AGRICULTURAL INCOME IN AUSTRIA AND IN THE EUROPEAN UNION

FACTSHEETS ON THE DISTRIBUTION OF INCOME AND ASSETS IN AGRICULTURE

CONTRIBUTIONS TO ECONOMIC POLICY NO. 29

AK WIEN

GERECHTIGKEIT MUSS SEIN

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Email: wp@akwien.at
Fax: +43-1-501 65 /42532
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FACTSHEET 1:

INCOME STRUCTURE AND DEVELOPMENT

The TOP 3 facts

- There are significant differences in income between farms respectively types of farms. (Most) farmers, who generate a high income, also receive higher subsidies. On average, about two thirds of farm income consists of farm subsidies. This level and the distribution of subsidies would not be acceptable in any other type of branche. The Common Agricultural Policy (CAP) needs to take action.

- Without jobs in the region, many farmers would have to give up farming: on average farms only generate half of their income directly from agriculture (including the subsidies they receive). About 30 percent of farms' total incomes are generated by income from employment - the smaller a farm the more important is it to have local non-agricultural job opportunities. This should be considered in all programmes concerning rural development and regional policy.

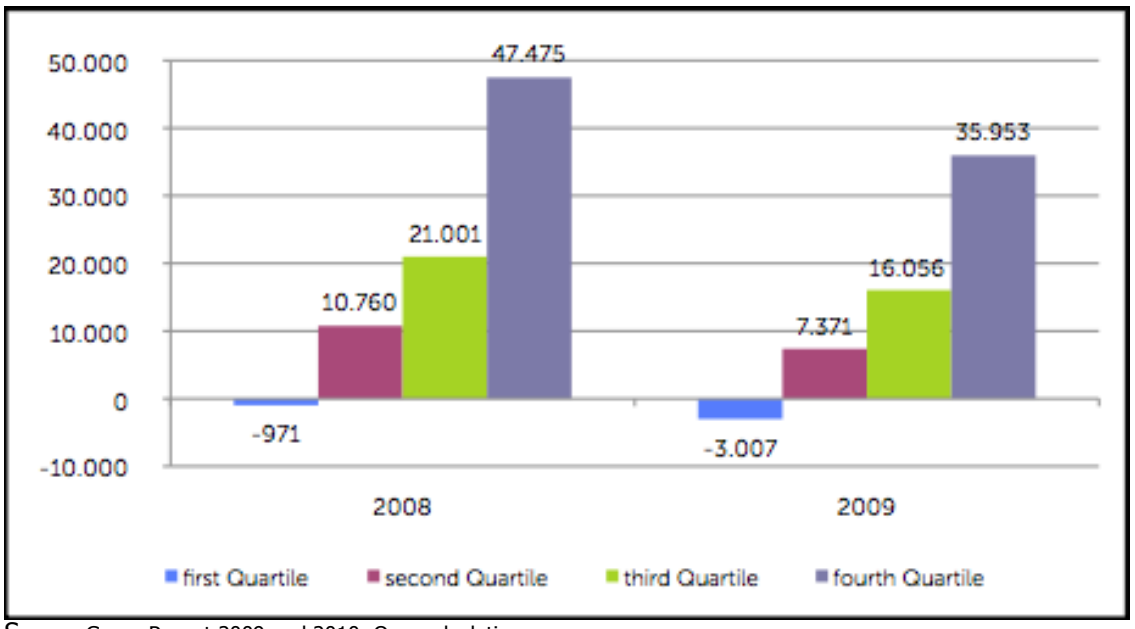
- Farm incomes are rising faster than incomes of employees: even if farmers experience greater income differences and fluctuations, the long-term trend shows that the per capita net income from farming is significantly higher than that of employees. Apart from that, full-time farmers have a higher average than employees in the private sector.
  It would therefore be unfair if the European Commission would use the subsidies of the first pillar to also support farm incomes, which exceed the average income by far. In principle, any subsidization of income of only one branche respectively sector, which is granted irrespective of the level of income, should be scrutinized politically.

Income and farm types differ greatly

- The differences in income between farmers are vast.

  Figure 1 depicts the average income in the individual income quarters for years 2008 and 2009: hence, in 2009 the per capita average income of those farmers, who belong to the lowest-earning quarter, was minus Euro 3,007 whilst the per capita average income in the top quarter (25 percent) was almost Euro 36,000. In 2008, these values, in particular for farmers with a high level of income, were even significantly higher.

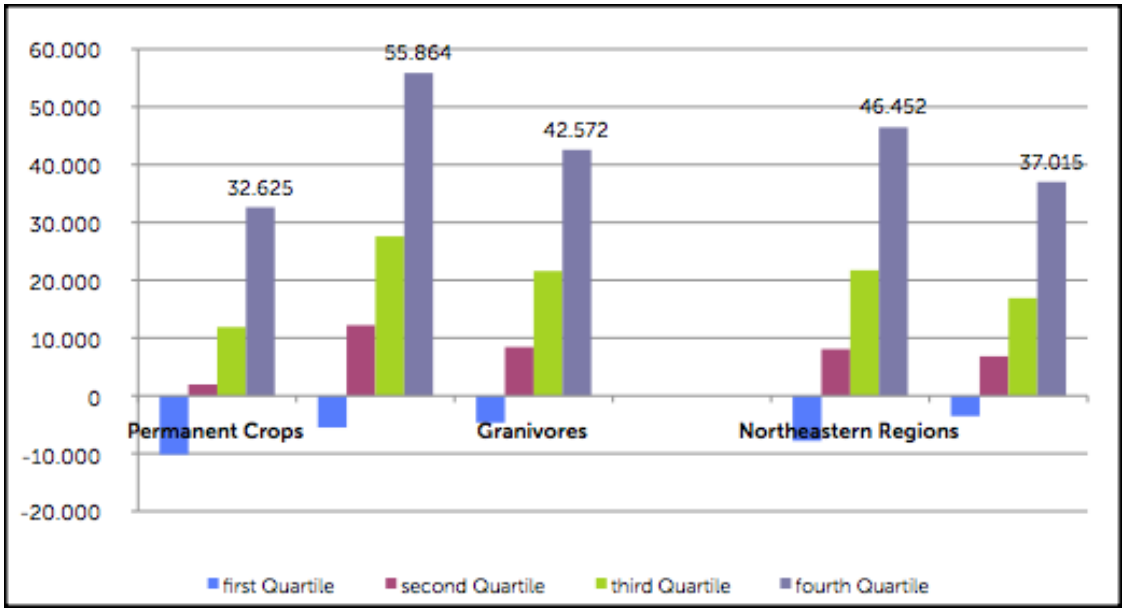
Figure 1: The income situation of "Quarter farmers": the average agricultural per capita income in quarterly groups, 2008 and 2009



Source: Green Report 2009 and 2010. Own calculations.

