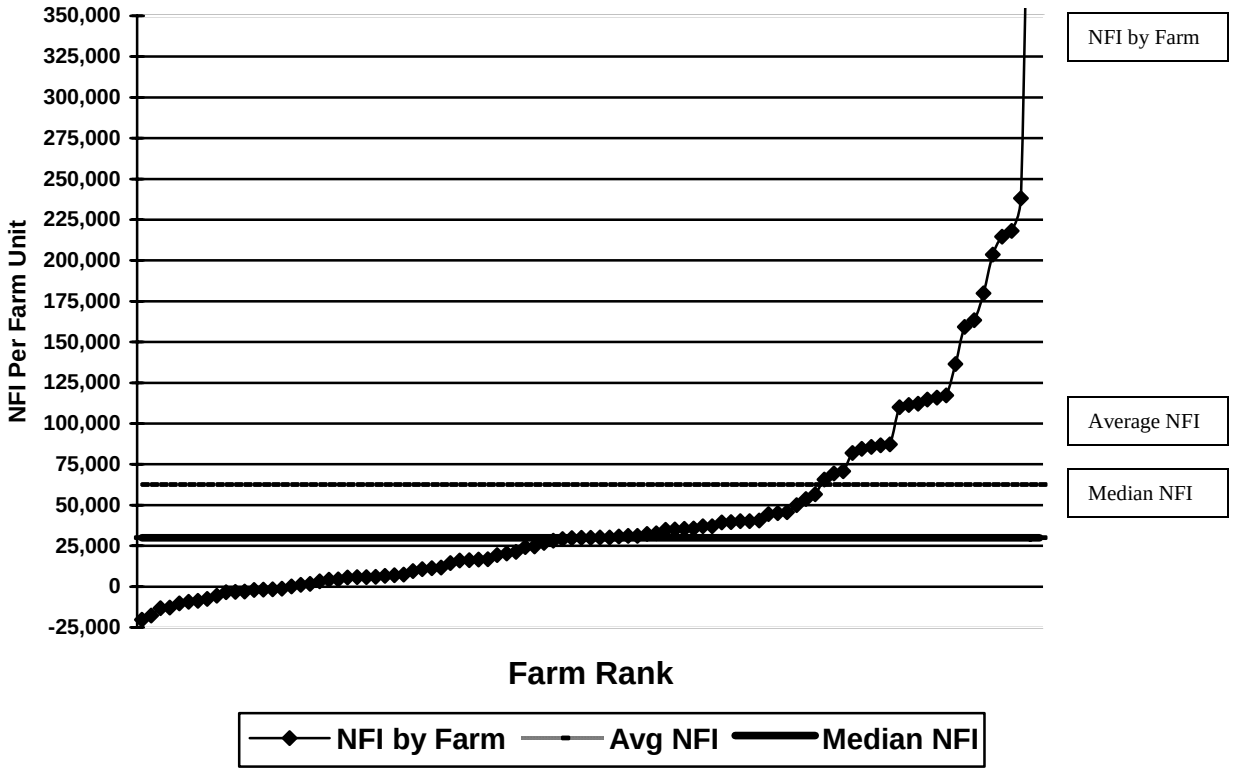
EXECUTIVE SUMMARY
2005 ANNUAL REPORT OF MISSOURI
FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

By
Norman F. Rohrbach, Missouri FBMA Specialist

The average net farm income (NFI) was $62,480 for the 97 farms included in the 2005 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 (24) showed an average NFI of -$3,982, while the top 25% averaged $192,570. Of the 97 farms, 16 had a negative net farm income.

2005 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 97 FBMA farms was 47.6 years and the average years in farming was 24.6 years.

The net farm income/unpaid labor hour averaged $39.33/hr. and ranged from -$3.97 in the low profit group to $81.18 in the high profit group. This figure is used for comparison to a per-hour wage in non-farm occupations.

