

Family Living and the Connection to Nonfarm Wages

Gregg Ibendahl

Introduction

In a recent AgManager.info article (<https://www.agmanager.info/farm-management/farm-profitability/family-living-and-nonfarm-income>), Ibendahl discussed how nonfarm income can help mitigate the variability of net farm income in meeting family living expenses. This article extends that analysis to look at nonfarm wages. Nonfarm wages are a subset of nonfarm income. While nearly every farm has nonfarm income, not every farm has wage income. This analysis divides the KFMA farms with family living expense information into two groups based on nonfarm wages to determine if there are differences between those two groups.

Analysis

Farms that received over \$5,000 in nonfarm wages were grouped into the farms with wages category. Farms with no wages or wages less than \$5,000 were grouped into the farms with no wage (minimal wage) category. Using \$5,000 as the breakpoint for categories resulted in two-thirds of the farms being classified as farms with wages and the other one-third of farms being classified as farms with no wages.

Figure 1 shows the average net farm income since 1993 for KFMA families when divided into the nonfarm wage vs the no nonfarm wage categories. As might be expected, farms with no or minimal nonfarm wages tended to have more net farm income than those farms with wage income.

However, as shown in figures 2 and 3, the differences in covering family living when combining farm and nonfarm income together are minimal between the farms with wages and the farms with minimal wages. Figure 2 shows the ability of farm families with no or minimal nonfarm wages to cover family living through a combination of net farm income and nonfarm income. Keep in mind taxes and principle payments are not included. The left axis is the sum of farm and nonfarm net income minus family living. The lines represent the average, the median (or 50th percentile), and the 25th and 75th percentiles. The 25th percentile can be interpreted, for example, at the point where 25% of farms have that particular value or lower. Figure 3 is similar but for farm families with nonfarm wages greater than \$5,000.

There are at least two possible benefits to farm families with nonfarm wages. First, income is likely to be less variable from year to year. A consequence of that is possible higher spending on entertainment and recreation. Second, a nonfarm job could provide

Gregg Ibendahl

email: ibendahl@ksu.edu

twitter: [@ibendahl](https://twitter.com/ibendahl)

health insurance so those farms with nonfarm wages might have lower health insurance costs. Both of those possible consequences were examined in the next two figures.

Figure 4 shows the entertainment and recreation spending by the two farm groups. As expected, those farms in the nonfarm wages category did spend more on entertainment and recreation in most years. This difference has disappeared in the last three years though. This spending difference could be attributed to either more stable income or more discretionary income due to less spending in other areas. Figure 5 examines that last possibility.

As shown in Figure 5, those farms with wages had lower health insurance spending than did the no or minimal wage farms. This is as expected as at least some of the nonfarm wage farms received health care insurance from their employer. With lower health insurance costs, these farms with nonfarm wages would have more income left over for entertainment and recreation.

Conclusions

Meeting family expenses will always be a challenge with just farm income due to the variability of yearly farm income. Fortunately most have have nonfarm income even if they don't have nonfarm wages. Farms with off farm wages may often have lower medical insurance costs which could help increase spending in entertainment and recreation and other discretionary categories