Figure 2 shows the same calculation for individual, selected types of farm for 2009:

Figure 2: The income situation of "Quarter farmers" in accordance with selected types of farms, 2009



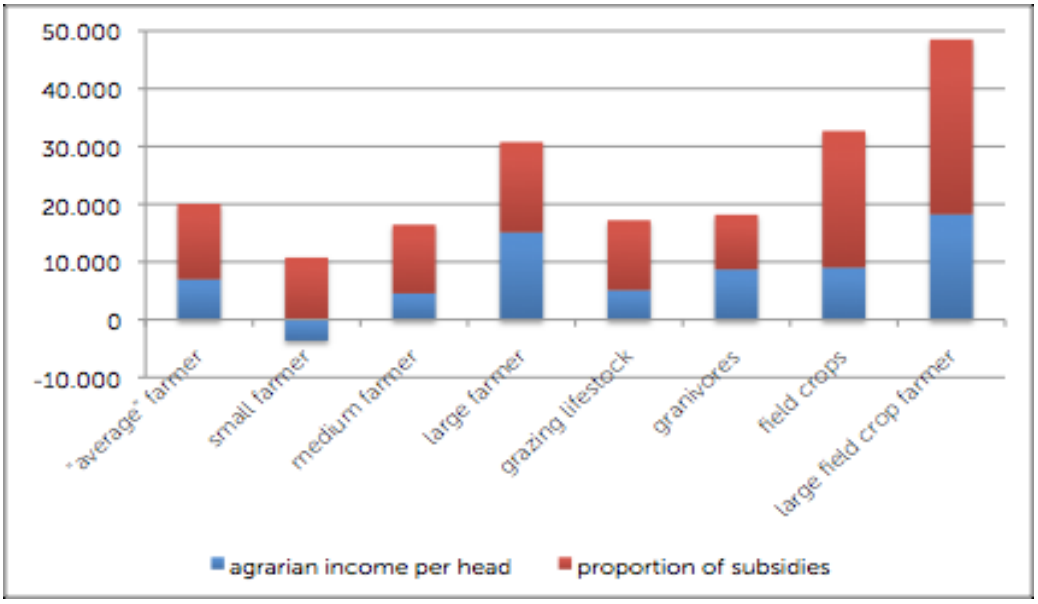
Source: Green Report 2010. Own calculations.

Not only incomes within individual types of farm differ greatly; one can also see that for example field crop farms or farms located in the Northeastern Regions are able to generate a top level income.

Farmers with higher income receive higher subsidies

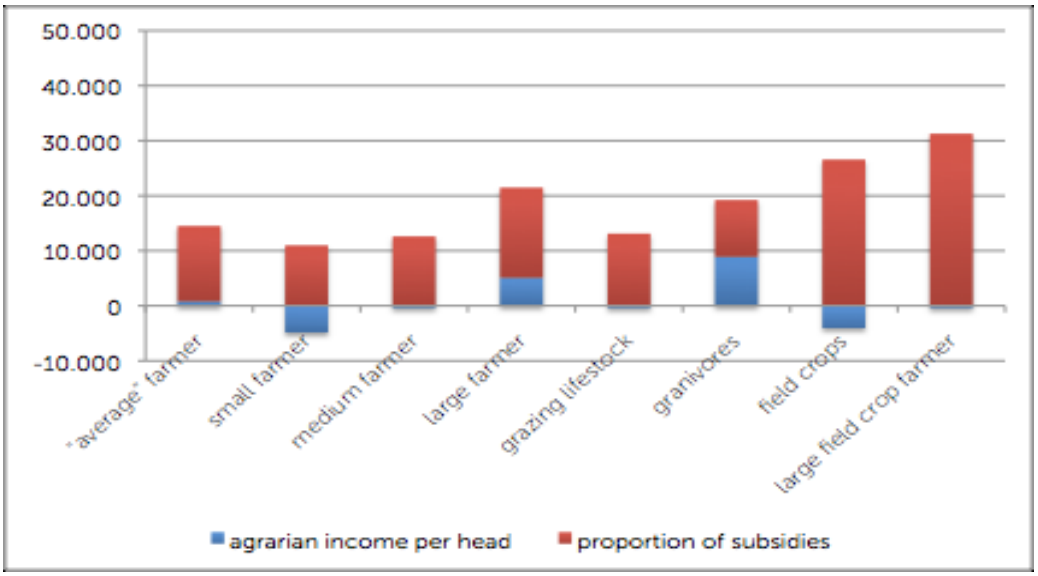
Figure 3 and 4 depict the per capita farm income and the share of subsidies for selected types of farm for 2008 and 2009. One can clearly see that the per capita incomes differ greatly in accordance with types of farm and that at the same time the amount of public funds per capita is higher in respect of those types of farm, which generate a high level of income in any case (exception granivores).

Figure 3: Per capita income from land use: higher-income farms receive higher subsidies, 2008



Source: Green Report 2009 and 2010. Own calculations.

Figure 4: Per capita income from land use: higher-income farms receive higher subsidies, 2009



Source: Green Report 2009 and 2010. Own calculations.

Farms can be classified into a wide range of types

Figure 5 to 8 (next pages) show various classifications of farms:

On the one hand, value added can be divided into small sized, medium sized and large sized farms - Figure 5 shows that according to this classification 28 percent of farms in Austria are small sized farms, 45 percent are medium sized farms and 27 percent are large sized farms.

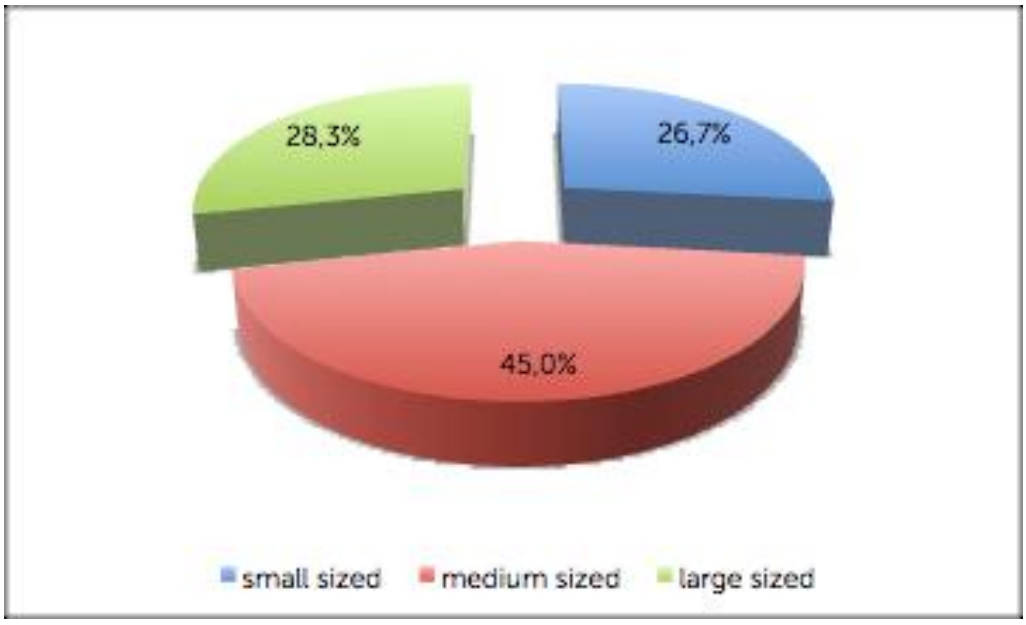
Another classification is based on the main type of production of a farm (Figure 6): at 48 percent of all farms, grazing livestock farms make up the largest share, followed by field crop farms (14.7 percent) and permanent crops (12.3 percent). Mixed cropping farms, which come closest to the cliché of a "traditional" farm, only amount to 3 percent of all farms.

Finally, it is also possible to classify farms in accordance with their region - either according to so-called areas of production (Figure 8) or in accordance with the Austrian states (Figure 7).

Almost a third of all farms are in Lower Austria; 19 percent each in Upper Austria and Styria.

