

Concerns about complex farms in France :

registration of « Other Gainful Activities » case

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Pacioli 22 – Data collection Issues

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Context :

- new variables to collect (1320/2013),
- use of other statistical sources : FADN sample included in 2013 FSS sample in France,
- the organisation of farms is getting more and more complex



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MINISTÈRE
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1. Difficulties to define what a farm is
2. Examples of complexity
3. Issues for the registration of « OGA »



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1. Difficulties to define what a farm is

European statistical definition :

FADN selection text (1291/2009) :

« holding' means a farm business as defined in the context of the Community agricultural surveys and censuses »

FSS Text (1166/2008) :

*« 'agricultural holding' or 'holding' means a **single unit, both technically and economically, which has a single management and which undertakes agricultural activities listed in Annex I within the economic territory of the European Union, either as its primary or secondary activity** »*



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1. Difficulties to define what a farm is

French farm definition : 3 criteria (census)

- agricultural activity (production or land management)
- line : > 1 ha (or 0.2 ha of specialized crops) or 1 cow etc
- day to day management is INDEPENDANT of any other unit. The existence of an identification number is sufficient.



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1. Difficulties to define what a farm is

... but farm organization is getting more and more complex :

PACIOLI 2012, Mary Ahearn paper (ERS, USDA) :

*« increasing organizational complexity of farming »,
Different causes, different characteristics. One of them is « **dispersed asset ownership, management and returns** », linked with **land management strategies ; direct payments optimization ; or tax purposes.***

« For example, a complex operation may consist of multiple enterprises (perhaps in multiple locations) with separated managers for each enterprise ».



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1. Difficulties to define what a farm is

- The links between production factors are complexifying (Land / Capital / Work) (see Cochet H 2008)
- Fiscal, legal and other rules blur the links which exist between production factors,
- Theses phenomenons are difficult to measure.



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2. Exemples of complexity

- Farms can have several units :

Number of <i>legal units</i> with...	Number of units
1013	2
47	3
41	4 or more

Source: SSP - Agreste-Agricultural census - Field : whole France

→ Ag census, FSS : an unit is considered as a « FARM »

→ FADN : accounting is - *in general* - at the legal unit level (for several units).

→ *A source of errors when the identification number is registered.*



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2. Exemples of complexity

- Links between *legal units*

- 2010 ag. Census : 420 *individual farms* answered there were « linked » with one *farm* or more (crop rotations purpose).
- No information for *Company organized farms*.



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2. Exemples of complexity

- Links between legal units

Exemple : «partners», who may be working or not on the farm, can own land but rent this land to their farm, and can create a *legal unit* for this (rent is a cost, which reduces benefits ... but the owner has consequently land rent revenues).

→ We have a specific question in census or FSS : *25 % of $\geq 25\ 000$ SO were concerned in 2010 (4 millions ha - 16 % of AA).*

Source: SSP - Agreste-Agricultural census - Field : $\geq 25\ 000$ € SO, whole France

→ In our FADN, owned land is registred as an asset only for individual operators. Legal status must be considered for our analysis : *55 % of $> 25\ 000$ € PBS farms were individual farms in 2010,*

Source: SSP - Agreste-Agricultural census - Field : $\geq 25\ 000$ SO, whole France

But other reasons exist...



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2. Exemples of complexity

- Links between legal units

Exemple : a crop farmer may create a legal unit dedicated to contractual work



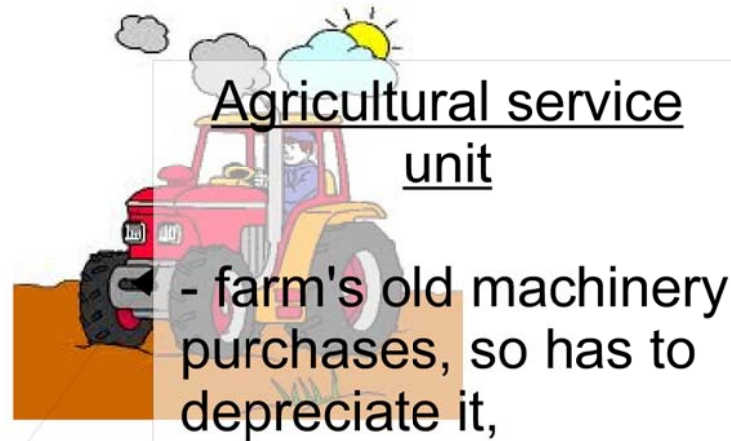
The FARM

machinery purchases reduce farm's benefit (depreciation)

