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Main findings of EUROSTAT Economic Accounts for Agriculture - 1972

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The EUROSTAT Economic Accounts for Agriculture comprise — classified in considerable detail as in previous years — the latest data on agricultural production in the Community. In the case of the earlier Member States previously published data were corrected and updated, but this is the first time that the Economic Accounts have been extended to include the new Members. Data available for the last-mentioned are still so incomplete — and only in a limited way comparable with those for the other countries — that it seems preferable to consider the figures for the Original and the New Member States separately.

DEVELOPMENTS IN THE COMMUNITY OF THE SIX

Final production of agriculture

In the Community of the Six (EUR-6) the final production of agriculture[1] in 1972 was 45 thousand million Eur,[2] or 12 % up on the previous year, and by far the greatest annual increase since 1963 (see Table 1). This increase was due in the main to animal products, for which the final production figures showed an increase of approx. 15 %, i.e. three times the average over a period of years (av 1963-1965 to av 1970-1972). However, the final production figures for crops, representing about two-fifths of the agricultural final production total, showed a less spectacular increase, namely 6.3 as compared with an average annual increase of 5.0 %.

The rise in the production figures in 1972 was in any case based to a limited extent on an increase in actual production.

The volume[3] of final animal production increased by only 2.3 % in comparison with the previous year, while the volume of final crop production fell by as much as 3.9 %, and in so doing reduced the total volume of final production below the level of the previous year (— 0,2 %).

The considerable rise in the figures is thus almost exclusively due to 'price' increases[4] for crops (+ 10.6 %) and animal (+ 12.5 %) products.

In addition to this, changes in rates of exchange have affected the final production figures as expressed in Eur. The extent of this exchange rate effect on all figures expressed in Eur exactly corresponds to the percentage change in the rate for the currency in question against the Eur unit of account in individual countries. If the figures for several countries are combined, the exchange rate effect for that particular group of countries can be calculated as a weighted average. In respect of the changes in final crop and animal production figures in the Community, 1972 as compared with 1971 showed exchange rate effects of + 0.77 % for final crop production and + 1.65 % for final animal production, resulting from changes in the average exchange rate of the German mark (+ 4.47 %), the Italian lira (— 0.97 %), and the currencies of the three Benelux countries (+ 2.68 %).

To make it easier to assess the overall figures given above, they must be considered by product area and by country.

Final crop production

The *cereal* harvest of the Community (EUR-6) just reached 80 million metric tons in 1972 (1971 : 77 million metric tons), and with practically no change in the area under cultivation (1971 : approx. 21 million hectares) the higher average yield (2.9 % higher) was sufficient in itself to account for the improvement over the previous year (1971 : + 14.4 %). With no change in the areas under cultivation, barley showed an 11 % increase in yield and wheat a 4.5 % increase, while rye and oats, occupying even smaller areas than previously, showed decreases in yield as compared with the previous year (— 4.0 and — 5.6 %, respectively). In the case of maize the increase of the area under cultivation (+ 7.4 %) and the decreased yield (— 10.0 %) resulted in a harvest 0.5 million metric tons less (— 3.7 %) than in 1971, and thus interrupted the previous trend to considerably larger harvests.

The 2.25 million metric tons increase in cereal production is thus entirely due to increased production in France (+ 3.42 million metric tons), which country, with a production of 40.5 million tons, was for the first time in the history of the Community, responsible for more than half the Community's cereal production. At the same time maize production — which had shown an annual increase of 15 % since 1968, and which in 1972 accounted for about one-fifth of French land under cereals — was sharply reduced (— 20 %) as a result of unfavourable climatic conditions (autumn storms). However, the overall cereal total was more affected by the high yields of wheat and barley, which, with yields of 4.6 and 3.9 metric tons per hectare, respectively, were about 17 % higher than in the previous year, although the area under these cereals was much the same.

The other Community countries, with the exception of Belgium (+ 1.8 %), suffered losses of production, which in the case of the Netherlands were due to a combination of reduction of the area under cereals and below average yields, together accounting for a loss of as much as 12 % of yield as compared with the previous year (— 0.18 million metric tons). In Italy a slight increase was not sufficient to compensate for a reduction of the area under cereals (— 0.31 million tons). In Germany cereal production was 0.70 million metric tons below the unusually high level of the previous year in spite of a slight increase in the area sown; the German cereal harvest; in 1972 was 3.3 % lower than in 1971, but still 6.2 % above the average for the period 1969-1971.

The changes in cereal harvest levels are relevant to the changes in final cereal production only when changes in stocks and intra-branch consumption are taken into account : the quantities harvested and the volume of final production do not necessarily run parallel. In 1972 final cereal production (processing by producers, home consumption, sales and changes in stocks) accounted for about two thirds of cereals grown in the Community. Its volume (at 1963 prices and exchange rates) was 0.7 % above that of the previous year, and 13.5 % above the average for the period 1969-1971.

In France and in the Netherands the volume of final cereal production (+ 9 % and — 12 %, respectively) showed practically the same relative changes as the cereal yield. The pattern of cereal use in both countries remained unchanged. In Germany, by way of contrast, the reduced harvest (— 3.4 %) resulted in an increased fall of final cereal production expressed in terms of volume (approx — 11 %) because the area under cereals stopped increasing, and in fact fell slightly, while there was little change in the quantities sold or consumed in the areas in which they were grown.

Quantitive changes in stocks of cereals, generally valued at production prices (ex-farm price minus profit, VAT, and other indirect taxes, but including subsidies), are a reason why — when corresponding final production figures are divided by final production volumes — the unit values in the

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* Work done on behalf of EUROSTAT.

[1] For definition see Agricultural Statistics 5/73, page 23.

[2] The abbreviations EUR-6 and EUR-9, introduced by the EUROSTAT to describe the European Communities, and the abbreviation Eur for the unit of account, are hardly a happy choice, but they are nevertheless used in this report to prevent even greater confusion arising from the use of other abbreviations.

[3] Figures at constant prices and exchange rates are — in contrast with those calculated in current prices and exchange rates — described as volumes. They are to be regarded as quantitative, although they have a monetary dimension. In the EUROSTAT Economic Accounts for Agriculture, all 'volume' figures are based on 1963 prices and exchange rates.

[4] Division of corresponding figures by 'volumes' gives an index for the reference period to which the prices in the volume calculation relate. In its form the index corresponds to a PAASCHE-price index which in periodical comparisons alongside price developments reveals certain qualitative changes (shifts in weighting). If the figures and volumes relate to groups comprising different currencies it may be necessary to take possible changes of exchange rate into account individually before the division, in order to achieve maximum isolation of price changes (and quality shifts). With respect to the proceeds of sale of agricultural products comprised in the agricultural final production figures, is would be easy to talk in terms of an index of unit (selling) values. This possibility is however rejected because final production includes changes in stocks and also home consumption, for which there are no proceeds from sale.

