

April 30, 2004

FEFO 04-08

**FARM AND FAMILY LIVING INCOME AND EXPENSES FOR 2003**

In 2003 the total, noncapital, living expenses of 1,102 farm families enrolled in the Illinois Farm Business Farm Management Association (FBFM) averaged \$48,159--or \$4,013 a month for each family (Table 1). This average was 8.3 percent higher than 2002 and 11.4 percent higher than in 2001. Another \$4,749 was used to buy capital items such as the personal share of the family automobile, furniture, and household equipment. Thus, the grand total for living expenses averaged \$52,908 for 2003 compared with \$48,855 for 2002, or a \$4,053 increase per family. The average amount spent per family for capital items was \$369 more, while noncapital expenses increased \$3,684 per family. The sample farms, which were mainly grain farms, were located primarily in central and northern Illinois.

**INCOME AND SOCIAL SECURITY TAXES PAID**

Income and social security tax payments decreased in 2003 compared to the year before. The amount of income taxes paid in 2003 averaged \$7,571 compared to \$9,867 in 2002. The amount of income taxes paid was at its lowest level since 1987. Medical expenses were higher in 2003 compared to 2002. In 2003, medical expenses averaged \$6,581. This is the second year medical expenses averaged over \$6,000. Medical expenses include out-of-pocket costs for health insurance along with doctor and hospital expenses.

In the table, the averages per farm for total family living expenses are divided into five categories for 2000 through 2003. The "expendables" category includes cash spent for food, operating expenses, clothing, personal items, recreation, entertainment, education, and transportation. This category also includes selected itemized deductions such as the personal share of real estate taxes. Cash spent for capital improvements exceeding \$250 is not included. The use of a rented house on an estimated 40 to 50 percent of the farms in this sample is not included, since these data cover only cash outlays.

The author would like to acknowledge that data used in this study comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 6,000 plus farmers and 60 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff

provide on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-5511 or visit the FBFM website at [www.fbfm.org](http://www.fbfm.org).

Issued by: Dale Lattz, Department of Agricultural and Consumer Economics

Table 1. *Average Sources and Uses of Funds over a Four-Year Period*

	All records, average per farm			
	2003	2002	2001	2000
Number of farms in sample .....	1,102	1,216	1,175	1,087
Age of Operator.....	51	51	50	50
Number in family.....	3.3	3.2	3.3	3.3
Net Farm Income .....	\$ 66,290	\$ 32,168	\$ 29,678	\$ 49,960
<b>Source of dollars</b>				
Net nonfarm income .....	\$ 25,919	\$ 24,716	\$ 23,374	\$ 22,424
Money borrowed .....	240,363	198,884	194,479	172,889
Farm receipts.....	305,957	257,579	266,422	260,066
<b>Uses of dollars</b>				
Interest paid .....	\$ 17,713	\$ 17,194	\$ 19,297	\$ 19,213
Cash operating expenses .....	218,726	182,720	185,154	174,594
Capital farm purchases .....	35,291	29,699	30,557	29,877
Payments on principal .....	225,968	183,423	179,988	166,890
Income and Social Security taxes .....	7,571	9,867	11,475	10,998
Net new savings and investment .....	14,062	9,421	9,707	6,281
<b>Living expenses</b>				
Contributions .....	\$ 1,583	\$ 1,454	\$ 1,567	\$ 1,597
Medical.....	6,581	6,335	5,710	5,561
Insurance, life and disability .....	2,681	2,590	2,660	2,701
Expendables .....	<u>37,314</u>	<u>34,096</u>	<u>33,275</u>	<u>32,685</u>
Total noncapital expense .....	(48,159)	(44,475)	(43,212)	(42,544)
Capital .....	<u>4,749</u>	<u>4,380</u>	<u>4,885</u>	<u>4,982</u>
Total, living expenses .....	\$ 52,908	\$ 48,855	\$ 48,097	\$ 47,526
Percentage change, total noncapital living expenses .....	8.3	2.9	1.6	4.1

Table 1 cont. *Sources and Uses of Funds Sorted by Noncapital Living Expenses for Selected Illinois Farms*

	Family of 3 to 5, 2003 <sup>a</sup>	
	High-Third	Low-Third
Number of farms in sample.....	191	191
Age of Operator.....	47	45
Number in family.....	4.1	3.9
Net Farm Income.....	\$ 89,326	\$ 52,090
<b>Source of dollars</b>		
Net nonfarm income.....	\$ 36,112	\$ 20,536
Money borrowed.....	418,372	191,218
Farm receipts.....	402,364	288,781
<b>Uses of dollars</b>		
Interest paid.....	\$ 25,172	\$ 15,476
Cash operating expenses.....	292,949	216,997
Capital farm purchases.....	49,160	34,678
Payments on principal.....	384,937	174,781
Income and Social Security taxes.....	9,092	4,966
Net new savings and investment.....	15,332	17,049
<b>Living expenses</b>		
Contributions.....	\$ 2,201	\$ 867
Medical.....	7,903	3,764
Insurance, life and disability.....	3,638	1,900
Expendables.....	<u>60,527</u>	<u>26,102</u>
Total noncapital expense.....	(74,269)	(32,633)
Capital.....	<u>5,937</u>	<u>3,955</u>
Total, living expenses.....	\$ 80,206	\$ 36,588

<sup>a</sup> Records were sorted into high- and low-third categories according to total noncapital living expenses.