

Figure 1

From the producer’s perspective weather was considered the single most significant contributor to the financial performance of farms in Northwest Kansas during 2002. The graph in figure one demonstrates the accumulation of rainfall based on standardized precipitation index during the calendar year for the Northwest Kansas Crop Reporting District (#1). The solid line that creates an “s” curve represents the “normal” or average accumulated rainfall during the years 1895 through 2002. The slope of the line indicates the rate of rainfall accumulation. Note that the slope of the line from May through August is climbing at the highest rate. The other lines (which have symbols for each month) document the four driest years during the 1895 to 2002 history. The driest year was 1956 followed closely by 1934. These two years represent the most severe drought years of the memorable 30’s and 50’s drought. The third driest year on record in this chart was 2002 closely followed by 1955. The fact that the farms in Northwest Kansas have experienced the third driest year on record (would have been the worst if the rains in October had failed) sets the stage for the balance of this Summary and Analysis report.

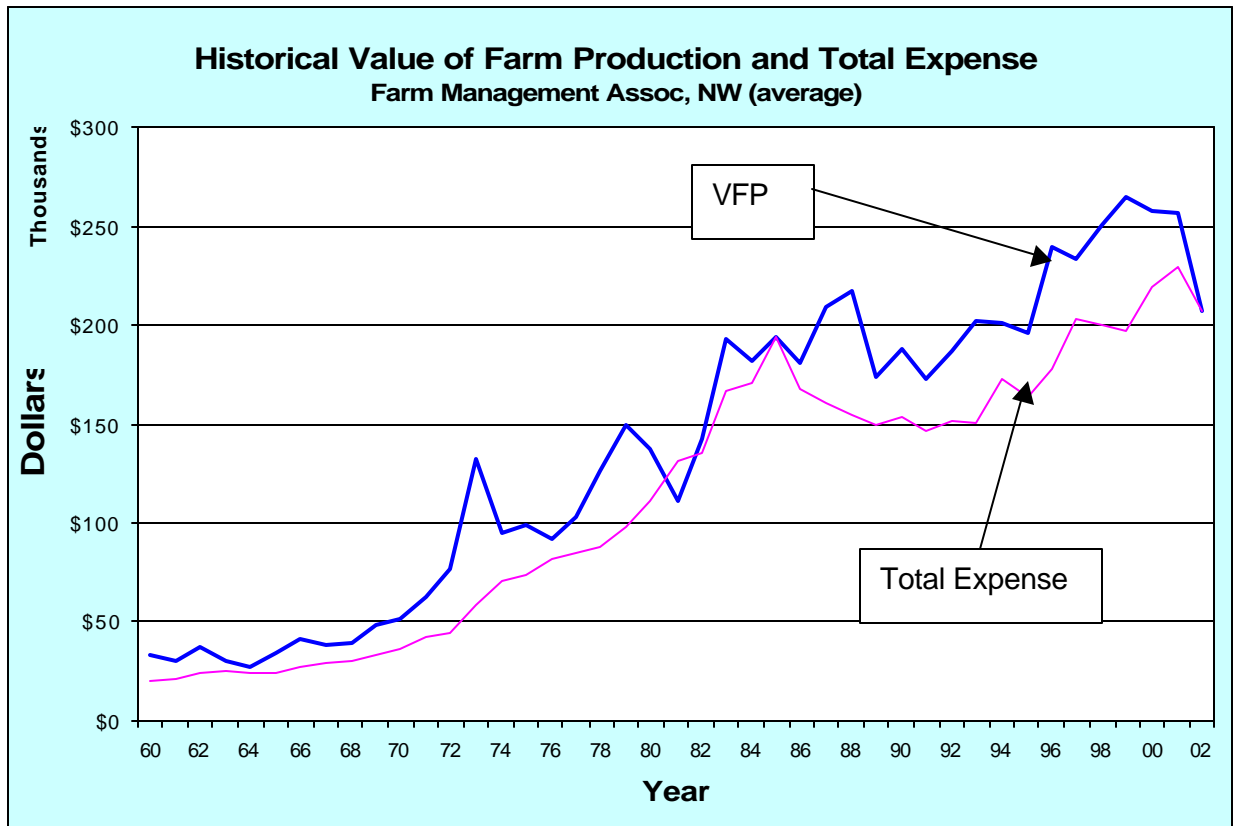


Figure 2

Value of Farm Production (VFP) and Total Expense for the past forty-three years is shown in Figure 2. Four years of interest should be highlighted: 1973, 1981, 1985, and 2002. The memories of the 1973 wheat deals and high prices have nearly been forgotten after the past few years. The wheat freeze of 1981 created the worst Net Farm Income in the history of KFMA, NW. The 80's financial crisis narrowed Net Farm Income to only \$376. The years following the 80's wreck have been relatively steady compared to the previous decades. Net Farm Income is the area between the Value of Farm Production and Total Expense lines of Figure 2. Net Farm Income has been sliding lower over the past four years. Value of Farm Production stalled after placing a record high of \$265,071 on the average in 1999. Value of Farm Production held near the record level through 2001 but tumbled in 2002. Value of Farm Production declined a total of \$50,112 from 2001 to 2002.

Expenses were on a steady increase from 1960 through the high of 1985. Reductions in expenditures have contributed to the Net Farm Income realized during the late 1980's and early 1990's. Expenses have seen significant increases in the three years ending in 2001. Total Expense, including depreciation, did decline in 2002 some \$21,652. Northwest Association farmers would have experienced a year similar to 1981 (\$-21025) had they not reduced their expenses during 2002.

