



Australian Government
**Department of Agriculture
and Water Resources**
ABARES

A comparative study of Australian agricultural household financial positions

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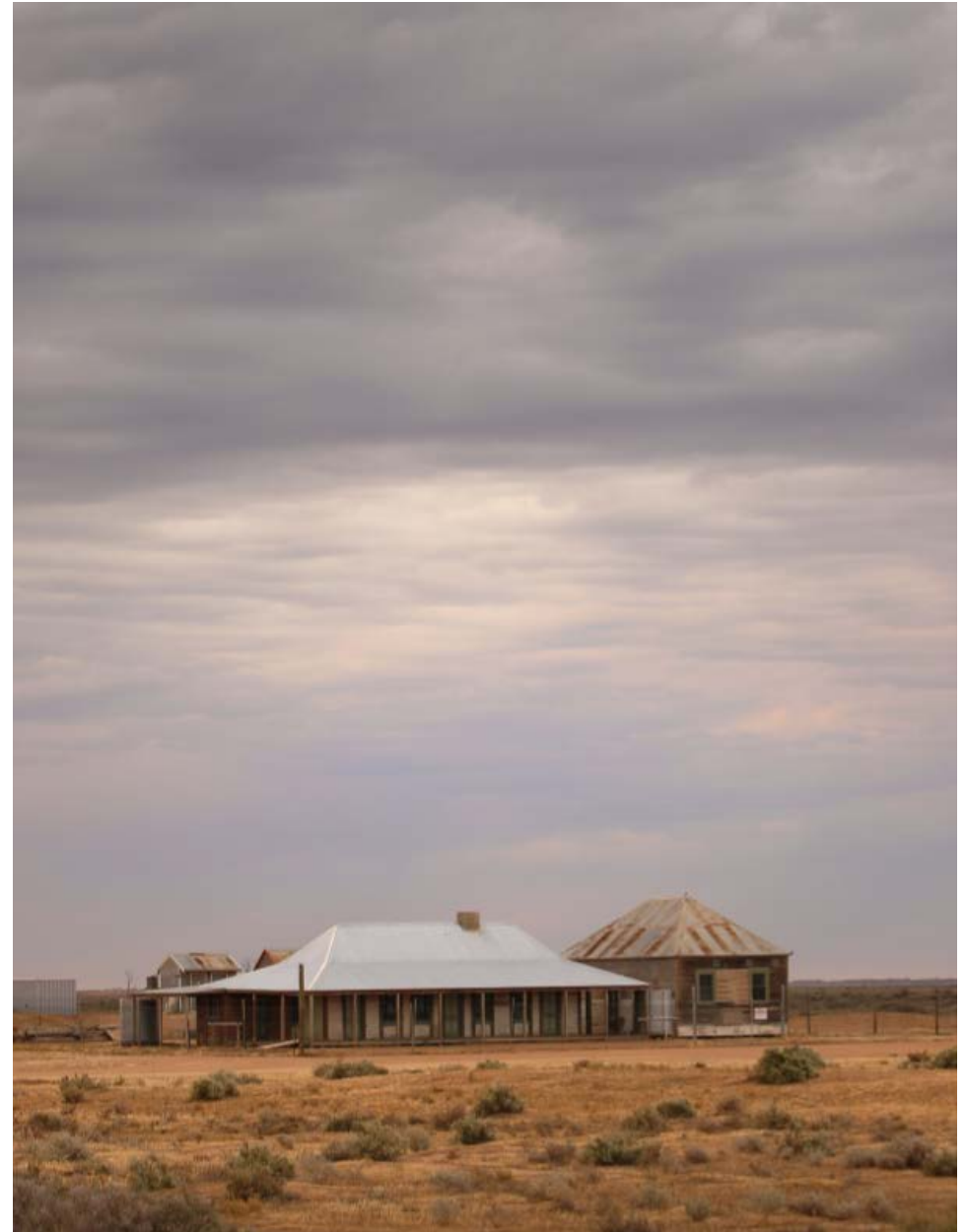
Australian Bureau of Agricultural and Resource Economics and Sciences



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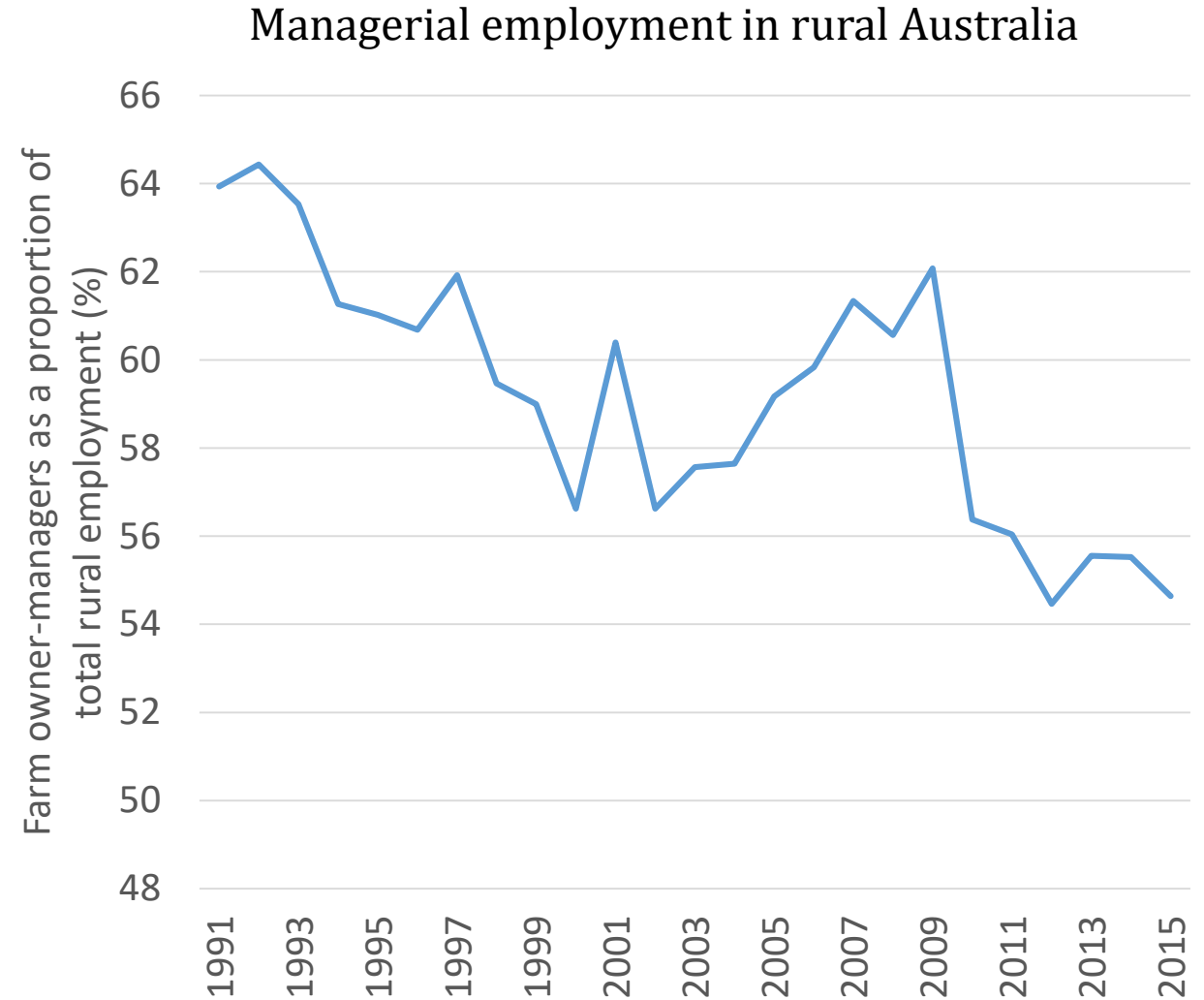
Definitions and explanations

