

1989 □ 4

### AGRICULTURAL INCOME 1988

Up by more than 2% in real terms over the  
previous year;  
virtually no change over "1980"

Every year at this time, Eurostat publishes revised figures for changes in agricultural income in the European Community in the previous year, based on official estimates supplied by the Member States. Three indicators are used:

- Indicator 1:** Real net value added in agriculture at factor cost per annual work unit (= total income available to meet the cost of production factors)
- Indicator 2:** Real net income from agricultural activity of total labour input per annual work unit (i.e. net value added at factor cost less rents and interest payments)
- Indicator 3:** Real net income from agricultural activity of family labour input per annual work unit (i.e. net value added at factor cost less rents, interest payments and compensation of employees)

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## Real incomes up in the Community as a whole

According to the estimates available at the end of January 1989, real net value added at factor cost per AWU (Indicator 1) in the Community (excluding Portugal) in 1988 looks like being 2.1% up on the previous year (Table 1 and Figure 1), following a 2.0% decline in 1987. Indicator 2 is expected to be up 2.2% (1987: -2.2%), with Indicator 3 up 2.6% (1987: -3.1%). These developments are due to the following factors.

### Slight increase in production volume

The volume of agricultural production is expected to be 1.1% up in 1988, with a 2.6% rise in crop production and a slight decline (-0.2%) in animal production. In the crop sector, there were substantial increases in the production of cereals (+8.9%) and fresh fruit (+4.1%), contrasting with a drop in production for grape must and wine (-13.0%), potatoes (-2.4%) and oil seeds (-5.8%). In the animal sector, the direct and indirect effects of the milk quota arrangements - i.e. production declines for milk (-2.3%) and cattle (-1.9%) - were largely offset by an increase in production for the other items.

### Slight increase in nominal producer prices

Nominal producer prices were up by 1.4% in the crop sector and by 2.2% in the animal sector, the overall level of increase being 1.8%, or 2 to 3 percentage points below the 1988 inflation rate (measured by reference to the implicit price index of gross domestic product at market prices). The result is a continuing decline in real producer prices for all Member States with the exception of Ireland.

### Largely price-induced increase in intermediate consumption

Following the decline in the value of intermediate consumption in the previous two years, 1988 saw a 3.5% rise, with volume up 1.1% and prices up 2.3%.

### Subsidies and production-linked taxes up, rate of increase in depreciation down

Production-linked subsidies and taxes were up by 17.0% and 11.9% respectively over the previous year, while depreciation increased less sharply than in 1987 (1988: +2.0%; 1987: +2.4%).

### Combined effect of the above factors on income

As a result of the combined effect of the above factors (i.e. volume and prices, etc.), net value added at factor cost was up 3.7% in nominal terms on a Community average. Bearing in mind the 2.7% decline in agricultural labour input (1987: -3.0%), net value added at factor cost per annual work unit was up by a nominal 6.6% over the previous year. In real terms, however, Indicator 1 was up 2.1% (as mentioned above).

### Substantial differences between Member States

The increase in agricultural income in the Community as a whole is a result of widely divergent developments in the Member States (Table 2 and Figure 2). Income growth was highest for Indicator 1 in the FR Germany (+16.3%) and Ireland (+15.3%), with high rates of increase also expected for Spain (+9.4%), Greece (+8.5%) and Belgium (+7.1%). Luxembourg's 4.1% income growth and that of the Netherlands (+1.0%) are fairly close to the Community average. In a number of other Member States, agricultural incomes are expected to be down slightly: Italy (-2.2%), France (-2.5%) and Denmark (-3.5%), with the biggest fall reported for the United Kingdom (-10.4%). However, these rates of change must be viewed against the background of the previous year's or years' developments. Further details are given in EUROSTAT's recently published "Agricultural Income 1988: Sectoral Income Index Analysis".

### Agricultural income relatively stable in "1987" as against "1980"

Taking a medium-term view, agricultural income (i.e. Indicator 1) in the Community in "1987" (i.e. the average of 1986 to 1988) showed a slight increase over "1980" (average of 1979 to 1981), the figures being +3.6% for EUR 10 and +6.9% for EUR 11 (Table 2). The differences between the Member States are, however, considerable. Agriculture has done well in the Netherlands, Ireland, Spain, Denmark and Luxembourg, with above-average growth in Belgium and Greece too. The FR Germany reports only below-average growth, with only a marginal improvement for France too. The income situation stagnated between the two reference years in the United Kingdom, and in Italy it even deteriorated. The following table sets out the Member States in descending order of agricultural income growth (Indicator 1) between "1980" and "1987".

