



Country Towns: Impact of Farmers' Expenditure on Employment and Population in Australian Towns

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Expenditure by farm families in country towns across Australia is an important source of income for many non-farm businesses. Service industries such as retail and wholesale trade, transport and storage, finance and machinery repairs are all affected by farmers' spending patterns. Employment opportunities for town residents and opportunities for off-farm employment for farmers are likely to be linked to expenditure by farmers in country towns.

ABARE surveys also indicate that off-farm employment is an important source of income for farm families, especially on smaller farms. In 1998-1999, off-farm income accounted on average for over half of total household income on broadacre farms. The linkages between farmers' expenditure in country towns and employment and population in regional areas are analysed here.

Analysing Farmers' Expenditure Patterns

Information on the expenditure patterns of farmers was collected as part of ABARE's 1999 Australian agricultural and grazing industries survey. Farmers were asked to estimate the proportion of their expenditure on certain farm and household goods and services that was spent in their local town and their regional centre.

Farmers' expenditures in the towns that they identified as their places of expenditure were aggregated to represent expenditure patterns for the whole population of broadacre farmers.

It is possible that farmers not included in ABARE's surveys would have identified some other towns as their main places of expenditure. Expenditure in those additional towns has been attributed to the towns covered in the survey, leading to some overstatement of the amount of money spent.

What farmers bought in towns

Farmers' expenditure in towns was broken down into three components:

Household items – for example, food, groceries, clothing, footwear, furniture, entertainment, school fees and holidays.

Farm inputs – that is, noncapital farm inputs: fertiliser, fodder, seed, chemicals, fuel, plant hire, and repairs and maintenance.

Capital items – that is, farmers' infrequent purchases of high value items of plant and machinery.

Town sizes

Population data obtained from the 1996 Australian Bureau of Statistics (ABS) Census of Population and Housing were used to divide towns into the six groups listed in Table 1.

Table 1. Town Size Categories

Town Size	Number of Towns ^a No.	Share of All Towns %
Fewer than 1000 people	189	40
1000 to 1999 people	82	17
2000 to 4999 people	84	18
5000 to 19 999 people	70	15
20 000 to 49 999 people	25	5
50 000 or more people	17	4
Total	467	100

^a Towns identified by farmers as places of expenditure, 1998-1999.

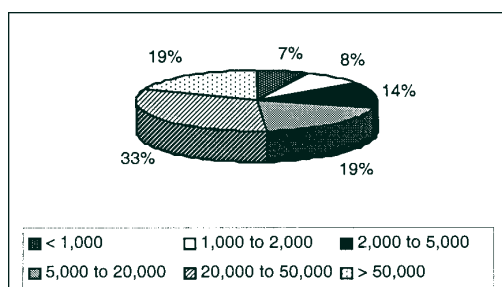
In 1998-1999, broadacre farmers recorded expenditure in 467 towns that matched with ABS defined towns. More than half of these towns had a population of less than 2000 and 40 per cent of the towns had a population below 1000.

Town farm expenditure per town

In aggregate, most farm expenditure occurs in larger towns. Centres with more than 20 000 people attracted over half of broadacre farmers' expenditure (Figure 1).

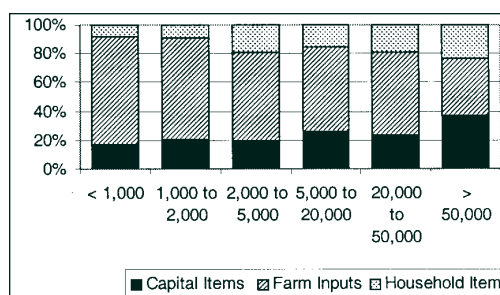
Although more numerous, towns with fewer than 1000 people and those with between 1000 and 2000 people each attracted less than 10 per cent of total expenditure by broadacre farmers.