Table 1 : **Economic Accounts for Agriculture 1972**
(at current prices and exchange rates, in millions of Eur)

	D	F	I	NL	B	L	EUR-6	UK	DK
Final crop production	**3 448**	**6 253**	**6 393**	**1 259**	**689**	**18**	**18 060**	**2 051**	**535**
of which :									
Wheat	442	1 384	994	67	87	3	2 977	326	53
Other cereals	496	1 015	196	51	43	3	1 804	387	214
Potatoes	349	252	214	173	70	2	1 060	273	25
Sugar beet	288	300	184	96	78	:	946	120	51
Vegetables	253	650	1 449	364	231	1	2 948	479	48
Fruit	330	614	900	97	69	2	2 012	232	23
Wine and wine grapes	412	1 399	1 113	0	7	6	2 937	0	0
Final animal production	**8 338**	**8 982**	**4 674**	**2 710**	**1 506**	**58**	**26 268**	**4 923**	**1 659**
of which :									
Cattle and calves	2 150	2 675	1 199	583	394	19	7 020	1 388	315
Pigs	2 533	1 172	629	736	533	9	5 612	797	659
Sheep and goats	23	237	54	20	3	:	337	301	1
Poultry	163	751	722	196	79	0	1 911	391	49
Milk	2 683	2 961	1 389	1 032	370	26	8 461	1 502	522
Eggs	746	464	448	120	114	4	1 896	455	41
Final production of agriculture	**11 794**	**15 820**	**11 141**	**3 968**	**2 312**	**76**	**45 111**	**6 974**	**2 194**
Intermediate consumption	**5 391**	**5 121**	**2 845**	**1 820**	**1 125**	**30**	**16 332**	**3 812**	**967**
of which :									
Feedingstuffs	1 900	1 005	1 686	1 232	728	16	6 997	1 720	512
Gross value added at market prices	**6 403**	**10 699**	**8 297**	**2 149**	**1 187**	**46**	**28 781**	**3 163**	**1 227**
Depreciations	1 338	1 161	1 036	176	82	9	3 802	619	:
Subsidies	637	254	429	3	5	0	1 328	358	7
Indirect taxes	294	339	74	60	:	1	768	:	172
Net value added at factor cost	**5 409**	**9 453**	**7 616**	**1 916**	**1 110**	**36**	**25 540**	**2 902**	**:**
Average conversion rates (100 Eur = ... units of national currency)	DM	Ffr	Lit	Fl	Fb	Flux		£	Dkr
	349,87	555,42	63 134	352,28	4 865,7	4 865,7	—	41,667	757,83

[1] Crop year 1 June 1972 - 31 May 1973.

market can not always be accurately deduced. If the calculations are done without regard to this objection, the figures of Economic Accounts for Agriculture (in national currency) give the following changes in price (and quality) components (1972 compared with 1971) :

Germany	+ 1.2 %	Netherlands	+ 2.6 %
France	+ 3.4 %	Belgium	+ 3.4 %
Italy	+ 0.2 %	Luxembourg	+ 4.2 %

Compared with national price index figures, the above growth rates appear to underestimate the price changes in the Netherlands, and cereal prices in Belgium and Luxembourg may in fact have increased less markedly. The high growth rate for France may however be to some extent realistic in respect of price changes, but maize and barley prices increased by 7 and 5 %, respectively, as compared with the previous year.

In the past, final *potato* production in the Community (EUR-6) followed a trend corresponding to an annual growth rate of approximately 4.5 %. However, annual deviations of the production figures from the trend were not infrequently of the order of ± 20 %. Thus the production curves (at current prices and exchange rates) reached their highest points in 1966 and 1970 (917 and 1 036 million Eur, respectively), after being at their lowest levels two years previously (537 and 607 million Eur, respectively). 1971 was also a trough of this sort (704 million Eur) and 1972 (provisionally ?) a high (1 060 million Eur). It is true that the volume of final production (at 1963 prices and rates of exchange) also shows characteristic fluctuations, but their amplitude, in contrast with those of the production figures (at current prices and rates of exchange) decreased considerably with time. Moreover, there was no significant change in volume. It follows that the progress of the trend and the fluctuations, result mainly from rising and highly fluctuating unit values.

The factors determining this development include the tendency of potato growing — due to cost developments and difficulties of mechanisation — to become uncompetitive (fall in area planted between '1965' and '1970' [1] from 1.93 to 1.47 million hectares. 1972 : 1.24 million hectares), and also the fall in per head consumption of culinary potatoes. Increasing demand for quality in culinary potatoes, and the decline in the use of potatoes for feed — now apparent also in Germany — have reduced the flexibility in the use of potatoes from a particular crop. In 1972 in particular an unexpectedly high demand from non-Community countries (South America) for culinary potatoes was an additional factor in determining prices, with the result that towards the end of the year there were acute difficulties of supply in some places (export embargo and limitation of maximum price by Government Order in France).

[1] '1965' corresponds to the three-year average 1964-1966, and '1970' to 1969-1971.

Final *sugar beet* production in the Community (EUR-6) in 1972 (approx 945 million Eur) was the same as in 1971. In terms of volume there was also no change : the approx 50 000 ha increase (+ 4.0 %) in the area of land planted to this crop was exactly offset by the average losses of yield. Developments in Italy were exactly the opposite : the area under sugar beet in 1972 was reduced to 250 000 ha, compared with 340 000 ha in the peak year 1967, but yields were high.

Total white sugar production in the Community from the 1972 harvest (EUR-6, including overseas Departments of France) was approximately 1 million metric tons (1971 : 1.6 million tons) over the basic quota of 6.48 million metric tons. However, in the light of strong world demand for sugar there was no difficulty in finding outlets for the surplus production.

Vegetables, fruit and wine (including wine grapes) together accounted for a total final production of 7.90 thousand million Eur in 1972, i.e. more than two fifths of total final crop production. Vegetable production, and likewise wine production, were of the order of magnitude of final wheat production in the Community. In spite of their obviously considerable importance, it is particularly difficult to give details of the final production of these three groups. They are qualitatively very different from each other, and in addition to the production levels and prices are subject to considerable annual fluctuation. However, the 1972 situation can be roughly described by comparison with changes of average production values, volumes and unit values against the previous 5-year-period :

Between '1965' and '1970' the final production figures (at current prices and exchange rates) for vegetables, fruit and wine showed average annual increases of 5.0 %, 2.5 % and 5.7 %, respectively. By 1972 the rates of increase were less in the case of vegetables and wine, and twice as great in the case of fruit, but in view of the considerable fluctuations in annual figures it would be incorrect to see anything exceptional in this. This comment applies also to the volume of final production of wine and wine grapes, which fluctuated around 1.90 thousand million Eur in the sixties, and which was about 5 % below this level in 1972. By way of contrast there was a clear decrease in the volume of vegetables and fruit. The average annual rates of increase for these between '1965' and '1970' were + 2.4 and + 3.5 %, respectively. The slight volume losses observed in 1971 became so much greater in 1972 that they resulted in annual rates of 12.7 and 9.1 %, respectively. These changes were far and away greater than in any of the last ten years, and it was only the unusual increases of proceeds (10 % annually, based on the same two-year-period) which ensured a fairly steady development of production value.

Final production of animal products

Out of all the animal products only the five most important need be considered here (cattle and calves, pigs, poultry, milk and eggs); in 1972 they accounted for about 95 % of total final animal production of the Community. Other products, not considered here, amount to only about 1 % of national final animal production in Germany and the Benelux countries, but to about 11 % in France. In Italy the percentage for which they account is about the average for the Community (EUR-6).

Gross domestic production[1] of *beef* and *veal* in the Community (EUR-6) during the second half of the sixties ('1965'-'1970') showed an average annual increase rate of 4.0 % (slightly exaggerated by the basis effect). In 1971, however, it continued to increase in only some of the Member Countries, and in 1972 it fell to a slaughter weight 500 000 metric tons below the previous year's level of 4.5 million tons. Thus, in the countries of the Community, internal production provided 11 % less beef for consumption and export. However, as the number of animals slaughtered was reduced, and this contributed to the build-up a greater cattle population, the volume of final production of beef and veal in the Community fell by only 5.4 %. In the Netherlands, where following a decline of the cattle population in 1971 there was a subsequent increase, the difference between the growth rates of gross domestic production and of the volume of final production (— 18.5 % and + 6.5 %, respectively) was especially marked. The situation was similar in Germany (— 11.6 % and + 0.6 %, respectively), while in France both rates were about the same (— 8.0 % and — 11.5 %, respectively).

