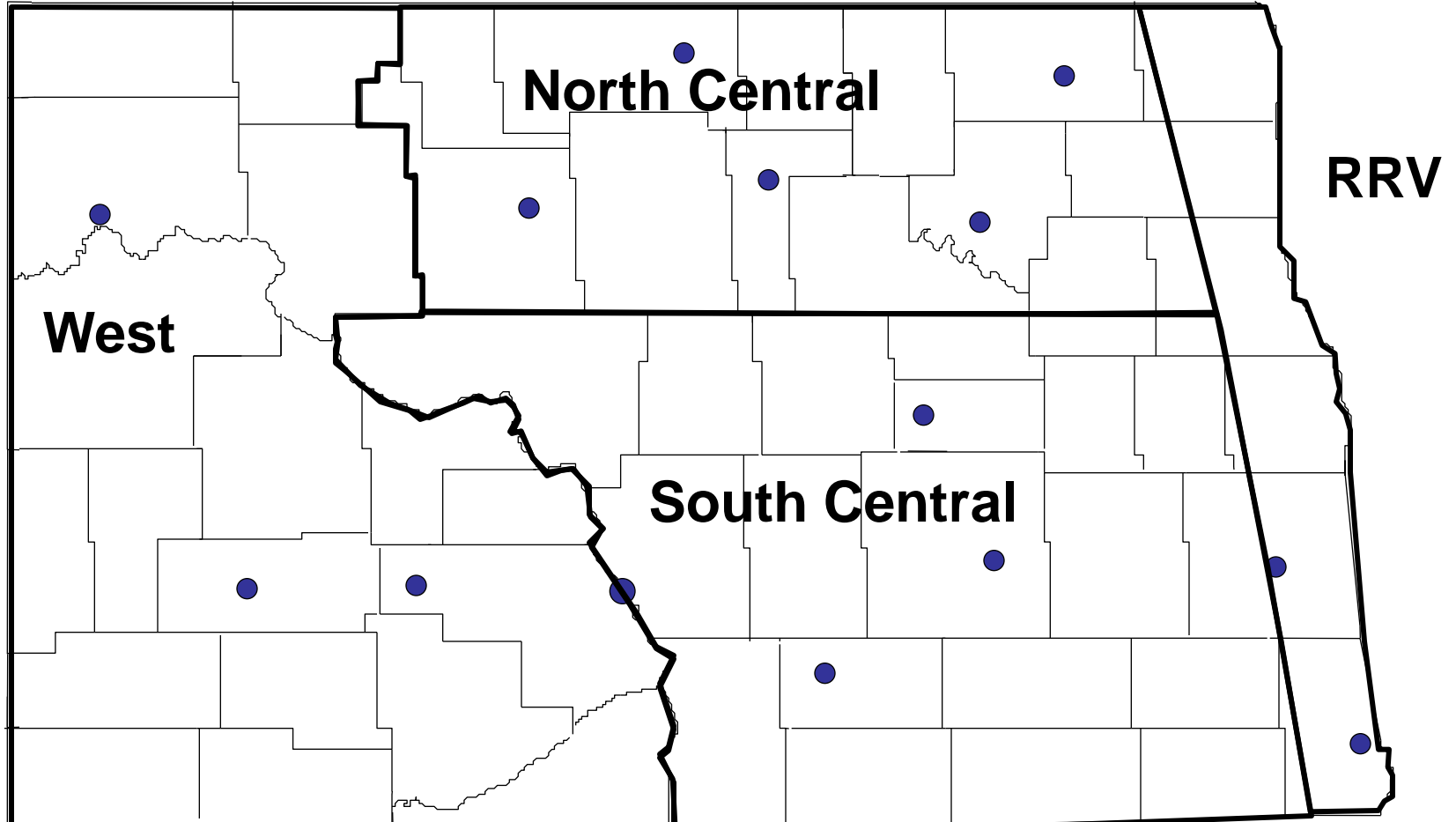
Andrew Swenson

Extension Farm Management Specialist

Department of Agribusiness and Applied Economics

North Dakota State University

**Main source of information:
North Dakota Farm Business Management Education Programs**

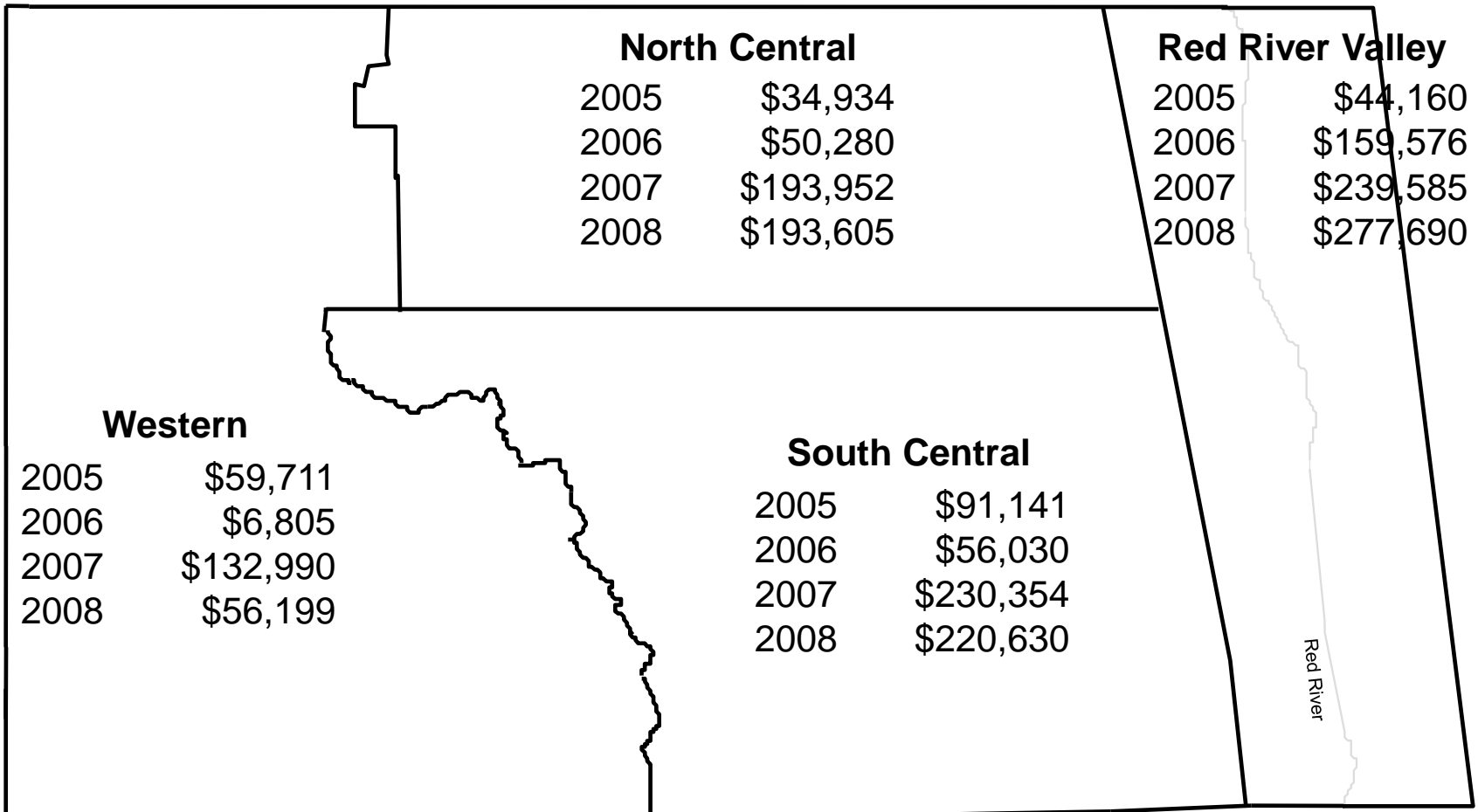


Record North Dakota Marketing Year Average Prices in 2007 and 2008*

