

A differentiated look at the economic situation of German farmers

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Motivation

- Why do we measure farm income
... and what are the policy (and research) data needs?
- How do we measure farm income
... and is the collected data sufficient?
- Which alternative data sources are available
... and what are challenges and limitations?

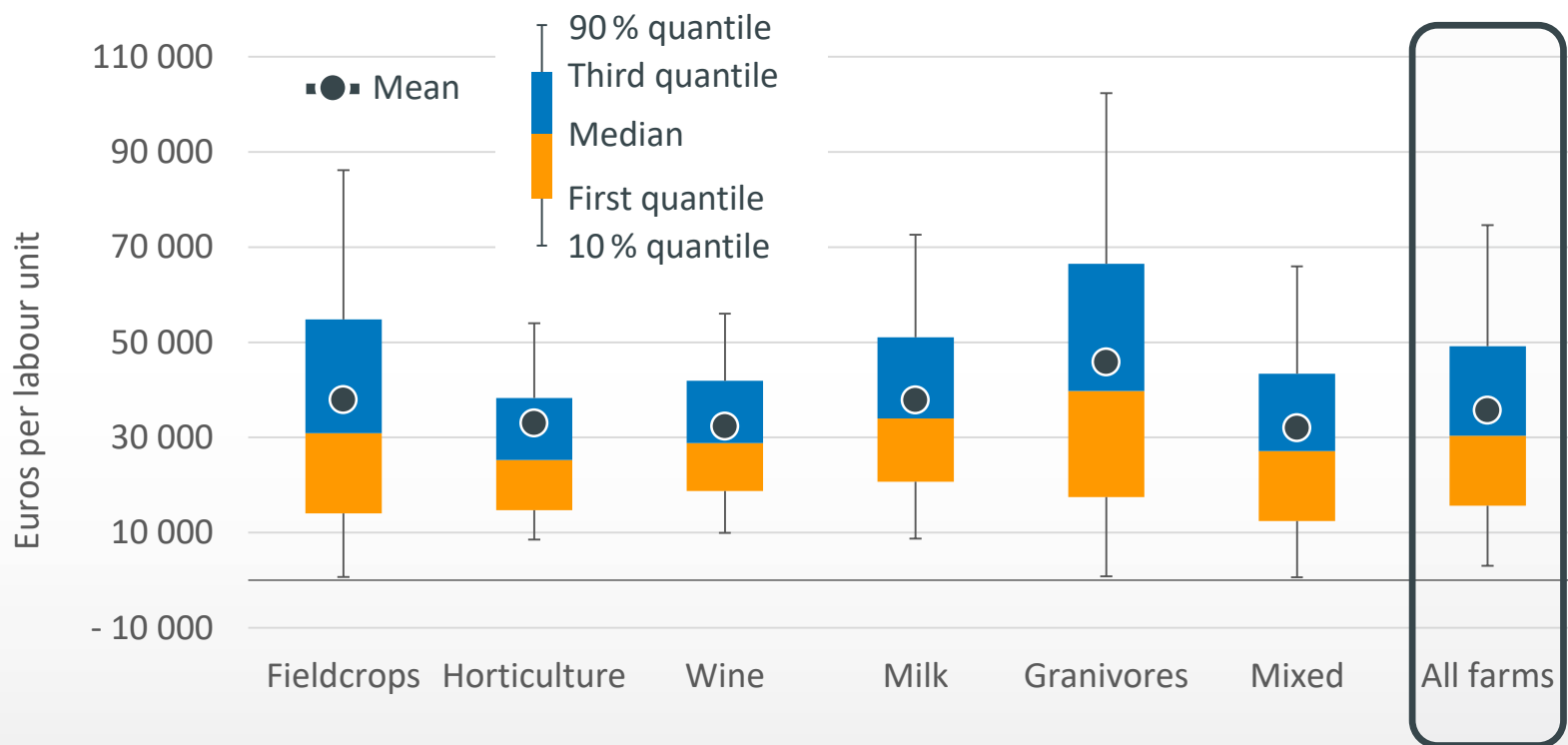
Why do we measure farm income?

- Farm income support was and is a key objective and instrument of the Common Agricultural Policy.
- Following the **Treaty statement of CAP from 1957**
 - a central aim of the CAP is “to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture”.
- In 1965, the Farm Accountancy Data Network was created
 - “to meet the needs of the CAP” and to measure farm incomes (Reg. No 79/65/EEC of the Council).
- The **German Agricultural Act from 1955** states similar objectives and also introduces the collection of farm accountancy data.

How do we measure farm income?