Figure 1. Larger Towns Attract a Higher Percentage of Farm Expenditure



Expenditure on capital items represents the smallest proportion of total farm expenditure across all town sizes. However, the contribution of capital expenditure generally increases as town size increases (Figure 2). This largely reflects the location of businesses selling capital equipment in larger regional centres and towns where the customer base is broader.

Figure 2. Farm Inputs and Household Items Dominate Farm Expenditure in Towns



Farm expenditure per town resident

Although in aggregate most of the expenditure by broadacre farmers occurs in larger towns, the economies of small towns are highly dependent on this expenditure.

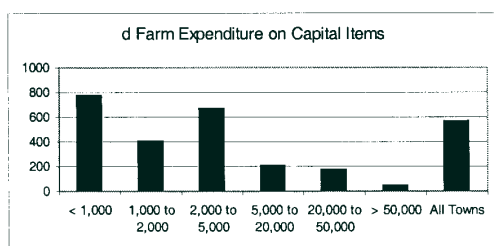
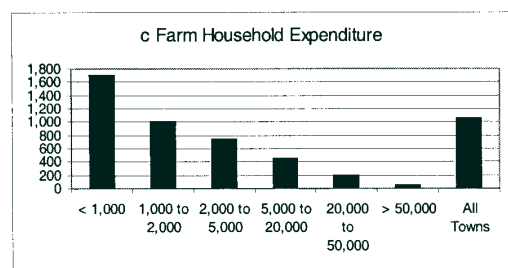
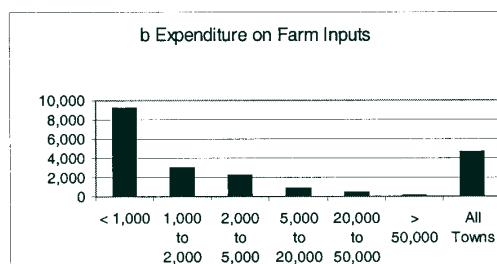
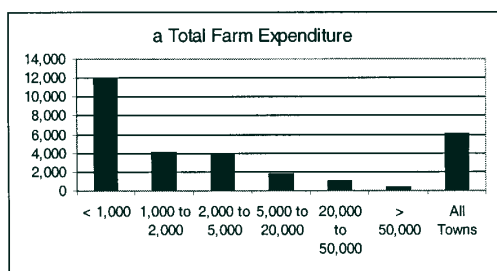
To analyse the importance of farm expenditure to country towns, aggregate farm expenditure for each town was divided by the total population of that town to derive expenditure per town resident.

There is a strong inverse relationship between the size of a town and the level of expenditure by farmers in the town economy. The larger the town, the lower the expenditure by farmers per town resident (Figure 3a).

Total annual expenditure by farmers ranged from around \$200 per resident in towns with more than 50 000 people to \$12 000 per resident in country towns with fewer than 1000 people (Figure 3b).

Expenditure per town resident is used to indicate the importance of farmers' expenditure to each town's economy. That is, it could be interpreted as a proxy for farms' share of total expenditure in each town. In turn, it provides an indication of the reliance of each town's employment on the farm sector.

Figure 3. Farm Expenditure Per Town Resident, 1989-1999



Total farm expenditure per town resident

The economies of small towns (those with fewer than 1000 people) were highly dependent on farms—with total farm expenditure per town resident estimated to be almost \$12 000 (Figure 3a).

But how significant is this level of expenditure?

In 1998-1999, Australia's gross domestic product per person was \$31 400 (ABS 2000a, p. 140). Assuming that, at best, economic activity per resident in small towns is as high as Australia's gross domestic product per person, then farm expenditure represents at least a third of small towns' economies. This highlights the importance of broadacre farming to employment in smaller towns.

For towns with between 1000 and 2000 people, annual expenditure by farmers was around \$4 600 per town resident. It was \$3 600 for towns with between 2000 and 5000 people—lower but still highly important in the context of these towns' economies.