- **Awkward household definitions**
 - Farm household or agricultural household
 - Non-agricultural households or all households
- **Permanent income:**
 - Long term/life time average
 - Physical and human assets
- **Transitory income:**
 - Income that may not persist
 - Deviates from average



Data and conceptual issues

- Agricultural households – is the reference person a farm owner/manager or a ‘rural employee’?
- Blurred boundary between the farm business and household
- The concept of well-being
 - Income
 - Wealth
 - Expenditure



Sources: ABARES; Australian Bureau of Statistics (ABS), Agriculture, cat. no. 7113.0, Canberra; ABS, Agricultural Commodities, cat. no. 7121.0, Canberra; ABS, Characteristics of Australian Farms, cat. no. 7102.0, Canberra; ABS, Labour Force, Australia, Detailed - Electronic Delivery, cat. no. 6291.0.55.003, Canberra; ABS, Labour Statistics, Australia, cat. no. 6101.0, Canberra; ABS, The Labour Force, Australia, cat. no. 6203.0, Canberra; Lette (1979)

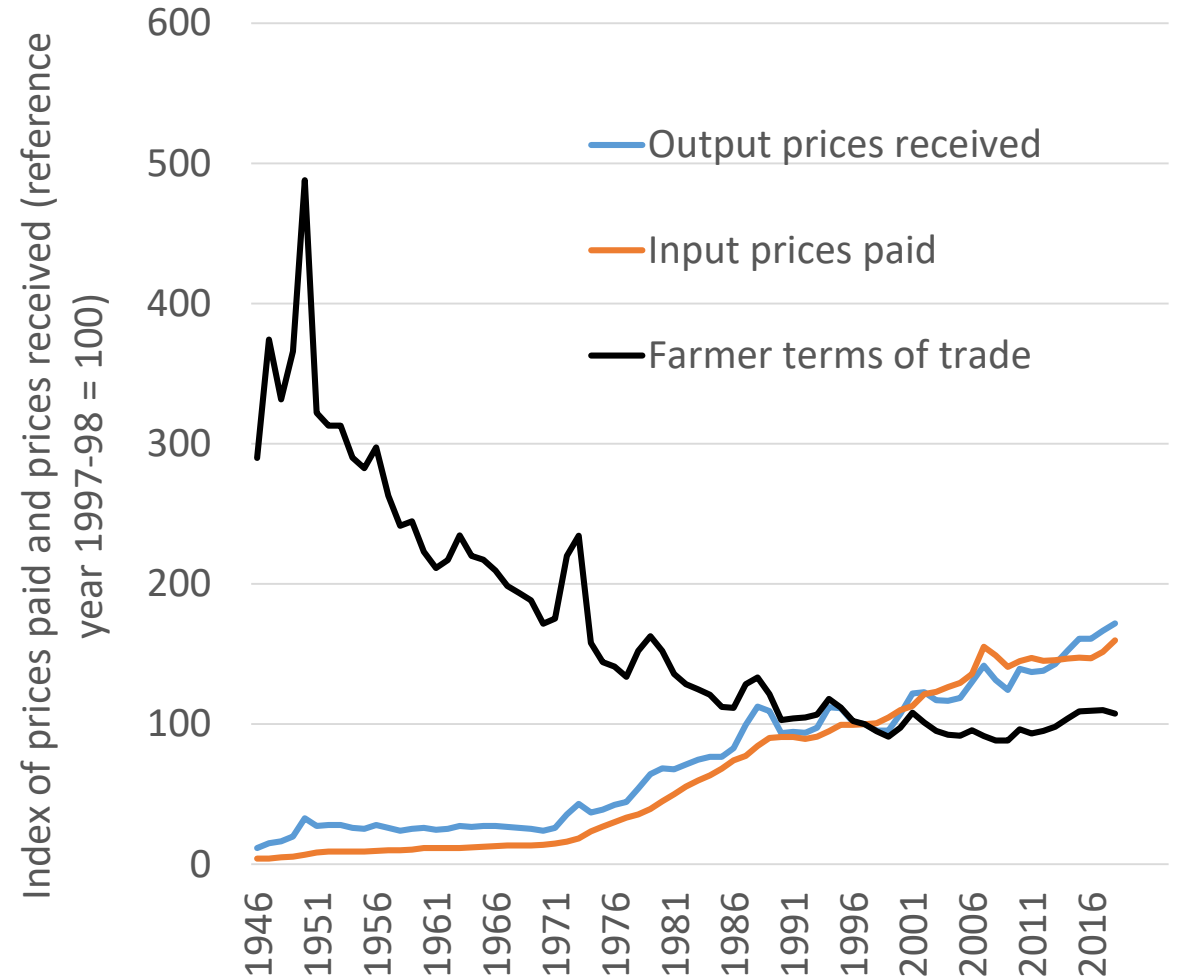
Motivation

We want to understand:

