

# Glossary

on

## Economic Accounts for Agriculture (EAA)

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## Glossary of key terms

### **Agricultural employment**

Covers all persons – both employees and self-employed – providing salaried and non-salaried labour input to the resident units of the agricultural industry. All persons of retirement age who continue to work on the holding are included in agricultural employment. Persons having not reached school-leaving age are not included.

### **Agricultural labour input**

Salaried and non-salaried labour input to the resident units of the agricultural industry. Agricultural labour input is measured in Annual Work Units (AWUs).

### **Agricultural income**

See Income from agricultural activity.

### **Agricultural industry**

The EAA is based on the industry concept. The agricultural industry, as described in the EAA, corresponds to Division 01 of NACE Rev. 2, although within certain modifications that take account of the specific focus of this system of accounts. This is not directly congruent with the agricultural industry as defined in the National Accounts (NA). The EAA covers the production of agricultural goods and agricultural services (agricultural contract work) as well as inseparable non-agricultural secondary activities by agricultural holdings, winegrowers' cooperatives, olive oil producers' cooperatives and specialist units performing agricultural contract work. Production by units for which agricultural production is solely a leisure activity is not included.

### **Annual Work Unit (AWU)**

Is the full-time equivalent employment. One annual work unit corresponds to the work performed by one person who is occupied on an agricultural holding on a full-time basis. One person cannot represent more than one AWU.

### **Basic price**

Amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax (i.e. taxes on products) receivable on that unit as a consequence of its production or sale, plus any subsidy (i.e. subsidies on products) receivable on that unit as a consequence of its production or sale. It excludes any transport charges invoiced separately by the producer.

### **Capital account**

Shows how the net acquisition of assets (gross investments less consumption of fixed capital as well as net acquisition of non-produced assets) is financed from a unit or sector's own funds (saving), capital transfers (received less made) and from external funds (net lending/net borrowing). Within the EAA, it is not possible to compile a complete capital account since certain items (such as net saving) cannot be determined for the agricultural industry. Certain flow variables can be clearly assigned, however, meaning that at least parts of the capital account can be compiled as part of the EAA in order to obtain additional information about the economic and balance-sheet situation of the agricultural industry. The

items calculated are gross and net fixed capital formation and changes in inventories on the assets side and capital transfers, receivable on the liabilities side of the account.

### **Capital transfers**

Transfers that represent a distribution of saving or wealth rather than of income. They are transactions involving the transfer from one institutional unit to another of either the ownership of an asset (other than inventories and cash) or cash in order for the recipient to acquire another asset or funds that have been raised by the disposal of another asset. In the ESA, capital transfers cover capital taxes, investment grants and other capital transfers. The only capital transfers recorded in the EAA are receivable capital transfers, i.e. investment grants and other capital transfers.

### **Changes in inventories**

Difference between goods entering and goods withdrawn from inventories over the reference period.

### **Compensation of employees**

Total remuneration, in cash or kind, payable by an employer to an employee in return for work done by the latter during the accounting period. It includes gross wages and salaries as well as social contributions of the employer.

### **Consumption of fixed capital**

Reflects the decline in the value of fixed assets during the period under consideration due to normal wear and tear, foreseeable ageing (obsolescence) and normal accidental damage. The valuation is based on replacement values. Consumption of fixed capital is calculated for all fixed capital, excluding live-stock.

### **Economic Accounts for Agriculture (EAA)**

Satellite account within the National Accounts (NA) providing additional information on the agricultural industry. It delivers key figures on the economic situation of agriculture. In a consistent and integrated system of macroeconomic accounts and tables it describes the agricultural production process, the generation of primary income therein as well as individual elements of the capital account.

### **Entrepreneurial income account**

Enables the transition from operating surplus or mixed income to net income from entrepreneurial activity (net entrepreneurial income), which corresponds to the primary income from the production process. The interest and rents paid and interest received are entered in this account.

### **ESA**

European System of Accounts – Internationally compatible accounting framework for a systematic and detailed description of a total economy (that is, a region, country or group of countries), its components and its relations with other total economies.

