EXECUTIVE SUMMARY
2009 ANNUAL REPORT OF MISSOURI
FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

By
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The average net farm income (NFI) for the 134 farms included in the 2009 annual report of the Missouri Farm Business Management Analysis Program was $92,019. As usual, there was a wide range in income among program participants. The lowest 25% of the farms (33) showed an average NFI of -$39,690, while the highest 25% averaged $281,613. Of the 134 farms, 19 had a negative net farm income.

2009 Distribution of Net Farm Income (Cost)
(NFI from all farms are included in the Median and Average figures but 5 farms' NFI is excluded from the upper and 4 from the lower end because of range.)

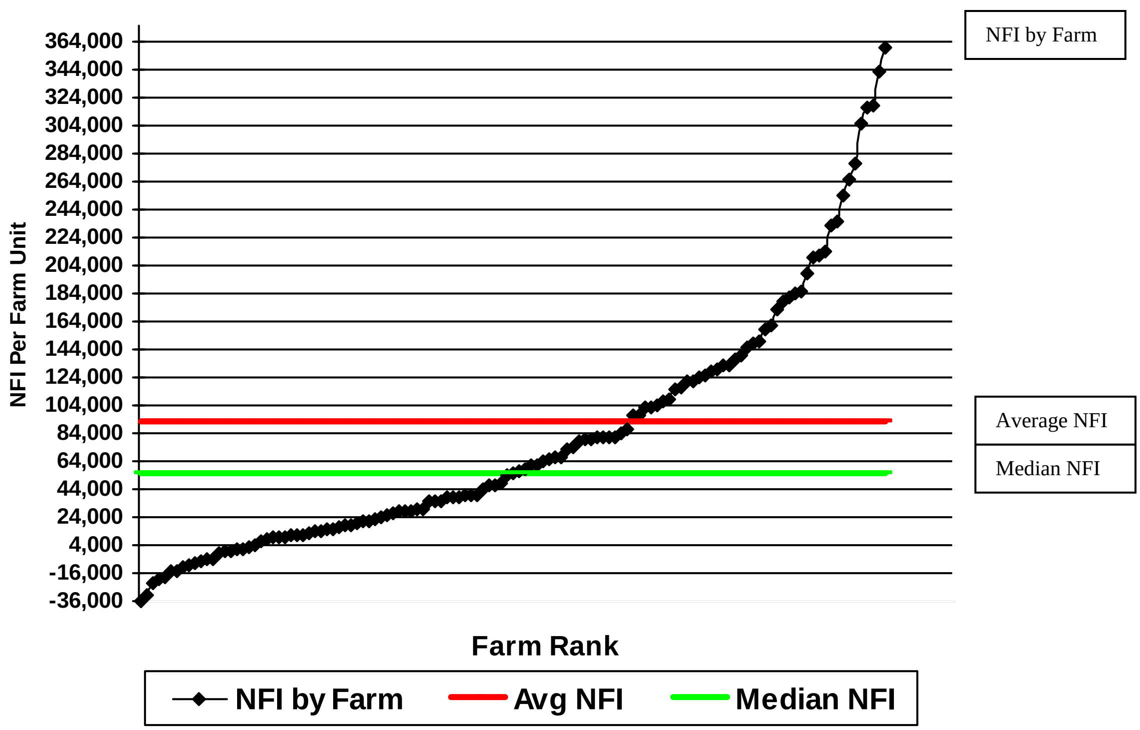

Figure 1

The average age of the operator on the 134 FBMA farms was 48.7 years and the average years in farming was 26.2 years.

The net farm income/unpaid labor hour averaged $59.72 and ranged from -$38.78 in the low profit group to $144.24 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 $14,475, representing approximately 2.9% of the gross cash farm income and approximately 15.7% of the net farm income This amount is down from 27.6% in 2008 and up from 13.4% in 2007.

2009 Missouri FBMA Income Sources

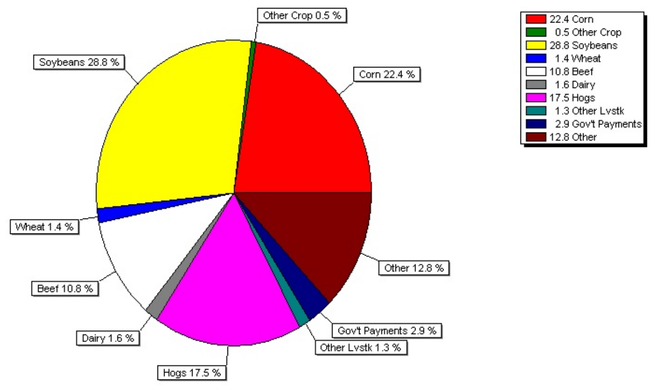

Figure 2

The most notable change in expense sources in 2009 was a reduction in fuel and oil expense from 6% of gross farm expense in 2008 to 3.7% in 2009. Part of this change might be due to fuel purchased at end of 2008 to lock in better prices. Land rent as a percent of gross income also increased 1.2% in 2009 to a total of 8.2%.

