

# EXECUTIVE SUMMARY

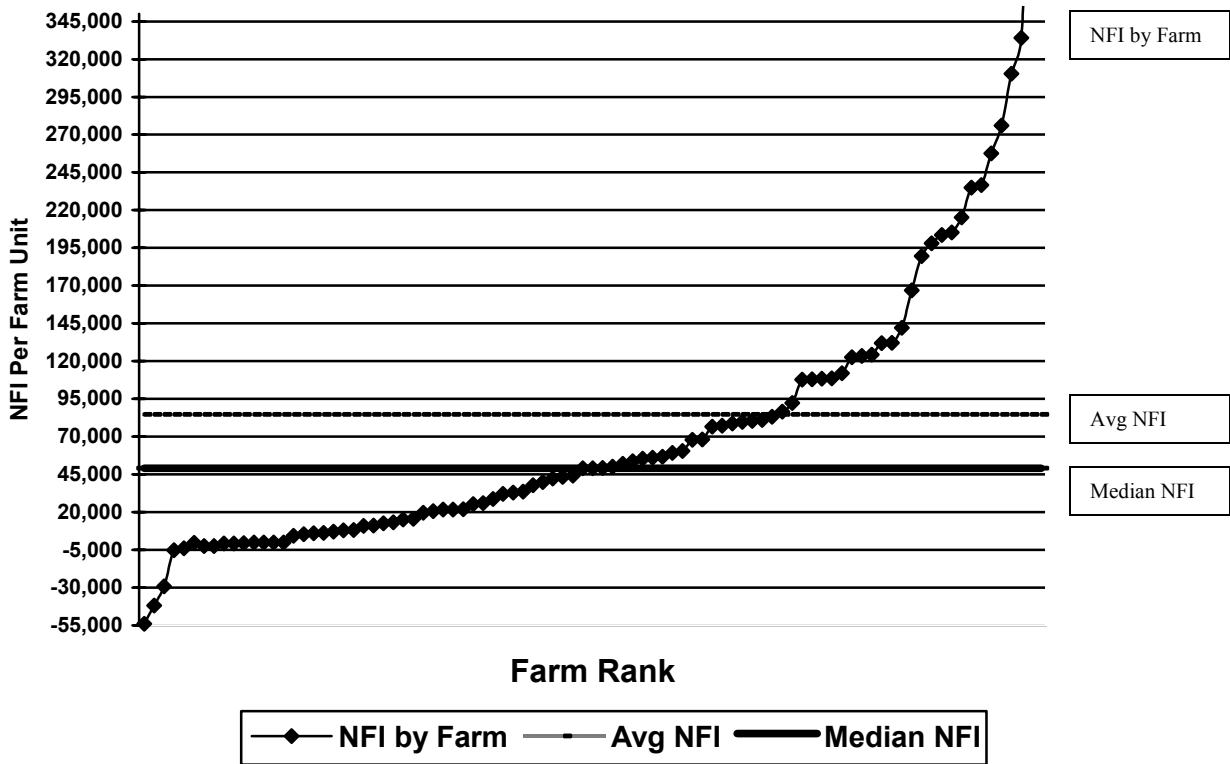
## 2004 ANNUAL REPORT OF MISSOURI FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

By  
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The average net farm income (NFI) was \$91,231 for the 91 farms included in the 2004 annual report of the Missouri Farm Business Management Analysis Program. As in previous years, there was a wide range in income from lowest to highest. The bottom 25% of farms (22) showed an average NFI of -\$4,502, while the top 25% averaged \$263,682. Of the 91 farms, 15 had a negative net farm income.

### 2004 Distribution of Net Farm Income (Cost)

(The two top NFI operations are included in the Median and Average figures but excluded from the graph due to size.)



The average age of operator on the 91 FBMA farms was 46.6 years and the average years in farming was 24.3 years.

The net farm income/unpaid labor hour averaged \$55.86/hr. and ranged from -\$4.74 in the low profit group to \$127.77 in the high profit group. This figure is used for comparison to a per-hour wage in non-farm occupations.

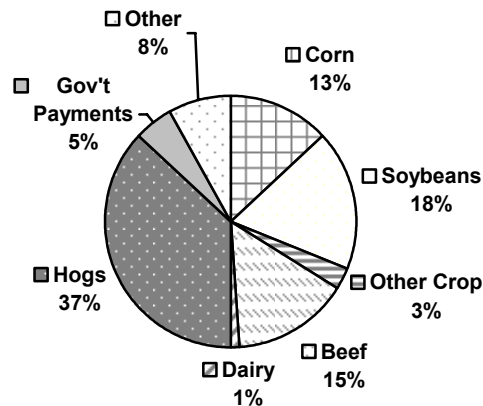
Government payments (of all types) averaged \$14,850, representing approximately 5% of the average gross cash farm income and approximately 16% of the average net farm income (down from 42% in 2003).