L	+ 45.4%
DK	+ 29.0%
E	+ 28.3%
IRL	+ 27.8%
NL	+ 21.0%
GR	+ 15.4%
B	+ 9.3%
D	+ 4.4%
F	+ 1.2%
UK	- 0.4%
I	- 6.5%
EUR 11	+ 6.9%

### More detailed information

A detailed description of agricultural income trends and their causes is contained in the recently published "Agricultural Income 1988: Sectoral Income Index Analysis" (Theme 5, Series D). Eurostat has also just published the Economic Accounts for Agriculture 1982-1987 (Theme 5, Series C).

### Methodological Notes:

1. The income indicator "net value added at factor cost" covers only the production sector agriculture and does not therefore represent total income of persons employed in agriculture, who may have income from other sources. The labour force input and any changes therein are expressed in annual work units (AWU). One AWU corresponds to one person employed full-time in agriculture for the whole year.
2. The concept of "final production" is applied in the European Community's economic accounts. It differs from the "delivery" concept (which is used for special purposes in certain countries) in that it includes changes in stocks and certain investments (e.g. cattle) in the value of production.
3. The way in which the rates of change in the various income indicators for the Community as a whole are calculated is described in the above income report.

Table 1 : Probable change in real agricultural income per annual work unit in 1988 as against 1987 (in %)

Member State	Net value added at factor cost Indicator 1	Net income from agricultural activity	
		of total labour input in agriculture Indicator 2	of family labour input Indicator 3
B	+ 7,1	+ 8,1	+ 8,5
DK	- 3,5	- 11,5	- 11,1
D	+ 16,3	+ 22,6	+ 29,0
GR	+ 8,5	+ 9,3	+ 9,6
E	+ 9,4	+ 10,8	+ 13,7
F	- 2,5	- 2,4	- 3,8
IRL	+ 15,3	+ 19,2	+ 21,1
I	- 2,2	- 3,6	- 6,3
L	+ 4,1	+ 3,7	+ 4,7
NL	+ 1,0	+ 1,3	+ 1,6
UK	- 10,4	- 12,9	- 20,5
EUR 11	+ 2,1	+ 2,2	+ 2,6

NB: The commas in the table read as decimal points

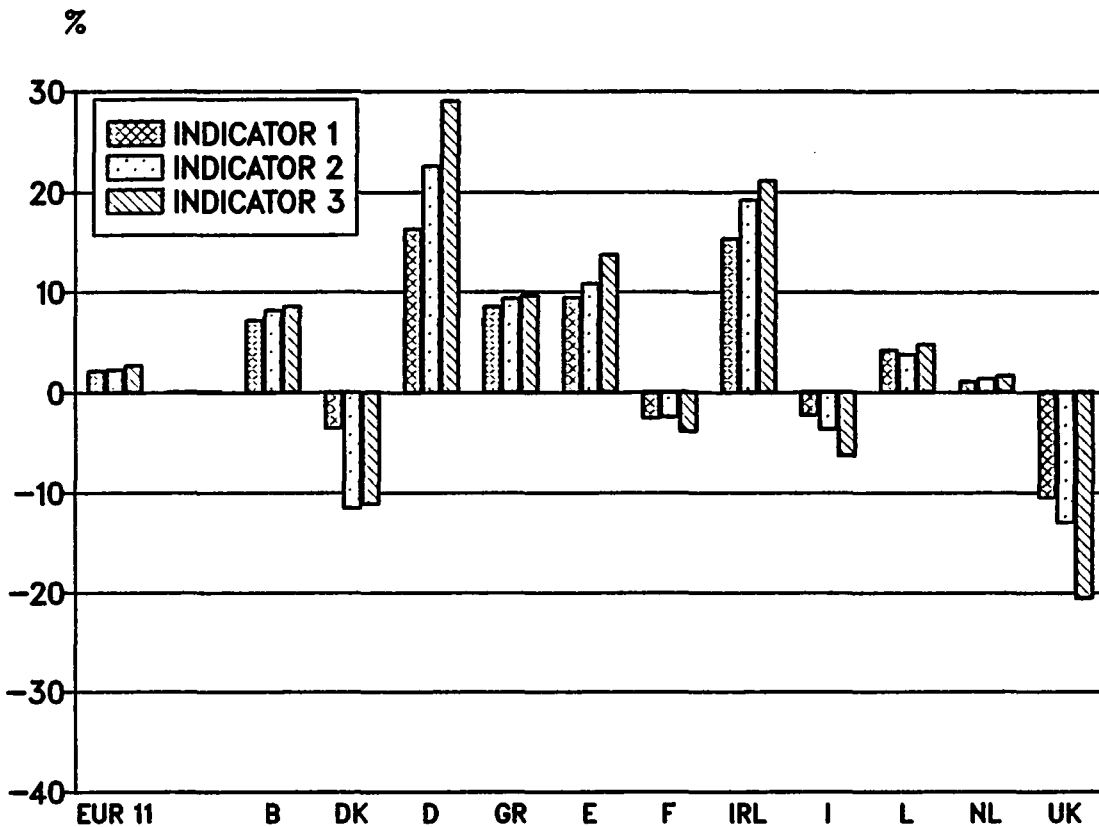
Table 2 : Indices of real net value added at factor cost per annual work unit (AWU), Indicator 1, from 1973 to 1988, "1980" = 100