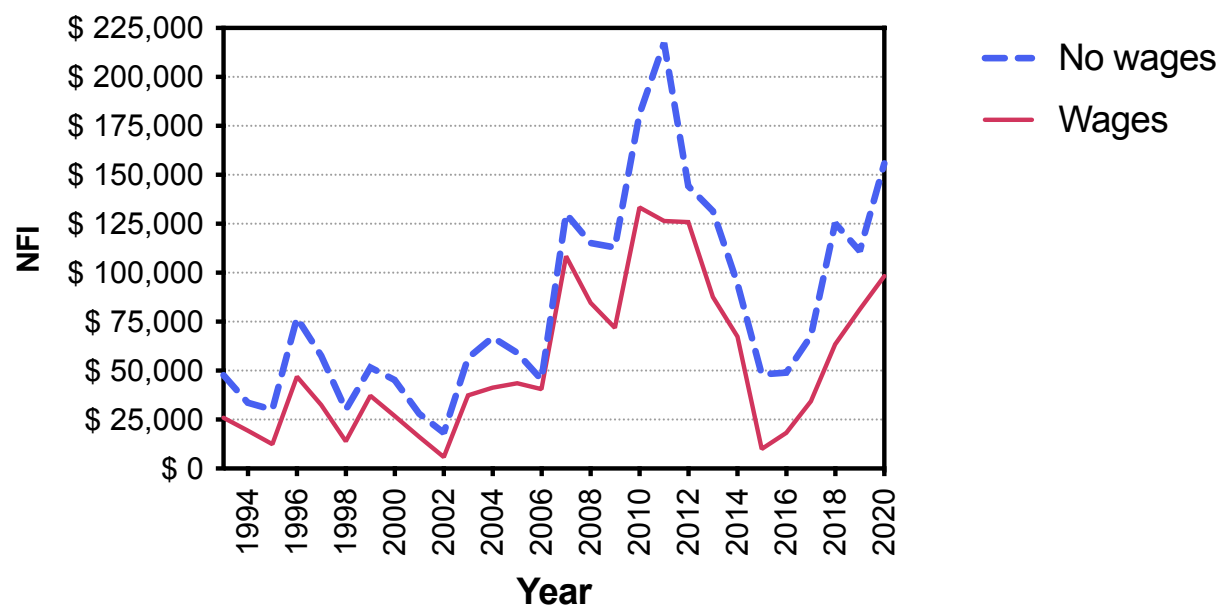


Figure 1. Net Farm Income: Farms with Wages vs Farms with Minimal Wages

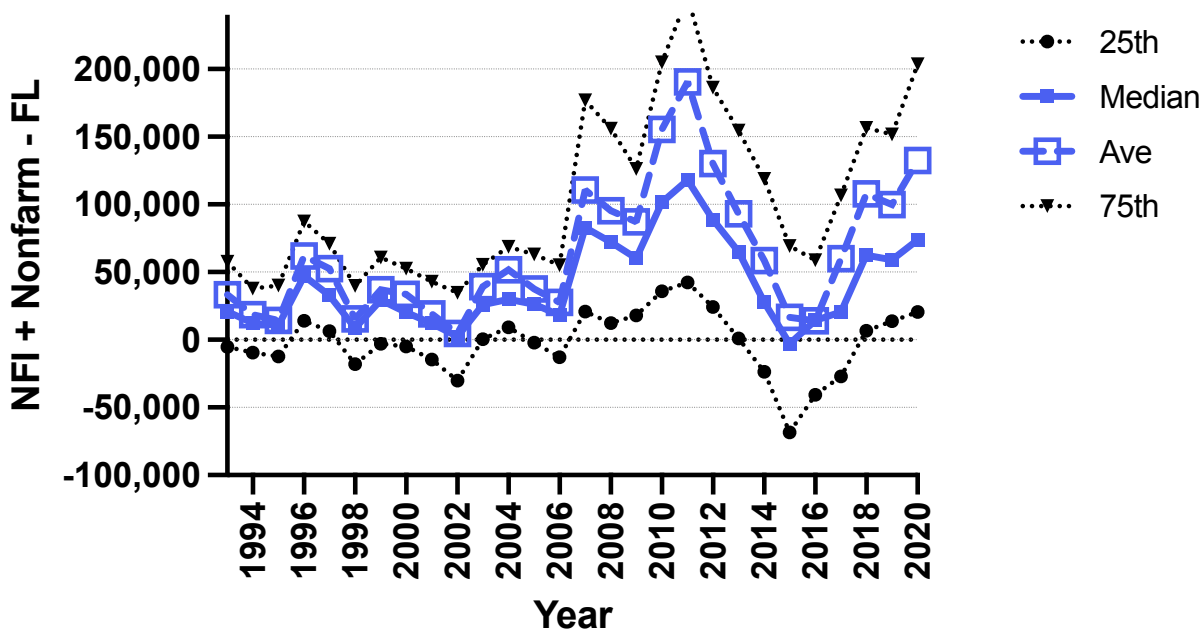


Figure 2. Net Farm Income Plus Nonfarm Income Minus Family Living by Percentile Across Time for Minimal Wage Farms

