FARM BENCHMARKING TEMPLATE

PIONEER®

FARM LIQUIDITY

Farm liquidity measures your operation's ability to meet financial obligations on time based on your balance sheets.

		STRONG	STABLE	VULNERABLE
CURRENT RATIO		> 1.50	1.00 to 1.50	< 1.00
Total Current Farm Assets ÷ Total Farm Liabilities				
WORKING CAPITAL		Will vary based on size of operation; compare to your expenses.		
Total Current Farm Assets – Total Current Farm Liabilities				
WORKING CAPITAL TO GROSS REVENUES	0.00%	> 50%	20 to 50%	< 20%
Working Capital ÷ Total Expenses				

FARM SOLVENCY

Farm solvency uses data from your balance sheet to show whether or not you can pay off debt obligations and determines your financial risk and your borrowing capacity.

		STRONG	STABLE	VULNERABLE
DEBT-TO-ASSET RATIO	0.00%	< 30%	30 to 70%	> 70%
Total Farm Liabilities ÷ Total Farm Assets				
EQUITY-TO-ASSET RATIO	0.00%	> 70%	30 to 70%	< 30%
Total Farm Equity ÷ Total Farm Assets				
DEBT-TO-EQUITY RATIO	0.00%	< 42%	42 to 230%	> 230%
Total Farm Liabilities ÷ Total Farm Equity				

FARM PROFITABILITY

Farm profitability measures your income and gives you an idea of the value of what you're producing versus the cost of resources used in production. Numbers are based on your farm's income statement.

		STRONG	STABLE	VULNERABLE
NET FARM INCOME				
Farm Labor, Management, and Equity				
RATE OF RETURN ON FARM ASSETS	0.00%	> 5%	1 to 5%	< 1%
(Net Farm Income + Farm Interest Expense – Operator Management Fee) ÷ Average Total Farm Assets				
RATE OF RETURN ON FARM EQUITY	0.00%	> 10%	3 to 10%	< 3%
(Net Farm Income – Operator Management Fee) ÷ Total Farm Equity				
OPERATING PROFIT MARGIN	0.00%	> 25%	10 to 25%	< 10%
(Net Farm Income + Farm Interest Expense – Operator Management Fee) ÷ Gross Revenue				
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION (EBITDA)				

FARM REPAYMENT CAPABILITY

Your capacity to repay debts on time based on farm and non-farm income sources based on your farm's cash-flow statements.

		STRONG	VULNERABLE	WEAK
CAPITAL DEBT REPAYMENT CAPACITY				
Net Farm Income + Depreciation + Net Non-Farm Income – Family Living & Income Taxes + Interest Expense on Term Loans				
CAPITAL DEBT REPAYMENT MARGIN				
Capital Debt Repayment Capacity – Scheduled Principal and Interest on Term Loans				
REPLACEMENT MARGIN				
Capital Debt Repayment Margin – Unfunded (Cash) Capital Replacement Allowance				
TERM-DEBT & LEASE COVERAGE RATIO		> 1.50	1.1 to 1.5	< 1.10
Capital Debt Repayment Capacity ÷ Scheduled Principal and Interest on Term Loans				
REPLACEMENT MARGIN COVERAGE RATIO		> 1.40	1.1 to 1.40	< 1.1
Capital Debt Repayment Capacity ÷ (Scheduled Principal and Interest on Term Loans + Unfunded Capital Replacement Allowance)				

FARM FINANCIAL EFFICIENCY

Based on all your financial records, financial efficiency will show you how effectively you use the assets on your operation to generation income.

		STRONG	VULNERABLE	WEAK
ASSET TURNOVER RATIO	0.00%	> 45%	30 to 45%	< 30%
Gross Revenue ÷ Average Total Farm Assets				
OPERATING EXPENSE RATIO	0.00%	< 60%	60 to 80%	> 80%
(Total Farm Operating Expense Excluding Interest – Depreciation) ÷ Gross Farm Income				
DEPRECIATION EXPENSE RATIO	0.00%	< 5%	5 to 15%	>15%
Depreciation Expense ÷ Gross Farm Income				
INTEREST EXPENSE RATIO	0.00%	< 5%	5 to 10%	>10%
Farm Interest ÷ Gross Farm Income				
NET FARM INCOME RATIO	0.00%	> 20%	10 to 20%	< 10%
Net Farm Income ÷ Gross Farm Income				

We've based our worksheet on widely used guidance and best practices from farm financial management cooperative extension experts. To read more about these, read our article at ***https://www.pioneer.com/us/benchmarking-methods-for-your-farm.html***