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A Financial Profile of Nebraska Farm Businesses-1994

by

Bruce Johnson

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A FINANCIAL PROFILE OF NEBRASKA FARM BUSINESSES - 1994

by

Bruce Johnson *

*Professor, Department of Agricultural Economics, University of Nebraska-Lincoln

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A FINANCIAL PROFILE OF NEBRASKA FARM BUSINESSES--1994

SUMMARY

The first *Nebraska Agricultural Finance Survey* conducted in late 1994 provided comprehensive financial information for a sample of nearly 400 Nebraska farm households and their agricultural operations. A sample of farms was drawn from *The General Farm Directory* of agricultural producers having annual agricultural sales of at least $10,000 per year. The sample was also stratified by sales class so as to be more representative of the state. However, because the number of farms in the data base is relatively small, these survey findings are not to be used as representative norms for Nebraska's farming sector. Rather these data are to be used to examine general relationships of various categories of farm businesses.

The average Nebraska farm household in this sample owned assets at the beginning of 1994 totaling over $517,000. Average debt per farm was $112,000, leaving an average net worth of $405,000. The debt to asset ratio averaged .217, a level considered to be quite manageable in terms of debt servicing ability.

As for income level, nearly a third of producers in the sample reported a net farm income of $30,000 or more for 1993. One in ten respondents indicated net farm earnings in excess of $60,000 for the year. On average, net farm income was an estimated $27,400 for the year 1993.

However, farm income is often combined with off-farm income to meet the financial needs of the farm family. In this survey, more than four out of every five sample farm households (82 percent) reported at least some off-farm income for the year 1993. For more than a fourth of these households, their annual off-farm income component was at least $20,000. For the total sample, the average off-farm income was $13,200 in 1993. In combination with the estimated net farm income, the average total household income was $40,600 for 1993.

Income patterns and financial statements varied widely by economic size of farm. Small farm households (less than $100,000 agricultural sales annually) combined an estimated average of $21,000 of net income with $16,300 of off-farm income to get a total average household income of $37,300 for 1993. Nearly 90 percent of these farm households had off-farm income. Their farm assets were just under $300,000 and their average net worth totaled a quarter of a million dollars. Their debt to asset ratio was, on average, quite low, .15. Households of mid-sized farms ($100,000 to $250,000 annual sales) were about twice as large in terms of total asset value and net worth. Their debt to asset ratio was .22. Being larger agricultural operations, these households had an average net farm income of $32,800 in 1993. Both the incidence and magnitude of off-farm income was less for this mid-sized group with average off-farm income being $8,800 in 1993. Their combined income for the year was estimated to average $41,600. Large farm households (annual sales of $250,000 or more) had an average asset value of more than $1.3 million and a net worth approaching one million dollars. They also reported average debt of more than $360,000 which led to a debt to asset ratio of .27 for this group. Average net farm income for the large farm households was $37,300 and off-farm income averaged $9,700 in 1993, resulting in total estimated income being $47,000 for the year.

Differences in financial and income patterns also showed up across the different types of farms in the sample, but the variation was less. Cash grain farms had substantially larger off-farm income levels than the other farm classes involving livestock enterprises. When combined with average 1993 farm income, the cash grain farm households had the largest total income, $45,300. The other farm types averaged less than $40,000 total household income in 1993.

For this sample of Nebraska farm households, one out of five operated without any agricultural debt. This incidence of debt-free farming households was consistent across all size classes of net farm income for the year 1993. However, many farm households do rely heavily upon debt capital as indicated by the fact that about a third of the survey respondents reported interest payments of at least $10,000 for 1993.

The households reported using a variety of risk management strategies in their agricultural operations. However, the primary strategy reported was government farm program participation. Given 1996 farm program legislation that essentially phases out government supply control of major crop commodities over the next seven years, this risk reduction strategy will need to be replaced by others in the years ahead.

Respondents to the *Nebraska Agricultural Finance Survey* were also asked to list taxes paid for 1993 by their households. On average, each farm household paid nearly $16,000 of taxes in 1993, of which property taxes represented about one third of the obligation. The ratio of tax burden to total household income for that year averaged .39 . Largely because of the relatively greater amount of taxable assets, this tax burden of farm households in generally larger than that of typical nonfarm households in Nebraska with similar income levels.

As part of the farm financial survey, respondents were asked about family health insurance. Nearly all, 95 percent, reported having health insurance coverage in 1994, with little variation across size and type of farm. As to source of coverage, a third of the respondents were participating in a group health plan offered through their off-farm employment. For many such farm households, the off-farm opportunity to participate in a group health insurance plan may be as important as the wage earning potential of the job itself.

A FINANCIAL PROFILE OF NEBRASKA FARM BUSINESSES - 1994

INTRODUCTION

In September 1994, the first *Nebraska Agricultural Finance Survey* was conducted by the Nebraska Agricultural Statistics Service in cooperation with The University of Nebraska Lincoln. Other sponsors included The Nebraska Department of Agriculture, The Nebraska Department of Economic Development, and The Nebraska Rural Development Commission.

The purpose of the study was to investigate the financial characteristics and performance of a sample of Nebraska farms.[1/] The general attributes and distributions are presented, including various measures of profitability, liquidity, and solvency.

A random sample of 2,500 farm/ranch operators was selected from the ***General Farm Directory*** of agricultural producers in the state and surveyed using a mail questionnaire. Nearly 400 agricultural producers returned completed questionnaires from which the findings were extracted.

The sample was stratified by dollar size class of annual farm marketings to facilitate the expansion of the sample into more representative estimates for the state. The stratification of the sample by size was designed to make the survey response more representative of the state's commercial farm operations. So, farms with less than $10,000 gross sales annually were not included in the sample. As a result, the survey over-represents larger operations when compared with the acreage size distributions from the 1992 Census of Agriculture for Nebraska (**Table 1**). However, when compared with operator age distributions, the survey respondent group conforms closely to that of The Agricultural Census (**Table 2**).

Because the number of farms in this data base is relatively small, the financial measures included in this report are not to be construed as norms for Nebraska's farming sector. Rather the data are to be used to examine general financial patterns and relationships of various categories of farm businesses.

THE FINDINGS

The Total Sample

The farm and household characteristics of survey respondents are presented in **Table 3**. On average, these operators were 50 years of age and had more than 27 years of farming experience. Clearly, farming is, for most, a long-term endeavor. The typical farm household consisted of the operator and two others who relied, at least in part, upon the earnings from the farming operation.

[1/]Farms in this study refers to farms and ranches.

Educational level of the operator was typically some formal education beyond high school. Some 13.4 percent of the operators reported having a technical/associate degree from a community college or trade school. Nearly a fourth of the operators in the sample (23.4 percent) had completed college earning a bachelors degree. Another 5.4 percent reported holding advanced graduate degrees (**Figure 1**).

The general pattern for the spouse was to have a somewhat higher level of formal education than that of the operator. One in five (20.1 percent) had completed programs at community colleges, while nearly one third (31.8 percent) held a bachelors degree, and another 4.7 percent reported advanced degrees.

In summary, the formal educational level of this sample of Nebraska farm households was relatively high. This was made evident by comparing these educational levels with those of a statewide representative sample of Nebraska households in the Nebraska Annual Social Indicators Survey (NASIS) conducted by the *Bureau of Sociological Research,* University of Nebraska-Lincoln. On the basis of the NASIS Survey, 11.6 percent of the adult respondents in the households surveyed had a technical/associated degree, 16.2 percent held a bachelor's degree, and 9.5 percent held an advanced degree.

