

Kentucky Farm Business Management Program

Family Living
2010 Sources and Uses Summary

Agricultural Economics - Extension No. 2011- 17

September 2011

By:

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Acknowledgments

Special credit should be given to the Farm Business Management Specialists who supplied data used in this report. Their attention to details and accuracy of records are what make these results so valuable to farmers and to those working with farmers throughout the state. Specialists who served in 2009 and provided summary data are:

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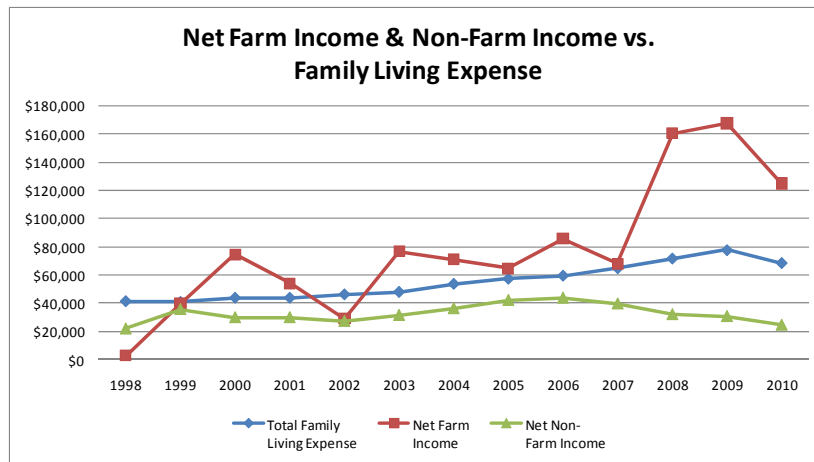
A Special Note to Our Readers

The data for this study are drawn from the detailed financial and production records of producers cooperating with the Kentucky Farm Business Management Program. The data are not drawn from a random sample of farms in the state. However, these data are the most accurate and detailed farm financial data which are available to researchers and educators. Every attempt has been made to select a set of farms for these research studies which are “typical” operations and have complete financial information available for analysis. These data are carefully cross-checked by our farm management specialists before inclusion in this analysis. It should be noted that farms included in this study are representative of commercial farms producing major commodities and livestock, but not of all farms in Kentucky.

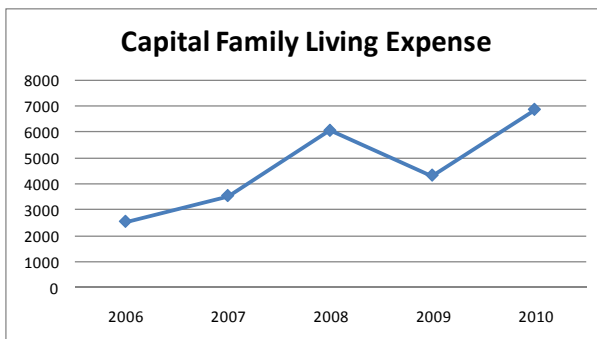
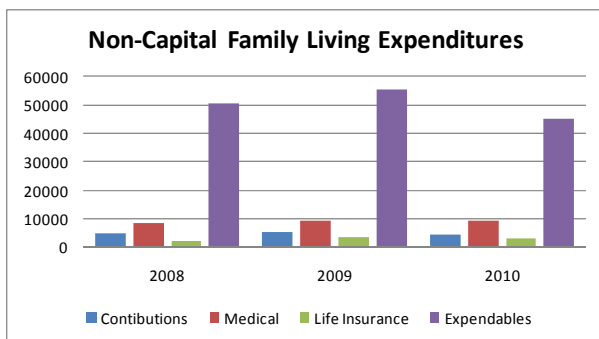
Family Living Expenses can have a direct impact on the sustainability of the family farm. Just like labor expenses can impact the bottom-line of any business, the amount of money that farm families spend for personal purposes can determine the farm's ability to remain viable. The Kentucky Farm Business Management (KFBM) program collected data from 163 farms families during 2010. This data is summarized based on the average farm, family size, age of the oldest child, and the size of the farm.