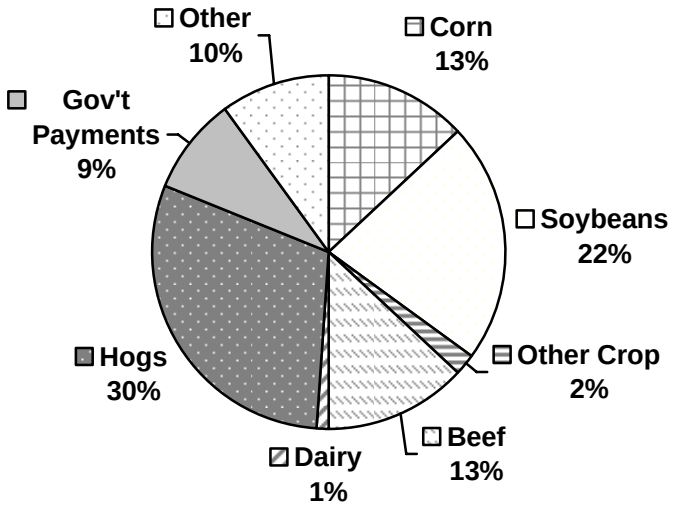
Government payments (of all types) averaged $30,315, representing approximately 9% of the gross cash farm income and approximately 48.5% of the net farm income (up from 16% in 2004).

The average rates of returns on assets (ROA) and equity (ROE) were 6.4% and 7.0% respectively, with assets valued at cost.

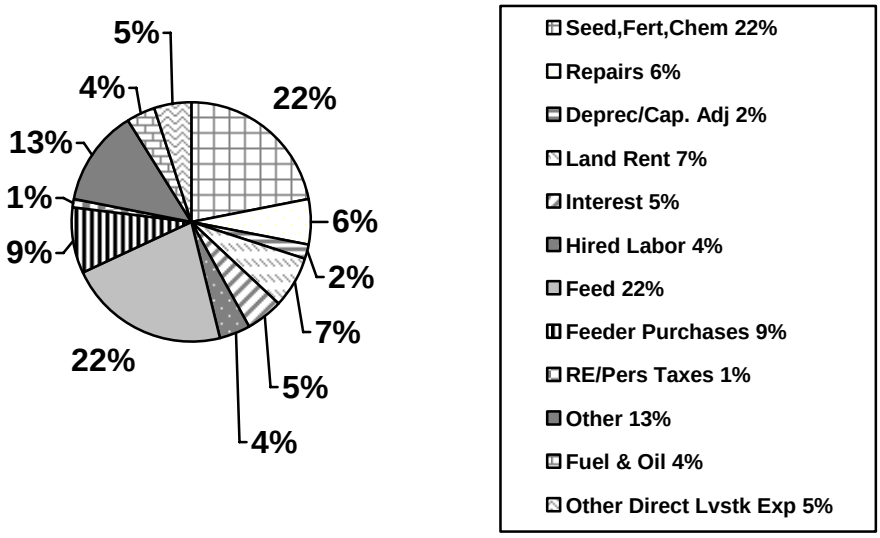
The 97 farms completing a cost balance sheet ended the year with a net worth of $583,370 (farm and non-farm). The average increase in net worth for the year was $40,227. The average debt to asset ratio was 33%. The average farm borrowed $106,639 and paid $93,393 in principal payments in 2005.

Soybeans averaged 30 bushels per acre while corn averaged 66 bushels. The average wheat yield was 65 bushels per acre. After the record crop yields of 2004, the drought-influenced yields in 2005 were disappointing, with the exception of wheat. As is often the case in a drier-than-normal Missouri crop season, wheat yields were better than average.

