

# **Off-farm Investment Behavior on Kansas Farms**

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## **Abstract**

The objective of this study was to find out how much money farm households are investing in stocks, bonds, and retirement accounts and to examine factors that might influence the investment amount. We used data from the Kansas Farm Management Association data bank for a sample of farms for 2002 and 2003. We examined both the cash inflow and the cash outflow of the farms to determine where all the money came from and went on these farms, and how much went into certain types of investments. Motivations for investing on and off the farm will be discussed.

## **Off-farm Investment Behavior on Kansas Farms**

### **Introduction**

Many households have some form of savings and/or financial investments which range from something as simple as a checking or savings account to publicly traded stock or an Individual Retirement Account (IRA). All of these accumulations of wealth are a result of previous years of saving. Garner (2006) reports data from the National Income and Product Accounts (NIPA) showing trends in personal saving as a percentage of disposable personal income in Chart 1. The trend in personal savings seen in the chart has concerned many, particularly since the saving rate has turned negative in 2005 for the first time since the Great Depression. This extremely low saving rate combined with increased life expectancies, a baby boom generation nearing retirement, and uncertainties regarding the long run solvency of social security raise many concerns. What makes households decide to save and how much? Why don't households save more? What factors might influence the amount of household savings and investment?

The objective of this study was to find out how much money farm households are saving in stocks, bonds, and retirement accounts and to examine factors that might influence the investment amount. We used data from the Kansas Farm Management Association data bank for a sample of farms for 2002 and 2003. We examined both the cash inflow and the cash outflow of the farms to determine where all the money came from and went on these farms, and how much went into certain types of investments. Motivations for investing on and off the farm are then discussed.

### **Motivations for Saving**

There are many reasons people choose to save. Samwick (1998) suggests there are three different types of saving motives. The first is the life cycle motive, which is reflected by

households that cite retirement as their most important reason for saving. The second is a smaller percentage of households that cite specific targets such as home purchases, automobile purchases, and family transfers. Their decision to save in one form or another should be motivated by how well the saving option enables the specific target to be achieved. The third motive for saving comes from a large proportion of the population that cites uncertainty as the most important reason for saving.

Many individuals cite retirement as their main motivation for saving. It is important that individuals are aware of the multitude of programs that are available to help them save money for retirement. Andrews (2005) suggests a big concern is that millions of aging baby boomers may not have stashed away enough for their retirements, and according to the Center for Retirement Research at Boston College, only about half of all workers participate in a pension plan with their current employer. The sources of retirement income can be placed into four categories: Tax-Qualified Plans, Social Security, Personal Savings and Investments, and Nonqualified Investments. The following section includes a brief look at each of these categories along with what type of financial assets and/or programs fall under each category.

### **Sources of Retirement Income**

The first category is Tax-Qualified Plans. Dalton and Dalton (2000) define a Tax-Qualified Plan as any retirement plan that is either employer or self-employed sponsored that meets Internal Revenue Service (IRS), Department of Labor, and Employee Retirement Income Security Act (ERISA) requirements. Qualified retirement plans include pension plans and profit-sharing plans such as 401 (k) plans, stock bonus plans, and employee stock ownership plans. Income from both employer and employee contributions to these plans are tax deferred until they are distributed. Employers benefit as their contributions are not subject to federal income tax or payroll tax. Employees benefit similarly as federal income tax is not

paid on their portion. One disadvantage of these plans is that often there is a set limit on the amount that can be invested annually.

The second category is Social Security. As mandated by Congress, Social Security coverage today extends to just about all gainfully employed workers (Gitman and Joehnk, 2005). Dalton and Dalton (2000) say it is considered the safety net of a secure income, but for most income levels Social Security will not be a sufficient source of income replacement during retirement. They go on to say that Social Security will benefit the lower waged workers more than the middle-to-upper wage earners, but social security will not provide enough income to completely rely on in retirement. Although individuals rely on Social Security as a stable source of retirement now, the amount of money available in 30 to 40 years to be paid out is unknown. This is the major downside of Social Security. The Social Security Administration states that the worker-to-beneficiary ratio has fallen from 16-to-1 in 1950 to 3.3-to-1 today and within 40 years it will be 2-to-1. Another downside to Social Security is that it may be subject to taxes.

Personal Savings and Investments make up the third category. There are three main types of tax-sheltered personal savings and investments which include Individual Retirement Accounts (IRAs), Simplified Employee Pension plans (SEPs), and Keogh plans. According to Gitman and Joehnk (2005) IRAs are designed to encourage retirement savings on the part of individuals. They accomplish this by sheltering the investment income earned from income taxes. Individuals can choose between Traditional (deductible) IRAs, Nondeductible (after-tax) IRAs, and Roth IRAs. Each has different provisions and limitations, but can be started by almost anyone. Simplified Employee Pension plans (SEPs) are employer sponsored. SEPs use IRAs to hold the retirement benefits, making the benefits of the employees portable (Dalton and Dalton, 2000). The major difference between a SEP and a regular IRA is the amount of

funding allowed and the date of establishment. Keogh plans are designed for any self-employed individual. These are self-directed retirement programs where the individual decides which investments to buy and sell (Gitman and Joehnk, 2005). Beginning in 2002, a Self Employed 401(k) plan became available. This plan has some advantages over the Keogh plan including: complete contribution flexibility, higher contribution limits, they are easy to setup and inexpensive to maintain, they allow consolidation of IRA's, and they allow borrowing against the value of the plan (Lamaute). The greatest advantage of Personal Savings and Investments is that they are fairly easy to set up and most individuals are eligible. The greatest disadvantage is that many of these programs have penalties for withdrawing money early from such accounts.

