

## Report of the 27th Meeting of the OECD Network for Farm-Level Analysis (FLA), virtual meeting, 23 April 2020

### *Participants*

1. The meeting was attended by 60 participants and experts from 25 countries: Australia, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Korea, Latvia, Netherlands, Norway, Poland, Russian Federation, Spain, Sweden, Switzerland, United Kingdom and the United States, and from the European Union. Participants are contact persons from ministries and research institutions, nominated by their delegation, and invited experts.

### *Content and structure of the meeting*

2. The objectives of the 27<sup>th</sup> meeting were to have a monographic session on resilience, three topical presentations on farm income and a discussion on organizational issues of the Network. The agenda was composed of the following items:

1. *Tour de table on activities and events.*
2. *A monographic “mini-symposium” covering different aspects of resilience.* This topic was identified for the biennium during last FLAN meeting in November 2020. The purpose is defining the challenges and opportunities of using micro data to measure the different characteristics of resilience (preparedness and capacity to absorb, recover, adapt and transform aftershocks). The upcoming OECD work on this topic will build on previous work by OECD on resilience (first presentation in the session), and by the FLAN on dynamics of farm productivity performance, as explained in the second presentation. Other institutions are also working on measuring resilience, including the European Commission in the context of the new CAP, and a complementary approach to measure crop production resilience was presented.
3. *A thematic session with three presentations on farm income issues*, which are a mainstream area of work of the Network. Building on a proposal from a project in France on farm income determinants, heterogeneity and the role of support measures for income redistribution (Centre d’études et de prospective, 2020) three presentations are in the agenda under this item: two presentations based on French data on income distribution and on off-farm income, and one presentation on off-farm income in Germany.
4. *An organizational discussion on how to improve the way of working of the FLAN.* This is the third meeting of the Network that is done virtually. It is time to brainstorm on ideas on how to use available technologies to improve our communication under current and upcoming constraints.

5. *Wrap up and next steps.*

3. A short questionnaire for participants was circulated in advance of the meeting with two questions: one on the challenges of using farm level data for resilience work, and one on the potential presentations of ongoing or finished work in the upcoming meetings of the FLAN.

4. The agenda of the meeting, the list of participants, and the presentations are available on the network website: [www.oecd.org/agriculture/farm-level-analysis-network/](http://www.oecd.org/agriculture/farm-level-analysis-network/).

**1. Tour de Table on activities and events**

5. Different information was shared by the FLAN members, including:

6. Following on the presentation by Hungary on Income stabilization scheme in a previous FALN meeting, it was announced that the scheme is now in place with 160 farmers enrolled.

7. Following a presentation by Norway on dynamic effects during the 26<sup>th</sup> meeting last November, two new publications by Habtamu Alem are now available to the public:

- <https://www.sciencedirect.com/science/article/pii/S109094432030274X>
- <https://www.mdpi.com/2071-1050/13/4/1841>

8. The dynamics performance paper undertaken by the FLAN and led by Professor Johannes Sauer has been discussed in the APM 18-19 March, raising lots of interest, particularly on the policy impact example countries France and UK. It is a good example of how FLA can raise policy interest if focused on relevant policy issues. The document is to be declassified under written procedure and will be available soon. A webinar to present its results may also be organized.

**2. Characterisation of agricultural resilience**

9. This session set up the scene of resilience in terms of its definition and dimensions and the need to complement the analysis of resilience at different levels (farm versus sectoral level). The discussion included insights from an initiative from the European Commission (DG-Agri and Joint Research Centre) focused on the stability dimension of resilience. It served to give technical guidance to the OECD work on characterising resilience that covers all dimensions. The scoping paper of this work will be discussed in next meeting of the Working Party of Agricultural Policies and Markets on 18-19 May 2021.

10. **Emily Gray**, OECD: *What characterizes resilience in agriculture?* The presentation provided an overview of the evolution of the OECD's approach to agricultural risk management (ARM) in agriculture. It highlighted how a shifting risk environment means that a "business-as-usual" approach to ARM will challenge farmers and also governments (for example, leading to a greater share of the risk management burden being borne by governments). It then explored what it means to apply a resilience approach to ARM, and highlighted the key capacities are important for resilience: the capacities to prepare, absorb, recover from, and more successfully adapt and transform in response to adverse events. Finally it set out the key implications for the OECD's approach to risk management for resilience in agriculture. More information can be found in OECD (2020) <https://doi.org/10.1787/2250453e-en>.