### **Factor income**

Net value added at factor cost. It measures the remuneration of all factors of production (land, labour and capital). It is calculated by subtracting other taxes on production and adding other subsidies on production to the net value added at basic prices.

### **Financial Intermediation Services Indirectly Measured (FISIM)**

Estimate of the value of the services provided by financial intermediaries, such as banks, for which no explicit charges are made. It comprises the indirect remuneration of the credit institutions, which is not charged directly to the customer in addition to the direct revenue (e.g. in the form of account management charges) from the deposit and credit transactions. In the EAA, these are reported as intermediate consumption. In turn, interest paid and received is shown adjusted for the FISIM.

### **Fixed asset livestock**

Animals used repeatedly and continuously for the production of products such as milk, calves and piglets.

### **Fixed assets**

Produced assets used in production for more than one year (e.g. machinery, vehicles, buildings).

### **Gross domestic product (GDP)**

Basic measure of the overall size of a country's economy. As an aggregate measure of production, GDP is equal to the sum of the gross value added of all resident institutional units engaged in production, plus any taxes on products and minus any subsidies on products.

### **GDP deflator**

Implicit price index of GDP. It is a general price indicator for all goods, products and services throughout the economy and is calculated as the quotient of nominal (at current prices) and real (price-adjusted, i.e. at constant prices) GDP.

### **Generation of income account**

The generation of income account records the formation of income resulting from the production process and its attribution to the "labour" production factor and general government (in the form of taxes and subsidies). On the resources side it includes the net value added at basic prices, derived from the production account and also other subsidies on production. Compensation of employees and other taxes on production are recorded on the uses side. The balancing items are the net operating surplus or net mixed income. The generation of income account also enables the value added to be calculated at factor cost (factor income), which is the sum of compensation of employees and operating surplus.

### **Gross fixed capital formation (GFCF)**

Consists of resident producers' investments, deducting disposals, in fixed assets during a given period. It also includes certain additions to the value of non-produced assets realized by producers. Capital formation in the EAA comprises plantations yielding repeat products (orchards, vineyards), fixed asset livestock, buildings, equipment (machines, tools and vehicles) and other assets (e.g. major improvements to land, computer software). GFCF less consumption of fixed capital gives the net fixed capital formation.

### **Gross value added**

Measures the value added in the production process, before deduction of consumption of fixed capital. It is valued at basic prices and calculated from the difference between output and intermediate consumption.

### **Income from agricultural activity**

The EAA determines the primary income from agricultural activity. This is to be distinguished from the income of agricultural households, since income may also be derived from other sources such as other activities, wages or salaries and property income. These two types of income (income generated by agricultural production and the income of agricultural households) are measured for two distinct purposes, which require two distinct methods of breaking down the economy: the first, for the EAA, is based on production units, which are defined by reference to an economic activity; the second is based on households (i.e. institutional units) whose main source of income is independent agricultural activity. As a calculation system for the agricultural industry, the secondary distribution of income through taxes on income and property, social contributions and social benefits as well as other current transfers cannot be depicted within the framework of the EAA.

### **Income indicators**

The EAA Regulation (EC) provides for the calculation of the following three income indicators:

- Indicator A: index of the real income of factors in agriculture per Annual Work Unit (AWU); measures the change in real (i.e. deflated) net value added at factor cost (factor income) per AWU.
- Indicator B: index of real net agricultural entrepreneurial income per unpaid AWU; presents the real changes in net entrepreneurial income over time per non-salaried AWU unit.
- Indicator C: net entrepreneurial income of agriculture; describes the change in real net entrepreneurial income as a separate value.

### **Inseparable non-agricultural secondary activities**

Are defined as activities closely linked to agricultural production for which information on any output, intermediate consumption, compensation of employees, labour input or gross fixed capital formation cannot be separated from information on the main agricultural activity during the period of statistical observation. These are activities that represent an extension of the agricultural activity and in which agricultural products are used (e.g. processing of fruit to make juice, jam etc.) or activities in which the agricultural holding and its means of production are used (e.g. agro-tourism).

