

# Accumulative Red Flag Report

Information from FINAN business analysis

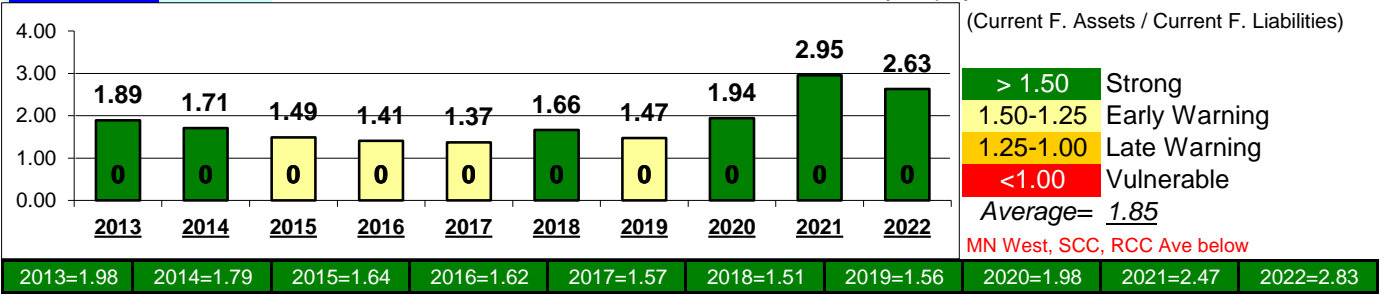
Name: **MN West Marshall Area FBM**

& MN West, SCC, RCC Area Averages

## Liquidity

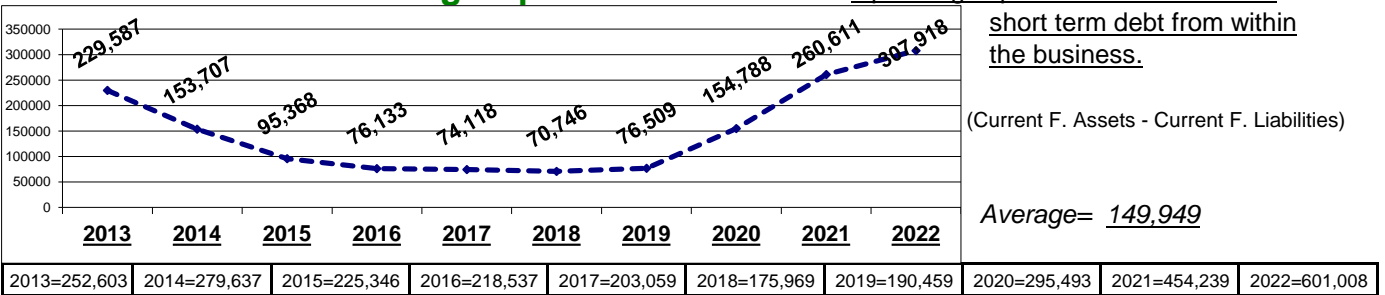
### 1. Current ratio

Ability to pay current farm liabilities

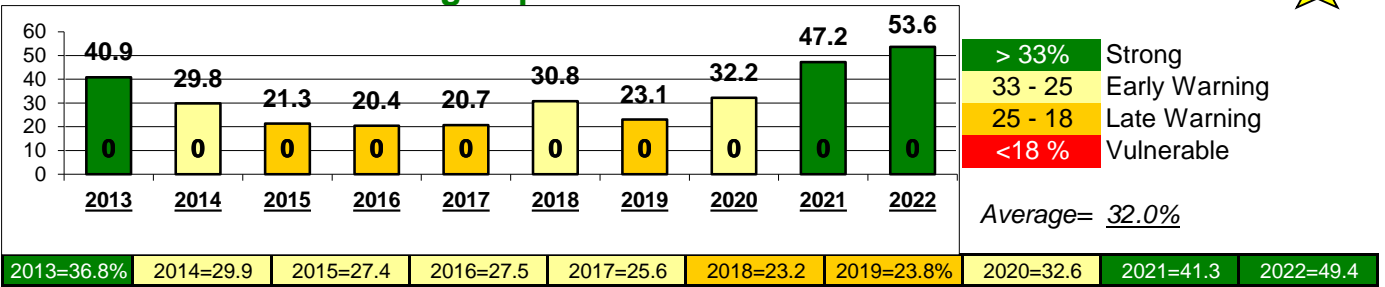


### 2. Working Capital

Operating capital available to service



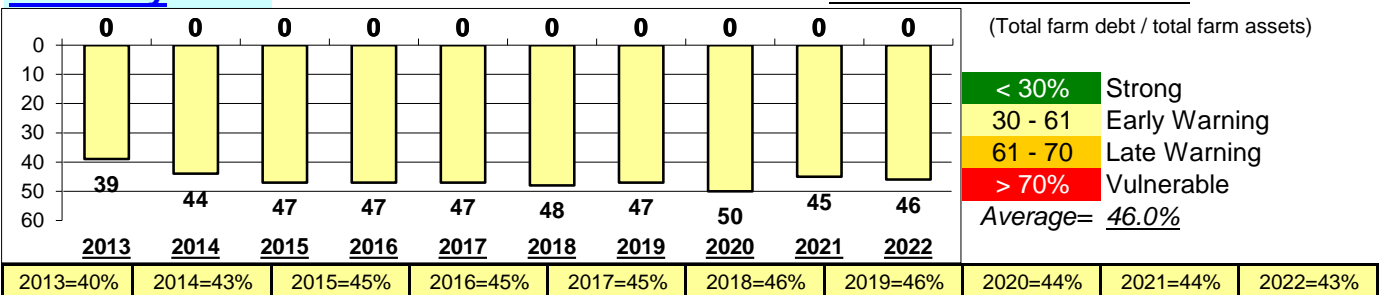
### 3. Working Capital as % of Gross Farm Revenue



## Solvency

### 4a. Farm debt-to-asset ratio

Creditors share of the business