- The balance between permanent and transitory income.
- The effect of this balance on economic well-being.
- Income smoothing
- How agricultural households in Australia compare to those in the US.
- If average agricultural households are 'disadvantaged', according to our measure of economic wellbeing

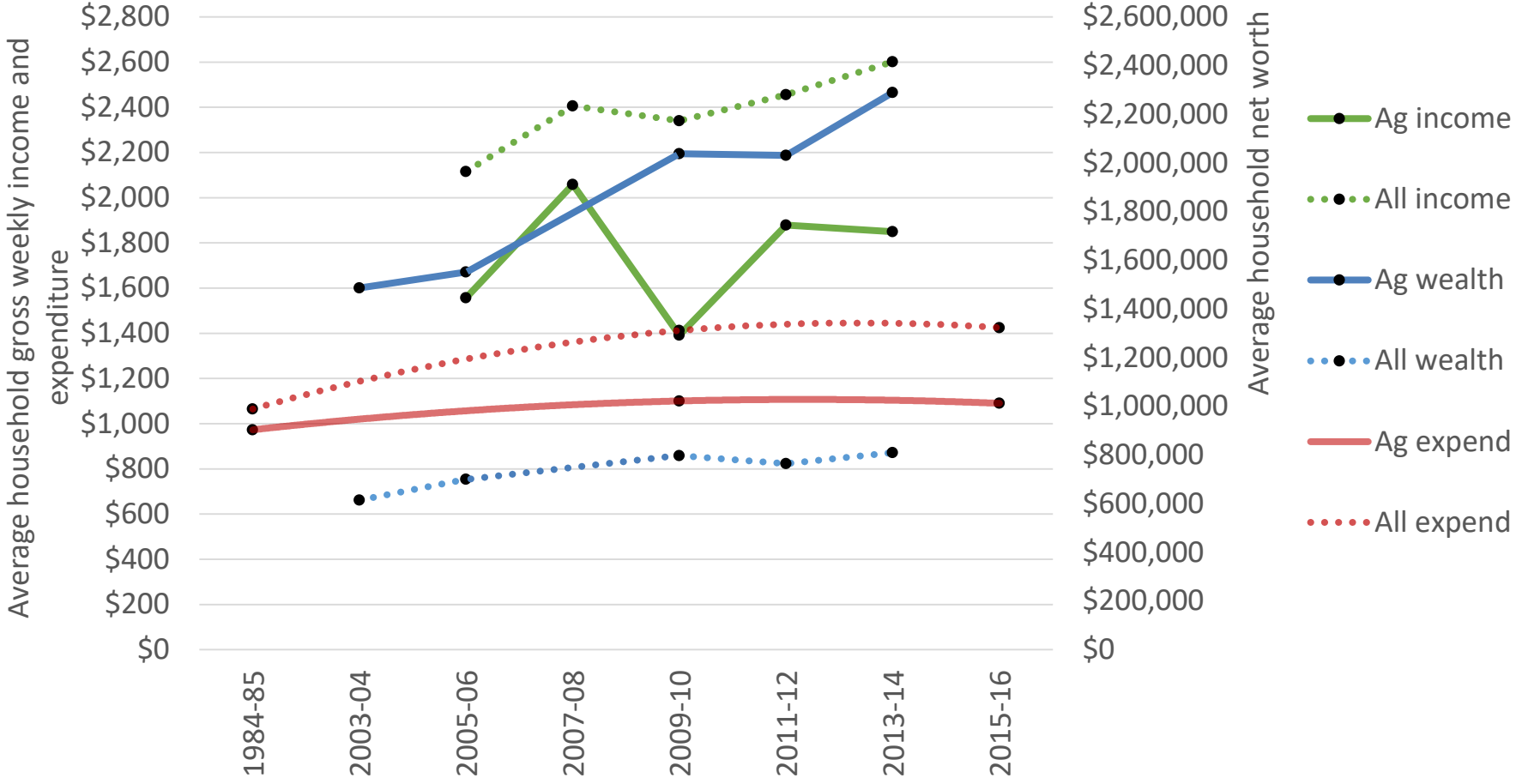
Some policy background

- Declining terms of trade (and 1960's well-being studies)
- Attention shifted to other issues (wool price collapse [1980-90s]; dairy deregulation; climate [1990-00s])
- Further deterioration in farmers terms of trade has seen the economic well-being issue resurface [2000s - now]