### **Interest**

Consists of the charges payable on a capital loan. In the EAA, interest is the counterpart of loans granted to meet the needs of agricultural holdings (for example, with a view to acquiring land, buildings, machines, vehicles or other equipment), even if these are used in the context of inseparable non-agricultural secondary activities. Interest is recorded in the EAA adjusted for FISIM, as this is recorded as intermediate consumption. Interest paid is therefore recorded excluding imputed bank charges on loans, interest received including imputed bank charges on deposits.

### **Intermediate consumption**

Represents the value of all goods and services used as inputs in the production process. Intermediate consumption is assessed at purchasers' prices. Not included are the use of fixed assets (measured by means of consumption of fixed capital), the acquisition of assets (recorded as gross fixed capital formation) as well as trade in livestock, which is similar to inventories of work-in-progress (such as piglets) and is carried out between agricultural holdings, and imports of such livestock. Goods and services

produced and consumed within the same agricultural unit are not recorded as intermediate consumption unless they also appear in the output of the [agricultural industry](#).

### **Mixed income**

Surplus or deficit accruing from production by unincorporated enterprises (e.g. small family businesses like farms). It implicitly contains an element of remuneration for work done by the owner, or other members of the household, that cannot be separately identified from the return to the owner as entrepreneur. By deducting [consumption of fixed capital](#) from gross mixed income one calculates [net mixed income](#).

### **NACE**

Nomenclature statistique des activités économiques dans la Communauté européenne – Classification of Economic Activities in the European Community (EC).

### **Net entrepreneurial income**

The net entrepreneurial income is calculated from the [net operation surplus](#) by adding received [interest](#) and deducting paid interest and [rents](#). It measures the income from the non-salaried labour or the land and capital belonging to the units. Although net entrepreneurial income is generally not calculated for industries, it can be determined for the [agricultural industry](#) since interest and rents can be estimated. In the case of sole proprietorships, entrepreneurial income represents, on the one hand, the compensation of the work performed by the agricultural holder (and the work of non-salaried family members) and, on the other hand, the income remaining with the enterprise, without it being possible to separate these two components.

### **Net mixed income**

In the case of sole proprietorships, the net operating surplus is also referred to as net mixed income. See therefore [net operating surplus](#).

### **Net operating surplus**

Measures the return on land, capital and [non-salaried labour](#). It is calculated from [net value added](#) at basic prices plus [other subsidies](#) less [other taxes on production](#) and [compensation of employees](#). In the case of sole proprietorships, entrepreneurial income represents, on the one hand, the compensation of the work performed by the agricultural holder (and the work of non-salaried family members) and, on the other hand, the income remaining with the enterprise, without it being possible to separate these two components. It is therefore a “mixed” income.

### **Net value at basic prices**

Is calculated from [gross value added](#) at basic prices minus [consumption of fixed capital](#).

### **Net value added at factor cost**

See [factor income](#)

### **Non-salaried labour input**

Refers to the labour input of those individuals whose work is remunerated by the income achieved from farming.

## **NUTS**

Nomenclature des unités territoriales statistiques – Hierarchical system for dividing up the economic territory of the EU. It subdivides the territory of the member state into territorial units at three levels, usually consisting of whole administrative units or aggregations thereof. Level NUTS 0 corresponds to the member state. Level NUTS 1 describes major socio-economic regions (in Austria: Eastern Austria, Southern Austria and Western Austria), NUTS 2 basic regions for the applications of regional policies (represented in Austria by the nine federal provinces) and NUTS 3 small regions for specific diagnosis (in Austria 35 units consisting of a summary of several municipalities).

## **Operating surplus**

Balancing item in the generation of income account measuring the yield from land, capital and unpaid labour. It is calculated by subtracting compensation of employees and other taxes on production and adding other subsidies on production to the net value added at basic prices. By deducting consumption of fixed capital from gross operating surplus one calculates net operating surplus. (note: for unincorporated enterprises (e.g. small family businesses like farms), this balancing item is called mixed income).