Finally, nonqualified investments, which Dalton and Dalton (2000) define as any retirement plan, savings plan, or deferred-compensation plan or agreement that does not meet the tax and legal requirements of ERISA and the Internal Revenue Code. Unlike the Tax-Qualified plans, there are no favorable tax advantages with these investments. Two major plans in this category are Deferred-Compensation plans and Employee Stock Option plans. Dalton and Dalton (2000) define Deferred-Compensation plans as salary reduction, or more commonly, salary continuation. Compensation is deferred until retirement, disability, death, or termination of employment, but usually only at normal age retirement. In Employee Stock Option plans, the employer grants the employee a right (option) to purchase a fixed number of shares of the employer's stock for a set price (exercise price) during a specified period of time (Dalton and Dalton, 2000). The greatest advantage of Nonqualified Investments is that a much higher amount can be invested compared to Tax-Qualified plans and often there is no limit. The biggest drawbacks are increased risk and lack of tax benefits in comparison to the other retirement plans.

## **Saving and Investing**

In a recent study done by Mishra and Morehart (2002) using data from USDA's Agricultural Resource Management Study (ARMS) survey, it was found that for all U.S. households, financial assets, which include retirement accounts, stocks and bonds, cash and other liquid accounts, real estate, and other assets represent about 35 percent of total assets. In another study done by Aizcorbe, Kennickell, and Moore (2003) using data from the 2001 Federal Reserve Board's Survey of Consumer Finances (SCF), it was found that financial assets made up 42 percent of total assets. Of the individuals surveyed, 93 percent reported owning some type of financial asset. The most popular reason individuals gave for saving in this survey was retirement (32 percent) followed closely by liquidity (31 percent).

In the 2001 SCF survey, 91 percent of respondents held some type of transaction account. Included in transaction accounts were, checking, savings, and money market deposit accounts, money market mutual funds, and call accounts at brokerages. Both mutual funds and publicly traded stock were up from 1998 at 18 percent and 21 percent respectively.

Over half of the respondents, 52 percent, reported having some form of retirement account. Aizcorbe, Kennickell, and Moore (2003) state that ownership of tax-deferred retirement accounts increases with both wealth and net worth and are more likely among families headed by persons less than 65 years of age. Similarly, Hubbard and Skinner (1996) suggest that households who contribute to IRA accounts tend to be wealthier, older, and have higher incomes than those who do not. On the contrary, they suggest that employees with low levels of income are far more likely to participate in a 401 (k) saving plan than they are to have an IRA.

Although retirement is one of the biggest reasons individuals save, there are others that need to be considered as well. Another reason individuals often cite as a reason they save is

uncertainty due to income fluctuations. One way individuals can try to smooth their income is through diversifying their portfolios. The idea behind diversification is that by combining investments with dissimilar risk-return characteristics, you can produce a portfolio of reduced risk and more predictable levels of return (Gitman and Joehnk, 2005).

### **Farm Household Saving and Investing**

A study done by Young and Barry (1987) looked at formulating farm portfolios for Illinois grain farmers with different proportions of farm and financial assets as a way to gain risk efficiency. In this study they found that there were low correlations between returns on farm assets and financial assets. Financial assets included in their study consisted of various stocks, bonds, treasury bills, passbook savings, and certificates of deposit (CDs). The importance of this finding is that by holding these types of assets as a means of diversification, risk efficiency may be gained. They also suggest that holding financial assets should be looked at further as a way of stabilizing financial fluctuations in agriculture.

Farm households often face greater uncertainty and income fluctuations or liquidity problems than the average U.S. household. Serra, Goodwin, and Featherstone (2004) suggest that a smoother stream of farm income may result from more farm diversification. The attractiveness of off-farm investments as alternative risk management strategies may be reduced as a result of increased farm diversification. In this case farm diversification refers to producing multiple crops, raising different types of livestock, or a combination of the two. Portfolio and/or production diversification are just a couple ways farm households can try to smooth income fluctuations.

Saving is another form of income smoothing farm households can utilize. Savings play a direct role in helping farm households maintain a standard of living from year to year since they can be used to maintain consumption during income shortfalls (Mishra and Morehart,

2002). The variability in farm income is a direct result of the extreme variability in yield, prices, and costs of farm commodities.

In a study done by Serra, Goodwin, and Featherstone (2004) results indicated that incomes derived from the farm business are mainly reinvested in the same business. Reinvestment is usually in the form of physical assets such as farm machinery, improvements, buildings, livestock, or land. Mishra and Morehart (2002) found that farmers have a substantial portion of wealth in real estate. This may indicate that farmers choose to reinvest extra income into the farm more often than they choose to save using other financial investments. The fact that farmers have so much invested in real estate may also indicate that farmers must reinvest just to grow to keep up in today's ever changing world.

In addition to investments in the farm business, farm households have many financial investment opportunities. Options available to farm households include, checking accounts, savings accounts, money market accounts, mutual funds, bonds, publicly traded stock, and IRAs to name a few. Farm households relying solely on farm income with no outside income would not be eligible to invest in any sort of pension or profit-sharing plan, such as a 401 (k) or stock ownership plan offered through an employer. Mishra and Morehart (2002) found that in 1999, approximately 13 percent of farm households depended on farming as their major source of income. A similar study done by Mishra et al. (2002) found that most farm households receive a majority of their income from off-farm sources. This indicates that either one or both spouses are working off-farm and thus would more than likely be eligible for such pension and profit-sharing plans. Using the 1999 ARMS data, Mishra and Morehart (2002) found that 65 percent of farm households have money invested in some form of retirement account.

It is obvious that household's value saving and investing and that there are a multitude of reasons for saving. The question becomes are there specific underlying factors that

influence the savings behavior of households? This study will measure certain types of saving and attempt to identify factors that affect the household investment behavior of farm households.

