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In 2024, the total noncapital living expenses of 1,354 farm families enrolled in the Illinois Farm Business Farm Management Association (FBFM) averaged \$96,114--or about \$8,000 a month for each family (Table 1). This average was about 1 percent lower than in 2023. Another \$6,548 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 \$102,662 for 2024 compared with \$105,862 for 2023, or a \$3,200 decrease per family. The average amount spent per family for capital items was \$2,214 less while noncapital expenses decreased \$986 per family. This decrease can be due to lower farm incomes leading to less family living expenses. The farms in this sample, which were mainly grain farms, were located primarily in central and northern Illinois.

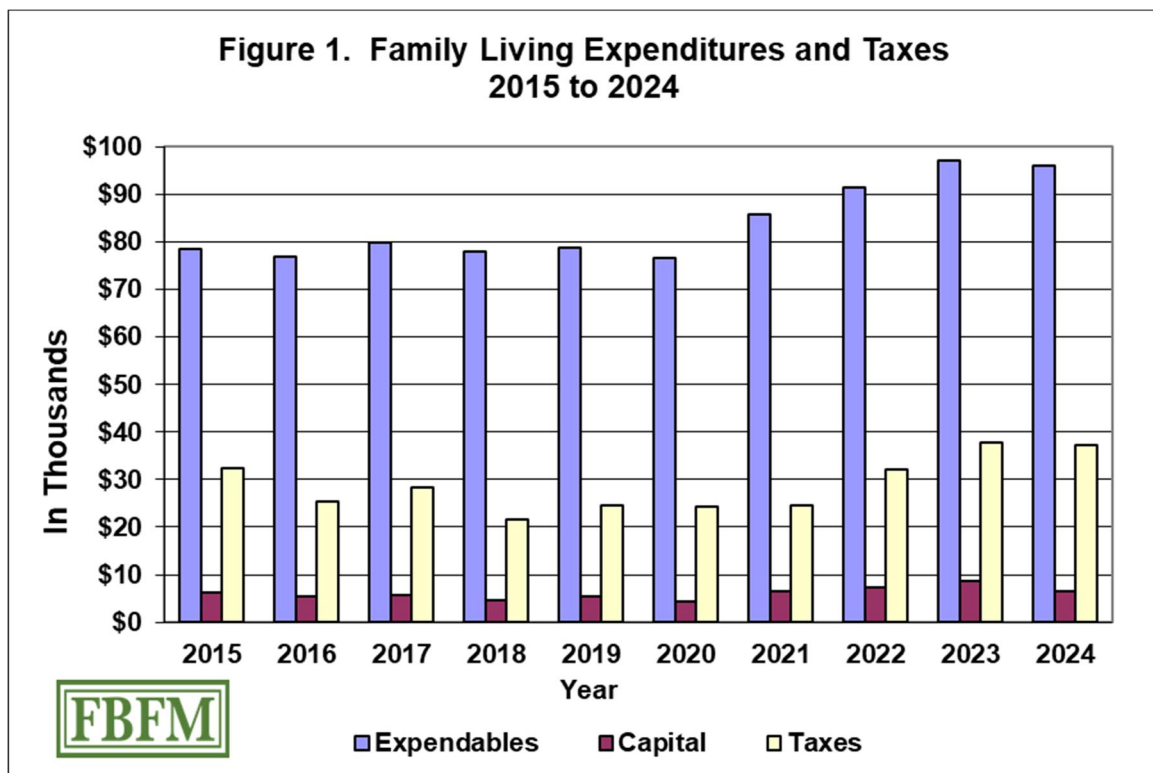


Figure 1 illustrates the annual capital and noncapital family living expenditures and income and social security tax payments for 2015 through 2024.

Income and social security tax payments decreased 1.2 percent in 2024 compared to the year before. The amount of income taxes paid in 2024 averaged \$37,279 compared to \$37,673 in 2023. Medical expenses were slightly lower in 2024 compared to 2023. In 2024, medical expenses averaged \$11,447. Medical expenses include out-of-pocket costs for health insurance along with doctor and hospital expenses.

How these families use their funds depends somewhat on the levels of net income from farm and non-farm sources and the priority of the expenditure. In this sample, the 2024 net farm income of \$7,922 decreased (\$52,724 per farm) compared to 2023. Lower crop returns from lower prices and increased costs were the main reasons for the decrease in net farm incomes. Net non-farm income increased, averaging \$64,881, \$4,395 higher than in 2023. 2024 was the highest non-farm income has ever been as well as following 2023 that had the largest one-year dollar change in at least ten years. Net non-farm income has increased \$24,219, or 60 percent in the last ten years. Net non-farm income was 89 percent of total household income in 2024 due to very low farm incomes.

