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ECE/EUROSTAT/FAO/OECD WORK ON STATISTICS ON RURAL DEVELOPMENT AND  
AGRICULTURE HOUSEHOLD INCOME

Note prepared by the Economic Research Service, United States

1. The Inter-secretariat Working Group on Agriculture and Rural Indicators (IWG.AgRI) composed of UNECE, OECD, FAO and Eurostat agreed in 2003 to set up a Task Force on Rural Development Statistics and Agriculture Household Income. The membership consisted of about 15 experts from the IWG.AgRI, the World Bank, national statistical offices and academia. The work of the Task Force was endorsed by the Joint UNECE/Eurostat/FAO/OECD Meeting on Food and Agriculture Statistics in Geneva in July 2003. It was subsequently approved by the UN Conference of European Statisticians (CES). The IWG.AgRI Task Force met in several locations from 2003 to 2005: Washington, Rome (two times), Paris, Verona, and Wye.
2. The work of the Task Force resulted in the preparation of the *International Handbook on Rural Household, Livelihood and Well-Being: Statistics on Rural Development and Agriculture Household Income*. The *Preface* to the Handbook (see extracts attached in the Annex) provides a detailed presentation of its content and, in particular, it explains why this Handbook has been prepared and why at this moment.
3. The principles and recommendations contained in the Handbook are considered as good practices in compiling statistics on rural development and agriculture household income. They should serve as guidelines to agencies for improving their programmes for statistics on rural development and agriculture household income, even if not all statistical offices are able to implement them immediately.
4. The indicators covered in the Handbook are intended for the benefit of various user groups concerned with rural development and the evolving nature of the agricultural industry. In particular they will be of interest to those in the public sector responsible for setting targets and monitoring policies related to:
  - the standard of living and well-being of rural households vis-a-vis urban and all households; and
  - the standard of living and well-being of agricultural households vis-a-vis households of other socio-professional categories.
5. The Handbook describes current best practices but also serves as a potential repository for the finding of new ways to address the measurement of important variables. In this respect, both developed and developing country settings are important. Users of the Handbook would be those who are in charge of data collection but also those who use the data to perform analyses and inform policy makers.

## ANNEX

### EXTRACT FROM THE PREFACE OF THE HANDBOOK

#### (i) Why this Handbook?

As the world changes, so should the collection of public statistics that inform governments and citizens about the nature of their lives and their livelihoods. For rural communities and for agriculturalists, the past decades have seen large changes in the structure and significance of farming and in the composition of rural economies. In developed economies, food is less and less a matter of commodities and agriculture is more than just their production. With food sufficiency not an issue for most, consumers have developed strong preferences with respect to food quality and safety. In rural areas, farms are often no longer the mainstay of the economy, and many farm families have income from both the farm business and off-farm employment.

Accordingly, public data collection is under increasing pressure to move away from an almost-exclusive focus on commodity production and factor use. But move to what? This Handbook responds to the question, what next for rural and agricultural statistics? It envisages the need for better data and indicators on the environment, rural economies and communities, and, very importantly, the farm household itself.

Changes in the rural and farm sectors are accompanied by growing requirements for comparability in statistics across countries, reflecting the phenomenon of globalisation, and for statistics as a measure of accountability in the use of public funds.

For agriculture, world markets matter, and multi-lateral trade liberalization almost certainly will require some degree of farm policy reform in developed - if not developing - countries. International trade agreements already point in the direction of the likely outcome - a requirement that domestic farm support distort world markets as little as possible. In practice, this criterion largely rules out direct market intervention to affect prices or area planted or quantity produced. As a consequence, the impact of policy can no longer be assessed simply by observing supply and demand shifts in commodity markets.

Market interventions are often replaced by direct payments to farm households. The disposition of those payments - as allocated between the farm business and other activities - is conditioned by the household's income and wealth, along with its preferences and demographic characteristics. The outcome is a matter for empirical analysis. Understanding the ultimate market impacts of these direct payments depends on having data on farm households that includes the farm operation and also all other activities. Focus on farm accounts and business is not sufficient.

In some constructions of an eventual agreement in the current Doha Round of trade negotiations, nations would be required to demonstrate that domestic support provided to their farmers does not distort world markets, that is, it does not cause them to increase agricultural production such that aggregate supply is affected significantly. Proving a negative proposition is difficult enough, but without data on the full range of a farm household's activities (that defines its choices for use of the direct payments), it really is impossible. Therefore, some degree of comparability across nations in farm household data is probably the precursor to its effective use in analyses that assess the degree to which countries are meeting their international obligations.

