



Indicator I.2 Reducing income disparities

Evolution of agricultural income compared to the general economy



**Impact indicator:
long-term view,
many other
contributing factors**

Why this indicator?

To assess how income from agricultural activities is evolving compared to income opportunities in other sectors:

- economic viability of farming;
- opportunity costs of agricultural labour;
- attractiveness of agriculture as a career.



Conceptual difficulties:

- Prevalence of **off-farm income** and **part-time work** in agriculture
- Dominance of **self-employed labour** (farmers as entrepreneurs)
- Farm resource use for private and professional purposes (e.g., housing)
 - ⇒ **what other sectors do we want to compare with?**
 - ⇒ **what income components can we use?**
 - ⇒ **what data do we have?**

Results will have to be interpreted by evaluators



A common basis for comparison:

Labour costs (wages and salaries plus non-wage costs such as employers' social contributions) in **industry, construction and services**

- available from Eurostat per hour worked;
- conversion into annual work units (AWU) by using the conversion factors provided in the 2015 inventories for Agricultural Labour Input (ALI) statistics



Three agricultural sub-indicators:

- a) **Agricultural entrepreneurial income** plus compensation of employees per annual work unit (salaried and non-salaried); based on Eurostat data
- b) **Farm net income** plus wages and social security charges per annual work unit (salaried and non-salaried); based on FADN data
- c) **Farm net income minus opportunity costs** for own production factors (land and capital) by **total family work unit**; based on FADN data

Sub-indicator A: Agricultural entrepreneurial income plus compensation of employees per AWU

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- Value of agricultural production
- - variable input costs (fertilisers, pesticides, feed, etc.)
- - depreciation
- - total taxes (on products and production)
- + total subsidies (on products and production)
- = **agricultural factor income (net value added at factor costs)**
- - compensation of employees
- - rents
- - net interest
- = **agricultural entrepreneurial income**
- + compensation of employees
- = **agricultural entrepreneurial income plus compensation of employees**

To represent the compensation of all work (salaried and non-salaried) performed in the agricultural sector



Why deduct and then add back in?

Agriculture
and Rural
Development



Sub-indicator B: Farm net income plus wages and social security charges per AWU

- conceptually similar to sub-indicator A;
- based on **farm-level data** collected through the EU-FADN
=> allows analysis by **region, farm size** and **type of farm.**



Sub-indicator C: Farm net income minus opportunity costs for own production factors (land and capital) per family work unit

- Only for **farms with family labour**;
- deducts **opportunity costs of own production factors** (land and capital) from farm net income;
- based on **farm-level data** collected through the **EU-FADN**.

Why are opportunity costs important?

Farms with a lot of owned land and/or capital forego income by not renting out these production factors. Deducting the opportunity costs of land and capital allows us to account for different farm structures in EU agriculture.



The result: A comprehensive overview

- Both sector-level and farm-level analyses (with the possibility to differentiate between regions, types of farming and farm sizes);
- Allows for differences in farm structures;
- Enables comparison with different non-agricultural sectors.
- A lot more detail than before – but certainly worth it!

Thank you!