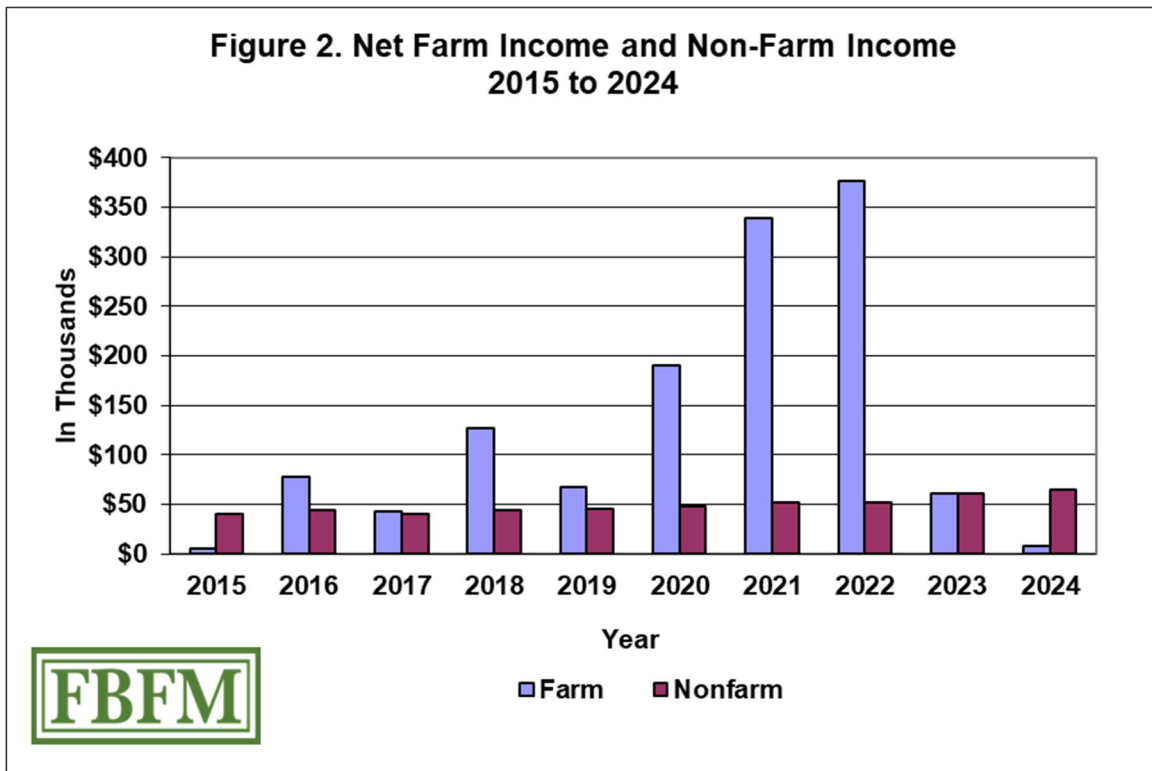
The amount of interest paid by each farm operator increased from \$34,228 in 2023 to \$46,854 in 2024. Interest paid as a percentage of farm receipts increased to 4.68 percent in 2024. The 2015 through 2024 ten-year average is 3.82 percent. The highest that this percentage has been during the last ten years was in 2024 at 4.68 percent. As a percentage of cash operating expenses, the interest paid increased to 6.2 percent in 2024. Machinery and building purchases increased from \$212,471 in 2022 to \$229,771 in 2023, then decreased to \$160,625 in 2024.

In 2024, the operators of these 1,354 farms averaged 58 years of age. The family averaged 2.5 members, with the age of the oldest dependent child being 17 years. The operators kept records so that all sources of funds, both farm and non-farm, were balanced with all uses of funds in a complete monthly cash-flow accounting system.

In Table 1, the averages per farm for total family living expenses are divided into five categories for 2021 through 2024. The "expendables" category includes cash spent on 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 on capital improvements exceeding \$250 is not included.

The excess of non-farm taxable income over non-farm business expense was \$64,881 in 2024, or 63 percent of the total living expenses. It includes dividends on stocks, interest on savings and money-market funds, income from other non-farm investments, and income from off-farm employment performed by family members. Interest earned and left in savings accounts not included in the cash flow is not reflected in the non-farm income.

Figure 2 illustrates that net non-farm income has been constant over the past ten years. Since 2015, increases in net farm income has resulted in non-farm income being less of the share of total income, except for 2015 and 2024.