### **Kansas Farm Management Association Data**

Kansas Farm Management Association data were utilized in this study (Langemeier, 2003). Specifically, data for farms that had complete non-farm and family living expense data were used. Other farms eliminated from the study include those with unusual data, beginning or ending cash equal to zero, and those with family living less than \$12,000. Finally, only farms which had cash inflows within 3% of cash outflows were used. This means that all funds coming into the farm and leaving the farm had to be accounted for within a tolerance of 3% or the data from that farm were not used.

Table 1 shows the sources and uses of funds for the farms that met the criteria described above in 2002 and 2003. Approximately \$400,000 flows through these farms on an annual basis. In addition to the total of the sources, six categories of inflow and eight categories of outflow are listed separately. Cash farm receipts and cash farm expenses are the two largest categories. While all the categories are of interest, the category of particular interest in this study was the average investment in stocks, bonds, and retirement accounts which was 1,032 in 2002 and 1,779 in 2003. To put this in perspective, the average assets purchased was 34,402 in 2002 and 41,857 in 2003.

The total sources and uses of funds were also broken down into individual sources to provide a visual representation of where funds come from and go in this set of farms. Figures 1, 2, 3, and 4 show the relative sizes of the individual sources and uses of funds. For both years, the majority of the funds come from farm receipts and the major use is for farm expenses.

Discretionary dollars were calculated as the total money available for family living, paying off loans, buying land, investing in other production assets, and investing off the farm. Figures 5 and 6 show family living using approximately 35%, both loans paid and other assets purchased using approximately 27%, land purchases using about 8%, and investment off the farm in stocks and bonds and retirement accounts being 1 to 2 %. The amount going into off farm investments is relatively small compared to the total available for investment.

Tables 2 and 3 represent the first attempt to identify any farm characteristic related to the amount of investment off the farm. The farms were broken down by size as measured by value of farm production. As can be seen in the table, investment in stocks, bonds, and retirement accounts does not seem to be related to the size of the farm. Several of the other categories of sources and uses of funds are related to the size of the operation including non-farm income, assets purchased, farm loans received and paid, and family living expenses.

Numerous attempts were made to identify any characteristics of the farm or farmer that might be related to the amount of investments in stocks, bonds and retirement accounts, or related to the fact that investments were made in stocks, bonds and retirement accounts. Variables that were explored included farm income, non-farm income, age, debt to asset ratio, working capital, net assets purchased, farm size, number of dependents, efficiency, opportunity cost and tenure of the farm. Efforts were generally futile in terms of finding variables that were related to investments in stocks, bonds, and retirement accounts.

Opportunities to invest in off farm investments are influenced to some extent by off farm employment. Retirement plans held by companies may provide that opportunity, so the off farm wages of these farms were summarized in figures 7 and 8. About 50% of these farms

had no wages from off-farm sources. So, these farms would have no opportunity to participate in employer sponsored retirement plans.

The distribution of investments in stocks bonds and retirement accounts was also developed and displayed in Figures 9 and 10. As can be seen from the figures, approximately two thirds of farms do not make any investment in stocks, bonds and retirement accounts. Of those who do make investments, a large majority of the investments are less than \$4,000, and nearly all are less than \$10,000.

It is very important to first identify if there is money available to invest in anything. Some farms are hard pressed to generate the dollars necessary for family living expenses, so few or no dollars are left to invest. On the other hand, some farms may generate money available to be reinvested. So, only individuals who have the dollars are faced with the decision regarding where to invest the dollars that are left after other commitments. The following sections provide some framework for thinking about investment decisions.

### **Reasons to Reinvest in Production Agriculture**

Growth and survival are related issues in agriculture. For years now, the trend has been that middle sized operations are squeezed to either grow in order to survive, or to diminish in size and move out of agriculture. Economies of scale due to increased size allows larger farms to complete more favorably leading to greater chances of survival. These forces have been at work for long periods of time, and there is little likelihood that these forces will abate as we go forward.

Some family operations have a goal of passing on a larger operation to future generations. For these families, reinvestment in agriculture is very important because in all likelihood, the larger the size of operation, the greater the chances for long term survival for the next generation. So, if children have goals in life of continuing the family operation,

reinvesting in productive agricultural assets provides a greater opportunity for survival for the farm for the next generation.

For many, farming is a way of life, and how that life is lived may be influenced by the machinery used on the job. Newer equipment may not only reduce the labor requirements to do the job, but it may also do a better job. Both the reduced labor and the higher quality product may provide greater gross returns, but may also provide much greater satisfaction for the farm operator, substantially improving the quality of life for the farmer.

Wealth can be stored for the future in many forms. When incomes are high, cash can be invested in land or new machinery as ways to store wealth for future years. The land will generate income and typically appreciate in value in future years. And, if machinery is paid for when incomes are high, operators have the opportunity to live off of depreciation in future years if income is lower.

Decisions regarding investments in assets should be largely based on after tax rates of return—that is, people should invest in the opportunities that provide the highest after tax rate of return (adjusted for the risk of the investment and the risk to the total portfolio). The information one needs then to make decisions is to know the rates of return for the various alternatives. There is a wide range in rates of returns to agricultural producers. Outstanding producers may have outstanding rates of return thus justifying continually reinvesting in agricultural assets. Measures of returns to agriculture (after tax) need to include both cash rate of return plus appreciation of land assets. The after tax calculation is also complicated by the fact that cash returns are taxed as ordinary income at the rate for your income level.

Appreciation in value is not taxed if it goes through an estate, and is taxed at a capital gains rate if sold. One might also have to consider getting advice on estate tax rates because they

may impact the transfer of assets between generations. This is particularly difficult right now as estate taxes are subject to frequent attempts to change or elimination.