Table 1: Six Year Trend, Comparison of Selected Whole Farm Variables, KFMA, NW, 2002													
Net Farm Income Quartile		2002		2001		2000		1999		1998		1997	
Number of farms		223		222		242		219		219		228	
Value of Farm Production Sources:													
Livestock		\$43,896		\$45,995		\$57,068		\$57,471		\$46,044		\$46,614	
Crop Income		\$102,947		\$144,975		\$122,144		\$125,371		\$158,863		\$140,012	
Crop Insurance Proceeds		\$41,742		\$10,724		\$11,643		\$5,799		\$1,627		\$4,922	
Government Payments		\$19,165		\$52,606		\$65,787		\$73,099		\$42,021		\$22,211	
Other Income		\$15,473		\$17,655		\$15,928		\$17,697		\$20,223		\$19,579	
Feed Expense Adjustment		-\$16,383		-\$15,003		-\$14,406		-\$14,366		-\$18,019		-\$21,323	
Value of Farm Production		\$206,840		\$256,952		\$258,164		\$265,071		\$250,759		\$212,015	
Expenses													
Labor		\$9,340		\$9,793		\$9,671		\$8,544		\$8,681		\$8,455	
Repairs		\$21,484		\$22,992		\$22,495		\$22,851		\$23,600		\$19,712	
Crop Expense		\$74,223		\$91,136		\$83,850		\$78,229		\$79,011		\$72,381	
Livestock Expense		\$3,558		\$3,484		\$2,878		\$3,463		\$3,872		\$3,676	
Fuel/Irrigation		\$24,954		\$25,978		\$28,370		\$15,211		\$17,188		\$17,043	
Cash Rent		\$16,054		\$15,160		\$15,545		\$13,404		\$12,334		\$10,849	
Interest Expense		\$19,810		\$21,788		\$20,654		\$20,617		\$20,685		\$18,907	
Other Cash Expenses		\$16,937		\$16,168		\$15,814		\$15,267		\$15,108		\$13,754	
Depreciation		\$21,297		\$22,810		\$20,611		\$19,947		\$19,797		\$17,010	
Total Expense		\$207,657		\$229,309		\$219,888		\$197,533		\$200,276		\$181,787	
Net Farm Income		-\$817		\$27,643		\$38,276		\$67,538		\$50,483		\$30,228	
Financial Measures: (12/31/2000)													
% Return on Equity		-5.27%		-0.97%		0.67%		5.42%		2.60%		-2.35%	
Total Assets		\$824,613		\$855,488		\$800,827		\$785,766		\$740,958		\$683,568	
Total Liabilities		\$303,901		\$288,417		\$272,021		\$266,954		\$267,012		\$236,567	
Net Worth		\$520,712		\$567,071		\$528,806		\$518,812		\$473,946		\$447,001	
Loans/Assets		0.37		0.34		0.34		0.34		0.36		0.35	
Networth/Assets		0.63		0.66		0.66		0.66		0.64		0.65	
Crop Production Measures:													
Total Acres		2576		2452		2508		2615		2509		2394	
Crop Acres		1718		1606		1709		1620		1566		1547	
Irrigated Acres		585		570		595		512		521		502	
Non-irrigated Acres		1441		1320		1467		1383		1313		1312	
Grass Acres & Farmstead		1299		1280		1254		1273		1266		1181	
%Irrigated Acres		22.71%		23.25%		23.72%		19.58%		20.77%		20.97%	
%Non-irrigated Acres		55.94%		53.83%		58.49%		52.89%		52.33%		54.80%	
%Grass Acres		50.4%		52.2%		50.0%		48.7%		50.5%		49.3%	
Crop Production Summary**:													
Non-irrigated Crop Yield:													
Wheat		25.7		34.2		31.0		47.2		49.7		36.6	
Milo		6.2		56.6		36.2		85.0		80.7		62.7	
No-till Milo		12.4		72.0		54.9		98.4		98.4		79.0	
Corn		n/a		56.6		26.3		79.4		104.0		50.2	
No-till Corn		0.9		60.1		38.1		107.9		111.7		67.9	
Sunflower (cwt)		2.6		10.4		8.2		16.9		17.8		14.7	
Irrigated Crops													
Wheat		42		48		48		56		65		47	
Corn		115		178		161		183		197		159	
Soybean		42		57		40		58		56		56	
Pinto Bean		14		18.3		20		21		25		159	
Gross Crop Value/Harvested Ac		\$152.04		\$206.53		\$190.65		\$216.43		\$232.04		\$205.31	
Crop Production Cost/Harv Ac		\$125.39		\$140.26		\$140.60		\$134.26		\$132.36		\$136.22	
Net Crop Income/Harvested Ac		\$26.65		\$66.27		\$50.05		\$82.17		\$99.68		\$69.09	
Machinery Measures:													
Machinerv Cost/Harvested Ac		\$49.53		\$56.38		\$56.18		\$57.04		\$54.68		\$53.77	
Machinery Investment/Harv Acre		\$108.91		\$116.78		\$105.74		\$109.79		\$102.90		\$101.37	
Livestock Production:													
Beef Feeders		131		826		116		175		137		252	
Cows in Herd - Calf %		50		128--89%		47		128--90%		40		168--98%	
		57		134--92%		74		134--84%		68		106--91%	
Efficiency Measures:													
Operating Expense/VFP		80.52%		71.89%		69.19%		59.22%		63.72%		68.80%	
Interest Expense/VFP		9.58%		8.48%		8.00%		7.78%		8.25%		8.92%	
Depreciation Expense/VFP		10.30%		8.88%		7.98%		7.53%		7.89%		8.02%	
Net Farm Income/VFP		-0.39%		10.76%		14.83%		25.48%		20.13%		14.26%	
Family Living Expenditures		\$39,757		\$37,269		\$37,258		\$39,274		\$36,135		\$32,784	
Total Non-farm Expenses		\$51,260		\$49,736		\$48,910		\$50,668		\$48,506		\$47,278	

**Enterprise yields

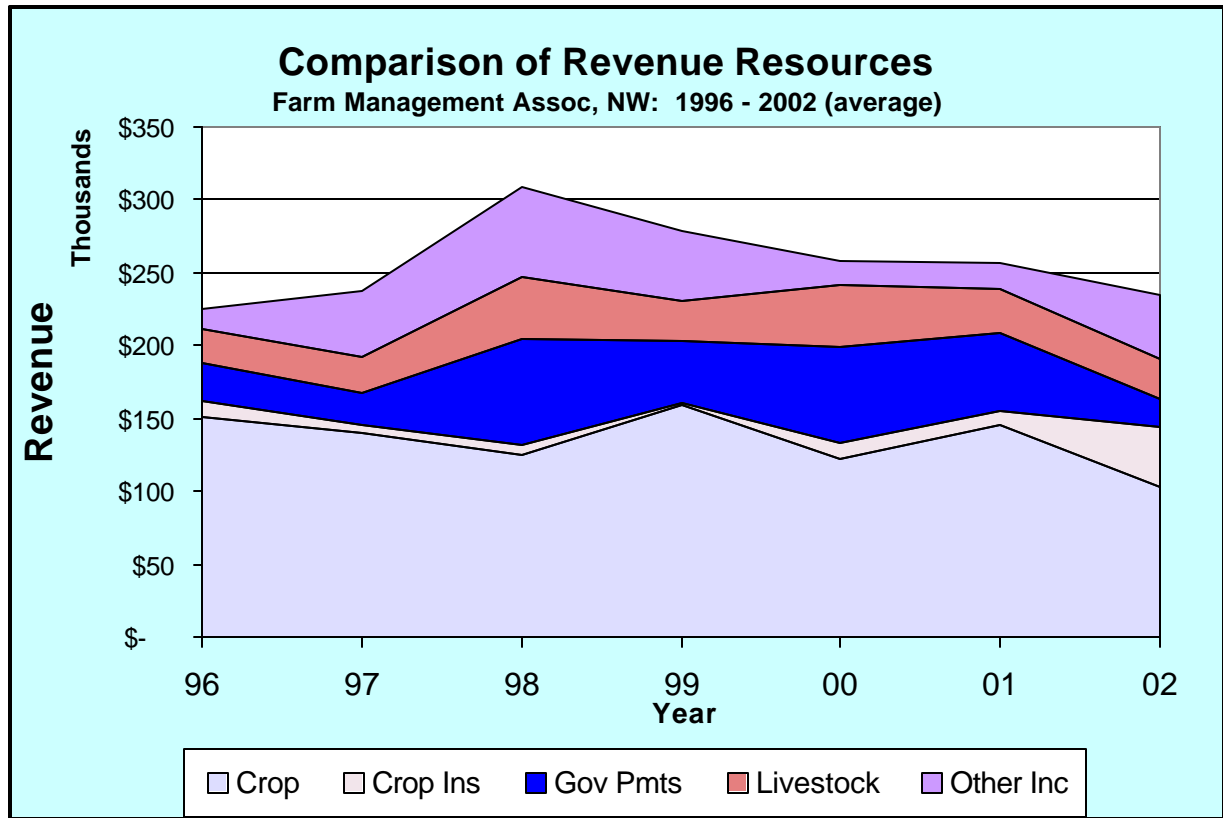


Figure 3

Table 1 lists financial and production related Analysis data for Northwest Association farms for the years 1997 through 2002. Note the serious decline in fall harvested crop yields from 1998 through 2002. Net Farm Income has declined in four of the past six years to the new low of \$-817 on the average in 2002. Net worth has increased \$119,753 during the years listed in Table 1, growing from \$450,462 in 1997 to a high of \$570,215 in 2001. Note that the increase in Net Worth from 1997 to 2001 is asset appreciation, *not* debt reduction. Assets increased in value from 1997 to 2001 \$170,159 while debts increased also by \$50,406. Net worth recorded a decline during 2002 on the average, dropping \$32,576 or 6.3%. The decline in net worth can be attributed to the following: reduced current assets of \$-35,429, increased intermediate and long term assets of \$8,135, and increased debts of \$5,282. Net farm income as a percent of Value of Farm Production declined to -.39% from the 10.76% of 2001. The average Net Farm Income Ratio across the most recent five years prior to 2002 was 17.09%.

