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# Agricultural Households – Methodological work to be undertaken, and who is doing it

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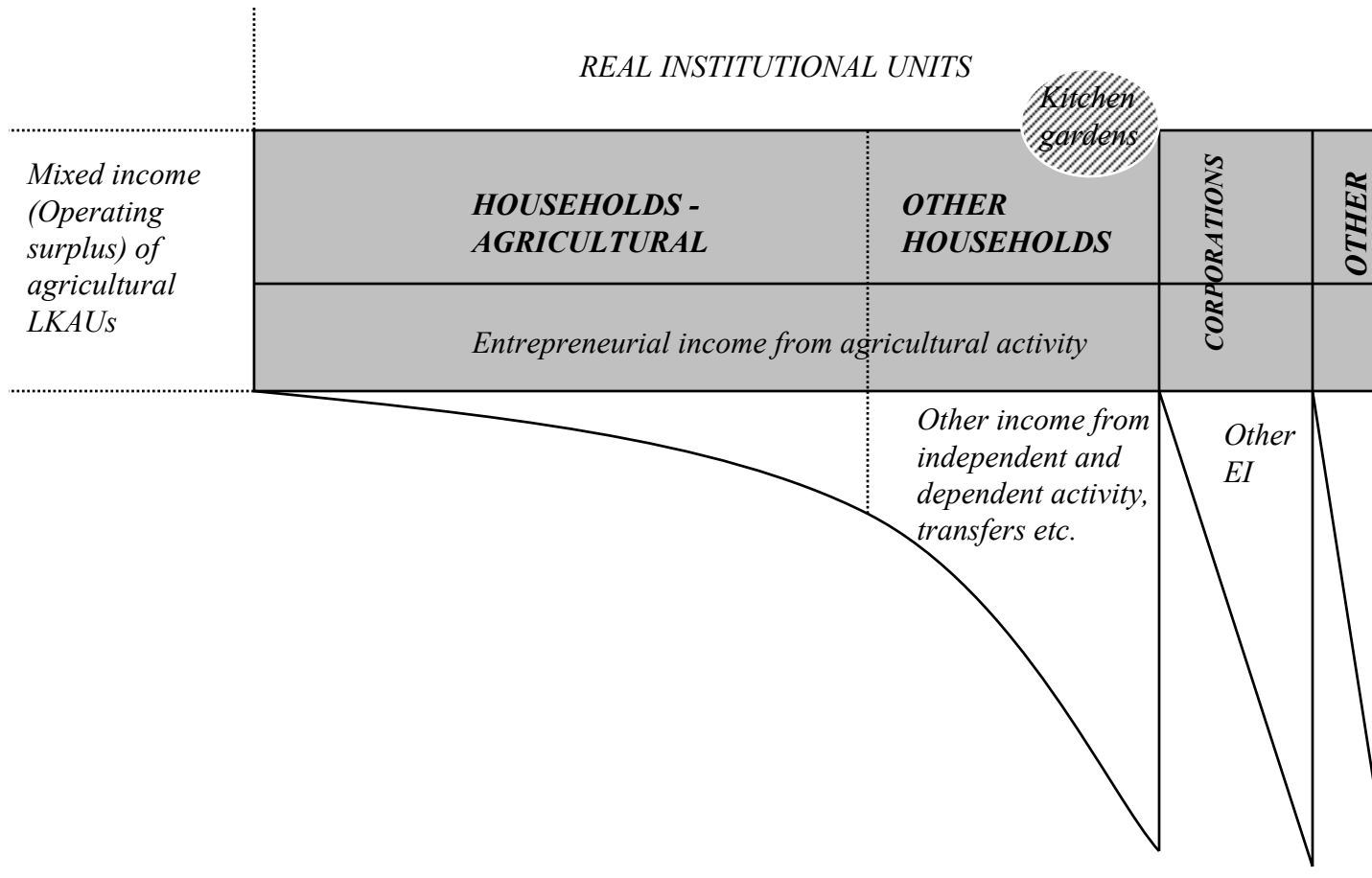
Berkeley Hill - University of London

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# Introduction

- Household-firms are important in agriculture's structure
  - Central to policy aims in the EU and OECD
  - Explanations of economic performance need to recognise their complex nature
  - Household are very diverse (farm size, income dependency etc.)
  - Enlargement presents new challenges
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# Activity and institutional units



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## Activity accounts (EAA, FADN/RICA) -

### Strengths

- well-established, harmonised methodologies
- EAA estimated indirectly, and quickly

### Weaknesses

- Requires artificial separation of agricultural activities from others of the farm
  - Restricted ability to explain farm behaviour
  - “Income” indicators not well connected to policy aims (factor rewards, not personal incomes)
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# Accounts for real institutional units (household-firms)

## Strengths

- Relates to real units and their behaviour
- Complete sequence of accounts possible
- Income indicators more policy relevant
- Better macro-micro integration (distributional)

## Weaknesses

- Data sources less well developed
  - Methodology and definitions less established
  - Some users find results difficult to accept
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# Main methodological issues in developing agricultural household statistics

