Farm Household Spending

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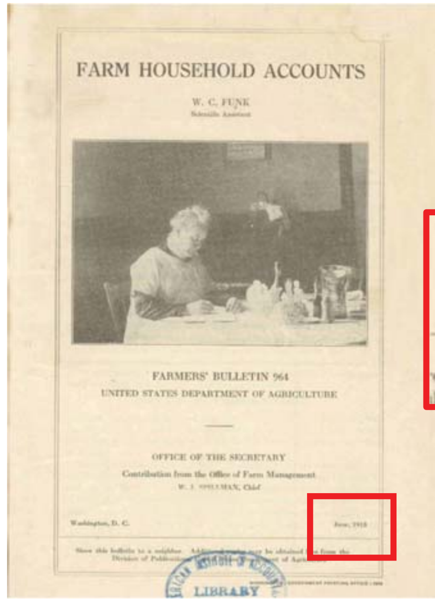
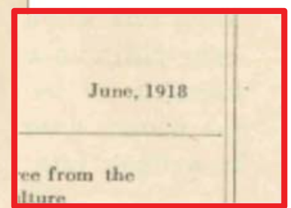
Outline

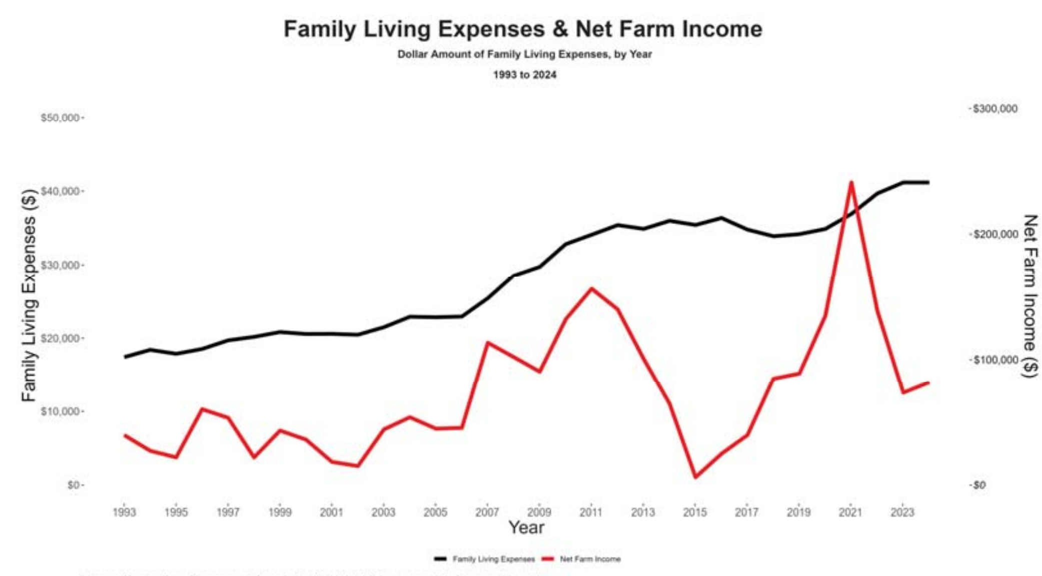
- Overview of our research
  - Introduction and motivation
  - Results
- Discussion
- Benchmarking a households spending