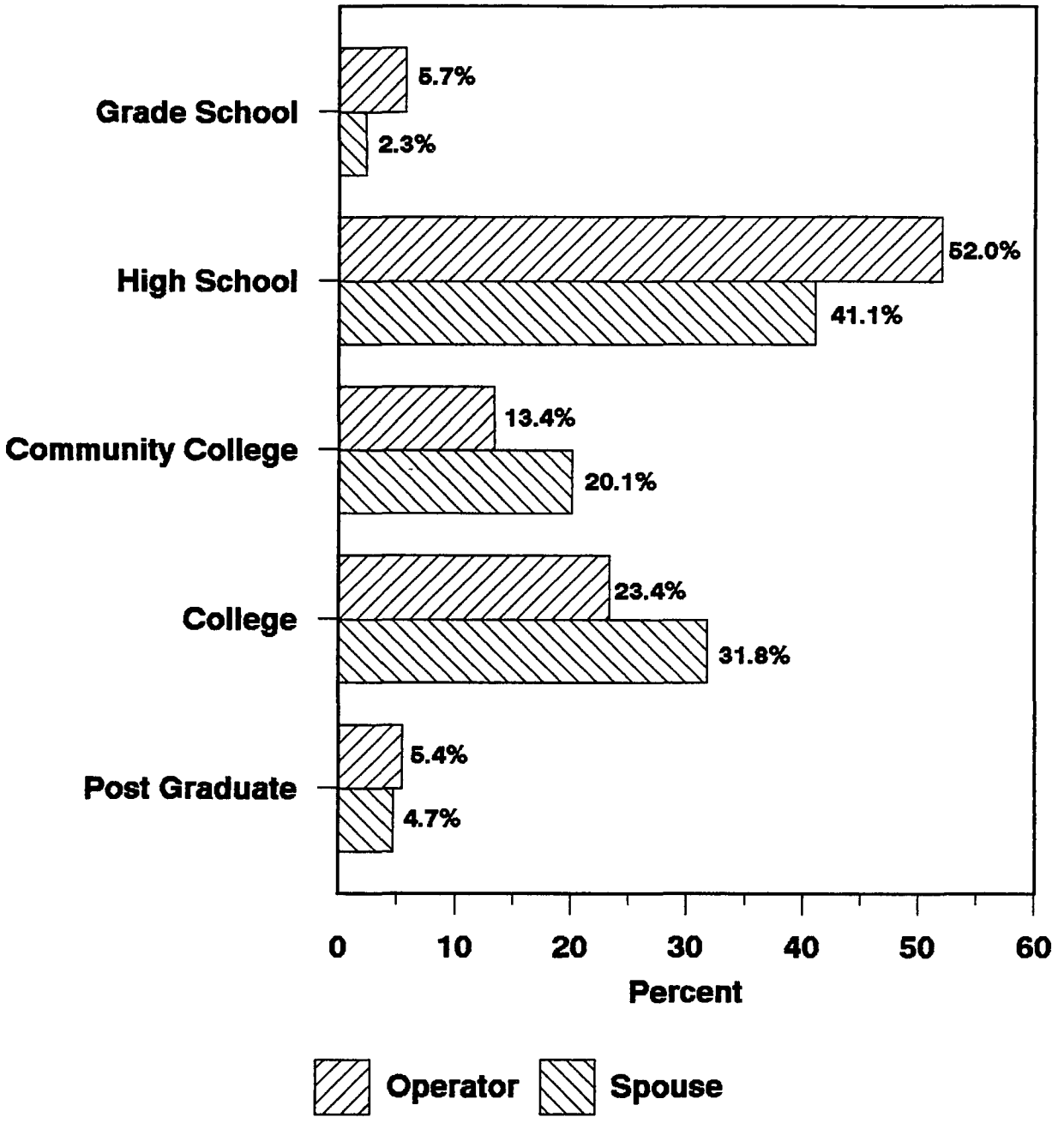
As for the farming operations themselves, units in the Nebraska Agricultural Finance Survey were weighted towards crop production with about three fifths of the gross sales being revenues from crop sales. For the state as a whole, sales of agricultural output are weighted more heavily towards livestock, due in large part to some very large livestock operations with multimillion dollar sales levels. As a consequence, the producer group sampled here did not conform closely to the aggregate gross sales pattern of the state.

In terms of land tenure patterns, the typical farm in the sample consisted of 1,187 acres of which just over half (52 percent) was owned by the operator and the remainder was rented from other owners. This size is somewhat larger than the 839 acre average for Nebraska farms in the 1992 Census of Agriculture, and is reflective of the fact that farms of less than $10,000 annual gross sales were excluded from this sample. The percentage of acreage in farms which is owned by the operator, however, is essentially identical with the findings of the 1992 Census of Agriculture for Nebraska for the all-farm average.

One of the most important findings of the Agricultural Finance Survey was the incidence of off-farm income among these Nebraska farm households. More than four out of every five households (82.1 percent) in the survey reported at least some off-farm income for the year, 1993. Since the Census of Agriculture does not provide such a measure of the off-farm income component in farm households, there has not been a clear indicator of its significance. By the measure above, there is certainly an inference that off-farm employment and non-farm income-generating opportunities are important to the economic viability of most Nebraska farm households.

Respondents to the *Nebraska Agricultural Finance Survey* provided detailed financial information on their 1994 balance sheets (beginning year). The average for the total sample is presented in **Table 4**. Total owned assets averaged nearly $518,000 per farm family as of January 1, 1994, of which real estate constituted over half (53 percent) of the value. Average total liabilities (debt outstanding) was over $112,000 of which 54 percent was long term real estate debt.

Figure 1. Formal Educational Levels Attained by Sample of Nebraska Farm Operators and Their Spouses



Source: 1994 Nebraska Agricultural Finance Survey

When total liabilities are subtracted from the total asset value, the owner equity or net worth is derived. This represents the owner's financial stake in the business. For this sample of Nebraska farms, average net worth as of January 1, 1994 was over $405,000.

A key ratio for assessing financial solvency is the debt-to-asset ratio. For the entire sample of Nebraska farms, this ratio was .217 as of January 1, 1994. A debt level of this magnitude in production agriculture is generally not regarded as excessive in terms of debt servicing ability. In fact, levels of nearly twice that magnitude can often be reached before debt servicing problems become problematic. However, it should be noted that debt servicing ability can vary by type of farm and the associated type of debt involved. Moreover, while this financial ratio appears modest in the aggregate, it is important to realize that this average debt to asset ratio reflects a full array of farm-reported ratios from 0 percent (no debt) to more than 70 percent. Clearly, while sound economic indicators may be the situation in the aggregate, cases of severe financial stress and vulnerability can, and in fact do, exist among Nebraska agricultural producers, as subsequent tables in this report will suggest.

As for income levels, survey respondents were asked to classify themselves as to level of net farm income and off-farm income (if any) in 1993. As noted in **Figure 2** , nearly a third of the sample farm households (31.4 percent) reported net farm income of at least $30,000 for 1993. One in ten respondents indicated net farm earnings in excess of $60,000 for the year. Net farm income was defined here as calendar year income with all reported income and expenses on a cash basis . Net cash farm income is then adjusted for depreciation and ending inventory adjustments during the year to arrive at net farm income.

Because respondents were not asked to state their specific 1993 net farm income, the average income level can not be identified with precision. However, assuming (1) actual levels were at the midpoint of the closed income classes, (2) those reporting negative income averaged a $ -2,500 loss, and (3) those with 1993 net farm income in excess of $100,000 averaged $120,000, then an estimated average can at least be approximated. This approximated average for the total sample of farms was $27,400 for the year 1993.

As previously noted, more than four out of every five farm households (82.1 percent) in the survey reported at least some off-farm income for the year 1993. Clearly, dual-income households are the rule in rural areas just as the case in urban areas. For a fourth of the sample households (26.3 percent) their annual off-farm income component was at least $20,000 in 1993 **(Figure 3)**.

As with net farm income, survey respondents did not state their off-farm income specifically. But assuming (1) actual levels were at the mid-point of the closed off-farm income classes and (2) those classified with nonfarm income in excess of $50,000 averaged $55,000, then the approximated average for the total sample of farms was $13,200 of off-farm income per household in 1993.

When these estimated averages for 1993 net farm income and off-farm income were combined, the total average household income was $40,600 per sample farm household.

Figure 2. Levels of 1993 Net Farm Income For a Sample of Nebraska Farm Households