→ *Some FADN results for Germany*

- Farm income by farm type, three-year average 2017/18 to 2019/20



Source: Own calculations based on the German Farm Accountancy Data Network.

How do we measure farm income

... and is the collected data sufficient?

- **Farm income by farm type, three year average 2017/18 to 2019/20**
 - **European Court of Auditors** (2016, Special Report 1, p. 41):
“No representative data are available on the disposable income of farm households, which would facilitate the assessment of the achievement of the treaty objective of ensuring a fair standard of living for farmers.”
 - **Berkeley Hill and Dylan Bradley** (2015, p.11)
“ ... profit from agriculture is only part of the income picture for many farm households and a focus on their returns from agriculture will therefore present only a partial picture of the farm household's income ...”
 - **Hans Vrolijk and Krijn Poppe** (2019, 24th OECD-FLAN meeting)
“A broader perspective (including off-farm income and wealth effects) provide a more realistic picture of the income and wealth as experienced by farmers.”

Source: Own calculations based on the German Farm Accountancy Data Network.

Which alternative data sources are available?

→ *Off-farm income in German FADN*

- For family farms (but not for partnerships and companies) which exceed a certain economic size, the German FADN provides data on **seven forms of income** (following the German Income Tax Act).

		Ø 2014 to 2018
Total income of the holder	€	58,812
1) Agriculture and forestry	%	80.6
2) Business activities	%	7.5
3) Self-employment	%	0.5
4) Employment	%	9.3
5) Capital assets	%	0.5
6) Rental and leasing	%	1.5
7) Other income	%	0.1

19,4 % of
total income

Source: Own calculations based on the German Farm Accountancy Data Network.

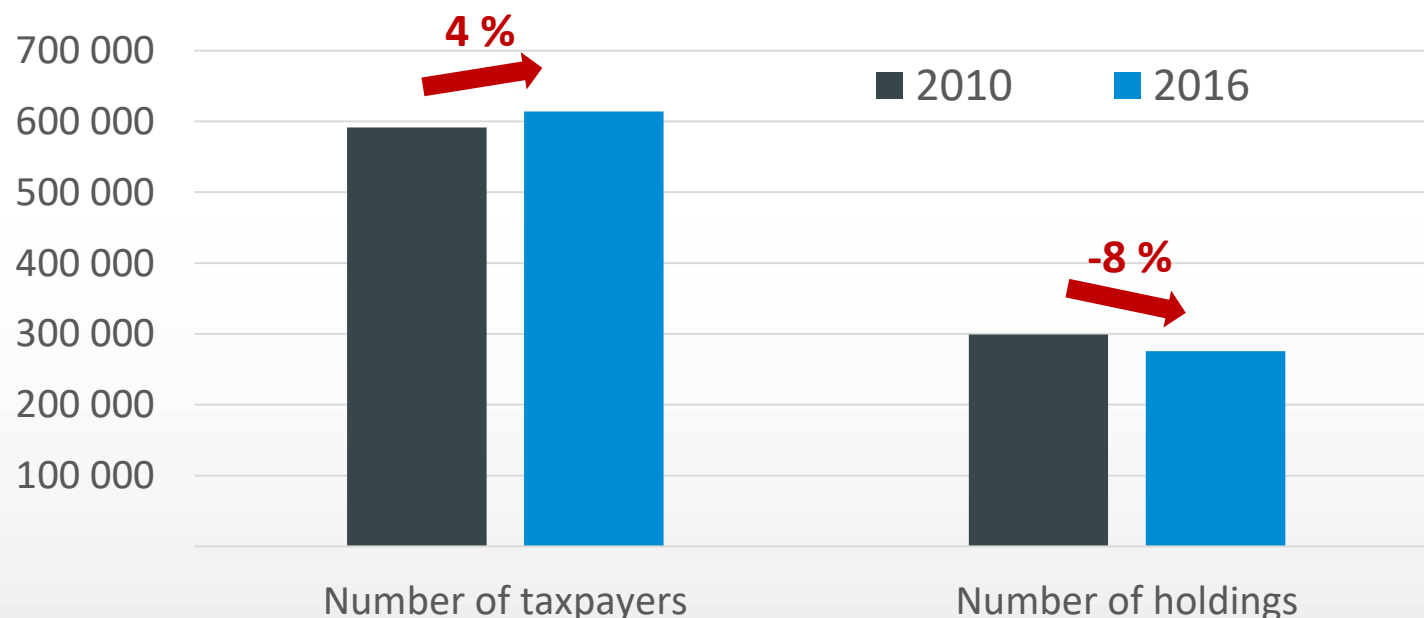
Which alternative data sources are available?