Attention may here be drawn to a gap in the statistics which makes it very difficult to compare the figures given above : final production of cattle and calves in the agricultural branch is defined as the quantity or volume of total domestic production of beef and veal (slaughter of animals of home origin plus export of live animals) and of changes in stocks of animals less than two years old, and of fixed capital goods produced on own account (animals which reach the age of 2 years during the period covered by the report, minus animals which leave the fixed assets. In France, on the other hand, changes in stocks are (so far as can be seen) not in any way taken into account in the final production of animal products, which is to say that in this case 'final production' is quantitatively the same as gross domestic production (the difference between the two growth rates quoted above for France apparently results from the weighting of prices, and is therefore to be interpreted as a 'quality change').

The decrease in the volume of final production was accompanied by an unparallelled increase in the 'unit values'. If one takes into account the + 1.5 % total effect of the altered rate of exchange, the effect of price and quality components on the increased value of the final production of cattle and calves in the Community was + 22 %. In comparison with the 27 % increase of the 'unit values' in France, the rates on increase in Germany and in the Netherlands (+ 18 and + 16 %, respectively) were relatively low. The rates of increase in the other countries corresponded to the average rate of increase for the Six.

To explain the unusual increase of prices on the cattle markets — and without forgetting that annual rates of change in market quotations and 'unit values' do not have to tally in individual cases — reference may be made to certain parallels with the situation in 1964. In that year the increase in the price of cattle was 'only' about 14 % above that in the previous year, but it was likewise accompanied by a significant drop in beef production (by 250 000 metric tons, or 6.8 %). Despite an increase in imports from non-Community countries there was in 1964 — as in 1972 — less beef to be had in the Community than in the previous year. In both cases the decrease in supply coincides with a 4 % increase in the real gross national product, i.e. with a strong surge of demand from customers able to pay the price. The price increases were thus to some extent as might have been forecast; if they were much greater in 1972 than in 1964 that was because of the changed world market situation and the higher import prices.

Pork production in the Community (EUR-6) has shown an average annual rate of increase of 4.4 % since the mid sixties. There was a regular alternation of 2-year phases of expansion followed by single years of contraction, but this cycle was not equally clear in all countries. In Germany and France, the biggest pork producers in the Community, the rates of increase (3.5 and 1.75 %, respectively) were not only well below the average in the Six, but were sometimes lower than the increase in home consumption, so that the net import requirement accounted for a greater proportion of the total. Belgium-Luxembourg and the Netherlands, on the other hand, increased their production by an annual average of 12.8 % or 8.4 % respectively, and exerted increasing pressure on neighbouring markets. Italy also had to import increasing quantities of pork to meet internal demand, although in that country the gross domestic production showed an annual increase of nearly 5 %. In 1972 the contribution of pork to agricultural final production was 5.6 %, compared with 4.6 % in 1963. In Germany and Belgium the corresponding figures for 1972 were 22 % and 23 %, respectively.

In the production cycle which was mentioned above, 1972 was a year of contraction. In the light of a production increase (compared with 1971) of more than 100 000 metric tons of pork (slaughter weight) it would be more correct to speak of a definite slowing down of expansion. Only in Germany was there a decrease of production (— 1.6 %). In Belgium-Luxembourg and in the Netherlands the growth rates dropped to + 6.0 % and + 2.0 %, respectively, while in France and Italy they rose to 4.1 % and 6.7 %, respectively. The overall result was that the final production of pork in the Community (at current prices and exchange rates) was 5.6 thousand million Eur, representing an increase of 16 % over the previous year and over the average of 1969-1971. High pork prices played an essential part in this outcome, which was very favourable for agriculture. After falling in 1971

[1] Gross domestic production = total of animals slaughtered in the country in question, minus live imports, plus live exports.

almost to the 1963 level, they made a significant recovery in 1972. Particularly in the second half year of 1972 there was a marked rise, in which pork prices in Germany, France and the Benelux countries all rose equally steeply within a relatively narrow range. In Italy the price increases were much higher than in any other Member Country, amounting to more than 25 % in a half year.

With no large annual variations the volume of final *milk* production rose by about 3 % per year between 1964 and 1968, and then — partly because of a reduction of stock and partly of a fall in milk yield[1] — remained, until 1971, fairly constant in the range 5.5-5.6 thousand million Eur. In 1972 there was a surprisingly large increase of 4.9 % over the previous year. Thus the trend in final milk production (at current prices and exchange rates) can be characterised as follows : Slowly declining, but always positive rates of increase culminated in 1968 at a provisional high. After a slight decrease of final production there was a progressive increase after 1970, reaching about 8.5 thousand million Eur in 1972. Within the last year (1972) final production rose by 1.14 thousand million Eur, or 15.6 %. Changes in exchange rate relations (+ 1.6 %) contributed to this increased value, in addition to the volume (+ 4.9 %) and the unit values (+ 8.4 %).

If in 1972 the increase in final milk production in the individual countries resulted in an improvement in the income of the producers — which can be presumed, but not proved, on the basis of the data used in the Economic Accounts for Agriculture — then the increase is certainly to be welcomed from that point of view. On the other hand, the 3.4 million metric ton increase in milk deliveries to the dairies, bringing the total to just under 58.9 million metric tons, led to a disproportionate rise in butter manufacture, resulting in an alarming rise in the intervention stocks of butter. In spite of the special measures introduced in mid-1972 to reduce the stocks, the total at the end of the year was two and a half times higher than at the beginning of the year. (In EUR-6, but disregarding Italy, the figures were 337 000 metric tons on 1.1.1973 as compared with 133 000 metric tons on 1.1.1972). The intervention stocks of milk powder, by way of contrast, remained at the low 1971 level (30 000 metric tons, as compared with approx. 400 000 metric tons in 1969) because of the high price of fodder protein. Overall there was again additional expenditure within the framework of the Community milk marketing organisation.

The incentive to production from greatly increased milk prices is certainly one of the causes of the excessive burden of supply on the milk market and the entire agricultural policy of the Community. It is true that the standard price of milk remained unchanged between 1 April 1969 and 31 March 1971, and was first raised — by 5.8 % — to 109.00 Eur/metric ton in the milk economy year 1971/72, and later — by a further 8 % — to 117.70 Eur/metric ton in 1972/73, but the improvement of the proceeds from milk in individual countries was considerably higher. In France and Italy, for example, the unit values increased by more than 10 % annually in three successive years (1970-1972).

The scope for raising prices was greater in these countries than in others on account of the devaluation of the currencies, and in France at least the opportunity was taken to raise the price of animal products. Regular but smaller improvements in proceeds were also achieved in the Netherlands and in Luxembourg, while increases in proceeds were not detectable before 1971 and in Germany and Belgium 1972, respectively. Producers in the individual countries reacted more or less rapidly and strongly to the various price trends by expanding their milk herds, providing a more production-oriented diet, and reducing intermediate consumption of milk.

Finally it may be noted that the final milk production value trend resulting from the supplies and prices was parallelled after 1963 by entirely similar trends in cattle and calves. Certainly the price trend in milk is to a greater extent dependent on the prices laid down within the framework of the Community marketing organisation than is the case with beef and veal, but the connections between the two products in respect of production technology and economics — at least in the conditions which have until now prevailed in the Community — have entailed a linkage between the two, and a similar trend in periodical statistics.

In *eggs* and *poultry* the production trends were slower, and primarily determined by the size of the market, while technical progress in breeding, diet, and husbandry, combined with competition within the common market, were decisive in slowing down the rise in prices. Cyclical adjustments were particularly marked in eggs. They must be considered here — as must also poultry — in the light of the current market situation of beef and pork. Thus the coincidence of a strong increase (5 %) of production with higher prices (+ 2.3 %) at a time when the average exchange rate effect was + 1.1 % — and these figures were characteristic of the egg market in the Community in 1972 — must be regarded as an exceptional situation in relation to the short supply of dearer meat. Taking the average of the previous five years ('1965' to '1970'), the average rate of increase in the value of the final production (+ 2.7 %) was clearly below that of the volume (+ 4.75 %). Unlike the situation in 1972, a slow fall in the price of eggs was characteristic of this period.