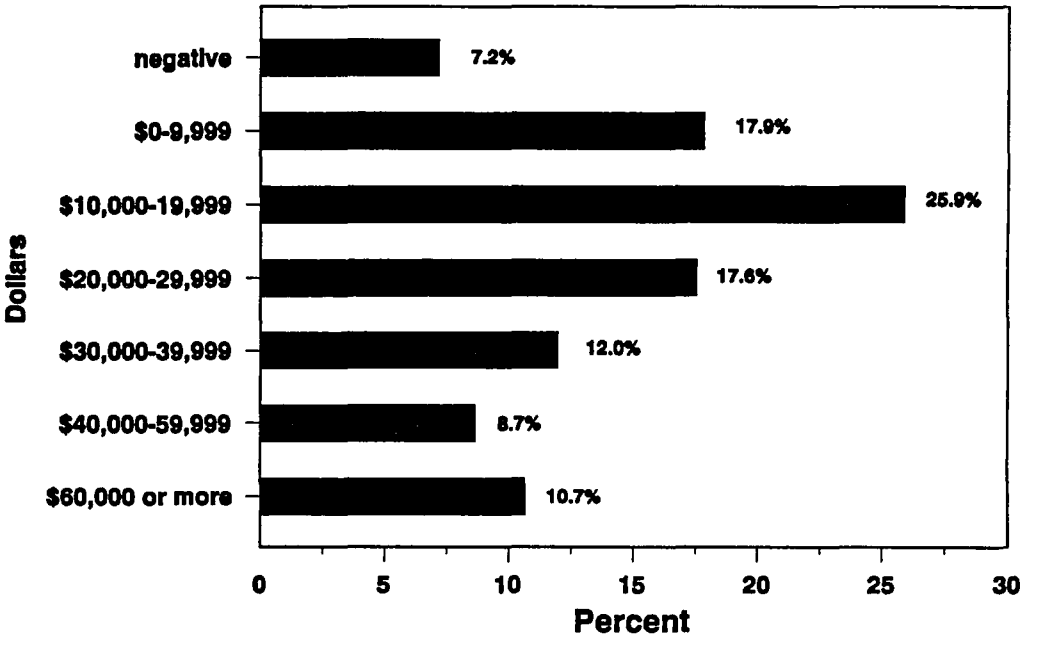
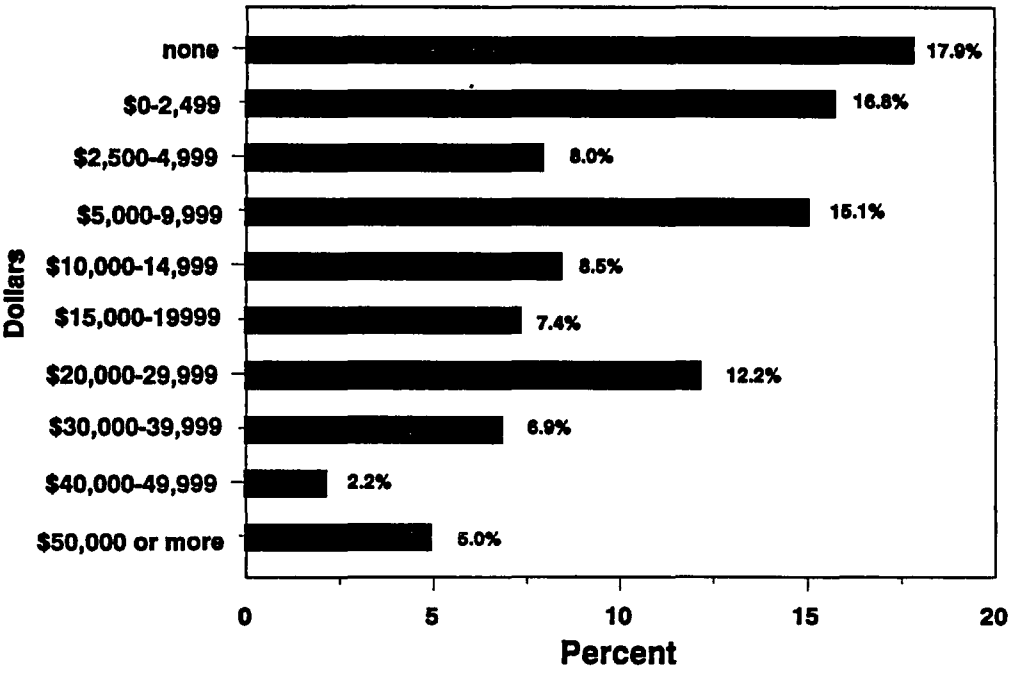


Figure 3. Levels of 1993 Off-Farm Income For a Sample of Nebraska Farm Households



Source: Nebraska Agricultural Finance Survey

Comparison By Gross Sales Volume

Size of annual farm gross sales volume can be an important structural variable impacting financial performance. Three size classes were used in this analysis to represent small, medium, and large farm/ranch operations--less than $100,000, $100,000 to $249,999, and $250,000 and over.

Table 5 contains operator and farm characteristics for each of these different size groups. Operators of the larger units tended to be somewhat younger than the overall average with fewer years of farming experience. Also, they were likely to have more dependents, indicative of younger families, as well as a somewhat higher level of formal education.

There were noticeable differences in the mix of sources of gross farm income across the size class groups. Particularly, the largest farm class had a higher percentage of sales volume from livestock enterprises (this is a logical pattern since livestock enterprises usually require a higher volume of sales than crop enterprises to generate a given level of net farm income).

Likewise, land tenure characteristics differed, with the largest size class reporting substantially greater acres operated and owned. One reason for this pattern is the presence of some larger ranch operations in that size class.

Dependency upon off-farm income sources tends to decline as size of farm operation grows. While the existence of off-farm income approached 90 percent among the smaller farm households, only about half of those farms with sales of $250,000 or more reported off-farm income for 1993.

The average 1994 balance sheet by annual agricultural gross sales is presented in **Table 6**. Clearly, asset values as well as debt levels increase with level of sales volume. Average asset value was under $300,000 for farms reporting less than $100,000 annual sales, but was more than twice that level for the mid-sized class and more than four times larger for the largest size class. Both non-real estate and real estate debt also increased with size of operation in a similar pattern . For the small farm class, total debt per farm was less than $50,000 while for largest size class, average debt per farm exceeded one-third million dollars as of January 1, 1994. Correspondingly, average net worth levels per farm ranged from one quarter million dollars for the small farm class to nearly one million dollars for the largest size class.

The distribution of net farm income levels across these size classes also revealed substantial differences (**Table 7**). Of farm households with less than $100,000 sales of farm marketings in 1993, nearly two thirds, 62.8 percent, reported less than $20,000 net farm income. In contrast, more of the largest operations reported higher net farm income levels; in fact a fourth of them reported 1993 net farm income of $60,000 or more. Conversely, the magnitude of off-farm income for 1993 was inversely correlated with farm sales volume. Nearly 88 percent of the small farm class reported some off-farm income; and 36 percent of them had off-farm income of $20,000 or more.

Clearly, there is substitution of off-farm earnings for inadequate farm earnings. As would be expected those in the largest size class are less reliant upon off-farm income; in fact, nearly half reported no off-farm income. Time demands may preclude seeking off-farm employment and income by farm households with larger operations. But also there may be less economic need to do so since the farm operation often is generating an adequate income level for the farm household.

Using the estimation process previously described to estimate average 1993 net farm income and off-farm income for these farm size groupings, the average levels appear in **Figure 4**. They are further confirmation of highly-variable configurations of income across size levels. However, it is interesting to note the total household income averages across these farm size groupings were less variable.

Comparison By Type of Farm

Survey respondents were classified according to farm type in order to identify differences in financial conditions which may be associated with different primary enterprises. These categories were as follows:

Cash grain if crops constitute at least 95 percent of total farm sales.

Grain/livestock if crops are 50 to 94 percent of total sales.

Beef if 50 percent or more of total sales are from cattle.

Hog if 50 percent or more of total sales are from hogs.