→ *German income tax data*

- Provides data for the seven forms of income (German Income Tax Act).
- Includes all taxpayers with income from agriculture and forestry.
- Since 2012 this data is published annually.
- Long delay (up to four years) until data is available (latest year is 2016).

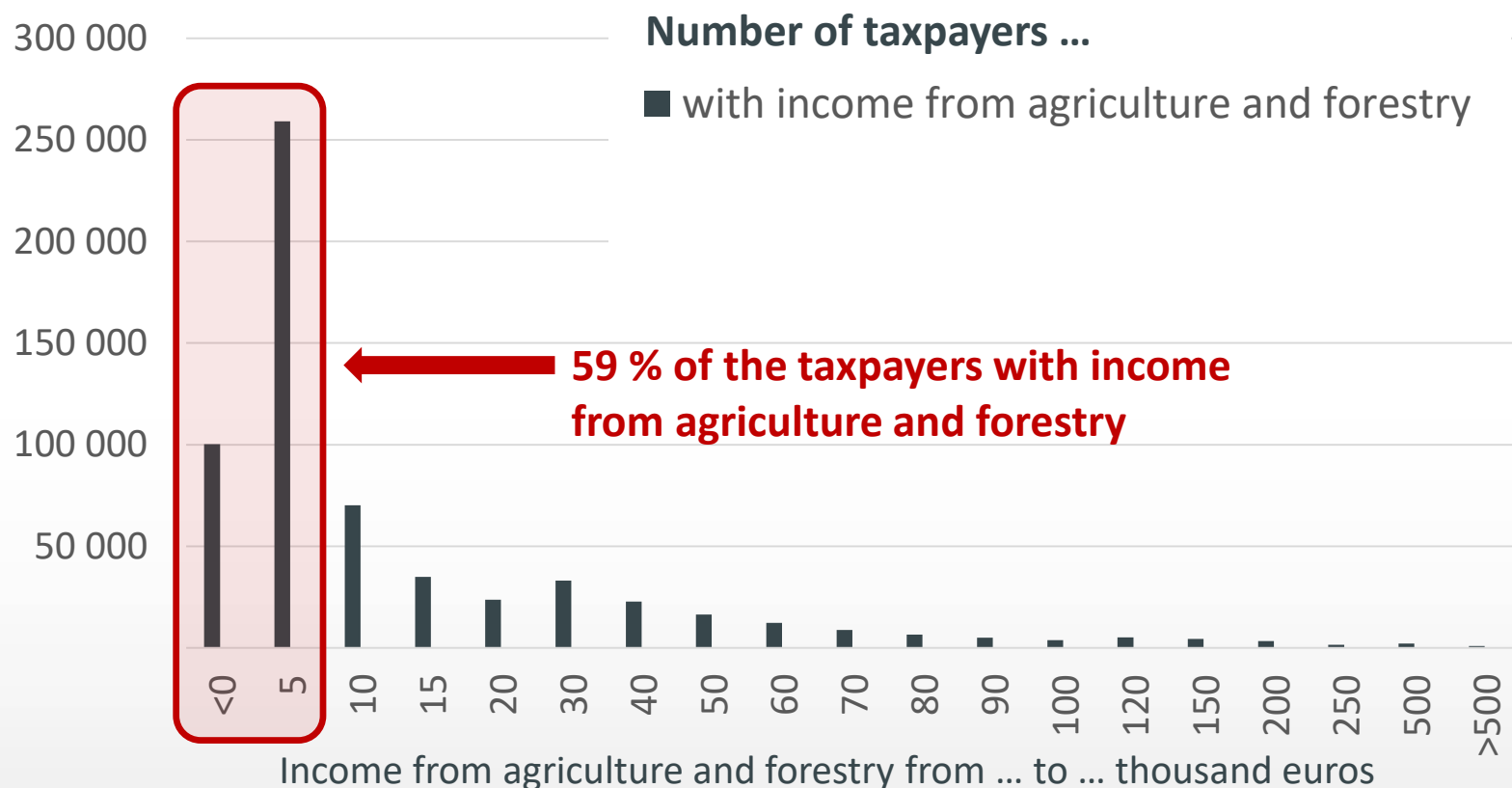
Number of farms in Germany vs. taxpayers with income from agriculture and forestry

- ✓ *Number of taxpayers with income from agriculture and forestry is about twice as high as the number of farms in the Farm Structure Survey.*
- ✓ *Number of farms has decreased, but number of taxpayers with income from agriculture and forestry has increased.*