Historic Value of Farm Production components are displayed in Figure 3. Crop income occupies the lowest part of the chart, with crop insurance, government payments, livestock, and other income stacked as layers to accumulate the total accrual VFP of the average Northwest Association farm for the years 1996 through 2002. Note the level of crop income when combined with crop insurance proceeds. The combined income from crops and crop insurance has declined \$17,759 from 1996 (\$162,448) to the level experienced in 2002 (\$144,689). The darkest shading layer represents the government payment received by Northwest Association farms on the average. The years displayed in Figure 3 include the years of “freedom to farm”. Note the constant payment stream in 1996 and 1997. Increases in 1998 can be attributed to massive LDP claims as Northwest Association farms produced record crops on record acres and low prices. Extra “AMTA” payments were distributed in 1999, 2000, and 2001. These

“bonus” payments did accomplish some stabilization of the combined crop, crop insurance, and government payment total income for those years. The new farm bill has created an artificial loss situation compared with the previous years. The decline in Net Farm Income from 2001 to 2002 was \$28,640 while the decline in government payment between 2001 and 2002 was \$33,441. **Had Northwest Association farms received the same government payments during 2002 as 2001, Net Farm Income would have increased nearly \$5000 over 2001 on the average.**

When evaluating the financial performance of Northwest Association farms during 2002 there are a few key observations. First, risk management strategies of crop insurance, which include higher coverage levels (75 or 80% instead of 65%) and revenue related coverage (RA or CRC) instruments, contributed to the overall stability of the combined crop and crop insurance revenue resources on the average. Livestock and other income resources (typically custom work and custom feeding) resources have been relatively stable over the past few years. Unfortunately, government payments in essence contributed the most to the “risk” of income generation for Northwest Association farms during 2002.

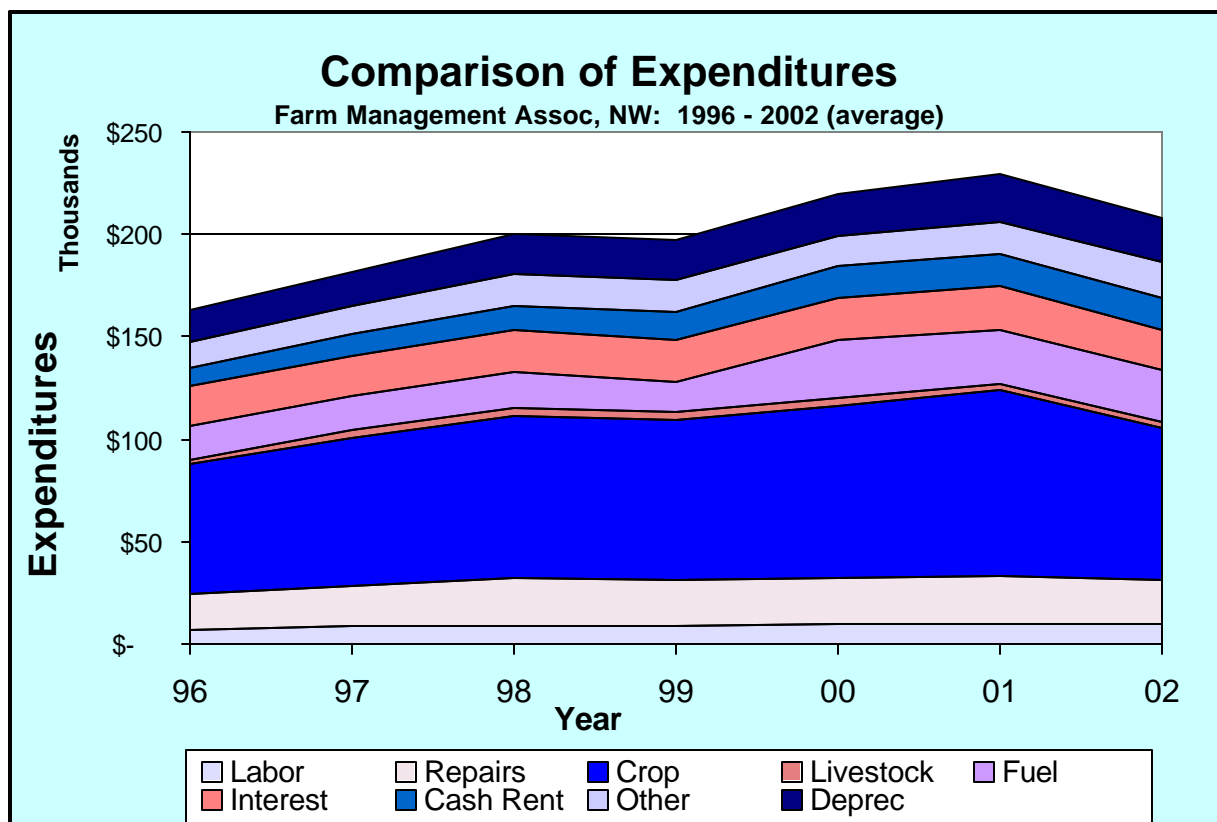


Figure 4

Components of Expenditures are displayed in Figure 4. The top two layers of “other” and “depreciation” have increased 4.5% and 5.3% on average over the seven years. Interest has remained virtually constant while debt levels have increased reflecting the benefits of lower interest rates in the economy. Cash rent in has increased 6.75% per year on average. This is an indication producers are cash leasing a higher percentage of rented land rather than cash leases increasing on a per acre basis. However, anecdotal observations would point to increasing cash rental rates from 1996 to 2002. The two cost categories that increased the most from 1996 to 2002 have been fuel and crop expenses. Basic petroleum cost increases have been a significant contributor to cost increases on Northwest Association farms over the

past six years. Farm fuel, irrigation fuel, and fertilizer are significant items contributing to the increase in farm expenses. Increased intensity of farming practices for both irrigated and non-irrigated acres is another contributor to the increased crop expenses.

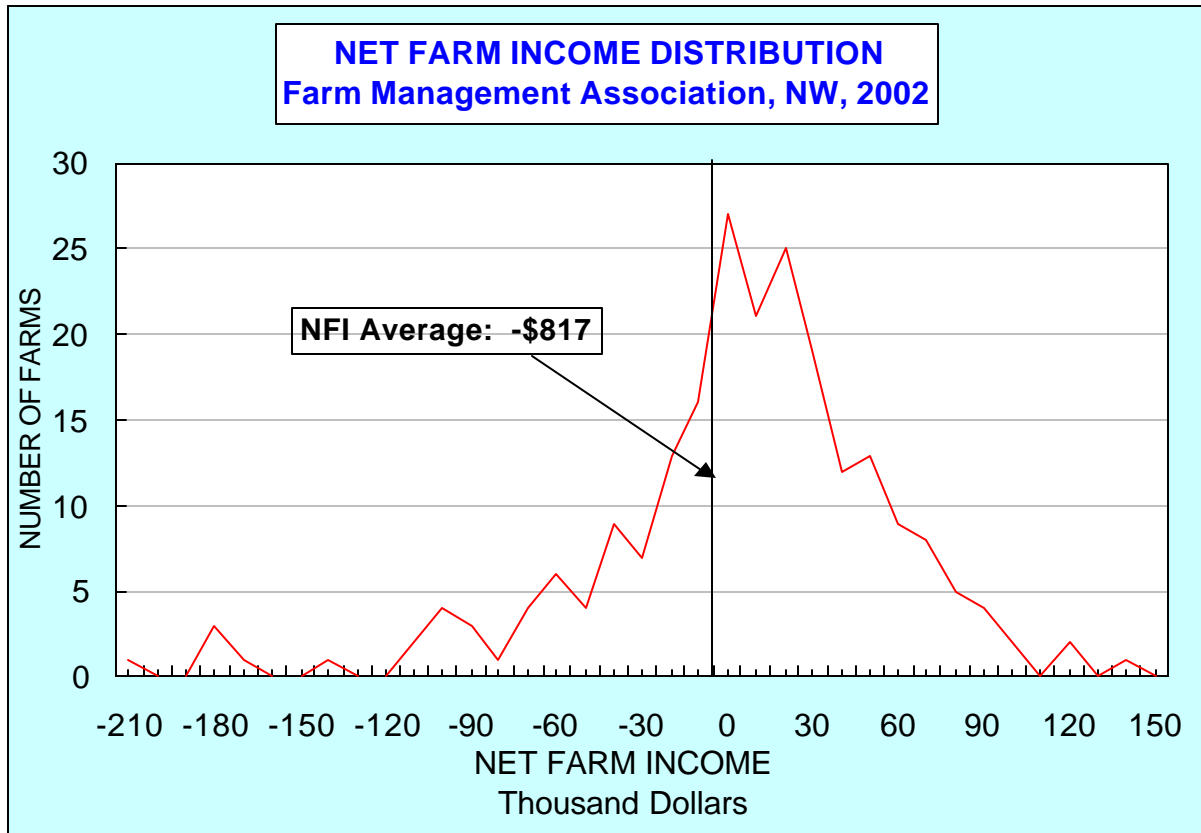


Figure 5

The distribution of net farm income for the Northwest Association is shown in Figure 5. Three farms experienced a Net Farm Income above \$100,000. The highest number of farms, 27 farms, averaged a Net Farm Income between \$0 and a \$10,000. The lowest income experienced was between \$210,000 and \$220,000 *negative*. When compared with previous years, the distribution of Net Farm Income has shifted the average lower, pulled the higher income farms down, and spread the lower income farms further down the scale.

