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TOTAL INCOME OF AGRICULTURAL HOUSEHOLDS

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Note : This report was first published in English in 1988 and is now available in French and German.

Decisions in agricultural policy in the European Community are currently based on several types of information on agricultural incomes. Important among these are the income indicators developed by EUROSTAT as part of the economic accounts for agriculture. These aggregate indicators (and the farm-level data from the Farm Accountancy Data Network (FADN)) measure income from agricultural production. Though giving a reliable picture of income from farming, they do not take account of other sources of income which farmers and their families may have and which help to support their standards of living.

Changes to the Common Agricultural Policy since the Green Paper was published in 1985 have highlighted the need to know more about the total income situation of agricultural households in Member States. EUROSTAT's Farm Structure Survey shows that about a third of Community farmers have another gainful activity. In addition, pensions, property income and social transfers may contribute to household income. On the other hand, taxes and other compulsory outgoings have to be paid.

To meet the anticipated demand for information EUROSTAT commissioned a study on the data sources available pending the development of a Community system to measure total disposable income of agricultural households in Member States. These include family budget surveys, taxation data, farm accountancy results and macroeconomic sources. This report summarizes findings for each EC country. It shows that the average household incomes of farmers in Germany and France, in most years up to 1983/1984 (the latest given), are higher than the national average, though differences in family sizes and other factors should

also be taken into account. In all Member States where data are available, households are clearly seen to be receiving additional sources of income, often substantial amounts, showing that on average they are not solely dependent on agriculture for their livelihoods.

The Report also describes the methodology which is proposed to measure total income for agricultural households. Eventually this will take its place alongside the established production-based income indicators.

One major problem the Report highlights is in defining what an agricultural household is, and hence whose incomes should be measured. Of the various alternatives, perhaps the most suitable is to define agricultural households as those whose main source of income is from farming. However, this excludes many producers, not only those on small holdings but others who have significant farm output but who earn more from non-agricultural sources. The Report emphasises the importance of clarifying the target group.

Finally the Report examines the means proposed by Member States to fill the important information gap on the total income of their agricultural households. A mix of survey-based and macroeconomic methods of making estimates are encountered. For some countries figures are already calculated or the basic data exist from which this can be done. Elsewhere more work is needed. The intention is to make measurements of aggregate total disposable income available to CAP policy-makers on a harmonised basis in the early 1990s. This should yield a more complete picture of the income position of farmers for the shape of the CAP.