Comparison of Farmers’ Incomes in the EU Member States

Study

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Structure of the Presentation

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1. Introduction

Which comparisons?:

- Terms of reference drew attention to the CAP objective of ensuring a ‘fair standard of living for the agricultural community’, implying a concern with household incomes
- Policy interest also in the comparative income for farms of different economic size, types, Member States/regions
- Concern with both income levels, direction of change, stability, distributions, etc.

Basis of accounting for incomes in agriculture:

- Institutional units (household-firms, company farms, etc.)
- Activities (production of agricultural commodities, etc.)
Fig 1: Agricultural activity and the institutional units that generate it
2. Data sources and methodologies

**On incomes of agricultural households:**

- Main indicators: total household income and net disposable income per household, per household member and per consumer unit.
- Covers income from all sources (farm, other gainful activities, property, pensions, etc.).
- Definition of what is an agricultural household is critical (narrow and broad approaches).
- There is currently no working EU statistical system, a significant information gap.
- Reliance has to be placed on fragmented and incomplete results from only some Member States.
2. Data sources and methodologies

Explanation for the lack of statistics on agricultural household incomes:

- Lack of political demand (flowing from simplistic perception of the industry, and concern that the results could be inconvenient)
- Historical precedent (activity accounts are well established)
- Lack of operational requirement
- ‘Rational ignorance’ and ‘satisficing behaviour’ among users
- Self-interest of bureaucracies
- Poor data availability (many Member States have never collected this sort of data)
2. Data sources and methodologies

On incomes from agricultural activity:

- Economic Accounts for Agriculture (Eurostat) – aggregate only, but up-to-date
- Farm Accountancy Data Network (EU-FADN)
  - Uniform set of variables (but only covers income from farming, no household income), farm typology and economic size measurement (based on Standard Output)
  - Data supplied by national farm accounts surveys – inevitable delay before results are published (2+ years)
  - Different national size thresholds for inclusion (hinders comparisons as only above €25k are all MS represented)
- Preferred indicators are those nearest the concept of profit – Entrepreneurial Income (EAA) and Family Farm Income (FADN) per unit of unpaid labour
3. Overview of income development

**Agricultural household incomes:**
- Incomplete and fragmentary evidence is less than ideal
- Shows that other sources of income are common, even among larger farms
- Other income adds stability
- Average disposable incomes of agricultural households are typically similar to those of society in general, but varies between countries (some more, some less)
- No evidence that farm households as a group compare poorly, but there will be pockets of poverty
- Highlights the need to have better statistics in this area
3. Overview of income development

**FADN income from Agricultural Activity:**
- Only part of the income received by farm households
- Farm Family Income is the reward from agricultural production (FNVA - before wages, rent and interest)
- Inherently unstable – averaging over three years is often appropriate
- Developments over time of interest
- Comparisons between farm sizes, farming type, and EU groupings of interest (Member State differences later)
- Caution over results of farms <€25k and some types (not all MS represented because of differing thresholds)
- Concern with levels (per FWU), direction of change and variability
Fig 6: Evolution of FFI/FWU by EU groupings, 2004-12
Fig 15: Annual year-on-year change in FFI/FWU
Fig 7: Indicators of farm income by farm size, 2010-2012 average
Fig 9: Indicators of farm income by farm type, 2010-2012 average
Fig 12: Indicators of farm income by age, EU-27, 2010-2012 average
Fig 17: Coefficient of variation by farm type, 2004-2012
4. Dynamics and Key Drivers

**Of incomes of agricultural households:**
- Complex drivers because of multiple income sources. At least a third of operators have an Other Gainful Activity.
- Diversification commonly associated with intergenerational transfer.

**Of income from agricultural activity (FFI):**
- Main drivers are the Value of Output and Cost of Intermediate Consumption.
- Main driver of Value of Output is price rather than volume change.
Fig 24: Income components per farm, by EU groupings, 2010-12 average

![Diagram showing income components for different EU groupings (EU-15, EU-N10, EU-N2, EU-27) across different income levels (E0 to €120,000) and percentage contributions (0% to 100%).]
Fig 27: Change in avg. value of income components 2004-06 to 2010-12
Fig 32: Evolution of avg. subsidies per farm by EU grouping 2004-12
5. Differences between Member States

Differences in levels exist:
- Relatively high farm incomes (FFI/FWU) found in BE, DK, FR, DE, LU, NL and UK
- Relatively low in most EU-N10 countries
- Main explanation is the difference in size of farms

Changes between 2004-06 and 2010-12:
- Most Member States saw nominal rises
- Largest percentage rises were mostly among EU-N10

Variability:
- FFI/FWU more variable than FNVA/AWU
- Some Member States much more variable than others
- Reflects farm type mix
Fig 38: Income measures by Member State, 2010-12 average
Fig 38: FFI/FWU by FADN region, 2010-12 average
Fig 40: Change in FFI/FWU by Member State, 2004-06 to 2010-12
Fig 44: FFI/FWU for two size groups by Member State (2010-12 average)
6. Statistical recommendations

Need for reliable statistics on agricultural household incomes:
- European Parliament should support Eurostat initiative for IAHS statistics
- Encourage data sources to cover household income

Statistics based on people rather than on production:
- Attach “health warnings” to FADN results for smallest farms
- Consider better coverage of holdings/holders
6. Policy recommendations

**Income stabilisation:**

- Given the heavy data requirement under WTO rules, we recommend that attention is diverted away from interventions that attempt to combat instability directly at the farm level and towards schemes that prepare management on farms to better anticipate and cope with instability.
- Consider payments directly targeted at low-income farm households.
6. Policy recommendations

Support for small farms:
- Given the clear link between farm size and income levels, consideration should be given to how households that occupy small farms can enhance their economic prospects by building their skills and other forms of human capital.

Balance between support and the market:
- Greater market orientation and flexibility to respond by adjustment seems to be an important characteristic of successful farms. We recommend that policies that increase market participation and ease the adjustment of farm businesses and households should be further supported.