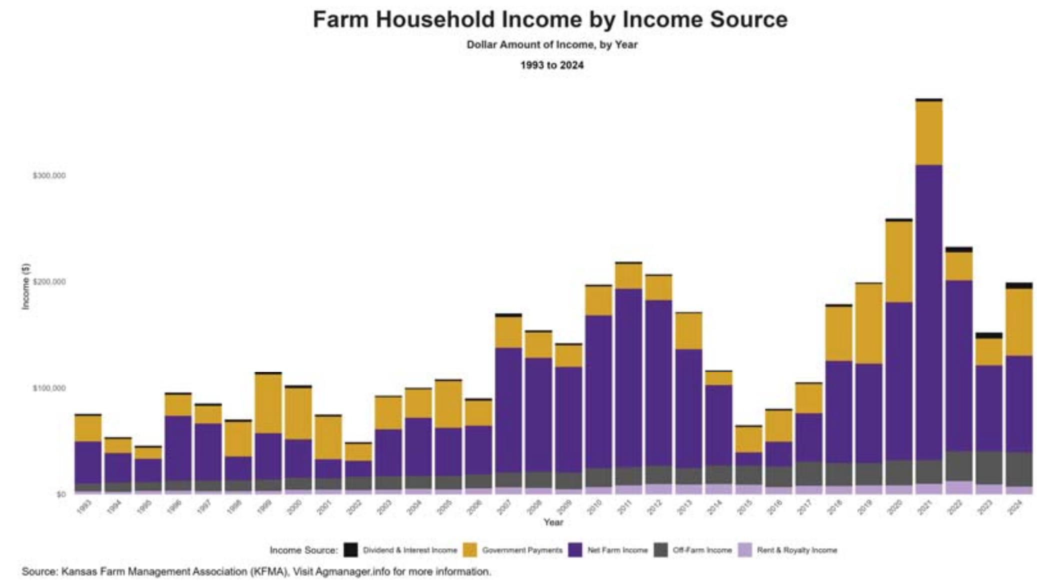
Some Caveats

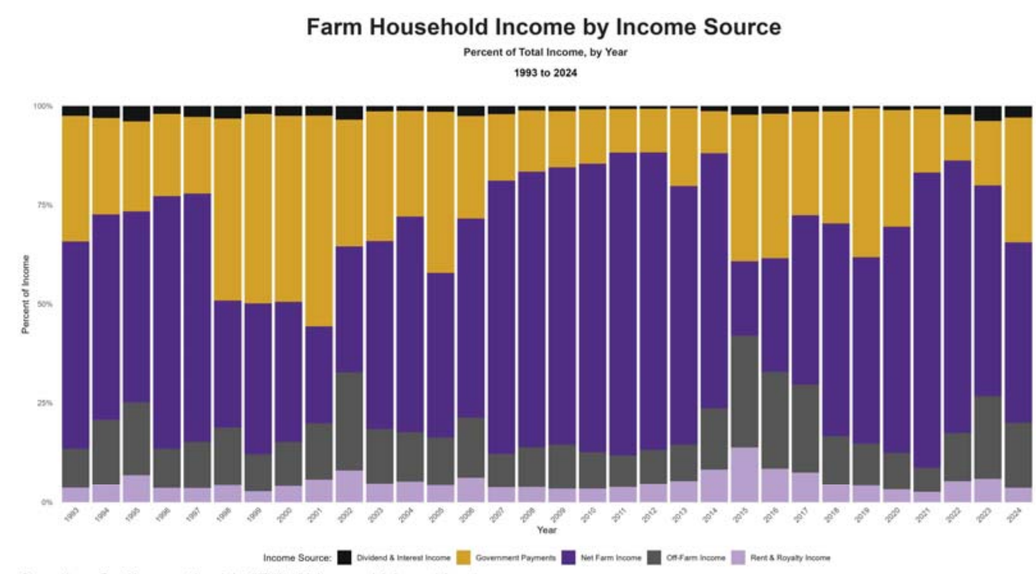
- This is a topic that has been covered many times.
- We are not here to say “spend” less, rather, we want to provide data to benchmark.








Farm Household Income by Income Source
Dollar Amount of Income, by Year
1993 to 2024
Income ($)
$300,000
$200,000
$100,000
$0
Year
Income Source:
Dividend & Interest Income
Government Payments
Net Farm Income
Off-Farm Income
Rent & Royalty Income
Source: Kansas Farm Management Association (KFMA), Visit Agmanager.info for more information.


Farm Household Income by Income Source
Percent of Total Income, by Year
1993 to 2024
Percent of Income
100%
75%
50%
25%
0%
Year
Income Source:
Dividend & Interest Income
Government Payments
Net Farm Income
Off-Farm Income
Rent & Royalty Income
Source: Kansas Farm Management Association (KFMA), Visit Agmanager.info for more information.

Data

- Kansas Farm Management Association (KFMA)
  - Accounting records are recorded on an accrual basis for each farm
  - Some farms report family living expenses
  - 2002 through 2024
- Macro-Economic Variables obtained using FRED

Objective 1

- Understand what drives changes in consumption for a farm household*
  - Or how has this changed from previous estimates considering structural change in the farm economy?
- Why?
  - Household and Business finances are commingled (Remble et al. 2013)
  - Household consumption will displace other uses in low-income years (Langemeier & Patrick 1990)
  - Need to understand how safety net is utilized to understand impacts to farm households

Marginal Propensity to Consume (MPC)

"The fraction of an increase in disposable income that a person or household spends on goods and services rather than saving"

OR

For each additional dollar of income, what percent will get spent?

Previous work on MPC: Summary

Marginal Propensity Measure	Langemeier & Patrick (1990) Data: Illinois FBFM	Carriker et al. (1993) Data: Kansas KFMA	Whitaker (2009) Data: ARMS	Williams et al. (2022) Data: ARMS
Net Farm Income	Short-run: 0.007 to 0.02 Long-run: 0.143 to 0.381	0.026	0.01	0.040
Off-Farm Income		0.048	0.10	0.054
Government Payments (Aggregated)		0.052	0.07	
MFP/Ad-Hoc				0.21
Other Government Payments				0.27

Previous work on MPC:
Why might estimates vary?

