

2001 ANALYSIS OF FAMILY LIVING EXPENDITURES							
Farm Management Association, NW							
Age of Oldest Child	Pre-School	Grade School	High School	Over 18	Couples	Singles	Average
No Families	5	19	19	30	61	7	144
Avg. Family Size	4	5	4	5	2	1	3
Operator Age	29	39	45	47	58	57	50
INCOME							
Misc Taxable Income	1,181	3,858	4,147	4,655	4,627	10,634	\$ 4,657
Non Farm Business Exp	234	1,478	2,638	1,507	3,928	208	\$ 2,648
Net Non Farm Business	947	2,380	1,510	3,148	699	10,426	\$ 2,009
Non-Taxable Income	34,623	4,716	2,554	1,520	12,251	13,976	\$ 8,672
Wages	19,905	7,713	14,646	12,571	12,107	1,505	\$ 11,734
Rent/Royalties	188	6,093	887	1,473	5,588	683	\$ 3,665
Dividends/Interest	1,790	1,180	1,933	1,172	2,339	6,964	\$ 2,074
NON FARM INCOME	\$ 57,453	\$ 22,081	\$ 21,529	\$ 19,884	\$ 32,984	\$ 33,554	\$ 28,154
NET FARM INCOME	\$ 51,142	\$ 35,037	\$ 25,443	\$ 23,824	\$ 14,545	\$ 30,166	\$ 24,358
TOTAL NET INCOME	\$ 108,596	\$ 57,118	\$ 46,972	\$ 43,709	\$ 47,529	\$ 63,720	\$ 52,512
FAMILY LIVING EXPENSES							
Food Purchased	5,508	7,090	7,370	6,510	4,665	1,874	\$ 5,595
Household Operations	5,689	3,766	5,357	3,929	3,473	2,363	\$ 3,928
House Upkeep & Repairs	1,226	1,465	737	1,289	1,174	365	\$ 1,118
Furniture-Equipment	957	1,430	1,484	652	982	757	\$ 1,009
Personal-Recreation	4,104	5,332	7,359	6,703	4,942	1,806	\$ 5,773
Education	871	876	551	3,184	359	0	\$ 1,057
Child Care	1,709	470	192	80	0	0	\$ 171
Clothing	2,220	2,015	2,050	1,766	1,148	101	\$ 1,479
Gifts	1,890	1,242	1,068	1,097	2,641	1,393	\$ 1,794
Contributions	1,181	3,375	1,486	1,383	3,247	2,251	\$ 2,471
Doctor-Other Medical	2,068	3,896	3,047	4,017	3,814	3,544	\$ 3,646
Health Insurance	874	4,187	2,923	4,210	3,366	2,574	\$ 3,435
Life Insurance	391	2,038	2,078	1,263	2,239	1,338	\$ 1,904
Auto Expense	2,308	1,770	1,252	1,873	965	894	\$ 1,337
Utilities-Telephone	1,928	2,437	1,757	1,803	2,051	1,361	\$ 1,995
Personal Interest	505	636	1,790	258	388	13	\$ 557
TOTAL FAMILY LIVING	\$ 33,428	\$ 42,026	\$ 40,500	\$ 40,017	\$ 35,454	\$ 20,635	\$ 37,269
OTHER NON FARM EXPENSE							
Income & Self Employment Tax	\$ 7,266	\$ 14,267	\$ 7,500	\$ 8,659	\$ 11,361	\$ 5,527	\$ 10,401
Non Farm Capital Purchases	\$ -	\$ 236	\$ 171	\$ 892	\$ 3,426	\$ 7,429	\$ 2,065
TOTAL NON FARM EXP	\$ 40,694	\$ 56,528	\$ 48,171	\$ 49,567	\$ 50,241	\$ 33,591	\$ 49,736
CASH SURPLUS AFTER:							
ALL Income Sources	\$ 67,902	\$ 589	\$ (1,200)	\$ (5,858)	\$ (2,712)	\$ 30,129	\$ 2,776
Net Farm Income	\$ 10,448	\$ (21,491)	\$ (22,729)	\$ (25,742)	\$ (35,696)	\$ (3,424)	\$ (25,378)