Yours

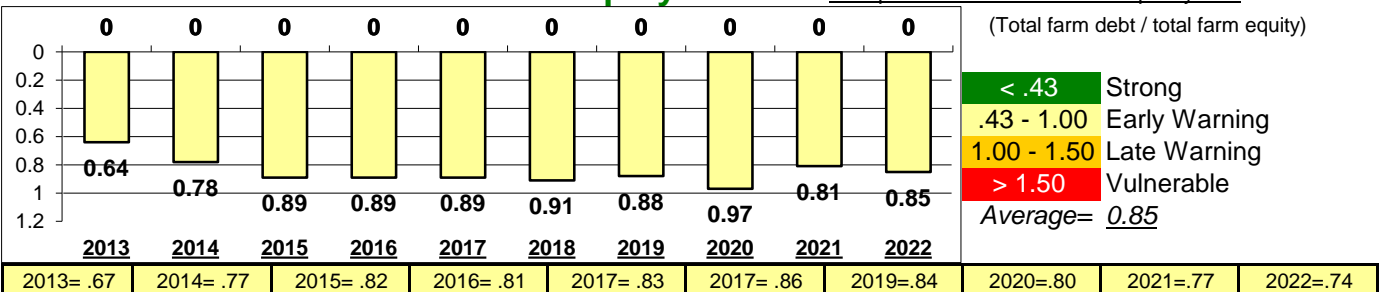
### 4b. Farm equity-to-asset ratio

Your share = 100% - Creditors share.

2013=61	2014=56	2015=53	2016=53	2017=53	2018=52	2019=53	2020=50	2021=55	2022=54
Marshall Area Results							Average= 54.0%		
2013=60%	2014=57%	2015=55%	2016=55%	2017=55%	2018=54%	2019=54%	2020=56%	2021=56%	2022=57%

### 4c. Farm debt-to-equity ratio

Compares creditor's ownership to yours



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Created for Marshall Area Business Management, 1001 W. Erie Road PO Box 359, Marshall, MN 56258 (507)537-7530