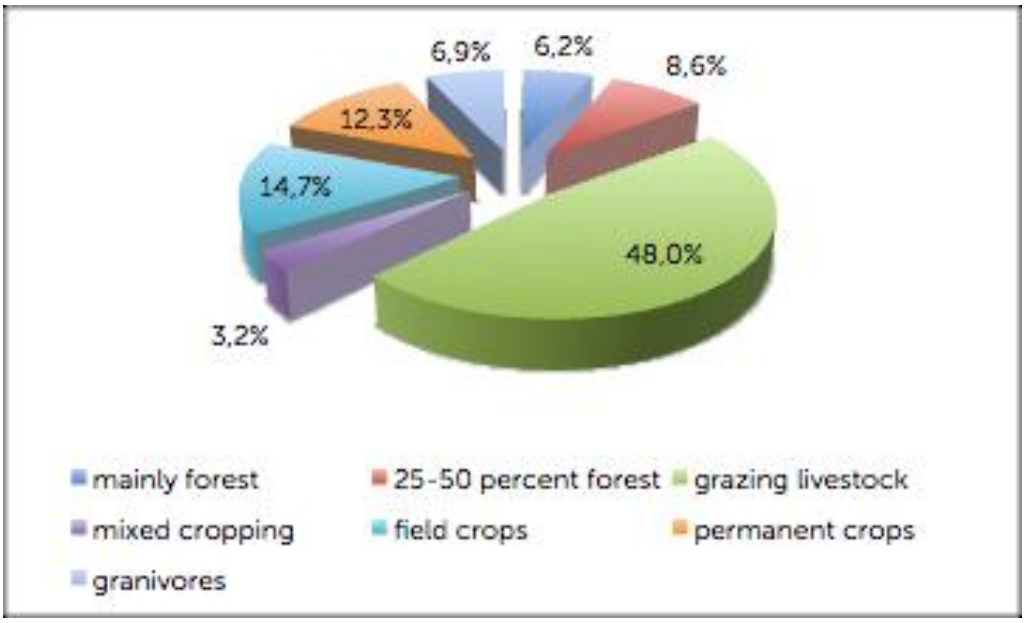
Based on areas of production, most farms are located in the Foothills of the Alps (19 percent), in the High Alps and in the Northeastern Regions.

Figure 5: Different classifications of farms, 2009: according to size



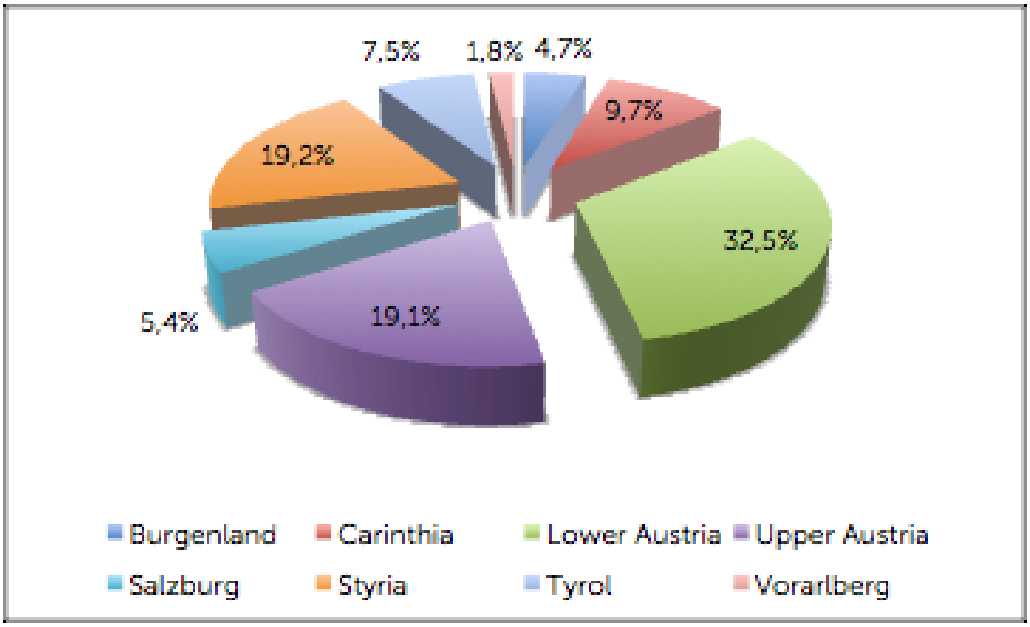
Source: Green Report 2010. Own calculations.

Figure 6: Different classifications of farms, 2009: according to type of production



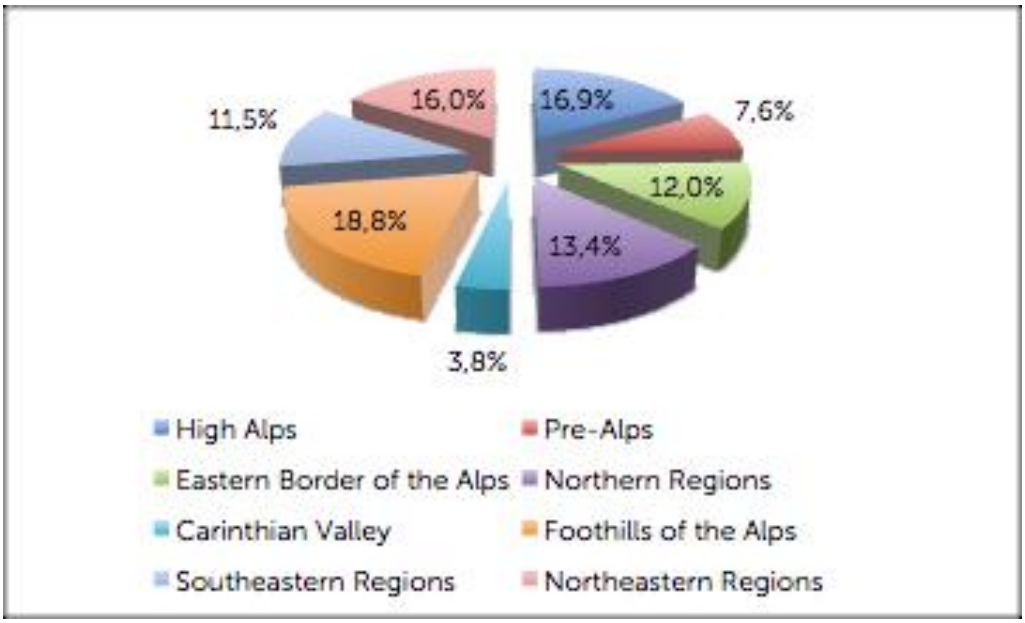
Source: Green Report 2010. Own calculations.

Figure 7: Different classifications of farms, 2009: according to federal state



Source: Green Report 2010. Own calculations.

Figure 8: Different classifications of farms, 2009: according to region



Source: Green Report 2010. Own calculations.

Mountain farmers and organic farmers

Almost half (49 percent) of all farms in Austria are classified as mountain farms. According to how remote/difficult their location is, they are divided into four groups: Group 1 is the least difficult, Group 4 the most.

In 2009, 31 percent of mountain farmers were classified in Group 1, 44 percent in Group 2, 16 percent in Group 3 and only 9 percent in Group 4.

Since 2005, the Green Report also represents organic farms separately and in accordance with size:

In 2009, 26.5 percent of all farms were classified as organic farmers - slightly more than a third of those as small organic farmers, 40 percent as large or very large.

Farmers have many sources of income

Agricultural and forestry income are only part of the farm budget income

Figure 9 shows how farm incomes are structured: apart from agricultural and forestry income (which also includes public agricultural subsidies), farmers also receive earned income from employment and from the business farm. Apart from that, they are recipients of other social transfers and various, more insignificant "other income".

In 2009, the share of agricultural income, including agricultural subsidies for the (purely statistical) average farm was Euro 19,000, which was equivalent to 48.09 percent of the total income.

If one looks at the different types of farms, big farmers generate the largest share of their income (74 percent in 2009) from land use (including subsidies).