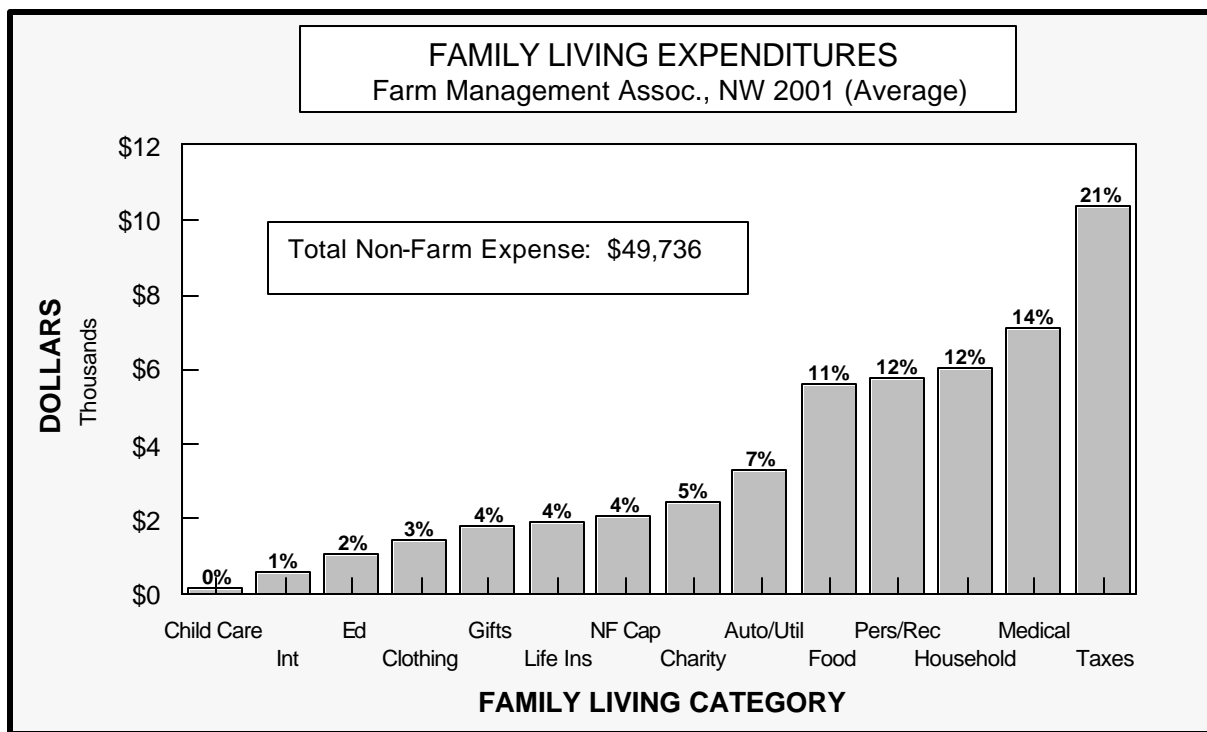


FIGURE 32

The extra effort invested by Northwest Association members to complete their family living records is appreciated. Without this valuable information families would not be able to evaluate their long-term financial prospects. The combination of narrowing of profit margins and cost pressure for farm and non-farm expenses is the determinant of size required of farming operations to support a household. In response to this pressure the number of households in the family living summary with full time non-farm wage income continues at 38%.

The Northwest Association enjoys a high percentage of records (65%) with family living summaries. Total non-farm expenses of Northwest Association farms in the analysis totaled \$49,736, which is an increase of \$826 from 2000. Family living expense, which does not include taxes and non-farm capital purchases, only increased \$11 from 2000. Net Farm Income declined \$9,421 in 2001 while family living increased by \$11, which indicates the challenge these farm families face to reduce their family living expenditures.

Family living categories displayed in Figure 21 changed sequence only slightly when compared to 2000. Medical expenses are the total of health insurance premiums and direct doctor and medicine expenditures. Medical expense, as a percentage of total non-farm expense, has consistently held at 14% since 1999. Total Taxes increased 1% from 2000 to 2001. The largest shift in percentage was a drop in household expense from 15% in 2000 to 12% in 2001. Household and personal-recreation expenses are the area of family living expenses where the family will tighten their belts first. In fact this is one of the few areas of family living expense where there is flexibility. This is a good place to start since household and personal-recreation expenses are 24% of the total family living expense. Adjusting the smaller categories will make little effect since 70% of family living expenditures are taxes, medical, household, personal/recreation, and food.