The average rates of returns on assets (ROA) and equity (ROE) were 11.5% and 15.8% respectively, with assets valued at cost.

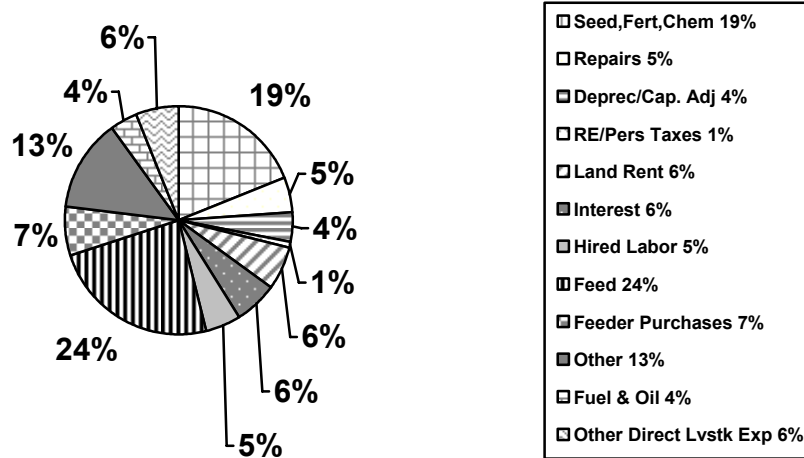
The 91 farms completing a cost balance sheet ended the year with a net worth of \$524,350 (farm and non-farm). The average increase in net worth for the year was \$82,032. The average debt to asset ratio was 34%. The average farm borrowed \$100,171 and paid \$95,822 in principal payments in 2004.

Soybeans averaged 51 bushels per acre while corn averaged 169 bushels. The average wheat yield was 57 bushels per acre. Whereas poor crop yields because of drought conditions had a significant negative impact on FBMA farm profits in 2003, the excellent weather and growing conditions of 2004 left FBMA farms with an unbelievable turn-around in yields that made just as positive an impact on 2004 farm profits. The only exception was wheat, where even though 2004 yields were good, the 2003 crop was the best ever in Missouri.

## 2004 Missouri FBMA Income Sources



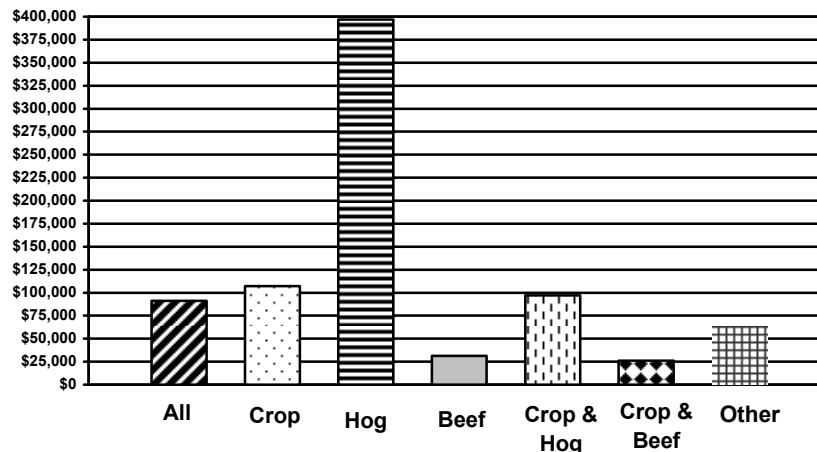
## 2004 Missouri FBMA Expense Sources



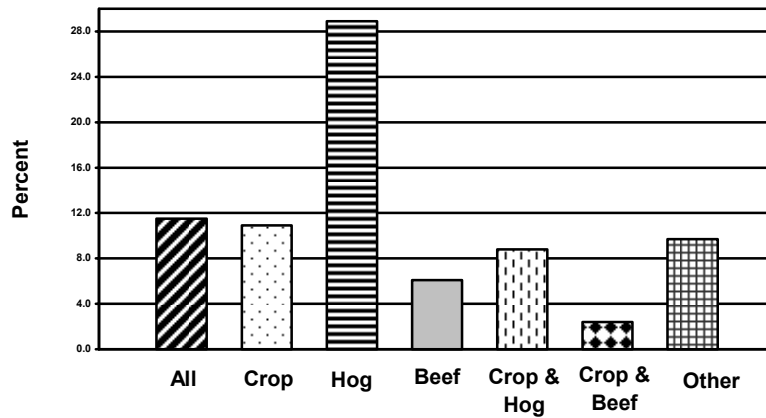
### Results by Type of Farm

The 91 farms in the report were classified by type (e.g. crop) on the basis of having at least 70% of gross sales in each category (reference page 33). Using this 70% rule, there were 33 crop farms, 6 hog farms, 22 beef farms, 4 crop and hog farms, and 9 crop and beef farms. Seventeen of the farms did not have a single source (or pair of sources) of income over 70%. The average hog farm stood well above the other farm types in 2004, but represented a small number of very specialized operations. Those hog farms represented by far the best rates of return on assets and equity.

