

## Taking Charge of Family Finances

# Family Living Trends

**Andrew Swenson**  
Farm and Family  
Resource  
Management  
Specialist

**Debra Pankow**  
Family Financial  
Management  
Specialist

## in North Dakota



North Dakota State University  
Fargo, ND 58105

AUGUST 2004

The North Dakota Department of Career and Technical Education operates a statewide adult Farm Business Management Education program. Participants in the program maintain detailed farm records, and most also include detailed family living expenses. The following observations are derived from a multiyear analysis of the family living expenditures.

### Overall Trends in Family Living

The average size of the North Dakota farm families included in this report was 3.4 people in 2003, and the average family living expenditure was \$40,517. The trend is for farm families to spend more each year on family living. The trend from 1996 through 2003 has been an annual increase of \$1,590 (Figure 1).

Household expenditures itemized in the North Dakota Farm Business Management Education program annual reports include food and meals expense, medical care and health insurance, cash donations, household supplies, clothing, personal care, child/dependent care, alimony and child support, gifts, education, recreation, utilities (household share), non-farm vehicle operating expense, household real estate taxes, dwelling rent, household repairs, non-farm property insurance, non-farm interest, life insurance and disabilities/long-term care insurance payments, and miscellaneous. Also itemized

are furnishing and appliance purchases and non-farm vehicle purchases.

For the purpose of this publication, some of the expense items are consolidated (Tables 1 and 2). The expense items that will be discussed are housing, food, medical care and insurance, transportation, clothing, education, personal purchases and recreation, contributions and gifts, and childcare and non-farm interest expense. We will look at the level of spending in recent years, the percentage of total farm family household living expenses and the overall trend for the past eight years for these items.

### Housing

For most Americans, the single largest expense each month is for housing, either a home mortgage or rent plus the accompanying taxes, insurance, operations, upkeep, furnishings, equipment and utilities. A typical

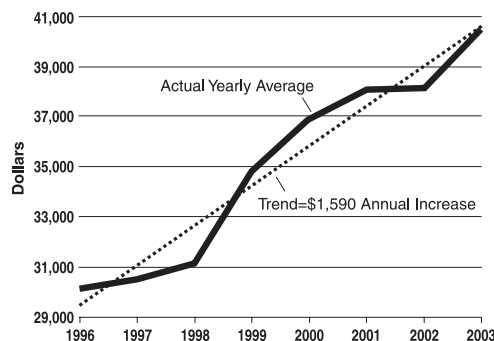


Figure 1. Family living expenses

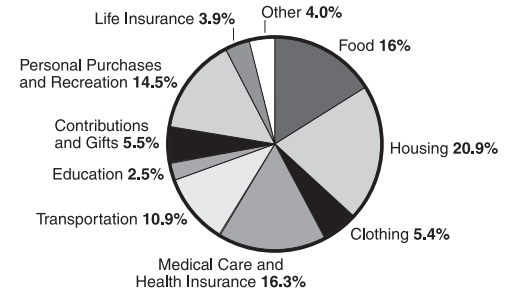
American household spends more than 30 percent of its budget for housing.

The situation for the North Dakota farm family is much different. Although housing is also the single highest family living expense, it typically consumes about 21 percent of the farm family living budget (Figure 2). Because the housing investment is typically considered to be an integral part of the farm business, little or no house rental or mortgage interest is included in the family living expense. Therefore, the housing percentage for a farm family is much lower. The trend for North

Dakota farm families over the past eight years is an annual increase of \$320 for housing expense (Figure 3). Dollar values throughout the tables are in actual dollars for that year and not adjusted for inflation.

Families in the sample spent an average of \$8,426 in 2003 for housing. The eight-year average, 1996-2003, was \$7,327. Household supplies are more than 50 percent of the total housing expenditures followed by utilities at around 24 percent and household repairs at about 14 percent (Table 2).