Sources: ABARES

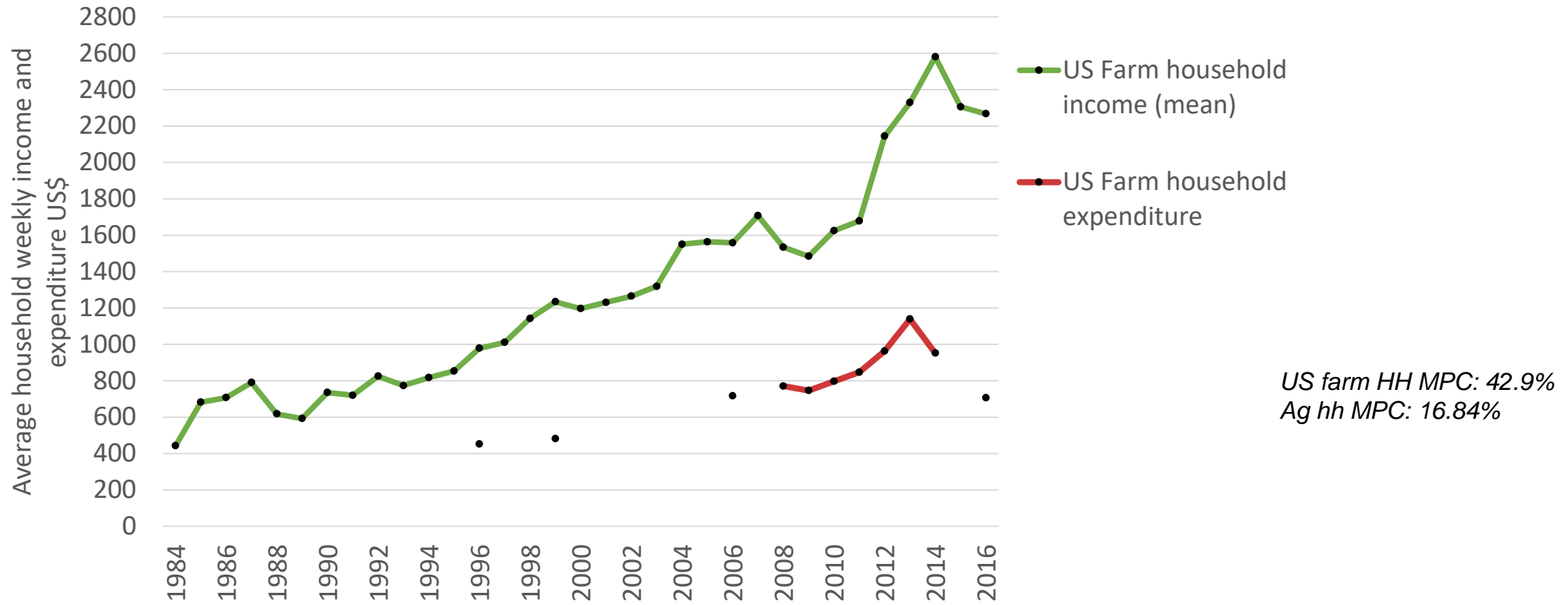
Australian household comparison



Ag hh MPC: 16.84%
All hh MPC: 36.12%

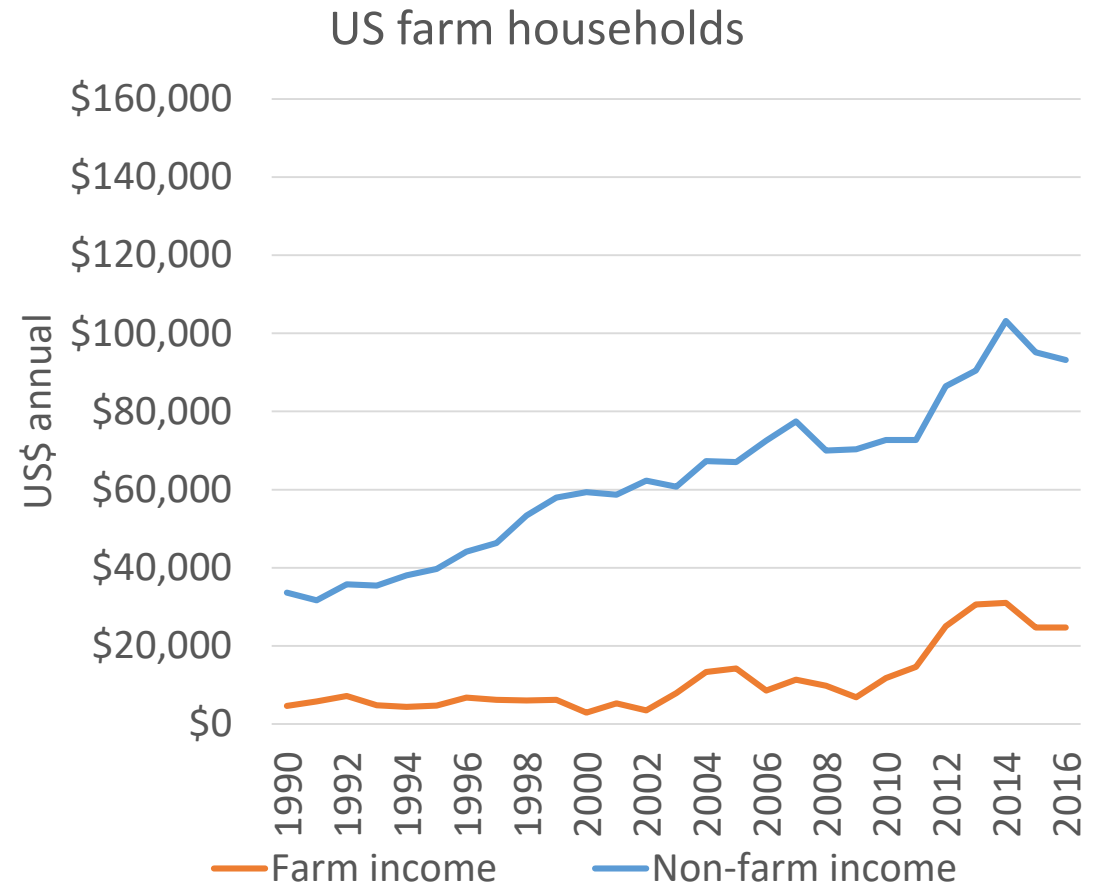
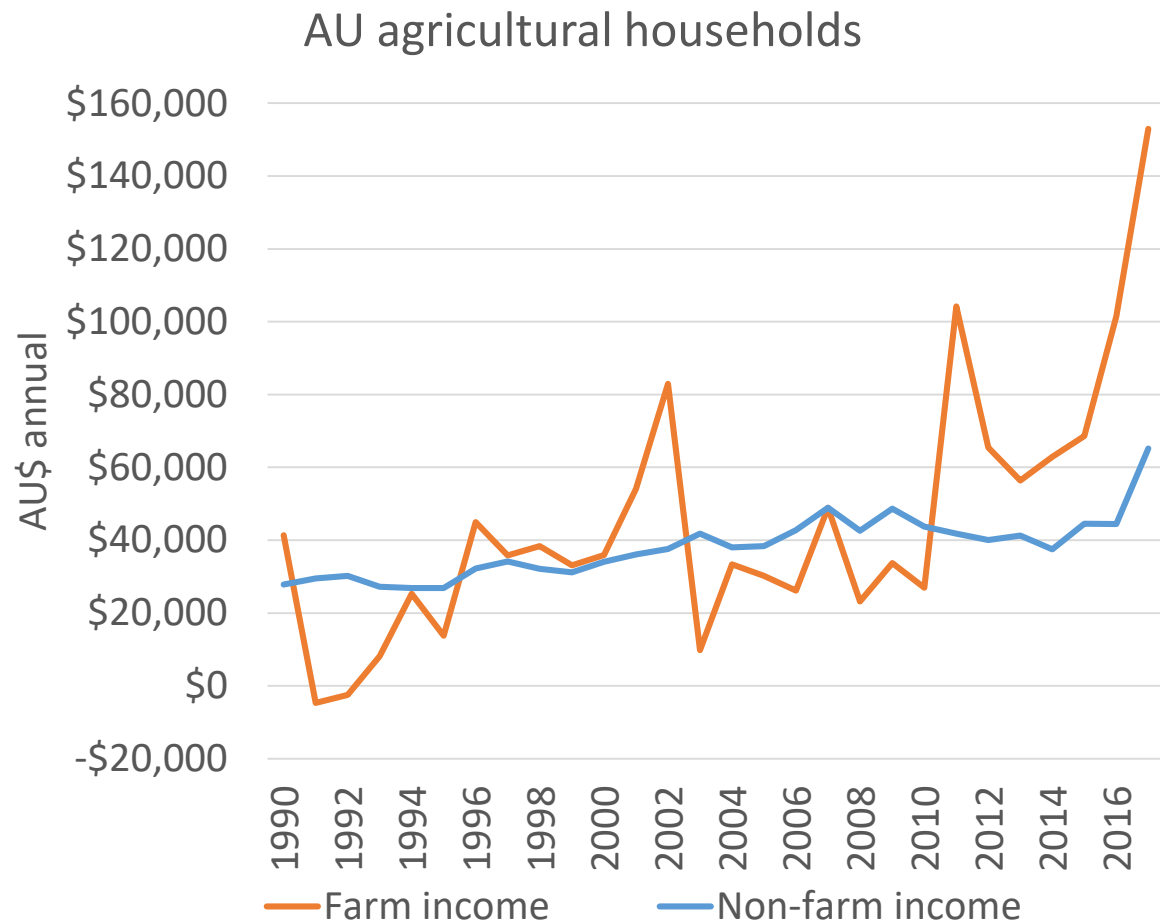
Sources: ABS custom datasets