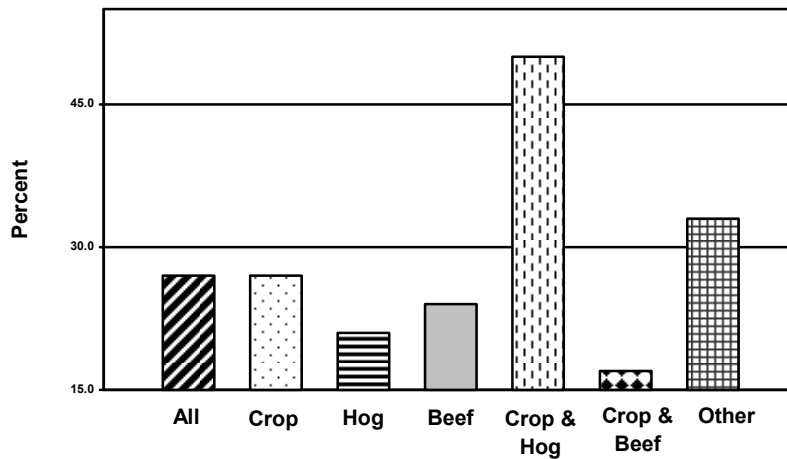
## 2004 Net Farm Income by Type



### 2004 Rate of Return on Assets by Type (Cost)



### 2004 Farm Debt to Asset Ratio by Type (Market)



#### *Results by Farms with a Full-Time Operator*

Page 36 of the report represents 56 of the 91 FBMA farms that reported at least 2000 hours operator/manager labor. This included sole proprietorships with 2000 or more unpaid operator hours and four corporations with more than 2000 paid manager/operator hours. The 35 remaining farms were classified as part-time farms. When sorted this way, the average 2004 NFI went from \$91,231 to \$138,526.

#### *Results by Farms with a Part-Time Operator*

Page 37 of the report represents 35 of the 91 FBMA farms that reported less than 2000 hours of unpaid operator labor. The reported hours of unpaid operator labor on the farms ranged from 250 to 1500 hours with an average of 847 hours/farm. In other words, they represent less than a full-time operator per farm. This group includes a number of young producers who are working their way into the profession, and also some older operators that have begun to scale back.

Page 38 represents averages for the 18 smallest operations in the group as classified by unpaid operator labor. Those 18 farms reported less than 1000 hours of unpaid operator labor per unit.

#### *Results of a Cohort Group of 48 farms included in both the 2003 and 2004 Record Summary*

Page 39 represents the averages of 48 farms that submitted records for both the 2003 and 2004 production years. This information is helpful in looking at trends, since no new farms are added to the mix for computing this data.

#### *Percentile Rank Report w/Group Medians*

With the exception of the information presented on page 43, all of the data tables in this summary report represent “average” or “mean” data. For example the 2004 “average” or “mean” net farm income of the 91 farms in this summary was \$91,231. This is found by simply adding the NFI of each farm in the group to a total and then dividing by 91 for the “mean” or “average”. Sometimes, a few farms at the high end of the range with extremely high NFIs can skew the mean. The same could be true of a few extreme NFI farms at the low end. For that reason, “median” figures can be very helpful when comparing summary data to an individual farm operation. The median is often described as the halfway point in the middle-figure, in other words, half of the farms fell below, the other half above. For example, in 2004, the “average” or “mean” NFI for 91 farms in the summary was \$91,231. However, the “median”, or half-way point, was \$49,125. This indicates there were several farms with high NFI’s included in the group.

The “median” figures for selected factors are reported on page 43 along with percentile ranks in 10% intervals. Each line is independent from the next with the data for each line broken into percentile ranks in 10% intervals. This presentation can be helpful in understanding the range of data for each factor for the entire group of farms, and in looking at where each farm fits in by using the “my-farm” column.

#### *Key Points and Limitations in Interpreting the Data*

1. There is a wide range in size and type of farms included in the group of 91. A few large farms can have considerable input on the averages, particularly when sorted down to a small number for comparison (e.g. four hog enterprises or 4 wheat enterprises).
2. The farm financial information throughout the report is carefully checked for complete and defensible data. However, the non-farm income and expenses and non-farm assets and liabilities, while complete on many farms, were incomplete on a number of others, making any data resulting from non-farm information less useful for accurate comparisons.
3. Naturally, the greater the number of farms or enterprises in a database, the more reliable the output information will be. Consequently, when as small a group as four farms is averaged for crop or livestock enterprise data, comparisons are more limited than for a larger group.