2001 ANALYSIS OF FAMILY LIVING RESOURCES & EQUITY CHANGE							
Farm Management Association, NW							
Age of Oldest Child	Pre-School	Grade School	High School	Over 18	Couples	Singles	Average
No Families	5	19	19	30	61	7	144
Average Age of Operator	29	39	45	47	58	57	50
HOUSEHOLD INCOME SOURCES							
Misc Taxable Income	80%	68%	58%	27%	49%	29%	49%
Non Farm Business Exp	40%	37%	47%	17%	30%	14%	30%
Non-Taxable Income	60%	105%	100%	57%	72%	71%	76%
Wages	80%	79%	84%	53%	67%	29%	67%
Rent/Royalties	60%	42%	53%	23%	54%	43%	45%
Dividends/Interest	100%	105%	89%	60%	77%	57%	79%
WAGE RESOURCES							
Average Full Time Wages*	N/A	\$ 28,539	\$ 24,348	\$ 28,123	\$ 28,854	N/A	\$ 27,848
Percent Full Time Households	60%	42%	37%	37%	38%	0%	38%
Average Part Time Wages**	N/A	\$3,239	\$5,136	\$6,553	\$4,595	N/A	\$5,135
Percent Part Time Households	20%	32%	42%	17%	30%	29%	25%
Percent with Wage Income	80%	74%	79%	53%	67%	29%	63%
Full Time Wage Households							
	3	8	7	11	23	0	52
Other Income	N/A	\$ 2,201	\$ 3,844	\$ 5,947	\$ 7,523	N/A	\$ 6,519
Wages	N/A	\$ 28,539	\$ 24,348	\$ 28,123	\$ 28,854	N/A	\$ 27,848
Net Farm Income	N/A	\$ 22,170	\$ 11,219	\$ 8,650	\$ 1,778	N/A	\$ 13,023
- Family Living Expense	N/A	\$ 44,890	\$ 33,863	\$ 48,134	\$ 30,816	N/A	\$ 37,595
- Taxes & Life Ins Prem	N/A	\$ 10,482	\$ 5,107	\$ 13,202	\$ 14,379	N/A	\$ 12,564
Net Earned Equity Change	\$ -	\$ (2,462)	\$ 441	\$ (18,616)	\$ (7,040)	\$ -	\$ (2,769)
Part Time Wage Households							
	1	6	8	5	18	2	40
Other Income	N/A	\$ 22,710	\$ 2,328	\$ 4,724	\$ 36,047	N/A	\$ 29,127
Wages	N/A	\$ 3,239	\$ 5,136	\$ 6,553	\$ 4,595	N/A	\$ 5,135
Net Farm Income	N/A	\$ 38,336	\$ 64,584	\$ 12,483	\$ 18,353	N/A	\$ 34,313
- Family Living Expense	N/A	\$ 41,159	\$ 29,154	\$ 38,009	\$ 37,084	N/A	\$ 34,444
- Taxes & Life Ins Prem	N/A	\$ 15,463	\$ 10,369	\$ 8,151	\$ 12,978	N/A	\$ 11,389
Net Earned Equity Change	\$ -	\$ 7,663	\$ 32,524	\$ (22,400)	\$ 8,933	\$ -	\$ 22,743
Households without W-2 Income							
	1	10	7	6	24	5	53
Other Income	N/A	\$ 19,129	\$ 8,078	\$ 14,483	\$ 17,513	\$ 40,822	\$ 17,848
Wages	N/A	\$ 36	\$ 29	\$ -	\$ 21	\$ -	\$ 20
Net Farm Income	N/A	\$ 34,046	\$ (8,640)	\$ 70,620	\$ 15,355	\$ 58,165	\$ 29,057
- Family Living Expense	N/A	\$ 44,727	\$ 42,330	\$ 35,677	\$ 39,205	\$ 24,788	\$ 38,370
- Taxes & Life Ins Prem	N/A	\$ 21,216	\$ 6,275	\$ 8,672	\$ 13,288	\$ 9,117	\$ 12,657
Net Earned Equity Change	\$ -	\$ (12,732)	\$ (49,138)	\$ 40,755	\$ (19,603)	\$ 65,083	\$ (4,103)