11. **Johannes Sauer**, Technical University of Munich, Germany: *A strategy to measure the different dimensions of resilience using farm level data*. This presentation focused on how to identify quantifiable indicators and feasible measurement techniques to produce empirical evidence on the different capacities associated of agricultural resilience (preparedness, absorption, adaptation and transformation). This work plans to support the proposed work on resilience in the OECD Committee for Agriculture. Proposals were made to investigate the state and development of the resilience capacities at different system levels (i.e. farm and/or sectoral level). Another aspect of the quantification problem is the availability of appropriate data and information. The work plans also to undertake a preliminary exploration on how to analyse the interactions between resilience, productivity and sustainability, and on the role of policies to enhance resilience. Potential indicators, methodologies and databases were discussed, including on the identification of shocks and the use of static, dynamic and composite indicators.

12. **Matteo Zampieri and Frank Dentener**, EU Joint Research Center, Ispra, Italy, and **Nicola di Virgilio**, DG Agri, Brussels, Belgium: *Estimating Crop Production Resilience for the EU*. Resilience is becoming an important issue in EU policies. While the focus of the Common Agricultural Policy has been on providing stability (of incomes of production), under the new policy framework also other resilience aspects such as adaptability and transformation become important. A newly developed production resilience indicator is use to shed light on the role of crop diversity on production stability at the national level. The presentation provided tailored metrics for climate related shocks able to explain a large fraction of the observed production variability. The linkages between large scale and farm scale resilience aspects can be explored with these methods.

13. The discussion confirmed the necessity of sophisticated statistical methods to estimate resilience, in particular the resilience capacities that go beyond stability that is preparedness, adaptation and transformation. The approach will also need to look both at farm and sector level.

### 3. Income Issues in Agriculture

14. **Laurent Piet**, Smart-Lereco, INRAE, Rennes, France: *Distribution of farm income and redistribution role of CAP payments in France*. The presentation focused on one of the components of the « Agr'Income » (<https://www6.rennes.inrae.fr/smart/Contrats-de-recherche/Agr-Income>) project, which received financial support from the Centre for Foresight Studies of the French ministry of agriculture. This component (Piet and Desjeux 2021), aimed at understanding the impact of potential drivers of farm income inequality and the redistributive effect of the Common Agricultural Policy (CAP) payments, using the method proposed by Ferreira, Firpo and Galvao (2019). Beyond the change in the levels of income themselves, the change in farms structural characteristics (such as age, used area, type of farming, etc.) were found to have played a major role in explaining income growth and inequality dynamics of French commercial farms between 2000 and 2017. The discussion with experts from the FLA network that followed the presentation raised questions about sensitivity with respect to the covariates used, the possibility to account for market price support in the analysis, the rationale for using operating surplus as an income indicator, the relevance of using multi-year income averages rather than single-year figures, and the opportunity of using the method for *ex ante* policy analysis.

15. **Nathalie Delame**, Economie Publique, INRAE, Paris, France: *Combining FADN with income tax data to analyse farm and off-farm income in France*. This presentation focused on one of the components of the « Agr'Income » project of the French Ministry of

Agriculture. This component presented a new method, based on matching the Farm Accountancy Data Network (Rica) with farmers' income tax declarations to build a micro-economic database of global income from 2010 to 2016. The panel counts about 3 400 tax households from 2010 to 2016. Analysis from the panel confirms some previous results and quantifies the main trends for different classes of tax households: wages are the main off-farm income source and are present in a third of farmers. Those wages come from the farmer's spouse. In France, farmers with off-farm activities work on the smallest farms, not in those farms surveyed under the FADN. Asset income are the most frequent source of off-farm income but also represent the smallest share. High variability of global income in farm households is driven by farm income and wages help to smooth out income fluctuations.

16. In response to the FLAN participants' questions, a new matching is planned on the 2020 data. The assessment of farmers' global income is needed for policy purposes within the French Ministry of Agriculture. The use of indices of average changes in non-agricultural income may explain the stability of these incomes. For wages, the most significant impact on income variability would be the abandonment of the off-farm activity for unemployment or retirement, or a change in the contract on the number of hours. Income variability estimates could be assessed by introducing a probability of disappearance of a fraction of non-farm wage in households included in the tax records, based on an unemployment rate of the region, for example.