Rates of return also need to be adjusted for the risk involved. This becomes a subjective, but important exercise. One should not invest strictly in the highest rate of return assets without considering the risk associated with the investment. However, considering risk becomes a highly subjective evaluation. One of the difficulties with this evaluation is that risk may be perceived as lower due to familiarity. The known risks of agriculture may seem less threatening than the less familiar risk associated with stocks for example. This may lead some to perceive the risk of the familiar to be less than the risk of the unknown which would then lead some to invest in agricultural assets.

### **Reasons to Invest Outside Agriculture**

Over long periods of time, rates of return in the stock market have generally been substantially higher on average than returns in agriculture. This is particularly true of individuals who earn average or below average rates of return in agriculture. This suggests that for producers who earn average or below average rates of return, they should strongly consider investing outside of agriculture. The gap between rates of return outside of agriculture and for agriculture are smaller for the excellent agricultural producer and may even go away for extraordinarily outstanding producers. However, for average or below average agricultural producers, rates earned in agriculture have been historically much lower than in the stock market in general. As always, historical returns are no guarantee of future returns! Again, it is important to compare after tax returns across the alternatives to make an informed decision regarding allocations of future investments in agricultural or non-agricultural assets.

Diversification into assets with returns that are unrelated to returns in agriculture could prove very beneficial. Not having all your eggs in one basket could be very valuable if you

trip! Returns in production agriculture are vulnerable to weather fluctuations, market price fluctuations, government policy changes, disease and bio-terror possibilities. Being diversified into assets with returns unrelated to returns in agriculture could be very rewarding if returns in agriculture are seriously disrupted.

There are several additional reasons to invest outside of agriculture. If there are no good expansion possibilities in production agriculture – no convenient land for sale, then it makes sense to pursue other investment alternatives. In addition, paying too high a price for farm assets reduces rates of returns to those assets. There is a disincentive to invest in additional agricultural assets if the farm is at a size where getting bigger means you need to add a lumpy input (such as another person). Getting just a little larger would then bring on a large cost for the additional person involved, and may not return enough to pay for the additional person. This may be an issue for labor, but also for facilities or equipment. Another reason to invest out of agriculture involves the stage of life of the operator. If the operator feels the farm is large enough, and expansion just means too much more work at the current stage of life, then off farm investments might look very appealing. This situation might be more prevalent for individuals who do not have children intent on farming in future years.

If the reasons for investing off the farm outweigh reasons for reinvesting in agriculture, then several things should be considered. Generally, a well laid out plan can serve a valuable service in terms of helping to achieve the long term goals sought.

### **Retirement Investment Strategies**

The typical financial planner advises clients to pursue a strategy that involves ordering the possible alternative investments, with the investments having the greatest financial advantages at the top. Typically, the best investment is one that might be matched by the employer, so any type of saving alternative that has any kind of match gets the highest priority.

After maxing out those alternatives, the next best alternatives involve those that have tax advantages. Of those alternatives, the Roth IRA is frequently seen as the most advantageous because all money withdrawn from a Roth IRA is not taxed. The money that is put into the Roth IRA has been taxed, but the money contributed as well as all the increase in value of the investment is not taxed upon withdrawal. There are provisions that limit withdrawal to age 59 ½ and other conditions that must be met if the age is less than 59 ½. Next in order of preference are those alternatives that have tax advantages because the money that goes into them is not taxed. This allows more money to be invested which results in greater returns over the years, but the entire amount is taxed upon withdrawal. The traditional IRA falls into this category. The traditional IRA is particularly attractive if one is in a high tax bracket when the money is contributed, and a lower marginal tax bracket when the money is withdrawn.

Comparing total after tax rates of returns on investments is critical to making the best judgment regarding an investment strategy. In addition, the risk associated with the investments must be evaluated, and the rates of return must be compared in light of the risk involved with each of the investments. And as always, most of these comparisons are made by looking at historical rates of return which is no guarantee of future rates of return.

## **Summary**

Farm data from the farm management associations was selected to show the sources and uses of funds on farm operations in 2002 and 2003. In particular, the amount of off farm investments made in stocks, bonds, and retirement accounts was investigated to see how many farms made those investments and how large the investments were. The majority of farms made no investments in off farm investments during this period, and the investments that were made were relatively small compared to the other uses of funds. Motivations for investing in agriculture and in non farm assets were discussed. There is likely a need for educational

programs related to off-farm investment, so that those who are interested are more comfortable in exploring the options available to them.

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**Table 1. Sources and Uses of Funds in 2002 and 2003**

| Variable                                 | Mean of 177 farms<br>in 2002 | Mean of 160 farms<br>in 2003 |
|--|------------------------------|------------------------------|
| Total Sources                            | 412,482                      | 382,604                      |
| Total Cash Farm Receipts                 | 358,050                      | 314,280                      |
| Asset Sales                              | 5,589                        | 13,364                       |
| Net Farm Loans Received                  | 21,073                       | 20,943                       |
| Non-farm Income                          | 25,192                       | 27,664                       |
| Net Non-farm Loans Received              | 872                          | 3,634                        |
| Net Transfers in (Accts. Receivable)     | 1,704                        | 2,715                        |
| Total Uses                               | 409,369                      | 378,711                      |
| Total Cash Farm Expenses                 | 298,904                      | 259,879                      |
| Assets Purchased                         | 34,402                       | 41,857                       |
| Net Farm Loans Paid                      | 27,180                       | 27,613                       |
| Total Taxes (Income, Soc. Sec., Prop.)   | 6,840                        | 7,069                        |
| Total Family Living Expenses             | 38,745                       | 37,608                       |
| Investments (Stocks, Bonds, Ret. Accts.) | 1,096                        | 2,276                        |
| Net Non-farm Loans Paid                  | 1,032                        | 1,779                        |
| Net Transfers Out (Accts. Receivable)    | 1,167                        | 626                          |

