An Analysis of Family Living in Kansas

Gregory Ibendahl *(ibendahl@ksu.edu)*

Kansas State University Department of Agricultural Economics - February 2018

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Introduction

Because of lower net farm income from the last several years, family living has started to drop (see Figure 1). However, the drop in family living has not matched the drop in net farm income. This article examines some of the reasons why family living may be slow to decline.

Family living increased (in real dollar terms) from 2008 until 2012. This rise is family living expenses match those years when net farm income was well above average for most farms (see Figure 2). However, while net farm income has since fallen to levels below historical averages, family living has been slower to drop.

Based on inflation adjusted family living, the average family living amount was closer to $50,000 before the boom years that started in 2007. As might be expected, higher net farm income led to higher family living. However, as shown in Figure 2, the increase in family living lagged the increase in net farm income.

Family living is starting to decline but the decrease is lagging behind the drop in NFI. One interesting research question is whether the lag in family living when net farm income increases is the same as the lag when net farm income decreases. With 2017 net farm income projected to again be below historical averages, we will get more information about the rate of decline in family living.

Factors affecting family living

Figure 3 shows the specific expense categories that make up family living. This list is not inclusive as some categories were left off since they showed little change and would have only made the graph more complicated. The majority of expense categories are shown though and

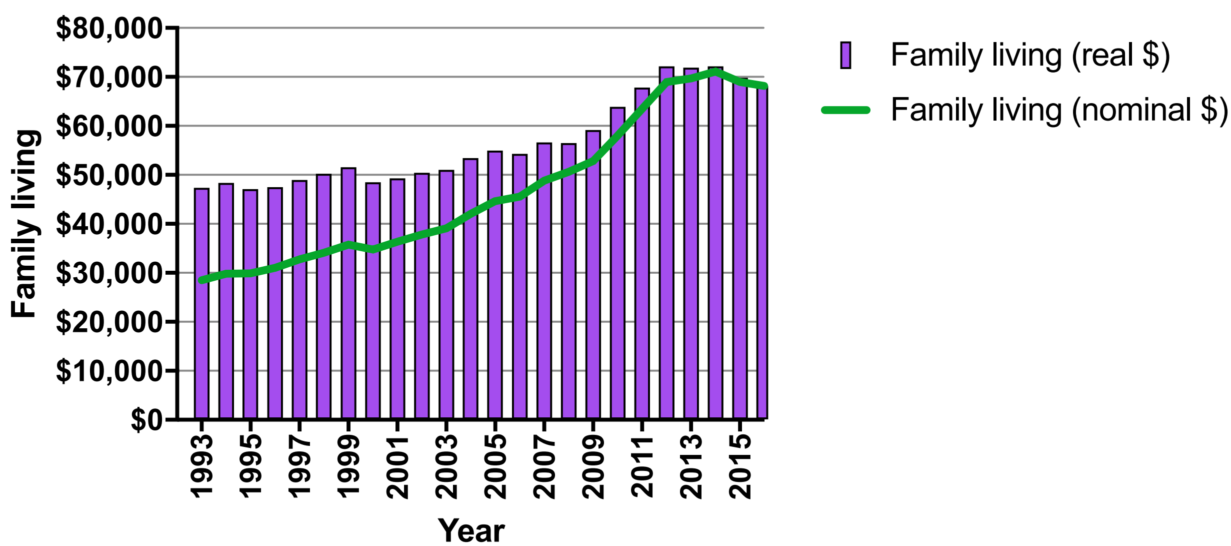

Figure 1. Total family living expenses in nominal and real dollars

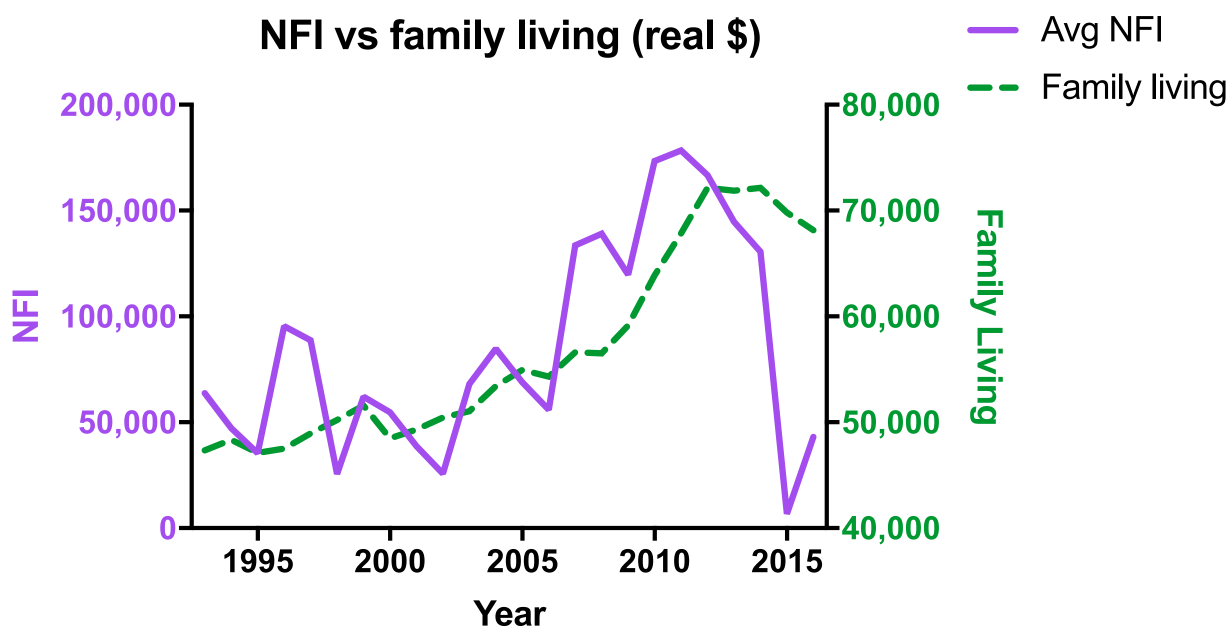

Figure 2. Net farm income vs family living expense items from 1993 through 2016 (real $)

these represent the largest and most interesting categories.

Entertainment and recreation is the largest expense category and amounts to $11,000 per year on average. This category of spending increased during 2010 and 2011 and has remained at this higher level ever since. Entertainment and recreation spending used to be below food, but starting in 2000, entertainment and recreation became the largest expense category.

Farm families have adjusted many of their expense categories downward to reflect the drop in net farm income. Household operations, home repairs gifts, and auto expenses all show drops in spending. Some of these expense items are near the levels they were before 2007. Home repairs, auto expenses and gifts fit this characterization. Household operations, which declined by over $1,000 in 2016, is still well above 2007 levels.

The one expense item that has shown almost a constant increase in spending since 1993 is health insurance. In 1993, health insurance was less than $3,500 per year (in 2016 dollars). Now however, health insurance amounts to nearly $10,000 per year and is the second largest spending category. This is a 300% increase since 1993. Unfortunately, this is an expense category that may be impossible to reduce if farm families want to maintain health insurance. The one tradeoff is that while health insurance has increased greatly, medical expenses have remained flat since 1993.