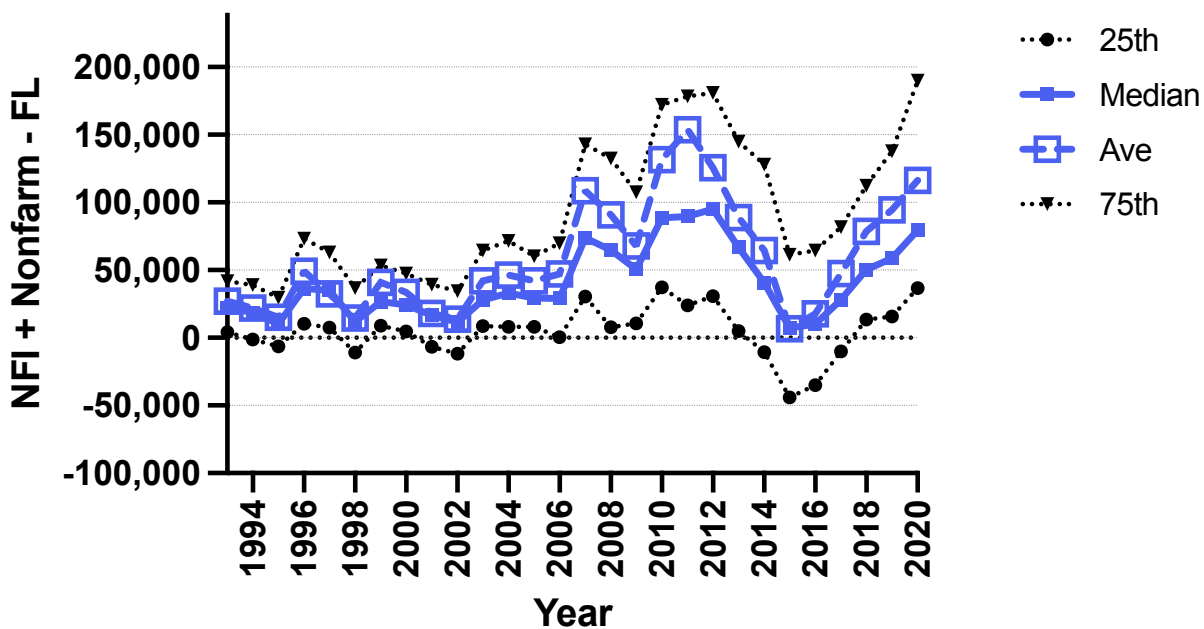


Figure 3. Net Farm Income Plus Nonfarm Income Minus Family Living by Percentile Across Time for Farms with Off Farm Wages