Average Sources & Uses – Trend

For the first time in over 11 years, the average family living expense for farms in the KFBM program decreased from the previous year. Family living expenses dropped 8% to \$68,449 from \$77,708 in 2009. Net Farm incomes also declined during 2010, with an average of \$124,834 among farm families. This follows two of the highest Net Farm Incomes in KFBM data history in 2009 and 2008 at \$167,577 and \$160,390, respectively. This drop in income was further felt by farm families with a continuing decline in non-farm income, dropping to \$24,520. Non-farm incomes have continued to decline since their average high in 2006 at \$43,641. (Table 1)



There was a decrease in all non-capital categories within family living during 2010. Contributions fell by \$816, medical expenses fell by \$52, life insurance dropped \$438, and expendables declined by \$10,441 or 18%. The only category to increase during 2010 was capital expenditures, including personal vehicles purchases and home improvements, which rose by \$2538.

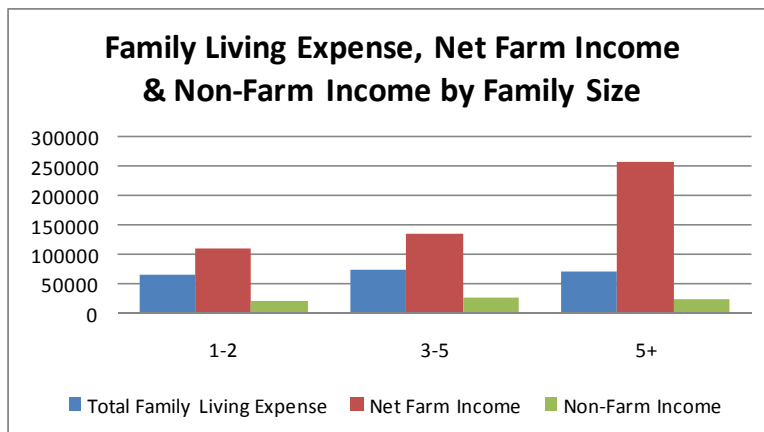


Size of Family

The average size of the farm family reported in this summary is 2.6 people. However, differences do exist based on the number of children represented in the farm family. Table 2 provides data based on farm families that have two or more members, families with three to five members and families that have more than five members.

Families with three to five members had the highest family living expense at \$73,595 in 2010. These families averaged 3.8 members, representing family living expenses of \$19,367 per person. Families with two or less members had the lowest family living expenses in 2010 at \$65,505. These families also represent the older families, at an average operator age of 63. Families with greater than five members averaged family living expenses of \$71,665 for an average of 6.4 members. The spread between the family size groups' family living expenses decreased during 2010 to an 11% difference from a 27.5% difference in 2009.

Non-farm income values differed between the three family size groups, however, there was only a \$4253 spread between these groups in 2010. Families with three to five members had the highest non-farm income at \$26,369, while the smallest families had the lowest non-farm income at \$22,136.



Family living expenses differ based on the individual family. This is further illustrated in Table 3, which segments family living data for families with three to five members into high third and low third groups. These family groups were very similar, except for the size of the family farm operation and the net farm income experienced during 2010. The high third group had an average of 1269 acres and a net farm income of \$178,622. The low third group is much smaller with an average farm size of 409 acres and an average net farm income of \$79,344.

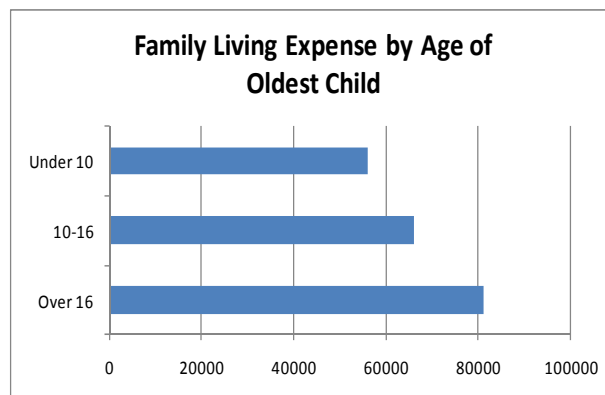
The high third group spends an average of \$114,074 on family living. The low third group spends only \$33,691. The high third group also had a higher non-farm income of \$36,761 to help supplement family living expenses, versus only \$9,293 for the low third group. Family living expenses were 53% of the farm and non-farm income for the high third group and only 38% for the low third group.

Age of Oldest Child

Family living expenses can also vary by the age of the children in the family. Table 4 summarizes family living information sorted by the oldest dependent child in the farm family. Family Living expenses were greatest for families with the oldest child over 16 years of age at \$81,160. This group has an average age of the oldest dependent child of 24. Medical expenses make up a greater portion of family living expenses for this group than the other two age segments at \$10,231 or 12.6% of total family living expenses. Net Farm Income for these older child families was \$148,756 and non-farm income was \$26,983.