Crop	Unit	2008	2007	2006 Price	Record prior to 2007	
					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

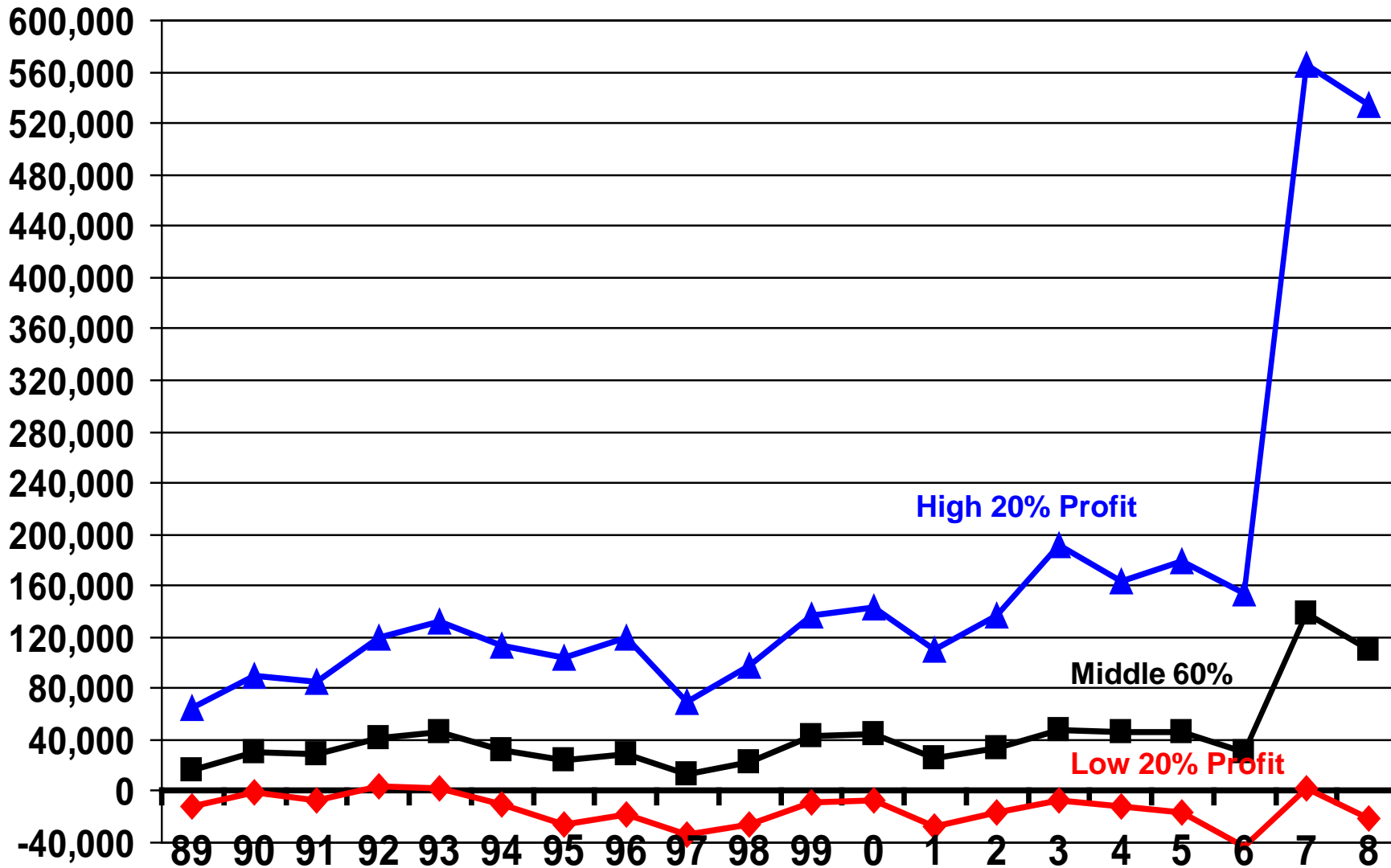
*National Agricultural Statistics Service

Net Farm Income
by Region of North Dakota and Red River Valley, 2005-2008
North Dakota and Minnesota Farm Business Management Education Program