## **Other subsidies on production**

Subsidies, except subsidies on products, which resident enterprises may receive as a consequence of engaging in production (e.g. subsidies to reduce pollution).

## **Other taxes on production**

Taxes incurred by enterprises as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold. They are payable on land, fixed assets or labour used in the production process, or on specific activities or transactions.

## **Output**

Value of all products created during the accounting period. Output is generally valued at basic prices. The output of the agricultural industry comprises agricultural goods and services as well as output of non-agricultural (secondary) activities that cannot be separated from the (main) agricultural activity. The output of the agricultural industry results from the market production of goods and services as well as non-market production for own final use. A further specific requirement of the EAA is that part of the output consumed by the agricultural units themselves is included in the output value. There are certain criteria need to be fulfilled for the inclusion of intra-unit consumption in output: different agricultural activities (for instance, arable crops and livestock breeding) must be involved and certain practical aspects (availability of price and quantity data) must exist. This has the consequence that mainly crop products that are used in animal husbandry within the unit are included as part of the value of output and intermediate consumption.

## **Primary income**

Primary income is defined as earnings arising from the provision of a factor of production: labour, financial assets, land and natural resources. Income-related taxes and social transfers (secondary income) are not included. See income from agricultural activity.

**Producer price**

Price receivable by the producer from the purchaser for a unit of a good or service produced as output minus any VAT, or similar deductible tax, invoiced to the purchaser. It excludes any transport charges invoiced separately by the producers. Unlike the basic price, the producer's price includes taxes on products and excludes subsidies on products.

**Production account**

Shows the production process of goods and services in agriculture in monetary terms. It records the output and inputs of the production process, leaving value added as the balancing item.

**Purchasers' price**

Price the purchaser actually pays for the products at the time of purchase. It includes all taxes on products (excluding VAT) less subsidies on products.

**Rents**

Payments made to the owner of natural resources (land and subsoil assets) in return for making these assets available to another unit. In the EAA, this item corresponds mainly to rents paid on land by holders to the landowners. Rents received are not recorded in the EAA due to the use of the industry concept.

**Replacement value**

Price which farmers have to pay during a given reference period to replace a fixed asset with a new one which resembles it as closely as possible. Is used to calculate consumption of fixed capital.

**Salaried labour input**

Labour input by persons who, by agreement, work for another resident institutional unit and receive a remuneration in the form of cash or kind (recorded as compensation of employees in the EAA).

**Satellite account**

Being a satellite account within the National Accounts (NA) the EAA contain complementary information for the agricultural industry. Although their structure is closely linked to the overall framework of NA, their concepts and methods are adapted to the specific conditions of the agricultural industry.

**Subsidies**

Current unrequited payments which general government or the institutions of the EU make to resident producers, with the objective of influencing their levels of production, their prices or the remuneration of the factors of production. A distinction is made between subsidies on products and other subsidies on production. Investment grants are not treated as subsidies, but as capital transfers. While subsidies on products are recorded in the production account (included in the gross value added at basic prices), other subsidies on production are recorded in the generation of income account.

**Subsidies on products**

Subsidies paid per unit of a product.



**Taxes on production**

Compulsory, unrequired payments, in cash or kind, which are levied by general government or by the institutions of the EU in respect of the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production. The [ESA 2010](#) distinguishes between [taxes on products](#) and [other taxes on production](#). While taxes on products are already recorded in the [production account](#) (the [gross value added](#) at basic prices takes them into account), other taxes on production are recorded in the [generation of income account](#).

**Taxes on products**

[Taxes on production](#) that are payable per unit of produced or traded good or service.

**Volume**

Elimination of price influences. The price adjustment is made on the basis of an annually changing price base (previous year's price base), i.e. the results are presented in the prices of the respective previous year.

**Wages and salaries**

Sum of wages and salaries (in cash or in kind), including payroll taxes and social contributions of employees, payable by employers to employees in return for work done by the latter during an accounting period.

More detailed methodological explanations can be found in the [standard documentation](#) on economic accounts for agriculture.