Can family living approach pre-2007 levels

It appears that farm families are making efforts to lower their family living. It could be argued that entertainment and recreation is still too high relative to other expenses. Most people would probably agree that it is easier to increase spending than it is to decrease spending and that entertainment and recreation is just

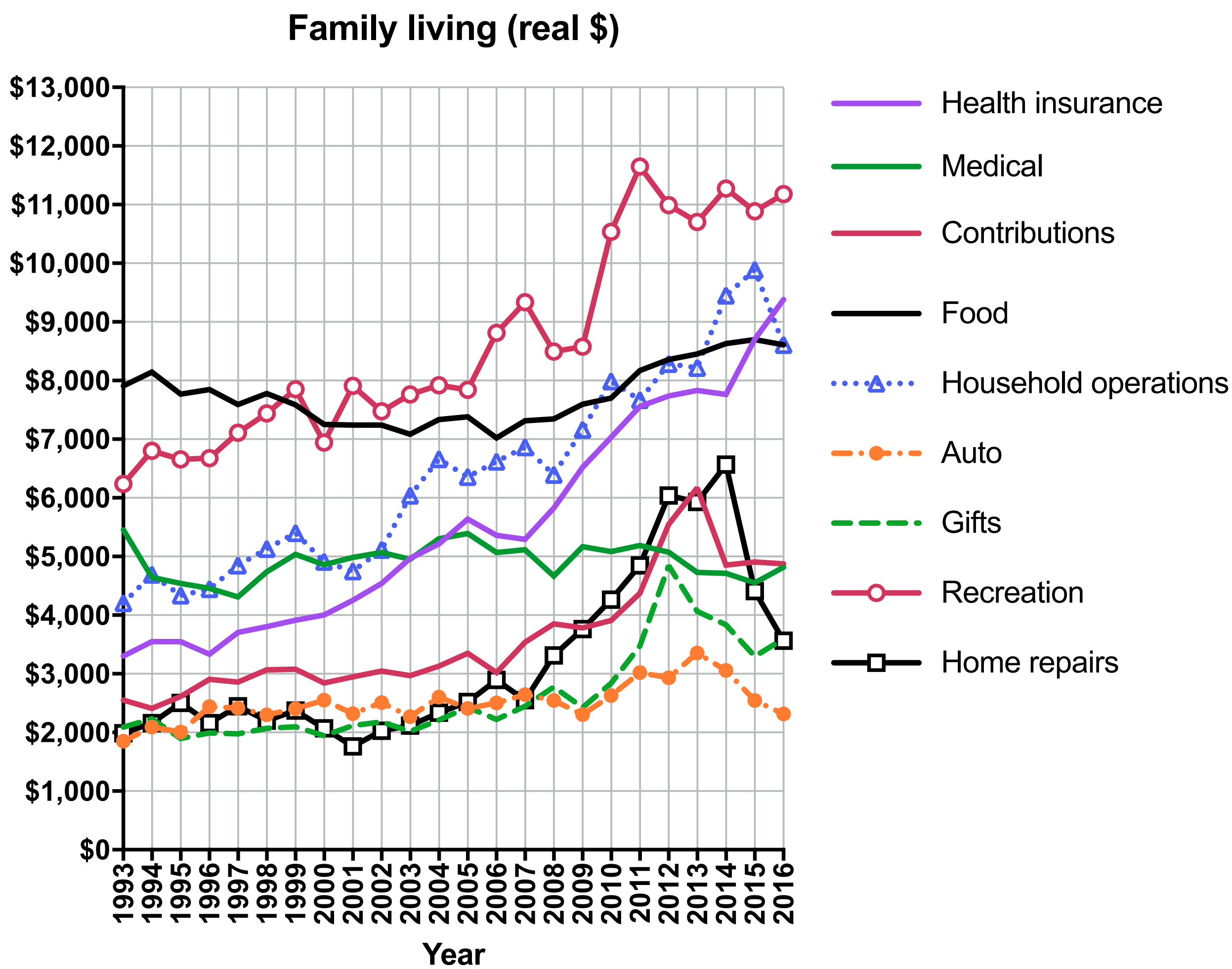

Figure 3. Family living expense items from 1993 through 2016 (real $)

slower to adjust. 2017 data, which should be available in late spring, should give a clearer picture for how family living is adjusting.

The one big problem area is health insurance. Here, spending is beyond the control of many families. Given that health insurance has shown no sign of decreasing, it is doubtful that farm families can ever get their family living back to pre-2007 levels.