

# Accumulative Red Flag Report

Information from FINAN business analysis

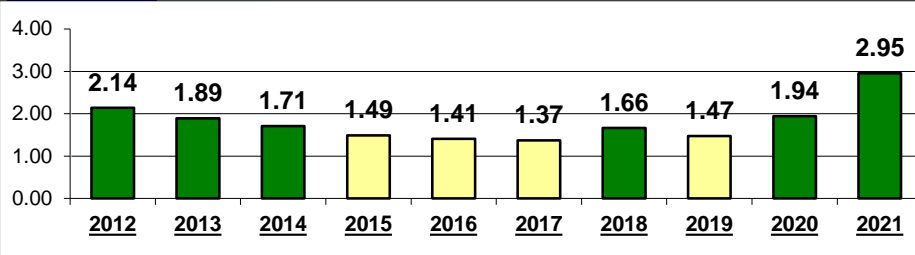
Name: **MN West Marshall Area FBM**  
& MN West, SCC, RCC, RWC Area Average

## Liquidity

### 1. Current ratio

Ability to pay current farm liabilities

(Current F. Assets / Current F. Liabilities)



**> 1.50** Strong  
**1.50-1.25** Early Warning  
**1.25-1.00** Late Warning  
**< 1.00** Vulnerable  
Average= 1.80

MN West, SCC, RCC, RWC Ave below

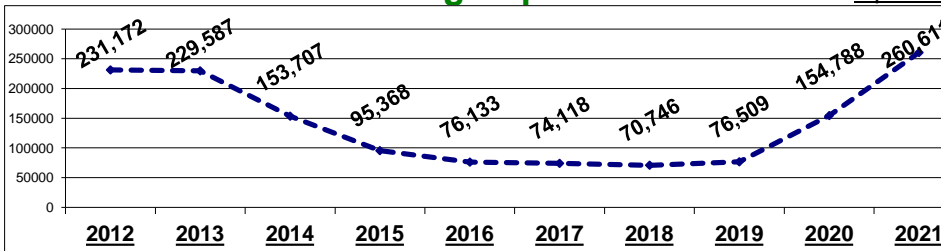
2012=2.50	2013=1.98	2014=1.79	2015=1.64	2016=1.62	2017=1.57	2018=1.51	2019=1.56	2020=1.98	2021=2.47
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### 2. Working Capital

Operating capital available to service

short term debt from within the business.

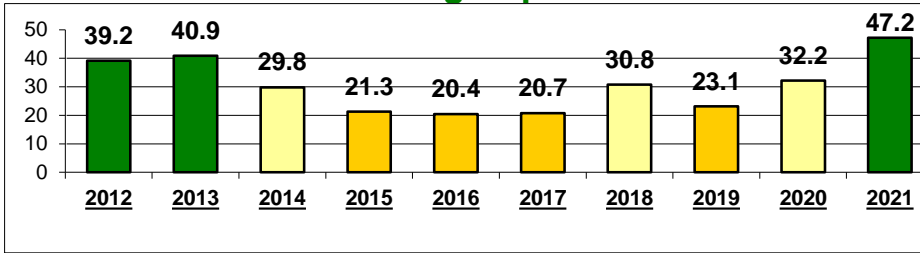
(Current F. Assets - Current F. Liabilities)



Average= 142,274

2012=424,549	2013=252,603	2014=279,637	2015=225,346	2016=218,537	2017=203,059	2018=175,969	2019=190,459	2020=295,493	2021=454,239
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### 3. Working Capital as % of Gross Farm Revenue