One common question farm families have is how much of their



**Figure 2. Eight-year average family living expenses**

total electric and utility bill can be credited to the farm business. This varies with the type of operation; a cow-calf operation, for example, does not consume as much electricity as a dairy operation, or a crop farm that makes heavy use of grain dryers, and therefore would typically have a smaller percentage of utility bills allocated for business use. Of course, the size of the operation will also impact the allocation between farm and non-farm. Check with your personal tax adviser to determine the appropriate percentage for your farm operation.

**Table 1. Average Farm Family Living Expenses, North Dakota Farm Business Management Education Program 1996-2003.**

	1996	1997	1998	1999	2000	2001	2002	2003
Number of Farms	320	292	314	320	336	314	298	291
Family Living Expenses								
Food	5186	5315	5360	5629	5695	5809	5789	5973
Housing <sup>1</sup>	6168	6528	6567	7329	7868	7888	7845	8426
Clothing	1750	1892	1747	1971	1915	2053	1935	1888
Medical Care and Health Insurance	5120	5010	5125	5589	5360	6026	6468	7040
Transportation <sup>2</sup>	2936	2724	2980	4082	4862	4300	3785	4915
Education	782	783	769	799	835	1100	933	1118
Contributions & Gifts	1633	1754	1615	1930	2089	2073	2113	2139
Personal Purchases & Recreation	4121	4362	4638	5173	5548	6024	5434	5354
Life Insurance	1429	1185	1340	1349	1464	1354	1452	1384
Other <sup>3</sup>	984	966	1029	1038	1222	1426	2385	2280
Total Family Living Expenditures	30109	30519	31170	34889	36858	38053	38139	40517

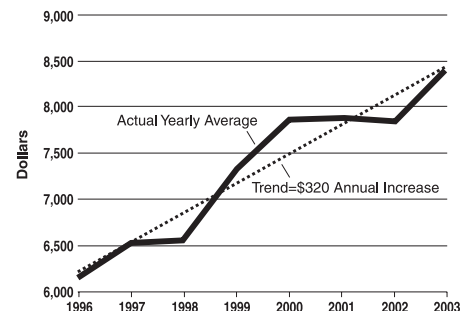
<sup>1</sup>See Table 2 for detail

<sup>2</sup>Non-farm vehicle purchases and operating expenses

<sup>3</sup>Childcare, non-farm interest expense, alimony and child support, and miscellaneous

**Table 2. Average Housing Expenses, North Dakota Farm Business Management Education Program, 1996-2003.**

	1996	1997	1998	1999	2000	2001	2002	2003
Household Supplies	3215	3288	3485	4027	4368	4435	4416	4439
Utilities (household share)	1514	1676	1614	1645	1826	1868	1762	2052
House Rent/Real Estate Tax/Property Insurance	122	185	175	189	123	138	371	360
Household Repairs	950	978	914	1129	1182	1146	987	1167
Furnishings and Appliance Purch.	367	401	379	339	369	301	309	408
Total Housing Expenditures	6168	6528	6567	7329	7868	7888	7845	8426



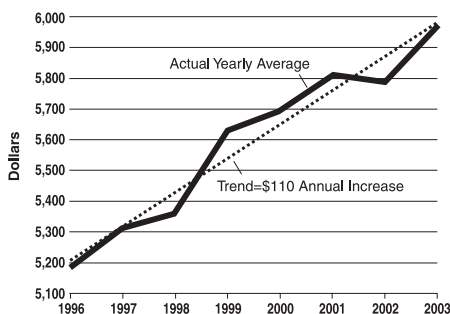
**Figure 3. Housing expenses (shelter, supplies, furnishings and utilities)**

## Food

Food expenses as a percent of total farm household expenditures have actually been in a downward trend from 17 percent in 1996 to 15 percent in 2003. The average food expenditure and farm family size in 2003 was \$5,973 and 3.4 people, respectively. This equates to a monthly expenditure of \$498 for food eaten both at home and away from home. The food expenditure figure only includes cash outlay.