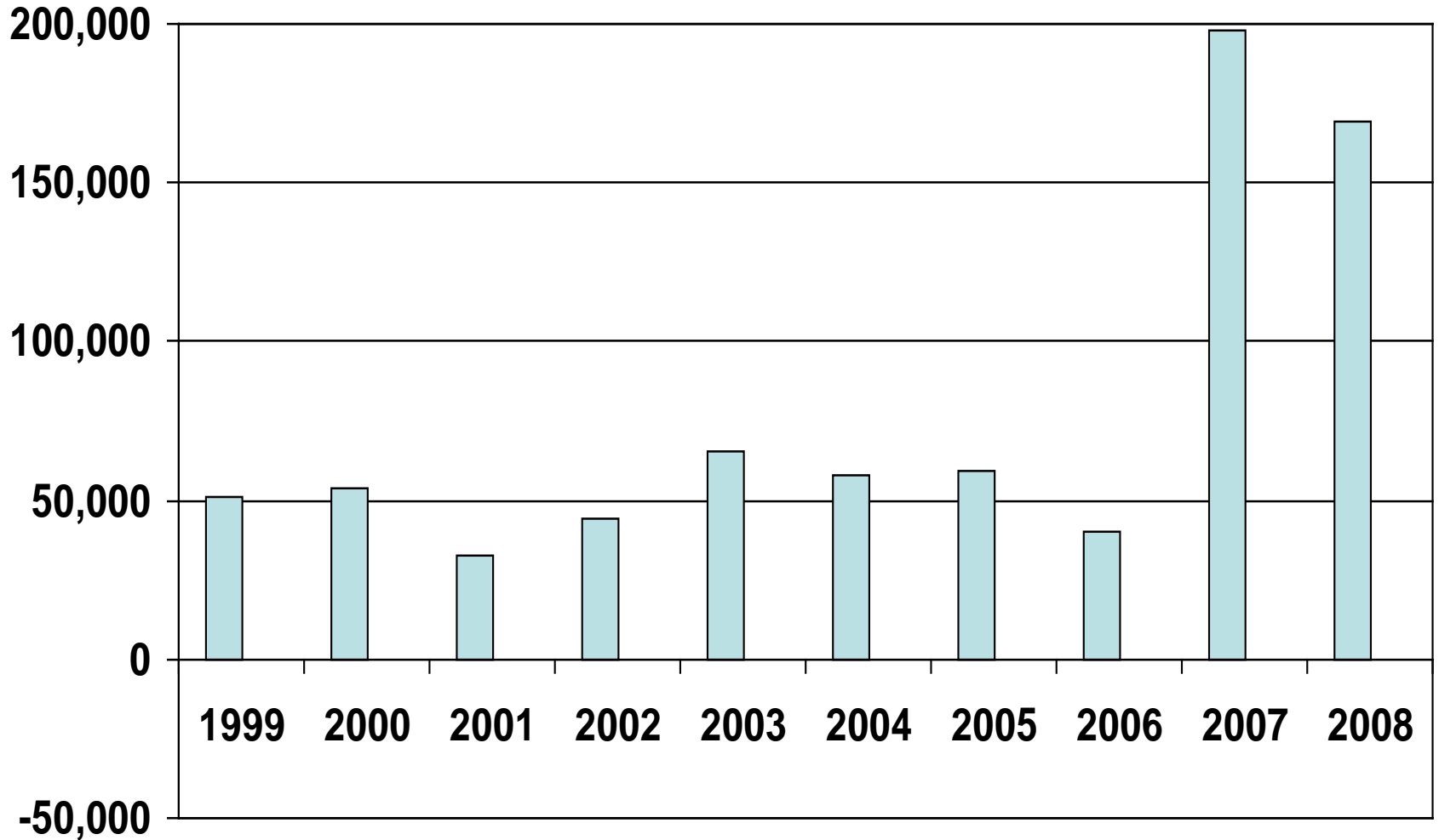
Average Net Farm Income Excluding Red River Valley, 1989-2008