Farm households in the US...



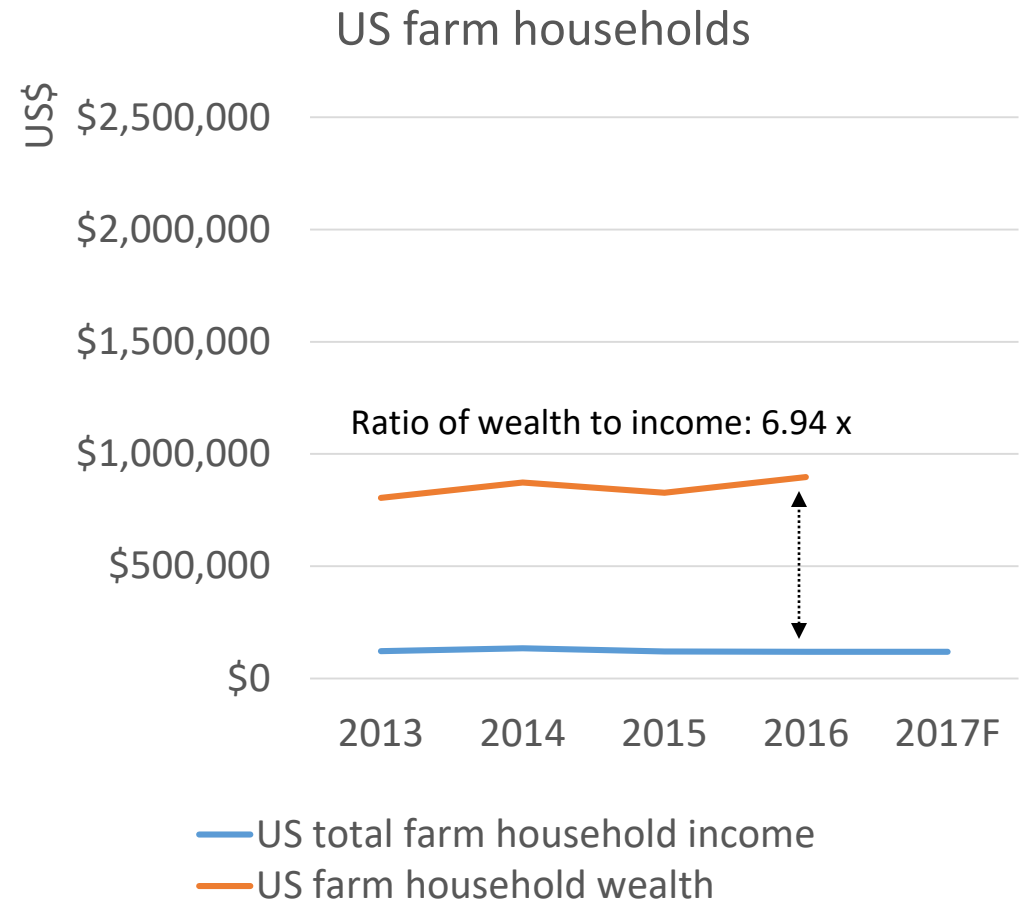
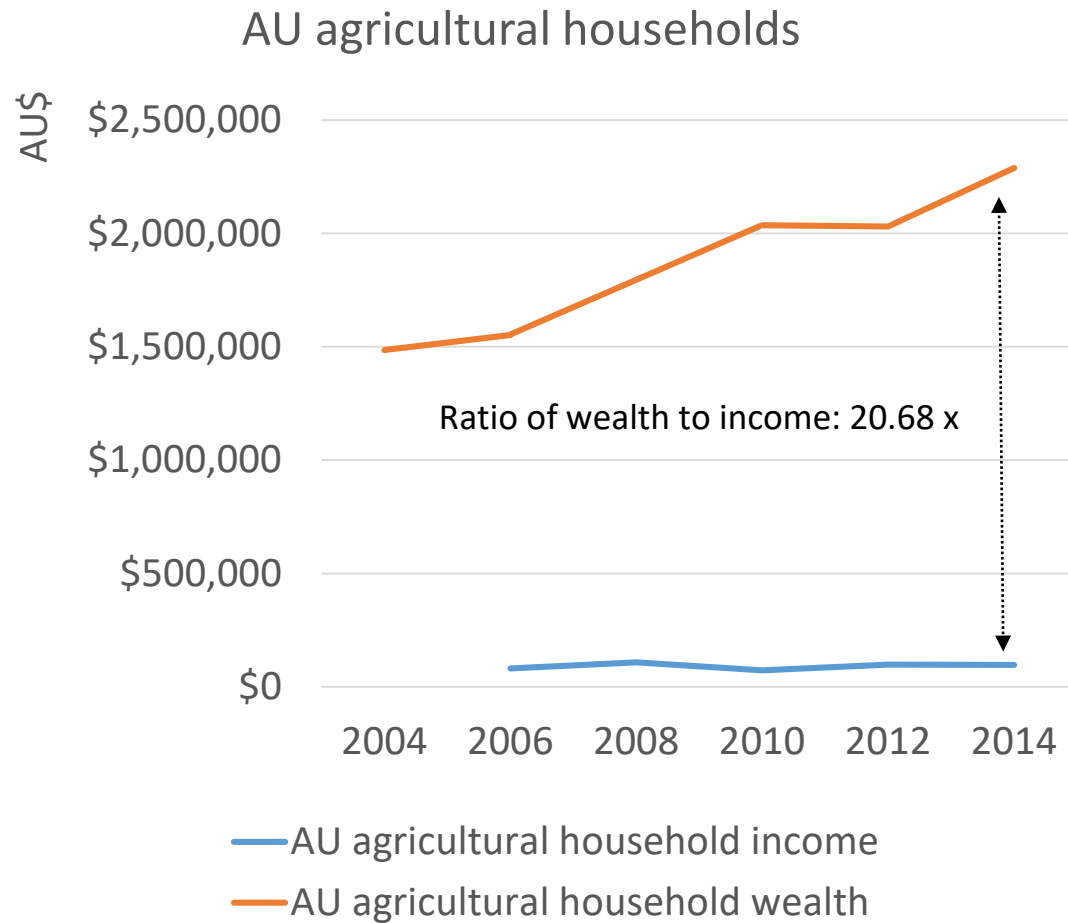
Source: Data primarily from USDA 2018. Several data points derived from Mishra et al. 2002 and Mishra and Cooper 2017.