2009 Missouri FBMA Expense Sources

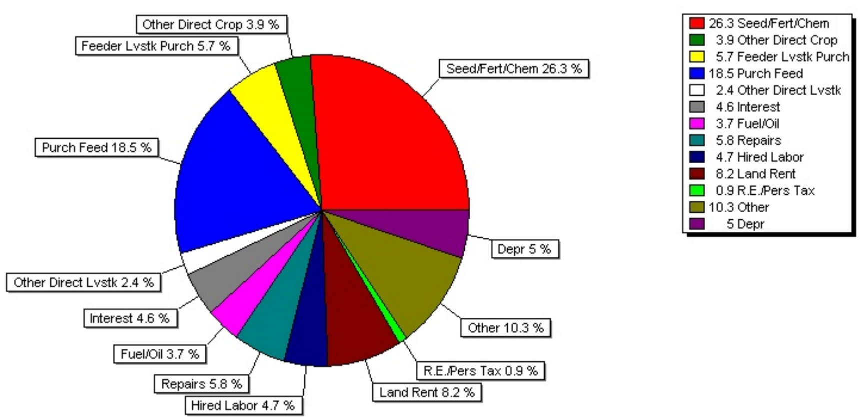

Figure 3

The average rates of returns on assets (ROA) and equity (ROE) were 6.5% and 7.4% respectively, with assets valued at cost.

2009 Rate of Return on Assets by Type (Cost)

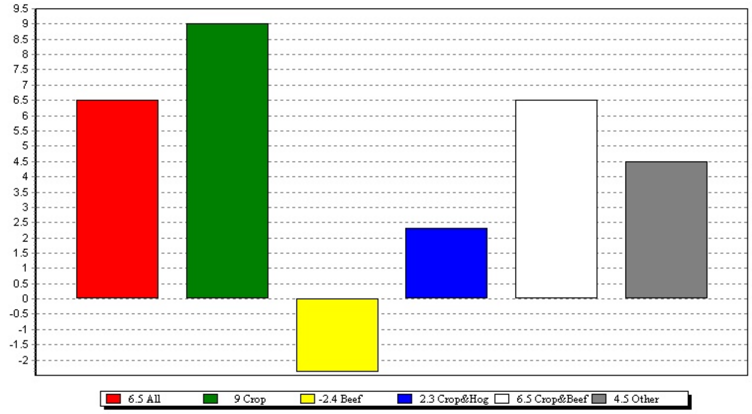

Figure 4

The 134 farms completing a cost balance sheet ended the year with a net worth of $913,460 (farm and non-farm). The average increase in net worth for the year was $83,782. The average farm debt to asset ratio (farm) was 26% at market values and 33% at cost values. The average farm borrowed $163,380 and paid $137,835 in principal payments in 2009.

2009 Farm Debt to Asset Ratio by Type (Market)

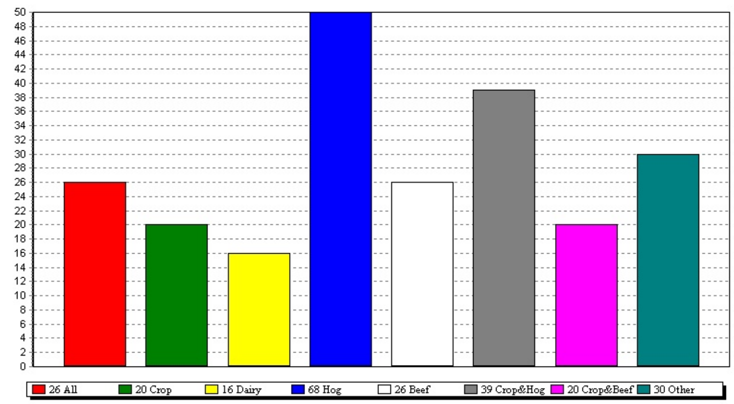

Figure 5

Observations from the 2009 Summary – Even though making comparisons between record summaries can be risky when some farms drop out and new farms are added, it is reasonable to make several general observations when comparing this year's summary to 2008. Many Missouri FBMA farms recovered from lower profits in 2008 to have a good year in 2009. Net farm income increased by an average $39,512 per farm, or a 75% increase from 2008.

Crop farms were most profitable, with more than double the NFI of any other type. Corn and soybeans made up 97% of crop receipts on FBMA farms and with both good yields and prices, those farms made strong gains. Livestock farms are still struggling to make a profit, even though farms with hog operations lost much less in 2009 and gained a lot of ground toward profitability in 2010. Beef enterprises slid into the red during 2009 because of higher costs and lower prices.