N.D. Farm Business Management Education Program



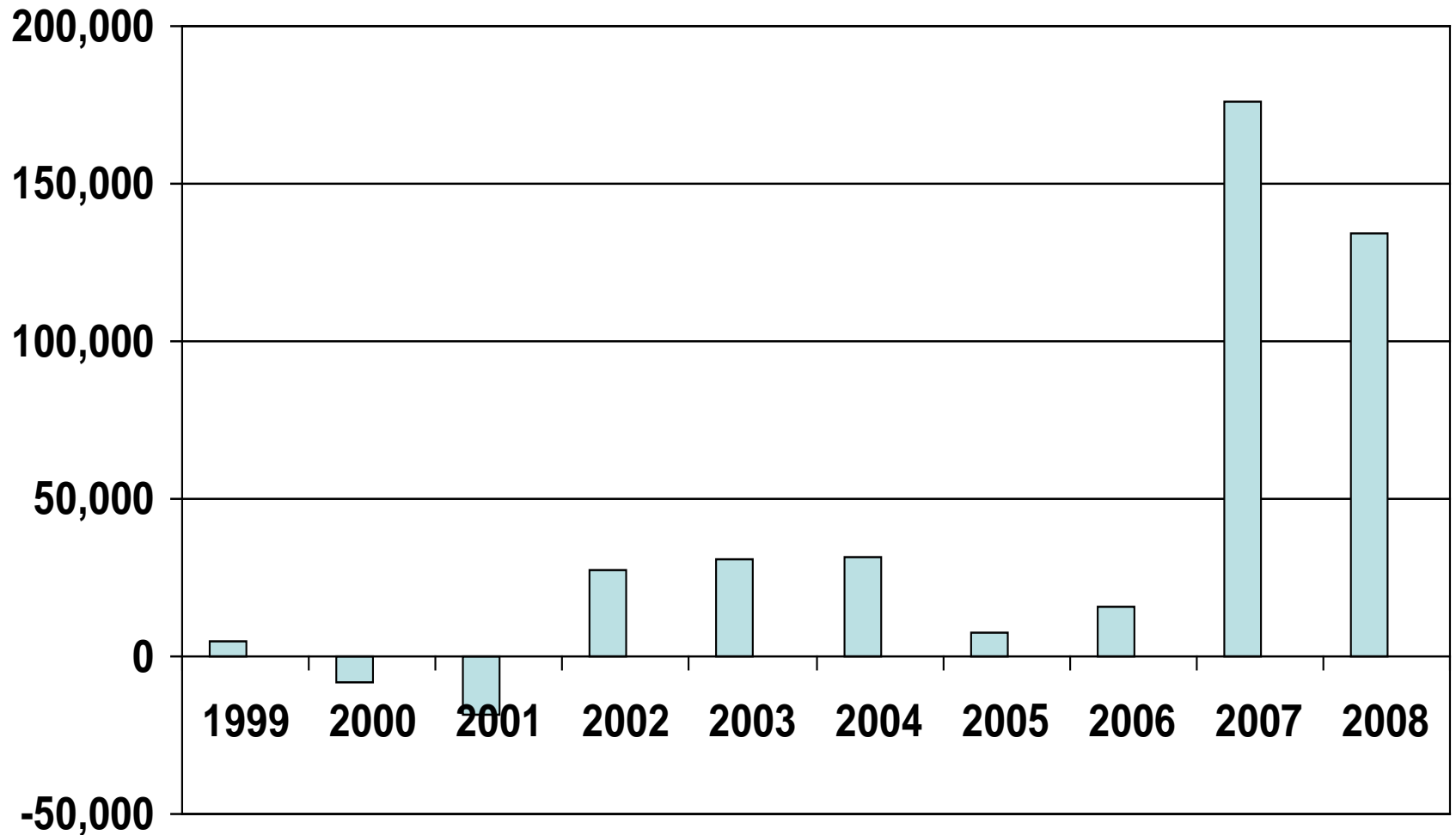
Average Net Farm Income

ND Farm Business Management, Excluding RRV



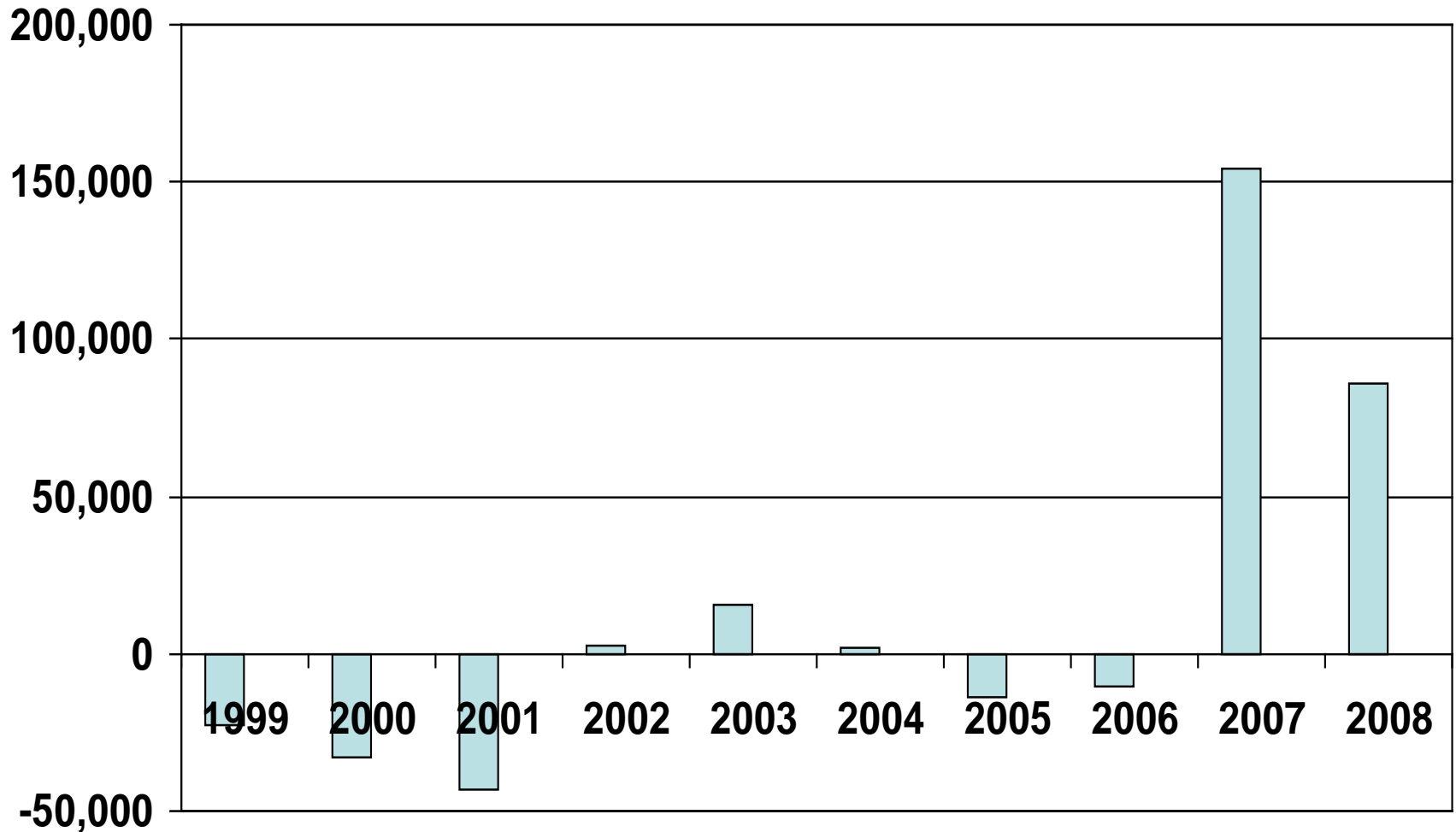
Net Farm Income Excluding Gov't Pymts.

ND Farm Business Management, Excluding RRV



Net Farm Income Exc. Gov't & Ins Pmts.