The second highest family living expense belongs to the families with children between 10 and 16 at \$66,181. This group had Net Farm Income of \$144,681 and non-farm income of \$24,344.

The families with the lowest family living expenses were those with children less than 10 years old at \$56,089. These families had the lowest Net Farm Income and non-farm incomes at \$130,269 and \$23,911, respectively.

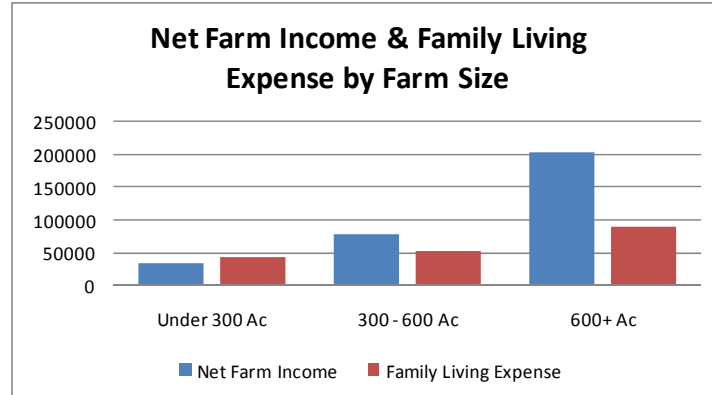


Size of Farm

The size of the farm can be, but not always, directly related to the amount of Net Farm Income. Table 5 compares family living expenses based on the size of the farm, comparing farms less than 300 acres, between 300 and 600 acres, and those greater than 600 acres. Table 5 also provides data on the high and low third of family living expenses of farms between 300 and 600 acres.

For 2010, the family living expenses and Net Farm Income was in-line with farm size. The largest farms had the highest family living expenses (\$88,458) and the highest Net Farm Income (\$203,615). Likewise, the smallest farms had the lowest family living expenses (\$42,317) and the lowest Net Farm Incomes (\$34,469). These small farms, on average, are dependent on some non-farm income to make ends meet, as family living expenses are greater than Net Farm Income for 2010. These farms did have non-farm income of \$27,929 in 2010.

Those farms in the middle, between 300 and 600 acres, had family living expenses of \$53,113 and net farm incomes of \$77,494. However, to illustrate the differences between farm families, the high third group had family living expenses of \$80,577 while the low third group only spent \$28,530. There is also a significant difference in the Net Farm Income and non-farm income between the high and low third groups. The high third group had Net Farm Income of \$85,535 and non-farm income of \$25,172. The low third group had Net Farm Income of \$57,317 and non-farm income of \$6,667.



Conclusion

While average family living expenses decreased in 2010, there is a wide range of spending among all families. It is important to measure and know the limits on how much a particular farm family can afford to spend for personal purposes. Overspending can cause viability problems for the farming operation, when funds needed for the family exceed the funds available. Proper recordkeeping and an annual inspection of family living expenses can help the farm family keep spending under control.

Table 1. Farm and Family Sources and Uses of Dollars - Average per Farm in Kentucky, 2006-2010