Note: Some factors revised using data

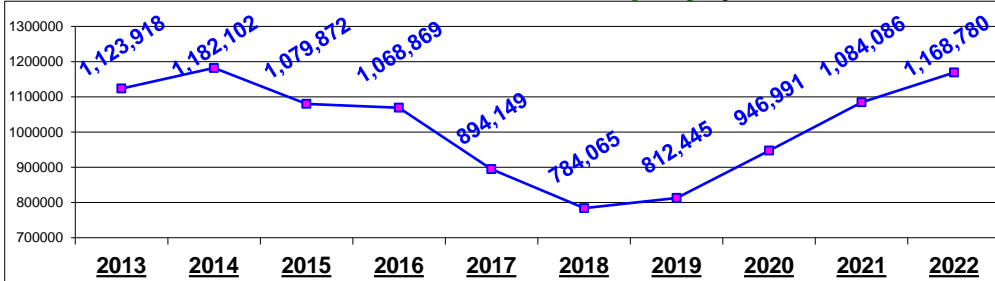
from Dr. David Kohl, Virginia Tech, VA

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## 5a. Net worth or Equity (market & cost)



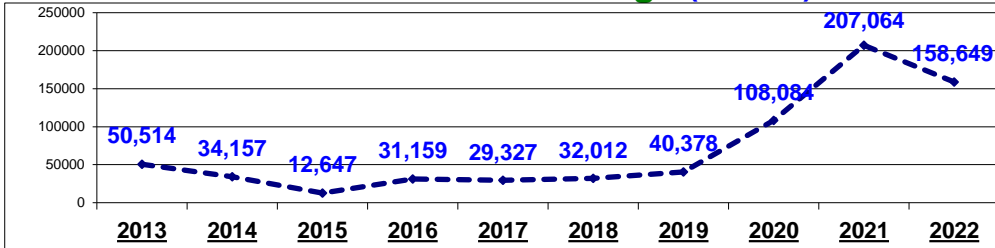
(Total assets - total liabilities)

Note: Market value includes deferred tax liability

Avg.Mkt.= 1,014,528  
Avg.Cost= #DIV/0!

2013=2,085,953	2014=1,809,503	2015=1,715,654	2016=1,771,126	2017=1,780,111	2018=1,677,702	2019=1,696,960	2020=1,817,046	2021=2,013,942	2022=2,263,333
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## 5b. Net worth change (market)



Current year net worth - prior year

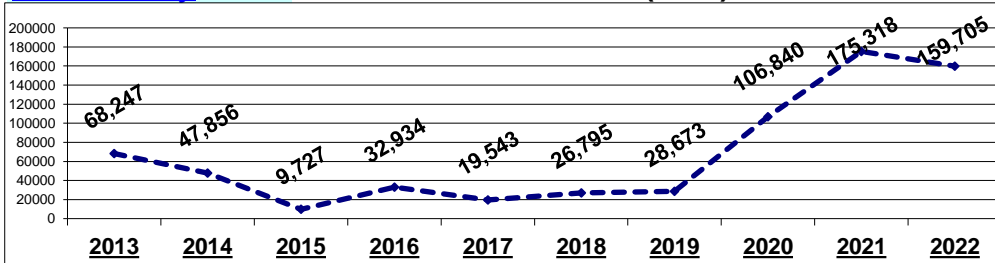
# Yrs (+) = 10  
# Yrs (-) =           

Avg.Mkt.= 70,399  
Avg.Cost= #DIV/0!

2013=105,709	2014=86,583	2015=34,810	2016=51,239	2017=64,497	2018=30,522	2019=95,201	2020=192,085	2021=294,905	2022=298,940
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## Profitability

## 6. Net farm income (cost)



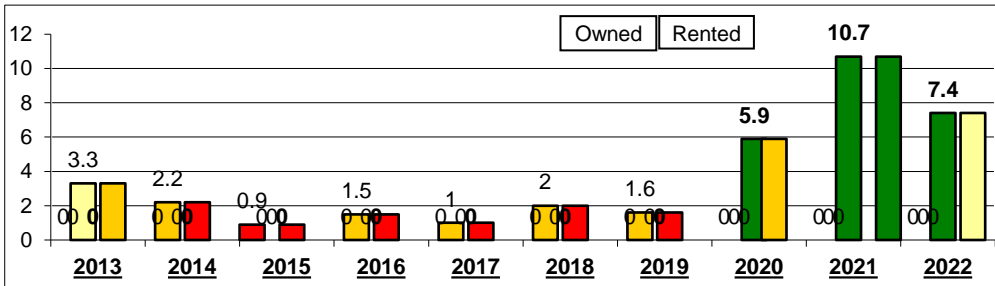
(Cash income - cash expenses + Inventory change - depreciation & capital adjustment)