ND Farm Business Management, Excluding RRV



Net Farm Income

Cash Income

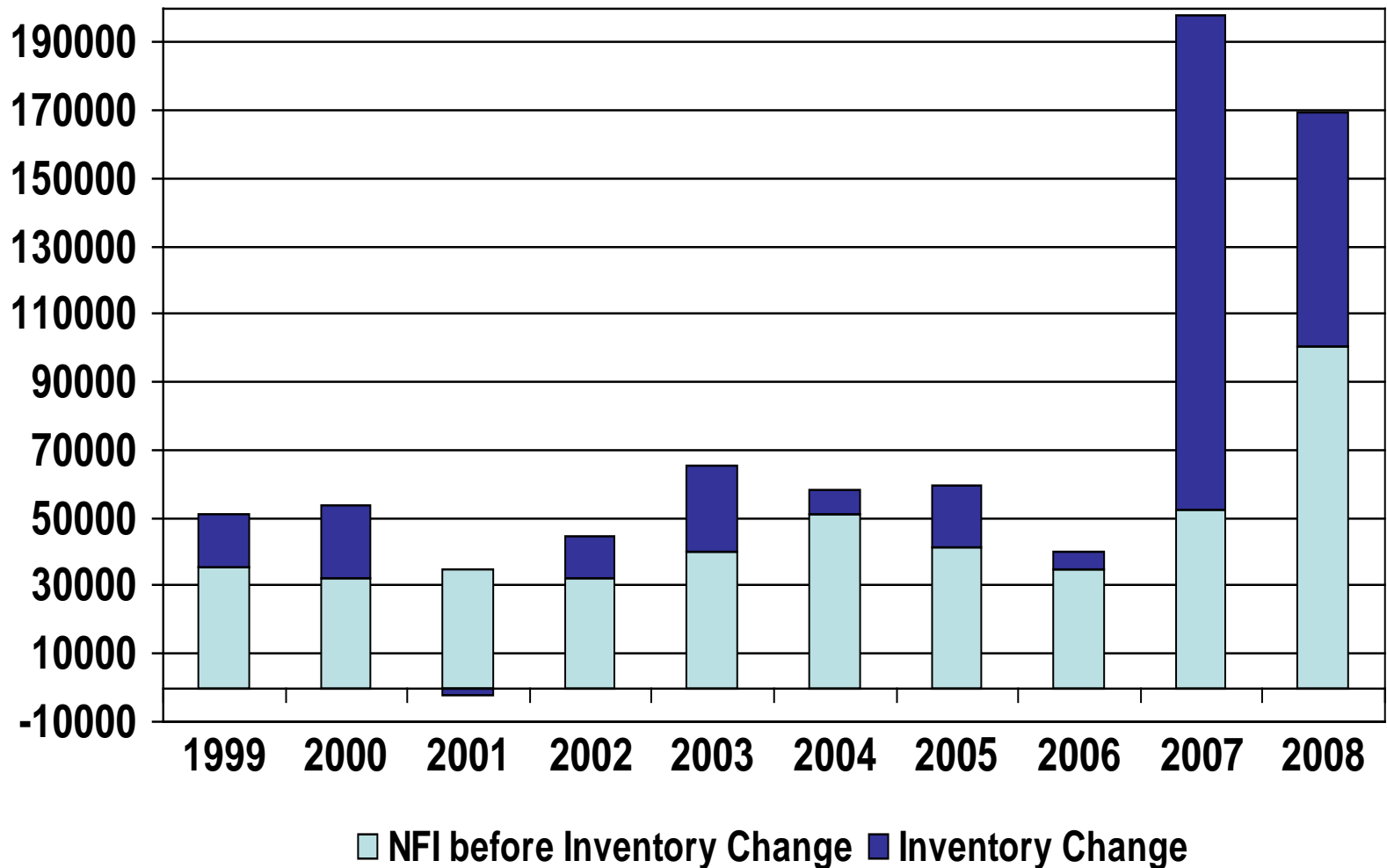
- Cash Expense

± Inventory Change

- Depreciation

± Gain/Loss on Capital Sales

Average Net Farm Income and Value of Inventory Change ND Farm Business Management, Excluding RRV