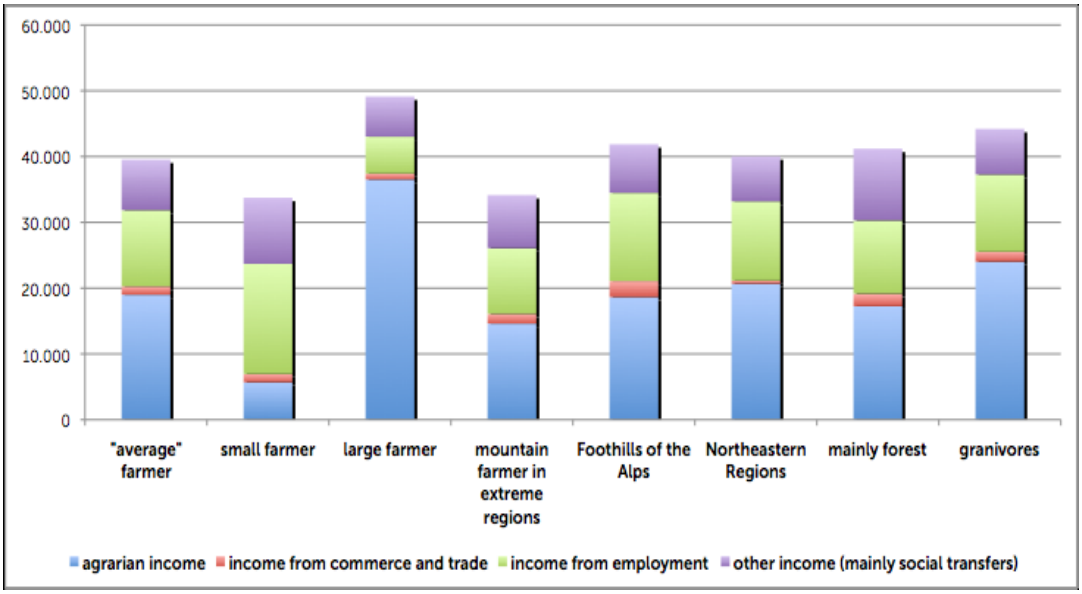
In individual cases, the income from trade may be significant, however, on average it is maximal 5 percent of the total income.

In contrast, income from employment is very important for some groups. Small farms receive almost half of their total income from employment. The "average" lies at about 30 percent.

This fact shows how important it is in rural areas to orientate local and regional policy towards creating and maintaining salaried employment to provide the rural population with sufficient local job opportunities.

Remarkable in Figure 9 is also the fact, that apart from the agricultural subsidies (which are already included in the agricultural income) social transfers are also very important for the total income. In some cases, they amount to a quarter of the total farm income.

Figure 9: Level and structure of income of selected farms, 2009



Source: Green Report 2010. Own calculations.

Significant differences in income between types of farms

One can already clearly see in Figure 9 that not only the income structure but also the level of income differs from farm type to farm type. This is once again depicted for all types mentioned in Figure 10:

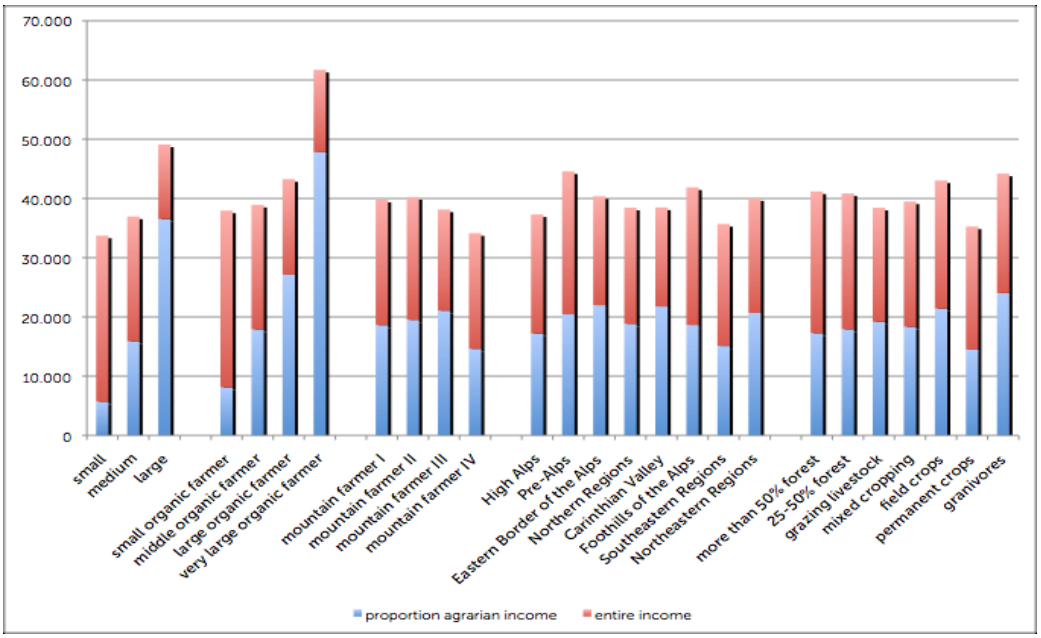
The statistical average of all farms shows the level of total annual income as ca Euro 39,000. Significantly exceeding this amount are the big farms (27 percent of all farms) at Euro 49,114 and above all the big (6.5 percent of all farms; Euro 43,261) and the very big (4.1 percent of all farms; Euro 61,721) organic farms.

With regard to individual regions, high incomes can be achieved in particular in the Pre-Alps and the Foothills of the Alps. Concerning the type of farm, granivores and crops farms generate the highest incomes.

However, these relations change from year to year - it is a well-known fact that 2009 was a rather irregular and not very good year in respect of farm income.

In 2008, which followed a long-term trend, in particular crop farms (at Euro 55,803), farms in the Northeastern Regions (at Euro 54,267) as well as farms at the Eastern Border of the Alps (at Euro 51,278) were able to generate above-average incomes. The permanent crop farms also generated a high level of income in the years prior to 2009.

Figure 10: Agricultural and total income per farm, 2009



Source: Green Report 2010. Own calculations.

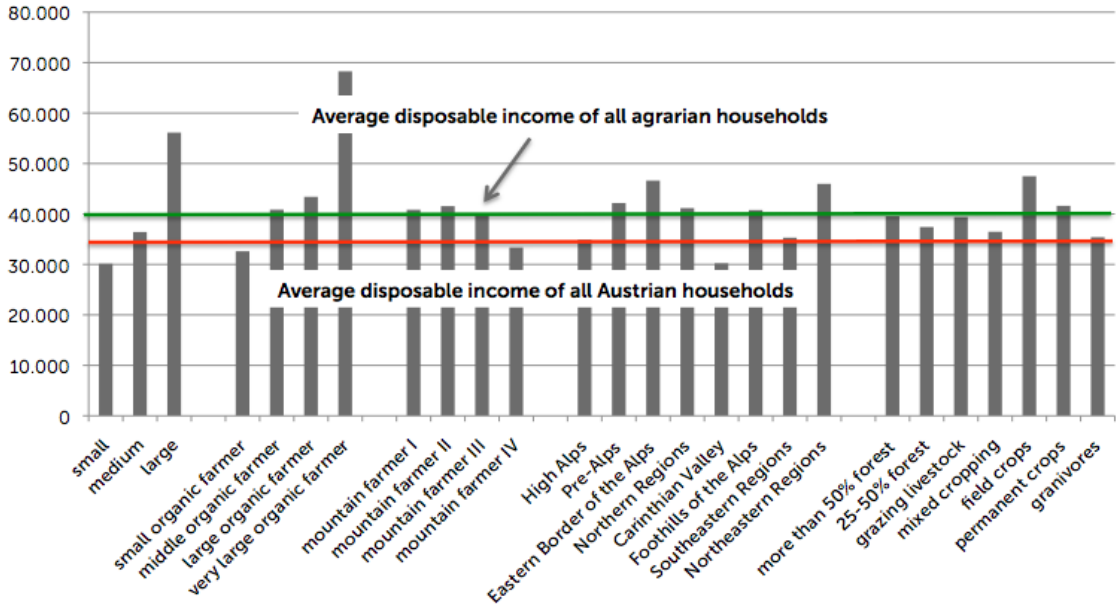
The disposable farm household incomes lie significantly above the Austrian average income

The data of the Green Report also allow the calculation of the net farm incomes. In farms, these can be put on the same level as the net household income as most farms are run exclusively by family members.

Figure 11 depicts these disposable (household) incomes for the different types of farms for 2008: in 2008, the disposable statistical average (net) income of farms was Euro 40,327 (marked by the green line).