Table 2, Comparison of Farms by Net Farm Income Quartile, KFMA, NW, 2002

Net Farm Income Quartile	Low 25%		Low-Mid 25%		Average		High-Mid 25%		High 25%	
Number of farms	59		61		223		61		56	
Value of Farm Production Sources:										
Livestock	\$38,723		\$29,754		\$43,896		\$27,034		\$79,980	
Crop Income	\$93,024		\$78,273		\$102,947		\$79,953		\$160,359	
Crop Insurance Proceeds	\$58,127		\$30,204		\$41,742		\$34,340		\$44,589	
Government Payments	\$20,084		\$16,116		\$19,165		\$15,724		\$24,754	
Other Income	\$15,774		\$10,438		\$15,473		\$7,675		\$28,014	
Feed Expense Adjustment	-\$22,509		-\$13,836		-\$16,383		-\$7,863		-\$21,433	
Value of Farm Production	\$203,223		\$150,949		\$206,840		\$156,863		\$316,263	
Expenses										
Labor	\$12,801		\$5,191		\$9,340		\$5,377		\$14,051	
Repairs	\$27,882		\$15,218		\$21,484		\$14,908		\$28,044	
Crop Expense	\$98,525		\$52,018		\$74,223		\$50,108		\$93,612	
Livestock Expense	\$3,240		\$4,141		\$3,558		\$2,350		\$6,229	
Fuel/Irrigation	\$33,109		\$19,006		\$24,954		\$17,087		\$30,759	
Cash Rent	\$17,746		\$14,374		\$16,054		\$10,691		\$21,435	
Interest Expense	\$30,166		\$16,330		\$19,810		\$12,143		\$20,787	
Other Cash Expenses	\$23,792		\$13,999		\$16,937		\$12,034		\$19,375	
Depreciation	\$27,215		\$18,707		\$21,297		\$15,431		\$23,941	
Total Expense	\$274,476		\$158,984		\$207,657		\$140,129		\$258,233	
Net Farm Income	-\$71,253		-\$8,035		-\$817		\$16,734		\$58,030	
Financial Measures: (12/31/2000)										
% Return on Equity	-14.42%		-6.37%		-5.27%		-1.92%		2.86%	
Total Assets	\$1,046,423		\$737,525		\$824,613		\$612,429		\$906,040	
Total Liabilities	\$433,441		\$246,417		\$303,901		\$209,456		\$328,605	
Net Worth	\$612,982		\$491,109		\$520,712		\$402,973		\$577,436	
Loans/Assets	0.41		0.33		0.37		0.34		0.36	
Networth/Assets	0.59		0.67		0.63		0.66		0.64	
Crop Production Measures:										
Total Acres	2824		1683		2576		2137		2895	
Crop Acres	1975		2435		1718		1502		2065	
Irrigated Acres	618		1310		585		469		709	
Non-irrigated Acres	1551		498		1441		1268		1839	
Grass Acres & Farmstead	1344		1084		1299		1019		1172	
%Irrigated Acres	21.88%		77.84%		22.71%		21.95%		24.49%	
%Non-irrigated Acres	54.92%		29.59%		55.94%		59.34%		63.52%	
%Grass Acres	47.6%		64.4%		50.4%		47.7%		40.5%	
Dryland Crops:										
Wheat	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield
Wheat	801	22.3	551	24.6	722	26.0	636	26.3	850	30.0
Corn	541	8.9	346	6.7	466	21.9	497	0.0	446	17.7
Milo	352	24.0	388	20.9	381	23.3	337	20.8	439	29.1
Irrigated Crops										
Wheat	349	40.6	273	49.9	299	42.1	209	37.7	335	40.6
Corn	590	102.8	536	131.6	580	122.2	499	124.3	647	139.6
Milo					183	86.8				
Soybeans	280	36.7	277	45.3	290	39.6	260	40.2	311	35.1
Gross Crop Value/Harvested Ac	\$137.71		\$150.31		\$152.04		\$143.17		\$172.92	
Crop Production Cost/Harv Ac	\$138.71		\$130.63		\$125.39		\$107.85		\$120.96	
Net Crop Income/Harvested Ac	-\$1.00		\$19.68		\$26.65		\$35.32		\$51.96	
Machinery Measures:										
Machinery Cost/Harvested Ac	\$55.31		\$52.85		\$49.53		\$44.53		\$98.29	
Machinery Investment/Harv Acre	\$112.46		\$131.34		\$108.91		\$100.04		\$45.27	
Livestock Production:										
Beef Feeders	33	2662	36	154	131	826	29	184	33	327
Cows in Herd - Calf %	5	152--91%	18	101--90%	50	128--89%	11	134--91%	16	148--88%
Efficiency Measures:										
Operating Expense/VFP	106.83%		82.11%		80.52%		71.75%		67.51%	
Interest Expense/VFP	14.84%		10.82%		9.58%		7.74%		6.57%	
Depreciation Expense/VFP	13.39%		12.39%		10.30%		9.84%		7.57%	
Net Farm Income/VFP	-35.06%		-5.32%		-0.39%		10.67%		18.35%	

