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Proceedings of Eurostat International Seminar on "Income Statistics for the Agricultural Household Sector" now available¹

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The purpose of this *Statistics in Focus* is to bring attention to the published proceedings of Eurostat's International Seminar on "Income Statistics for the Agricultural Household Sector". In order to promote this publication, which makes a significant contribution to the development of statistics in this important area, an outline of the issues, papers and main themes stemming from the discussions is presented here.

Information on the overall income situation of farmers and their families is increasingly necessary as a background to decision-making in agricultural and other policies. The view that farmers and their families are solely engaged in agriculture and are solely dependent on it for their income, though commonly held, is far from reality today and was probably an over-simplification in the past. Increasingly farming families have been encouraged to develop alternative income sources as a way of adapting to the changing economic situation that faces agriculture. Policy aimed at diversifying the rural economy, given emphasis by the 1988 reform of the Structural Funds and reinforced on several occasions since, has been part of this strategy. A consequence of this broadening of the economic base is that the households that occupy agricultural holdings are likely to receive increasing amounts of income from non-farming sources. Alongside these changes is the continuing role played by pensions

and other social transfers that contribute to the well-being of farm families. Assessing the income situation of farm families is thus not a simple issue.

Until recently, statistics covering all sources of income received by agricultural households were not widely available in the European Union, attention being confined to the incomes arising only from agricultural production. Eurostat has contributed to filling this gap by initiating its Total Income of Agricultural Households (TIAH) statistics which are conceived within the framework of national accounts and use a harmonised methodology, thereby facilitating comparisons between countries. However, TIAH statistics are not yet fully developed in all Member States, and alternative microeconomic approaches should also be followed if the needs of policy-making are to be supported adequately.

The purpose of the Eurostat International Seminar was to bring together three groups of professionals (statisticians from a wide variety of backgrounds, policy-makers and other users of statistics, and independent observers such as academics) for the interchange of ideas on methodology and to comment on results. Previous experience had shown this to be a fruitful way of enhancing the effectiveness of the official information system. While the main focus of

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attention was on statistics within the EU, experts from the US and Canada contributed their experience of similar situations in their countries and the OECD brought its wider perspective to bear. In the published proceedings, papers are grouped into those that consider (a) the statistical requirements of policy-making, (b) the methodologies used to generate results (including both national accounts approaches - such as Eurostat's TIAH statistics - and microeconomic data taken from surveys of farm households, agricultural businesses, tax records and the like), (c) the general patterns that are already apparent within results, even though these are less than fully complete, and (d) the implications of these results for future policy and for the provision of statistics.

From the papers and discussions at the Seminar a number of main themes emerged that are of relevance to the way that incomes are seen within the context of agricultural policy and for the official information system in the EU. These appear to be as follows:

Statistics on the total incomes of agricultural households are widely recognised by many groups of users of statistics as being of importance to agricultural and other policies, both in the EU and elsewhere and to monitoring and explaining change in the agricultural community. They provide useful information not otherwise available from income measures that relate solely to the residual rewards from agricultural activity (such as Eurostat's Indicators 1, 2 and 3 or FADN's Farm Net Value Added or Family Farm Income). Therefore there is a need for official statistical systems to be active in this area. As far as Eurostat is concerned, this underlines the continuing need for a portion of its resources to be devoted to its TIAH statistics.

Macroeconomic statistics can only provide part of the picture of the income situation of agricultural households. It is obvious that complementary microeconomic information is also required to throw light onto the many important issues that concern the distribution of incomes, such as the numbers and location of agricultural households whose total incomes fall below some socially-acceptable minimum (there is evidence to suggest that incomes in agriculture are more unequally distributed than among other groups). Others include the income disparities between farms of different sizes and types. As yet microeconomic income data are adequately available in only a few Member States. This gap in the statistical information for the EU represents a major problem that participants at the Seminar felt should be addressed.

The provision of statistics based on households (in contrast to the agriculture branch of the economy,

or the farm business or holding) presents conceptual and practical challenges to statisticians. These include the choices of the appropriate definition of an agricultural household and of the most suitable definition of income (which may vary between macro and micro approaches). From a practical standpoint, data sources that involve greater co-operation between agricultural and non-agricultural public institutions have frequently to be drawn upon.

A recurring theme at the Seminar was that, in order to facilitate the provision of statistics in an efficient way, policy-makers should be encouraged to make their requirements for information more explicit. Though a spectrum of views about policy objectives (such as the role of income support) is inevitable in a EU that contains a number of countries with various types of agriculture, a more precise indication of statistical requirements would assist the planning and provision of this information.

Results presented amply demonstrated that it is wrong to assume that the operators of farms and their families are solely dependent on farming for their livelihoods and use all their resources in agriculture. The explanation of farm behaviour needs to acknowledge that farm families allocate their resources between the farm, other gainful activities, maintaining the household and leisure. A narrow approach risks serious error in the interpretation of observed behaviour (such as the productivity of labour used on the farm) and constrains the ability to make predictions. Similarly, the common simplifying assumption that each holding has only one farmer and one entrepreneurial household is clearly invalid.

Taking all income sources into account transforms the income situation of farmer households, which has an impact on the way that the income problem of the agricultural community is perceived. According to the TIAH statistics, on average, agricultural households (those where the reference person has farming as their main income source) have total incomes that in most EU Member States are near or above the national all-households average. This is only partly explained by the greater number of household members in an agricultural household, on average, than in other households. Non-farm incomes add a degree of stability to household incomes, and farmer-households tend to cope with variations in income by saving or dis-saving rather than by altering the amounts they spend on consumption.

The heterogeneity of households that operate households was underlined in the results given in several papers at the Seminar. TIAH statistics demonstrated that among groups of households where the head is *not* primarily dependent on

farming for a livelihood - and these account for more than half the holdings in the EU - the household as a whole receives very little of its income from farming. Changes in the prosperity of farming make little difference to total household income. Other, more complex typologies of agricultural households may be appropriate for studying, for example, response to policy reform.

A conclusion drawn by several commentators on policy at the Seminar was that for many farmer households there seems to be no dramatic income problem. Where it exists, it is likely to be confined to particular sets of circumstances (such as small farm size, age of farmer, lack of other employment opportunities and so on). Blanket forms of income support are unlikely to provide an appropriate way of tackling these problem cases and are inefficient as a means of welfare transfer. A divergence of views existed as to whether *agricultural* policies are suitable as mechanisms for achieving income-distribution (*social*) policy aims, though

participants agreed that, in practice, the CAP has important social connotations in many Member States.

The more complex pattern of income sources presents a greater challenge to statisticians in describing the income situation in agriculture and to policy-makers in their decisions on the need for policy action and the most appropriate alternative means to achieve goals.

These main findings are likely to form the basis of further discussion among and between the three groups of participants at the seminar - the policy-makers who use income statistics to form decisions, the providers of official statistics, and independent observers and researchers. In particular, they will be considered by the representatives of the statistical authorities of Member States that form the Working Party responsible for the development of Eurostat's TIAH statistics.

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