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Analytical Brief N° 3

EXPLORE FARM INCOMES IN THE EU

Farm economics overview based on 2021 FADN data

November 2023

Agriculture
and Rural
Development



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Highlights

This analytical brief presents the main results from the Farm Accountancy Data Network (FADN) data of the accounting year 2021. The FADN collects data annually from a sample of about 80 000 representative farms in the EU. The data collected are used to assess the performance and challenges faced by farmers and European agriculture and to advise policymakers. The various factors influencing the economic dynamics of farms can be thoroughly explored using the FADN data, available online at:

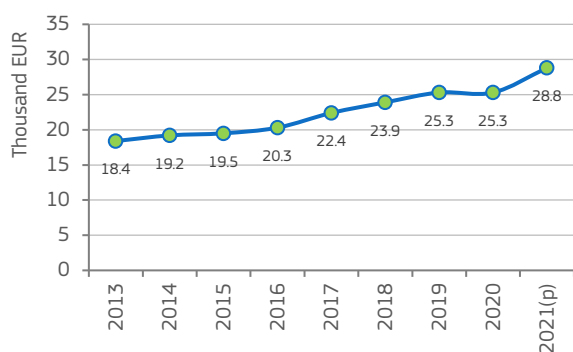
<https://agridata.ec.europa.eu/extensions/FarmEconomicsOverviewReport/FarmEconomicsOverviewReport.html>.

Farm income per worker has grown steadily over time

In 2021¹, the average farm income per worker in the EU, as reported by FADN, amounted to EUR 28 800². This figure reflects a continuous increase over the past decade, with a slowdown observed in 2020 [Graph 1] during the COVID-19 pandemic. Compared to 2013, the EU farm income per worker was 56% higher in 2021, far outpacing inflation during the same period (9.4%). Furthermore, when compared to 2020, the overall increase was 13.6% at the EU level. Among the Member States, Bulgaria experienced the most significant change, with a substantial increase of 46.7%, while Cyprus observed a decrease of -15.9%.

The upward trend in farm income per worker from 2013 to 2021 can be attributed on the one hand to a faster growth of the production value than the growth of costs, leading to a higher total income per farm, and on the other hand to a decrease in the number of farm workers.

GRAPH 1 – Income level trend since 2013, thousand EUR FNVA/AWU



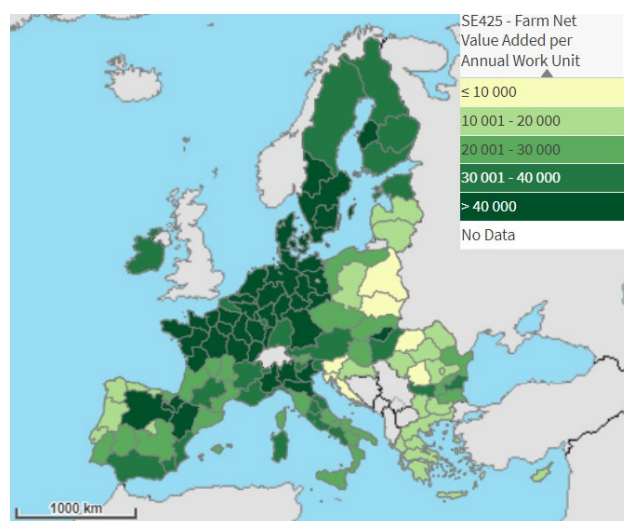
¹ Expressed in farm net value added per annual work unit (FNVA/AWU) in current prices. Data for 2021 are preliminary (p) and do not include data for Malta (currently unavailable). Data for the previous years refer to EU27. Farm net value added (FNVA) is equal to gross farm income minus depreciation costs. It is used to remunerate the fixed factors of production (labour, land and capital), whether they be external or family factors. As a result, agricultural holdings can be compared regardless of whether family or non-family factors of production used.

² According to the DG Agriculture calculation based on Eurostat data (online data tables [aact_eaa04](#) and) the agricultural factor income per annual work unit (AWU) amounted at EUR 19 900 in 2021. Nevertheless, the coverage of FADN is different: only commercial farms, above a certain economic threshold are surveyed.