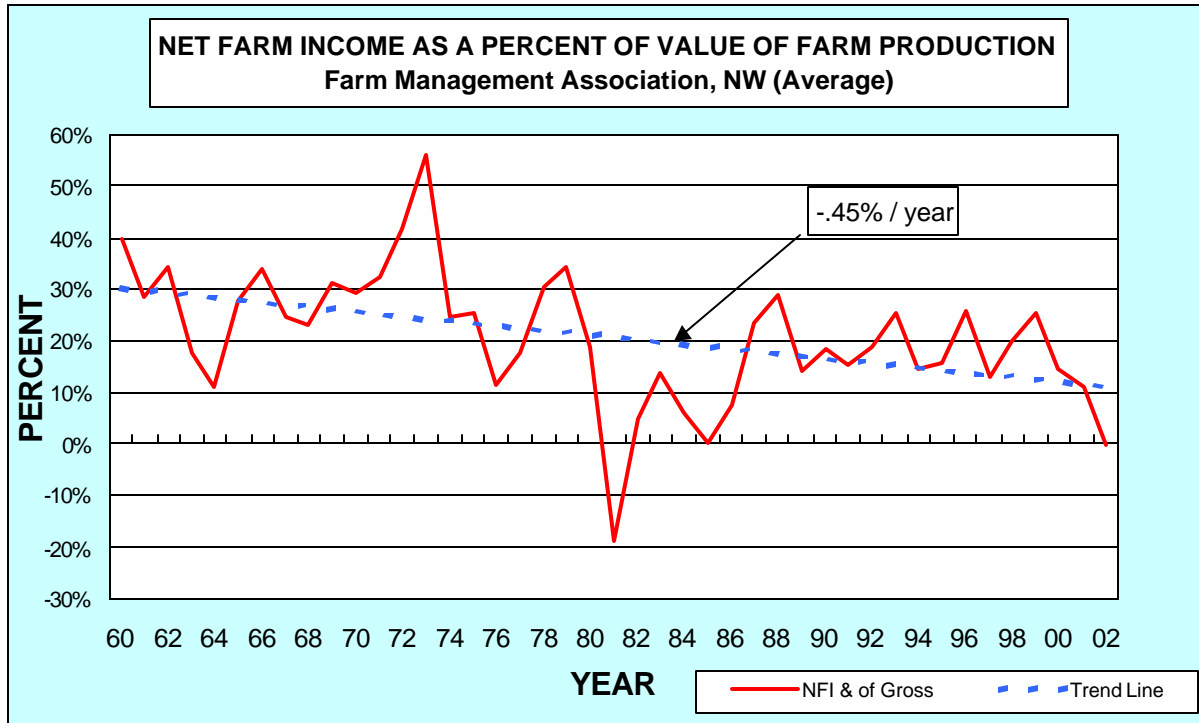


Figure 6

Net Farm Income as a percent of Value of Farm Production (Net Farm Income Ratio) over the past 42 years is displayed in Figure 6. Net Farm Income is the net return to operator labor, management and capital for a farm operation. Historically, the Net Farm Income Ratio has trended down over the period from 1960. This is a reflection of farm size growth and intensity of Agriculture in general. The dashed line running through the dark solid line represents the trend line of the years displayed. The average Net Farm Income Ratio has decreased by .45% per year. If Figure 6 was divided into two time periods, 1960 to 1980 and 1986 to 2001, it could be argued that the trends would be flat at 25+% and 20% respectively. Unfortunately, given years similar to the mid 1980's and 2001-2002 when Net Farm Income Ratios suffer significantly, the trend line is representative of the long-term trends in agriculture of tightening margins.

Table 2 on the facing page compares the financial performance of Northwest Association farms in the 2002 records analysis when divided by the quartile level of Net Farm Income. The lowest quartile experienced a negative \$71,253 Net Farm Income. The low 25% quartile spent only \$16,243 more in expenses but generated \$113,040 less in revenue earning \$129,283 less Net Farm Income than the high 25% farms. Total acres from the low 25% to the high 25% group only increased 71 acres. Crop acres were 90 acres less on the low 25% farms when compared with the high 25% farms. Total assets of the low 25% farms are actually larger than the high 25% farms, but the debt is also. Note that there is less than \$1000 difference between the net worth of the low 25% and high 25% farms in 2002. Gross Crop value per harvested acre of \$172.92 for high 25% farms compared to \$137.17 for low 25% farms accounts for \$35.21 of crop revenue differences between the two quartiles. Crop production costs were higher for low 25% farms (\$138.71) when compared with high 25% farms (\$120.96). The net return to crops per harvested acre was \$52 more for the high 25% farms when compared to the low 25% group.

Table 3, Comparison of Farm Analysis Variable by Farm Type, KFMA, NW: 2002

Net Farm Income by Farm Type	Crop Farm		Crop Irrigated		Average		Crop Cow Herd		Crop Beef	
Number of farms	121		43		223		34		5	
Value of Farm Production Sources:										
Livestock	\$26,696		\$35,063		\$43,896		\$54,400		\$118,100	
Crop Income	\$95,717		\$214,239		\$102,947		\$38,939		\$72,021	
Crop Insurance Proceeds	\$50,202		\$48,765		\$41,742		\$19,978		\$25,586	
Government Payments	\$20,227		\$22,618		\$19,165		\$13,550		\$16,685	
Other Income	\$14,923		\$17,473		\$15,473		\$9,594		\$28,131	
Feed Expense Adjustment	-\$11,045		-\$15,726		-\$16,383		-\$14,629		-\$18,513	
Value of Farm Production	\$196,720		\$322,432		\$206,840		\$121,832		\$242,010	
Expenses										
Labor	\$9,325		\$14,874		\$9,340		\$4,068		\$5,724	
Repairs	\$20,915		\$29,984		\$21,484		\$14,686		\$27,726	
Crop Expense	\$71,262		\$127,980		\$74,223		\$36,650		\$54,144	
Livestock Expense	\$2,121		\$2,290		\$3,558		\$2,350		\$12,432	
Fuel/Irrigation	\$18,488		\$60,895		\$24,954		\$9,068		\$28,438	
Cash Rent	\$15,809		\$15,991		\$16,054		\$10,466		\$18,250	
Interest Expense	\$17,872		\$27,043		\$19,810		\$16,682		\$23,871	
Other Cash Expenses	\$19,761		\$18,412		\$16,937		\$11,114		\$17,136	
Depreciation	\$21,325		\$31,267		\$21,297		\$12,806		\$18,762	
Total Expense	\$196,878		\$328,736		\$207,657		\$117,890		\$206,483	
Net Farm Income	-\$158		-\$6,304		-\$817		\$3,942		\$35,527	
Financial Measures: (12/31/2002)										
% Return on Equity	-4.69%		-5.96%		-5.27%		-6.17%		-0.69%	
Total Assets	\$820,778		\$1,041,860		\$824,613		\$671,394		\$910,791	
Total Liabilities	\$256,874		\$470,019		\$303,901		\$306,567		\$388,863	
Net Worth	\$563,905		\$571,841		\$520,712		\$364,827		\$521,929	
Loans/Assets	0.31		0.45		0.37		0.46		0.43	
Networth/Assets	0.69		0.55		0.63		0.54		0.57	
Crop Production Measures:										
Total Acres	2775		1887		2576		2762		2747	
Crop Acres	2041		1628		1718		1145		1232	
Irrigated Acres	422		934		585		131		388	
Non-irrigated Acres	1839		927		1441		1110		922	
Grass Acres & Farmstead	1211		523		1299		1746		1486	
%Irrigated Acres	15.21%		49.50%		22.71%		4.74%		14.12%	
%Non-irrigated Acres	66.27%		49.13%		55.94%		40.19%		33.56%	
%Grass Acres	43.6%		27.7%		50.4%		63.2%		54.1%	
Dryland Crops:	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield
Wheat	905	27.2	439	22.2	722	26.0	505	24.0	522	27.5
Corn	580	6.5	247	6.6	466	21.9	197	19.7	0	0.0
Milo	408	21.7	368	9.4	381	23.3	338	29.7	124	28.2
Irrigated Crops										
Wheat	241	48.0	354	38.4	299	42.1	110	0.0	0	0.0
Corn	457	124.3	754	123.3	580	122.2	0	0.0	198	97.6
Milo					183	86.8				
Soybeans	251	39.2	390	40.2	290	39.6	0	0.0	0	0.0
Gross Crop Value/Harvested Ac	\$131.15		\$227.33		\$152.04		\$100.17		\$133.63	
Crop Production Cost/Harv Ac	\$106.32		\$187.92		\$125.39		\$90.26		\$122.94	
Net Crop Income/Harvested Ac	\$24.83		\$39.41		\$26.65		\$9.91		\$10.69	
Machinery Measures:										
Machinery Cost/Harvested A	\$42.81		\$71.18		\$49.53		\$40.55		\$54.45	
Machinery Investment/Harv Acre	\$96.23		\$142.22		\$108.91		\$89.81		\$123.85	
Livestock Production:					Count	Units				
Beef Feeders	65	1397	16	309	131	826	32	161		
Cows in Herd - Calf %	20	83--92%	3	59--93%	50	128--89%	18	163--87%	4	216
Efficiency Measures:										
Operating Expense/VFP	80.16%		83.87%		80.52%		72.56%		67.70%	
Interest Expense/VFP	9.08%		8.39%		9.58%		13.69%		9.86%	
Depreciation Expense/VFP	10.84%		9.70%		10.30%		10.51%		7.75%	
Net Farm Income/VFP	-0.08%		-1.96%		-0.39%		3.24%		14.68%	