Expenditure on farm inputs per town resident

The main component of total farm expenditure was farm inputs. For towns with fewer than 1000 people, almost 80 per cent of farm expenditure was on inputs, amounting to around \$9 400 per town resident (Figure 3c).

This compares with under 70 per cent for towns with between 1000 and 2000 people (\$3 100) and 64 per cent for towns with between 2000 and 5000 people (\$2 300). Again there was a distinct inverse relationship between town size and expenditure on farm inputs.

Farm household expenditure per town resident

Farm household expenditure per town resident also increased as town size decreased, ranging from \$68 in towns with over 50 000 people to \$1 750 on average for towns with no more than 1000 people (Figure 3d).

The Australian Bureau of Statistics estimated that household expenditure in rural areas in 1998-1999 was around \$11 350 per person (ABS 2000b, p. 14) and \$18 500 per person nationally. These estimates include expenditure on household services and operation, transport, housing costs, and domestic fuel and power—items that were not included in the household component of ABARE's expenditure survey.

When these items are excluded from the ABS estimates, average household expenditure in rural areas was approximately \$6 900 per person in 1998-1999. In small towns with fewer than 1000 people, household expenditure by farmers represented around a quarter of this total.

Overall, around a seventh (or \$1 100) of household expenditure in rural areas was estimated to come from the farm sector.

Approximately 15 per cent of farm household expenditure was in towns with fewer than 1000 people, 30 per cent in towns with populations between 2000 and 5000 and 25 per cent in towns with between 5000 and 20 000 people.

Farm expenditure on capital items per town resident

Farm expenditure on capital items per town resident also generally decreased as town size increased, although the pattern was less consistent than for household and input expenditure (Figure 3d).

Expenditure by farmers on capital equipment constituted a relatively smaller proportion of total farm and household expenditure.

Towns with fewer than 1000 people attracted capital expenditure of \$785 per town resident, about 7 per cent of total expenditure by farmers in these towns. For towns with between 2000 and 5000 people, expenditure was around \$670.

Farm Expenditure and Population Growth

The linkage between employment and farm expenditure has been explored using population growth as an approximate indicator of employment prospects. That is, it is assumed that a population increase or decrease will reflect an increase or decrease in the demand for labour.

A comparison was made of population growth in towns across Australia and levels of broadacre expenditure in those towns. Towns in which farmers made purchases in 1998-1999 were divided into two groups: those with declining populations and those with growing populations. Over half of all towns that farmers nominated as expenditure places

experienced growth in population between 1986 and 1996, with a large proportion of these towns located in inland areas.

Around 80 per cent of towns with more than 20 000 people experienced population growth over the ten years to 1996 (Figure 4). Conversely, 60 per cent of small towns (those with fewer than 1000 people) recorded a fall in population over the period.

Figure 4. Proportion of Towns Recording Population Growth, 1986-1996

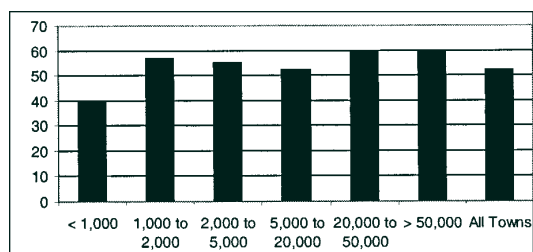
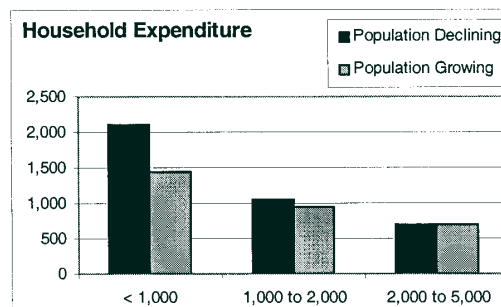
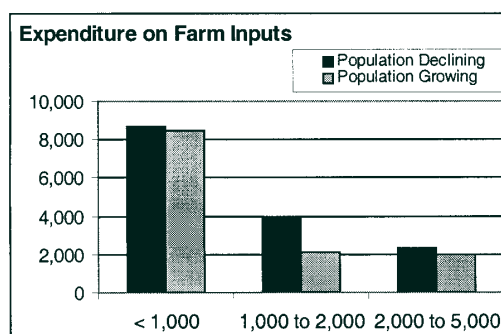