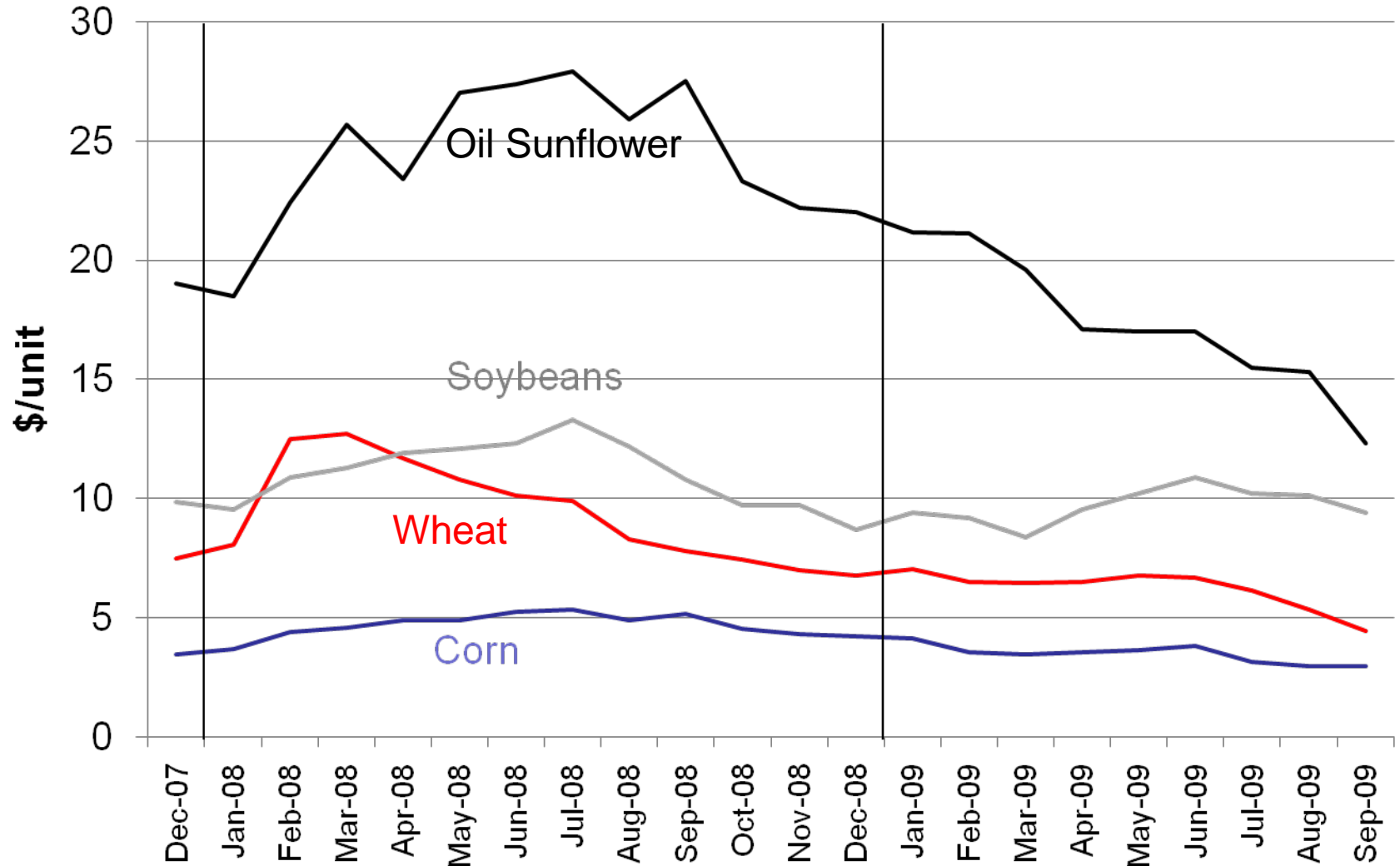


Inventory Changes per Farm, 2008

ND Farm Business Mgmt (excluding RRV)

	Beginning	Ending	Change
Crops & Feed	249,827	306,378	56,551
Accts. Receivables	25,738	27,634	1,896
Prepaid Expenses & Supplies	29,828	47,110	17,282
All Other			-7,091
Total Inventory Change			68,638

N.D. Monthly Average Cash Prices

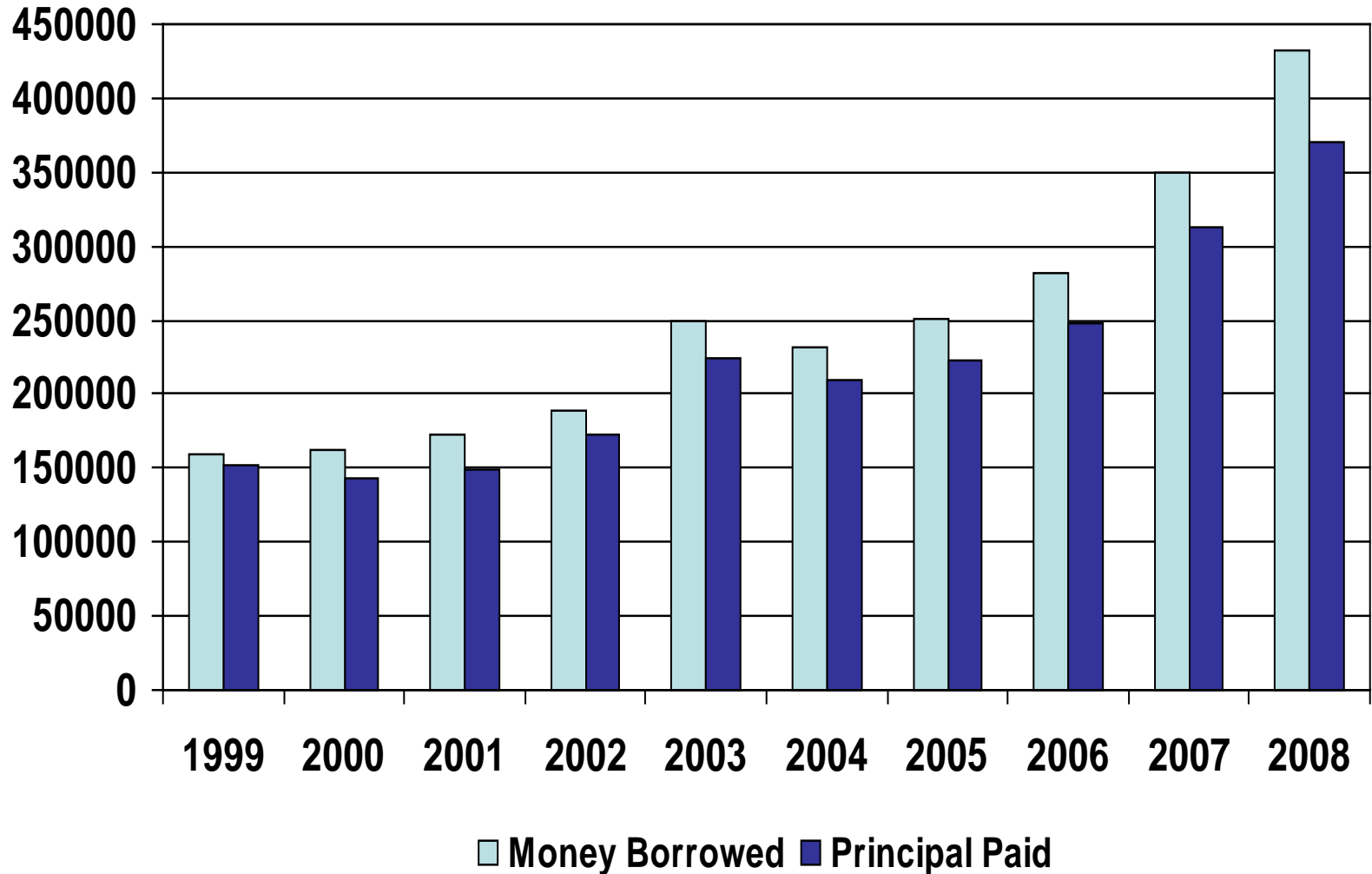


Total Assets and Net Worth
Jumped in Recent High Profit
Years but Debt Continues to
Increase.