**Table 2. 2002 Means by Farm Size**

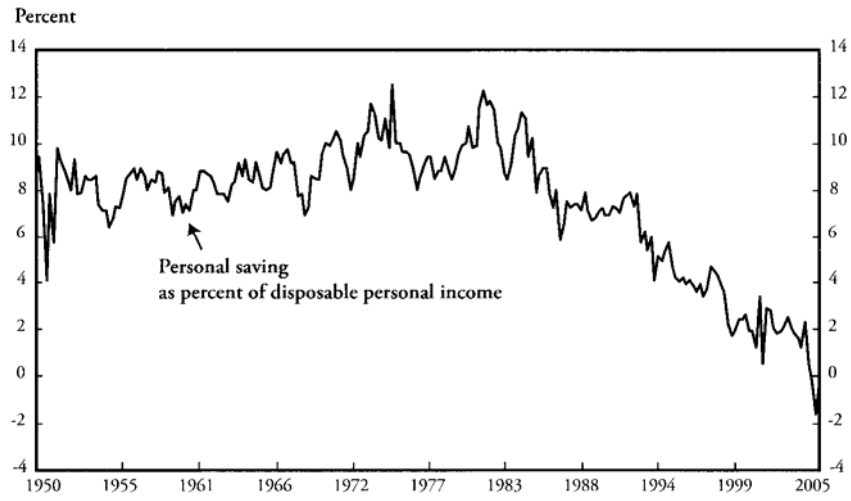
| Farm Size                                | Small<br>\$0-\$100,000 | Medium<br>\$100,000-<br>\$250,000 | Large<br>\$250,000-<br>\$500,000 | Largest<br>\$500,000 and<br>greater |
|--|------------------------|-----------------------------------|----------------------------------|-------------------------------------|
| Total Sources                            | 161,600.93             | 321,901.49                        | 572,071.06                       | 1,319,341.94                        |
| Total Cash Farm Receipts                 | 118,278.71             | 269,391.51                        | 510,059.89                       | 1,238,943.31                        |
| Asset Sales                              | 5,536.12               | 6,084.95                          | 5,250.33                         | 4,234.39                            |
| Net Farm Loans Received                  | 6,379.90               | 17,607.32                         | 30,268.56                        | 64,057.22                           |
| Non-farm Income                          | 30,402.94              | 26,801.43                         | 24,341.06                        | -1,702.58                           |
| Net Non-farm Loans Received              | 149.69                 | 912.09                            | 1,749.72                         | 98.42                               |
| Net Transfers in (Accts. Receivable)     | 853.57                 | 1,104.19                          | 401.48                           | 13,711.19                           |
| Total Uses                               | 162,194.66             | 320,051.70                        | 565,597.70                       | 1,307,198.35                        |
| Total Cash Farm Expenses                 | 98,684.28              | 229,583.94                        | 403,919.85                       | 1,092,842.51                        |
| Assets Purchased                         | 8,410.30               | 25,572.22                         | 64,949.43                        | 70,236.68                           |
| Net Farm Loans Paid                      | 15,430.61              | 18,191.59                         | 38,975.47                        | 80,418.40                           |
| Total Taxes (Income, Soc. Sec., Prop.)   | 5,958.00               | 5,138.76                          | 10,875.53                        | 4,491.33                            |
| Total Family Living Expenses             | 30,512.35              | 38,562.47                         | 42,871.89                        | 56,583.67                           |
| Investments (Stocks, Bonds, Ret. Accts.) | 1,373.79               | 681.19                            | 1,512.62                         | 777.00                              |
| Net Non-farm Loans Paid                  | 1,174.79               | 972.53                            | 1,207.96                         | 133.08                              |
| Net Transfers Out (Accts. Receivable)    | 650.53                 | 1,349.00                          | 1,284.94                         | 1,715.68                            |
| Number of Observations                   | 48                     | 70                                | 47                               | 12                                  |

**Table 3. 2003 Means by Farm Size**

| Farm Size                                | Small<br>\$0-\$100,000 | Medium<br>\$100,000-<br>\$250,000 | Large<br>\$250,000-<br>\$500,000 | Largest<br>\$500,000 and<br>greater |
|--|------------------------|-----------------------------------|----------------------------------|-------------------------------------|
| Total Sources                            | 134,822.16             | 303,209.14                        | 475,735.59                       | 990,150.04                          |
| Total Cash Farm Receipts                 | 75,476.68              | 248,461.77                        | 396,882.37                       | 881,446.26                          |
| Asset Sales                              | 3,184.83               | 13,366.25                         | 12,991.99                        | 41,703.29                           |
| Net Farm Loans Received                  | 11,027.70              | 13,425.24                         | 34,484.19                        | 24,458.17                           |
| Non-farm Income                          | 39,420.73              | 23,840.95                         | 24,005.30                        | 25,731.43                           |
| Net Non-farm Loans Received              | 4,191.73               | 1,835.11                          | 3,584.78                         | 9,425.36                            |
| Net Transfers in (Accts. Receivable)     | 1,520.50               | 1,279.82                          | 3,786.96                         | 7,385.54                            |
| Total Uses                               | 133,119.42             | 297,334.24                        | 476,658.22                       | 969,681.85                          |
| Total Cash Farm Expenses                 | 58,536.79              | 210,472.03                        | 323,775.66                       | 739,641.05                          |
| Assets Purchased                         | 27,071.45              | 20,795.20                         | 65,038.09                        | 74,270.07                           |
| Net Farm Loans Paid                      | 8,001.15               | 23,311.85                         | 28,739.49                        | 92,003.02                           |
| Total Taxes (Income, Soc. Sec., Prop.)   | 4,113.24               | 5,668.47                          | 10,049.41                        | 8,891.50                            |
| Total Family Living Expenses             | 31,789.00              | 33,760.45                         | 41,816.61                        | 51,879.21                           |
| Investments (Stocks, Bonds, Ret. Accts.) | 1,739.51               | 956.45                            | 3,981.17                         | 2,310.21                            |
| Net Non-farm Loans Paid                  | 1,415.86               | 1,545.64                          | 2,550.76                         | 686.79                              |
| Net Transfers Out (Accts. Receivable)    | 452.42                 | 824.14                            | 707.04                           | 0.00                                |
| Number of Observations                   | 37                     | 55                                | 54                               | 14                                  |