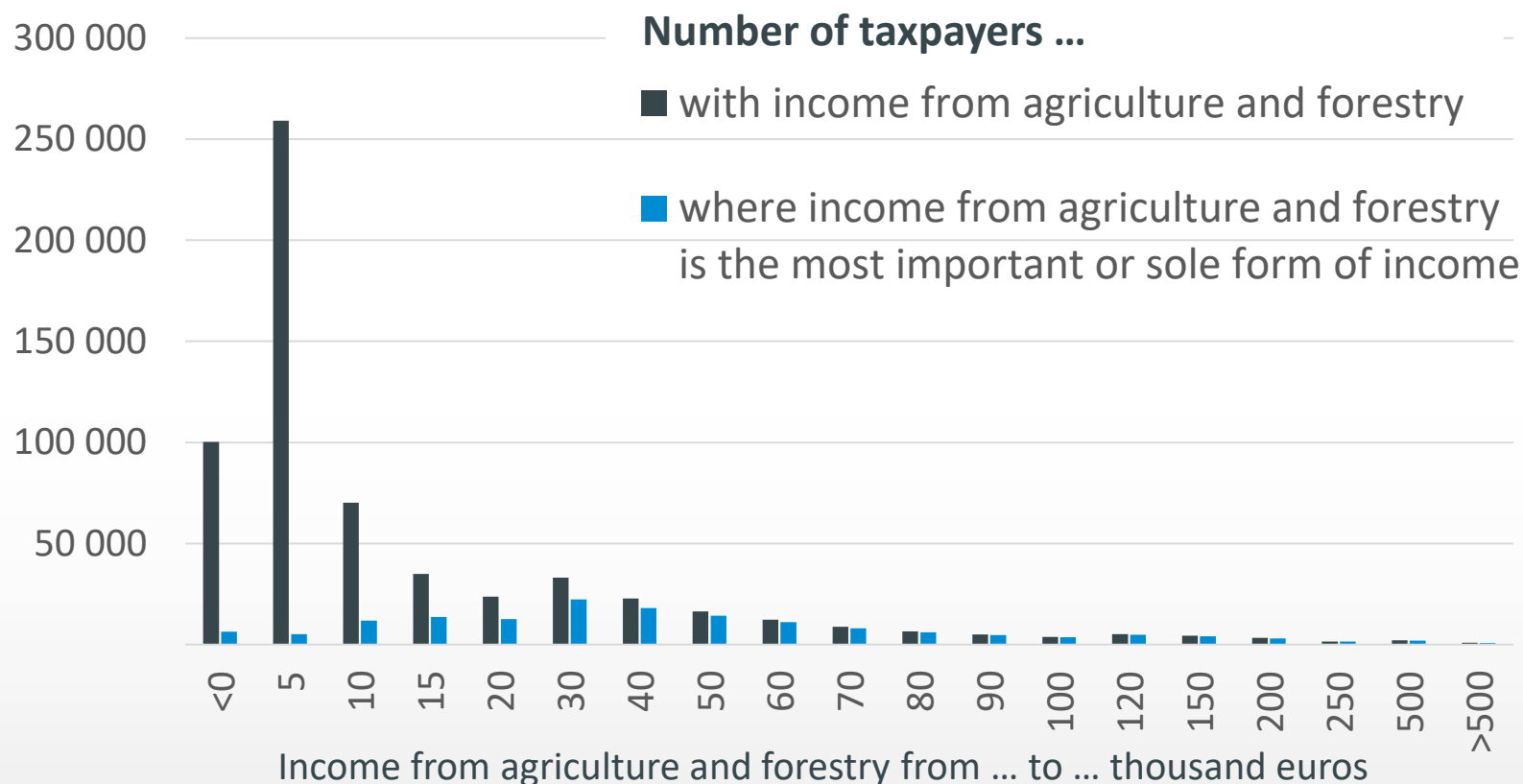
Source: Own calculations based on the Farm Structure Survey and German income tax data.