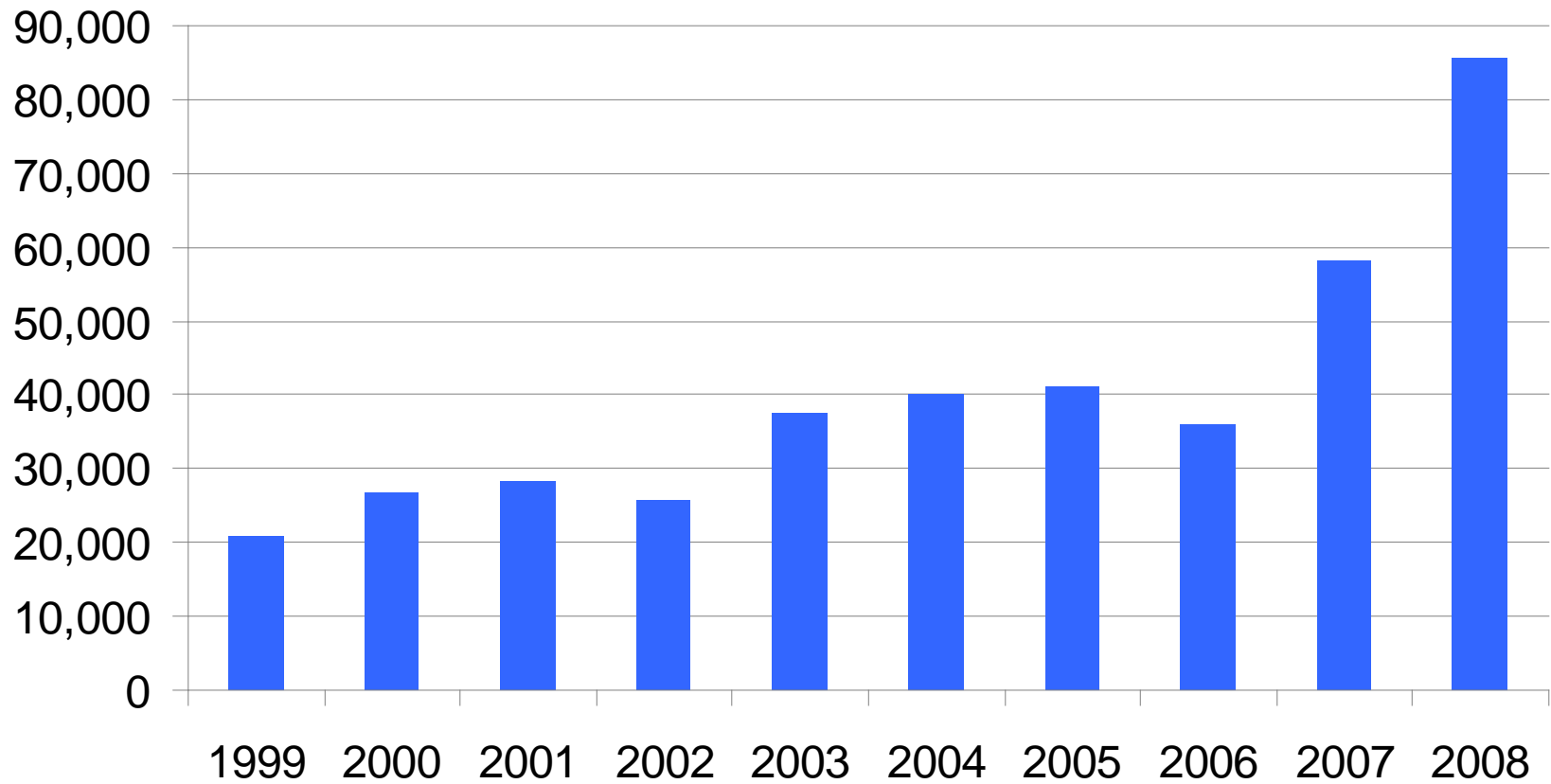
Understandably, Machinery
Purchases and Family Living
Expenditures also Jumped