- capital gain is exempted from taxation ($\leq 250\,000$ €)

- contract work costs reduce farm's benefit

Ag. taxation rules



Agricultural service unit

- farm's old machinery purchases, so has to depreciate it,

- agricultural work sales to the farm,

- labour registration in order to limit farm's social contributions.

Non Ag. taxation rules

Consequences for FADN :

either we don't select the farm, (too complex case), even if this type of farm is increasing,

or we have some « issues » in our accounts... (only a part of the results is registered)



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French tax rules do have consequences :

there are specific tax rules with advantages for agriculture (*cf Center for Prospective and Foresight study*).

→ If « accessory activities » > 30 % agricultural turnover or > 50 000 €, (50 % / 100 000 € for wind or solar energy production), they can't enter the agricultural tax system (3 years).

But profits from the transformation of agricultural products (from the farm) are considered as an agricultural activity.



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Case a. If the holding is a legal person (individual farm),

if the farmer goes beyond the limits (for example, he has developed agritourism), he has to fill 2 tax forms.

He *may* have two accountings (and maybe two units).

→ *In our FADN, we may only see the agricultural part.*



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Case b. The holding is a « corporate farm ».

If the farmer goes beyond the limits, he can't enter the agricultural taxation system anymore.
He loses all the benefits of this system.

But... he *may* create another legal unit for the « OGA », so as to maintain the agricultural tax rules for his agricultural activity.

→ *In our FADN, we can only observe the agricultural unit...*



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Quantification of « OGA » realised in separated legal units :
Ag census (2010)

	Number of farm with...	% total farm	via another legal unit	%
Agricultural contractual work	13793	4,3%	2531	22%
Non agricultural contractual work	2785	0,9%	644	30%
Processing of milk	5198	1,6%	251	5%
Olive oil production	994	0,3%	239	32%
Processing of other agricultural products (excepted wine)	10027	3,1%	1561	18%
Accommodation	6399	2,0%	1233	24%
leisure activities	2975	0,9%	327	12%
Restaurant	1617	0,5%	438	37%
Production of renewable energy	1725	0,5%	689	67%
Wood processing (e.g. sawing)	804	0,3%	110	16%
Forestry	516	0,2%	101	24%
Handicraft	404	0,1%	115	40%
Aquaculture	235	0,1%	31	15%
Other	4736	1,5%	779	20%

9 % of « direct » sales cases are realized in another legal unit than the agricultural unit

Source: SSP - Agreste-Agricultural census - Field : SO >= 25 000 € ; whole France



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3. Issues for the registration of « OGA »

Quantification of « OGA » in FADN :

	Number of farms with...	% sample	Number of farms represented	% of farms represented
Forestry or wood processing	34	0%	1688	1%
Processing of crop	303	4%	11839	4%
Processing of milk	135	2%	7254	2%
contractual work	2117	28%	79211	25%
Tourism, accomodation, catering and other leisure activities	79	1%	3451	1%
other	1106	15%	43286	14%
Number of farm, total	7588	100%	313668	100%

Source : Agreste, SSP, FADN, 2012



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3. Issues for the registration of « OGA »

IN PERSPECTIVE :

In order to identify who realizes OGA...

- we'll analyse 2013 FSS results to compare OGA with 2010 :
is the realization via other legal units increasing ?
- we will add questions in FADN for some OGA activities :
processing of meat or other animal product, production of
renewable energy.



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ISSUES :

But then we have other difficulties : how to have the costs of these activities ?

- We'll match FSS & FADN to know who *participate* to « OGA »
BUT we won't ask the share of work for OGA,
- We don't have enough information to calculate specific costs for each « OGA ».



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We are interested in other countries experience !



Thank you

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