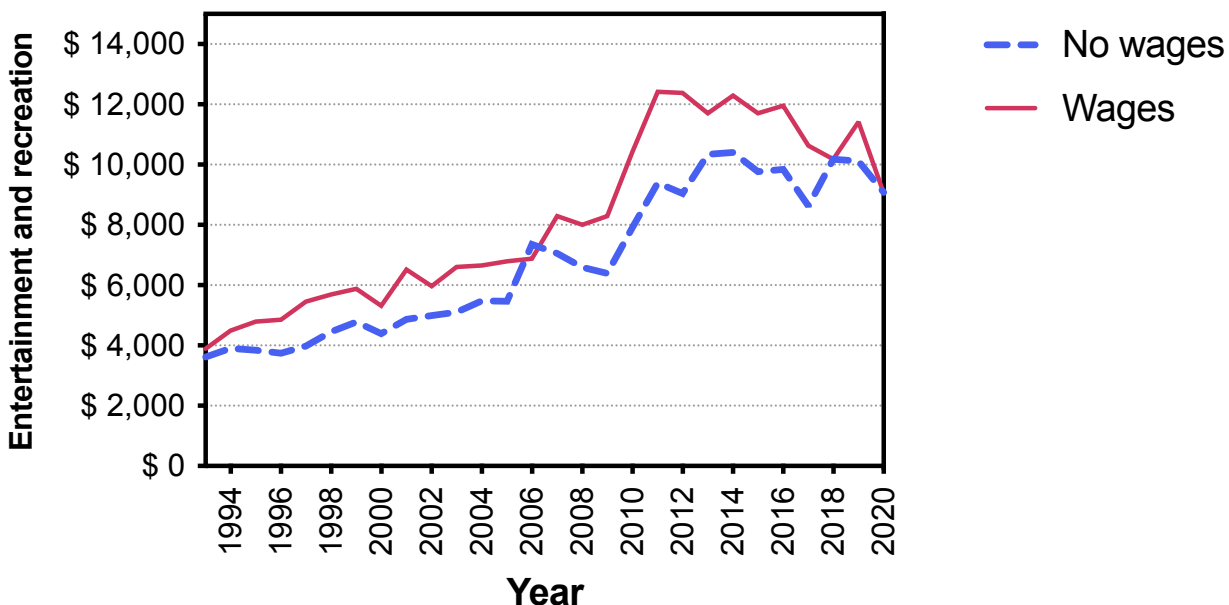


Figure 4. Entertainment and Recreation Spending by Farm Family Type- Outside Wages vs Minimal Wages.

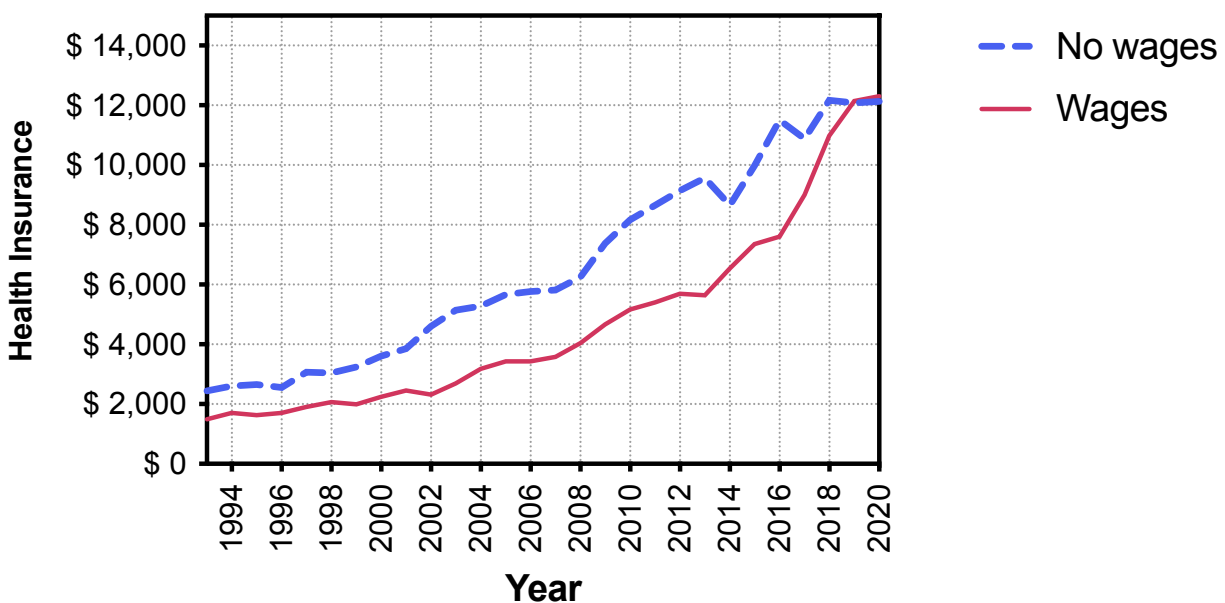


Figure 5. Health Insurance Spending by Farm Family Type - Outside Wages vs Minimal Wages.