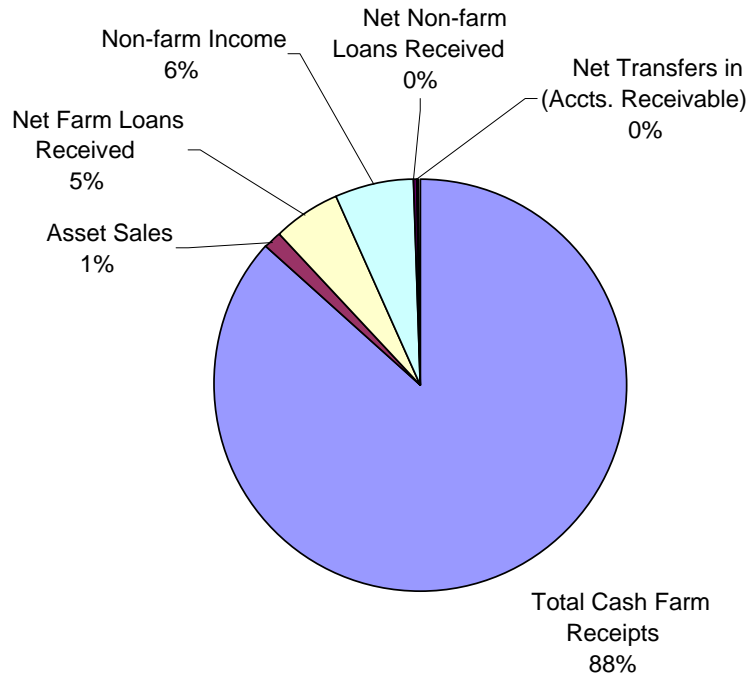
Chart 1

THE DECLINE IN THE PERSONAL SAVING RATE

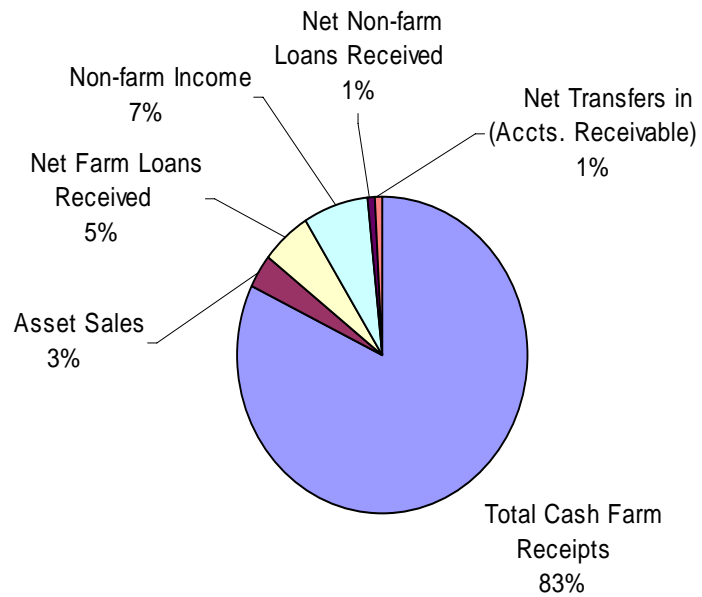