# Yrs (+) = 10  
# Yrs (-) =           

Avg.Cost= 67,564  
Avg.Mkt.= 74,220

2012=272,544	2013=73,678	2014=96,337	2015=37,070	2016=46,742	2017=51,683	2018=42,977	2019=78,167	2020=175,999	2022=298,035
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## 7. Rate of return on farm assets



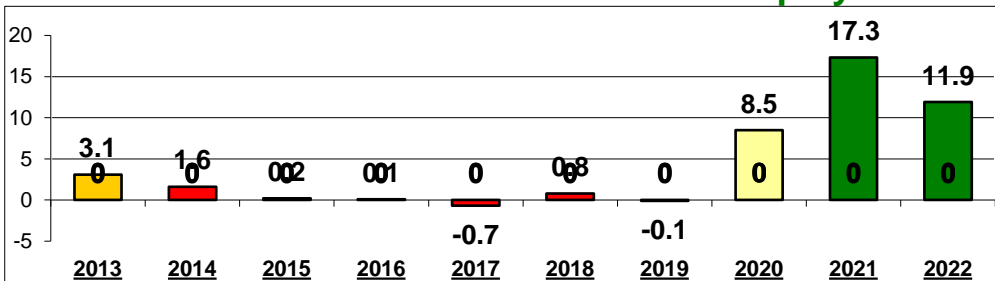
Average interest rate earned on total business investments (NFI + Int. - value OP mgmt. / avg farm assets)

Owned	Rented	Category
> 5 %	> 10%	Strong
5 - 3	10-6.5	Early Warning
3 - 1	6.5-3	Late Warning
< 1 %	< 3 %	Vulnerable

Average= 3.7%

2013=4.2	2014=3.9	2015=1.9	2016=2.0	2017=2.3	2018=1.3	2019=3.0	2020=6.1	2021=9.0	2022=8.7
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## 8. Rate of return on farm equity



Rate earned on equity capital invested in the business

(NFI + Int. - value OP mgmt. / avg farm net worth)

Category	Value Range
Strong	> 10 %
Early Warning	10 - 6
Late Warning	6 - 3
Vulnerable	< 3 %

Average= 4.3%

2013=4.8	2014=4.7	2015=1.1	2016=1.3	2017=1.7	2018=-0.4	2019=2.6	2020=8.4	2021=14.0	2022=13.4
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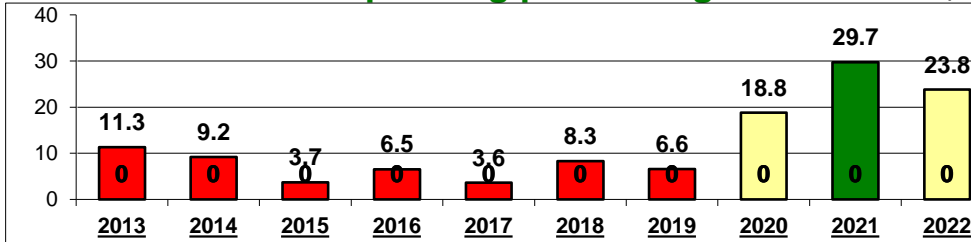
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Name: **MN West Marshall Area FBM**  
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## 9. Operating profit margin

Show operating efficiency of the business



(NFI + Interest - Value Labor & Mgmt divided by the value of farm production)

