

## **Farm Incomes, Wealth and Agricultural Policy: Filling the CAP's Core Information Gap**

**Berkeley Hill**

4<sup>th</sup> Edition, published April 2012 by CABI, Oxfordshire (www. <http://bookshop.cabi.org>). ISBN-13: 978 1 84593 847 5. Hardback, 336 pages. Price £95.00 / \$180.00 / €125.00.

Hill's main thesis is introduced to readers on page one - the European Union's agricultural policy is primarily concerned with incomes of farmers, however, much of the data collected and analysed in order to examine the effectiveness of the policy, or determine its future constitution, relates to the economic performance of agricultural production rather than to farm household incomes. The introduction to the book sets the scene for the chapters that follow and explains the conceptual and contextual issues surrounding the measurement of farm incomes. In Chapter 2 the book takes the reader through some of the economic issues surrounding agriculture, the aims of agricultural policies, an overview of the history of EU and other industrialised agricultural policies and the role of data systems within a policy context.

In Chapter 3 the concept of 'standard of living' is placed in context of defining living standards within and beyond agriculture. Issues of low-income/high-asset wealth, different definitions of income, concepts of welfare as they relate to agriculture, personal income versus household income and disposable income and wealth and status are each deconstructed. Chapter 3 ultimately provides the context for the more data driven chapters that follow. The focus of Chapter 4 is indicators of income from agricultural production—at both the micro and aggregate levels. The historical basis of EU accounting processes and procedures take the reader through the detailed understanding of the link between micro and aggregate indicators of production income. A more detailed coverage of the UK's farm accounts surveys is provided, covering a 75 year history in a only a few pages, and providing a good overview of the differences between the various income measures these research surveys generate. Chapter 4 also includes two case studies of patterns in aggregate accounts in the UK and US, providing graphical and tabular analyses of the changing fortunes of agriculture, before presenting an analysis of the distribution of income across EU member states. Chapter 4 closes by placing income from agriculture into context with the rest of the economy and presenting results of income (in)stability.

Thus far the book has established a conceptual framework, provided historical context and presented analyses of production income returns to agriculture. Chapter 5 arguably presents Hill's main thrust of the book as it explores incomes of agricultural households in contrast to income from agricultural production. Before presenting data from Eurostat's incomes of

agricultural household statistics (IAHS), Chapter 5 takes the reader through the context of incorporating a household income measure into reporting statistics, including some definitional concepts of recording net disposable income and the constitution of a 'household'. Graphical and tabular results of the IAHS in selected member states are presented in conjunction with some intricacies of data sources and collection issues across EU member states; what comes across is the breadth of information sources frequently required to compile household income statistics and the differences that exist in the manner by which different countries collate these data. Additionally, the challenges that the production of IAHS encountered are insightful. Data on household incomes are presented for a selection of EU member states, the USA, Canada and Australia. A selection of the results provides an indication of the depth of Hill's findings: agricultural households across a range of countries are in receipt of substantial amounts of income from outside of agriculture; agricultural household income is considerably more stable than from agriculture alone; and differences in taxation rules between countries can lead to substantial differences in the metrics relating to disposable *cf.* gross household income. Hill's conclusion to Chapter 5 is that one cannot objectively examine the success of the objectives of the CAP without inclusion of agricultural household income as a key metric; it is a strong, well-argued and logical conclusion.

Farmers are frequently defined as 'asset-rich/cash-poor'; Chapter 6 considers the issue of wealth in agriculture, the estimation of net worth and the implication of wealth to farmers' economic status. The chapter presents analyses of UK and US balance sheets over time (graphically) explaining the driving forces that lie behind these temporal changes. Hill's argument with respect to wealth is that such aggregate or farm business level data are however flawed—much in the same way that only measuring income from agricultural production is flawed if we are concerned with income stability. Chapter 6 argues that the net worth of agricultural households should include personal balance sheet aspects—e.g. shares, savings and personal liabilities in the form of loans. Wealth is argued to be of crucial importance as farmers operating their businesses have the ability to take realised profit as income or as an addition to wealth. Once again, these measurement issues lead to data needs, and Hill takes the reader through previous work in this area. In Chapter 7 Hill returns to the main argument of his thesis, that in order to assess the success of agricultural policies in addressing agricultural income stability and well-being, the data and information needs go beyond that of the agricultural production unit. The chapter explores the practical, political and policy issues associated with the collation and analyses of data at the level of the agricultural household, and calls for data on income and wealth to be jointly collected in order to assess agricultural welfare relative to the population more generally.

For those with an interest in agricultural incomes and policies relating to the welfare of farmers in the EU and industrialised countries, this book represents a substantial contribution, bringing together a wealth of information and providing convincing arguments that address the book's main thesis. In style it is comprehensive,

inclusive and evidenced-based. In summary, Berkeley Hill's book on farm incomes, wealth and agricultural policy draws upon a wealth of information, knowledge and experience that few could even begin to match.

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