

June 27, 2008**FEFO 08-12****FARM AND FAMILY LIVING INCOME AND EXPENSES FOR 2007**

In 2007 the total, noncapital, living expenses of 1,232 farm families enrolled in the Illinois Farm Business Farm Management Association (FBFM) averaged \$60,294--or \$5,025 a month for each family (Table 1). This average was 9.6 percent higher than in 2006 and 14.3 percent higher than in 2005. Another \$6,118 was used to buy capital items such as the personal share of the family automobile, furniture, and household equipment. Thus, the grand total for living expenses averaged \$66,412 for 2007 compared with \$59,686 for 2006, or a \$6,726 increase per family. The average amount spent per family for capital items was \$1,426 more while noncapital expenses increased \$5,300 per family. The sample farms, which were mainly grain farms, were located primarily in central and northern Illinois.

INCOME AND SOCIAL SECURITY TAXES PAID

Income and social security tax payments increased about 7 percent in 2007 compared to the year before. The amount of income taxes paid in 2007 averaged \$10,964 compared to \$10,251 in 2006. Medical expenses were higher in 2007 compared to 2006. In 2007, medical expenses averaged \$8,071. Medical expenses include out-of-pocket costs for health insurance along with doctor and hospital expenses. Net nonfarm income continues to increase, averaging \$31,668 in 2007. Net nonfarm income has increased \$13,676, or 76 percent in the last ten years.

In the table, the averages per farm for total family living expenses are divided into five categories for 2004 through 2007. The "expendables" category includes cash spent for food, operating expenses, clothing, personal items, recreation, entertainment, education, and transportation. This category also includes selected itemized deductions such as the personal share of real estate taxes. Cash spent for capital improvements exceeding \$250 is not included. The use of a rented house on an estimated 30 to 40 percent of the farms in this sample is not included, since these data cover only cash outlays.

Table 1 also contains averages for the high third and low third sorted by noncapital living expenses for families of three to five. The high third averaged \$103,668 of noncapital family living expense while the low third averaged \$45,517.

The author would like to acknowledge that data used in this study comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,500 plus farmers and 60 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provide on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-5511 or visit the FBFM website at www.fbfm.org.

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Table 1. *Average Sources and Uses of Funds over a Four-Year Period*

	All records, average per farm			
	2007	2006	2005	2004
Number of farms in sample	1,232	1,196	1,209	1,225
Age of Operator.....	53	53	52	51
Number in family	3.0	3.1	3.1	3.2
Net Farm Income	\$ 193,675	\$ 94,756	\$ 55,030	\$ 93,704
Source of dollars				
Net nonfarm income	\$ 31,668	\$ 29,614	\$ 27,810	\$ 27,280
Money borrowed.....	306,747	262,230	252,685	246,566
Farm receipts	446,952	364,712	351,457	351,327
Uses of dollars				
Interest paid.....	\$ 25,681	\$ 21,386	\$ 18,303	\$ 17,491
Cash operating expenses	319,035	265,931	260,479	252,258
Capital farm purchases	59,969	40,029	42,495	46,156
Payments on principal	274,809	245,450	230,072	229,008
Income and Social Security taxes	10,964	10,251	10,351	8,208
Net new savings and investment	28,497	13,823	11,967	13,503
Living expenses				
Contributions	\$ 2,303	\$ 1,888	\$ 2,058	\$ 1,816
Medical	8,071	7,665	7,433	7,320
Insurance, life and disability	3,039	2,978	2,900	2,753
Expendables.....	46,881	42,463	40,352	40,700
Total noncapital expense.....	(60,294)	(54,994)	(52,743)	(52,589)
Capital	6,118	4,692	5,542	5,960
Total, living expenses	\$ 66,412	\$ 59,686	\$ 58,285	\$ 58,549
Percentage change, total noncapital living expenses	9.6	4.3	0.0	9.2

Table 1 cont. *Sources and Uses of Funds Sorted by Noncapital Living Expenses for Selected Illinois Farms*

	Family of 3 to 5, 2007 ^a	
	High-Third	Low-Third
Number of farms in sample	192	192
Age of Operator.....	48	48
Number in family	4.0	3.8
Net Farm Income	\$272,404	\$ 159,678
Source of dollars		
Net nonfarm income	\$ 42,760	\$ 28,729
Money borrowed.....	469,591	238,713
Farm receipts	585,179	386,324
Uses of dollars		
Interest paid.....	\$ 34,127	\$ 21,255
Cash operating expenses	414,508	279,279
Capital farm purchases	84,225	47,474
Payments on principal	393,948	221,092
Income and Social Security taxes	12,781	6,818
Net new savings and investment	54,273	32,330
Living expenses		
Contributions	\$ 3,293	\$ 1,246
Medical	10,922	4,718
Insurance, life and disability	4,109	1,956
Expendables.....	76,457	32,924
Total noncapital expense	(94,781)	(40,844)
Capital	8,887	4,674
Total, living expenses	\$ 103,668	\$ 45,517

^a Records were sorted into high- and low-third categories according to total noncapital living expenses.