> 25 % Strong  
25 - 18 Early Warning  
18 - 12 Late Warning  
< 12 % Vulnerable

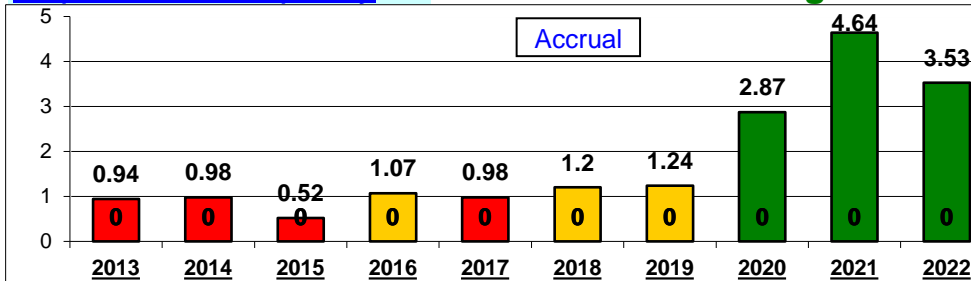
Average= 12.2%

2013 <sub>MKT</sub> =7.4	2014=10.1	2015=7.8	2016=8.5	2017=9.8	2018=5.5	2019=11.8	2020=21.2	2021=27.9	2022=27.1
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## Replacement capacity

## 10. Term debt coverage ratio

Ability to generate enough income to cover all interm. & LT debt (NFOpIncome+NetNonFarm Income+Int. on term debt-farm living&taxes/term debt P&I)



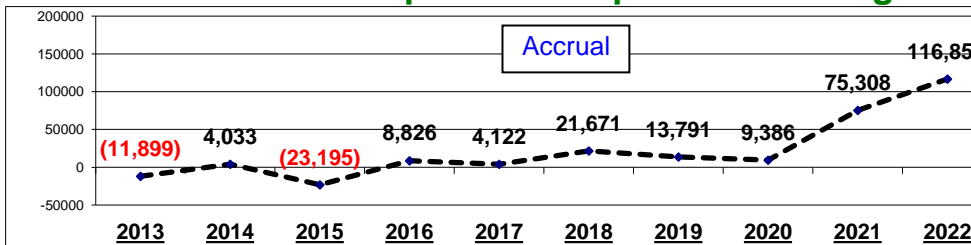
> 1.50 Strong  
1.50-1.25 Early Warning  
1.25-1.00 Late Warning  
< 1.00 Vulnerable

Avg.= 1.80

2013=1.02	2014=1.33	2015=.77	2016=.90	2017=1.02	2018=.91	2019=1.48	2020=2.74	2021=3.89	2022=3.72
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## 11. Capital debt replacement margin

Money remaining after all operating expenses, taxes, family living, & debt payments are made.



(NFOpIncome+NetNonFarm Income - family living&taxes-term debt payments)

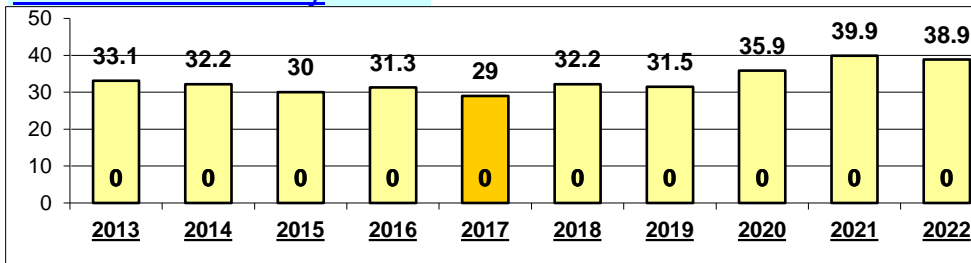
Avg.= 21,890

2013=2,065	2014=31,221	2015=-21,515	2016=-9,238	2017=1,817	2018=-7,388	2019=39,868	2020=231,642	2021=250,006	2022=224,856
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## Financial efficiency

## 12. Asset turnover rate

Measures efficiency in using capital. Your capital productivity. (Value farm production/Avg farm assets)