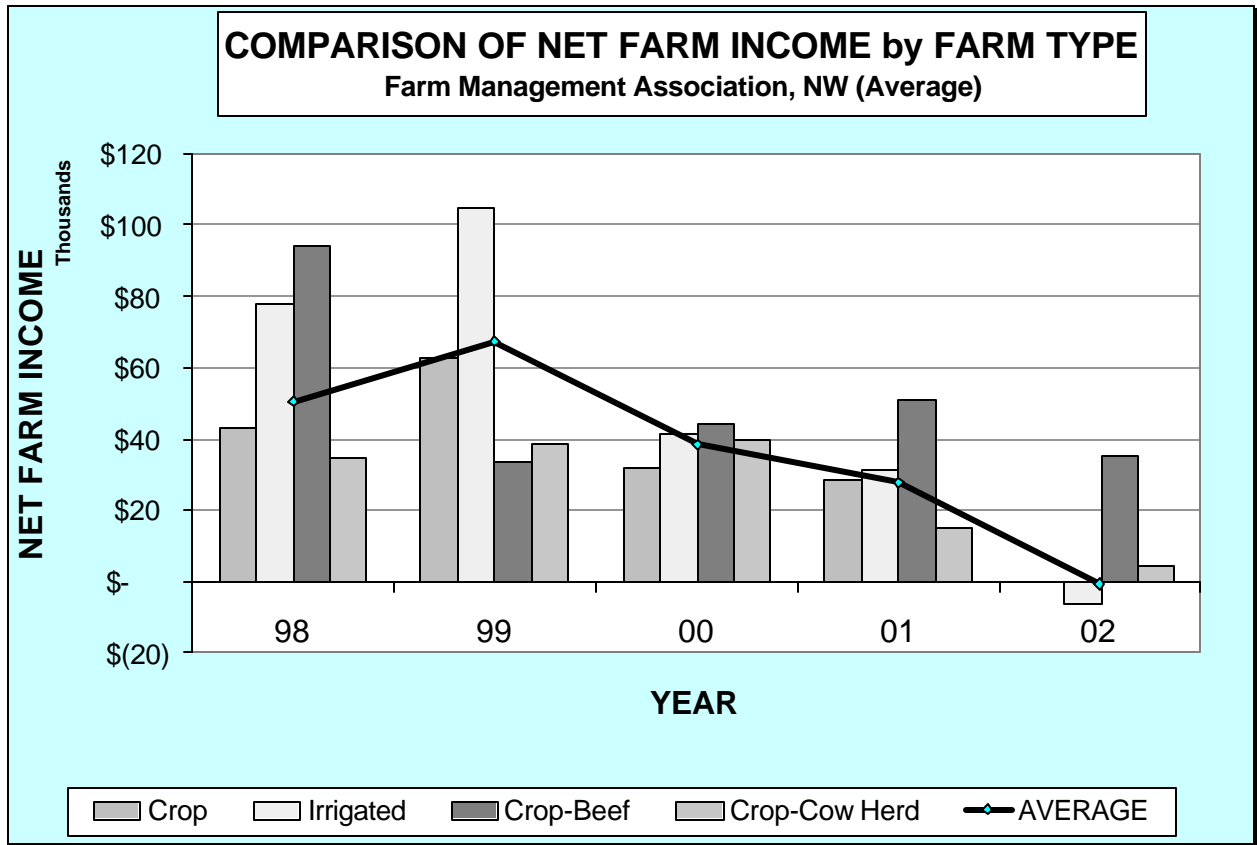


Figure 7

Table 3 and Figure 7 both present analysis data of the Northwest Association from a “farm typing” perspective. Farm type is determined by the use of Labor Standards established by K-state research. Northwest Association farms fall into four main categories: crop farms, irrigated crops farms, crop farms with a cow herd, and crop farms with beef production. Table 3 lists analysis data for 2002 of the four farm types common in the Northwest Association along with the average for comparison. Non-irrigated crop farms represent 54.2% of the farms in the 2002 analysis. The average Net Farm Income for these crop farms in 2002 was -\$158. This compares favorably to the Net Farm Income experienced by irrigated farms of -\$6,304. Irrigated crop farms account for 19.2% of those in the summary for 2002. Thirty-four crop-cow herd farms (15.2% of analysis) and five crop-beef farms (2.2% of analysis) performed better generating a Net Farm Income of \$3,942 and \$35,527 respectively.

The historic level of Net Farm Income reported for the four farm types common among Northwest Association farms is summarized in Figure 7. Over the past five years, crop-beef farms have enjoyed the highest Net Farm Income four years, 1998, 2000, 2001, and 2002, out of five. Irrigation farms did very well in 1999 earning a Net Farm Income in excess of \$100,000 on the average. However, drought conditions expanding across Northwest Kansas beginning in 2000 has taken a serious toll on the level of Net Farm Income for crop farms and irrigated farms over the past three years.