- Definition of a household
  - Classification of households into agricultural and other socio-professional groups
  - Definition of income (and wealth)
  - Methods of estimation
  - Data sources
  - Enlargement and institutional units with their own legal status
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## Eurostat's Income of the Agricultural Households Sector (IAHS) statistics

- Developed (from late 1980s) to meet emerging policy need
  - Based methodology in framework of national accounts for practical and institutional reasons
  - Faced many methodological issues common to *any statistics* based on households
    - Household budget surveys (LIS)
    - EC Household Panel
    - Tax-records (and income statistics registers)
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## *IAHS definition of a Household*

*The household includes all members living together and includes, in agricultural households, both those who work on the agricultural holding and those who do not. (Eurostat, 1995)*

- Conforms with household budget approach
  - But consideration also given to “single budget” households (farmer, spouse, dependent children)
  - “Equivalence” scale used to calculate CUs
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## *Definitions of agricultural households in Eurostat's IAHS statistics*

- **An agricultural household** ("narrow" definition) is one where the main income of the household reference person (typically the head of household) is from independent activity in agriculture (farming). A range of other socio-professional groups can be established on the same basis for the purpose of comparison. A second, supplementary, "broad" definition of an agricultural household includes all households where any member has some income from independent activity in agriculture. (Eurostat, 1995)
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## Comments on this definition

- Different policy situations require different concepts of the “agricultural household”
  - The “broad” definition includes many households for which agriculture is a very minor activity (are they policy targets)?
  - The “narrow” definition includes only households for which agriculture is the main economic activity (excludes some households that can have quite large farms)
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## Comments on this definition

- The “narrow” definition facilitates comparison with other socio-professional groups
  - SNA recommends classification on the basis of the household’s main source of income
  - IAHS chooses a reference person system for practical reasons
  - Any classification system should allow flexibility for use of other definitions
  - Similar classifications could be applied to other units with their own legal status
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## IAHS – Agricultural marginal households

	Denmark (1996)	Germany (1983)	Greece (1994 )	Ireland (1987)	Nether-lands (1988)	Finland (1992 )	Sweden (1992 )
<b>No. agricultural households (x 1 000)</b>							
“broad”	64	613	615	207	136	139	94
“narrow”	21	353	398	85	87	73	54
“marginal”	43	260	217	122	49	65	41
<b>Disposable income per household (index)</b>							
<i>All households</i>	100	100	100	100	100	100	100
<i>Agricultural households</i>							
“broad”	101	110	114	105	210	124	81
“narrow”	107	101	86	127	267	131	79
“marginal”	98	123	166	89	108	116	85

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## *Definitions of Net Disposable Income in Eurostat's IAHS statistics*

- Operating surplus (or entrepreneurial income) from
    - Agriculture
    - Non-agricultural activities
    - Rental value of owner dwellings
  - Wages
  - Property income
  - Non-life insurance claims
  - Social benefits
  - Miscellaneous inward current transfers
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## *Definitions of Net Disposable Income in Eurostat's IAHS statistics*

- Sum of above – Total Resources

*LESS*

- Property income paid
- Non-life insurance premiums
- Current taxes on income and wealth
- Social contributions
- Miscellaneous outgoing transfers

*EQUALS* Net Disposable Income

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## Comment on the IAHS income definition

- Reflects national accounts origins
  - Some items not appropriate to household-level measurement (e.g. surveys)
  - Some Member States do not provide all items
  - Extent of these missing items not great
  - Eurostat is considering a “reduced” definition that increases harmonisation by excluding some items unique to national accounts
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# Models for estimating household income results

- Microeconomic datasets raised to national levels, typically
    - Farm accounts surveys
    - Household budget surveys
    - Taxation records
    - Combinations of the above
  - Disaggregation of households sector accounts in national accounts
    - Uses distribution agents from the above sources
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## Microeconomic data sources – common problems

- Household budget surveys
    - Few agric cases, and not annual
    - Income data quality problems
  - Taxation records
    - Tax conventions, especially for agriculture;
    - Access and data manipulation
  - Farm accounts surveys
    - Sample, coverage of other income and members
    - No coverage of other household groups
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# Progress in data provision

- Existing data sources
    - Expand questions in farm accounts surveys
    - Better use of existing data (tax records in UK)
  - Link datasets
    - Scandinavian income stats. registers
    - Ireland – NFS and HBS
  - New data collection
    - Need for data on all household-firms in rural areas
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# Enlargement presents new challenges

- Some operators of private farms conform to the EU model of an agricultural household
  - Large agricultural units with their own legal status are important to total output – but considerable variation between countries
  - Workers on these large units have to be considered – part of the “agricultural community”
  - Production on private plots is significant – subsistence production, not just hobby activity
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# Provisional IAHS responses

- “Narrow” definition to include
    - Private farmers that satisfy the existing definition
    - PLUS all households where the head of household that work on a large institutional units workers
  - “Broad” definition
    - Any household with some entrepreneurial income from agriculture, plus those with private plot production that is for “subsistence” plus the above households on large institutional units.
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## In conclusion

- Main definitions already considered and harmonised for EU in IAHS statistics
  - Areas of macro-micro disparity need work
  - Some methodological issues will need refinement in face of enlargement – and requires parallel treatment of other types of institutional unit
  - In some countries (including the UK) there are practical problems of data availability
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