17. **Heiko Hansen and Bernhard Forstner**, Institute of Farm Economics, Thünen Institute, Germany: *A differentiated look at the economic situation of German farmers*. This presentation showed preliminary results of recent research on off-farm income and farm household's income in Germany. The authors analysed two alternative data sources: (1) German income tax data and (2) a special section of the national FADN, which contains data on seven different types of taxable income (following the German Income Tax Act). Both data sources have their merits and limitations, but are generally insufficient to assess total income of farm households. Income tax data comprise all persons who generate taxable income from farming. However, the data neither includes information about the size, type and structure of the farm nor household characteristics (number of members and composition). Another shortcoming of these data is that they comprise agricultural income of "non-active" and former farmers, implying that the number of taxpayers with income from agriculture and forestry from these data is about twice as high as the number of farms in the Farm Structure Survey (FSS). The second data source considered is the special section of the German FADN. The main shortcomings of these data are that they do not include off-farm income for farmers with a holding whose legal form is a partnership or legal person and that they do not adequately consider complex farms or farm holdings, or cover farms below a certain economic size (less than 25,000 euros standard output). Despite these shortcomings, preliminary results using these data sources show that off-farm income plays a key role in German farm household's income. Next research steps will address potential developments and regional clusters of off-farm income in Germany employing the aforementioned data sources.

#### ***4. Improving working practices in the Farm Level Analysis Network***

18. The reality of zoom meetings have imposed constraints on the way we work in general and in the Network in particular. At the same time, new communication technologies are creating good opportunities to more flexible meetings, webinars and discussion groups with different geometry.

19. The OECD Secretariat has created a new FLAN community site for discussion in its website <https://community.oecd.org/community/agriculture/flan>. The Secretariat explained the basic functioning of this tool and encouraged members to use it and subscribe for notifications with email alerts on new content in the FLAN Community site. The Secretariat encourages members of the network to proactively interact and discuss through this tool to bring their ideas, and propose specific projects and topics that can generate discussion among members and cross country collaboration.

20. The session was broken out into small group discussions to facilitate networking and exchange of ideas on improving the organization and functioning of the network. Several ideas were brought back to the plenary. FLAN was a pioneer on hybrid meetings that combine physical and on line attendance, and its experiences could be shared with other groups. Hybrid configurations are good to expand the participation while ensuring more networking. Using chats and discussions groups can encourage the participation of some members that feel more comfortable with these communication tools. Webinars are also a good idea to explore. Another idea proposed was deep dives (sessions with speakers to discuss their presentations in more detail). Members welcomed the breakout sessions and some even suggested allowing the possibility to stay connected for 15-30 minutes after the meeting is over to have more relaxed and informal discussions. Physical meeting including outside Paris contribute to build the network. Members expressed a preference to keep the consultations to prepare the meetings informal without a pre-defined group and making use of the discussion capacities of the new community site.

## ***5. Wrap up and next steps***

21. The OECD Secretariat will undertake the following:

1. Prepare a draft Summary Record and a table summarizing the responses to the questionnaire from members. Contributions by speakers are welcome.
2. Share both documents with participants for comments through the FLAN community site <https://community.oecd.org/community/agriculture/flan>.
3. Share the agenda of the meeting, the list of participants, and the presentations through the FLAN community site and upload them to the network website: [www.oecd.org/agriculture/farm-level-analysis-network/](http://www.oecd.org/agriculture/farm-level-analysis-network/)
4. Based on the summary record, prepare a written report for the APM meeting in May 2021.
5. Organise the next meetings of the Network planned in 25-26 October 2021.
6. Johannes Sauer will share before 7<sup>th</sup> May a technical document on working plan on resilience for comments and suggestions

22. Participants are invited to:

7. Make sure they have subscribed for email notification alerts from the FLAN community site and proactively use the discussion tool in the FLAN Community site. Feel free to contact Marina Giacalone ([marina.giacalone-belkadi@oecd.org](mailto:marina.giacalone-belkadi@oecd.org)) for any question or difficulty.
8. Through the discussion tool in the FLAN community site <https://community.oecd.org/community/agriculture/flan>:
  - Provide written comments to the Summary record.
  - Provide comments on the resilience technical document to be distributed
9. Continue to liaise with Johannes Sauer for the new project on resilience.
10. Further respond to the questionnaire and bring to the Secretariat ideas for future activities and presentations in Network meetings.

23. Concerning the communication tools: emails, FLAN website and the FLAN community site:

11. The new FLAN Community site will be privileged for discussion and communication among the members of the network.
12. Emails will be used for targeted communications
13. The website will be used as a repository.

24. The tentative dates for meetings in 2022 are the following:

- 14-15 March 2022 followed by APM 15-16; and
- 8-9 November 2022 preceded by JWP AE.