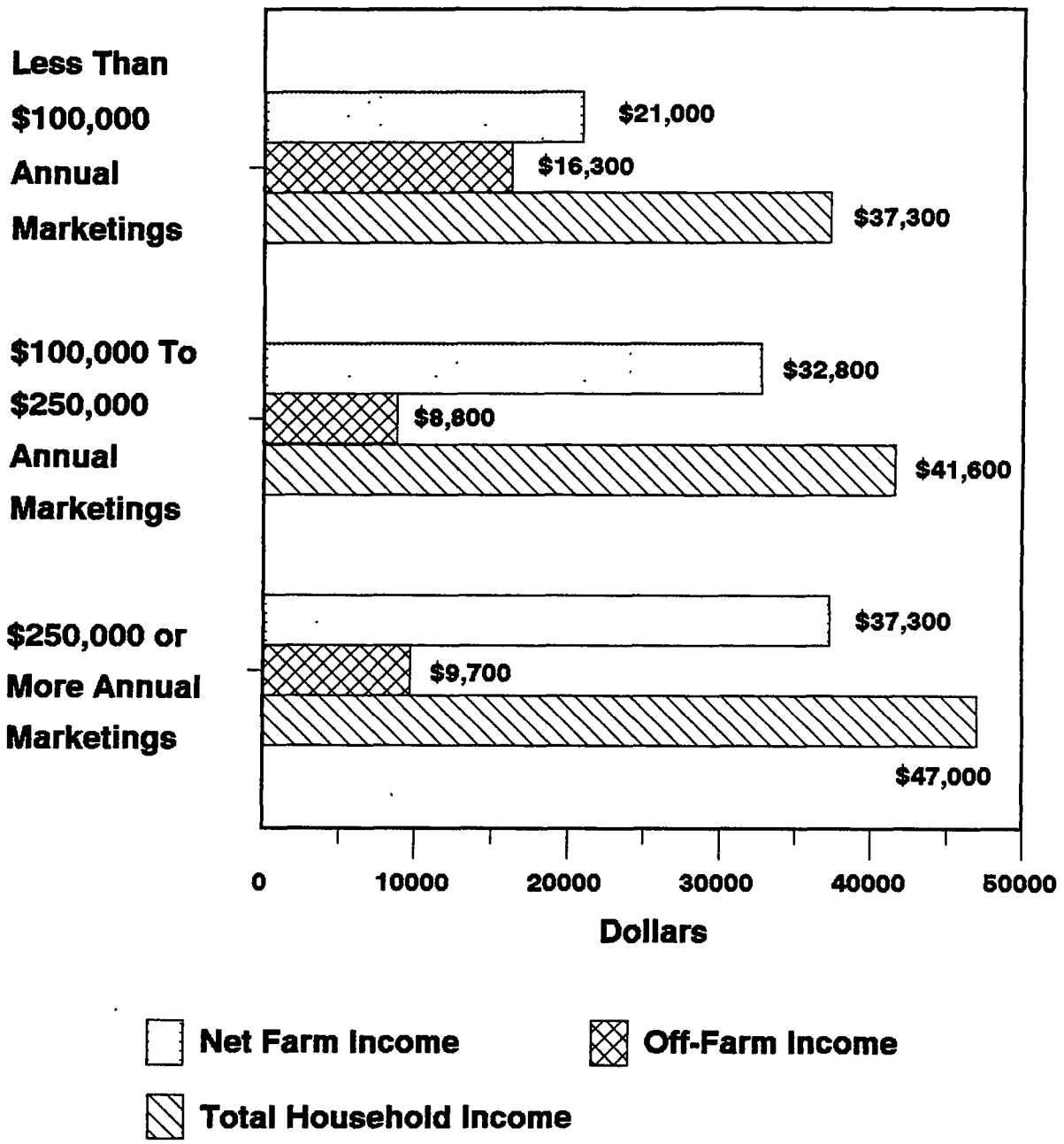
Mixed are all other farms.

As noted in **Table 8**, some differences in family characteristics and land tenure occur across these various farm types. Operator age and years in farming were highest for the beef farms (cow-calf operations as well as fed cattle operations). These also tended to be the largest units (in acreage size) with the largest average percentages of land owned by the farm family (nearly 63 per cent). Farms classified as cash grain were the smallest (630 acres operated) with the lowest percentage of acres owned (44.8 percent).

The balance sheet profiles of these various farming types are presented in **Table 9.** The beef operations had the largest average asset value, of over $750,000. Their total liabilities averaged more than $150,000 as of January 1, 1994, resulting in an average net worth approaching $600,000. In contrast, the mixed farm class had, on average,less than half as much total debt. Likewise, their average net worth of about $305,000 was 51 percent of that of the beef operations. The grain/livestock farms had the highest average debt to asset ratio of the farm classes, .259, while the mixed farms had the lowest, .181.

Table 10 presents the distributions of farm and off-farm income for the five farm types. While the full array of farm income levels is represented within each farm type, the beef operations had somewhat higher representation in the larger farm income classes of $40,000 or more; about one fourth reported being at this level for the year, 1993. In turn, this type of operation was less dependent upon off-farm income, with more than a third of the operations reporting no off-farm income in 1993. Cash grain farms had a somewhat different array of income patterns with higher incidence and magnitude of off-farm income. Operators of nearly nine out of ten cash grain farms in the farm financial survey sample reported at least some off-farm income in 1993, with three out of every eight (38.6 percent) having off-farm income of $20,000 or more. The labor and management requirements of cash grain farming tends to be more compatible with off-farm employment and income ventures than does any kind of livestock operation. Therefore, the pattern observed among these sample farms appears logical.

Figure 4. Average Farm Household Income Levels by Size of Annual Farm Marketings, 1993



SOURCE: Nebraska Agricultural Finance Survey

Estimates of average 1993 income levels for these various types of farms are presented in **Figure 5**. With substantially larger off-farm income earnings the cash grain farm households had the largest total income, more than $45,000 per farm household in 1993. This was 12 percent higher than the all-sample average and 29 percent higher than the mixed-farm category.

Comparison By Level of Net Farm Income

The Farm Finance Survey sample was also sorted by level of net farm income to allow further study of patterns and differences. As noted in **Table 11** , family characteristics differ somewhat across the net farm income classes. Age of operator and number of years farmed tended to increase as level of net farm income rose. Certainly, production agriculture is a long-term vocation in which many farm family households do not attain operations which generate the higher incomes until the operator reaches mid-life or older. As for educational level of the operator, there was some degree of more formal education associated with the highest income class. However, the same did not hold true for the educational level of the spouse. Moreover, for those reporting negative net farm income in 1993, educational level of both the operator and the spouse were at the highest levels of all the classes. Based on this sample of farm households, the occurrence of negative net farm income in any given year may be more common among younger farm households which also tend to have somewhat higher educational levels.

As for sources of gross farm income levels, the configurations varied somewhat across the farm income classes. The highest income classes had somewhat higher percentages of sales derived from crops for the year, 1993. Of course, this would tend to vary from year to year depending upon the relative profitability of the various farm enterprises.

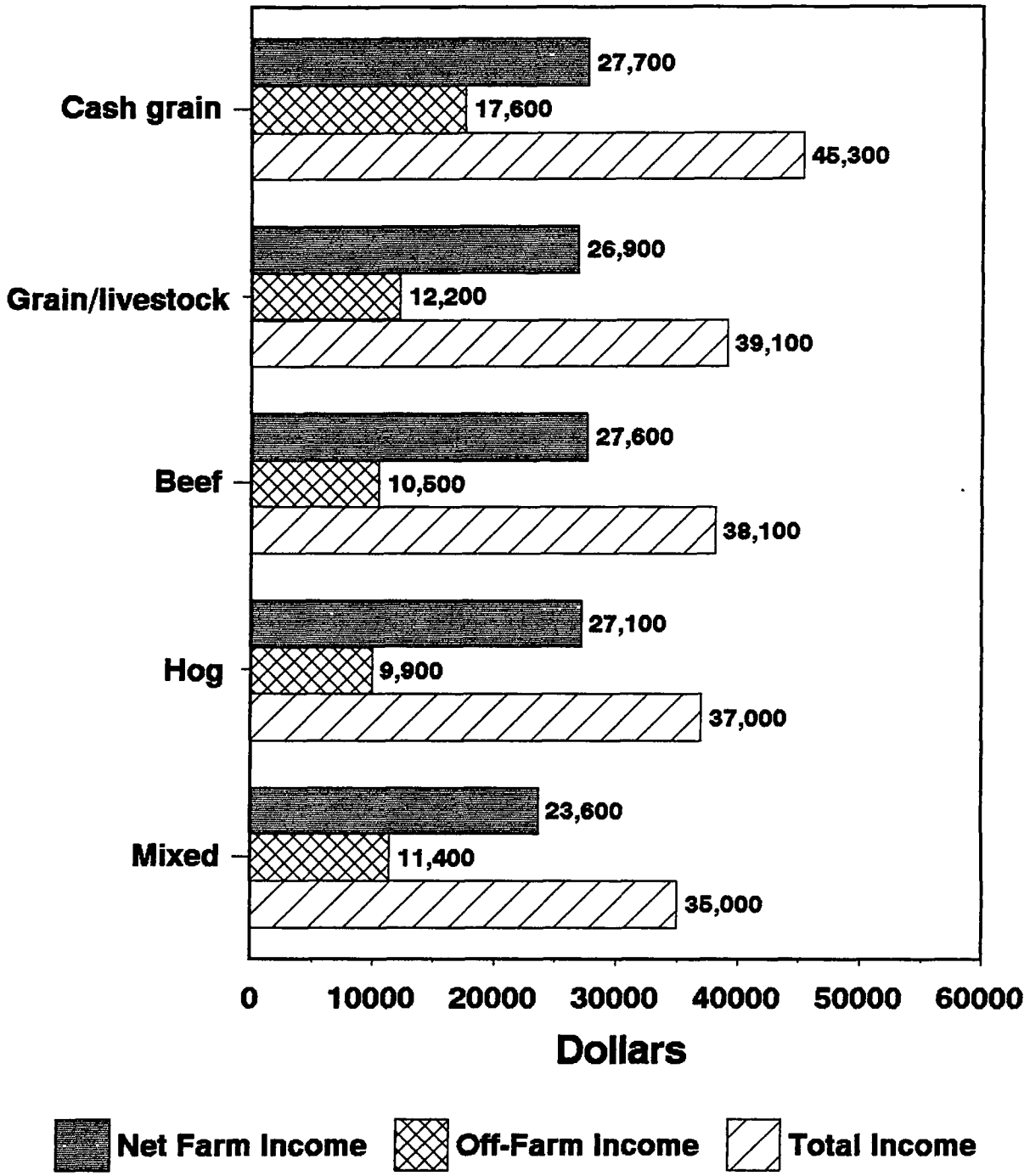
Operators reporting the highest net farm incomes on average were operating much larger acreage bases than the others. Those in the largest net farm income class, $60,000 or more, were operating nearly 2,300 acres, of which about 1,400 acres were owned by the operator. Both the size of operation as well as the greater proportion of acres owned contribute to higher levels of income attainment.