Altogether poultry and eggs, in spite of the relatively favourable results for the year and disregarding the current, though slight, exchange rate effect, made a smaller contribution to the final agricultural production figures in 1972, with an average of 4.2 % as against 4.3 or 5.4 % at the beginning of the 60's.

Intermediate consumption of agriculture

Intermediate consumption of agriculture, i.e. expenditure on extra means of production bought outside the branch, current expenses for the maintenance and repair of durable capital goods (machinery, equipment and buildings) and for services, rose in the Community (EUR-6) in 1972 by 10.6 % to 16.33 thousand million Eur. Allowing for the effect of changes in currency rates (+ 1.8 %), increased consumption and 'price' rises were almost equally responsible for the higher costs, (with + 4.5 or + 4.0 %). The increased consumption corresponded fairly closely (quantitatively) to the annual growth in consumption during the previous five years ('1965' to '1970'), though the higher costs in that time, because of a smaller price growth rate, had only averaged about 7 %.

The trend was not at all uniform in the individual Community countries, as one can clearly see in the peak values of average annual variations in overall agricultural expenditure ('1965' to '1970').

Value of intermediate consumption :

Germany	+ 4.6 %,	France	+ 9.5 %.

Volume :

Germany	+ 3.1 %,	Belgium	+ 6.2 %.

'Price' :

Germany	+ 1.4 %,	France	+ 3.6 %.

Considerable differences are also evident in the growth rates of individual countries in successive years. In the case of Belgium the variations in the volume of intermediate consumption were as follows (in each case compared with the previous year) :

1969 : + 5.1 %
1970 : + 12.0 %
1971 : — 2.7 %
1972 : + 16.6 %.

Without extra information it is not possible to provide an economic explanation, other than a qualified and inadequate one, for such differences, but they are certainly connected with the unsatisfactory breakdown of current inputs in the Economic Accounts for Agriculture. One fundamental reason for this is that agricultural inputs can only exceptionally be allocated to a specific category of products. In listing agricultural expenditure, it would be reasonable to include fertiliser, energy, materials and equipment as well as services under such comprehensive headings as crop production or animal production. Of the main items of expenditure, only intermediate consumption of feedingstuffs can be set against a particular section of final agricultural production, namely final animal production, and only these payments will be examined in greater detail here.

[1] EUROSTAT reported a decline in milk yields in France and Belgium in the stated period.

Agricultural expenditure on extra feedingstuffs in Belgium and the Netherlands in '1970' amounted to about two thirds of the total intermediate consumption, whereas in France it accounted for only a quarter. Measured against the value of final animal production, the purchases of extra fodder in Belgium and the Netherlands amounted in fact to 45 % as compared with 15 % in France. The marked trend of agriculture in Belgium and the Netherlands towards the production of meat and dairy produce, and the consequent increase, particularly in these countries, of the purchase of feedingstuffs for farm use, are accurately reflected in the figures quoted. In the case of the Netherlands the amount of feedingstuffs purchased is so great because almost the entire cereal crop was sold by the producers and less than 5 % of the crop was used directly for intra-branch consumption — in France, Italy, Belgium and Luxembourg 27-35 % of the cereal crop was applied to intra-branch consumption, in Germany 58 %. Other factors which must be considered to have a bearing on the purchase of feedingstuffs are the different methods and intensity of animal husbandry, above all the proportion of livestock holdings with land as against those without land, the expenditure on concentrates and milk products for feeding cattle and the varying importance of industrially produced milk substitutes for feeding calves.

No precise explanation can be given for the current differences in the rates of increase of fodder purchase as between one country and another. During the second half of the 60's, the purchase of feedingstuffs in Belgium and the Netherlands showed a greater quantitative increase — 8.8 or 6.9 % annually — than in any other country of the Six (Italy + 6.3 %, France + 5.0 %, Luxembourg + 4.0 % and Germany + 3.8 %). A factor which has made a considerable contribution to the high rates of growth is the expansion of cattle breeding beyond the level that farm stocks of feedingstuffs could cope with, and the increased supplementing of farm-grown feedingstuffs by the purchase of proteins. This connection, of little importance in itself, cannot easily be quantified, since a whole series of other factors would have to be taken into account (e.g., the amount of farm-produced feedingstuffs available in each case, the allocation of feedingstuff consumption to cattle or other fields of production, etc.). However, in connection with the figures quoted for yearly rates of growth in the overall volume of current inputs in Belgium, we can point to the corresponding changes in the volume of feedingstuffs purchased in 1969 : + 8.7 %, 1970 : + 16.4 %, 1971 : — 2.9 %, 1972 : + 14.5 %; and in the volume of final production of pigs, poultry and eggs in 1969 : + 6.6 %, 1970 : + 21.6 %, 1971 : + 3.9 %, 1972 : + 10.0 %. It is true that the connection between these two sets of figures, while it is significant enough, is not very close, mainly because of the use of purchased feedingstuffs in the cattle production field and also because purchased feedingstuffs as a rule can only supplement farm-produced feedingstuffs and can therefore, because of disproportionate variations, give a false picture of fluctuations in the cattle population. With regard to the limited value of this comparison, it seems appropriate to make a thorough analysis of the factors influencing the development of intermediate consumption[1] and to refrain from further comparisons with corresponding growth rates in other countries.

A calculation of the 'price' component changes which may be found in value and volume development in the individual countries can however be dispensed with here, since it has become apparent that such a calculation, because data about the quantitative and qualitative composition of purchases of feedingstuffs are insufficient, could not result in adequately dependable or informative conclusions either about time-series comparisons or comparisons between different countries.

Agricultural value added

The agricultural value added of the different Community countries represented varying proportions of the corresponding final production (1972) :

	Gross value added at market prices	Net value added at market prices
	(as a % of the final agricultural production in each country)	
Germany	54.3	43.0
France	67.6	60.3
Italy	74.5	65.2
Netherlands	54.1	49.7
Belgium	51.3	47.8
Luxembourg	60.3	48.2

The higher the proportion of value added to final agricultural production in a country is, the more that branch is generally oriented towards using produce it has itself produced (i.e., given comparable composition of output and comparable price and productivity levels).

With reference to the following examination of some aspects of the development of added value, attention should be drawn to another related matter. As the ratio of value added in relation to total final production rises, so corresponding changes in the level of prices or quantities of agricultural produce or working supplies can have varying effects on agricultural income. For example, with a value added proportion of 50 %, an average rise in producer prices of 2 % (4 %) and a rise in the price of working supplies of 3 %, the combined effect of these changes in price levels on the added value amounts to + 1.0 % (+ 5.0 %). However, if the value added proportion is 75 %, the price effect for the same changes in price levels amounts to + 1.67 % (+ 4.33 %).

Gross value added at market prices is indeed not the best possible criterion for the income of any branch of the economy, since, on the one hand, it involves the depreciation of durable means of production, and, on the other hand, does not include the balance of transfer payments (subsidies minus indirect taxes). But since depreciation and transfer payments can be shown simply in current prices, and in constant prices too, though not readily, gross value added at market prices is subsequently used as a specific indication of the amount of income to show the trend the income is following.

The changes in price and quantity levels in the final production totals and intermediate consumption (shown diagrammatically for prices in the above example) and their effect in agricultural income (calculated in the example by means of a weighted average) can be established directly from the Economic Accounts for Agriculture. Since final production and intermediate consumption are shown in current and constant prices, the current price level (as against that for the base period) can be determined by dividing value by volume. Correspondingly the gross value added can be presented as a value difference and as a volume difference and a 'price' index can be obtained as the quotient of both differences. While the volume difference reflects the impatt of volume (quantity) changes on the final production and intermediate consumption, the 'price' index coordinates the effects of price changes on agricultural produce and current means of production (compared with the period taken as the base period for reckoning volume). Price and quantity effects together, when multiplied, give the value changes in gross value added which thus result from changes in production value and the value of intermediate consumption.