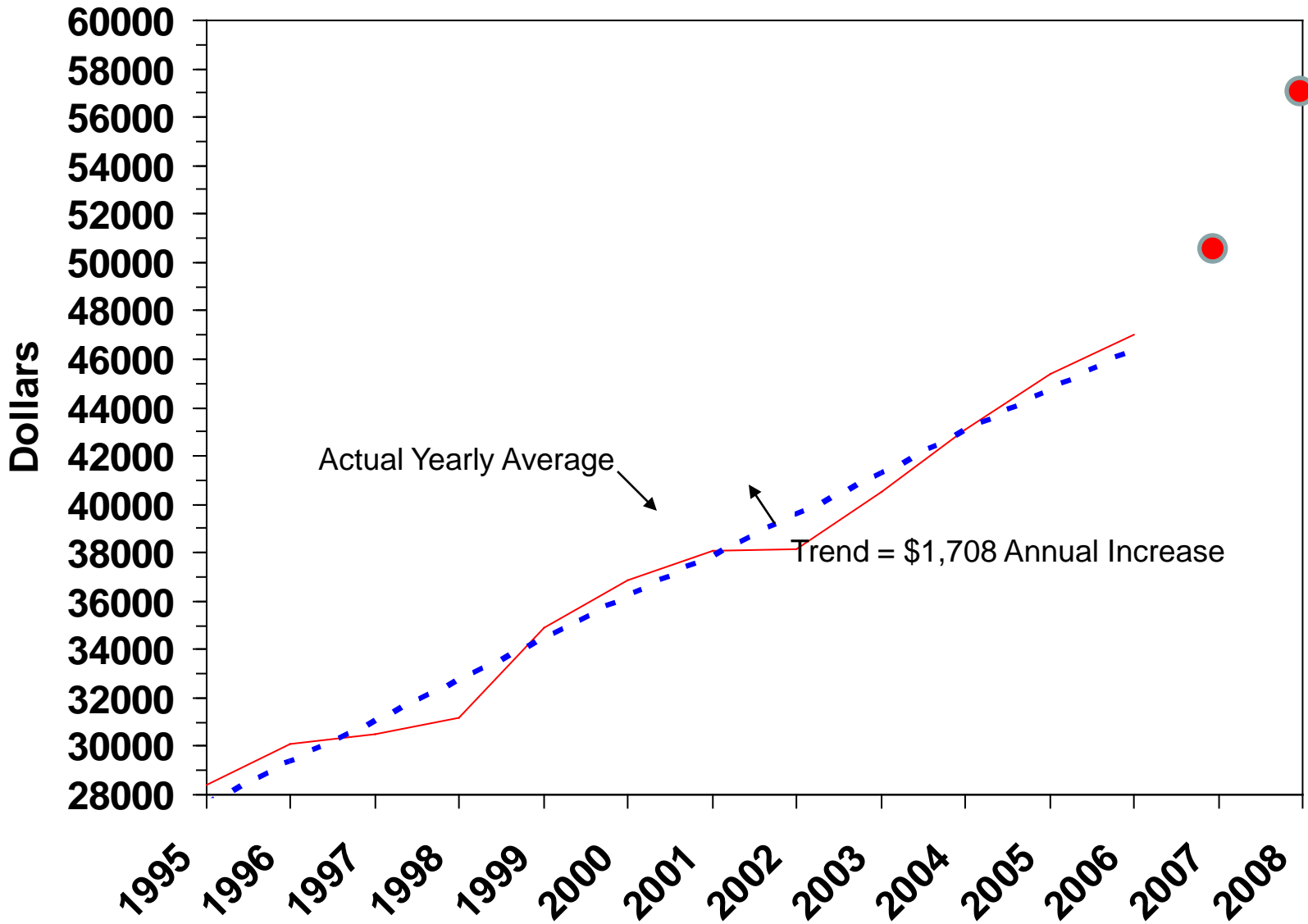
Money Borrowed and Principal Paid, per Farm, 1999-2008

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



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





Family Living Expense, NDFBMEP (excluding RRV)

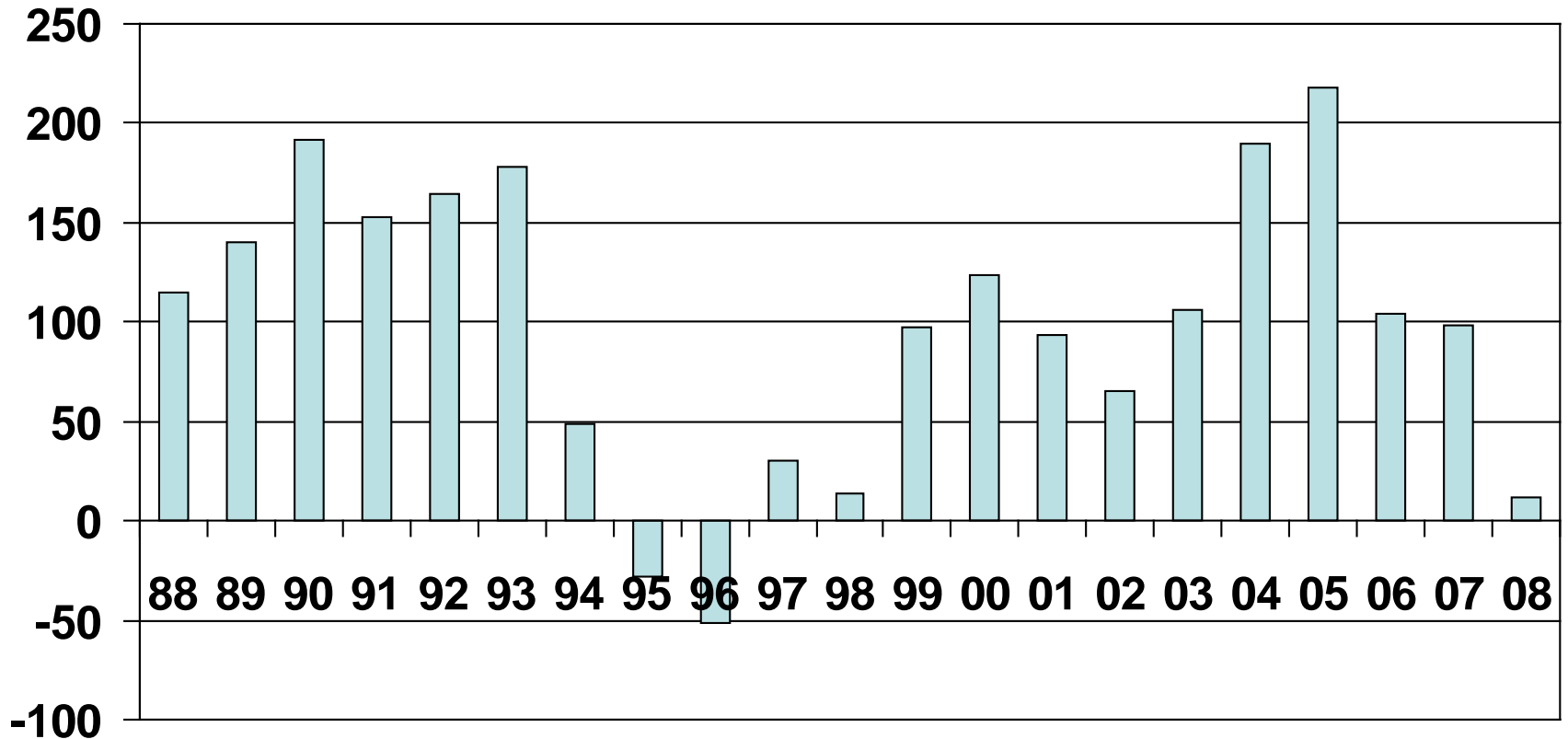
**2008 Average Family Living Expenses
N.D. Farm Business Mgmt Program**

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%

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.