**> 33%** Strong  
**33 - 25** Early Warning  
**25 - 18** Late Warning  
**< 18 %** Vulnerable

Average= 30.6%

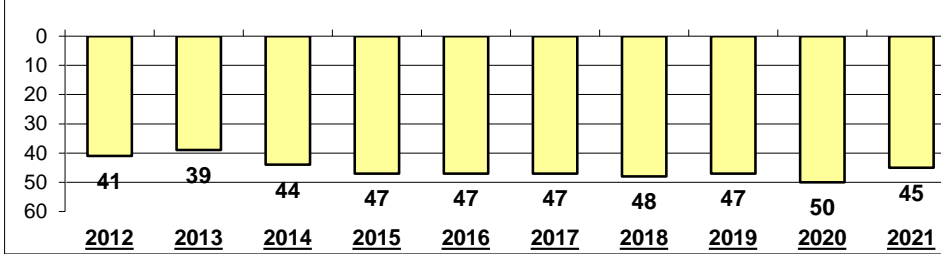
2012=42.2%	2013=36.8%	2014=29.9	2015=27.4	2016=27.5	2017=25.6	2018=23.2	2019=23.8%	2020=32.6	2021=41.3
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## Solvency

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

Creditors share of the business

(Total farm debt / total farm assets)



**< 30%** Strong  
**30 - 61** Early Warning  
**61 - 70** Late Warning  
**> 70%** Vulnerable

Average= 45.5%

2012=42%	2013=40%	2014=43%	2015=45%	2016=45%	2017=45%	2018=46%	2019=46%	2020=44%	2021=44%
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Yours

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

Your share = 100% - Creditors share.

2012=59	2013=61	2014=56	2015=53	2016=53	2017=53	2018=52	2019=53	2020=50	2021=55
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Marshall Area Results

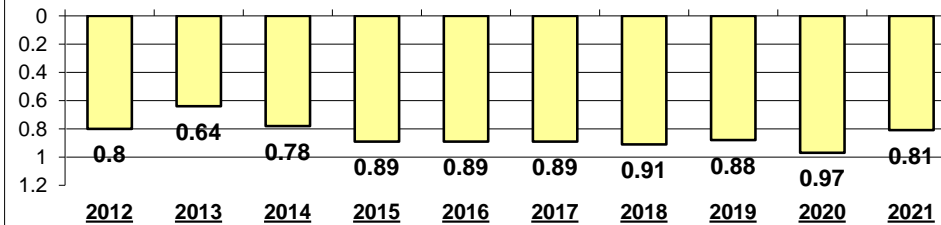
Average= 54.5%

2012=58%	2013=60%	2014=57%	2015=55%	2016=55%	2017=55%	2018=54%	2019=54%	2020=56%	2021=56%
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### 4c. Farm debt-to-equity ratio

Compares creditor's ownership to yours

(Total farm debt / total farm equity)



**< .43** Strong  
**.43 - 1.00** Early Warning  
**1.00 - 1.50** Late Warning  
**> 1.50** Vulnerable

Average= 0.85

2012= .74	2013= .67	2014= .77	2015= .82	2016= .81	2017= .83	2018= .86	2019= .84	2020= .80	2021= .77
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Note: Some factors revised using data

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

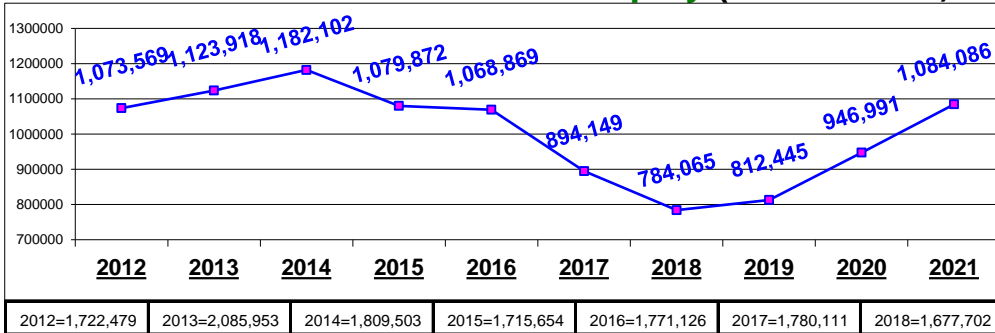
from Dr. David Kohl, Virginia Tech, VA

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Name: **MN West Marshall Area FBM**  
 & MN West, SCC, RCC, RWC Area Averages