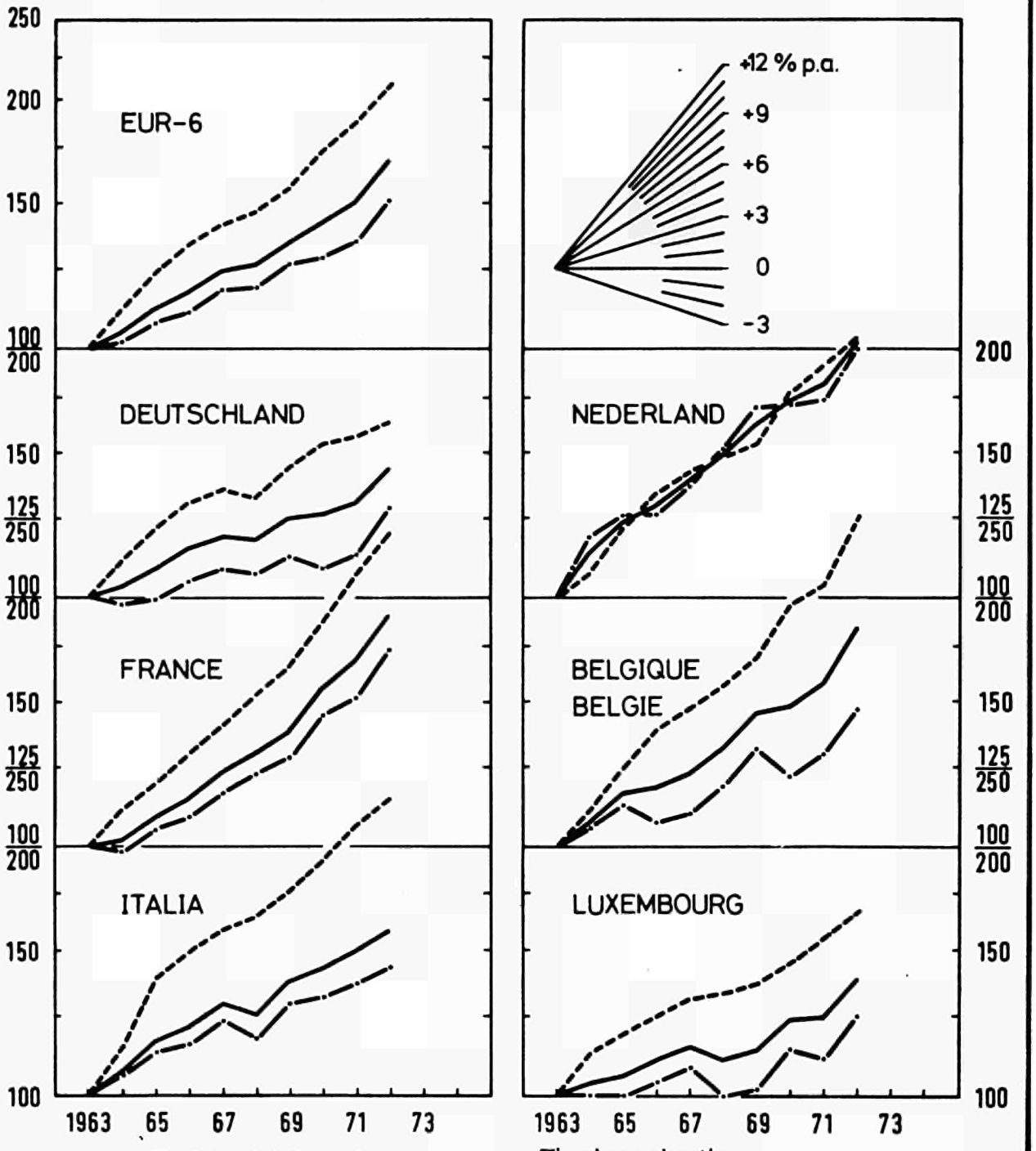
We will not here pursue the attempt to break the quantity effect down further into two components, one of which would identify the consequences of changes in productivity, the other the consequences of changes in input levels on gross value added. In such a quantitative analysis the difficulties in eliminating even the separate influences of real importance (e.g., crop fluctuations, changes in livestock population and changes in the use of farm produce, etc.) and in taking proper account of current structural differences in the final production and intermediate consumption in a comparison involving many countries, would be considerable. Furthermore, such an attempt would give rise to a whole series of hypotheses, some of them very far-reaching.

The isolation of price and quantity effects in the growth rates of gross value added in agriculture which we have carried out is, on the other hand, quite straightforward. Moreover, the interpretation of the result is relatively free of problems because price and quantity effects are explained as a result of changes in price and quantity levels of the final production and/or intermediate consumption. The easy interpretation this affords will, in the following, be preferred

[1] It would of course be a precondition of such an analysis that one should have precise details of the breakdown of the published figures.

PRODUKTION UND WERTSCHÖPFUNG DER LANDWIRTSCHAFT IN DER EWG

(IN JEWEILIGEN PREISEN, 1963 = 100)



Endproduktion der Landwirtschaft

Vorleistungen

Bruttowertschöpfung zu Marktpreisen

Final production of agriculture

Intermediate consumption

Value added at market prices

IfIM 01174

to the other alternative, the examination of price and quantity effects as direct indicators of price and quantity changes in agricultural value added. The second type of illustration would be quite applicable if the overall agricultural value added could be coordinated with individual production factors or at least classified according to production fields. The available information is however not sufficient for this.

The average annual growth rates for final production, intermediate consumption and gross value added are shown in table 2. In it, for all value changes the relevant price and quantity (volume) changes for each of the three separate periods are given. The latest development shown is the calculation of the 1972 growth rate. It should be compared with the development since the beginning of the common agricultural price policy i.e., with the average of the growth rates for the years 1968, 1969, 1970 and 1971.

The average yearly changes during the five year term from '1965' to '1970' refer to a base period before steps were taken to harmonise the agricultural commodities markets. In many cases, they have been biased by base effect.

For all the countries of the Community (EUR-6) 1972 was an exceptionally favourable year for income development. With the exception of Italy the growth rate for gross value added in agriculture reached 15 %. At the same time (apart from the development in Germany and the Netherlands) the volume development of final production and intermediate consumption had resulted in negative quantity effects, yet as against that, there were unusually high positive price effects (up to 19 %).

The most important reasons for this development have already been outlined in the explanation of final production and intermediate consumption and do not need to be repeated here. So if one observes the changes during the years 1968 to 1971, it becomes apparent that in Belgium and the Netherlands the expansion of production (volume of final production) and the (relatively greater) increase in the volume of intermediate consumption made a considerable contribution to the rise in income. The quantitative effect in this case amounted to + 3 % annually as compared with about + 1.5 % in Germany and France. In Italy it was only slightly above zero, whereas in Luxembourg it was definitely negative.

As regards the price level for agricultural produce, France registered by far the steepest rise. The four-year average (1968-1971) of the growth rates was here, at 5.3 %, easily twice as high as in Italy, Belgium and the Netherlands. In Germany the rise in the average price of agricultural produce was so slight (0.5 %), that, taken together with a bare 2 % price rise in intermediate consumption, the result was a negative price effect on gross value added. The varying development of gross value added in Germany and France was almost entirely the result of varying price effects (— 0.5 and + 5.3 % p.a.). This resulted in an unfavourable situation for Germany, in spite of the comparatively lower growth rate of prices of goods and services for intermediate consumption, while, in the case of French agriculture, the only mitigating feature (statistically) was the high growth rate we have observed in that price level, due to high price rises in agricultural produce and a smaller proportion of intermediate consumption in the value of final production.