A comparison of balance sheets across these income classes reveal substantial variation in asset and net worth values (**Table 12**). Farms reporting negative net farm income in *The 1993 Farm Finance Survey* reported average total asset value of $300,000 with a net worth of $169,000. In contrast, farms reporting net farm income of $60,000 or more had an average asset value of just over $1 million with a net worth in excess of $830,000.

By another measure, debt to asset ratio, the financial extremes in financial condition are also evident. For farms with negative net farm income, that ratio averaged .437, a level signaling the likelihood of debt servicing problems, even with more positive earnings from the agricultural production unit. For the highest income class of farms, the average debt to asset ratio was at a very modest level of .190. In fact, for all of the other income classes, the average ratio was at levels considered to be quite serviceable.

Of course, the income picture and overall financial condition is not complete without accounting for the off-farm income component as well. A farm operation may have negative or inadequate farm income for servicing debt yet be financially solid due to sizable off-farm earnings. As can be noted in **Table 13**, there were indeed some operations reporting negative farm income in 1993 which had high levels of earnings from other sources. About one in seven, 15 percent, reported these earnings to be at least $40,000 in 1993, an indication that the debt level associated with the farming operation would have probably been serviced while still providing an adequate

Figure 5. Average Farm Household Income Levels by Type of Farm,1993



Source: Nebraska Agricultural Finance Survey

income for family living. However, it should also be recognized that a sizable proportion of these operators reported very modest, if any, off-farm income for 1993, which could infer financial difficulty if debt levels were at or above the average for the group. They constituted an estimated 5 percent of all farms in the sample; and could be described as being financially vulnerable. If such financial conditions are not reversed these operations may not be sustainable in the longer run.

Incidence of Debt

Balance sheet averages for the various classes of farms provide an important financial benchmark from which to assess aggregate financial conditions. But it must also be recognized that each aggregate average represents a full array of conditions, particularly with regard to the incidence of farm debt. As can be noted in **Table 14**, 20 percent of the operations in the sample were debt free as indicated by the fact that they reported paying no interest on any farm debt in 1993. This level was fairly consistent across all classes of net farm income. Another 30 percent of the respondents to the *Agricultural Finance Survey*, reported interest payments of less than $5,000 in 1993. Here too, except for the largest net income class, the percentage was consistent across the farm income classes. For the largest net income class, one third of the operations reported annual interest payments of at least $15,000 in 1993.

In total, only about a third of the survey respondents reported interest payments of $10,000 or more in 1993. And while at lower farm income levels this would appear burdensome, many were also reporting sizable off-farm income levels with which to service these debts and cover family expenses.

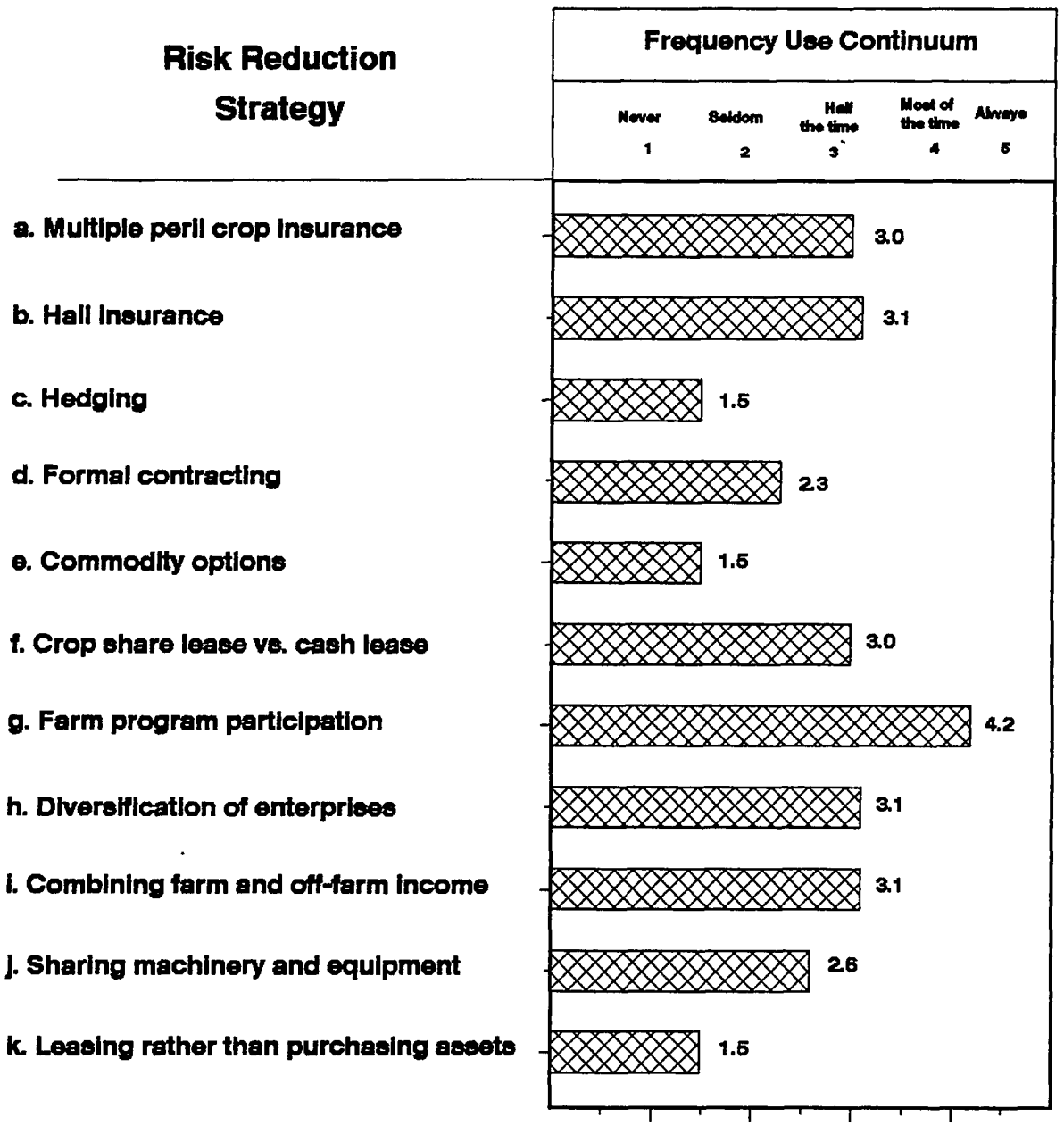
Risk Reduction Strategies

Maintaining farm financial strength involves management decisions to reduce the economic consequences of risk and uncertainty. Any business proprietor employs a variety of schemes and strategies to do so. In *The 1994 Nebraska Farm Financial Survey*, respondents were asked what risk management strategies they employed and the frequency of use in their agricultural operations. They responded on a frequency-use continuum calibrated with 1 being "never" and 5 being "always". For the total survey sample, the average responses to each of the listed strategies are presented in **Figure 6.** The most commonly noted risk management strategy was government farm program participation with it being used most of the time. Given the 1996 farm program legislation that essentially phases out government supply control of major commodities over the next seven years, this risk reduction strategy will need to be replaced by others in the years ahead.

Several of the other strategies survey respondents reported using at least half the time, including various crop insurance policies, using crop share instead of cash leases, diversification of enterprises, and combining off-farm income with farm income.

It is noteworthy that the various marketing strategies of forward contracting, hedging, and commodity options trading reportedly were seldom being used by this sample of operators. When responses to this question were categorized by size of farm (both gross sales and net farm income) the pattern of response was essentially the same. Even among respondents of the larger units, the incidence of using these marketing tools to reduce risk was not noticeably higher. By type of farm, the cash grain category of producers reported a slightly higher use of these

Figure 6. Use of Risk Management Strategies For Sample of Nebraska Farm Operations,1994



Source: Nebraska Agricultural Finance Survey

marketing strategies with hedging and commodity options trading registering 1.5 and forward contracting registering 2.8 on the frequency use continuum scale. This same group also reported a higher use of government farm programs, 4.6, as a means to manage risk.