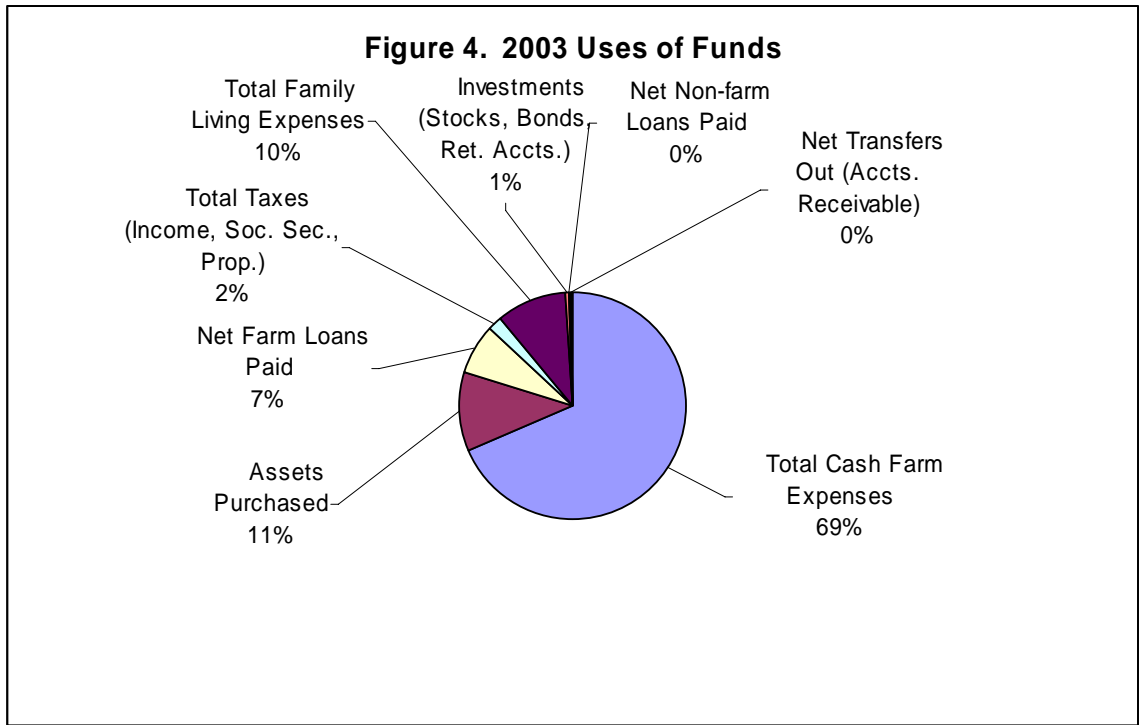
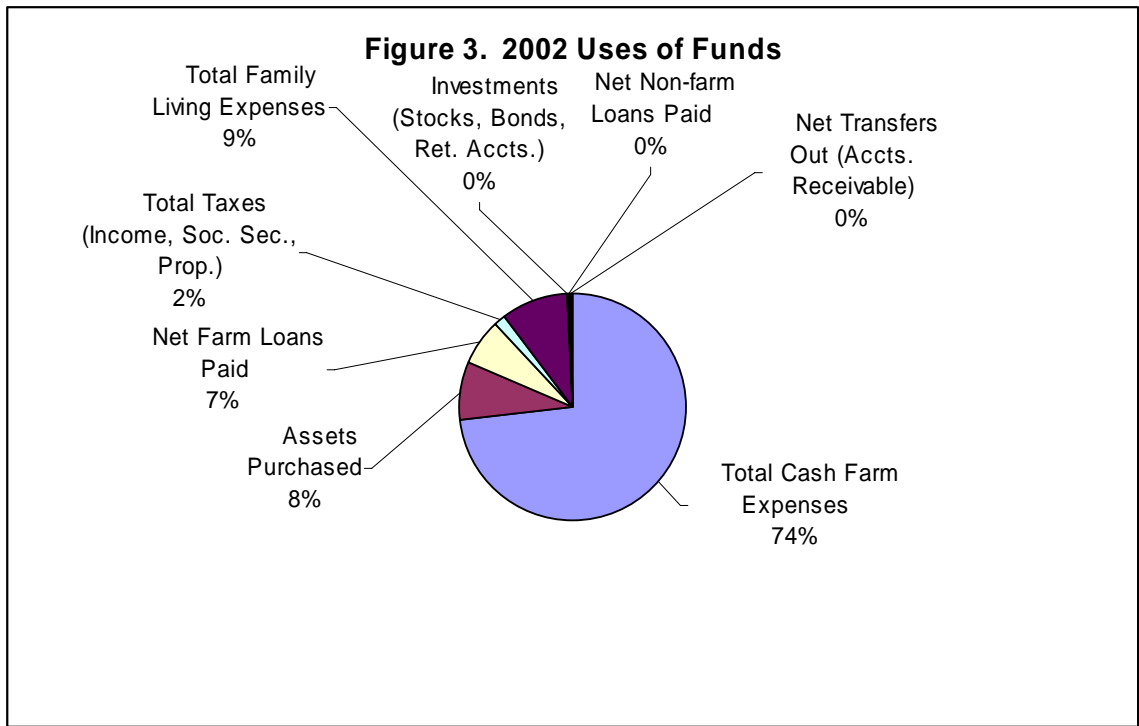
Source: U.S. Department of Commerce