Net value added at factor cost comprises the factor income and the transfer income of a branch. It is therefore particularly suitable for branch income comparisons. It is advisable, however, in comparisons between several countries, when dealing with the development of nominal income, to include in the survey both real income as a whole and per person in employment. Net value added at factor cost in the Economic Accounts for Agriculture has in each country been deflated by using the gross domestic product price index and divided by the number of persons in employment in agriculture. Because of some reservations about the statistics of employment the result has not of course been shown in absolute figures but as a relative change.[1]

[1] For the Netherlands, persons in employment in agriculture are shown by Eurostat in terms of full-time worker (man-years), and the reduction in their number with the passage of time probably leads to too low an estimate of the number employed. If this conjecture is correct, then the growth rates for real income for persons in employment and also the productivity shown in table 3 would have to be correspondingly adjusted (upwards).

Gross value added at market prices — the income amount used in conjunction with price and quantity effects — and the net value added at factor cost — the yardstick used in the following — have in different countries and at different times sometimes developed parallel to each other, and at other times have shown variations (see tables 2 and 3). We will merely note this fact without further comment. In view of the greater confidence in the precision and comparability of the figures shown in the Economic Accounts for Agriculture for depreciations, subsidies and indirect taxes, their development could be referred to in explaining the difference mentioned. At the same time account must be taken of the current importance of depreciations and transfer payments, which, with the qualification already made, e.g., in relation to the final production of agriculture in 1972, can be illustrated as follows :

	Depreciations	Subsidies	Indirect taxes
	(as a % of the final production of agriculture in the respective countries)		
Germany	11.3	5.4	2.5
France	7.3	1.6	2.1
Italy	9.3	3.9	0.7
Netherlands	4.4	0.1	1.5
Belgium	3.5	0.2	.
Luxembourg	12.1	0	0.9

The differences in the rise of the general level and in the decline in the number of persons in employment in agriculture have become so significant from country to country and also from year to year that the growth rates of nominal income as a whole and real income per person in employment often show considerable differences (see table 3). While in France, for example, the average rise (1968-1971) in net value added at factor cost amounted overall to a nominal 6.5 %, the real income per person in employment rose by only 4.5 % p.a. In the Netherlands and Luxembourg too the general price rise was not balanced by the outward migration rate of persons in employment, so that the real income per person in employment rose by only 3.0 % p.a. or even fell by 2.5 % p.a. The other countries on the other hand recorded (1968-1971) outward migration rates which were in absolute terms higher than the growth rates of the general price level. So the real income per person in employment rose in Germany, Italy and Belgium 3.1 %, 3.8 % and 6.8 % more steeply than the nominal income in the agricultural branch.

With reference to 1972, the growth rates of real income per person in employment merely confirm the earlier evidence of unusually favourable income development. The relatively uniform picture of a growth rate of about 15 % (Italy excepted) which emerged from the gross value added figures must however be corrected when considering the development of real income per person in employment Between the extreme values of + 5 % (Italy) and + 20 % (Luxembourg), Germany and the Netherlands reached about 10 %, France and Belgium about 15 % growth in real income from agricultural activity (i.e., without taking into account income that persons in agricultural employment received from other sources).

Together with the income from agriculture, *productivity*, *depreciations* and *net investment* should be considered. A critical examination of these is hampered by the difficulty of finding a satisfactory standard of measurement.

The volume of gross value added per person in employment is indeed a standard, but not unbiased measure of an economic branch's labour productivity, for although the gross value added is the result of the input of labour and capital assets, the capital input in the foregoing measure of productivity is not explicitly taken into account either as numerator or as a denominator. It is only superficially correct to look on the universally high annual growth in productivity (see table 3) as increased output per work unit, behind such growth there is the equipment of the labour force with capital and the technical improvement of the total factor input, with capacity, substitution and structural effects.

Depreciation of durable capital goods in agriculture in the six countries considered here has, as a rule — unlike the proportions in the general economy of the country — become greater than the net fixed capital formation.[1] About 1970 net fixed

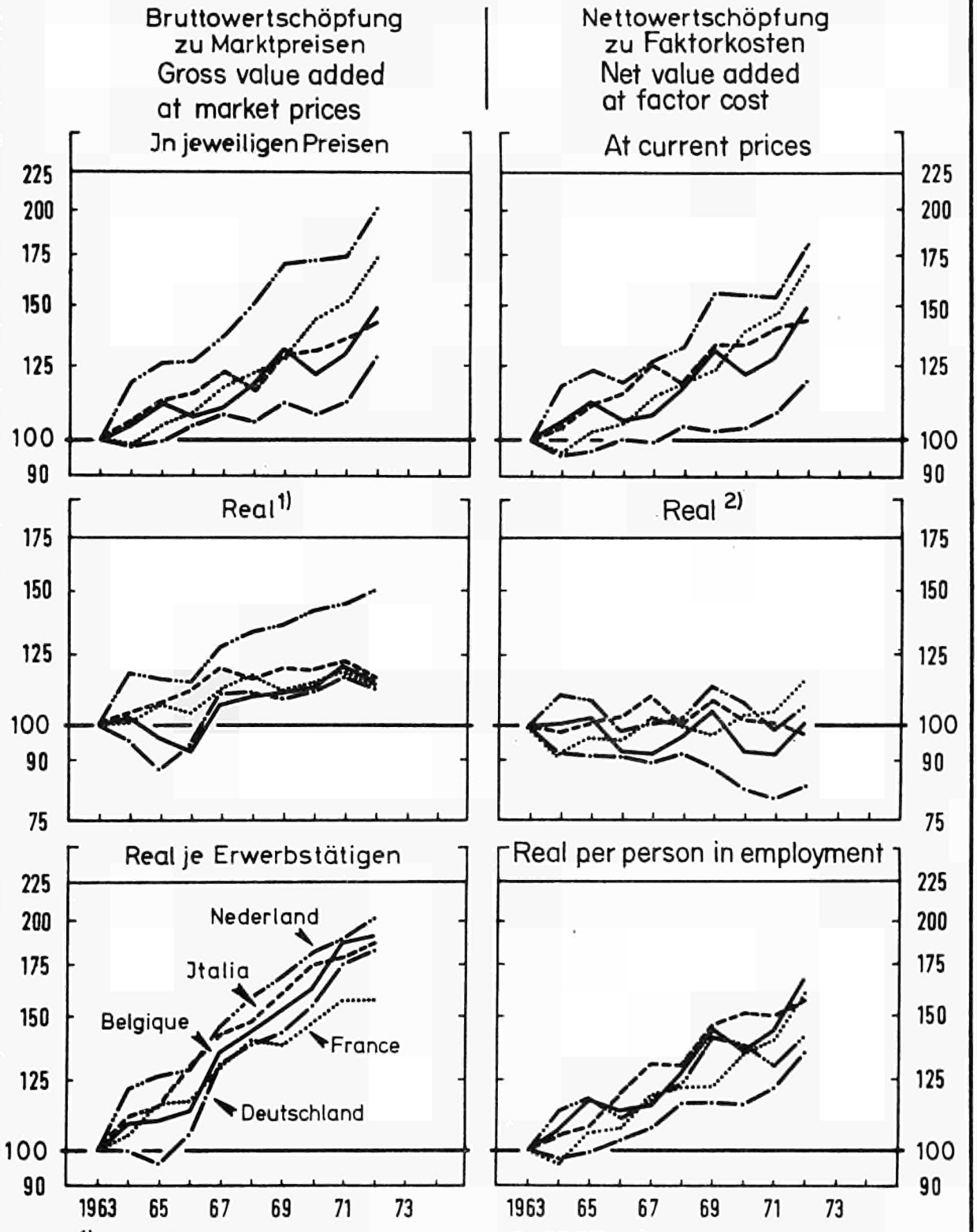
[1] Since only very fragmentary data are available for the calculation of depreciations, it is essential not to attribute the variations solely to branch specific growth chances. They may be due to substantial variations in the average time limits for depreciation.