Comparison to the USA (income)



Sources: Department of Agriculture and Water Resources (2018b), ABARES and United States Department of Agriculture (2018)

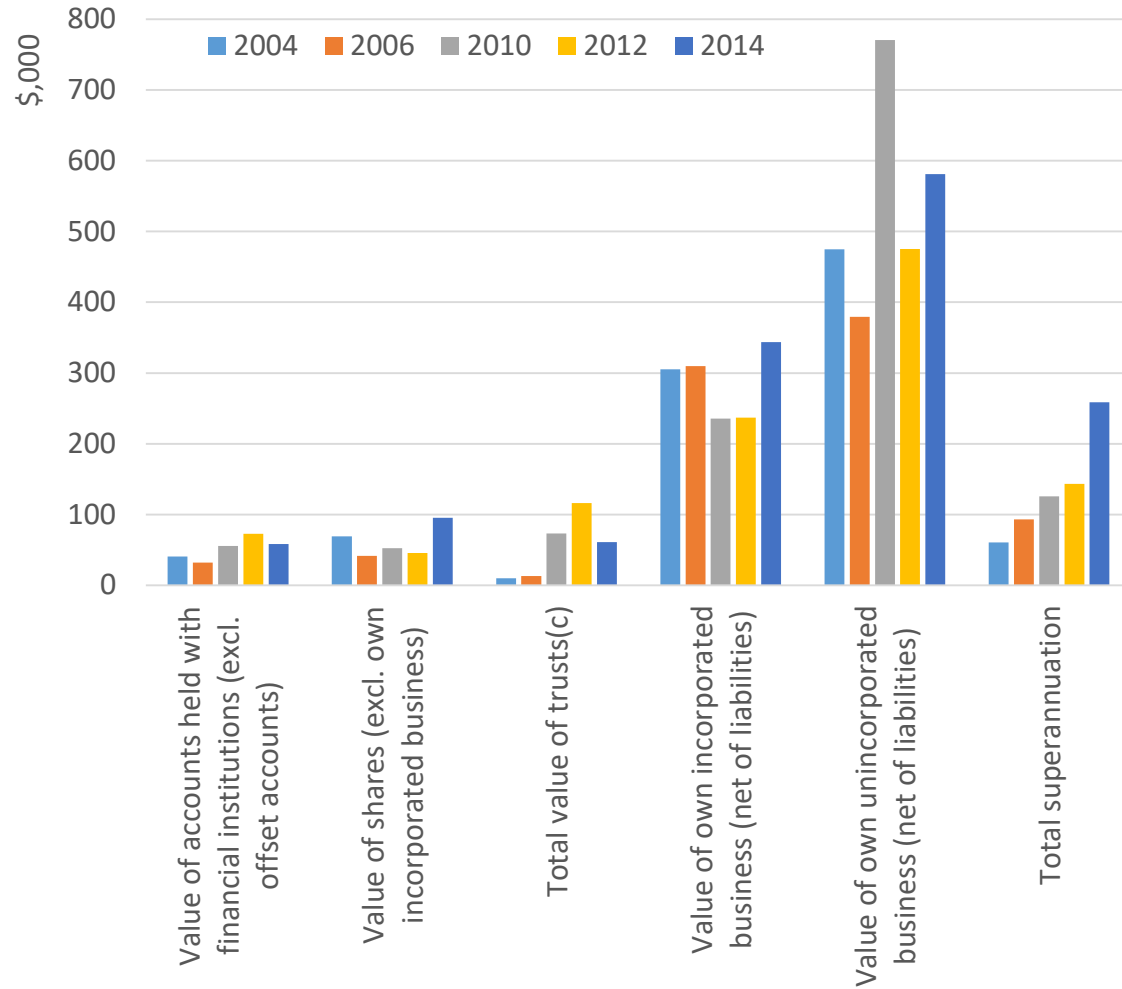
Comparison to the USA (income and wealth)



