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AGRICULTURAL INCOME 1990

Agricultural income in the Community in 1990 is expected to fall by 4.5% in real terms, after having risen by 11.2% in 1989. It decreased in most Member States, although there was a marginal increase in Portugal, Denmark and France and a more marked increase in Spain. Against a background of overall stagnation in production volume (a small increase for animals and a slight decrease in crop products, particularly cereals, fresh fruit and wine), the downturn in agricultural income is due mainly to the unfavourable trend in prices in real terms, which was particularly marked in the case of oleaginous plants and in the livestock sector. In addition, the intermediate consumption of agriculture increased in nominal terms slightly more than total final production.

Around this time each year, EUROSTAT publishes revised figures for the trends in agricultural income in the Community during the previous year. These figures are based on the official estimates of the Member States. The results covering the Community as a whole refer therefore to EUR 12¹⁾. Three indicators are used to illustrate trends in income:

Indicator 1: net value added in agriculture at factor cost, in real terms, per annual work unit (= overall income available for the remuneration of the factors of production employed; intermediate consumption, taxes linked to production, and depreciation having been deducted from the value of final production and production subsidies added).

Indicator 2: net income from agricultural activity for the entire labour force, in real terms, per annual work unit (net value added at factor cost less rent and interest).

1) Data for the Federal Republic of Germany in its boundaries prior to 3 October 1990, including West Berlin.

Indicator 3: net income from agricultural activity for family labour, in real terms, per annual work unit (net value added at factor cost less rent, interest and remuneration of hired workers).

Decrease in real income in the Community as a whole

Judging by the estimates available at the end of January 1991, net value added at factor cost, in real terms, per AWU (indicator 1) decreased in the Community in 1990 by 4.5% compared with the previous year (Table 1 and Graph 1). This decrease follows on a rise of 11.2% in 1989. Indicator 2 is down by 6.0% (1989: + 11.8%), and indicator 3 by 8.2% (1989: +15.0%). The main factors contributing to these changes are summarized below.

Very slight increase in the volume of production

The volume of agricultural production is estimated to have increased by only 0.3% in 1990, with a 1.3% drop in crop production and a 1.7% increase in animal production. In the crops sector, quantities increased considerably only in the case of oleaginous plants (excluding olives) (+ 9.5%) and slightly in the case of sugarbeet (+ 1.5%), whereas they decreased markedly for olive oil (- 23.0%) and somewhat for fresh fruit (- 3.1%), cereals (- 3.0%) and grape must and wine (- 2.4%). In the livestock sector, there were increases for all types of livestock (average +2.8%), while animal products (milk, eggs, etc) remained at the same level.

Producer prices: nominally stable yet lower in real terms

In 1990 nominal producer prices remained on average at their 1989 level (+ 0.4%), but this apparent overall stability conceals the fact that different products fared differently and that there was an overall downturn in real terms. With inflation (GDP price index) running at between 2.1% (IRL) and 20.8% (GR) and a Community average of near to 6%, agricultural prices did not rise in real terms in any Member State: nominal increases were recorded only in the five countries with the highest inflation (GR, I, P, UK and E).

In the livestock sector the fall is general, even in nominal terms: -3.7% on average for EUR 12, with -7.5% for bovine animals, - 4.1% for pigs and - 2.9% for milk. No price increase in real terms was recorded for any major product in any country, the rare nominal increases being less than inflation. It should be noted, however, that in this sector price increases had been particularly marked in 1989.

In the crop sector the picture is less clear-cut. There are nominal increases in most countries (except DK, IRL and L), the Community average being +4.7%. The largest increases in producer prices were for olive oil (+ 19.6%) but only thanks to GR, fresh fruit (+ 14.7%) and fresh vegetables (11.0%) in all the countries, and grape must and wine (+ 10.6%) despite decreases in E and P. These four groups of products were the only ones for which price increases in real terms were recorded. For cereals, the slight nominal price increase of 0.4% conceals a reduction in real terms in 11 Member States (+ 0.2% in F), while root crops and particularly oleaginous plants suffered falls in price even in nominal terms (-1,4% and - 6.3% respectively for EUR12).