Table 2 : **Price and quantity effects on growth rates [1] of final production, intermediate consumption and value added in agriculture (as % p.a.)**

	D	F	I	NL	B	L
Final production of agriculture						
Value						
Ø '1965'-'1970'	3.1	7.3	4.4	7.1	5.7	2.5
Ø 1968 - 1971	2.4	8.0	3.9	6.9	6.4	2.2
1972	9.5	13.7	5.6	12.2	17.1	10.9
Volume						
Ø '1965'-'1970'	3.6	3.0	2.7	4.7	4.3	0.9
Ø 1968 - 1971	1.9	2.6	1.1	4.6	3.7	— 0.9
1972	0.3	— 0.3	— 2.9	4.7	4.7	1.3
'Price'						
Ø '1965'-'1970'	— 0.4	4.1	1.7	2.3	1.1	1.6
Ø 1968 - 1971	0.5	5.3	2.7	2.2	2.6	3.0
1972	9.2	14.0	8.8	7.2	11.8	9.4
Intermediate consumption						
Value						
Ø '1965'-'1970'	4.6	9.5	7.6	7.5	9.0	4.1
Ø 1968 - 1971	3.9	11.3	7.6	7.7	9.1	4.3
1972	4.2	12.1	7.5	8.3	20.2	7.3
Volume						
Ø '1965'-'1970'	3.1	5.7	4.7	5.7	6.2	3.9
Ø 1968 - 1971	2.1	5.6	4.2	6.3	4.9	4.4
1972	— 0.1	7.2	3.7	4.7	16.6	6.0
'Price'						
Ø '1965'-'1970'	1.4	3.6	2.7	1.7	2.6	0.2
Ø 1968 - 1971	1.8	5.4	3.3	1.3	4.1	— 0.1
1972	4.3	4.5	3.7	3.4	3.1	1.2
Gross value added at market prices						
Value						
Ø '1965'-'1970'	1.9	6.3	3.6	6.8	3.3	1.5
Ø 1968 - 1971	1.2	6.6	2.8	6.3	4.4	0.9
1972	14.3	14.4	5.0	15.7	14.3	13.4
Volume (Quantity effect)						
Ø '1965'-'1970'	4.0	1.9	2.2	4.0	3.3	— 1.4
Ø 1968 - 1971	1.7	1.4	0.3	3.2	2.9	— 5.0
1972	0.6	— 3.9	— 4.8	4.6	— 4.5	— 3.2
'Price' (Price effect)						
Ø '1965'-'1970'	— 2.0	4.4	1.3	2.7	0.1	2.9
Ø 1968 - 1971	— 0.5	5.3	2.4	3.0	1.4	6.1
1972	13.6	19.1	10.3	10.6	19.7	17.1

[1] Ø '1965'-'1970' : average annual changes, average 1969-1971 compared with average 1964-1966 (compaund interest).
Ø 1968-1971 : arithmetic mean of the four annual growth rates.
1972 : Growth rate compared with the previous year.

PRODUKTIVITÄT UND EINKOMMEN DER LANDWIRTSCHAFT IN DER EWG (1963=100)



1) In Preisen von 1963
2) Deflationiert mit dem Preisindex des BIP

At 1963 prices
Deflated by the price index of GDP

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Table 3 : **Income and productivity growth rates[1] in agriculture**
(as % p.a.)

	D	F	I	NL	B	L
Net value added at factor cost' nominal						
Ø '1965'-'1970'	1.5	6.2	4.2	5.2	3.4	0.5
Ø 1968 - 1971	2.2	6.5	2.9	5.2	4.5	— 0.4
1972	9.9	16.1	2 3	17.4	16.2	17.3
Gross domestic product price index						
Ø '1965'-'1970'	3.4	4.7	3.6	5.1	4.0	4.8
Ø 1968 - 1971	5.0	5.8	4.7	5.6	4.2	6.0
1972	6.1	5.7	6.0	9.1	5.9	5.0
Net value added at factor cost, real						
Ø '1965'-'1970'	— 1.8	1.5	0.6	0.1	— 0.5	— 1.2
Ø 1968 - 1971	— 2.6	0.6	— 1.8	— 0.4	0.3	— 6.2
1972	3.6	9.9	— 3.4	7.6	9.8	11.7
Number of persons in employment in agriculture						
Ø '1965'-'1970'	— 4.9	— 3.6	— 5.2	— 3.3	— 5.0	— 4.2
Ø 1968 - 1971	— 5.5	— 3.6	— 5.3	— 3.2	— 5.3	— 3.8
1972	— 7.0	— 4.0	— 8.1	— 1.6	— 6.0	— 6.7
Net value added at factor cost, real and per person in employment						
Ø '1965'-'1970'	3.2	5.2	6.1	3.4	4.7	0.2
Ø 1968 - 1971	3.1	4.5	3.8	3.0	6.0	— 2.3
1972	11.4	14.4	5.1	9.3	16.7	19.7
Volume of gross value added per person in employment						
Ø '1965'-'1970'	9.3	5.7	7.8	7.6	8.7	3.0
Ø 1968 - 1971	7.7	5.3	6.0	6.7	8.7	— 1.4
1972	8.2	0.1	3.5	6.3	1.5	3.7

[1] See footnote in Table 2.

capital formation as a proportion of gross fixed capital formation was, in German, Italian and Belgian agriculture, between 30 and 35 % (compared with an average of about 55 to 60 % in the general economy of the country). For France and the Netherlands the corresponding percentages were about 50 and 45 % (in the general economy about 60 to 65 %) It was only in Luxembourg that, according to data of the Economic Accounts of Agriculture, depreciations from 1963 to 1970 inclusive, exceed gross fixed capital formation. From this it could be concluded that in that country the shrinking process in agriculture was characterized not only by outward migration of the labour force but apparently also by constant disinvestment.

DEVELOPMENTS IN THE UNITED KINGDOM AND IN DENMARK

The data in the Economic Accounts for Agriculture for the new member states of the European Community cover four years (1969-1972) in the case of the United Kingdom (UK) and three (1970-1972) in the case of Denmark. No figures have yet been provided for Ireland. The Economic Accounts for Agriculture for the UK has until now been given in current prices and crop years (June-May). For 1973, the first year of Community membership for these countries, the completion of the Economic Accounts for Agriculture was a considerable task. It is however to be hoped that, in spite of the immense difficulties in supplying comparable economic accounts for previous years, the present gaps in the statistics will soon be filled, for our interest in information about the position and the development of agriculture in the three countries does not date merely from the day they joined the Community.

Final production of agriculture

The final production for British agriculture in 1972 comprised about L 2.91 thousand million (6.97 thousand million Eur). The growth over the previous year was 14.5 % in 1972, much higher than in 1971 (+ 7.7 %) and 1970 (9.3 %), but, unlike the development in the Community of the Six, resulted from a corresponding increase in final crop and animal production. It is not possible to establish how far prices and quantities contributed to this development as long as corresponding data in constant prices are unavailable, but statistics from other sources lead to the conclusion that in 1972 at least a predominant feature was the rise in prices.

The final production of agriculture in Denmark in 1972 amounted to about 16.63 thousand million Danish kroner (Dkr) — 2.19 thousand million Eur — and the yearly growth rates for final production were of about the same order of magnitude as in the UK. It is true that production here, in terms of quantity, only reached the level of the previous year, so the rise in value is to be attributed exclusively to higher prices (and to structural shifts in the volume of production).