	B	DK	D	GR	F	IRL	I	L	NL	UK	EUR 10	E	EUR 11
1973	116,5	97,1	125,4	81,2	120,8	98,2	91,6	96,7	111,4	131,2	109,5	:	:
1974	93,1	94,7	107,4	78,9	111,9	90,0	88,9	80,1	94,0	117,9	100,2	:	:
1975	97,5	79,1	122,1	80,3	104,0	110,3	94,9	88,7	101,3	116,4	102,3	:	:
1976	114,9	81,9	126,8	87,3	102,8	105,4	92,3	77,6	110,4	123,0	104,0	:	:
1977	95,6	95,6	122,8	83,9	100,0	129,5	95,9	97,2	105,1	111,9	102,5	:	:
1978	103,1	104,0	118,2	94,9	103,7	132,6	98,3	98,2	103,4	107,2	104,2	:	:
1979	93,3	90,4	107,1	89,8	106,3	110,0	103,1	101,4	95,4	103,1	102,4	101,7	102,1
1980	98,8	97,7	94,0	102,1	95,5	92,7	99,8	93,8	91,9	95,6	96,8	104,9	97,8
1981	107,9	111,9	98,9	108,1	98,3	97,3	97,2	104,8	112,7	101,3	100,8	93,4	100,2
1982	113,5	135,5	118,0	111,4	115,3	105,4	98,4	146,4	118,4	110,1	111,2	108,2	111,1
1983	122,6	116,0	95,9	101,2	106,4	111,7	103,0	129,5	117,0	99,5	104,9	108,8	105,7
1984	118,0	156,5	113,3	110,0	104,2	128,9	94,7	133,7	123,3	118,6	108,4	122,2	110,4
1985	112,5	149,7	97,7	112,8	104,1	118,6	94,7	135,9	116,9	96,1	103,4	124,7	106,3
1986	110,8	145,0	110,6	109,5	103,3	108,1	94,4	142,9	125,2	104,7	105,5	118,8	107,6
1987	104,8	123,1	93,7	113,5	101,5	127,8	94,1	143,8	118,3	102,3	102,2	127,0	105,5
1988	112,3	118,8	108,9	123,1	98,9	147,4	92,0	149,7	119,5	91,7	103,1	139,0	107,6
1988/87 in %	+7,1	-3,5	+16,3	+8,5	-2,5	+15,3	-2,2	+4,1	+1,0	-10,4	+0,9	+9,4	+2,1

1) "1980" = (1979 + 1980 + 1981) : 3

NB: The commas in the tables read as decimal points

**FIGURE 1: ESTIMATED CHANGE IN REAL INCOME IN AGRICULTURE PER AWU  
1988 AS COMPARED WITH 1987 (IN %)**



**FIGURE 2: REAL NET VALUE ADDED AT FACTOR COST IN AGRICULTURE PER AWU:  
1987 INDICES ("1980"=100) AND 1988 RATES OF CHANGE  
COMPARED WITH 1987 (IN %)**