The 134 farms in the report were classified by type (e.g. crop, dairy, hog) on the basis of having at least 70% of gross sales in each category (reference page 37). Using this 70% rule, there were 63 crop farms, 4 crop & hog farms, 15 beef farms, and 23 crop and beef farms. Twenty-three of the farms did not have a single source (or pair of sources) of income over 70%. When there are less than four farms with a single source of income over 70%, they are not reported as a group.

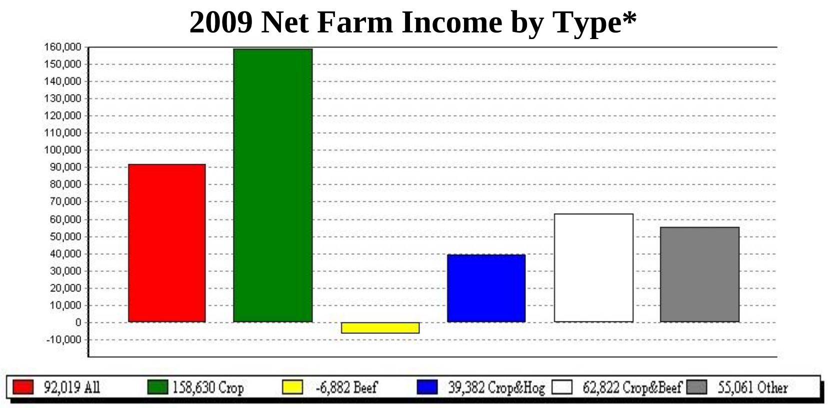

*Figure 6 * Groups of less than four farms are not reported here.*

Summary – The key trend that describes the last six years of FBMA farms is that in 2004, livestock receipts accounted for 53% of gross cash farm income while crop receipts (including government payments) accounted for 39%. In 2009 nearly the opposite was true. Crops have grown to account for 56% of receipts, while livestock only accounts for 31% of gross receipts. Growth follows profits, and profits have been strong in the crop sector. Things are improving in the livestock industry, particularly with better market prices for both hogs and cattle, but there is a lot of ground to make up. Missouri has a large number of farms with little or no row crop ground depending largely on livestock for viability. What happens in the next few years will likely be critical to the future of the industry in our state.