* Full Time Wages = > \$11,000

** Part Time Wages = > \$500 and < \$11,000

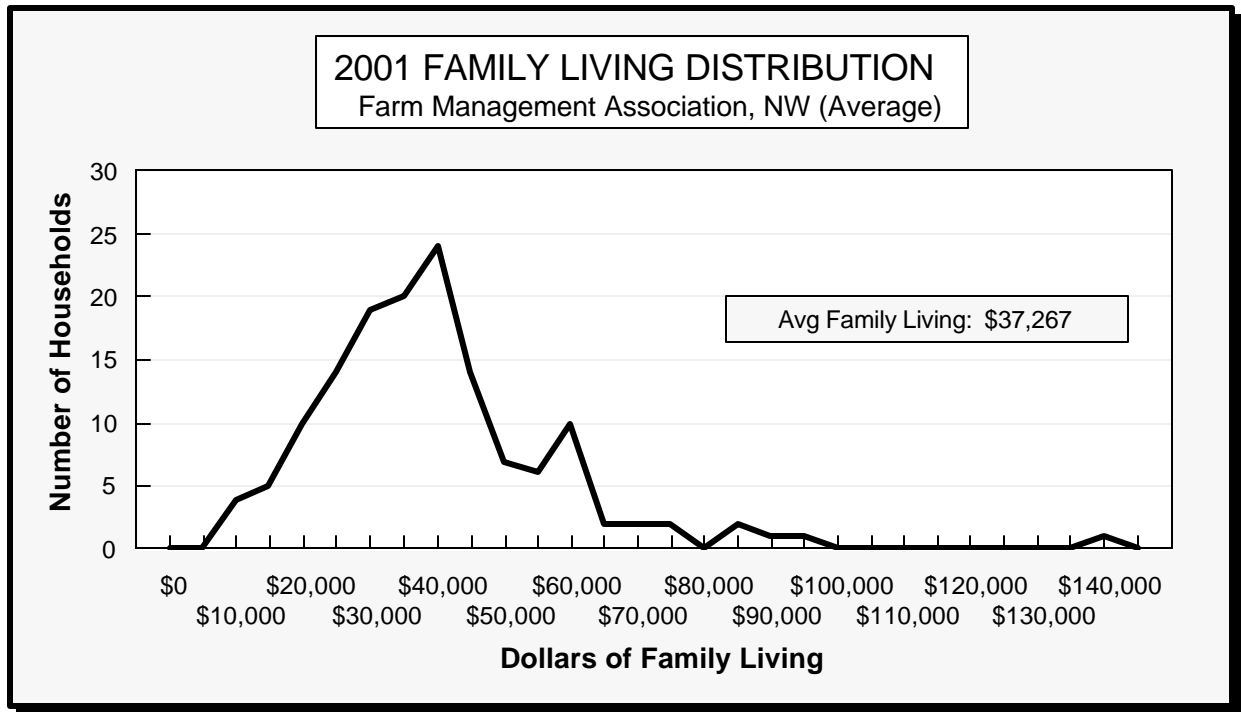


FIGURE 33

The distribution of family living expense is displayed in Figure 22. The highest number of households (24 households or 16.6%) experienced family living expenses between \$35,000 and \$40,000. The distribution of family living expense among the households in the Northwest Association analysis in 2001 is weighted heavy below the average, but the extremely high family living households “pull” the average higher. The highest family living observation was between \$135,000 and \$140,000. The values in Figure 22 do not include taxes and non-farm capital purchases.

The 2001 Analysis of Family Living Resources and Equity Change table on page 65 is a complex table, but contains a depth of information. Family living data is sorted in columns by the age of the oldest child in the household with the average values shaded and displayed down the right column of the page. The nature of non-farm employment is divided by full-time, part-time and non W-2 income categories and is displayed in sections across the table in the bottom three horizontal sections. The wage resource section (second from top of page) shows the percentage of households with wages of the full and part-time categories and the average value of those wages. For example, households with full time non-farm wages and the oldest child in high school earned wages of \$24,348 on the average.

Examine the Net Earned Equity Change line of the bottom three sections of the table on page 65. Those households with full time employment averaged an earned equity loss of \$-2,769. Households with part-time wages earned an equity improvement of \$22,743. Those household dependent on farm income exclusively experienced an average earned equity loss of \$-4,103. Negative earned equity change indicates that these households are unable to meet principle payments and are going to consume assets in order to continue operations. The average household in the family living summary earned an equity improvement of \$2,776 when using all income sources (page 63 in the lower right column). If these same households were only dependent on Net Farm Income they would have lost \$-25,378 of equity on the average.