

June 19, 2006**FEFO 06-10****Farm and Family Living Income and Expense for 2005**

In 2005 the total, noncapital, living expenses of 1,209 farm families enrolled in the Illinois Farm Business Farm Management Association (FBFM) averaged \$52,743--or \$4,395 a month for each family (Table 1). This average was basically the same as in 2004 but 9.5 percent higher than in 2003. Another \$5,542 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 \$58,285 for 2005 compared with \$58,549 for 2004, or a \$264 decrease per family. The average amount spent per family for capital items was \$418 less, while noncapital expenses increased \$154 per family. The sample farms, which were mainly grain farms, were located primarily in central and northern Illinois.

Income and Social Security Tax Payments

Income and social security tax payments increased in 2005 compared to the year before. The amount of income taxes paid in 2005 averaged \$10,351 compared to \$8,208 in 2004. The amount of income taxes paid was at its highest level since 2001. Medical expenses were higher in 2005 compared to 2004. In 2005, medical expenses averaged \$7,433. Medical expenses include out-of-pocket costs for health insurance along with doctor and hospital expenses. Net nonfarm income continues to increase, averaging \$27,810 in 2005. Net nonfarm income has increased \$12,461, or 81 percent in the last ten years.

In the table, the averages per farm for total family living expenses are divided into five categories for 2002 through 2005. 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.

Table 2 contains averages for the high third and low third sorted by noncapital living expenses for families of three to five. The high third averaged \$80,226 of noncapital family living expense while the low third averaged \$36,510.

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.

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

	All records, average per farm			
	2005	2004	2003	2002
Number of farms in sample.....	1,209	1,225	1,102	1,216
Age of Operator.....	52	51	51	51
Number in family.....	3.1	3.2	3.3	3.2
Net Farm Income.....	\$ 55,030	\$ 93,704	\$ 66,290	\$ 32,168
Source of dollars				
Net nonfarm income.....	\$ 27,810	\$ 27,280	\$ 25,919	\$ 24,716
Money borrowed.....	252,685	246,566	240,363	198,884
Farm receipts.....	351,457	351,327	305,957	257,579
Uses of dollars				
Interest paid.....	\$ 18,303	\$ 17,491	\$ 17,713	\$ 17,194
Cash operating expenses.....	260,479	252,258	218,726	182,720
Capital farm purchases.....	42,495	46,156	35,291	29,699
Payments on principal.....	230,072	229,008	225,968	183,423
Income and Social Security taxes.....	10,351	8,208	7,571	9,867
Net new savings and investment.....	11,967	13,503	14,062	9,421
Living expenses				
Contributions.....	\$ 2,058	\$ 1,816	\$ 1,583	\$ 1,454
Medical.....	7,433	7,320	6,581	6,335
Insurance, life and disability.....	2,900	2,753	2,681	2,590
Expendables.....	<u>40,352</u>	<u>40,700</u>	<u>37,314</u>	<u>34,096</u>
Total noncapital expense.....	(52,743)	(52,589)	(48,159)	(44,475)
Capital.....	<u>5,542</u>	<u>5,960</u>	<u>4,749</u>	<u>4,380</u>
Total, living expenses.....	\$ 58,285	\$ 58,549	\$ 52,908	\$ 48,855
Percentage change, total noncapital living expenses.....	0.0	9.2	8.3	2.9

Table 2. Source and Uses of Funds Sorted by Noncapital Living Expenses for Selected Illinois Farms.

	Family of 3 to 5, 2005 ^a	
	High-Third	Low-Third
Number of farms in sample	198	198
Age of Operator	48	47
Number in family.....	4.1	3.8
Net Farm Income.....	\$ 70,398	\$ 48,285
Source of dollars		
Net non farm income.....	\$ 34,371	\$ 20,279
Money borrowed	362,174	221,573
Farm receipts.....	424,498	344,639
Uses of dollars		
Interest paid.....	\$ 22,276	\$ 16,303
Cash operating expenses.....	314,630	264,453
Capital farm purchases	53,577	48,589
Payments on principal	319,856	201,024
Income and Social Security taxes.....	11,694	7,344
Net new savings and investment	12,470	7,688
Living expenses		
Contributions.....	\$ 2,545	\$ 877
Medical	9,006	4,546
Insurance, life and disability	3,782	2,223
Expendables.....	64,893	28,864
Total noncapital expense	(80,226)	(36,510)
Capital	<u>6,314</u>	<u>4,580</u>
Total, living expenses	\$ 86,540	\$ 41,090

^a Records were sorted into high- and low-third categories according to total noncapital living expenses.