- Risk impacts farmers' savings/spending decision
- Higher risk farms are more likely to save
  - Mishra and Chang (2009)

- MPC estimates vary by farm size
- Certainty of payments impacts spending of government payments (i.e. anticipatory spending)
  - Williams, Brewer, & Todd (2022)

Comparison to Carriker et al.

- Growing importance of government payments (incrementally) and off-farm income.

- Farmers consume less of farm income for household expenses

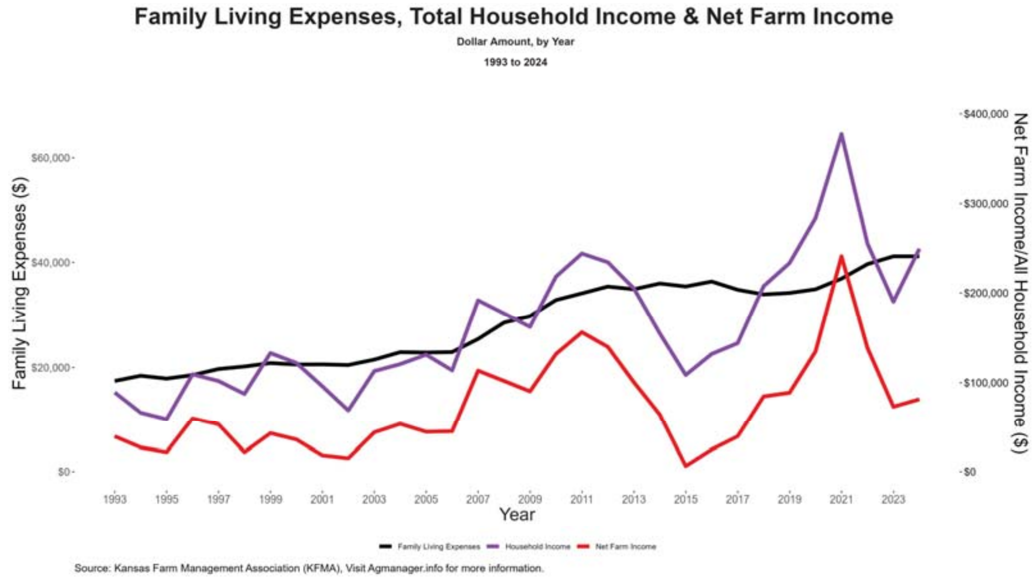
	Carriker et al.	Update
Study Period	1977 - 1990	2002 - 2024
Net Farm Income	0.026	0.015
Gov't Payments	0.052	0.069
Off-Farm Income	0.048	0.103

Discussion

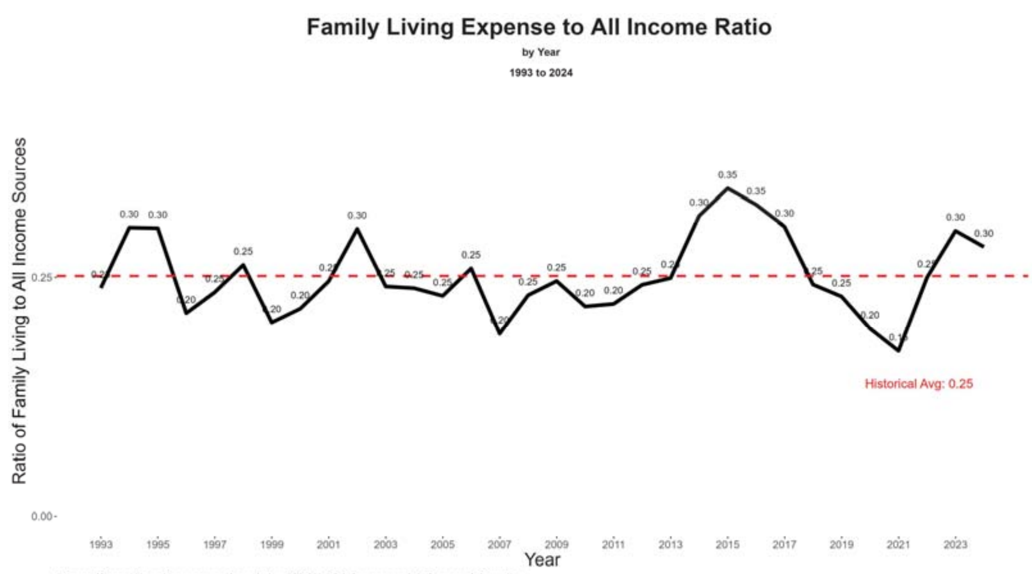
Do the results that were just shown match what you experience in terms of spending patterns?