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



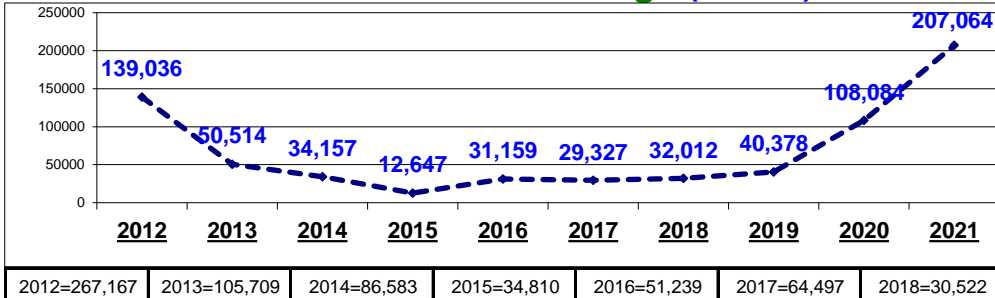
(Total assets - total liabilities)

Note: Market value includes deferred tax liability

Avg. Mkt. = 1,005,007  
 Avg. Cost = #DIV/0!

2012=1,722,479	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
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## 5b. Net worth change (market)



Current year net worth - prior year

# Yrs (+) = 10

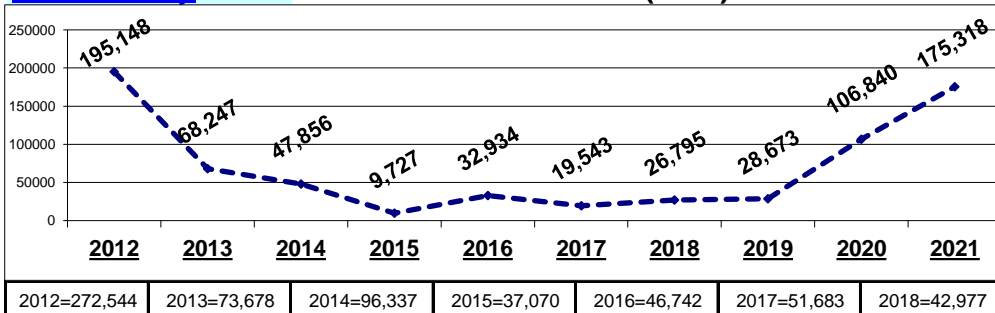
# Yrs (-) =           

Avg. Mkt. = 68,438  
 Avg. Cost = #DIV/0!

2012=267,167	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
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## Profitability

## 6. Net farm income (cost)



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

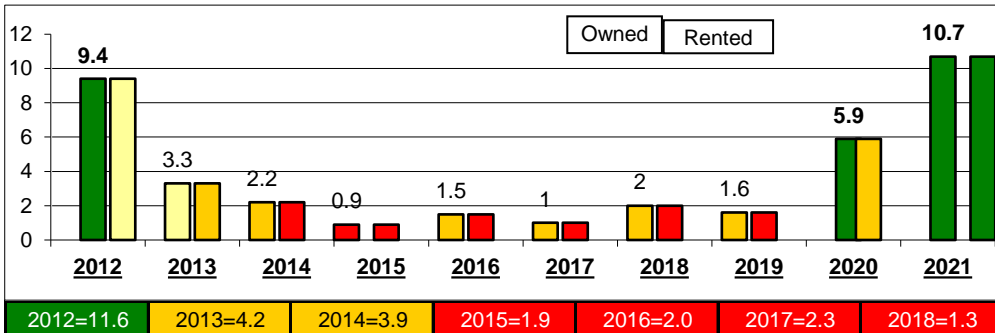
# Yrs (+) = 10

# Yrs (-) =           

Avg. Cost = 71,108  
 Avg. Mkt. = 77,305

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	2021=280,900
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## 7. Rate of return on farm assets