- United Kingdom (- 3.7%, after + 11.7% in 1989; indicators 2 and 3: - 6.3% and - 11.4%), following changes which were often similar to those of EUR12: growth in the volume of production in the animal sector (+ 4.3%) but a slight decrease in most crop harvests, lower prices in the animal sector (especially bovine animals) and increases in the crop sector, the value of total production increasing less than intermediate consumption and, in particular, less than interest and the remuneration of paid workers;
- Netherlands (- 3.0%, after + 16.4% in 1989; indicators 2 and 3: - 5.6% and - 6.8%), the positive trends in the crop sector (+ 7.5% in value terms) not being sufficient to make up for the price induced decline in animal production (- 6.9% in value terms); on the other hand, the fall in intermediate consumption prices and the increase in subsidies was offset by the increase in depreciation, interest and remuneration (in a country with low inflation).

In four Member States, agricultural income as measured by indicator 1 increased:

- France (+ 0.2, after + 16.0% in 1989; indicators 2 and 3: + 0.2% and - 0.5%), following uneven crops (decrease in fruit and vegetables and maize owing to drought, but increases elsewhere), an increase in the volume of animal production, and price movements in both directions (a fall in the animal sector, oleaginous plants and root crops, with increases elsewhere); there was also a marked increase in subsidies;
- Denmark (+ 0.8%, after + 16.7% in 1989; indicators 2 and 3: - 4.1% and - 5.1%), the fall in prices in the animal sector and for cereals being offset by decreases in intermediate consumption prices and by increases in the quantities of cereals and pigs produced; subsidies and depreciation fell, but there was a sharp increase in interest paid;
- Portugal (+ 1.2%, after + 17.0% in 1989; indicators 2 and 3: - 2.9% and - 4.4%), thanks to the growth in the volume of production (+4.7%, due to increases in fresh vegetables, wine, olive oil and milk and despite marked decreases elsewhere) and to a sharp fall in the agricultural labour force (-6.0%) and despite the price rises significantly below inflation;
- Spain (+ 3.9%, after 0,0% in 1989; indicators 2 and 3: +2.6% and + 2.8%, the only upward trends in the Community), thanks to the increase in the value of the production of all crops except cereals (average + 8.6% due to the prices for fruit and vegetables and to the good harvests of other crops) and despite lower prices in the animal sector; the fall in agricultural employment is the most pronounced in the Community (- 6.1%).

Marked improvement in agricultural income in the Community over ten years

In 1990 agricultural income, as measured by indicator 1, exceeded its average level for the period 1984 to 1986 by more than 6% for the Community but has fallen for five Member States over these five years (P, B, DK, UK and especially I), while increasing by more than 15% for five others (IRL, D, NL, L and especially E). To illustrate the trend over the decade, the average for the last three years may be compared with that for 1980-1982 (see table below): here too, the 12% increase for the Community (i.e. almost 1.5% per annum) is the result of widely differing national trends, which range from - 11% for Italy to + 42% for Spain.

**Agricultural income (indicator 1) 1988-1990
(average for the three years) compared with 1980-82
(1980-82 = 100)**

B	110.4	IRL	132.7
DK	116.5	I	88.9
D	122.6	L	136.9
GR	117.9	NL	127.8
E	142.1	P	98.5
F	112.6	UK	95.0

EUR 12 112.1

Overall this increase in real agricultural income per annual work unit in the 1980s took place despite a downward trend in real producer prices (approximately 3% per annum) this being offset by an increase in the quantities produced (crop sector), a fall in intermediate consumption prices, an increase in subsidies and a regular decline in the agricultural labour force.

