FINANCIAL STATUS OF

BEGINNING FARMERS

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FARM BUSINESS MANAGEMENT

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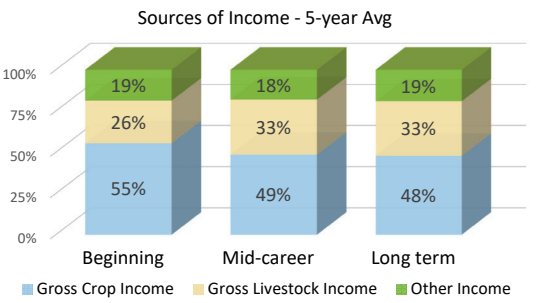
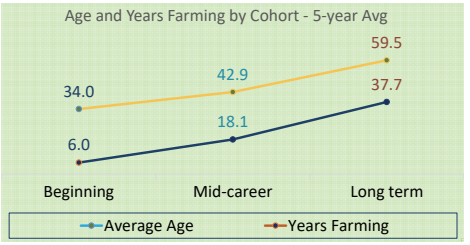
FINANCIAL STATUS OF BEGINNING FARMERS IN MINNESOTA

Farming has always been a challenge when you consider weather, livestock production, markets and financial risks. Beginning farmers tend to have additional challenges compared to more experienced farmers. This document is designed to highlight the financial status of beginning farmers as they navigate through the pressures of operating and growing their farm business while competing with farmers having many more years of experience. This report will show that Beginning Farmers, compared to experienced farmers, have an elevated vulnerability to the factors above.

DEMOGRAPHICS

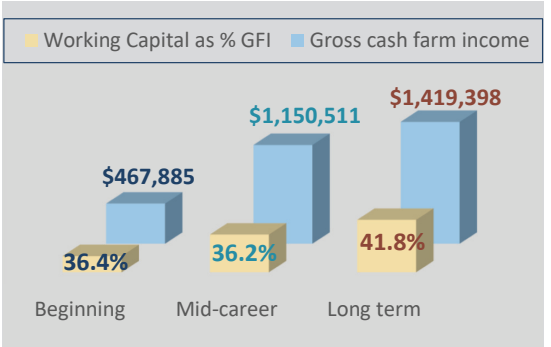
Data was provided by MN farmers who participated in the Minnesota State Farm Business Management (FBM) Education program. This report highlights three different farm cohorts from the 2025 MN FBM State Database. The first cohort is the beginning farmers, defined as those with less than 10 years of farming experience. There were 667 farms in this cohort. The second cohort is the mid-career farmers, with 11-30 years of farming experience, totaling 758 farms. The final cohort is the long-term farmers with greater than 30 years of farming experience, including 864 farms. These charts illustrate that the Beginning Farmer cohort represents a relatively similar type of farm compared to the mid-career and long-term farms when comparing sources of income. As expected, the beginning farmer cohort is younger in age and therefore has significantly fewer years of experience.





COMPARING THE 5-YEAR AVERAGES

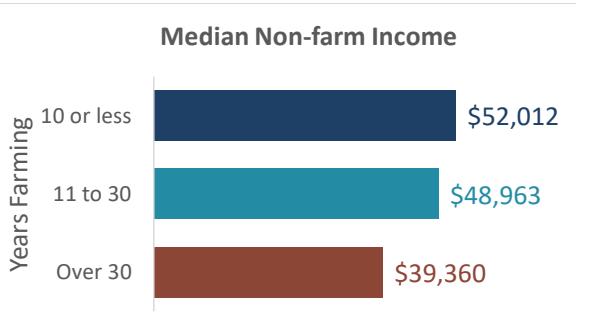
The 5-year average data provides a look at the financial status of each cohort. This provides a view of the ability of the farm business to withstand economic downturns. This table shows that beginning farmers have significantly lower levels of average and median net farm income*, suggesting more challenges in economic downturns on the farm.



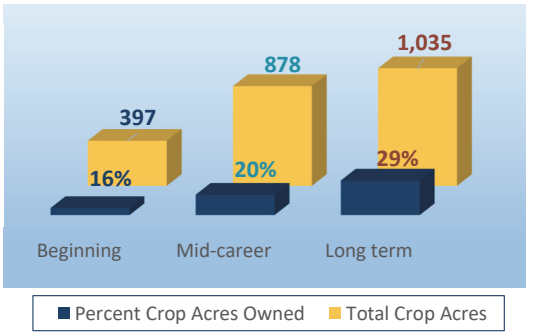
Working capital as a % of gross farm income** is a financial metric that shows the amount of support available to a farm when faced with increased financial stress.

5-year Average (2021-2025)			
Financial Summary	Beginning Farmer 10 or less years farming	Mid-career Farmer 11 to 30 years farming	Long Term Farmer Over 30 years farming
Income Statement			
Gross cash farm income	$467,885	$1,150,511	$1,419,398
Total cash farm expense	$396,718	$966,110	$1,171,863
Average net farm income *	$98,028	$190,212	$211,068
Median net farm income *	$49,554	$97,948	$107,823
Liquidity			
Working Capital	$189,018	$439,514	$611,149
Working Capital as % GFI **	36.4%	36.2%	41.8%
Working Capital as % Op Ex	50.7%	48.5%	55.1%
Profitability (cost)			
Rate of return on assets	7.6%	6.3%	5.0%
Rate of return on equity	12.1%	8.0%	5.4%
Solvency (yearend at market)			
Total assets	$1,582,901	$3,826,391	$5,607,941
Total liabilities	$715,285	$1,387,764	$1,465,247
Net worth	$867,615	$2,438,627	$4,142,694
Total Debt to Asset Ratio	48%	36%	26%
Replacement Capacity			
Debt Coverage Ratio	2.38	1.91	1.86
Term Debt Coverage Ratio ***	2.54	2.02	1.97
Efficiency			
Operating Expense Ratio	71.8%	74.7%	75.8%
Net Farm Income Ratio	18.6%	15.2%	13.7%
Non-farm			
Median Non-farm Income	$52,012	$48,963	$39,360
Tot Fam Liv & NF Invest.	$83,772	$112,134	$137,788
Crop Acres			
Crop Acres Owned	62	179	304
Total Crop Acres	397	878	1,035
Machinery Value/Crop Acre	$572	$785	$992
Average Land Rent/Acre	$190	$196	$215
Percent Crop Acres Owned	16%	20%	29%

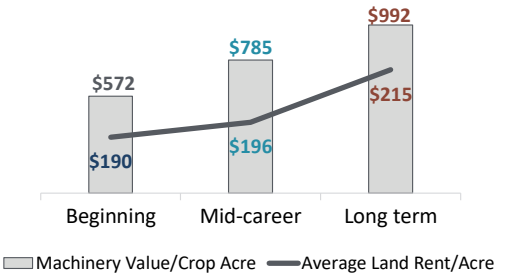
When that number is below 30%, there is concern about having enough liquidity to meet all financial obligations in cases of depressed commodity prices or decreased farm production. This chart shows the reduced level of working capital and working capital as a % of gross farm income for beginning farmers. On average, the beginning farmers have a higher term debt coverage ratio***. This ratio illustrates the farms' ability to make term debt payments. Noting their reduced net farm income, this suggests that the level of term debt is less for beginning farmers.



On average, beginning farmers are more reliant on non-farm income to cover family living, non-farm investments, and supporting debt payments; compared to both the mid-career and long-term farms. While the higher non-farm income can help beginning farmers in establishing their farms, it can result in less time available for managing and operating their farms. This requires the beginning farmers to be acute time managers as well.



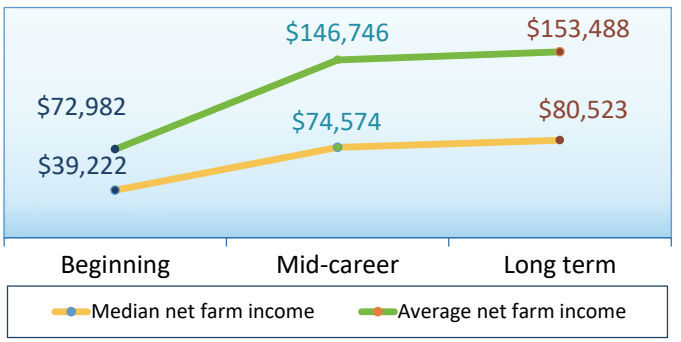
In reviewing the crop related information, beginning farmers have much smaller operations, in terms of total crop acres, compared to mid-career and long-term farms. Owning fewer acres limits the equity they have to acquire more land at the same rate as their counterparts. Beginning farmers have lower machinery value per acre, suggesting there is less machinery owned and more machinery borrowed, or custom hired. The average land rent per acre for beginning farmers is lower than the mid-career farmers, which may or may not be influenced by geographic differences. Beginning farmers must compete on virtually equal grounds with more established farmers while they build both their land base and equity over time. This suggests that special programs like tax credits and scholarships are essential in supporting beginning farmers in mastering farm business management skills.



2025 FINANCIALS AT-A-GLANCE

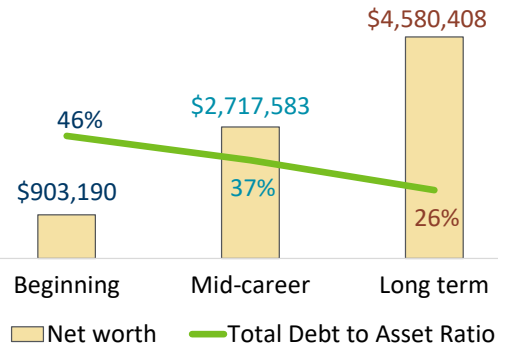
This table highlights a few selected financial factors. 2025 was a better year for production agriculture, and for beginning farmers as well; compared to 2024. The average net farm income increased to $72,982 and the median net farm income was $39,222. Beginning farmers have a smaller gross cash farm income, as well as a smaller average net farm income compared to the other two cohorts. This demonstrates that time is required to establish a farm business that will generate the net farm income necessary to fully support the farmer and his/her family.

