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**ECA/04/3**

**Luxembourg, 10 February 2004**

## **Information note of the European Court of Auditors concerning Special Report No 14/2003 on the measurement of farm incomes by the Commission <sup>i</sup>**

One of the main objectives assigned to the Common Agricultural Policy (CAP) by the EC Treaty is to guarantee the agricultural community a fair standard of living, in particular by increasing the individual earnings of people engaged in agriculture. In order to manage this objective and, in particular, to be able to evaluate the impact of CAP reform measures on agricultural incomes, it is necessary to have reliable information on the composition of, and changes in, farmers' incomes.

With regard to agricultural incomes, the Commission uses three statistical instruments: the Farming Accountancy Data Network (FADN), the Economic Accounts for Agriculture (EAA) and a special project devoted to the incomes of the agricultural household sector (IAHS).

The Court audited the collection by the Member States of data for the three instruments mentioned above and examined the pertinence of these instruments, i.e. their appropriateness to the needs arising in the context of the management by the Commission of the CAP. The audit was carried out in six Member States (D, F, GR, NL, A and S) and at the Commission.

In the case of the FADN, the Member States must select a sample of agricultural holdings with a view to collecting harmonised accounting data. The Court found differences between the Member States concerning the determination of the field of survey, the selection of holdings and verification of the representativity of the samples. These differences affect the quality and comparability of the statistics obtained by means of the FADN. The FADN results only give the profit of holdings run on a full-time basis without taking non-agricultural income or the income of other members of the household into account.

The EAA, published by Eurostat since 1964, are drawn up within the framework of the European System of Integrated Economic Accounts (ESA) with the aim of evaluating agricultural production and related costs. On the basis of estimates by the Member States, Eurostat calculates income indicators for each Member State and for the European Union as a whole. The Court's examination showed that the EAA are not based on harmonised sources of data and that the quality of the statistics received from the Member States varies considerably. Using the EAA only very general indicators can be calculated, based on surplus income in relation to the costs of all agricultural products.

The data drawn up within the framework of the IAHS project also lack homogeneity. The latitude allowed Member States concerning methodology is problematic as the differing approaches produce divergent results. In addition, the project has not been completed and the majority of the existing data are now obsolete.

The Court concludes that, at the present time, the Community's statistical instruments do not provide sufficiently exhaustive data on the disposable income of agricultural households to allow an evaluation of the agricultural community's standard of living. The Court recommends that the Commission should produce a new precise definition of Community requirements in this field and restructure the existing statistical instruments accordingly.

In its reply, the Commission acknowledges that developments in the agricultural sector and recent changes to the CAP might lead to an increased demand for statistics concerning the income of agricultural households and that a study would have to be made of the feasibility and cost of collecting statistics which would enable the standard of living of the agricultural community to be measured.

**Special Report No 14/2003** : [http://www.eca.eu.int/EN/RS/2003/rs14\\_03en.pdf](http://www.eca.eu.int/EN/RS/2003/rs14_03en.pdf)

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<sup>i</sup> The sole purpose of this Information Note is to provide a summary. The Special Report, as adopted by the Court of Auditors, is available on the Court's website (<http://www.eca.eu.int>) and will shortly be published in the C series of the *Official Journal of the European Union*.