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FORECASTS OF EC AGRICULTURAL ACCOUNTS 1992

AGRICULTURAL INCOME IN 1992

Agricultural income in the Community⁽¹⁾, measured by real net value added per annual work unit, is expected to have fallen by around -1.6% in 1992, following a rise of +2.1% in 1991. This reduction is principally explained by lower real prices for agricultural products, (-7.9% mostly for crop products); the production volume has risen by +2.8%. Despite this, the agricultural income is likely to remain close to its level in the exceptional year of 1989 for agriculture, although falls are expected in all Member States except Germany, France, Ireland and Luxembourg. The deterioration would be even higher than -10% in the Netherlands and Portugal.

The 1992 agricultural income forecasts are based on the first estimates⁽²⁾ sent to Eurostat by Member States' statistical offices between 13 November and 2 December 1992. There are three indicators for assessing trends in agricultural income.

Net value added in agriculture at factor cost, in real terms and by total annual work unit (AWU) (independent and hired labour) (indicator 1), is expected to have fallen by -1.6% in the European Community (EUR 12), following a rise of +2.1% in 1991 (revised figure - see Table 1). Farm income is nevertheless likely to have remained close to its 1989 level, representing an increase of some +15% since the early 1980s.

Net income from agricultural activity of the total labour force (net value added at factor cost less rents and interest payments), in real terms and by annual work unit (indicator 2), is estimated to have fallen by -1.9% for EUR 12, following a rise of +2.2% in 1991. This would mean an increase of around +13% in indicator 2 since the early 1980s.

(1) Data for the Federal Republic of Germany as it was before 3 October 1990.

(2) It must be stressed that these data are only provisional and may be revised substantially during 1993.

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Net income from agricultural activity of the family labour force, i.e. the holder and the members of his family working on the holding (net income from total agricultural activity less wages), in real terms and per family annual work unit (indicator 3), is thought to have fallen by -4.7%, following a rise of +2.4% in 1991.

Further details and an initial analysis of these trends in farm income in 1992 are given below.

Trends in final agricultural production at Community level

The nominal value of final production for the Community as a whole appears to have slightly decreased in 1992 (-0.7%, made up of +2.8% for volume and -3.4% for nominal prices). The -4.1% reduction in the value of crop production was only partially offset by a rise of +3.0% in the value of animal production. Adjusting these figures for inflation⁽³⁾ produces a drop of -5.3% in the real value of final production, principally due to reductions in real prices (-7.9%). The rates of change in nominal final production amongst Member States vary between -9.3% in Portugal and +10.4% in Luxembourg, with even wider gaps in real terms: negative trends in ten Member States (ranging from -18.4% in Portugal to -3.3% in the United Kingdom) but positive trends in Ireland (+0.7%) and Luxembourg (+7.3%).

Crop production volume is likely to have risen by +5.1% overall, but by far more than this in Belgium, Germany, France, Luxembourg and the Netherlands, while declines are expected for Denmark, Spain and Portugal. This upward trend, one of the steepest in the Community since 1980, is attributable most of all to fresh fruit (+28.8%, with increases in all Member States), wine (+23.3%, with sharp rises in Germany, France and Luxembourg but a substantial drop in Portugal), sugar beet (+10.7%, with increases in most Member States) and potatoes (+7.5%, being higher in all Member States except in Germany and Greece). However harvests were substantially worse this year for cereals (-6.7%, with the fairly stable production in France and Italy unable to compensate for the declines in the United Kingdom and above all in Germany and Spain), oilseeds (-7.0%, with disparate trends ranging from a sharp drop in Denmark, Germany and France to a slight increase in Italy and a more noticeably one in Spain) and olive oil (-9.5%, with marked falls in both Italy and Spain contrasting with an upturn in Portugal). Production of fresh vegetables and flowers was fairly stable for EUR 12, with national disparities balancing out at the Community level.