> 40 % Strong  
40 - 30 Early Warning  
30 - 20 Late Warning  
< 20 % Vulnerable

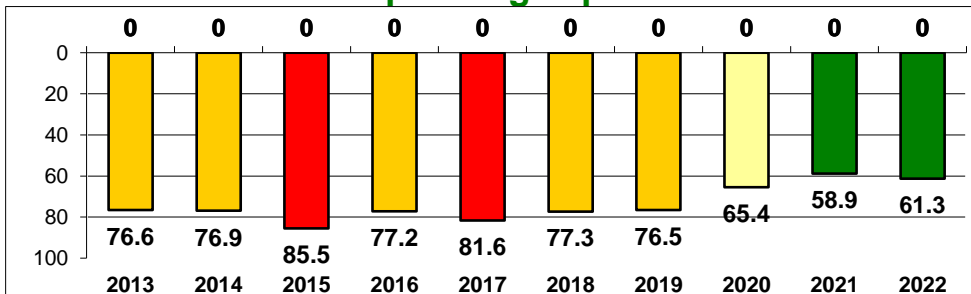
Average= 33.4%

2013=35.4	2014=36.5	2015=33.0	2016=32.1	2017=32.2	2018=24.0	2019=33.9	2020=37.8	2021=32.2	2022=40.8
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Note: the remaining 4 ratios indicate where gross farm income is spent. (= 100%)

## A. 13. Operating expense ratio

Portion of farm income that is used to pay operating expenses. ★



(Total farm operating expense - farm interest / Gross Farm Income)

< 65 % Strong  
65 - 73 Early Warning  
73 - 80 Late Warning  
> 80 % Vulnerable

Average= 73.7%

2013=81.4	2014=79.8	2015=84.6	2016=83.0	2017=82.3	2018=84.3	2019=79.4	2020=71.2	2021=66.6	2022=67.6
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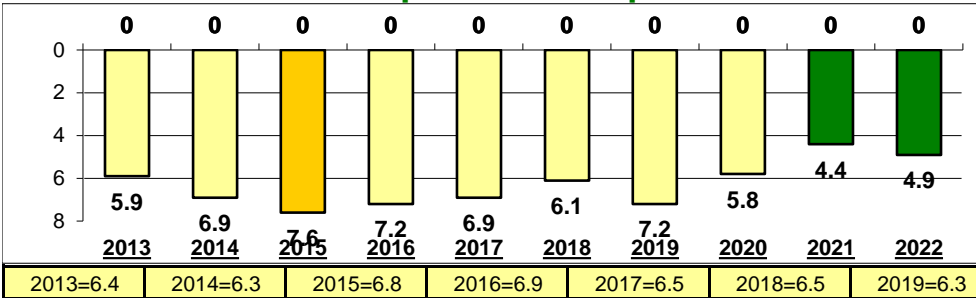
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Note: the remaining 4 ratios indicate where gross farm income is spent. (= 100%) Continued

## B. 14. Depreciation expense ratio

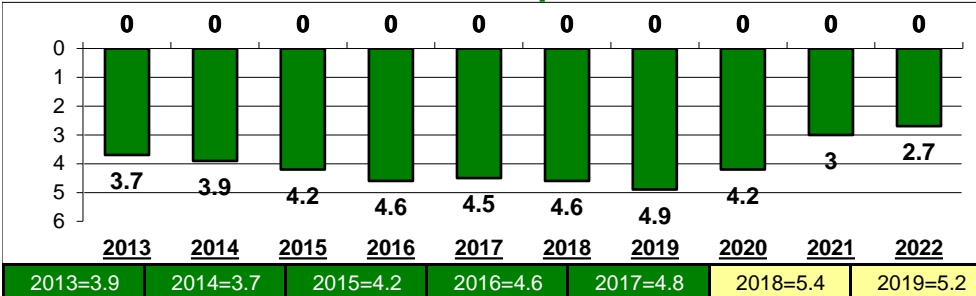


Portion of gross revenue to cover asset depreciation.

(Depreciation & Capital Adj. / GFI)

- < 5 % Strong
  - 5 - 7.5 Early Warning
  - 7.5 - 10 Late Warning
  - > 10 % Vulnerable
- Average= 6.3%