Taxes Paid By Farm Households

Respondents to *The 1994 Nebraska Agricultural Finance Survey* were asked to list taxes paid for 1993 by their household. They reported, based upon their own estimates of the various taxes paid. These tax outlays are used in filing their federal tax returns and for other purposes as well.

On average, farm households in the sample reported paying nearly $16,000 of taxes in 1993 (**Table 15**). Property taxes (on real estate and personal property) for these farm households averaged over $5,400, representing a third of the total tax obligation. The combined federal and state income tax obligation averaged over $5,800. A variety of miscellaneous taxes fell into the "*other*" tax category, but tax on fertilizer usually constituted from 40 to 60 percent of this category.

When the survey respondents were classified by size of farm and type, substantial differences in tax obligations were apparent. Certainly, magnitude of total tax obligation is directly related to level of household income. But tax obligation is also closely correlated with the magnitude of assets owned, or wealth.

Relative to Nebraska households in general, farm households own higher levels of taxable property, which contribute substantially to their overall tax obligation. And not only do property taxes represent a large tax burden, but they also are not directly impacted by fluctuations in income and earnings; thus there may be little correlation of tax obligation to ability to pay in any given year. Moreover, because they are self employed, farm operators usually pay the full amount of the *social security tax* obligation, in contrast to many wage earners who usually share this obligation with their employers.

As for the overall tax obligation of farm households relative to nonfarm households, a precise comparison is not possible. However, given the overall average of respondents to this survey, some perspective can be gained, by comparing that against their household income level. As previously noted, the sample farm households had, on average, household income of $40,600 in 1993. With an average total tax obligation estimated by respondents to be $15,935 for the calendar year 1993, this would infer a tax-to-income ratio of .39 ($15,935 ÷ $40,600).

Now, take a nonfarm Nebraska household with two adult income earners, earning a total household income of $40,600 per year. (the same as the average total income of these sample farm households). Assume the following: (1) they own their own home with an assessed value of $80,000 for which real estate taxes are $2,200 per year, (2) annual personal property taxes on their vehicles total $350 per year, and (3) their income tax (federal and state) as well as their sales tax payments are identical to that of the farm household. Given these conditions the total tax obligation of this nonfarm household of equal income level would be $11,768. Their ratio of tax obligation to household income would be .29, a ratio that is about three-fourths that of the farm households.

While tax magnitude relative to income generated was higher for this sample of farmers than is typically the case for nonfarm households of similar income levels, there is a key qualifier. That is the level of wealth which farm households may have in real estate and other assets. In this

sample of farms, average net worth of the household was over $400,000, a level that likely exceds that of most nonfarm households of similar income level. Thus, when tax burden is considered in the context of wealth as well as income, the tax obligation of these farm households may not be out of line relative to their nonfarm counterparts.

Family Health Insurance Characteristics

The cost of family medical insurance coverage continues to rise. Unless a family is fortunate enough to participate in a form of group health plan, the monthly premium can easily be $300 to $500 per month. For many farm family households this is indeed the situation. Since medical insurance is so costly the survey respondents were asked about health insurance.

For the respondents to the Nebraska Agricultural Finance Survey, nearly all, 95 percent, reported having family health insurance coverage at the time of the survey (**Table 16**). The incidence of coverage was high across all categories of farm households. Farm families are recognizing that even though coverage may be costly, the financial risk of having no coverage is simply too great. Unexpected medical bills could have a catastrophic economic effect that may even threaten the continuation of the farming business.

As to source of coverage, a third of the survey respondents were participating in a health plan through their off-farm employment. This would likely be a group plan which would offer considerable cost savings to the farm family. The incidence of health insurance coverage through off-farm employment tended to be higher among the smaller farm classes, which also rely more heavily on off-farm employment and income. It is likely that for many such farm households the off-farm opportunity to participate in a group health insurance plan may be as important economically as the wage earning potential itself.

TABLES

Table 1. Comparison of Farm/Ranch Acreage Size Distributions Between The1994 Nebraska Farm Finance Survey Sample and the1992 Census of Agriculture

Farm/Ranch Size (Acre)	Farm Finance Survey Sample	1992 Census of Agriculture
	-------- Percent -------	
1 - 49	1.7	15.1
50 - 179	6.8	17.8
180 - 499	27.9	26.5
500 - 999	31.9	20.7
1,000 - 1,999	17.7	11.9
2,000 - 2,999	6.6	
3,000 - 3,999	2.0	8.0
4,000 - 4,999	1.1	
5,000 and Up	4.3	
	100.0	100.0
Average Acres	1,157 Ac.	839 Ac.

SOURCE: 1994 Nebraska Agricultural Finance Survey and Nebraska Census of Agriculture, 1992.

Table 2. Comparison of Farmer/Rancher Age Distributions Between The 1994 Nebraska Farm Finance Survey Sample and The 1992 Census of Agriculture

Age Grouping	Farm Finance Survey Sample	1992 Census of Agriculture
	----Percent-----	
Under 35	14.3	16.8
35 - 44	32.8	22.3
45 - 54	19.3	18.8
55 - 64	18.5	20.7
65 and Up	15.1	21.4
Average Age	50.4	50.7

SOURCE: 1994 Nebraska Agricultural Finance Survey and Nebraska Census of Agriculture, 1992.

Table 3. Operator Characteristics For A Sample of Nebraska Farm Operators, 1994

ITEM	TOTAL SAMPLE AVERAGE
FAMILY CHARACTERISTICS	
Operator age	50.4
Years in farming	27.4
Total dependents	3.0
Operator's education*	2.7
Spouse's education*	3.0
SOURCE OF GROSS FARM INCOME (%)	
Crops	59.4
Beef cattle	20.0
Fed cattle	5.9
Hogs	9.0
Diary	1.6
Other	4.1
Total	100.0
LAND TENURE CHARACTERISTICS IN 1994	
Total acres operated	1,187
Acres owned	623
Acres rented	564
% acres owned of total	52%
HOUSEHOLDS WITH OFF-FARM INCOME (%)	82.1%

SOURCE: 1994 Nebraska Agricultural Finance Survey.

*Weighted average based upon the following weights: Highest educational institution attended: 1 = grade school; 2 = high school, 3 = community college, 4 = college, 5 = post graduate.

Table 4. Average Balance Sheet For A Sample of Nebraska Farm Operators January 1, 1994

ITEM	Dollars Per Farm
ASSETS	
Current Assets:	
Cash	$ 12,061
Financial Investments	32,665
Crops & L.S. Held For Sale	73,918
Intermediate Assets:	
Machinery and Equipment	85,316
Feed, Seed, and other supplies	6,185
Breeding Stock	34,603
Long-Term Assets:	
Land and Buildings	272,844
Total Assets	$ 517,591
LIABILITIES	
Non-Real Estate	52,032
Real Estate	60,316
Total Liabilities	$112,348
Net Worth	$405,243
Debt To Asset Ratio	.217
Debt To Equity Ratio	.277

SOURCE: 1994 Nebraska Agricultural Finance Survey. Refers to balance sheet as of January 1, 1994.

Table 5. Operator Characteristics For A Sample of Nebraska Farm Operators by Size of Annual Farm Marketings

ITEM	Farms By Size of Annual Farm Marketings		
	Less than $100,000	$100,000 to 249,000	$250,000 or more
FAMILY CHARACTERISTICS			
Ave. Age	52.2	49.0	46.3
Year in farming	28.2	27.0	24.5
Total dependents	2.7	3.2	3.9
Operator's education*	2.6	2.7	3.1
Spouce's education*	2.9	2.9	3.5
SOURCE OF GROSS FARM INCOME (%)			
Crops	63.8	59.2	40.7
Beef Cattle	21.6	19.5	13.4
Fed Cattle	2.4	4.9	25.3
Hogs	5.9	10.1	18.4
Dairy	0.0	3.6	0.0
Other	5.4	2.7	2.2
Total	100.0	100.0	100.0
LAND TENURE CHARACTERISTICS IN 1994			
Total acres operated	693	1,499	1,719
Acres owned	371	668	1,692
Acres rented	322	831	1,027
% acres owned	53%	45%	62%
HOUSEHOLDS WITH OFF-FARM INCOME (%)	87.8%	82.7%	51.6%

SOURCES: 1994 Nebraska Agricultural Finance Survey

*Weighted average based upon the following weights: Highest educational institution attended: 1 = grade school, 2 = high school, 3 = community college, 4 = college,5 = post graduate.