Additional Discussion

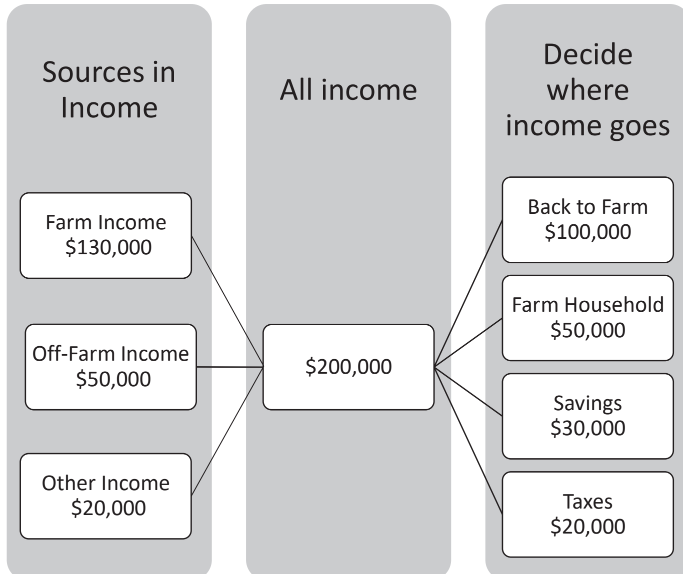
- When farm income has a really good year, where does the extra money go?
- Why might an extra dollar of off-farm income be more likely to get spent by the household than an extra dollar of farm income?
- How do you know whether your household is taking too much—or too little—out of the farm?

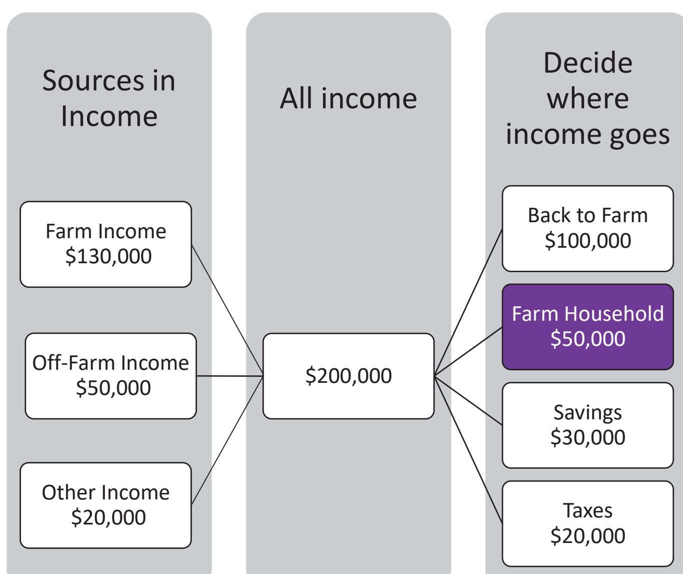


Family Living Expenses, Total Household Income & Net Farm Income
Dollar Amount, by Year
1993 to 2024
Family Living Expenses ($)
Net Farm Income/All Household Income ($)
$60,000
$40,000
$20,000
$0
$400,000
$300,000
$200,000
$100,000
$0
Year
Family Living Expenses
Household Income
Net Farm Income
Source: Kansas Farm Management Association (KFMA), Visit Agmanager.info for more information.



Family Living Expense to All Income Ratio
by Year
1993 to 2024
Ratio of Family Living to All Income Sources
Historical Avg: 0.25
Year
Source: Kansas Farm Management Association (KFMA), Visit Agmanager.info for more information.


Sources in Income
All income
Decide where income goes
Farm Income $130,000
Off-Farm Income $50,000
Other Income $20,000
$200,000
Back to Farm $100,000
Farm Household $50,000
Savings $30,000
Taxes $20,000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Taxes $20,000

Total Household Income

Income	Where to find?	Amount
Net Farm Income	*Schedule F, Line 34*	$
Depreciation (if using Accrual Method)	*Schedule F, Line 14*	$
Off-Farm Income		
Job 1	-	$
Job 2	-	$
Other Income	-	$
TOTAL HOUSEHOLD INCOME	**Sum of lines 1 - 6**	$

Household Expenses

Expense	Amount
Housing/Living	
Mortgage/Rent (Non-Farm)	$
Utilities (Non-Farm)	$
Taxes/Insurance (Non-Farm)	$
Groceries/Dining Out	$
Child Care	$
Healthcare	$
Transportation	$
Entertainment	$
Personal Care	$
Clothing	$
General Household Purchases	$
Travel	$
Other	$
TOTAL HOUSEHOLD EXPENSES	$

Family Living Expense to Income Ratio

$$\frac{TOTAL\ HOUSEHOLD\ EXPENSES}{TOTAL\ HOUSEHOLD\ INCOME} = \underline{\qquad\qquad\qquad}$$

KFMA Historical Average = 0.25

Thank you!