Item	2010	2009	2008	2007	2006
Number of families	163	103	87	86	123
Age of operator	56	54	56	54	57
Number in family	2.6	3.0	3.0	3.1	2.8
Age of oldest dependent child	17	18	16	16	17
Total tillable operator acres ¹	841	1058	822	707	746
Value of feed fed	\$60,612	\$80,509	\$57,368	\$53,466	\$29,365
Net farm income	\$124,834	\$167,577	\$160,390	\$67,939	\$85,642
FAMILY LIVING EXPENSE:					
Contributions	\$4,258	\$5,074	\$4,706	\$3,290	\$4,358
Medical	9,379	9,431	8,381	6,755	7,697
Life Insurance	2,881	3,319	2,206	1,585	1,800
Expendables	45,130	55,571	50,409	49,631	43,121
Total Non-Capital	(61,648)	(73,395)	(65,702)	(61,260)	(56,976)
Capital	6,851	4,313	6,040	3,524	2,528
Total Living Expenses	(\$68,499)	(\$77,708)	(\$71,742)	(\$64,784)	(\$59,504)
SOURCES OF FUNDS:					
Non-taxable receipts ²	86,738	280,977	81,827	58,667	40,419
Net non-farm income	24,520	30,648	31,993	39,535	43,641
Money borrowed	432,553	505,761	347,455	309,955	206,185
Total farm receipts	<u>728,293</u>	<u>901,829</u>	<u>607,229</u>	<u>484,540</u>	<u>396,481</u>
TOTAL SOURCE ALL FUNDS	\$1,272,104	\$1,719,216	\$1,068,504	\$892,697	\$686,726
USES OF FUNDS:					
Farm					
Interest paid	\$25,861	\$31,842	\$24,724	\$28,025	\$18,468
Other farm expenses	519,879	670,437	466,294	352,048	288,439
Machinery-bldg. purchases	<u>120,066</u>	<u>153,723</u>	<u>103,014</u>	<u>87,417</u>	<u>55,045</u>
Total Farm Expenditures	(\$665,805)	(\$856,002)	(\$594,031)	(\$467,490)	(\$361,951)
Principal payments	\$387,474	\$459,605	\$280,863	\$236,558	\$184,033
Income & S.S. tax	15,980	18,127	20,511	11,360	19,382
Savings and Investment ³	134,658	307,704	101,340	112,532	61,857
Living expenses:					
Total Non-Capital	\$61,648	\$73,395	\$65,702	\$61,260	\$56,976
Capital	<u>6,851</u>	<u>4,313</u>	<u>6,040</u>	<u>3,524</u>	<u>2,528</u>
Total Living Expense	(\$68,499)	(\$77,708)	(\$71,742)	(\$64,784)	(\$59,504)
TOTAL USE OF FUNDS	\$1,272,415	\$1,719,146	\$1,068,488	\$892,723	\$686,727
Balancing error	311	-71	-16	27	1

¹ Included fund transfers and withdrawals from savings, tax refunds, gifts, inheritances, transfer from other business ent. & misc.

² Includes transfers to savings, loans to others, real estate purchases, other non-farm capital and net change in bank balance.

Table 2. Kentucky Farm and Family Sources and Uses of Dollars, 2010, by Number of Family and All Families.

Item	Number in Family			All Families
	1 - 2	3 - 5	>5	2010
Number of families	93	61	8	163
Age of operator	63	47	44	56
Number in family	1.6	3.8	6.4	2.6
Age of oldest dependent child	0	16	19	17
Total tillable operator acres	835	848	956	841
Value of feed fed	\$68,009	\$51,180	\$49,949	\$60,612
Net farm income	\$109,070	\$135,377	\$256,588	\$124,834
FAMILY LIVING EXPENSE:				
Contributions	\$3,826	\$5,023	\$3,955	\$4,258
Medical	9,855	8,879	8,815	9,379
Life Insurance	3,817	1,754	956	2,881
Expendables	39,404	53,974	48,582	45,130
Total Non-Capital.	(56,903)	(69,630)	(62,307)	(61,648)
Capital.	8,602	3,964	9,358	6,851
Total Living Expenses	(\$65,505)	(\$73,595)	(\$71,665)	(\$68,499)
SOURCES OF FUNDS:				
Non-taxable receipts ¹	\$77,115	\$101,976	\$91,385	\$86,738
Net non-farm income	22,136	26,369	24,721	24,520
Money borrowed	397,124	467,978	537,744	432,553
Total farm receipts	<u>702,097</u>	<u>772,939</u>	<u>775,317</u>	<u>728,293</u>
TOTAL SOURCE ALL FUNDS	\$1,198,471	\$1,369,261	\$1,429,166	\$1,272,104
USES OF FUNDS:				
Farm				
Interest paid	\$23,847	\$28,957	\$25,924	\$25,861
Other farm expenses	505,101	544,138	553,659	519,879
Machinery-bldg. purchases	<u>103,468</u>	<u>138,637</u>	<u>186,407</u>	<u>120,066</u>
Total Farm Expenditures	(\$632,416)	(\$711,733)	(\$765,989)	(\$665,805)
Principal payments	\$366,087	\$401,647	\$515,721	\$387,474
Income & S.S. tax	18,706	12,338	14,039	15,980
Savings and Investment ²	115,776	170,751	61,753	134,658
Living expenses:				
Total Non-Capital	\$56,903	\$69,630	\$62,307	\$61,648
Capital	<u>8,602</u>	<u>3,964</u>	<u>9,358</u>	<u>6,851</u>
Total Living Expense	(\$65,505)	(\$73,595)	(\$71,665)	(\$68,499)
TOTAL USE OF FUNDS	\$1,198,490	\$1,370,063	\$1,429,167	\$1,272,415
Balancing error	19	803	1	311

¹ Included fund transfers and withdrawals from savings, tax refunds, gifts, inheritances, transfer from other business ent. & misc.

