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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER
8- 50306

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/03 ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Farm Family Financial Services, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
344 Route 9W

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Glenmont NY 12077
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Christopher M. Briggs 518: 431-5017
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG
(Name - if individual, state last, first, middle name)
One Financial Plaza Hartford CT 06103-2608
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 29 2004

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THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

BB

OATH OR AFFIRMATION

I, Christopher M. Briggs, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FARM FAMILY FINANCIAL SERVICES, INC., as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Handwritten signature of Christopher M. Briggs

Signature

President

Title

Handwritten signature of Jamie H. Gearon

Notary Public

JAMIE H. GEARON
Notary Public, State of New York
Qual. in Schenectady Co. No. 02GE4994491
Commission Expires April 6, 2006

This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

Financial Statements and Schedules

Pursuant to Rule 17a-5 of the
Securities and Exchange Commission

December 31, 2003 and 2002

(With Independent Auditors' Report Thereon)

FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

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KPMG LLP
One Financial Plaza
Hartford, CT 06103-4103

Independent Auditors' Report

The Board of Directors
Farm Family Financial Services, Inc.

We have audited the accompanying statements of financial condition of Farm Family Financial Services, Inc. (a wholly-owned subsidiary of Farm Family Holdings, Inc.) (the "Company") as of December 31, 2003 and 2002 and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information, contained in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

January 28, 2004



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

Statements of Financial Condition

December 31, 2003 and 2002

Assets	2003	2002
Cash	\$ 103,796	92,847
Commissions receivable	1,047	498
Receivable from parent under tax sharing arrangement	—	14,360
Prepaid expenses	4,366	3,389
Total assets	\$ 109,209	111,094
Liabilities and Stockholder's equity		
Liabilities:		
Payable to affiliates	\$ 10,274	12,250
Other payables	50	25
Total liabilities	10,324	12,275
Stockholder's equity:		
Common stock, \$.01 par value, 200 shares authorized, 100 shares issued and outstanding	1	1
Additional paid in capital	124,999	124,999
Accumulated deficit	(26,115)	(26,181)
Total stockholder's equity	98,885	98,819
Total liabilities and stockholder's equity	\$ 109,209	111,094

See accompanying notes to financial statements.

FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

Statements of Operations

For the years ended December 31, 2003 and 2002

	2003	2002
Revenues:		
Commissions	\$ 36,713	37,330
Total	36,713	37,330
Expenses:		
Management services	25,368	27,000
Audit fees	5,004	5,052
Insurance	1,980	824
Licensing	4,260	3,359
	36,612	36,235
Net income before income tax (benefit) expense	101	1,095
Income tax expense (benefit)	35	(993)
Net income	\$ 66	2,088

See accompanying notes to financial statements.

FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

Statements of Changes in Stockholder's Equity

For the years ended December 31, 2003 and 2002

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance, December 31, 2001	\$ 1	124,999	(28,269)	96,731
Net income	—	—	2,088	2,088
Balance, December 31, 2002	\$ 1	124,999	(26,181)	98,819
Net income	—	—	66	66
Balance, December 31, 2003	<u>\$ 1</u>	<u>124,999</u>	<u>(26,115)</u>	<u>98,885</u>

See accompanying notes to financial statements.

FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

Statements of Cash Flows

For the years ended December 31, 2003 and 2002

	2003	2002
Cash flow from operating activities:		
Net income	\$ 66	2,088
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income taxes	—	865
Decrease in receivable from parent under tax sharing agreement	14,360	—
(Increase) decrease in receivables	(549)	207
Increase in prepaid expenses	(977)	(252)
(Decrease) increase in payable to affiliates	(1,976)	717
Increase (decrease) in other payables	25	(116)
Total adjustments	10,883	1,421
Net cash provided by operating activities	10,949	3,509
Cash, beginning of year	92,847	89,338
Cash, end of year	\$ 103,796	92,847
Supplemental disclosure of cash flow information:		
Cash (received)/paid during the year for:		
Income taxes	\$ (14,360)	—

See accompanying notes to financial statements.

FARM FAMILY FINANCIAL SERVICES, INC.
(a wholly owned subsidiary of Farm Family Holdings, Inc.)

Notes to Financial Statements

December 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

(a) Organization

Farm Family Financial Services, Inc. (the "Company") is a wholly-owned subsidiary of Farm Family Holdings, Inc., (the "Holding Company") which is the parent of Farm Family Casualty Insurance Company ("Farm Family Casualty"), Farm Family Life Insurance Company ("Farm Family Life"), and United Farm Family Insurance Company. The Company is a member of the National Association of Securities ("NASD"), a self-regulatory association for broker dealers.

On October 31, 2000, Farm Family Holdings, Inc. and its subsidiaries entered into an agreement and plan of merger with American National Holdings, Inc., a wholly-owned subsidiary of American National Insurance Company ("ANICO"). The merger transaction was consummated on April 10, 2001, at which time Farm Family Holdings, Inc. and its subsidiaries, including Farm Family Financial Services, Inc., became wholly-owned subsidiaries of ANICO.

