



FOR ADDITIONAL INFORMATION:

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SUMMARY / KEY RATIO CALCULATIONS AND BENCHMARKS

Repayment Analysis		Calculation	Green	Yellow	Red
Term Debt and Lease Coverage Ratio	[(NFIFO* + Non Farm Earnings + Depreciation Expense + Interest on Term Debts and Capital Leases) - Income Tax Expense - Family Living Withdrawals] / Scheduled Annual Principal and Interest Payments on Term Debt and Capital Leases		>150%	110% to 150%	<110%
Debt Payment / Income Ratio**	Scheduled Annual Principal and Interest Payments on Term Debt and Capital Leases / (NFIFO* + Gross Non-Farm Revenue + Depreciation Expense + Interest on Term Debts and Capital Leases)		<25%	25% to 50%	>50%
Liquidity Analysis					
Current Ratio	Total Current Farm Assets / Total Current Farm Liabilities		>1.50%	1.00 to 1.50	<1.00%
Working Capital	Total Current Farm Assets - Total Current Farm Liabilities		compare to business expenses, absolute amount depends on scope of operation		
California Working Capital Rule**	Working Capital / Total Expenses		>50%	20% to 50%	<20%
Solvency Analysis					
Debt / Asset Ratio	Total Farm Liabilities / Total Farm Assets		<30%	30% to 55%	>55%
Equity / Asset Ratio	Total Farm Equity / Total Farm Assets		>55%	30% to 55%	<30%
Debt / Equity Ratio	Total Farm Liabilities / Total Farm Equity		<42%	42% to 122%	>122%
Profitability Analysis					
Operating Profit Margin Ratio	(NFIFO* + Farm Interest Expense - Operator Management Fee) / Gross Revenue		>25%	10% to 25%	<10%
Rate of Return on Farm Assets (ROA) (mostly owned)	(NFIFO* + Farm Interest Expense - Operator Management Fee) / Average Total Farm Assets		>5%	1% to 5%	<1%
Rate of Return on Farm Assets (ROA) (mostly rented / leased)	(NFIFO* + Farm Interest Expense - Operator Management Fee) / Average Total Farm Assets		>12%	3% to 12%	<3%
Rate of Return on Farm Equity (ROE)	(NFIFO* - Operator Management Fee) / Average Total Farm Equity		look at trends and compare to other farm and non-farm investments		
Financial History					
Operating Expense / Revenue Ratio (mostly owned)	Operating Expenses [excluding interest and depreciation] / Gross Revenue		<65%	65% to 80%	>80%
Operating Expense / Revenue Ratio (mostly rented / leased)	Operating Expenses [excluding interest and depreciation] / Gross Revenue		<75%	75% to 85%	>85%
Interest Expense Ratio	Interest Expense / Gross Revenue		<12%	12% to 20%	>20%
Depreciation Expense Ratio	Depreciation Expense / Gross Revenue		compare to capital replacement and term debt repayment margin		
Asset Turnover Ratio	Gross Revenue / Average Total Farm Assets		depends heavily on type of operation and whether it is owned / leased		
Net Farm Income from Operations Ratio	NFIFO* / Gross Revenue		look at trends, varies due to cyclical nature of agriculture prices and incomes		

*NFIFO = Net Farm Income From Operations excluding gains or losses from the disposal of farm capital assets. ** Not a ratio recommended by the Farm Financial Standards Taskforce and Council, but widely used.