## C. 15. Interest expense ratio

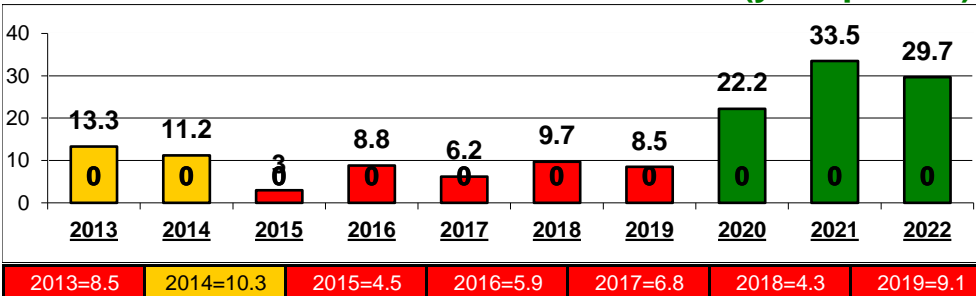


Portion of gross revenue to cover interest expense.

(Interest / Gross Farm Income)

- < 5 % Strong
  - 5 - 10 Early Warning
  - 10 - 15 Late Warning
  - > 15 % Vulnerable
- Average= 4.0%

## D. 16. Net farm income ratio (your pocket)

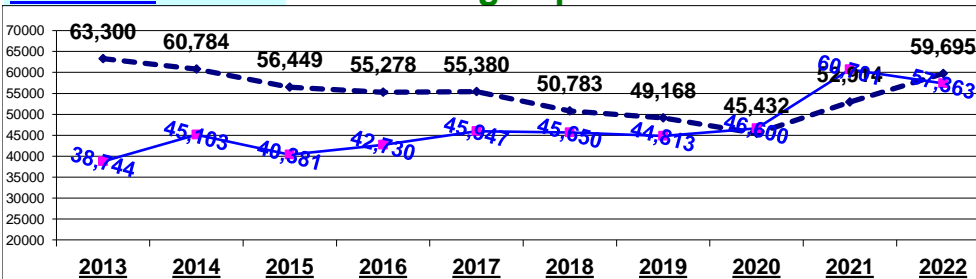


Portion of gross revenue remaining after all exp. are paid. Your Pocket.

(Net Farm Income/Gross Farm Income)

- > 20 % Strong
  - 20 - 15 Early Warning
  - 15 - 10 Late Warning
  - < 10 % Vulnerable
- Average= 14.6%

## Personal Cash Living Expense & Nonfarm Income



Cash Living Expense

Does not including income tax or capital purchases.

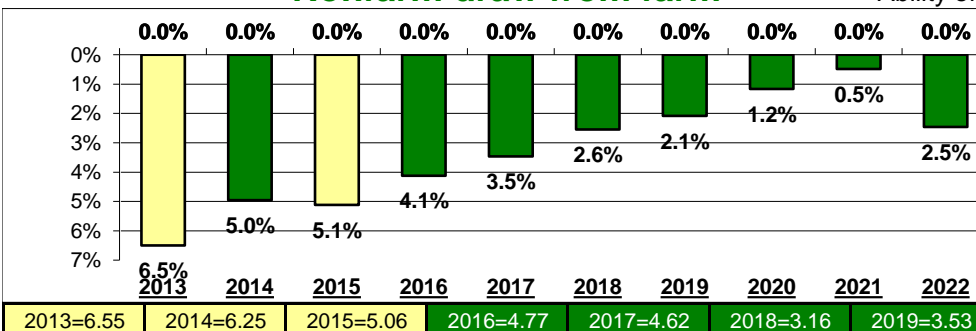
Averages

Family Living 54,918  
Nonfarm Income 46,803

2013=67,848	2014=66,073	2015=64,524	2016=62,484	2017=62,065	2018=56,905	2019=56,259	2020=54,610	2021=59,611	2022=65,571
2013=33,202	2014=34,228	2015=36,528	2016=36,099	2017=35,787	2018=41,383	2019=40,429	2020=45,717	2021=46,943	2022=45,240

## Nonfarm draw from farm

Ability of farm to cover family living.



(= [ Nonfarm exp.+ income taxes paid - nonfarm income] / Gross Farm Income)

- < 5 % Strong
  - 5 - 13 Early Warning
  - 13 - 20 Late Warning
  - > 20 % Vulnerable
- Average= 3.4%

2013=6.55	2014=6.25	2015=5.06	2016=4.77	2017=4.62	2018=3.16	2019=3.53	2020=2.45	2021=2.32	2022=3.16
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