In comparison: According to the EU-SILC survey the average disposable household income of all households in Austria in 2008 was Euro 35,115 - marked by the red line in Figure 11. Practically the disposable income (including all earned income and social transfers) of most of the farms exceed this Austria-wide average income!

Figure 11: Disposal income per farm/household, 2008



Source: Green Report 2009. Statistics Austria. Own calculations.

The development of farm incomes over time

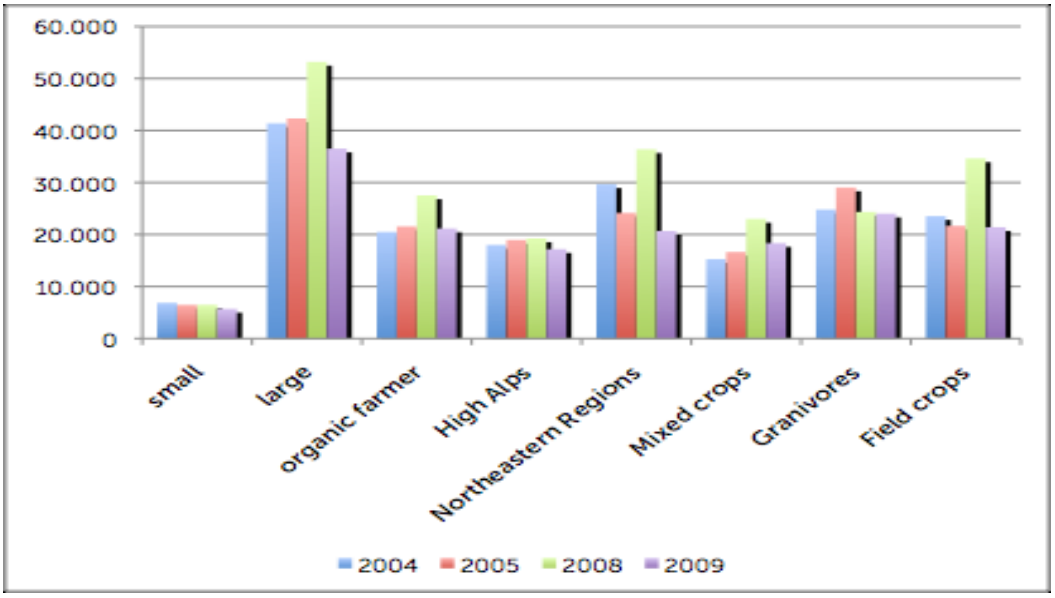
Farm incomes fluctuate, but not to the same extent for all

In 2009, representatives of agriculture loudly lamented the strong fall in income in the agricultural sector both at EU level and in Austria. This was caused by higher purchase prices for energy and fertilisers and lower prices for agricultural products.

The statistics clearly show this decrease; however, this snapshot observation overlooks the fact that in previous years the income had significantly increased in many agricultural sectors; albight with more volatile developments than for example salaried income or the GDP. No data is available yet for 2010. However, all prognoses indicate that farm incomes have again risen significantly in 2010.

Figure 12 shows these fluctuating developments for some selected types, whereby one can see that the movements of the various farms are not going in the same direction, never mind reaching the same level. Hence, from 2004 to 2005, in some cases (e.g. organic farms, graft nurseries) the income rose, whereas it fell in others (e.g. small farmers, Northeastern Regions). In some cases incomes significantly increased between 2005 and 2008; however, with regard to graft nurseries they fell, etc.

Figure 12: Year-on-year comparison of income from agriculture and forestry (without additional and secondary income) for selected types of farms, 2004 to 2009



Source: Green Report 2005 to 2010. Own calculations.

The same applies to the period from 2008 to 2009, where the slump did not have the same effect on all farms - for small farmers, who recorded falling income during the entire period, 2009 was no special year; in case of graft nurseries too, the drop was rather insignificant.

However, the slump had a particular impact on the big, high-income farms and those in the Northeastern Regions.

Agricultural per capita incomes grow faster than income from employment

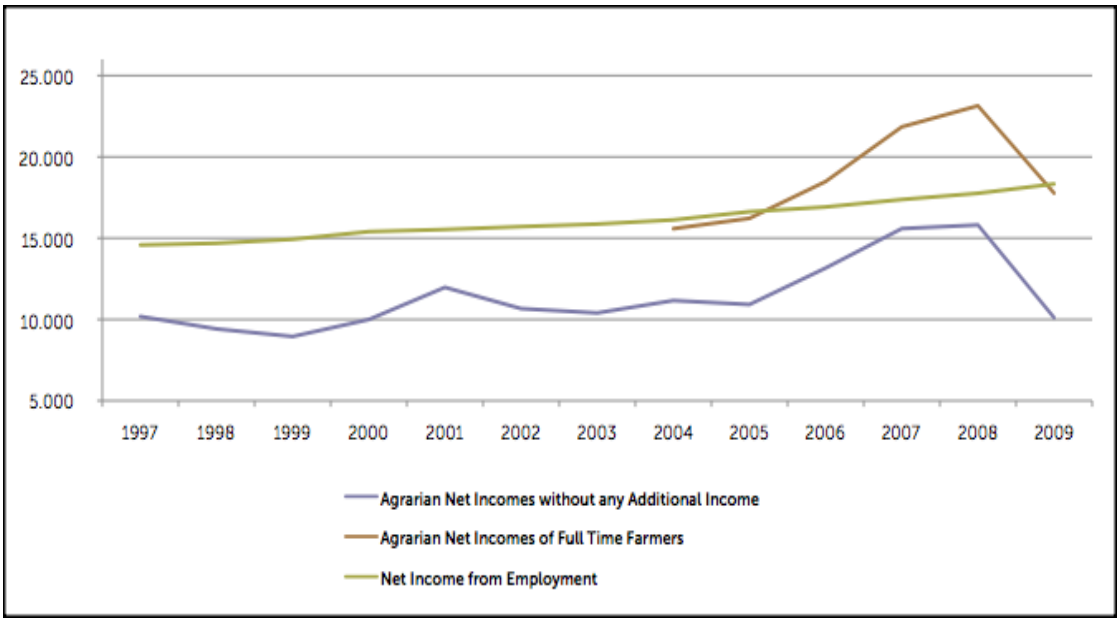
Farm income can also be calculated net per capita, which means that it can be compared with the development of the net income of employees.

Figure 13 shows this long-term comparison: it compares the development of the net income of employees with the development of both the agricultural net per capita income and the total net per capita income of full-time farmers (which have been shown separately since 2004).

One can recognize that the agricultural income show stronger growth (and greater fluctuations) than the earned income from employment.

The slump in agricultural income 2008/09 can also be seen clearly. However: the per-capita incomes of full-time farmers did not only increase more than salaried incomes, with the exception of 2009, they are also higher than those. A significantly greater rise in farm income compared to the income of employees is also expected for 2010.

Figure 13: Year-on-year comparison of average net income: income of full-time farmers significantly higher than the income of persons in employment



Source: Green Report 2010, Table 4.1. Statistics Austria. Own calculations

Comparing incomes, one must also take into account that the cost of living for farmers is significantly lower. As Factsheet 2 shows, the share of land ownership is very high, whilst employees, in particular in urban areas, have to spend more than a fifth of their consumer spending on "rent/mortgages and energy".

FACTSHEET 2:

FARM ASSETS

The TOP 3 facts

- According to the Green Report, farms in Austria are very wealthy (based on their balance sheet total) - in 2009, even small farmers have assets of more than Euro 200,000. The statistical average of farm assets lies above Euro 350,000 with an equity ratio of about 90 percent. By rededicating grassland to building land these values can significantly increase for individual farms.

- Data provided by the ANB on Austria's financial situation also show that farmers are in an above-average positive situation: not only do practically all farmers have property assets; at an average of ca. Euro 450,000, their value is far higher than of other groups of the population. The net financial assets of farmers also lie above the Austrian average.