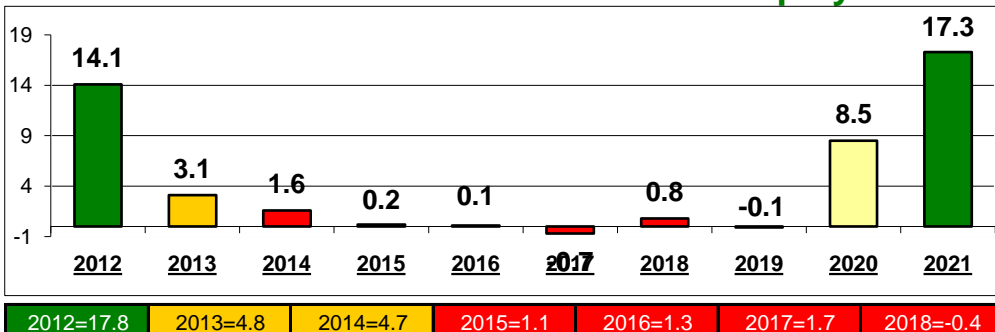
Average interest rate earned on total business investments (NFI + Int. - value OP mgmt. / avg farm assets)

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

Average = 3.9%

2012=11.6	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
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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)

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

Average = 4.5%

2012=17.8	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
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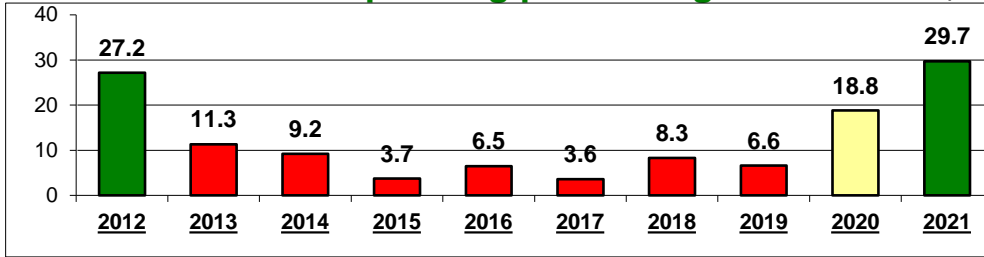
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## 9. Operating profit margin

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

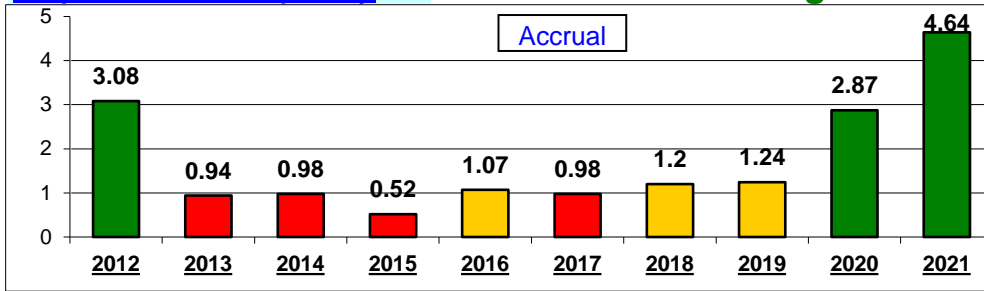
Average= 12.5%

2012=32.4	2013=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
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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)



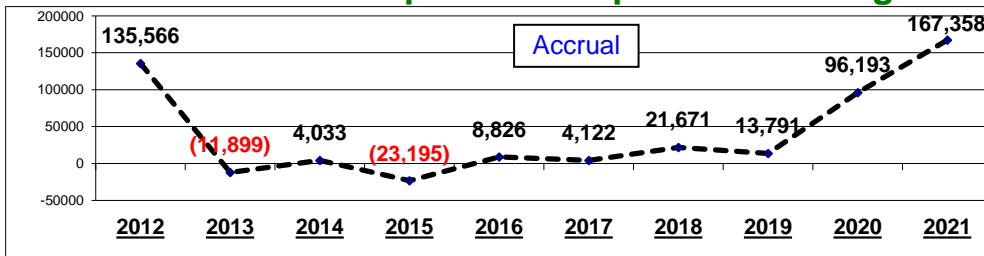
**> 1.50** Strong  
**1.50-1.25** Early Warning  
**1.25-1.00** Late Warning  
**< 1.00** Vulnerable

Avg.= 1.75

2012=3.63	2013=1.02	2014=1.33	2015=.77	2016=.90	2017=1.02	2018=.91	2019=1.48	2020=2.74	2021=3.89
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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)