To find out more

A detailed analysis of trends in agricultural income and its components is given in the publication "Agricultural income 1990" (Theme 5, Series D), which has just been published. Eurostat will soon also be publishing "Economic Accounts for Agriculture and Forestry 1984-1989" (Theme 5, Series C).

Methodological notes:

1. The income indicator "net value added at factor cost" covers only the agricultural branch and does not represent the overall income of persons employed in agriculture, since they may have income from other sources; some results concerning overall income are given in a separate chapter of the publication "Agricultural income 1990". The labour input and associated trends are expressed in annual work units (AWU); one AWU corresponds to one person employed full-time in agriculture for a whole year.
2. The concept of "final production" is applied in the European Community's economic accounts. It differs from the "delivery" concept, used in certain Member States, in that it includes in production both changes in stocks and investments in agricultural products.
3. The way in which the rates of change in the various income indicators for the Community as a whole are calculated is explained in the above-mentioned publication on agricultural income.

Indicator 1 - Change in net value added at factor cost in agriculture, 1990 as against 1989 (in %)

Member State and	Nominal net value added at factor-cost	Implicit price index of gross domestic product at market prices (Deflator)	Real net value added at factor cost (1:2)	Agricultural labour input (total) in AWU	Real net value added at factor cost per AWU (3:4)
	1	2	3	4	5
B	- 14,6	+ 3,3	- 17,3	- 2,5	- 15,2
DK	+ 2,8	+ 3,0	- 0,2	- 1,0	+ 0,8
D	- 12,4	+ 3,7	- 15,5	- 3,4	- 12,6
GR	+ 8,7	+ 20,8	- 10,0	- 2,4	- 7,8
E	+ 4,8	+ 7,4	- 2,4	- 6,1	+ 3,9
F	+ 0,3	+ 3,5	- 3,1	- 3,3	+ 0,2
IRL	- 4,4	+ 2,1	- 6,4	+ 1,3	- 7,6
I	+ 3,7	+ 7,1	- 10,2	0,0	- 10,2
L	- 7,9	+ 3,1	- 10,7	- 4,0	- 7,0
NL	- 1,2	+ 2,9	- 4,0	- 1,0	- 3,0
P	+ 8,4	+ 13,9	- 4,8	- 6,0	+ 1,2
UK	+ 1,8	+ 7,7	- 5,5	- 1,9	- 3,7
EUR 12	- 0,7	:	- 6,4	- 2,8	- 4,5

NB: The commas in the table read as decimal points

Indicator 1

**Indices of real net value added at factor cost of total labour input per annual work unit (AWU) from 1973 to 1990
1984-86=100**

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1973	102,6	65,4	123,1	72,8	74,9	108,0	83,8	93,0	72,2	91,1	:	116,9	:
1974	82,0	63,7	105,3	70,7	64,0	99,7	76,8	86,7	59,9	77,0	:	106,3	:
1975	85,9	53,3	119,2	72,0	72,0	92,6	107,0	88,9	66,1	82,9	:	103,2	:
1976	101,2	55,1	123,1	78,3	77,1	91,6	101,7	83,2	57,7	90,3	:	110,8	:
1977	84,3	64,4	118,0	75,2	87,7	89,4	125,1	87,7	72,4	86,0	:	103,3	:
1978	90,8	70,0	113,0	85,1	88,8	92,7	129,6	88,7	72,9	84,7	:	98,4	:
1979	82,3	60,8	100,9	80,5	80,8	95,0	108,1	94,8	75,0	78,1	:	94,9	:
1980	87,0	65,8	89,9	91,5	86,7	85,9	88,2	107,9	69,2	75,2	95,7	88,6	89,8
1981	95,4	75,4	90,8	97,0	77,2	89,0	88,5	105,8	77,6	92,3	90,0	95,0	91,9
1982	100,5	91,2	110,8	99,9	89,5	105,1	96,6	106,1	107,7	96,9	100,5	103,1	101,7
1983	108,4	78,1	89,3	90,7	89,9	104,2	101,0	111,5	95,1	93,4	97,3	93,1	98,7
1984	104,4	104,0	102,5	98,8	101,0	103,5	112,2	100,9	98,0	100,9	99,6	111,9	102,4
1985	99,4	95,7	92,5	101,3	103,1	98,3	97,6	101,8	99,9	95,6	98,4	90,6	98,2
1986	96,2	100,3	105,0	100,0	95,9	98,2	90,2	97,4	102,2	103,5	102,1	97,5	99,3
1987	90,5	80,0	87,8	101,8	102,7	98,7	109,2	98,9	101,9	99,6	99,8	96,1	97,7
1988	98,8	81,0	109,3	111,9	118,5	94,9	122,9	94,6	107,4	102,6	84,0	85,3	100,1
1989	115,5	94,5	132,4	118,6	118,5	110,1	124,6	100,0	124,9	119,4	98,3	95,3	111,3
1990	98,0	95,3	115,8	109,4	123,1	110,3	115,2	89,8	116,2	115,8	99,5	91,8	106,3
% 90/89	-15,2	0,8	-12,6	-7,8	3,9	0,2	-7,6	-10,2	-7,0	-3,0	1,2	-3,7	-4,5