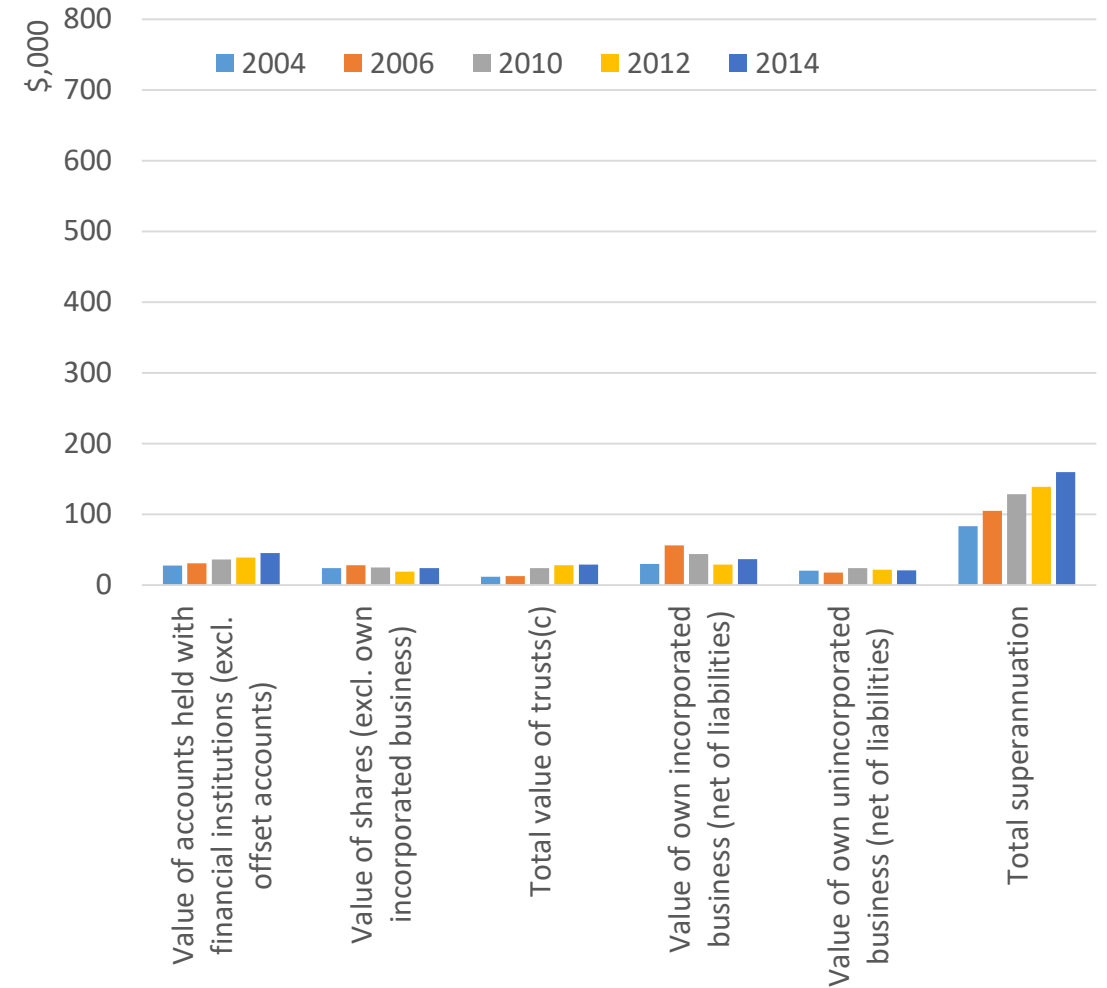
Sources: Department of Agriculture and Water Resources (2018b), ABARES and United States Department of Agriculture (2018)