Table 6. Average 1994 Balance Sheet For Sample of Nebraska Farm Operators by Size of Annual Farm Marketings

ITEM	Farms By Size of Annual Farm Marketings		
	Less than $100,000	$100,000 to $249,999	$250,000 or more
ASSETS			
Cash	$ 9,128	$ 15,012	$ 12,244
Financial Investments	32,741	27,127	29,113
Crops & L.S. held for sale	22,671	72,473	312,387
Intermediate Assets:			
Machinery and Equipment	48,469	115,206	198,658
Feed, Seed, and other supplies	3,470	6,717	20,050
Breeding Stock	16,886	46,362	97,242
Long-Term Assets: Land and Buildings	160,370	338,507	657,345
Total Assets	$ 293,735	$ 621,404	$1,327,038
LIABILITIES			
Non-Real Estate	17,102	59,866	182,607
Real Estate	26,124	74,317	177,912
Total Liabilities	43,226	134,183	360,519
NET WORTH	250,509	487,221	966,519
Debt To Asset Ratio	.147	.216	.272
Debt To Equity Ratio	.173	.275	.373

SOURCE: 1994 Nebraska Agricultural Finance Survey.

Table 7. Distribution of 1993 Net Farm Income and 1993 Off-Farm Income Levels For A Sample of Nebraska Farm Households by Size of Annual Farm Marketings

Item	Farm Households By Size of Annual Farm Marketings			All Farms
	Less than $100,000	$100,000 to $249,999	$250,000 or more	
	----------Percent----------			
NET FARM INCOME IN 1993				
Negative.....	7.8	5.1	13.9	7.2
$0 - 9,999.....	23.1	9.0	16.7	17.9
$10,000 - 19,999....	31.9	20.8	10.9	25.9
$20,000 - 29,999....	15.4	20.8	16.0	17.6
$30,000 - 39,999....	7.7	20.5	11.0	12.0
$40,000 - 59,999....	8.5	10.3	6.1	8.7
$60,000 or more.....	5.6	13.5	25.4	10.7
Total	100.0	100.0	100.0	100.0
OFF-FARM INCOME IN 1993				
		-----Percent------		
None.....	12.3	17.3	48.4	17.9
$0 - 2,499.....	14.6	23.9	9.4	16.8
$2,500 - 4,999.....	5.4	13.3	8.5	8.0
$5,000 - 9,999.....	15.9	14.3	7.1	15.1
$10,000 - 14,999...	10.6	8.0	2.0	8.5
$15,000 - 19,999...	5.7	11.2	7.1	7.4
$20,000 - 29,999...	17.4	5.0	4.8	12.2
$30,000 - 39,999...	7.9	5.3	4.6	6.9
$40,000 - 49,999...	4.0	0.0	0.0	2.2
$50,000 or more....	6.3	1.7	8.1	5.0
Total	100.0	100.0	100.0	100.0

SOURCE: 1994 Nebraska Agricultural Finance Survey.

Table 8. Operator Characteristics For A Sample of Nebraska Farm Operators by Type of Farm

Item	Type of Farm*				
	Cash Gain	Grain/ Livestock	Beef	Hog	Mixed
FAMILY CHARACTERISTICS					
Ave. Age	51.7	48.5	54.8	47.1	47.7
Years in farming	28.3	26.3	31.3	21.0	25.3
Total dependents	2.7	3.1	3.1	3.5	2.2
Operator's education	2.5	2.8	2.8	2.8	2.5
Spouse's education	2.9	3.0	3.0	2.9	2.9
SOURCE OF GROSS FARM INCOME (%)					
Crops	99.4	70.4	13.2	9.8	23.3
Beef Cattle	0.3	15.8	61.7	5.2	18.0
Feed Cattle	0.0	2.9	20.3	1.1	7.9
Hogs	0.0	2.9	1.0	82.6	15.5
Dairy	0.0	0.3	0.4	0.0	13.7
Other	0.2	4.3	3.3	1.3	16.6
Total	100.0	100.0	100.0	100.0	100.0
LAND TENURE CHARACTERESTICS IN 1994					
Total acres operated	630	997	2,893	465	893
Acres owned	282	466	1,821	264	425
Acres rented	348	531	1,072	201	478
% Owned	44.8%	46.7%	62.9%	56.7%	46.4%
HOUSEHOLDS WITH OFF-FARM INCOME (%)	88.9%	86.3%	64.8%	74.8%	85.7%

SOURCE: 1994 Nebraska Agricultural Finance Survey.

*Farm types are classified as follows: Cash grain, 95 percent or more of farm sales from crops; Grain/livestock, 50 to percent of farms sales crops; Beef, 50 percent or more of farm sales from cattle; Hogs, 50 percent or more of farm sales from hogs; Mixed, all other farms.

**Weighted average based upon the following weights: Highest educational institution attended: 1 = grade school, 2 = high school, 3 = community college, 4 = college, 5 = post graduate.

Table 9. Average 1994 Balance Sheet For A Sample Nebraska Farm Operators by Type of Farm

ITEM	Type of Farm *				
	Cash Grain	Grain/ Livestock	Beef	Hog	Mixed
ASSETS					
Current Assets:					
Cash	9,817	9,740	18,338	20,470	8,841
Financial Investments	42,301	29,132	33,524	51,721	19,617
Crops & L.S. held for sale	49,115	62,985	132,100	80,312	43,589
Intermediate Assets:					
Machinery and Equipment	88,356	105,897	73,110	67,961	68,374
Feed, Seed, & other supplies	2,999	4,558	9,929	12,888	5,050
Breeding stock	1,075	25,421	100,206	44,653	35,731
Long Term Assets:					
Land & Buildings	231,690	304,866	384,570	244,730	191,073
Total Assets	425,083	524,598	751,777	522,735	372,275
LIABILITIES					
Non-Real Estate	33,899	60,748	83,456	36,773	33,373
Real Estate	53,164	80,047	70,739	70,372	34,135
Total Liabilities	87,063	140,794	154,195	107,145	67,508
Net Worth	338,020	401,804	597,582	415,590	304,767
Debt To Asset Ratio	.205	.259	.205	.205	.181
Debt to Equity Ratio	.258	.350	.258	.258	.222

SOURCE: 1994 Nebraska Agricultural Finance Survey.

*Farm types are classified as follows: Cash grain, 95 percent or more of farm sales from crops; Grain/livestock, 50 to 95 percent of farm sales from crops; Beef, 50 percent or more of farm sales from cattle; Hogs, 50 percent or more of farm sales from hogs; Mixed, all other farms.

Table 10. Distribution of 1993 Net Farm Income and 1993 Off-Farm Income Levels For A Sample of Nebraska Farm Households by Type of Farm

Catagory	Type of Farm*				
	Cash Grain	Grain/ Livestock	Beef	Hog	Mixed
NET FARM INCOME IN 1993					
	----------	----------	Percent	----------	----------
Negative	9.3	6.8	6.7	5.2	4.0
$0 - 9,999	14.8	18.9	20.9	16.5	17.9
$10,000 - 19,999	27.3	25.3	17.1	40.4	29.5
$20,000 - 29,999	14.8	15.9	23.5	12.8	23.2
$30,000 - 39,999	12.9	16.7	5.6	8.0	8.7
$40,000 - 59,999	9.1	5.4	17.6	4.2	6.4
$60,000 - or more	11.8	11.0	8.6	12.9	10.3
Total	100.0	100.0	100.0	100.0	100.0
OFF-FARM INCOME IN 1993					
	----------	----------	Percent	----------	----------
None	11.1	13.7	35.2	25.2	14.3
$0 - 2,4999	7.9	19.7	19.4	16.7	25.7
$2,500 - 4,999	10.8	9.4	4.0	4.0	7.5
$5,000 - 9,999	14.4	16.1	8.9	23.6	18.1
$10,000 - 14,999	5.3	11.7	4.3	11.1	10.9
$15,000 - 19,999	11.9	7.3	5.9	4.0	2.3
$20,000 - 29,999	18.9	10.0	10.1	4.2	9.8
$30,000 - 39,999	10.7	6.5	6.3	4.3	2.3
$40,000 - 49,999	1.6	1.8	1.1	6.9	5.7
$50,000 or more	7.4	3.8	4.8	0.0	3.4
Total	100.0	100.0	100.0	100.0	100.0

SOURCE: 1994 Nebraska Agricultural Finance Survey.

*Farm types are classified as follows: Cash Grain, 95 percent or more of farm sales from crops; Grain/livestock, 50 to 95 percent of farm sales from crops; Beef, 50 percent or more of farm sales from cattle; Hogs, 50 percent or more of farm sales from hogs; Mixed, all other farms.