FIGURE 1. CHANGE IN REAL NET VALUE ADDED AT FACTOR COST PER AWU FROM 1988 TO 1990 IN % (COMPARED WITH THE PREVIOUS YEAR)

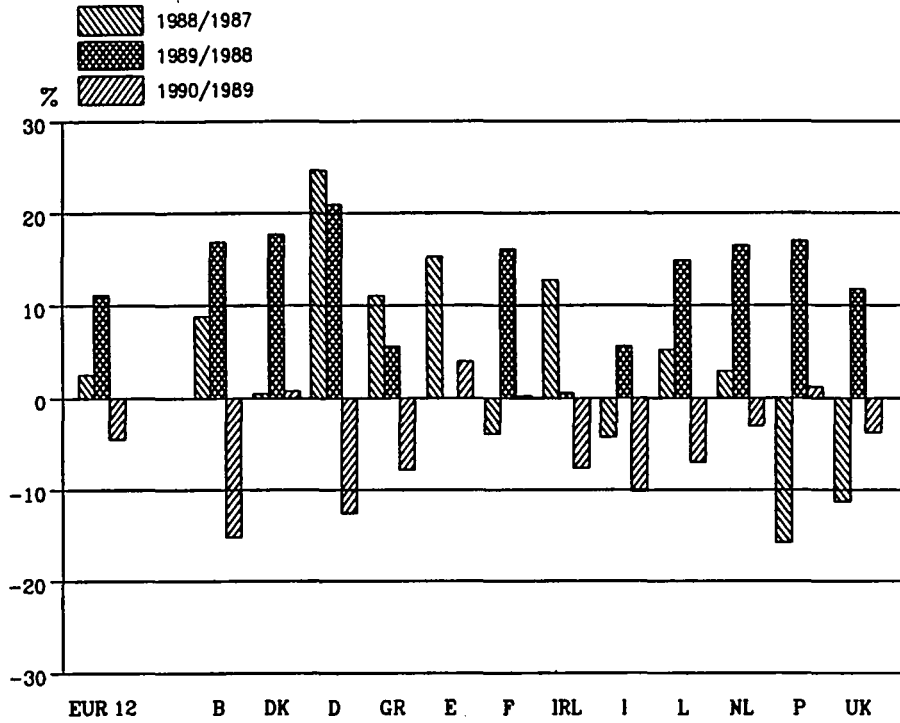


FIGURE 2. REAL NET VALUE ADDED AT FACTOR COST PER AWU: 1989 INDICES (1984-1986 = 100) AND 1990 CHANGE OF INDICES COMPARED WITH 1989