- Whilst assets are normally offset against social benefits and minimum security provisions, this not the case in the agricultural sector. On the contrary: the Green Report shows the wealthier a farmer is, the higher is the share of subsidies in the total income! This fact should be urgently reviewed in accordance with a need and structural based agricultural policy.

Size of assets according to Green Report and ANB

Assets of more than Euro 350,000 on average

Austrian farmers are wealthy (see Figure 10). The statistical "average" farm has assets worth Euro 356,000 (these values are balance sheet totals according to the Green Report). Significantly exceeding this value are the big and the very big organic farmers and surprisingly (as not according to stereotype) the majority of mountain farmers (and thereby also the regions closer to the Alps). Forestries and graft nurseries also show a trend towards above-average assets.

So-called small farmers also have assets worth more than Euro 200,000

According to the Green Report, at least those small farmers, who keep accounts, have on average assets worth Euro 215,000.

ANB asset studies also confirm the privileged position of farmers

The ANB (2009) also confirms that the level of property ownership (i.e. the share of households that own property at their main residence) in the agricultural sector is above 95 percent and thereby significantly higher than for any other groups of the population. The Social Report of the Federal Ministry of Social Affairs and Consumer Protection BMASK reveals that the average property assets of farmers lie at ca. Euro 440,000, whilst it is ca. Euro 60,000 for employees and only Euro 0 for workers!

Financial assets also slightly above average

In 2006 (according to the ANB), at about Euro 27,000 median assets, the net financial assets (financial assets minus any loans) of Austrian farmers were also above Austrian average (Euro 22,000). They are higher than those of average employees' households (Euro 22,000) and far higher than those of average workers' households (Euro 15,000)!

More than three quarters of these are investment assets

The majority of agricultural assets are investment assets (there are also floating assets - in particular agricultural machinery - and livestock). On statistical average, about 76 percent of total assets represent investment assets - in respect of forestries, these values are significantly over 80 percent.

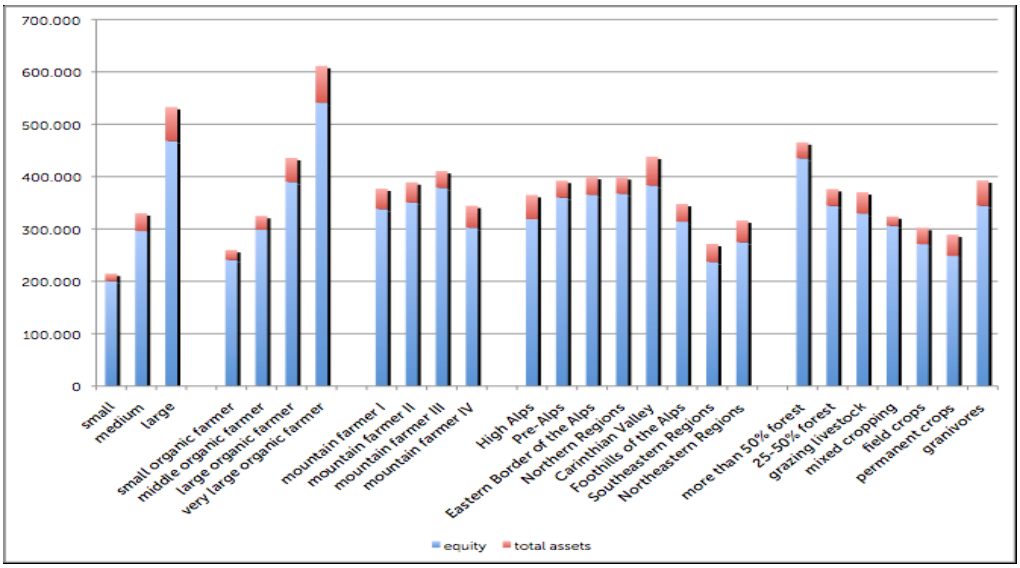
This indicates the high significance of possessing land. Not included in these asset evaluations are possible further potential profits by rededicating grassland into building land.

High equity ratio

Also noticeable is the fact that the equity ratio of farms is very high (see also Figure 14): values around and over 90 percent equity ratio are quite common. Tendentially, the degree of debt increases with the size of the farms; however, large farms still have an equity ratio von 87.8 percent!

In comparison: Austria production and service companies - depending on sector and size - show about 25 to 40 percent median equity ratio.

Figure 14: Assets and equity in accordance with types of farms, 2009



Source: Green Report 2010; Own calculations

Asset development

Assets are continuously growing

In spite of the low-income year 2009, on statistical average the farm assets from 2008 to 2009 increased by 3 percent. Table 1 shows the growth rates over a period of five years (2004 to 2009) for those types, which showed exceptionally high growth.

For example, fodder crop production farms, which after all account for almost half of all account keeping farms, recorded average annual asset growth rates of 4.8 percent - the total assets spread over five years have increased by more than 25 percent.

Table 1: Growth in assets selected account keeping types of farm, 2004 to 2009

	Growth 2004-2009	Average annual growth	Assets 2009	Share of farms in population
All farms	18.2 %	3.4 %	356.615	
Mountain farmer Group III	27.9 %	5.0 %	410.597	7.9 %
Forest and Mühlviertel (mill quarter)	27.8 %	5.0 %	398.773	13.4 %
Carinthian Basin	34.3 %	6.1 %	438.044	3.8 %
Fodder crop production farms	26.7 %	4.8 %	370.108	48.0 %

Source: Green Report 2005 to 2010. Own calculations

Those who already have are getting more

As already depicted, farms are to a large extent subsidy receivers. In 2008, public funds accounted for ca. 38 percent of the total income of a farm (here called "subsidy quota"); in 2009, this relation to subsidies shifted - the average subsidy quota rose to over 45 percent!

Subsidies from public funds are either - in the area of economic promotion - intended to compensate short-term structural disadvantages or to support marketability (start-up grants, investments in risk projects …) or in respect of social transfers - to cushion long-term needs.

As already depicted in Factsheet 1, both of these logics do not apply to the agricultural sector (in particular not to subsidies from the first pillar): on the one hand, permanently inefficient structures are continued to be financed at the cost of the general public, on the other hand - in contrast to other social benefits - the financial situation of farmers does not play any part in the decision who gets (which level of) subsidies. On the contrary: the larger and the wealthier a farm is, the more subsidies does it receive in relation to its total income.

Table 2 shows what subsidy quotas look like in relation to farm size: small farms receive the lowest subsidies as share of their total income, whilst in respect of the large farms the subsidies in 2009 accounted for more than half of the total income. The greater the assets the higher the share of subsidies in the total income!

Table 2: Subsidy quotas and assets, 2008 and 2009

	Subsidy quota 2008	Subsidy quota 2009	Assets 2009	Share of all farms
All farms	37.6 %	45.3 %	356,615	
Small farms	29.8 %	30.3 %	214,633	26.7 %
Medium-sized farms	37.7 %	44.0 %	330,005	45.0 %
Large farms	41.3 %	56.7 %	532,888	28.3 %

Source: Green Report 2009 und 2010. Own calculations

Subsidy quota = relation of public funds to total farm income

FACTSHEET 3:

COMPARISON OF AGRICULTURE IN EUROPE

The TOP 3 facts

- Not only Austrian agriculture is very heterogenic; the differences become even bigger in comparison with Europe! However, Austria has a rather small agricultural sector and can therefore not be called an agricultural country.

- The most productive countries in respect of European Agriculture are (based on average values) the Netherlands, Denmark and Belgium: here, the largest value added is generated in the smallest area.

- However, if one compares levels of income per farm, Austrian farmers - compared to the rest of Europe - generate a relatively high income. The main reason for this is the fact that the subsidies paid to Austrian farmers are significantly higher than those in other European countries.