**Figure 1. 2002 Average Sources of Funds**

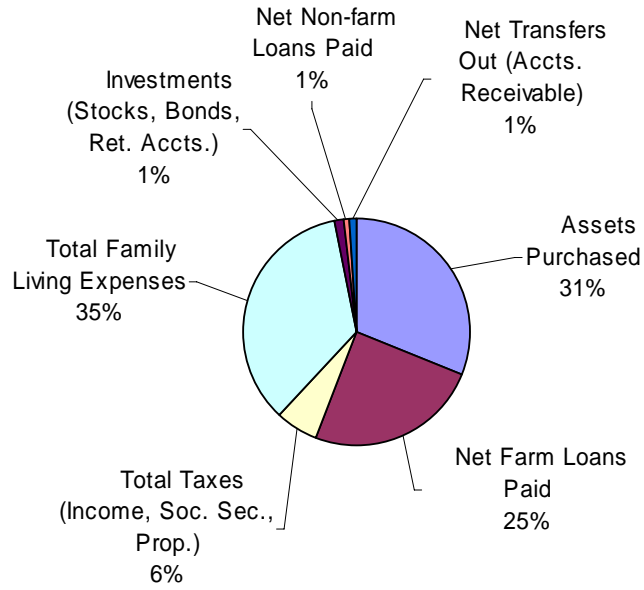


**Figure 2. 2003 Average Sources of Funds**

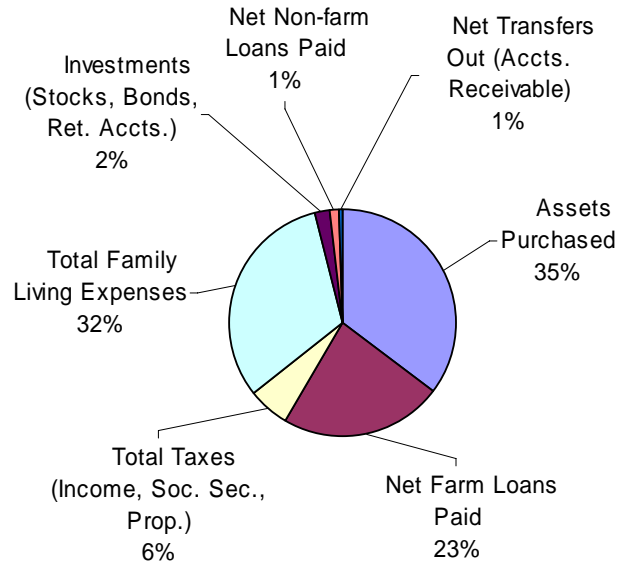




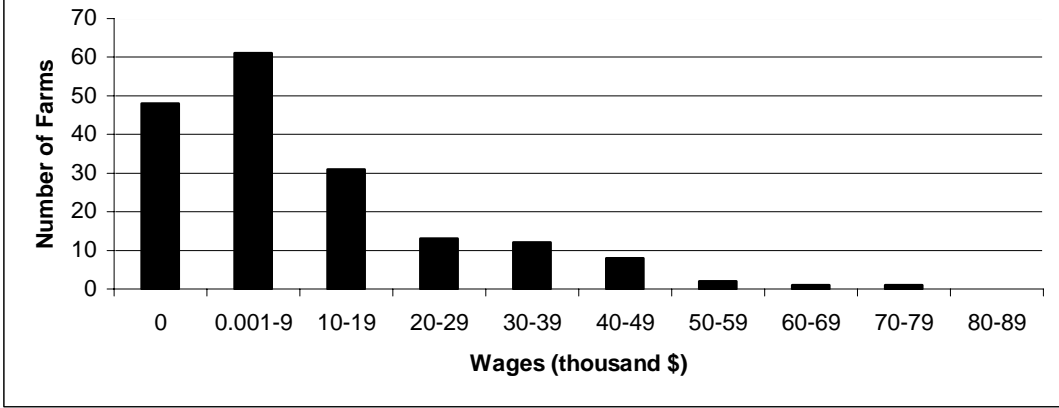
**Chart 5. 2002 Discretionary Uses of Funds**



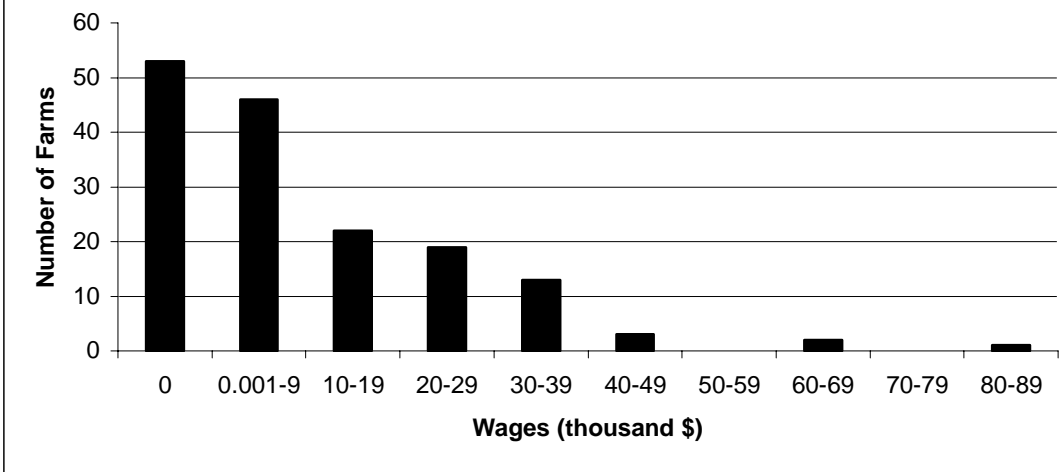
**Figure 6. 2003 Discretionary Uses of Funds**



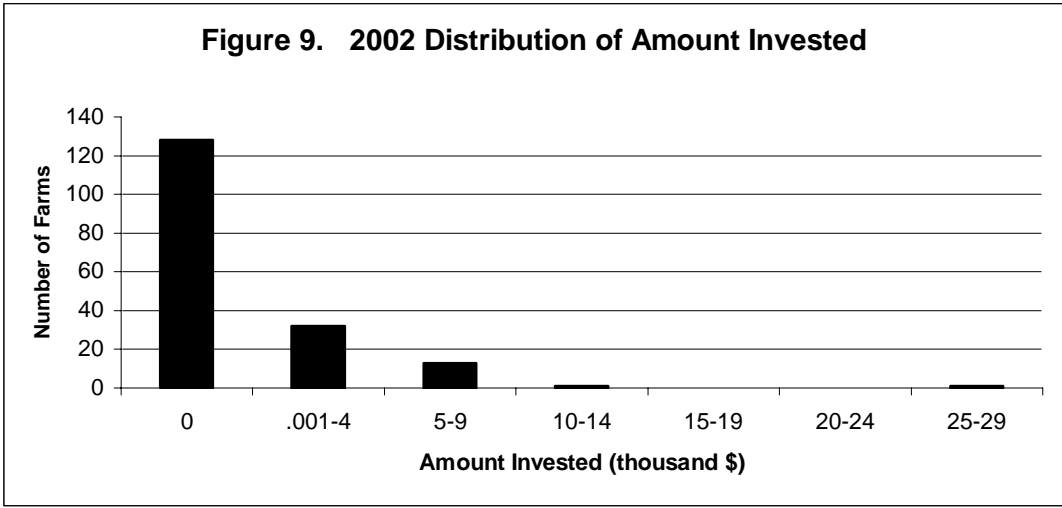
**Figure 7. 2002 Distribution of Wages**



**Figure 8. 2003 Distribution of Wages**



**Figure 9. 2002 Distribution of Amount Invested**



**Figure 10. 2003 Distribution of Amount Invested**