Final crop production

The percentage of *cereals* in total final production in the UK and in Denmark fluctuated in recent years between 8 and 12 %. High prices and good harvests helped to increase this

percentage in 1972.[1] The cereal crop reached 15.5 million metric tons, thus surpassing the already increased result of the previous year by 526 000 metric tons. In Denmark the crop rose by about 1 % to 7.1 million metric tons. In both cases the high level of the barley crop decisively influenced the overall result, accounting on its own for app. 60 % (UK) and 80 % (Denmark) of the area under cereals. While it is true that the barley crop in the UK produced, from an unchanged acreage, 681 000 metric tons (+ 8.0 %) more than the previous year, in Denmark the continuing expansion of acreage compensated for a slight reduction in yield and resulted in a crop increase of 133 000 metric tons (+ 2.4 %).

The *potato* crop has been in recession in both countries for some years — this is true of the Six too. In 1972 the crop was 12 % (UK) and 6 % (Denmark) below that of the previous year. However, according to the data in the Economic Accounts for Agriculture the final production for potatoes rose at the same time by 8 and 45 %. From the value and volume of final production, the 'price' increase for Denmark can be shown to be about 50 %, two and half times as great as in the previous year.[2]

The contribution of *sugar beet* to the final production in British and Danish agriculture in 1972 amounted to about 1.7 % and 2.3 %. In Denmark the value of production, following on growth rates of 15 % (1971) and 20 % (1972) reached about 390 million Dkr. In the UK the value of the final production was indeed a good 12 % below the high result for 1971, but at about –50 million was still much greater than in 1969 and 1970.

Final production of animal products

In the UK the gross domestic production of *beef* and *veal* in both 1971 and 1972 reached the same level (about 850 000 metric tons carcase weight), but was app. 5 % below that for 1970. In Denmark production fell back from 220 000 metric tons in 1970 to 177 000 tons in 1972. Both countries recorded significant stock increases in 1972 (about 5 %), as result of which there was a marked rise in the number of animals intended for meat production.

The growth rates for final production of cattle and calves far exceeded that for meat production. In 1972 alone the value of final production in both countries rose by 30 %. It is clear from what we have said that this was due entirely to exceptional price increases in cattle sold for slaughter.

Production of *pork* was sluggish in both countries in 1972, though to some extent the final production of pigs reached appreciable growth rates. In British agriculture the market trend favourable to expansion continued, with a price-linked 20 % increase in the value of final production, while in Danish agriculture the slight decline of the previous year was just corrected.

In both countries the contribution of *milk* to the overall value of final production in recent years was between 20 and 25 %, almost as important a position in the economy as milk occupies in Germany and the Netherlands. According to the Economic Accounts for Agriculture, the value of final milk production in UK and Denmark reached annual growth rates of 10-15 %, but in the case of Denmark at least this was largely price-linked.

British *egg* production in the last five years fluctuated within relatively narrow limits (less than ± 2 %) at a mean level of about 15 thousand million eggs per year. A slight increase in production (+ 2-3 %) was followed in 1972 by a relatively more marked decline in the value of production (— 7 %).

In Denmark the decline in production, which has persisted since 1969, continued. The value of egg production in 1972 was however, as a result of higher prices, marginally above the level for the previous year.

Intermediate consumption of agriculture

In UK and in Denmark there was a greater increase in the value of intermediate consumption in 1972 than in 1971, though with growth rates of 10.3 % in UK and 8.4 % in Denmark, they were significantly below the increase in the overall value of final production. In Denmark, in the years for which figures are available (1970-1972), there was practically no change in the volume of intermediate consumption so that expenditure increased in accordance with price rises and structural shifts in the make-up of the intermediate consumption (quality change).

Feedingstuffs, which as a single subgroup of current means of production bought from other branches deserve special mention here, accounted in both countries for a great part of current expenditure. In Denmark, in 1972 more than half of the value of intermediate consumption fell into this subgroup (53 % compared with 45 % in the UK). Purchases of feedingstuffs in both countries amounted to about a third of the value of final production of animal products.

Value added of agriculture

In Denmark in 1972 gross agricultural value added at market prices came to about 56 % of the value of final production. In the UK the overall value of intermediate consumption, at £ 1.59 thousand million, was greater than gross value added. Gross value added amounted to only about 45 % of the value of final production (see also Table 1).

Rising growth rates for British and Danish gross value added can be computed from the data in the Economic Accounts for Agriculture. In 1972, as compared with the previous year, they were at a level similar to that of the Six and amounted in the UK to 20.1 % (1971 : 14.4 %, 1970 : 4.7 %) and in Denmark to 17.8 % (1971 : 8.4 %).

In Denmark the overall value-growth in 1972 was the result of the changed price situation for agricultural produce and current means of production compared with the previous year (the 'price' effect amounted to + 19.6 %). On the other hand in 1971 the overall value-growth had resulted from a changed input-output volume relationship. (Quantity effect : + 8.8 %.)

In order to give a broader picture of income movement we can only mention a few more figures : net value added at factor cost in British agriculture in 1972 was a nominal 7.6 % app. above that in the previous year; income growth, both real and per person in employment (at a time when the general price level rose by about 6.2 % and the number of persons in employment in agriculture declined by only about 0.7 %) amounted to only 1.9 %. Because of a gap in the statistics of employment the trend cannot be followed over many years. In the economic accounts for Danish agriculture there are no data available on the level of depreciation so the net value added at factor cost cannot be given either.

SUMMARY

The Economic Accounts for Agriculture for the Six original members and — insofar as relevant data are already available — for the new members of the European Community show that, with regard to income movement in agriculture, 1972 was a very favourable year. It is true that the increase in the value of final production was not based on any general increase in quantitative output, but was, on the contrary, mainly the result of unusually sharp rises in producer prices. In particular the markets for potatoes, vegetables and fruit in the crop products, for cattle and calves, pigs, milk and eggs, as well as practically all the more important animal products, showed unusually high price rises in 1972, compared with the previous year. This trend was all the more marked, since it could not be said that unusually low prices had prevailed in 1971.

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[1] For Denmark, national sources show an increase in cereal price quotations in 1972 of 10 to 15 % compared with the previous year. Contained in this figure is the 'price' increase calculated as quotients of the value and volume of final production. This does not however apply to barley, where the value and volume development for 1972 imply a 'price' increase of 33.4 %, which, in view of 16.1 % higher quotations, could hardly be explained in either economic or statistical terms, but seems rather to indicate an inconsistency in Economic Accounts for Agriculture.

[2] The data in the Economic Accounts for Agriculture suggest that prices in 1971 were about 20 % higher than in 1970. According to price quotations a very serious price decline set in in 1971; 20 Dkr per 100 kg was recorded in the middle of the year, compared with 56 Dkr in 1970 and 30 Dkr in 1972.

The value of intermediate consumption in agriculture increased less sharply than final production in 1972, but in terms of volume the upward trend of current inputs continued unaltered. However considerable changes were observed as between one country and another.

In almost all the Community countries the growth rate for gross value added at market prices amounted in 1972 to 15 % (Italy : 5 %). This growth, at a time of partly negative quantity effects resulting from an increased volume of intermediate consumption linked with a volume of production that was more or less stagnant and even partly in decline, was due solely to disproportionately high price effects (approaching almost 20 %). In individual Community countries, depreciations dna the difference between subsidies and indirect taxes (measured against production value) are of varying importance and, with reference to their development in the time period, have different determining causes. The relatively uniform picture of a rise of about 15 % in gross value added at market prices is therefore more differentiated for net value added at factor cost and must again be modified after a consideration of the difference in the development of the general price level and of number of persons in employment in agriculture (i.e., having regard to the real income per person in employment in agriculture).

Without including the income received by persons in employment in agriculture from employment outside agriculture, the growth in real incomes per person in employment in Germany and the Netherlands amounted to about 10 %, in France and Belgium to about 15 %. Inside the Community of the Six, Luxembourg reached the highest growth rate in real income per person in employment with 20 %, Italy the lowest with 5 %. According to the data in the Economic Accounts for Agriculture, British agriculture in 1972, when there was a steep rise in the general price level and only a slight decline in the number of persons in employment, saw an increase in the real income per person in employment of barely 2 %.

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