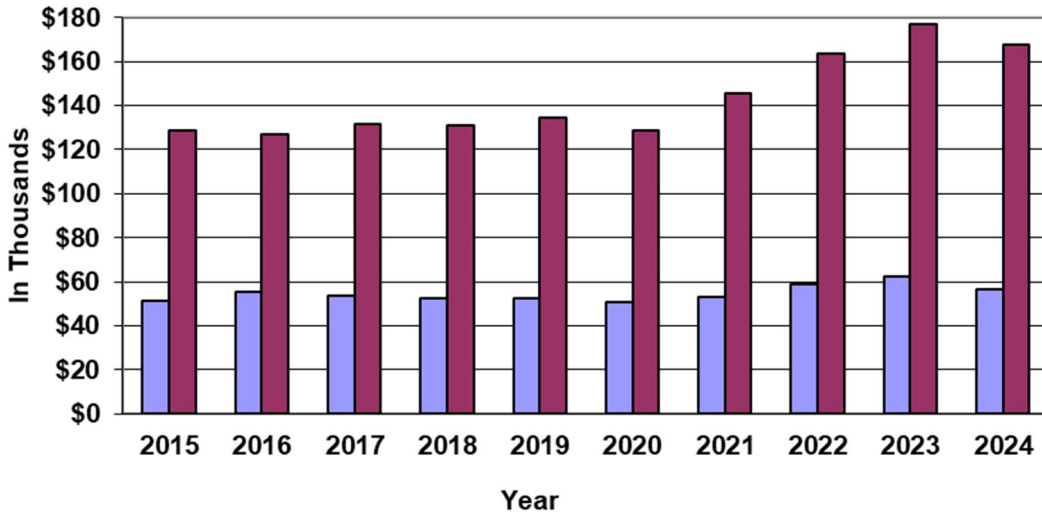
High-Third Low-Third Comparison

The records from farm families with three to five people were sorted into two categories, the high-third and the low-third, according to their noncapital living expenses. The total living expenses for the high-third group averaged \$177,193 compared with \$68,141 for the low-third group. Figure 3 illustrates total living expenses for these two groups for 2015 through 2024. The high-third group had \$773,680 more gross farm sales than the other group. The larger farms in the first group had more income for living expenses and paying income tax. Net farm income plus non-farm income was \$103,709 for the high-third group compared with \$75,055 for the low-third group. The average age of operators in the high-third group was 49 and the number of family members was 4.0 compared with 47 years of age and 3.8 family members for the other group.

Subtracting total living expenses and income and social security taxes paid from the total of net farm income and non-farm income results in a *negative* \$117,396 for the high-third group and *negative* \$12,389 for the low-third group for the year 2024. Figure 4 illustrates this balance for these two groups for 2015 through 2024.

It is interesting to note that for 2015 to 2017 as well as 2019 and 2023 to 2024 the low-third group had less income than the high-third group but had more funds remaining after what was spent for family living and taxes. These years also correspond to lower net farm incomes. Over the last 10 years, there have been 4 years that total incomes minus living expenses and tax have been negative for either group.

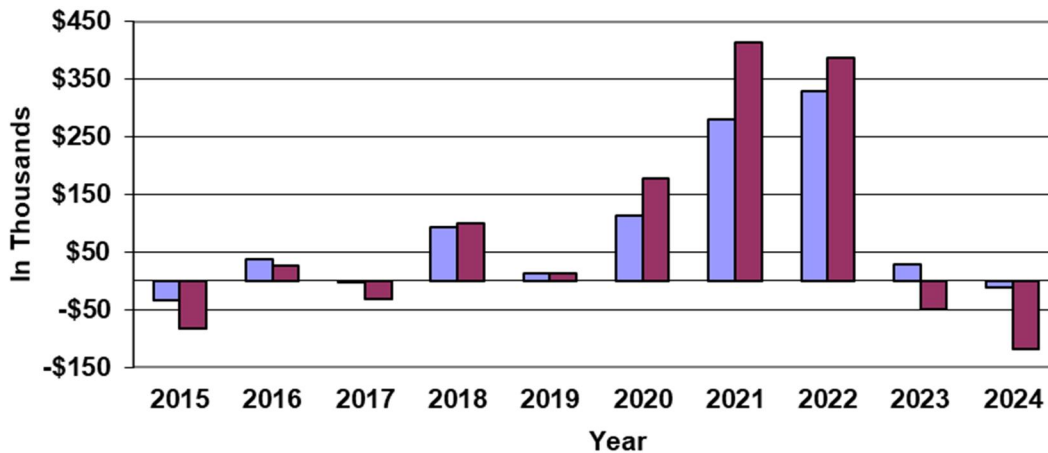
Figure 3. Total Family Living Expenditures for 3-5 People in Family, Sorted into High and Low Thirds, 2015 to 2024



■ Low third ■ High third

Farm operations continue to grow in size. As these operations expand, more funds are flowing in and out of the business. More lenders are requiring cash flow projections and continual monitoring of these projections. It is, therefore, important that more farmers learn how to balance and monitor their cash flow each month. FBFM offers these services to help farmers project monthly cash flow so that they can compare projections with their actual results.