North Dakota farm families appear to be managing their food dollars wisely. Nationally, the Bureau of Labor Statistics (Report 974, 2004) reported that food expenditures for a consumer unit of 2.5 people were \$5,375 in 2002, or \$2,150 per person. Food expenditures for North Dakota farm families in 2002 were \$5,789 for a household of 3.5 people, or only \$1,654 per person. A possible explanation may be that farm families eat out of the home less often than other families because of the distance to eating establishments. A less likely reason is savings from consuming food raised on the farm. In North Dakota, the importance to farm families of raising food on the farm has been declining—the estimated value was \$310 in 1990 and \$158 in 2003.

The trend in food expenditures by North Dakota farm families, 1996-2003, showed an annual increase of \$110 per year (See Figure 4). One reason for the relatively small increase in food expenditures is because the average family size in the sample has decreased slightly.



**Figure 4. Food (at home and away) expenses**

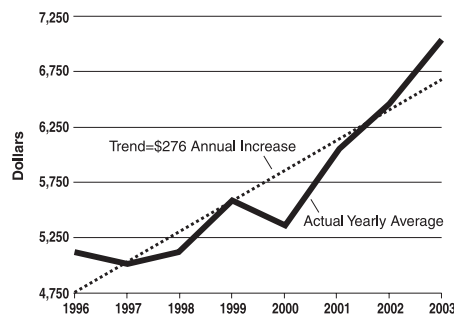
## Medical Care and Insurance

Medical care and health insurance are a primary budgeting concern for most families, and the percentage of North Dakota farm family expenses allocated is nearly triple the national average.

Over the past eight years, average medical costs for North Dakota farm families have risen from about \$5,120 in 1996 to over \$7,040 in 2003. This represents approximately 17 percent of their household expenditures. The 1996-2003 trend has been an annual increase of \$276 (Figure 5).

One reason for the big difference between the farm family and the urban family in medical costs is the lack of employer-sponsored health benefits for the self-employed farm family. This is true despite increased participation by farm family members in off-farm jobs.

Maintaining adequate health insurance and quality medical care is an important issue for farm families.



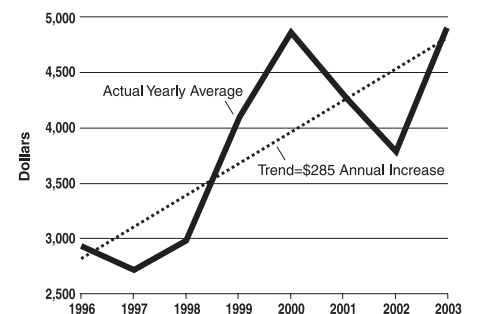
**Figure 5. Medical care and health insurance**

## Transportation

On average, 11 percent, or \$3,823, of North Dakota farm family living expenditures have been for transportation over the past eight years. The average American household allocates nearly 20 percent of its total expenditures for transportation. For most farm families, vehicles serve a dual function of providing transportation for both the household and for general farm operating needs. Therefore, a portion of transportation expenses is traditionally charged to the farm business account. That's why the percentage of family living expense that goes toward transportation for the farm family is very different than for the typical American family.

The typical North Dakota farm family spends about one-half of its transportation dollar for the purchase of vehicles. The remainder is spent on the household share of fuel, repairs, licenses, insurance, etc.

The trend from 1996 to 2003 has been an annual increase of \$285 in transportation costs (Figure 6). This increase can largely be explained by an increase in vehicle purchases. Vehicle purchases are quite variable because they correspond with net farm income. Vehicle purchases (and total transportation expenses) averaged over \$1,000 more in high-income years than in low-income years. The three highest net farm income years occurred during the last half of the eight-year period.



**Figure 6. Transportation expenses**

## Education

Education expenses do not represent a large portion of the average North Dakota farm household budget. In 2003, the average farm family spent \$1,118, or 2.8 percent of family living expenditures, on education expenses. However, this is more than the national average. Nationally, the average household used less than 2 percent of the annual expenditures on education.

The eight-year trend from 1996 to 2003 has been for North Dakota farm families to increase spending on education by \$49 per year (Figure 7).