2005 Missouri FBMA Income Sources



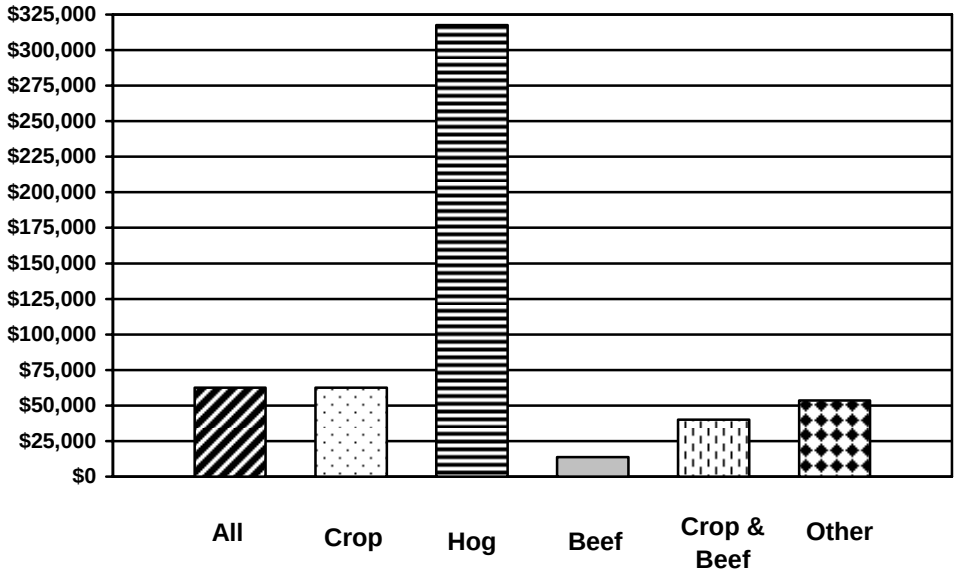
2005 Missouri FBMA Expense Sources



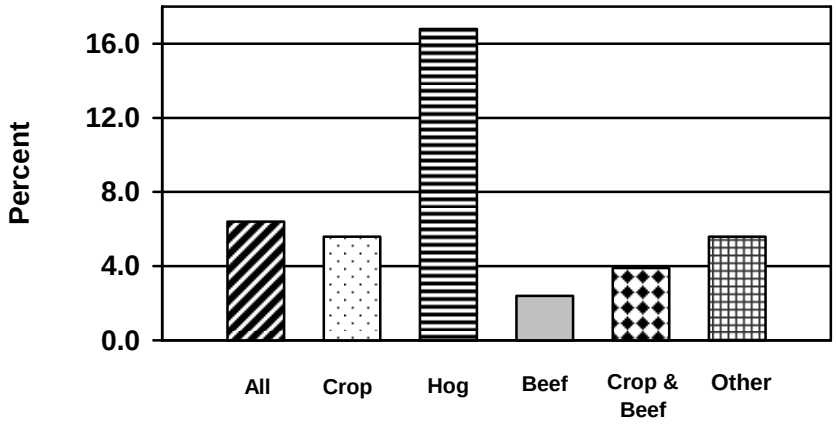
Results by Type of Farm

The 97 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, 19 beef farms, and 15 crop and beef farms. Twenty-one 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 2005, but represented a small number of very specialized operations. Those hog farms represented by far the best rates of return on assets and equity, when compared with the other farm types.

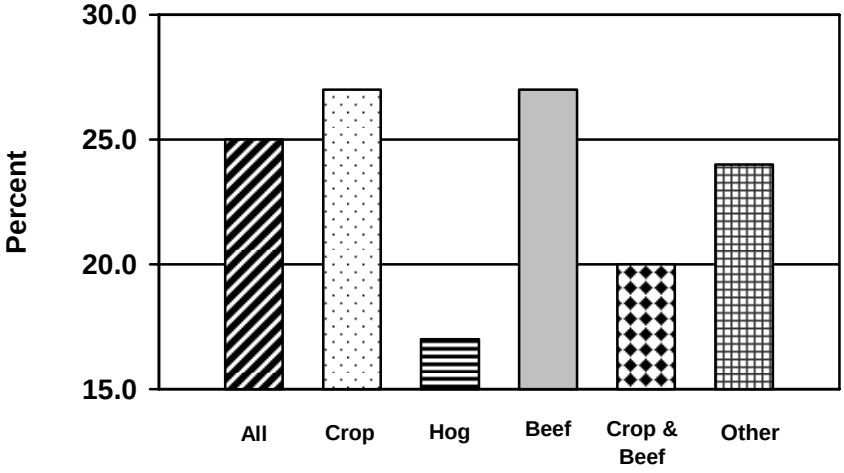
2005 Net Farm Income by Type



2005 Rate of Return on Assets by Type (Cost)



2005 Farm Debt to Asset Ratio by Type (Market)



Results by Farms with a Full-Time Operator

Page 38 of the report represents 53 of the 97 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 44 remaining farms were classified as part-time farms. When sorted this way, the average 2005 NFI of the "full-time operations" went from $62,480 to $100,215.