Figure 4. Farm and Non Farm Income Minus Family Living Expenditures and Taxes, 2015 to 2024



■ Low third ■ High third

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

	All records, average per farm			
	2024	2023	2022	2021
Number of farms in sample.....	1354	1345	1329	1213
Age of Operator.....	58	58	58	58
Number in family.....	2.5	2.5	2.5	2.6
Net Farm Income.....	\$7,922	\$60,646	\$376,080	\$338,838
Source of dollars				
Net nonfarm income.....	\$64,881	\$60,486	\$52,123	\$51,409
Money borrowed.....	602,777	579,203	587,412	573,854
Farm receipts.....	1,001,228	1,112,645	1,076,265	928,522
Uses of dollars				
Interest paid.....	\$46,854	\$34,228	\$28,634	\$29,171
Cash operating expenses.....	704,682	735,514	721,007	609,439
Capital farm purchases.....	160,625	229,771	212,471	173,839
Payments on principal.....	523,163	523,163	535,439	559,258
Income and Social Security taxes.....	37,279	37,673	32,052	24,654
Net new savings and investment.....	\$93,621	\$86,123	\$87,364	\$65,087
Living expenses				
Contributions.....	\$3,493	\$3,761	\$3,494	\$3,125
Medical.....	11,447	11,517	10,901	11,189
Insurance, life and disability.....	5,482	5,471	5,423	5,303
Expendables.....	<u>75,692</u>	<u>76,351</u>	<u>71,583</u>	<u>66,211</u>
Total noncapital expense.....	\$96,114	\$97,100	\$91,401	\$85,828
Capital.....	<u>6,548</u>	<u>8,762</u>	<u>7,432</u>	<u>6,509</u>
Total, living expenses.....	\$102,662	\$105,862	\$98,833	\$92,337
Percentage change, total noncapital living expenses.....	5.2%	13.1%	6.5%	11.9%



For the farm operators with low equity or very high debt-to-asset ratios, this type of accounting is essential. These operators need to account for all of their sources and uses of funds to assist them in making sound financial management decisions.

The data summarized in this process may also serve as a guide in budgeting allowances for family living expenses. For families in this sample, the family living expenses averaged \$116 for each tillable operator acre farmed. Operator acres are the number of acres the operator receives 100% revenue from. If the net non-farm income of \$73 per tillable operator acre is used for living, \$43 per tillable operator acre would have to be generated from the farm business to meet family living requirements. In 2023, \$53 per tillable operator acre was needed from the farm business to meet family living requirements. Each family must determine how much each acre of crop should contribute to their family living. This amount, when added to production costs and other obligations, can help to determine break-even prices needed for products sold.

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

	Family of 3 to 5, 2024 ^a	
	High-Third	Low-Third
Number of farms in sample.....	120	120
Age of Operator.....	49	47
Number in family.....	4.0	3.8
Net Farm Income.....	\$30,654	\$21,861
Source of dollars		
Net nonfarm income.....	\$73,055	\$53,194
Money borrowed.....	1,020,610	560,793
Farm receipts.....	1,584,757	811,077
Uses of dollars		
Interest paid.....	\$81,097	\$41,548
Cash operating expenses.....	1,129,393	588,975
Capital farm purchases.....	254,646	139,586
Payments on principal.....	933,492	436,930
Income and Social Security taxes.....	43,912	19,303
Net new savings and investment.....	\$58,689	\$130,581
Living expenses		
Contributions.....	\$4,684	\$2,136
Medical.....	16,329	5,893
Insurance, life and disability.....	6,916	3,451
Expendables.....	<u>139,838</u>	<u>45,277</u>
Total noncapital expense.....	\$167,767	\$56,757
Capital.....	<u>9,426</u>	<u>11,384</u>
Total, living expenses.....	\$177,193	\$68,141

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



The author would like to acknowledge that data used in this study comes from farms across the State of Illinois enrolled in Illinois Farm Business Farm Management (FBFM) Association. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,000 plus farmers and 70 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 Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-8346 or visit the FBFM website at www.fbfm.org.