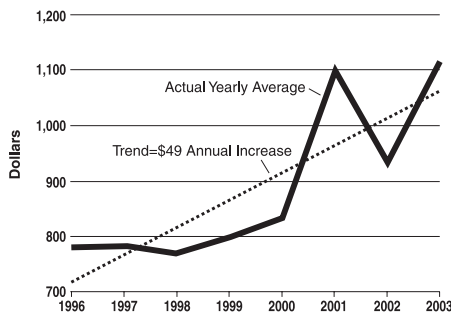


Figure 7. Education expenses

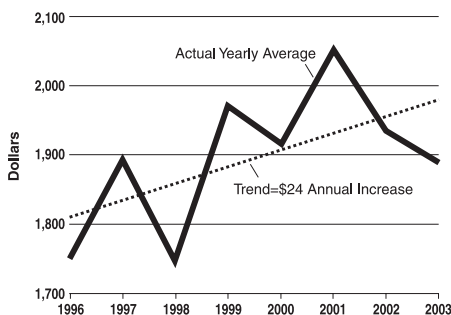


Figure 8. Clothing expenses

## Clothing

Clothing expenses have been more stable than other household expenses. The trend for the past eight years is an annual increase of only \$24 (Figure 8). North Dakota farm families appear to be spending approximately the same proportion of their family living budget on clothing as the national average. In 2003, North Dakota farm families had clothing and clothing material expenditures that averaged \$1,888. This amounts to approximately 4.7 percent of the average farm family household expense, compared to the eight-year average of 5.4 percent.

## Personal Purchases and Recreation

Personal purchases and recreation is a broad category that includes expenditures on personal care products and services, recreation, entertainment and general personal spending that does not fit in other categories. The average amount North Dakota farm households spent on these items has increased over time, from \$4,121 in 1996 to \$5,354 in 2003. However, the rate of increase has been moderate. This is probably associated with the addition of a "miscellaneous" expense item in the survey form starting in 2002. Some expenses, difficult to categorize, that were previously included as personal purchases are now reported under miscellaneous. In relation to total farm household expenditures, the amount spent on personal purchases and recreation has averaged 14.5 percent over the 1996-2003 period.

## Contribution and Gifts

Expenditures for contributions and gifts increased from \$1,633 to \$2,134 in eight years, from 1996-2003. However, spending for contributions and gifts, as a percent of total farm family expenditures, has been fairly stable. Most years it has been about 5.5 percent.

## Other

The "other" expense category in Table 1 includes non-farm interest expense and childcare, and starting in 2002, alimony and child support and miscellaneous

There has been an increase in non-farm interest expense. This indicates greater non-farm debt because interest rates have generally been flat to declining over this time period. "Other" expenses make up a small portion of the total farm family household budget, averaging 4 percent from 1996 to 2003, but it has shown the greatest percentage increase. The higher amounts in 2002-03 relatively to the 1996-2001 period, and the drop in the personal purchases and recreation category in 2002-03, is mainly due to adding the miscellaneous expense to the survey. Previously, all expenses had to be assigned to one of the other existing expense categories.

For more information on this and other topics, see: [www.ag.ndsu.nodak.edu](http://www.ag.ndsu.nodak.edu)

## Using This Publication

The dollar amounts and percentages listed in this publication are not meant to be strictly applied to your family situation. However, if you want to see how you are spending your family living and want to compare it to other farm families, you may find the information useful. If you feel a need to reduce spending, you may wish to take a close look at the one or more expense areas where your spending is significantly higher than the averages presented here.

Other extension publications that may be helpful in Taking Charge of Family Finances are FE440 *How Much Should We Spend?* and FE452 *Managing Farm Family Finances*.



NDSU Extension Service, North Dakota State University of Agriculture and Applied Science, and U.S. Department of Agriculture cooperating. Duane Hauck, Director, Fargo, North Dakota. Distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. We offer our programs and facilities to all persons regardless of race, color, national origin, religion, sex, disability, age, Vietnam era veterans status, or sexual orientation; and are an equal opportunity employer. 2M-10-98, 2M-8-04  
This publication will be made available in alternative format upon request for people with disabilities (701) 231-7881.