Number and distribution of taxpayers with income from agriculture and forestry in 2016



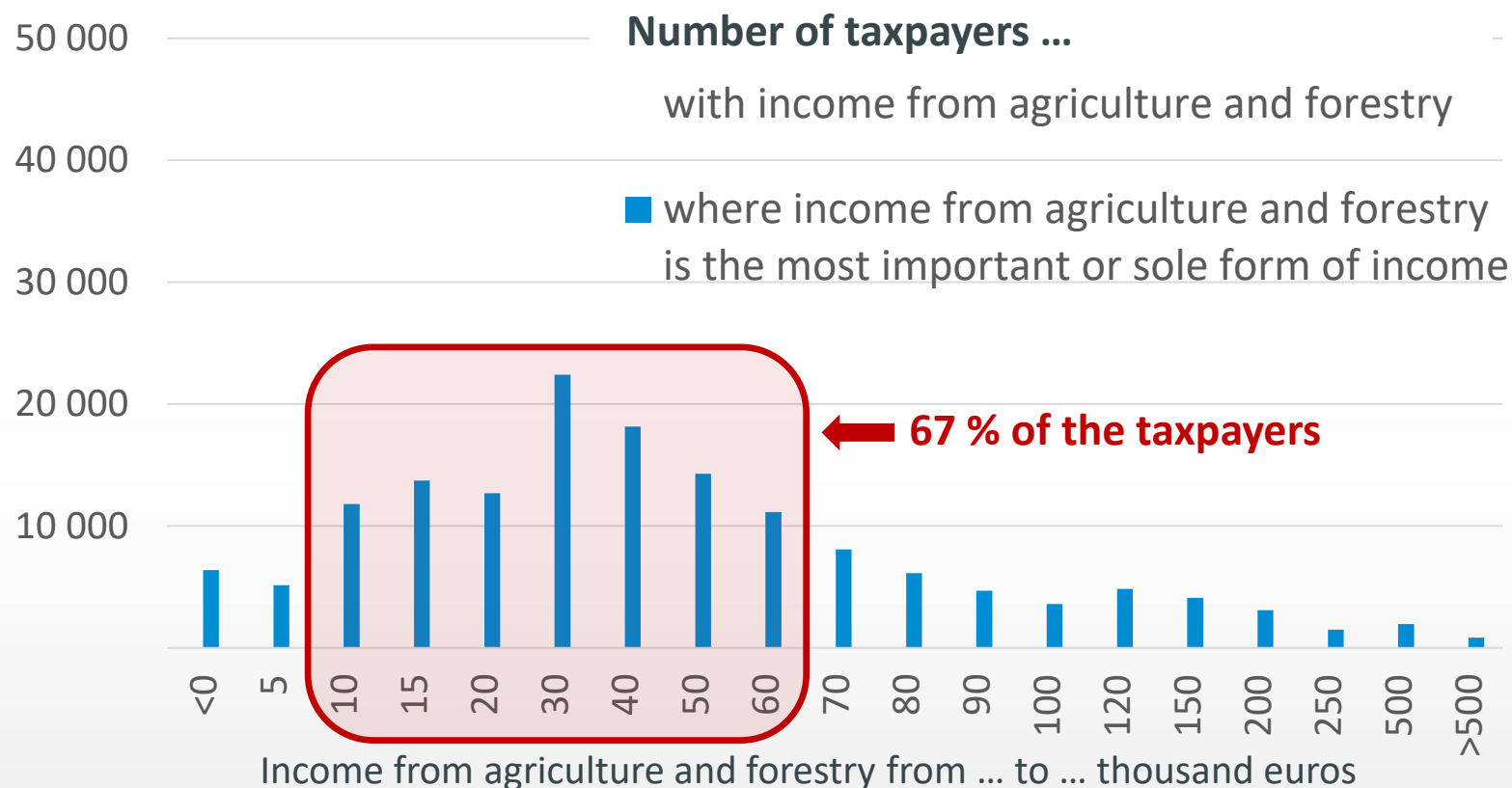
Source: Own illustration based on German income tax data.

Number and distribution of taxpayers with income from agriculture and forestry in 2016



Source: Own illustration based on German income tax data.

Number and distribution of taxpayers with income from agriculture and forestry in 2016



Source: Own illustration based on German income tax data.

First results and preliminary conclusions

- The majority of German farms have off-farm incomes ... which (considerably) increase the farm household's income.
- Existing data sources are insufficient to assess farm household's income:
- **Income tax data ...**
 - neither include information about the size, type and structure of the farm nor household characteristics (number and composition),
 - contains agricultural incomes of “non-active” and former farmers.
- **German FADN data ...**
 - does not include off-farm income for farms which legal form is a partnership or legal person,
 - does not adequately considers complex farms/farm organisations.
 - does not cover farms below a certain economic size (less than 25 000 euros standard output).

Research in progress and next steps

- In-depth analyses of the data on income and income tax
 - developments, regional distribution and clusters
... and comparisons with the available data from German FADN.
- Further analyses of off-farm income in the Germany FADN
 - potential differences between farm types and economic size,
and between full-time and part-time farming
- Results will be presented during one of the next FLAN meetings.

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