Beyond uses in international fora, data on rural and farm households and on rural economies and environments are increasingly sought as measures of the efficacy of public policies. Accountability is more than ever a requirement in governance, in both developed and developing countries. Objective assessment of the well-being of a nation's households is one obviously important

indicator of success. The condition of the natural environment is another. For rural areas, these dimensions of the quality of life are important in sustaining agriculture but also other activities such as tourism. The need to understand the causal linkages between government actions and economic and environmental wellbeing puts renewed emphasis on the careful selection of indicators and their policy relevance. Quantification is the by-word of accountability.

The Handbook aims to be a guide to those who confront some of these measurement challenges for the first time, but also for those who are building on existing programmes. It is a reference for current best practices but also, as a living document, a potential repository for findings of new ways to approach measurement of important variables. In this respect, both developed and developing country settings are important. Users of the Handbook would be those who are charged with data collection but also those who use the data to perform analyses and to interpret what the statistics mean for personal and national goals.

## **(ii) Directions and methods of work for compiling the Handbook**

The Inter-secretariat Working Group on Agriculture and Rural Indicators (IWG.AgRI) has as its participating organisations the United Nations Economic Commission for Europe (UNECE), the Organisation for Economic Co-operation and Development (OECD), the Food and Agriculture Organization of the United Nations (FAO), and the Statistical Office of the European Community (Eurostat). In 2003 the IWG.AgRI agreed to set up a Task Force on Rural Development Statistics and Agriculture Household Income with a membership consisting of experts from the IWG.AgRI, the World Bank, national statistical offices known to be active in these areas, and academia. This initiative was endorsed by the Joint UNECE/Eurostat/FAO/OECD Meeting on Food and Agriculture Statistics, which took place in Geneva in July 2003. Subsequently, it was approved by the UN Conference of European Statisticians (CES).

The Task Force members have collaborated since 2003 on drafting the present Handbook. The sponsoring organizations recognize the usefulness of the principles and recommendations contained in the Handbook as good practice for agencies when compiling their statistics on rural development and agriculture household income. Because of practical and resource constraints some of the current recommendations may not be immediately attainable by all statistical offices. However, they should serve as guidelines or targets for agencies as they revise their statistics and improve their programmes for statistics on rural development and agriculture household income.

The indicators covered in the Handbook are intended for the benefit of various user groups concerned with rural development and the evolving nature of the agricultural industry. In particular they will be of interest to those in the public sector responsible for setting targets and monitoring policies related to:

- the standard of living and well-being of rural households vis-a-vis urban and all households; and
- the standard of living and well-being of agricultural households vis-a-vis households of other socio-professional categories.

Income measures cover aspects of the standard of living that are of particular importance to agricultural and rural development policy, and often the problems experienced are articulated in terms of incomes (such as the low incomes that can lead to economic and social exclusion for some rural households, or the particular problems of income instability and low incomes that are associated with certain sizes and types of farm). Wealth also is a dimension that should not be neglected, as low current incomes are often found combined with substantial new worth. These indicators may also play an important role in the current round of multilateral trade negotiations (i.e. the WTO's Doha Development Agenda) concerning key objectives for agriculture.

To serve their purpose, often indicators should relate not only to levels and ratios but also to various measures of dispersion. Frequently they should also be expressed in time series in order to provide information about the dynamics of the phenomenon under study.

Choosing and calculating indicators cannot be reduced to a simple set of rules or standard set of procedures that can be mechanically followed in all circumstances. While there are certain general principles that may be universally applicable, the procedures followed in practice, whether they concern the collection or processing of the primary statistics or the methods of processing, have to take particular circumstances into account. These include the main use of the indicators, the nature of the economic and social structure within the country and the resources and capacities available in the statistical office. Statistical offices often have to make choices. The Handbook explains the underlying economic and statistical concepts and principles needed to enable these offices to make their choices in efficient and cost effective ways and to be aware of the implications of their decisions.

The Handbook draws upon the experience of many statistical offices throughout the world. The procedures they use are not static. They continue to evolve and improve in response to several factors. Academic research continually improves and refines the economic and statistical theory underpinning rural indicators and strengthens it. New technology can also affect the methods used to collect rural statistics and transmit them. The present Handbook is therefore intended to be a "web-based living document" which will be periodically updated and amended. Some of the chapters therefore rather have the character of work-in-progress to which information will be continuously added. This is certainly the case for the chapters dealing with case studies of country experiences.

Some international standards for economic statistics have evolved primarily in order to enable internationally comparable statistics to be compiled. Harmonisation of statistical methodologies is of particular importance in groups of countries that operate common policies, such as the EU. However, individual countries also stand to benefit from international experience and the development of good practice. The indicators on rural development and agriculture household income described in this Handbook draw upon the collective expertise accumulated in many countries. All countries can benefit by having easy access to this form of social capital.

The Joint UNECE/Eurostat/FAO/OECD Meeting on Food and Agriculture Statistics, which took place in Rome in June 2005, endorsed the Handbook and asked the IWG.AgRI to have it disseminated in the autumn 2005".

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