EXECUTIVE SUMMARY
2006 ANNUAL REPORT OF MISSOURI
FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

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The average net farm income (NFI) was $86,662 for the 80 farms included in the 2006 annual report of the Missouri Farm Business Management Analysis Program. As usual, there was a wide range in income from lowest to highest. The bottom 25% of farms (19) showed an average NFI of -$297, while the top 25% averaged $199,396. Of the 80 farms, 5 had a negative net farm income.

2006 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 80 FBMA farms was 47.4 years and the average years in farming was 25.3 years.

The net farm income/unpaid labor hour averaged $47.78/hr. and ranged from -$0.28 in the low profit group to $73.98 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 $22,963, representing approximately 5.8% of the gross cash farm income and approximately 26.5% of the net farm income (down from 48.5% in 2005).

The average rates of returns on assets (ROA) and equity (ROE) were 7.6% and 8.4% respectively, with assets valued at cost.

The 80 farms completing a cost balance sheet ended the year with a net worth of $722,551 (farm and non-farm). The average increase in net worth for the year was $77,940. The average debt to asset ratio was 25%. The average farm borrowed $154,274 and paid $148,745 in principal payments in 2006.

Corn and soybean yields on the 80 FBMA farms were up considerably from the previous year. Soybeans averaged 40.2 bushels per acre while corn averaged 128 bushels. The average wheat yield dropped to 47.4 bushels per acre. These yields along with somewhat higher grain prices contributed greatly to increased net farm income on many FBMA farms this year.

### 2006 Missouri FBMA Income Sources

![Pie chart showing income sources]

- **Hogs**: 33%
- **Soybeans**: 21%
- **Corn**: 16%
- **Gov't Payments**: 6%
- **Other**: 6%
- **Other Crop**: 4%
- **Dairy**: 2%
- **Beef**: 10%
- **Other Livestk**: 2%
2006 Missouri FBMA Expense Sources

Results by Type of Farm

The 80 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 31). Using this 70% rule, there were 34 crop farms, 5 hog farms, 11 beef farms, and 10 crop and beef farms. Fourteen of the farms did not have a single source (or pair of sources) of income over 70%.

2006 Net Farm Income by Type
Results by Farms with a Full-Time Operator

Page 34 of the report represents 52 of the 80 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 28 remaining farms were classified as part-time farms. When sorted this way, the average 2006 NFI of the “full-time operations” was $120,830, as compared to the mean NFI of $86,662 reported for all farms.

Results by Farms with a Part-Time Operator

Page 35 of the report represents 28 of the 80 FBMA farms that reported less than 2000 hours of unpaid operator labor. The reported hours of unpaid operator labor on the 28 farms ranged from 365 to 1800 hours with an average of 940 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. The average NFI for this group of 28 part-time farms was $23,207.

Page 36 represents averages for the 14 smallest operations in the group as classified by unpaid operator labor. Those 14 farms reported less than 1000 hours of unpaid operator labor per unit. The average NFI for this group of 14 farms considered less than half-time was $11,072 in 2006.

Results of a Cohort Group of 30 farms included in each of the 2003, 2004, 2005, and 2006 Record Summaries

Page 37 represents the averages of 30 farms that submitted records for the 2003, 2004, 2005, and 2006 production years. This information is helpful in looking at trends, since no new farms are added to the mix for computing this data. Even though the average NFI for “all farms” showed a considerable increase this year, the average for this “cohort” group was nearly the same as last year. This is partially due to several large hog farms in the group showing a significant drop in profitability from last year.

Percentile Rank Report w/Group Medians

With the exception of the information presented on page 41, all of the data tables in this summary report represent “average” or “mean” data. For example the 2006 “average” or “mean” net farm income of the 80 farms in this summary was $86,662. This is found by simply adding the NFI of each farm in the group to a total and then dividing by 80 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 2006, the “average” or “mean” NFI for 80 farms in the summary was $86,662. However, the “median”, or half-way point, was $52,500. This indicates there were several farms with high NFI’s included in the group that more than offset lower NFI’s of farms at the other end of the scale.

The “median” figures for selected factors are reported on page 41 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 80. 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.