Results by Farms with a Part-Time Operator

Page 39 of the report represents 44 of the 97 FBMA farms that reported less than 2000 hours of unpaid operator labor. The reported hours of unpaid operator labor on the farms ranged from 100 to 1900 hours with an average of 830 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 40 represents averages for the 24 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 38 farms included in each of the 2003, 2004, and 2005 Record Summaries

Page 41 represents the averages of 38 farms that submitted records for the 2003, 2004, and 2005 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 45, all of the data tables in this summary report represent "average" or "mean" data. For example the 2005 "average" or "mean" net farm income of the 97 farms in this summary was $62,480. This is found by simply adding the NFI of each farm in the group to a total and then dividing by 97 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 2005, the "average" or "mean" NFI for 97 farms in the summary was $62,480. However, the "median", or half-way point, was $29,967. This indicates there were several farms with high NFI's included in the group.

The "median" figures for selected factors are reported on page 45 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 97. A few large farms can have considerable input on the averages, particularly when sorted down to a small number for comparison (e.g. five hog enterprises or 5 wheat enterprises).

2. The farm financial information throughout the report is carefully checked for complete and defendable 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 five farms is averaged for crop or livestock enterprise data, comparisons are more limited than for a larger group.

*2005 ANNUAL REPORT OF MISSOURI FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

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This report summarizes the individual farm records of the cooperators of the Missouri Farm Business Management Analysis Program for 2005. The Farm Business Management Analysis Program (FBMA) is a component of the public school agriculture offerings for adults. The Division of Career Education of the Department of Elementary and Secondary Education provided funds in support of the program. The staff in Agricultural Education at the University of Missouri-Columbia developed the program and worked with supervisors in the Department of Elementary and Secondary Education in implementing the program. Local school districts and the Department of Elementary and Secondary Education provided instructor support.

The purpose of FBMA is to help farm families achieve their farm business and family goals through improved management, organization, and efficiency of their farms. To accomplish the purpose, local adult agricultural education instructors assist enrollees in establishing a good accounting system, make regular on-site visits to enrollees' farms to assist in developing strategies to improve the profitability of the farm business, teach in-depth classes relating to farm business management skills, and use FinPack along with the enrollees' accounting program to complete an annual analysis of records, providing a comparative database for assisting in management decisions.

Whole-farm information and enterprise costs and returns are reported. The year-end analysis of the individual farms was performed by local adult agriculture instructors using the FinPack software from the Center for Farm Financial Management housed at the University of Minnesota, St. Paul. The individual analyses were summarized in the Agricultural Education Department, University of Missouri with the software program, RankEm Central. In addition to the average of all farms, the averages for the high and low income groups are also presented. The tables are divided into four major groups: whole-farm information, crop enterprises, livestock enterprises, and summary information.

Data from 97 Missouri farms are included in this report. A number of additional farms' records were submitted, but were omitted because of incomplete or non-typical information at the time the report was prepared.

The large majority of farms in the Missouri database submitted information for a "whole farm" analysis. A smaller number submitted data for complete crop and livestock analyses in addition to the whole farm data. This summary includes crop and livestock reports on each enterprise with five or more farms submitting complete records.

Terry Heiman, Director
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*This summary and previous year's summaries may be viewed on the internet at the Adult Agriculture Education website - - *adultaged.missouri.edu*.

Missouri Farm Business Management Analysis Program
Program Locations – 2005

Central

Boonville	John Sponaugle
California	Lee Longan
Pleasant Hill	A. J. Wingard & Mike Keilholz
Sweet Springs	Dennis Dohrman

Northeast

Edina	Joanie Baker
Kirksville	Tom Primmer
Mexico	Ted DeVault
Monroe City	Steve Yates & Ty Crain
North Shelby	Jesse Schwanke
Ralls Co. (Center)	Bruce Fowler

Northwest

Braymer	Shawn Coats
Chillicothe	Brian Thompson & Jim Grozinger
Hardin-Central	Everett Balman
Maryville	Eric Weuve
Stet	Bob Schrunk

South Central

Fatima	Jeremia Markway & Mark Russell
Linn	Rick Stumpe

Southwest

Lamar	Joe Pace
Lebanon	Craig Evans
Jasper	Robert Pope

Missouri Farm Business Management Analysis Program
Table of Contents