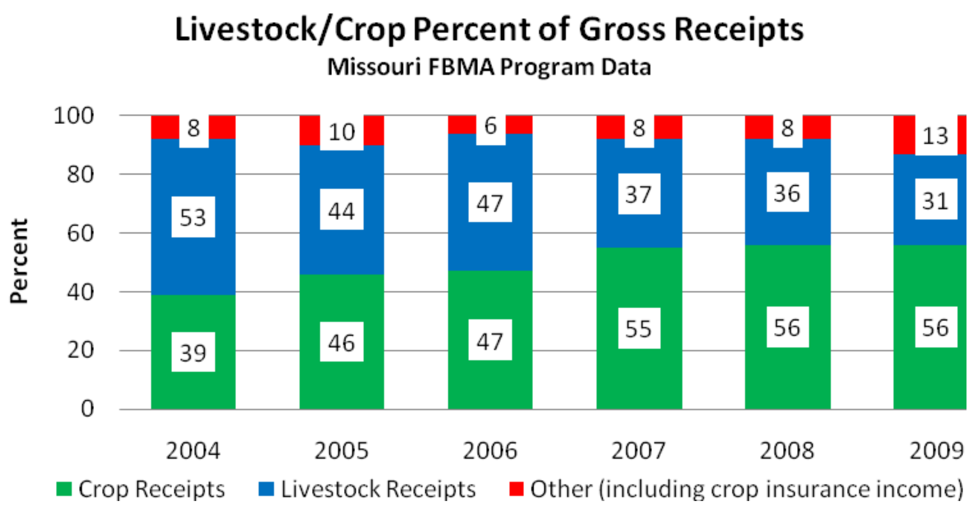

Figure 7

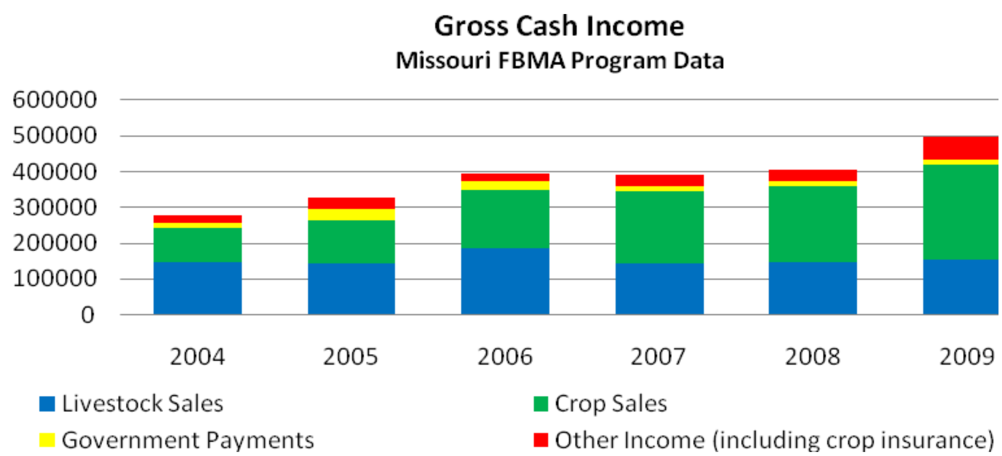

Figure 8

Even though soybeans and corn were very profitable in 2009, direct input and related operating costs are increasing and continue to be extremely volatile. As costs/unit produced increase, risk increases dramatically. When the cost of production for a bushel of corn sits at $3.00 with a 150 bushel per acre average yield, a 120 acre/bushel yield requires $3.75 to break even. Cost management, a solid marketing plan, and a comprehensive risk management plan are more important than ever. FBMA farms with records to prove their actual costs of production for the major enterprises in their businesses have a real advantage in planning, working with lenders, and managing risks. “Driving the desk” becomes more important than ever in these volatile times.

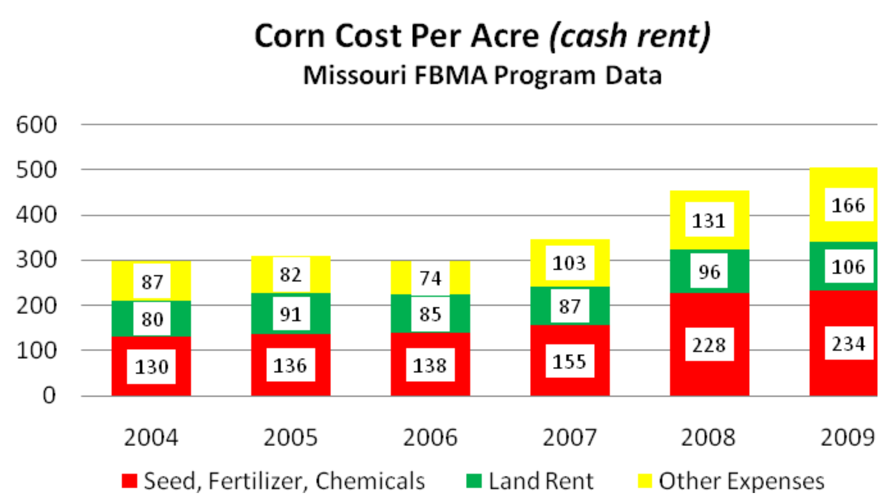

Figure 9

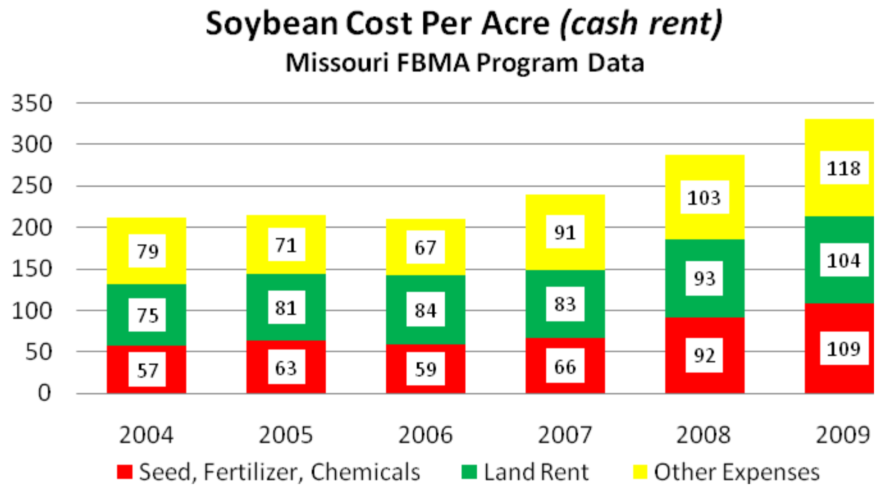

Figure 10

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 134. 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 five wheat enterprises).

2. Farm financial information throughout the report was carefully checked for complete and defendable farm 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.

4. People often think of farm operations as one-family units, but it's important to note that many of the farms in the group represented here provide the primary livelihood for more than one family.