Household financial assets

Agricultural households

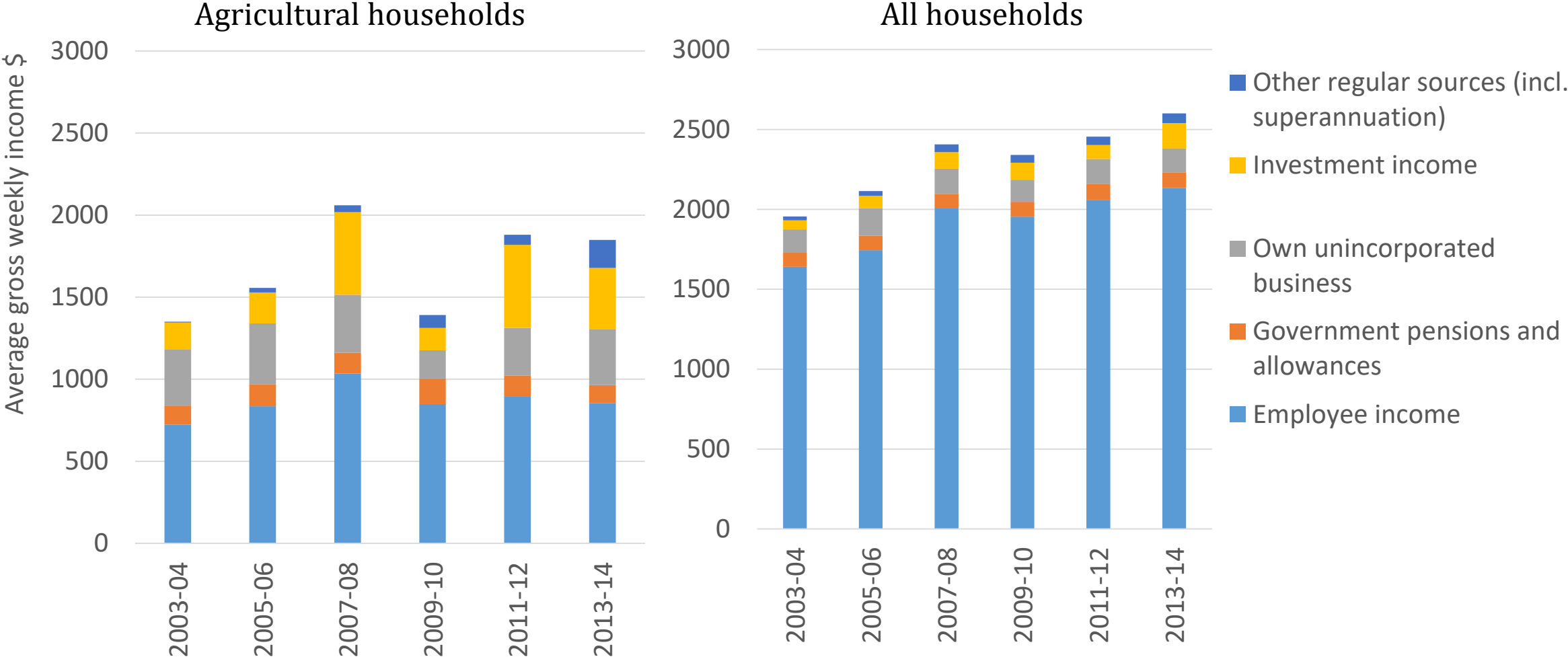


All households



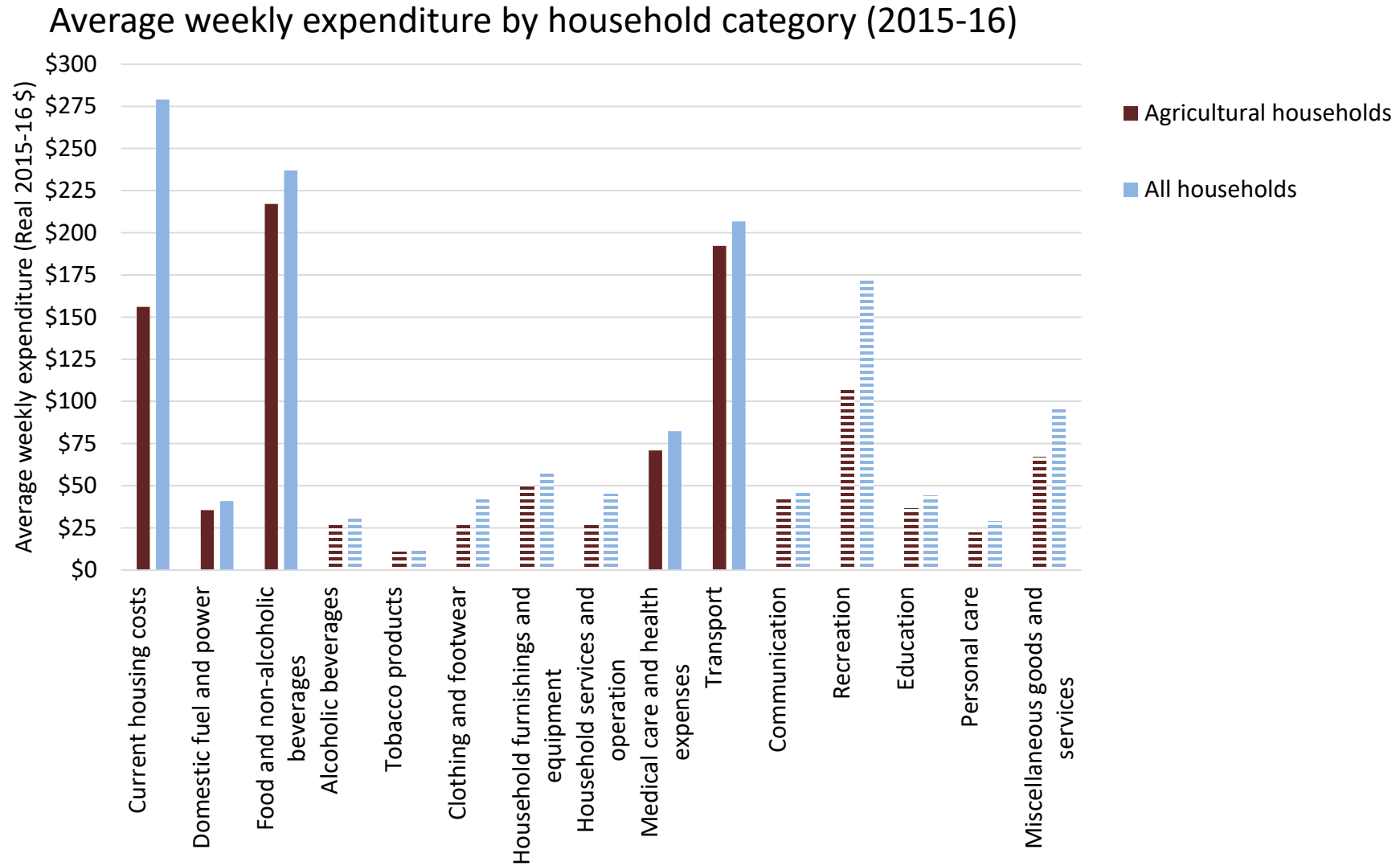
Source: ABS (2017b), In 2013–14 dollars, adjusted using changes in the Consumer Price Index

Household income



Source: ABS (2017b), In 2013-14 dollars, adjusted using changes in the Consumer Price Index

Household expenditure



Source: ABS (2017c and 2017d)

Note: Solid bars indicate basic consumption categories and dotted bars indicate discretionary consumption categories.

Conclusion

- Average Australian agricultural household financial positions
- Low MPC and high asset position
- Focus on the farm business.
- Detailed data need to better understand this important issue





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