(b) Revenues

Commissions represent commissions received from an unaffiliated broker dealer. The Company receives a percentage of the commissions generated by agents of the Company's affiliated insurance companies who become registered as representatives of the unaffiliated broker dealer as a result of referral by the Company. Commission fee revenue is recognized when earned.

(c) Expenses

Management, employees, and administrative services are provided to the Company by its affiliate, Farm Family Casualty, pursuant to a Management Services Agreement. The Company pays a monthly fee based upon the estimated usage for the offices, employees and administrative services provided by its affiliate.

(d) Income Taxes

Effective January 1, 2002, the Company along with the Holding Company, is included in the consolidated federal and state income tax returns filed by ANICO. Previously, the Company was included in the consolidated federal and state income tax returns filed by the Holding Company. The Holding Company charged or credited the Company for the portion of the consolidated income tax expense attributable to the Company's stand-alone operations, based on income for financial reporting purposes. The tax (benefit) expense allocated to the Company in 2003 and 2002 was computed at the combined Federal and state statutory tax rate applicable to ANICO's consolidated tax group. Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax basis of assets and liabilities and the enacted tax rates. The method of allocation to the companies, included in the consolidated returns, was subject to a written agreement.

(e) Cash

Cash consists of cash in banks.

FARM FAMILY FINANCIAL SERVICES, INC.
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Notes to Financial Statements

December 31, 2003 and 2002

(f) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Income Taxes

The components of income tax expense for the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Current expense (benefit)	\$ 35	(1,858)
Deferred expense (benefit)	—	865
Total	\$ 35	(993)

There is no deferred tax asset at December 31, 2003 or 2002.

A reconciliation of the differences between the Company's effective tax rate and the United States statutory federal income tax rate are as follows:

	2003	2002
Statutory U.S. federal income tax rate	35.00 %	35.00 %
State income tax, net of federal benefits	—	(110.31)
Prior year true up	—	(15.37)
Effective tax rate	35.00 %	(90.68) %

The Company has a payable to parent of \$35 at December 31, 2003 and a receivable from parent of \$14,360 at December 31, 2002 related to the tax arrangement with the Holding Company. This receivable at December 31, 2002 represents a net operating loss carryforward, which was generated by the Company and utilized by the Holding Company in the consolidated tax return. Recovery of the assets from the Holding Company was received during 2003.

FARM FAMILY FINANCIAL SERVICES, INC.
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Notes to Financial Statements

December 31, 2003 and 2002

(3) Related Party Transactions

The Company has a Management Services Agreement with its affiliate, Farm Family Casualty, wherein Farm Family Casualty provides offices, employees, and administrative services to the Company for an annual fee based on the estimated actual cost of services provided to the Company. The Company incurred fees of \$25,368 and \$27,000 in 2003 and 2002, respectively, pursuant to the Management Services Agreement.

(4) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2003, the Company had net capital, as defined, of \$94,519, which was \$89,519 in excess of its minimum required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.11 to 1.0 at December 31, 2003.

(5) Commitments and Contingent Liabilities

Management of the Company, after consultation with legal counsel, believes that there is no pending or threatened litigation that will result in any material adverse effect on the Company's financial condition or results of operations.

FARM FAMILY FINANCIAL SERVICES, INC.
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Computation of Net Capital under Rule 15c3-1 of the
 Securities and Exchange Commission

As of December 31, 2003

<u>Net Capital</u>	
Total stockholder's equity qualified for net capital	\$ 98,885
Deductions and/or charges:	
Non-allowable assets:	
Prepaid expenses	(4,366)
	<u>(4,366)</u>
Net Capital	<u>\$ 94,519</u>
<u>Aggregate Indebtedness</u>	
Items included in the statements of financial condition:	
Payable to affiliates	10,274
Other payables	50
	<u>10,324</u>
Total aggregate indebtedness	<u>\$ 10,324</u>
<u>Computation of Basic Net Capital Requirement</u>	
6-2/3% of aggregate indebtedness	\$ 688
Minimum net capital requirement	5,000
Excess net capital over minimum net capital requirement	89,519
Excess net capital at 1000%*	\$ 93,487

* Calculated as net capital - (total aggregate indebtedness x 10%)

Note: There are no material differences between the Company's computation of net capital as filed in the amended Form X-17A-5 (FOCUS Report filed quarterly by the Company) and the above schedule as of December 31, 2003.

FARM FAMILY FINANCIAL SERVICES, INC.
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Computation For Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

As of December 31, 2003

Credit balances	\$	—
Debit balances		—
Reserve computation:		
Excess of total debits over total credits		—
Required deposit	\$	<u>NONE</u>

Note: There is no material difference between the Company's computations of reserve requirements as filed in the amended Form X-17A-5 (FOCUS report filed quarterly by the Company) and the above schedule.

FARM FAMILY FINANCIAL SERVICES, INC.
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Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

As of December 31, 2003

For the year ended December 31, 2003, the Company was exempt from the possession or control requirements under Rule 15c3-3 of the Securities and Exchange Commission, as the Company is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers.