Complex Agricultural Establishments – Issues and Challenges for EU-FADN

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Structure of the presentation

1. Main features of FADN
2. General issues
3. Selected challenges
4. Conclusions
Main features of FADN

- **Farm Accountancy Data Network** established in 1965

- **Objectives**: - determination of farm income
  - business analysis on agricultural holdings

- **Features**: - EU wide annual survey
  - representative sample survey (~80,000)
    (region x type of farming x size)
  - covering « commercial farms»
    (i.e. «small» farms excluded)
  - limited to farming income
    (i.e. not the farm household income)
  - participation of farmers on a voluntary basis
Issues for Complex Agricultural Establishments

• **3 aspects:**
  – Sampling and extrapolation
  – Recording of information
  – Harmonisation of differences in legal framework among EU Member States

• Focus on distribution of income and not on production at sector level: concentration of production is not an issue
• But: increasing interest for competitiveness (costs of production and productivity): representativity of production becomes an issue
Challenge 1: the coverage of large farms

1. The coverage of large farms is a structural issue:
   - survey on a voluntary basis
   - no need / interest to participate (for accounting or advice)
   - administration: in particular for highly integrated poultry farms (e.g. considered as « industry » in German farm accounts)
Challenge 2 : the cooperatives in CEECs

2. The recording of information and economic analysis of large farms in Central and Eastern European Countries (former cooperatives or state farms)

- Maintained as cooperatives in particular in Czech Republic and Slovakia: multiple owners are employed
- Other objectives than profit maximisation:
  - To maintain jobs and provide satisfactory salaries
  - Social agenda (services, products)
- Often widely diversified
- Costs at farm level and not at enterprise level
Challenge 3: the establishments not restricted to agriculture (1)

3. The recording of information when activity is not limited to agriculture

- It concerns family farms or large companies, in particular the former cooperatives or state farms in Central and Eastern European Countries
  - For family farms: typical historical strategy of small farms supported by policy instruments over the last decade (diversification)
  - For large former cooperatives: to provide more returns from the high levels of assets invested in the agricultural establishments (e.g. buses and trucks, IT services, etc)
Challenge 3: the establishments not restricted to agriculture (2)

The main difficulties:

• Some assets and overhead costs are used for non agricultural production => risk of incorrect economic assessment of agriculture
• There is an interest to collect household information but high technical difficulties (notably the cost and the farmers’ reluctance) => still focus on agriculture
• Very often (not harmonised) national taxation laws require separate accounts for non agricultural activity above a certain level => we have no access to this information
Challenge 3: the establishments not restricted to agriculture (3)

The proposal under discussion with Member States:

- To limit the coverage of non-agricultural activities to those directly related to the farm: using its resources or products (tourism, processing, contract work, etc)
- To record separately receipts and specific costs

The main objective: a better assessment of agricultural activity
Challenge 3: the establishments not restricted to agriculture (4)

Specific technical difficulties:

- The definition and identification of «other gainful activities directly related to the farm»
- The processing of farm products (transfer or purchase of raw products and ingredients)
- The trade of products when not limited to products produced or processed on the farm (farm shops)
- The definition of the specific costs for the «other gainful activities directly related to the farm»
Other challenges

• The production under contract: not recorded separately except receipts from rearing animals
• The marketing contracts: not recorded
• The multiple ownership of the land: not harmonised « partnership » identified; land companies: land is rented in by the farmers
• The use of common land: a difficult issue in some countries and regions – mainly for environmental assessment
• The disclosure is an issue for the few cases of very concentrated production
• The identification of the farms is an issue to allow combining information from others sources (aids, environment, taxes): very sensitive for some farmers (risk of losing voluntary participation)
Conclusions

• The issue of complex agricultural establishments exists also in EU (and in EU-FADN)
• However probably to a lower scale than in US and Canada:
  – More « family » farms
  – Higher role of cooperatives (concentration of production)
  – Complex situation in some « new » Member States: many very small family farms (semi-subsistence) and few very large farms (former cooperatives)
• The issues and challenges are different for EU-FADN and for sector statistics:
  – How to ensure partnership of large farms in the sample when participation is voluntary?
  – How to record and assess information when establishments do not limit their activity to agriculture?
For more information on EU-FADN:
http://ec.europa.eu/agriculture/rica/

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