However, the evaluated Europe-wide statistics only allow a (rather inadequate) observation of monetary aggregates so that the underlying national structural differences are concealed and a more target-oriented and cost-effective allocation of agricultural funds becomes more difficult.

Austria is no agricultural country

One percent of the European economic performance goes to agriculture - tendency still slightly falling

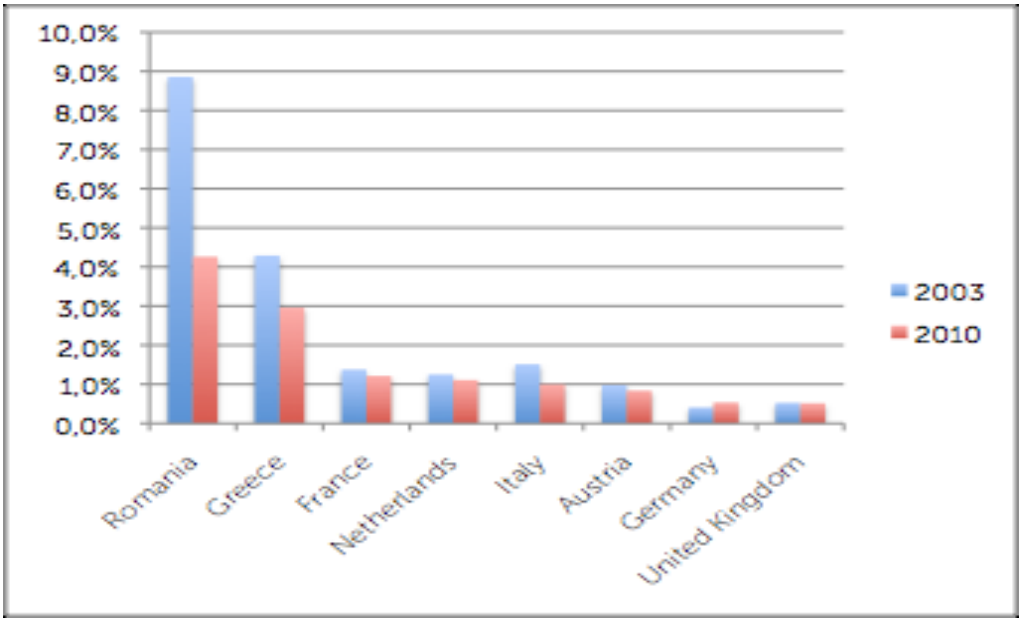
The factor income in the agricultural total accounts derives from the net value added on basic prices minus production costs plus subsidies. It is also important to bear in mind that the calculations by Eurostat do not take revenue from forestry and no sources of income outside farming into account.

In 2010, the agricultural factor income amounted to Euro 2.74 billion in Austria. This was equivalent to 0.8 percent of the GDP.

In 2010, the EU-27 generated a total factor income of Euro 133.8 billion in agriculture - this is equivalent to 1.1 percent of the BIP.

These GDP shares with slightly falling tendency have almost remained the same since 2003 (2003 Austria 1 percent of GDP; EU27 1.2 percent of BIP).

Figure 15: Factor income in agriculture in percent of GDP



Source: Eurostat - Economic Accounts for Agriculture; Own calculations

Compared to her economic output, Austria has a small agricultural sector

Based on the factor income per GDP, the agricultural sector in Austria is smaller than the European Average (see Figure 15). In Europe, only the agricultural sector in Belgium, Denmark, Germany, Norway, Great Britain, Sweden and Luxembourg generates a smaller economic output.

The largest agricultural sectors can be found in Rumania (4.3 percent of BIP) and Bulgaria (5.1 percent); in respect of the EU-15, these are Greece (3.0 percent) and Spain (2.2 percent).

Agriculture in Europe is very diverse

Productivity of EU agriculture shows high level of dispersion

If one divides, as measured value for productivity, the factor income, that (including subsidies) is generated in agriculture, by the number of farms (Figure 16), the Netherlands achieve an operational average of Euro 85,000, followed by Luxembourg and Belgium with Euro 52,000 each.

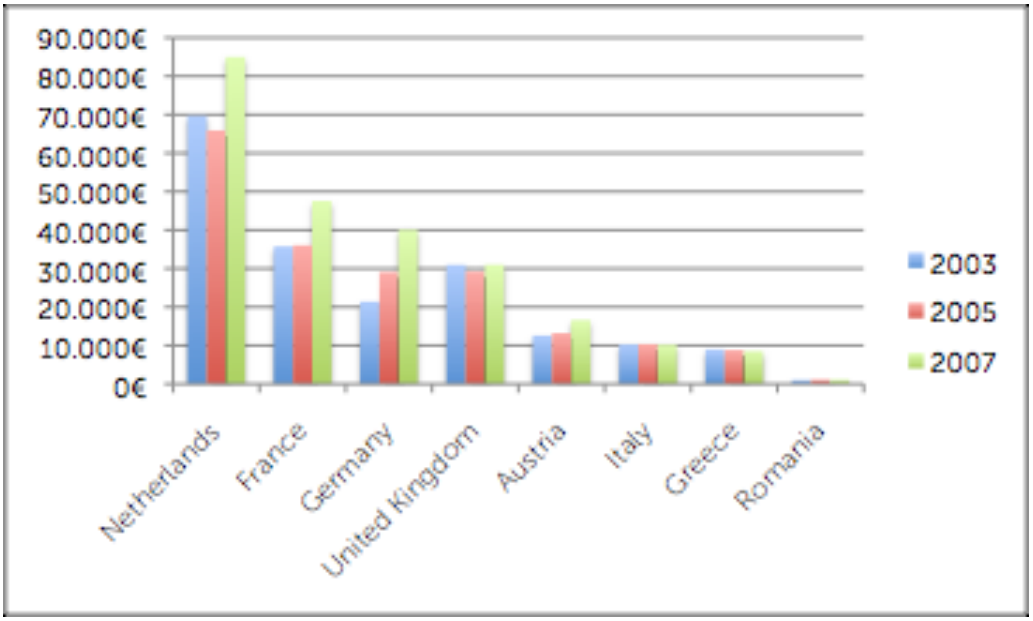
However, the diversity is extremely high - for example, the average Rumanian farm generates only Euro 1,100 per year; the average Greek farm Euro 8,512.

At a factor income of Euro 16,635 per farm, Austria is below EU-15 average (Euro 21,700), but above EU-27 average (Euro 10,400).

At a factor income of Euro 16,635 per farm, Austria lies below the EU-15 average (Euro 21,700), but above the EU-27 average (euro 10,400).

Similar to the account keeping farms of the Green Report in Austria, this calculation too represents the statistical average. Added to the diversity between individual countries is another heterogenetic element with regard to farm type and income situation within each country.

Figure 16: Productivity measured as factor income per farm, in comparison with the same period



Source: Eurostat - Economic Accounts for Agriculture; Own calculations

The Netherlands, Belgium and Denmark have the highest value added

Table 3 shows the structural comparison of farms in Europe. Of all EU-27 states, the Netherlands with 158 European size units (ESU; 1 ESU is equivalent to 1,200 Austrian standard gross margin margin) shows the highest value added per farm.

Also over 100 ESU in the EU-27 have Belgium and Denmark with - as the Netherlands - a relatively small agriculturally used area and Czechia, Finland and Great Britain, who generate their high value added by - in terms of surface area - large farms.

Table 3: The structure of an average farm in selected EU countries; 2008

	Economic size in ESU	Salaried employees in AWU	Agriculturally used area in ha	Total livestock in LU
Netherlands	157.7	1.3	32.54	122.11
Great Britain	100.5	0.96	160.08	133.89
Germany	92,5	0.86	84.35	88.32
France	77,6	0.48	77.77	66.05
Slovenia	52.8	0.31	97.87	63
Italy	39.1	0.34	16.42	22.42
Austria	33.4	0.12	34.22	28.57
EU-27	28.5	0.39	29.85	24.88
Greece	10.8	0.14	7.13	4.79
Rumania	4.8	0.27	12.49	6.79

Source: INLB - Table 4.12 from Green Report 2010. Own calculations

In Europe, the value added is measured with ESU (European size unit) - 1 ESU is currently equivalent to 1,200 Standard gross margin (the Austrian measure for agricultural value added). Employees/workers are calculated in accordance with annual work units, which is equivalent to a full time employment. Different kinds of livestock is converted into livestock units; a conversion key for different farm animals.