Table 11. Operator Characteristics For A Sample of Nebraska Farm Operators by Level of Net Farm Income in 1993

ITEM	Farms By Level of Net Farm Income in 1993				
	Negative	$0 to $9,999	$10,000 to $29,999	$30,000 to $59,999	$60,000 or more
FAMILY CHARACTERISTICS					
Ave. Age	48.5	49.3	50.8	50.1	53.2
Years in Farming	26.4	24.7	28.0	27.2	30.4
Total dependents	3.1	2.9	2.8	3.2	3.2
Operator's education*	3.0	2.6	2.6	2.7	3.0
Spouse's education*	3.2	3.1	2.8	2.9	3.1
SOURCE OF GROSS FARM INCOME (%)					
Crops	63.3	55.0	58.5	60.9	60.3
Beef Cattle	13.7	25.0	17.9	20.8	15.7
Fed Cattle	7.2	6.5	6.1	5.2	4.1
Hogs	9.8	10.1	11.0	6.1	8.3
Dairy	3.2	0.9	0.9	2.6	3.7
Other	2.0	2.5	5.6	4.4	4.6
Total	100.0	100.0	100.0	100.0	100.0
LAND TENURE CHARACTERISTICS IN 1994					
Total acres operated	712	778	970	1,234	2,261
Acres owned	341	278	488	574	1,396
Acres rented	371	500	482	660	908
% Acres owned	.479	.357	.503	.465	.617
Households with off-farm income (%)	75.5%	86.1%	79.7%	80.2%	89.6%

SOURCE: 1994 Nebraska Agricultural Finance Survey.

*weighted average based upon the following weights: Height educational institution attended: 1 = grade school, 2 = high school, 3 = community college, 4 = college, 5 = post graduate.

Table 12. Average 1994 Balance Sheet For A Sample of Nebraska Operators by Level of Net Farm Income in 1993.

Items	Farms By Level of 1993 Net Farm Income				
	Negative	$ 0 to $9,999	$10,000 to $29,999	$30,000 to $59,999	$60,000 or More
	Dollars Per Farm				
ASSETS					
Current Assets:					
Cash	10,414	6,749	8,291	19,642	16,961
Financial Investments	21,727	35,610	18,869	44,290	60,005
Crops & L.S. Held For Sale	35,376	38,086	48,002	102,234	110,79
Intermediate Assets:					
Machinery and Equipment	51,140	55,343	78,376	97,358	153,044
Feed, Seed, and other supplies	3,236	3,365	3,115	8,268	14,442
Breeding Stock	17,423	23,199	26,515	36,987	85,536
Long-Term Assets:					
Land and Buildings	160,759	179,106	234,499	286,416	588,409
Total Assets	300,075	341,457	417,667	595,196	1,029,195
LIABILITIES					
Non-Real Estate	47,811	34,151	45,864	45,813	72,997
Real Estate	83,224	46,242	41,783	59,862	122,728
Total Liabilities	131,035	80,393	87,596	113,847	195,725
Net Worth	169,040	261,063	330,071	481,349	833,470
	Ratios				
Debt To Asset Ratio	.437	.225	.210	.191	.190
Debt To Equity Ratio	.775	.308	.265	.237	.234

SOURCE: 1994 Nebraska Agricultural Finance Survey.

Table 13. Distribution of 1993 Off-Farm Income Levels For A Sample of Nebraska Farm Households by Level of Net Farm Income in 1993

Catagory	Farms By Levels of 1993 Net Farm Income				
	Negative	$ 0 to $9,999	$10,000 to $29,999	$30,000 to $59,999	$60,000 or more
OFF-FARM INCOME IN 1993					
	---------- Percent ----------				
None	24.5	13.9	20.3	19.8	10.4
$ 0 - 2,499	---	22.4	18.4	11.4	23.5
$2,500 - 4,999	8.1	4.1	9.8	3.8	12.1
$5,000 - 9,999	16.2	20.8	14.0	10.0	20.6
$10,000 - 14,999	10.7	7.6	10.8	8.0	2.3
$15,000 - 19,999	4.1	3.4	6.6	17.1	2.1
$20,000 - 29,999	15.0	9.5	13.8	13.3	2.7
$30,000 - 39,999	6.6	7.7	2.6	11.3	9.0
$40,000 - 49,999	4.1	7.4	0.8	1.6	---
$50,000 - or more	10.9	3.4	2.9	3.6	16.5
Total	100.0	100.0	100.0	100.0	100.0

SOURCE: 1994 Nebraska Agricultural Finance Survey.

Table 14. Total Interest Paid on Farm Debt For A Sample of Nebraska Farm Operators, by Level of Net Farm Income in 1993.

Catagory	Farms By Level of 1993 Net Farm Income					
	Negative	$0 to $9,999	$10,000 to $29,999	$30,000 to $59,999	$60,000 or more	Total Sample
	---------- Percent ----------					
Interest Paid in 1993:						
None	20.4	19.5	19.7	17.4	23.1	20.1
Less than $2,500	21.9	23.3	16.8	11.6	4.9	16.1
$2,500 to $4,999	6.9	10.1	14.6	18.8	12.4	14.1
$5,000 to $9,999	15.6	20.3	18.2	15.9	11.8	16.5
$10,000 to $14,999	15.0	10.4	13.1	8.7	14.4	12.0
$15,000 to 19,999	4.1	8.1	8.0	10.1	4.6	7.5
$20,00 or more	16.1	8.3	9.6	17.5	28.8	13.7
Total	100.0	100.0	100.0	100.0	100.0	100

SOURCE: 1994 Nebraska Agricultural Finance Survey.

Table 15. Average Taxes Paid Per Farm Household in 1993 For A Sample of Nebraska Farm Operators

Catagory of Farm Household	Tax Payments For 1993 by Type						
	Federal Income Tax	Self-Employment/ Social Security Tax	State Income Tax	Property Tax	Sales Tax	Other Tax	Total Tax
	- - - - - - - - - -Dollars per farm household- - - - - - - - - -						
Total Sample.....	4,802	2,336	1,049	5,408	1,399	941	$15,935
Farms by Gross Sales:							
Under $100,000.....	4,002	1,913	992	3,835	1,095	734	12,571
$100,000 to $250,000....	4,692	3,224	1,076	6,544	1,684	916	18,136
$250,000 or more.....	9,296	2,009	1,587	9,104	2,027	1,539	25,562
Farms by Type:							
Cash Grain.....	5,225	2,796	1,175	5,102	1,397	1,007	16,702
Grain/Livestock.....	6,696	2,451	1,430	6,383	1,543	739	19,242
Beef.....	4,120	1,995	978	6,541	1,544	556	15,734
Hog.....	5,052	2,273	712	5,167	839	484	14,527
Mixed.....	3,401	1,789	969	4,721	1,438	527	12,845
Farms by Net Farm Income:							
Less than $10,000.....	2,100	1,575	582	4,036	1,110	475	9,878
$10,000 to $29,999.....	3,528	2,198	779	4,923	939	884	13,251
$30,000 to $59,999.....	5,748	3,035	1,351	6,061	1,864	977	19,036
$60,000 or more.....	15,229	4,267	3,069	11,310	2,533	1,430	37,838

SOURCE: 1994 Nebraska Agricultural Finance Survey.

Table 16. Family Health Insurance Characteristics in 1993 For Sample of Nebraska Farm Operation

Catagory Of Farm Househouse	Family Health Insurance Coverage		If yes, insurance through Off-farm employment?	
	Yes	No	Yes	No
Total Sample	94.9	5.1	33.9	66.1
Farms by Gross Sales:				
Under $100,000.....	91.8	8.2	46.4	53.6
$100,000 to $250,000.....	98.4	1.6	21.3	78.7
$250,000 or more.....	100.0	0.0	8.2	91.8
Farms by Type:				
Cash Grain.....	92.1	7.9	41.1	58.9
Grain/livestock.....	95.9	4.1	33.0	67.0
Beef.....	95.9	4.1	33.0	67.0
Hog.....	96.0	4.0	27.8	72.2
Mixed.....	92.6	7.4	30.7	69.3
Farms by Net Farm Income:				
Less than $10,000.....	93.9	6.1	42.8	57.2
$10,000 to $29,999.....	93.8	6.2	27.9	72.0
$30,000 to $59,999.....	98.7	1.3	33.9	66.1
$60,000 or more.....	95.0	5.0	22.8	77.2

SOURCE: 1994 Nebraska Agricultural Finance Survey.