The highest farm incomes are found in the north-western regions of the EU

In 2021, the top 10% of farms with the highest income had more than EUR 61 500 per worker, while the bottom 10% struggled to break even (with less than EUR 800 per worker on average). Significant differences in income levels can be observed across EU countries, regions [MAP 1] and types of farming. The north-western part of the EU (Denmark, North-West Germany, the Netherlands and Northern France) boasted the highest incomes per worker, while the eastern part (Romania, Slovenia, Croatia and Eastern Poland) recorded the lowest.

MAP 1 – Income levels by FADN region, 2021(p), EUR FNVA/AWU



All agricultural sectors registered an increase in income, except pigs and poultry

Compared to 2020, all agricultural sectors registered an increase in income, with the exception of pigs and poultry (-11.3%). The pig meat sector was confronted with falling prices (resulting from an increasing production, limited domestic demand and reduced export opportunities to China) and higher costs. Nevertheless, the income from farms specialising in pigs and poultry remained the highest (EUR 43 400 per worker) compared to other agricultural sectors. The income in the horticulture, field crops, wine and dairy sectors also all surpassed the EU average in 2021, ranging from EUR 31 900 to 34 200 per worker, as in previous years. In particular, field crops farms registered an increase in output (in value), much bigger than the increase in input costs (+21.6% versus +7.6%), thanks to a good harvest and high prices.

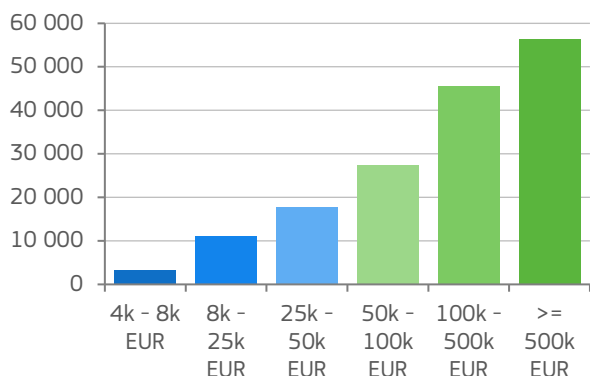
Larger farms are more profitable

Irrespective of the sector, farm economic size plays a significant role when it comes to income: larger farms' higher costs per hectare are compensated by higher production, resulting in greater overall profitability [Graph 2].

Farms with the smallest economic size are concentrated in Poland and Romania, in field crops and mixed farms whereas

the biggest farms from an economic standpoint are mostly located in France and Germany and are specialised in granivores.

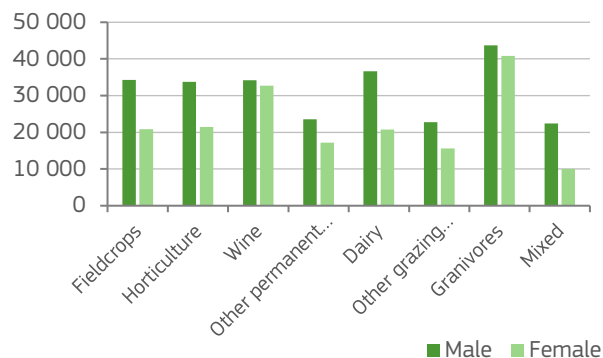
GRAPH 2 – Income levels by economic size of farms, 2021(p), EUR FNVA/AWU



Farms run by middle-aged men are the most profitable on average.

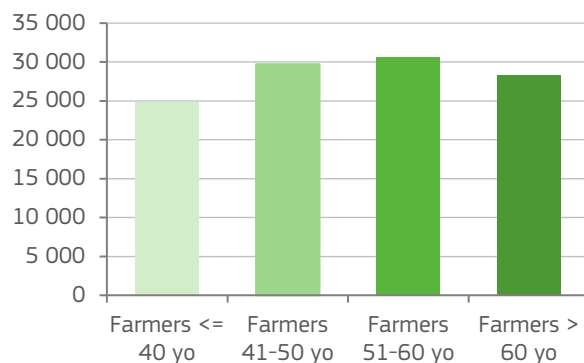
The income of farms run by women is more than one third lower than the income of farms run by men. The gender gap concerns almost all Member States, sectors and size classes [Graph 3]. However, it is slightly reducing over time.