² Includes transfers to savings, loans to others, real estate purchases, other non-farm capital and net change in bank balance.

Table 3. Kentucky Farm and Family Sources and Uses of Dollars, 2010, by High-Low 1/3 Non-Capital Living Expenses for Family of 3 to 5.

Item	Non-Capital Living Expense For Family of Three to Five	
	High 1/3	Low 1/3
Number of families	20	20
Age of operator	47	47
Number in family	3.5	3.7
Age of oldest dependent child	17	14
Total tillable operator acres	1,269	409
Value of feed fed	\$91,415	\$51,988
Net farm income	\$178,622	\$79,344
FAMILY LIVING EXPENSE:		
Contributions	\$7,086	\$3,684
Medical	12,242	5,167
Life Insurance	2,493	1,157
Expendables	<u>86,035</u>	<u>23,203</u>
Total Non-Capital.	(107,856)	(33,211)
Capital.	<u>6,218</u>	<u>480</u>
Total Living Expenses	(\$114,074)	(\$33,691)
SOURCES OF FUNDS:		
Non-taxable receipts ¹	\$67,811	\$84,641
Net non-farm income	36,761	9,293
Money borrowed	635,084	156,128
Total farm receipts	<u>1,179,988</u>	<u>387,615</u>
TOTAL SOURCE ALL FUNDS	\$1,919,643	\$637,678
USES OF FUNDS:		
Farm		
Interest paid	\$42,484	\$13,563
Other farm expenses	845,659	289,081
Machinery-bldg. purchases	<u>208,497</u>	<u>54,903</u>
Total Farm Expenditures	(\$1,096,639)	(\$357,547)
Principal payments	\$578,637	\$144,007
Income & S.S. tax	14,684	4,956
Savings and Investment ²	115,610	97,499
Living expenses:		
Total Non-Capital	\$107,856	\$33,211
Capital	<u>6,218</u>	<u>480</u>
Total Living Expense	(\$114,074)	(\$33,691)
TOTAL USE OF FUNDS	\$1,919,644	\$637,699
Balancing error	1	21

¹ Included fund transfers and withdrawals from savings, tax refunds, gifts, inheritances, transfer from other business ent. & misc.

² Includes transfers to savings, loans to others, real estate purchases, other non-farm capital and net change in bank balance.

Table 4. Kentucky Farm and Family Sources and Uses of Dollars, 2010, by Age of Oldest Dependent Child

Item	Age of Oldest Dependent Child		
	Under 10	10 - 16	Over 16
Number of families	15	18	40
Age of operator	39	44	52
Number in family	3.7	4.2	3.9
Age of oldest dependent child	5	13	24
Total tillable operator acres	496	897	931
Value of feed fed	\$25,839	\$44,016	\$62,493
Net farm income	\$130,269	\$144,681	\$148,756
FAMILY LIVING EXPENSE:			
Contributions	\$3,343	\$5,780	\$4,809
Medical	6,847	8,254	10,231
Life Insurance	949	1,995	1,733
Expendables	<u>44,950</u>	<u>46,354</u>	<u>58,179</u>
Total Non-Capital.	(56,089)	(62,382)	(74,952)
Capital.	<u>0</u>	<u>3,799</u>	<u>6,208</u>
Total Living Expenses	(\$56,089)	(\$66,181)	(\$81,160)
SOURCES OF FUNDS:			
Non-taxable receipts ¹	\$229,523	\$99,446	\$46,787
Net non-farm income	23,911	24,344	26,983
Money borrowed	526,147	427,467	442,442
Total farm receipts	<u>443,134</u>	<u>869,087</u>	<u>812,136</u>
TOTAL SOURCE ALL FUNDS	\$1,222,715	\$1,420,344	\$1,328,347
USES OF FUNDS:			
Farm			
Interest paid	\$29,069	\$29,105	\$27,186
Other farm expenses	312,249	587,046	584,099
Machinery-bldg. purchases	<u>114,041</u>	<u>160,189</u>	<u>134,521</u>
Total Farm Expenditures	(\$455,359)	(\$776,341)	(\$745,806)
Principal payments	\$357,740	\$430,898	\$403,103
Income & S.S. tax	10,095	13,179	12,501
Savings and Investment ²	346,042	133,746	86,002
Living expenses:			
Total Non-Capital	\$56,089	\$62,382	\$74,952
Capital	<u>0</u>	<u>3,799</u>	<u>6,208</u>
Total Living Expense	(\$56,089)	(\$66,181)	(\$81,160)
TOTAL USE OF FUNDS	\$1,225,326	\$1,420,345	\$1,328,571
Balancing error	2,612	1	224

¹ Included fund transfers and withdrawals from savings, tax refunds, gifts, inheritances, transfer from other business ent. & misc.

² Includes transfers to savings, loans to others, real estate purchases, other non-farm capital and net change in bank balance.

**Table 5. Kentucky Farm and Family Sources and Uses of Dollars, 2010, by Operator Tillable Acres
In Farm and by High-Low 1/3 Non-Capital Living Expenses for 600-900 Acre Size.**

Item	Operator Tillable Acres in Farm			Non-Capital Living Expenses	
	Under	300-600	600+	300-600 Operator Tillable Acres	
	300	300-600	600+	High 1/3	Low 1/3
Number of families	40	30	82	10	10
Age of operator	57	57	55	58	58
Number in family	2.6	2.6	2.6	2.9	2.1
Age of oldest dependent child	17	12	18	14	6
Total tillable operator acres	170	464	1,419	474	444
Value of feed fed	\$51,644	\$40,362	\$80,527	\$77,975	\$13,124
Net farm income	\$34,469	\$77,494	\$203,615	\$85,535	\$57,317
FAMILY LIVING EXPENSE:					
Contributions	\$2,476	\$2,838	\$5,580	\$2,429	\$1,410
Medical	5,410	7,522	12,208	8,679	4,385
Life Insurance	1,074	1,474	4,639	2,108	501
Expendables	<u>32,534</u>	<u>40,157</u>	<u>54,719</u>	<u>65,967</u>	<u>22,233</u>
Total Non-Capital	(41,494)	(51,991)	(77,146)	(79,183)	(28,530)
Capital	<u>823</u>	<u>1,122</u>	<u>11,312</u>	<u>1,394</u>	<u>0</u>
Total Living Expenses	(\$42,317)	(\$53,113)	(\$88,458)	(\$80,577)	(\$28,530)
SOURCES OF FUNDS:					
Non-taxable receipts ¹	\$52,814	\$115,774	\$102,096	\$14,260	\$38,514
Net non-farm income	27,929	15,869	22,519	25,172	6,667
Money borrowed	136,038	303,261	677,109	171,886	73,981
Total farm receipts	<u>280,453</u>	<u>369,458</u>	<u>1,162,390</u>	<u>482,910</u>	<u>232,601</u>
TOTAL SOURCE ALL FUNDS	\$497,234	\$804,363	\$1,964,114	\$694,229	\$351,763
USES OF FUNDS:					
Farm					
Interest paid	\$14,493	\$15,463	\$38,130	\$14,923	\$8,995
Other farm expenses	200,878	260,673	836,516	341,720	181,159
Machinery-bldg. purchases	<u>39,381</u>	<u>66,692</u>	<u>193,062</u>	<u>64,559</u>	<u>27,656</u>
Total Farm Expenditures	(\$254,753)	(\$342,828)	(\$1,067,707)	(\$421,202)	(\$217,810)
Principal payments	\$137,918	\$230,037	\$612,201	\$177,261	\$54,554
Income & S.S. tax	6,383	8,402	24,634	6,471	4,073
Savings and Investment ²	55,930	171,402	171,180	8,717	46,798
Living expenses:					
Total Non-Capital	\$41,494	\$51,991	\$77,146	\$79,183	\$28,530
Capital	<u>823</u>	<u>1,122</u>	<u>11,312</u>	<u>1,394</u>	<u>0</u>
Total Living Expense	(\$42,317)	(\$53,113)	(\$88,458)	(\$80,577)	(\$28,530)
TOTAL USE OF FUNDS	\$497,300	\$805,782	\$1,964,181	\$694,229	\$351,764
Balancing error	67	1,419	66	0	1

¹ Included fund transfers and withdrawals from savings, tax refunds, gifts, inheritances, transfer from other business ent. & misc.

² Includes transfers to savings, loans to others, real estate purchases, other non-farm capital and net change in bank balance.