Table 4. Comparison of Farm Analysis Variable by Operator Age, KFMA, NW: 2002

Operator Age	< 35		36 - 40		41 - 45		46 - 50		51 - 55		56 - 60		61 - 65		66 - 70		> 70	
Number of farms	30		12		25		40		22		28		10		22		34	
Value of Farm Production Sources:																		
Livestock	\$40,565		\$41,800		\$50,839		\$37,807		\$49,115		\$28,936		\$164,856		\$25,426		\$34,950	
Crop Income	\$112,001		\$117,338		\$138,800		\$147,384		\$83,391		\$91,418		\$82,839		\$61,174		\$66,331	
Crop Insurance Proceeds	\$49,574		\$66,738		\$45,538		\$41,722		\$47,746		\$38,061		\$62,257		\$31,521		\$22,967	
Government Payments	\$14,587		\$26,174		\$21,424		\$23,180		\$25,444		\$18,271		\$16,265		\$16,891		\$13,347	
Other Income	\$27,942		\$15,778		\$16,057		\$11,986		\$16,565		\$12,965		\$39,646		\$4,078		\$9,661	
Feed Expense Adjustment	-\$22,782		-\$13,275		-\$16,241		-\$18,070		-\$15,639		-\$6,876		-\$61,527		-\$8,857		-\$9,857	
Value of Farm Production	\$221,887		\$254,553		\$256,417		\$244,009		\$206,622		\$182,775		\$304,336		\$130,233		\$137,399	
Expenses																		
Labor	\$5,818		\$11,296		\$12,815		\$10,005		\$6,084		\$9,407		\$18,639		\$7,022		\$9,233	
Repairs	\$21,451		\$20,408		\$24,259		\$24,574		\$20,084		\$22,822		\$30,925		\$16,065		\$16,755	
Crop Expense	\$79,871		\$84,677		\$95,976		\$90,794		\$67,281		\$60,525		\$93,040		\$50,134		\$55,010	
Livestock Expense	\$2,755		\$4,907		\$3,998		\$3,662		\$5,775		\$3,185		\$9,954		\$2,269		\$2,425	
Fuel/Irrigation	\$23,940		\$31,119		\$30,283		\$32,880		\$23,080		\$25,577		\$31,343		\$14,397		\$16,080	
Cash Rent	\$19,116		\$14,573		\$16,497		\$21,859		\$22,273		\$12,706		\$28,613		\$7,148		\$7,523	
Interest Expense	\$14,711		\$19,369		\$22,690		\$21,229		\$23,024		\$23,048		\$39,339		\$14,338		\$13,729	
Other Cash Expenses	\$14,124		\$15,182		\$18,965		\$16,119		\$14,958		\$16,419		\$33,095		\$17,777		\$15,541	
Depreciation	\$23,670		\$26,395		\$25,174		\$23,360		\$25,605		\$20,050		\$27,807		\$13,801		\$13,297	
Total Expense	\$205,456		\$227,926		\$250,657		\$244,482		\$208,164		\$193,739		\$312,755		\$142,951		\$149,593	
Net Farm Income	\$16,431		\$26,627		\$5,760		-\$473		-\$1,542		-\$10,964		-\$8,419		-\$12,718		-\$12,194	
Financial Measures: (12/31/2002)																		
Percent Return on Equity	-2.95%		-1.72%		-6.70%		-7.33%		-5.32%		-7.52%		-5.31%		-4.67%		-4.25%	
Total Assets	\$645,188		\$790,856		\$751,474		\$761,914		\$871,254		\$749,053		\$1,121,080		\$905,018		\$925,706	
Total Liabilities	\$302,717		\$350,903		\$397,485		\$349,044		\$324,106		\$299,295		\$396,783		\$205,149		\$211,057	
Net Worth	\$342,471		\$439,953		\$353,989		\$412,870		\$547,148		\$449,758		\$724,297		\$699,869		\$714,649	
Loans/Assets	0.47		0.44		0.53		0.46		0.37		0.40		0.35		0.23		0.23	
Networth/Assets	0.53		0.56		0.47		0.54		0.63		0.60		0.65		0.77		0.77	
Crop Production Measures:																		
Total Acres	1986		2636		2851		2614		3430		2825		2430		2688		2023	
Crop Acres	1597		1911		1862		1685		2042		1913		1817		1524		1403	
Irrigated Acres	569		771		686		598		447		683		707		367		525	
Non-irrigated Acres	1264		1461		1433		1528		1798		1609		1393		1341		1190	
Grass Acres & Farmstead	795		1451		1411		1302		1615		1139		1034		1511		1382	
%Irrigated Acres	28.65%		29.25%		24.06%		22.88%		13.03%		24.18%		29.09%		13.65%		25.95%	
%Non-irrigated Acres	63.65%		55.42%		50.26%		58.45%		52.42%		56.96%		57.33%		49.89%		58.82%	
%Grass Acres	40.0%		55.0%		49.5%		49.8%		47.1%		40.3%		42.6%		56.2%		68.3%	
Dryland Crops:																		
Wheat	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield	Acres	Yield
Wheat	605	26.9	556	25.1	775	29.9	729	27.5	885	25.0	680	22.8	691	27.9	650	26.6	713	0.0
Corn	537	4.4	514	0.0	441	7.7	307	10.0	589	0.0	318	0.0	166	0.0	355	0.0	1061	0.0
Milo	299	22.3	604	10.7	303	21.2	398	16.5	350	35.2	397	22.4	517	9.8	341	23.4	310	0.0
Irrigated Crops																		
Wheat	314	44.4	129	37.9	212	47.7	240	38.9	107	43.1	523	42.9	0	0.0	0	0.0	127	0.0
Corn	546	118.1	351	124.8	602	148.8	624	137.6	433	87.6	663	110.5	813	107.8	0	0.0	562	0.0
Soybeans	155	40.5	306	39.3	281	35.4	219	43.7	174	32.8	160	38.2	0	0.0	234	42.2	0	0.0
Gross Crop Value/Harvested Ac	\$157.93		\$155.95		\$188.49		\$172.52		\$119.30		\$125.70		\$173.75		\$127.21		\$144.36	
Crop Production Cost/Harv Ac	\$124.17		\$109.63		\$146.41		\$142.75		\$101.53		\$114.48		\$146.16		\$108.26		\$126.40	
Net Crop Income/Harvested Ac	\$33.76		\$46.32		\$42.08		\$29.77		\$17.77		\$11.22		\$27.59		\$18.95		\$17.96	
Machinery Measures:																		
Machinery Cost/Harvested Acr	\$45.47		\$39.09		\$57.34		\$58.17		\$40.07		\$47.40		\$44.79		\$47.32		\$53.64	
Machinery Investment/Harv Acre	\$109.06		\$93.74		\$114.65		\$108.77		\$100.14		\$107.18		\$145.58		\$102.77		\$111.89	
Livestock Production:																		
Beef Feeders	Cnt	Units	Cnt	Units	Cnt	Units	Cnt	Units	Cnt	Units	Count	Units	Cnt	Units	Count	Units	Cnt	Units
Beef Feeders	20	196	6	140	19	207	23	3767	14	234	16	119	6	711	12	101	15	145
Cows in Herd - Calf %	7	50-89%	4	139-95%	5	124-90%	9	110-91%	8	170-96%	8	179-84%					6	132-87%
Efficiency Measures:																		
Operating Expense/VFP	75.30%		71.56%		79.09%		81.92%		77.21%		82.42%		80.70%		88.16%		89.21%	
Interest Expense/VFP	6.63%		7.61%		8.85%		8.70%		11.14%		12.61%		12.93%		11.01%		9.99%	
Depreciation Expense/VFP	10.67%		10.37%		9.82%		9.57%		12.39%		10.97%		9.14%		10.60%		9.68%	
Net Farm Income/VFP	7.41%		10.46%		2.25%		-0.19%		-0.75%		-6.00%		-2.77%		-9.77%		-8.87%	

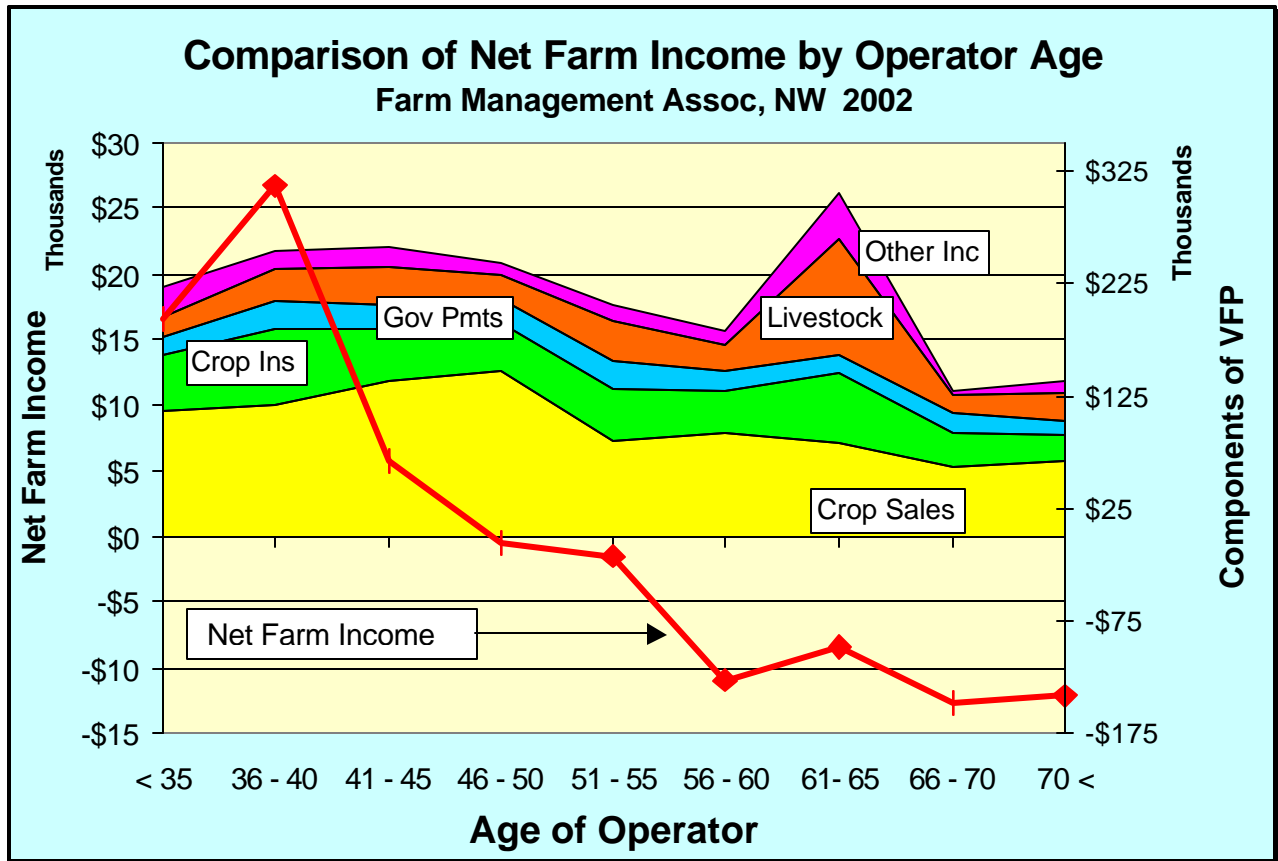


Figure 8

Table 4 and Figure 8 demonstrate the relationship among Northwest Association farms between Net Farm Income and operator age. Income and financial data for the Northwest Association farms are totaled by operator age groupings in Table 4. A quick review of the Net Farm Income line starts to tell the story. Net Farm Income was the highest for those operators between 36 and 40 years old. Those farms also have lower net worth and higher debt ratios than those farms operators over 50 years old. The accumulated acres being farmed by the 35 - 40 age group is near the average for the Association.