Figure 5. Farm Expenditure Per Town Resident, 1998-1999



A clear pattern was found whereby the greater the reliance of a town's economy on expenditure by farmers, the lower the population growth. Towns that increased in size between 1986 and 1996 attracted less expenditure per resident on household items and farm inputs than towns that did not grow (Figure 5).

Results are only reported for the three smaller town size categories because the relatively low broadacre expenditure per town resident in larger towns is likely to have had little influence on employment and population growth in those towns.

Average broadacre farm household expenditure per resident in towns with fewer than 1000 people was over \$2 000 for towns that decreased in population, almost 45 per cent higher than for towns that grew in population. The pattern was the same for expenditure on farm inputs, although the difference in broadacre expenditure was just 3 per cent.

For towns with between 1000 and 2000 people, farm input expenditure per town resident was 50 per cent higher for towns that did not grow in population compared with those that did grow in population. The difference in farm household expenditure per town resident for this town size category was 10 per cent.

For towns with between 2000 and 5000 people, household expenditure per town resident was only marginally less for towns that experienced growth. The difference was greater, however, for expenditure on farm inputs per town resident (47 per cent).

Among the towns in which farm expenditure was recorded in 1998-1999, there were five towns for which population more than doubled over the ten year period. The New South Wales towns Murrumbateman and Berridale experienced such growth, as well as Macclesfield in South Australia and Margaret River and Boddington in Western Australia.

There were also other urban centres across Australia, not identified as places of expenditure, that more than doubled in size. These included Yerrinbool, New South Wales (367 to 833) and Tewantin-Noosa, Queensland (11 296 to 26 004). Helensvale in Queensland was three and a half times bigger in 1996 than it was in 1986 (3094 to 13 849). Mount Helena in Western Australia expanded sixfold from a population of less than 300 in 1986 to 1800 in 1996. Many of these towns are located near major cities but there are also towns experiencing growth whose economies depend on other industries, including the wine and tourism industries.

Concluding Remarks

Small towns that are highly reliant on broadacre farming for their economic survival are most likely to be in decline. The demand for farm services has not kept pace with the growth in other services like tourism and hospitality.

In remote areas, employment in agriculture, forestry and fishing fell by 15 per cent between 1986 and 1996. In contrast, employment in accommodation, cafes and restaurants rose by 40 per cent and by 56 per cent in cultural and recreational services over the same period (Garnaut *et al.* 2000).

Growth in the services sector has been strongest in regional centres. This may also attract additional farm expenditure to these larger towns, further contributing to the rate of decline in small towns. While some small towns may diversify their service base, many residents of small towns will continue to face ongoing pressure to shift to regional and urban centres. Government may play an important role in facilitating adjustment in smaller towns through, for example, the provision of education and training.

References

- Australian Bureau of Statistics 2000a, *Australian Social Trends*, cat. no. 4102.0, ABS, Canberra.
- Australian Bureau of Statistics 2000b, *Household Expenditure Survey*, cat. no. 6530.0, ABS, Canberra.
- Garnaut J., Lindsay R., Connell P. and Curran, B. 2000, 'Country Australia: influences on population and employment', in *Outlook 2000*, Proceedings of the National Outlook Conference, Canberra, 29 February–2 March, vol. 2, *Agriculture and Regional Australia*, ABARE, Canberra, pp.113–23.

Note

Calculating annual expenditure per person in rural areas: Expenditure per person in rural areas = weekly expenditure per rural household x no. rural households x 52 weeks/number of persons in rural areas.