

Measuring Profitability General Farms Year 2004

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If we want to improve the profit of our business, there are four areas to look at. They are listed below with diagnostic measures to determine what can be done to improve profit. Put a “+” or “-“ in “My Grade” column as you look at your records.

<u>Asset Based Measures</u>	<u>Benchmark</u>	<u>My Farm</u>	<u>My Grade</u>
	<u>My over all grade for Asset Management</u>		_____
Asset Turnover rate (Market Value)	34.3%	_____	_____
Machinery Costs per acre (Corn Cash Rented) (Repairs, Leases, Depreciation)	\$46.06	_____	_____
Machinery Value per acre (Cost Value Machinery and Vehicles Divided by Total Crop Acres)	\$340.61	_____	_____
Depreciation to total revenue	5.0 %	_____	_____
	<u>Liability Based Measures</u>		_____
	<u>My over all grade for Debt Management</u>		_____
Leverage ratios	49%	_____	_____
Interest Expense to total revenue	5.4%	_____	_____
Asset structure compared to debt structure	Compare using balance sheet		_____
Average interest paid on debt	5.88%	_____	_____
	<u>Revenue-Based Measures</u>		_____
	<u>My over all grade for Revenue Generation</u>		_____
Average yield per acre	Review with analysis and area averages		_____
Average livestock production per unit	Review with analysis and area averages		_____
Average price received per unit sold	Compare with USDA estimates		_____
Operating profit margin	14.9%	_____	_____
	<u>Expense Based Measures</u>		_____
	<u>My over all grade for Expense Control</u>		_____
Cost items per acre or livestock unit	Review with analysis and area averages		_____
Operating cost to total revenue	74.9%	_____	_____
Operating profit margin	14.9%	_____	_____