GRAPH 3 – Income by type of farm and by gender, 2021(p), EUR FNVA/AWU



Farms run by middle-aged farmers (in the age class of 51-60-year-old) demonstrate on average the highest profitability [Graph 4]. Farmers in this age class run farms with the highest standard output, are mostly found in Poland, Italy and Spain, and in field crop production. In most Member States, the lowest income levels are registered in farms run by the eldest managers. The discrepancy between the EU overall picture (where the lowest income is registered by the youngest farmers) and the national results arises from the fact that most of the EU young farmers are in countries with below-average income levels (for example in Poland and Romania).

GRAPH 4 – Income levels by age of farmers, EU average, 2021(p)

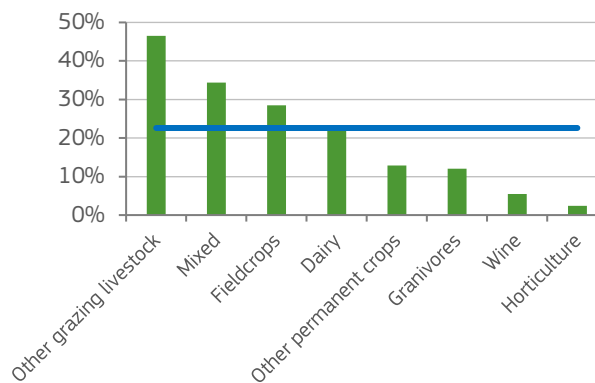


Education also plays a role in income levels, as farms run by managers with full or basic agricultural training have higher income per worker than farms whose managers have only practical agricultural experience. These trends are consistent across most Member States, farming types and size classes at EU level.

Direct payments support farms in smaller economic size classes more proportionally

The Common Agricultural Policy provides income support through direct payments, to ensure income stability, and remunerate farmers for environmentally friendly farming and delivering public services. In 2021, the average proportion of direct payments to FNVA³ amounted to 22.6%. The smaller the economic size, the higher the proportion of direct payments to FNVA. The highest proportion was registered in the grazing livestock (other than dairy), with 46.5%. On the other side of the spectrum, farms specialised in horticulture have an average proportion of direct payments to FNVA of 2.4% [Graph 5].

GRAPH 5 – Direct payments to FNVA (%), by sector, 2021(p)

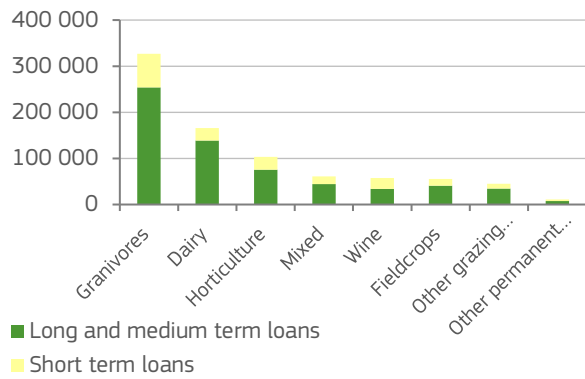


³ See footnote 1)

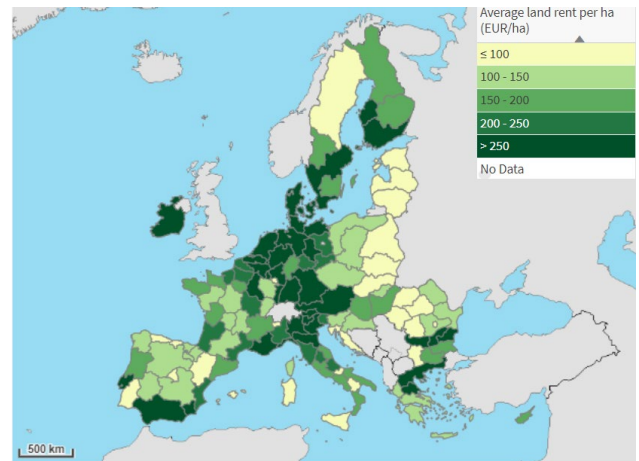
Farms vary a lot in terms of organisation and operation

Farms differ not only in terms of their types and sizes, but also in terms of the way they operate. Some rely on their own labour, while others on hired labour. Many farms make use of rented land and secure loans for investment and day-to-day operations [Graph 6 and Map 2].

GRAPH 6 – Farm loans by types of farms, 2021(p)



MAP 2 – Average land rent price in FADN regions, 2021(p)



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While all efforts are made to provide sound market and income projections, uncertainties remain.

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