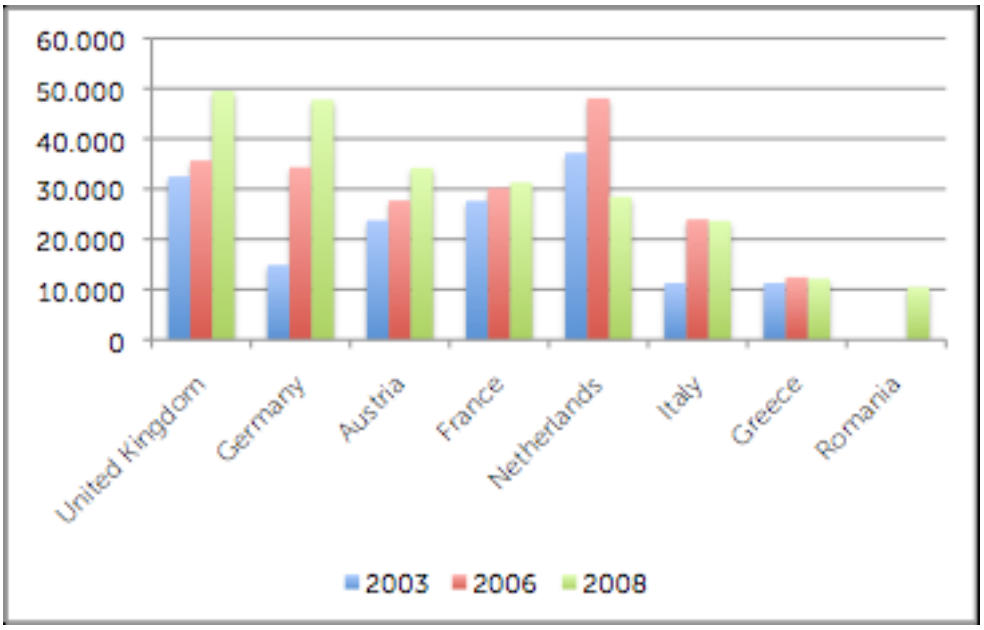
What is remarkable is the fact that Austrian farms have the smallest number of employees on average. Depending on whether the respective "average" farm is small or big, the number of employees is higher in other Member States

Farm incomes differ greatly from country to country

EU comparison shows that Austria generated high farm incomes in 2008

Figure 17 depicts the income per farm in time comparison for selected EU states. According to this figure only Great Britain and Germany had a higher income per farm than Austria in 2008; the EU-27 countries included Belgium (Euro 45,104) and Luxembourg (Euro 39,548).

Figure 17: Farm operating income compared to EU countries



Source: INLB - Table 4.12 (respectively 4.6) from Green Reports 2005 to 2010. Own calculations

Significant income differences within the European Union and over time

The average annual income varies strongly within the EU-27 and also within the EU-15: the country with the highest average farm income is Great Britain with Euro 49,524; the EU-15 country with the lowest farm income is Portugal with Euro 10,491. In 2008, the EU-27 country with the lowest farm income is Bulgaria with Euro 5,624.

The Figure also shows that incomes fluctuate over time; however, not to the same extent in all states - the reason can be found in the underlying individual structures, agricultural prices and cost relations.

Austria's farmers receive more subsidies than the farmers in other countries

In respect of Austria, Factsheet 2 shows that the wealthier a farmer is, the higher is his subsidy quota. Figure 18 depicts a Europe comparison of subsidies: here, the agricultural subsidies were put in relation to the yields, which were generated from agriculture:

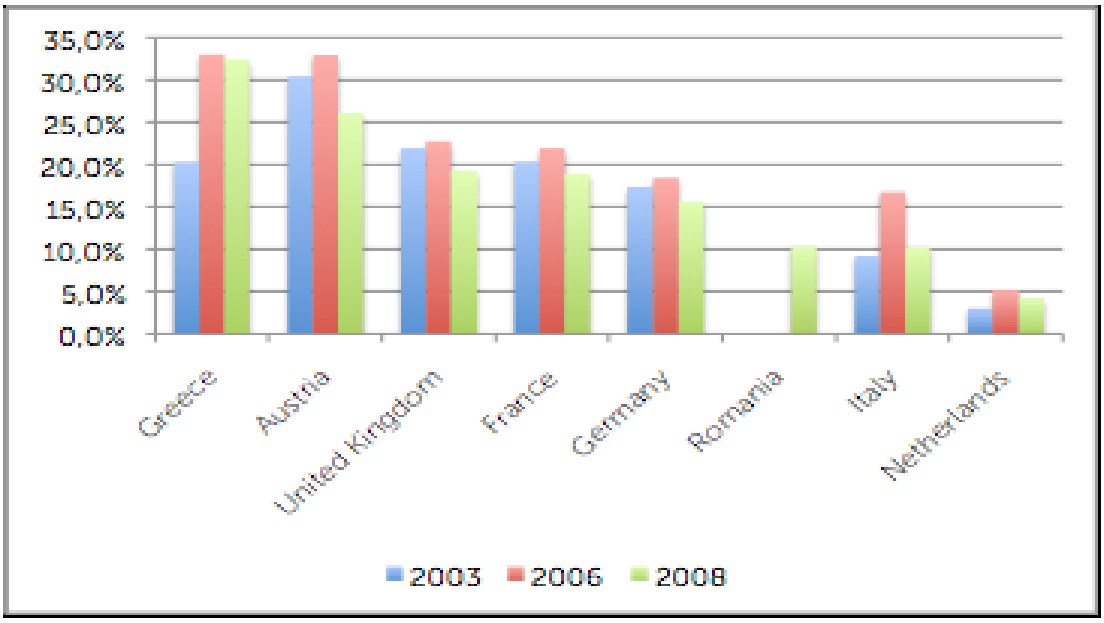
The average EU-27 farm generates yields of Euro 57,875 p.a. and receives direct payments and subsidies amounting to Euro 9,721 p.a. - hence, about 17 percent of the gross yield volume is made up of additional subsidies.

The depicted country sample shows that Austria with 26 percent has the comparatively highest relation of subsidies to yields after Greece.

Of all EU-27 states, Slovakia with 56 percent subsidies in relation to yields has the highest subsidy rate; in the EU-15, Ireland with 43 percent is leading the field.

Similar values as Austria are also achieved by the Baltic States and Sweden and Finland.

Figure 18: Share of subsidies in agricultural yield



Source: INLB - Table 4.12 (respectively 4.6) from Green Reports 2005 to 2010. Own calculations

Average calculations conceal heterogeneity within the countries

These average comparisons do not take the various farm sizes in the individual countries into account. In countries where a significant number of small and micro farms, subsistence farms and farms with negative income respectively net losses have also been included, lower the statistical average of income, which makes comparability more difficult.

On the other hand, subsidies are not shown in accordance to farm sizes, which in turn conceals the fact that subsidies are not necessarily paid to the structurally weakest farms

Eurostat does not depict these differences size and structure in its statistics, which makes it more difficult to present a comparing, realistic picture of European agriculture. It would therefore be very desirable that the statistical publications on European agriculture also consider differences in structure and size in order to support agricultural policy to allocate its funds and measures more target specific and in doing so also more cost effective.

Federal Chamber of Labour Vienna
Prinz-Eugen-Straße 20-22, 1040 Vienna, telephone number (01) 501 65 0