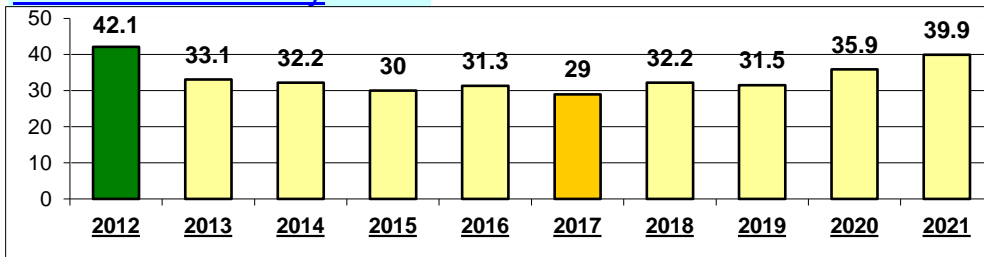
Avg.= 41,647

2012=214,929	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
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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

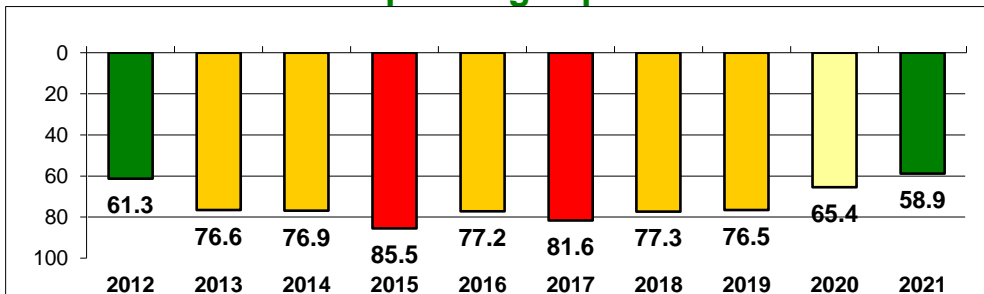
Average= 33.7%

2012=48.0	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
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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%

2012=64.7	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
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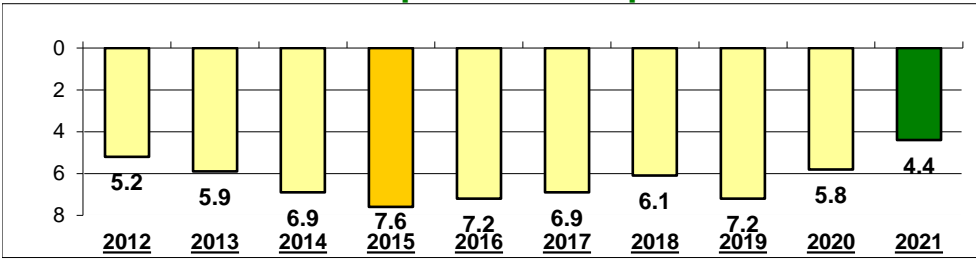
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Name: **MN West Marshall Area FBM**

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Note: the remaining 4 ratios indicate where gross farm income is spent. (= 100%) Continued

## B. 14. Depreciation expense ratio

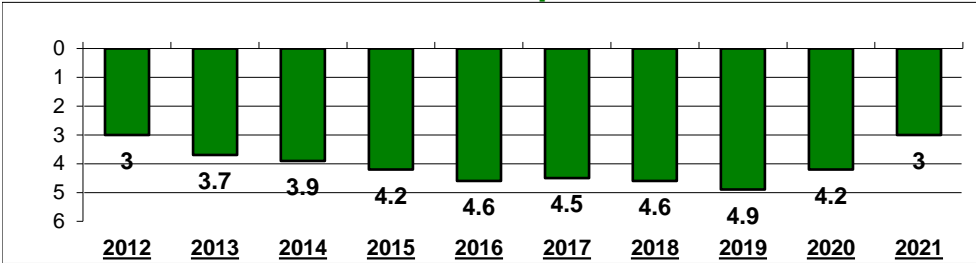


Portion of gross revenue to cover asset depreciation.  
(Depreciation & Capital Adj. / GFI)