Figure 8 shows the relationship of Net Farm Income and components of revenue generated across operator age. The 35 – 40, 41 – 45, and 46 – 50 age groups generated almost identical combined crop and crop insurance revenues. Government payments decline significantly for farm operations represented by the operators above 55 years old. The high levels of livestock income found in the 61 – 65 age group was offset by larger expenditures, earning a slightly improved, yet negative, Net Farm Income.

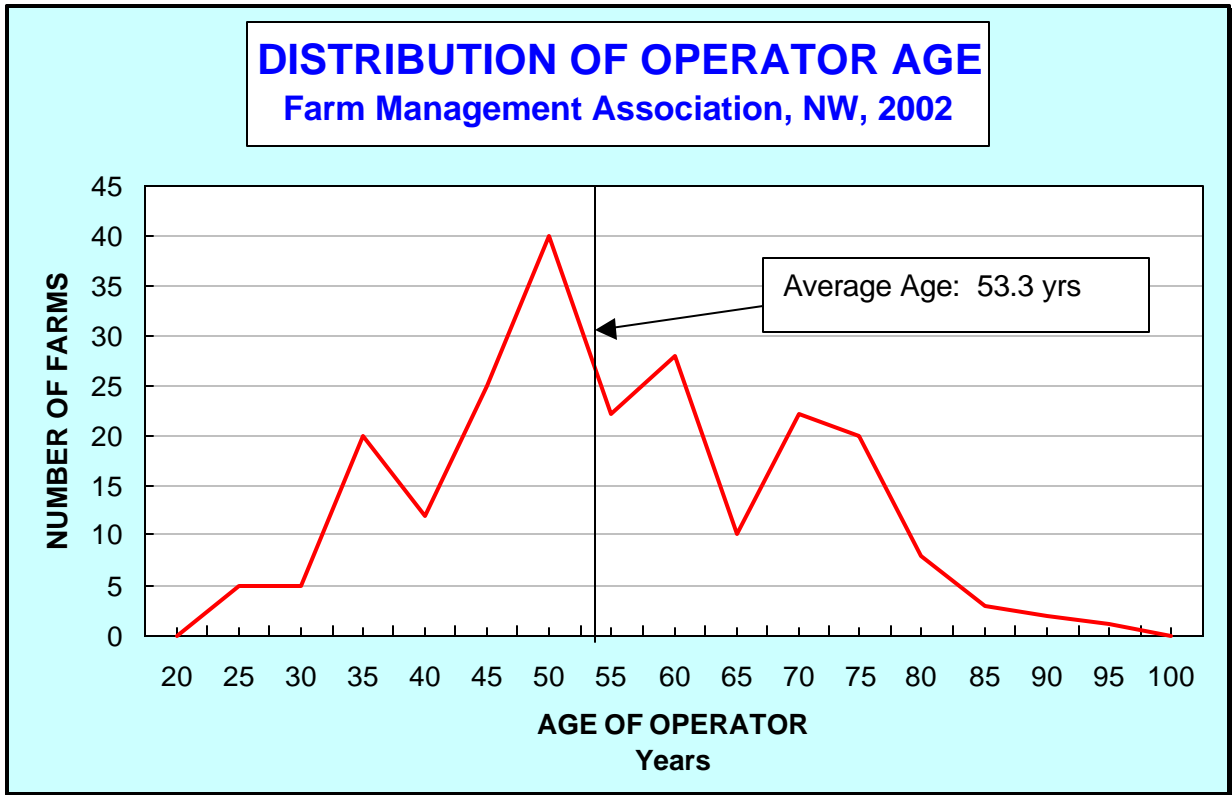


Figure 9

The average age of operators of Northwest Association farms in the 2002 analysis increased one year from 2001 to 2002! The distribution of operators included in the 2002 analysis presented in Figure 8 has some curious characteristics. First, the number of operators above 65 years old represents a full 25% of the farms included in the analysis. Second, the younger farm operators under 40 years old represent about 19% of the members included in the analysis. And finally, the five-year interval with the highest number of operators included in the analysis was between the age of 45 and 50 and they represent 40 farms out of 223 or about 18% of the farms.

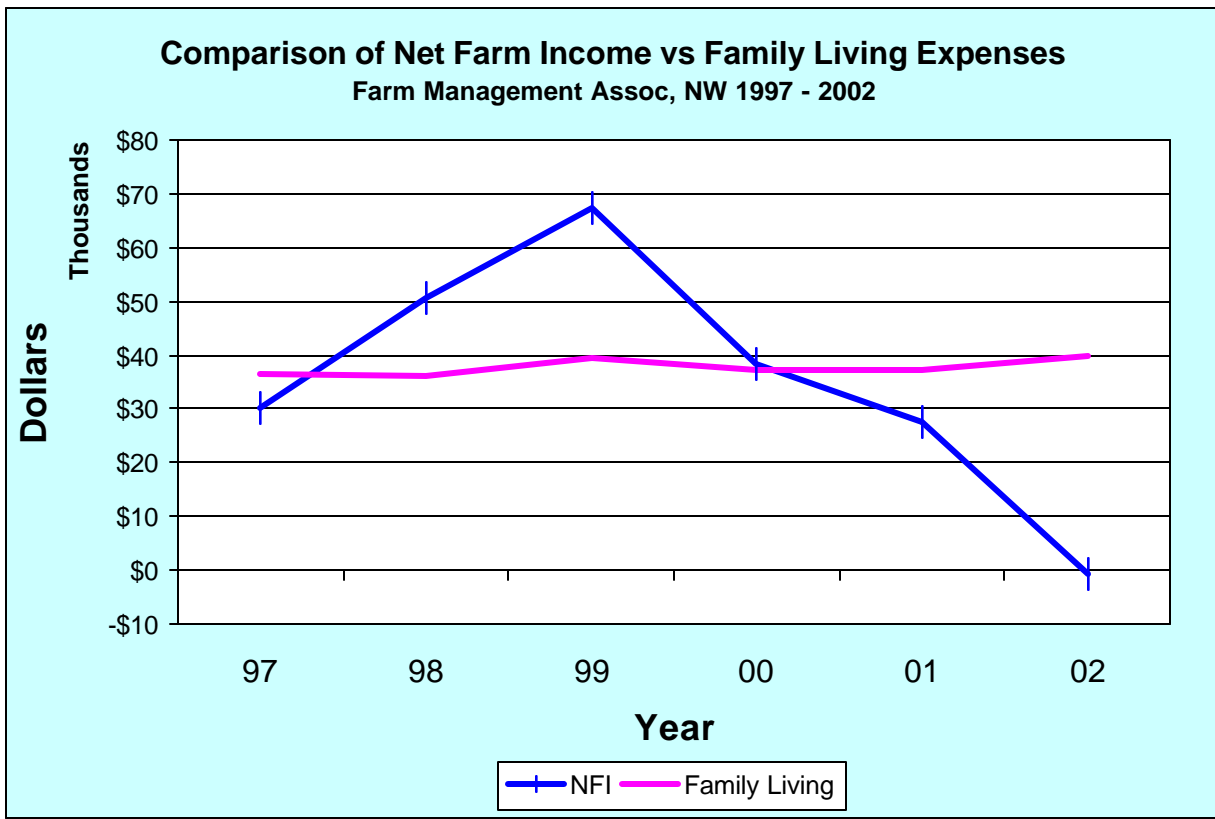


Figure 10

The comparison of average Net Farm Income and Family Living expenditures is displayed in Figure 10. Family living in Figure 10 does not include income taxes and life insurance premiums. Historically family living values in the Northwest Association Analysis have significant subsidies for utilities and auto expenses from the farm. Also, family living expenses do not include house ownership cost, only repairs and operations. When income taxes, house and auto ownership costs are added to the family living values reported in Figure 10, the total income necessary to maintain that standard of living would require in excess of \$60,000 of wage income.

Net Farm Income climbed from below family living in 1997 to a high in 1999. Family living and Net Farm Income were nearly identical in 2000. Net Farm Income has declined significantly below the family living expenditures of the average family included in the Northwest Association analysis from 2000 to 2002. Net Farm Income declined \$28,460 between 2001 and 2002 while family living expenditures increased \$2,489.