2025			
Selected Financial Factors	**Beginning Farmer** 10 or less years farming	**Mid-career Farmer** 11 to 30 years farming	**Long Term Farmer** Over 30 years farming
Gross cash farm income	$436,263	$1,249,000	$1,486,778
Average net farm income	$72,982	$146,746	$153,488
Median net farm income	$39,222	$74,574	$80,523
Rate of return on assets	6.0%	4.7%	3.4%
Rate of return on equity	7.6%	4.5%	2.4%
Net worth	$903,190	$2,717,583	$4,580,408
Total Debt to Asset Ratio	46%	37%	26%
Operating Expense Ratio	73.7%	77.5%	78.6%

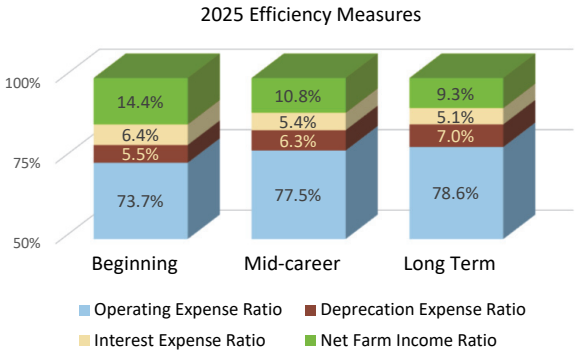


The beginning farmers show a slightly stronger rate of return on assets, as shown on the table above. Even though beginning farmers have a lower net farm income, their total assets are much lower than the other groups, typically resulting in an improved rate of return.

Historically, when farmers are challenged financially, they have utilized equity in the business to refinance or support their financial position. This continues to be more difficult for beginning farmers, because they carry a significantly higher total debt to asset ratio, as shown in the chart. The chart also shows the significant difference in the amount of net worth (equity) for the Beginning Farmer and the more experienced farmers.



Operating expense ratio is important because it shows the percentage of farm income needed to pay the costs of operating the farm, such as: seed, feed, fertilizer, chemicals, land rent, etc. A lower operating expense ratio indicates more income is available to cover additional farm expenses like interest and depreciation. In 2025, beginning farmers show lower operating expense ratios compared to the other two cohorts. Beginning farmers are often assisted by family members or others through machinery and building usage/sharing. This support can be seen in the difference in operating expense ratio and net farm income ratio between the cohorts. Combined with the depreciation and interest ratios, the four ratios total 100% of business activity. The higher net farm income ratio for beginning farmers suggests reduced cost of machinery ownership, which is also evident by lower depreciation expense. However, the beginning farmer cohort had a higher interest expense ratio in 2025 compared to the other two cohorts suggesting higher borrowing needs for that cohort.



A 5-YEAR TREND (2021-2025)

Farm profits vary from year to year for numerous reasons and farmers need a solid business plan and a strong financial foundation to endure significant swings in net farm income. Beginning farmers need time as well as accurate and comprehensive data for decision making to build that foundation.

182 beginning farmers have been continuously enrolled in the FBM program over the last five years. The table on the right shows selected financial factors that illustrate a trend related to business size and growth over time. The data shows that these beginning farmers maintained stable growth in gross cash farm income, total assets, net worth, and crop acres.

Previous data recognized the financial challenges and vulnerabilities that exist as beginning farmers build their business. This trend data recognizes the opportunity for growth that can occur with sound decision making and the use of a financial business analysis. The FBM program provides education and financial tools to help farmers recognize key aspects of their own farm to help guide business growth, evaluate financial concerns impacting the business, and identify opportunities that the individual farmer may/may not decide to act upon.

Beginning Farmers enrolled in FBM all five years					
Cohort = 182 Farms	**2021**	**2022**	**2023**	**2024**	**2025**
Gross cash farm income	$485,434	$632,728	$655,335	$649,787	$698,172
Total cash farm expense	$405,110	$527,701	$553,632	$537,029	$610,978
Net cash farm income	$80,324	$105,027	$101,703	$112,758	$87,194
Average net farm income	$143,382	$197,702	$74,244	$61,474	$109,442
Median net farm income	$87,855	$118,496	$45,419	$21,942	$59,920
Working Capital as % GFI	33.8%	38.1%	36.7%	34.3%	32.6%
Total assets	$1,342,211	$1,707,622	$1,886,429	$2,138,441	$2,431,687
Total liabilities	$615,593	$762,000	$869,766	$954,315	$1,056,382
Net worth	$726,618	$945,622	$1,016,663	$1,184,126	$1,375,305
Total Debt to Asset Ratio	46%	45%	46%	45%	43%
Crop Acres Owned	56	70	82	85	90
Total Crop Acres	353	418	452	487	549
Machinery Value / Crop Acre	$523	$585	$663	$699	$667
Average Land Rent / acre	$185	$209	$214	$208	$208
Percent Crop Acres Owned	16%	17%	18%	17%	16%

For more information, visit the AgCentric website at: https://www.agcentric.org/farm-business-management/annual-fbm-reports/

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