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

2012=5.0	2013=6.4	2014=6.3	2015=6.8	2016=6.9	2017=6.5	2018=6.5	2019=6.3	2020=5.7	2021=5.0
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## C. 15. Interest expense ratio

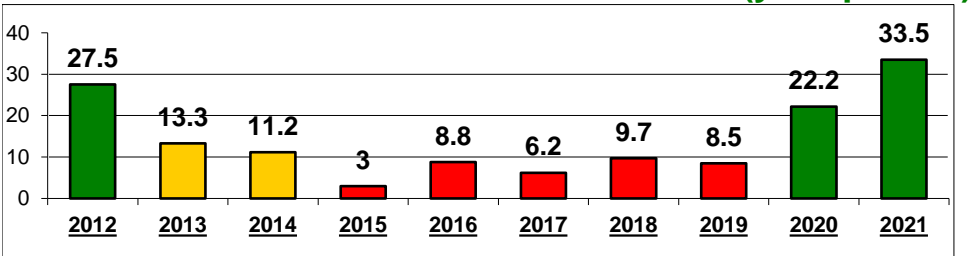


Portion of gross revenue to cover interest expense.  
(Interest / Gross Farm Income)

- < 5 % Strong
  - 5 - 10 Early Warning
  - 10 - 15 Late Warning
  - > 15 % Vulnerable
- Average= 4.1%

2012=3.4	2013=3.9	2014=3.7	2015=4.2	2016=4.6	2017=4.8	2018=5.4	2019=5.2	2020=4.3	2021=3.1
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## D. 16. Net farm income ratio (your pocket)

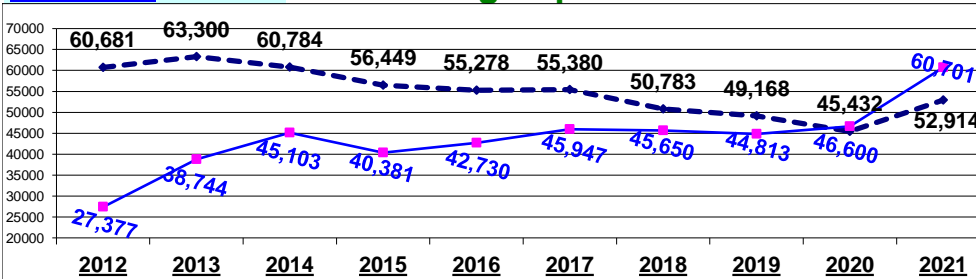


Portion of gross revenue remaining after all exp. are paid. Your Pocket.  
(Net Farm Income/Gross Farm Income)

- > 20 % Strong
  - 20 - 15 Early Warning
  - 15 - 10 Late Warning
  - < 10 % Vulnerable
- Average= 14.4%

2012=27.1	2013=8.5	2014=10.3	2015=4.5	2016=5.9	2017=6.8	2018=4.3	2019=9.1	2020=18.9	2021=25.3
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## Personal Cash Living Expense & Nonfarm Income

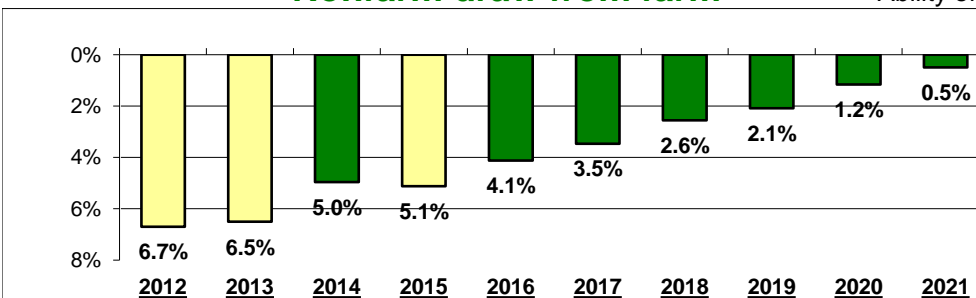


Cash Living Expense  
Does not including income tax or capital purchases.

Averages  
Family Living 55,017  
Nonfarm Income 43,805

2012=66,798	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
2012=35,265	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

## 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= 3.8%

2012=5.2	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
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