In contrast to the trend observed in recent years (a rise in prices less than the inflation rate but greater than the rise in intermediate consumption prices), **nominal producer prices for crop products** fell by -8.8%, with most Member States affected. The average drop in real producer prices for crop products was -13.3% for EUR 12, with seven Member States (Belgium, Germany, Spain, France, Luxembourg, the Netherlands and Portugal) around or below the -15% mark. If this drop in prices is confirmed, it will signify a clear break with the trend of -2.9% per annum observed since the early 1980s and will almost certainly be the main reason for the fall in agricultural income across the Community in 1992. The prices showing the sharpest declines in real terms were for oilseeds (-47.0%)⁽⁴⁾, potatoes (-31.6%), fresh fruit (-22.3%), olive oil (-13.7%), wine (-12.4%), fresh vegetables (-12.1%), sugar beet (-8.4%) and cereals (-7.4%).

(3) See methodological note 3.

(4) This decline can be explained mainly by changes in the common organization of the market in this sector. It should be almost fully offset by the direct aids given to producers, which are taken into account in the "subsidies" item.

The nominal crop production value for EUR 12 is expected to be down by -4.1% as a result of falling prices and despite the increase in production volume, having dropped by roughly -20% in Denmark and Portugal, whilst rising in three Member States (Germany, Greece and above all Luxembourg). In real terms, crop production value is likely to decline in all Member States (except Luxembourg): by -8.9% in the Community as a whole and by at least -10% in Denmark, Portugal, Belgium and Spain. Real production value shows a sharp drop for oilseeds (-50.7%), potatoes (-26.5%), olive oil (-21.8%), cereals (-13.6%) and fresh vegetables (-10.4%).

Animal production volume seems to have remained stable at an average annual change of +0.3%, continuing the trend of +0.5% per annum over the past decade. This result is fairly consistent spread across the Community, with production volume fluctuating by over 2% only in Denmark (+3.0%), France (+2.8%) and Germany (-3.7%), while rates of change in other Member States ranged from -0.3% in Italy to +1.4% in Greece, Ireland and Portugal. There were rises in production rose for sheep and goats (+5.1%, with a sharp increase of 25.3% in the United Kingdom), poultry (+2.4%) and pigs (+1.3%, despite declines in Germany, Spain and the United Kingdom), but production remained stable for cattle (+0.5%, with a steep drop in Germany but a considerable increase in France) and fell for milk (-1.3% - a slight drop in all Member States except Greece and Portugal). The volume trend by type of product thus appears to be in line with that observed over the past decade.

Nominal producer prices for animal products are expected to be up in all Member States (+2.7% at the Community level). Real prices are expected to fall by -1.9%, affecting all Member States (ranging from -9.3% in Portugal to -0.1% in the United Kingdom) except Denmark and Ireland and all products (eggs -9.9%, poultry -4.8%, milk -2.4%, sheep and goats -1.9% and cattle -0.9%).

Animal production value is thought to have risen in nominal terms by +3.0% for the Community, but to have fallen in real terms by -1.5%. Only four Member States (Denmark, France, Ireland and the United Kingdom) have recorded a rise in the real value of animal production ; the declines elsewhere range from -8.0% in Portugal to -0.2% in the Netherlands. Pigs (+3.3%) and sheep and goats (+3.1%) are the only products whose value has increased in real terms. The drop in the real value of other animal products varies between, -0.5% for cattle and -11.8% for eggs.

Trends in the other components used to calculate agricultural income at Community level

The nominal value of intermediate consumption is expected to have risen by +1.4% as a result of increases in volume (+0.2%, with a rise for animal feedingstuffs but a further drop for fertilizers) and price (+1.2%, with increases for many intermediate consumption products with the exceptions of fertilizers or energy). Since these higher prices are on average well below the rate of inflation, the value of intermediate consumption is thought to have dropped in real terms, by -3.1%, with nine Member States reflecting this trend (ranging from -16.6% in Portugal to -2.3% in Luxembourg, but with increases in Denmark, Greece and the Netherlands). These developments would mean an improvement in productivity (the ratio of production volume to intermediate consumption volume) and a sharp drop in the Community farm "price scissors" (the ratio of producer prices to intermediate consumption prices).

Gross value added at market prices (total final production less intermediate consumption) would seem to have fallen even in nominal terms for EUR 12 (-2.2%), but more obviously in real terms (-7.0), having risen only in Ireland (+5.4%) and Luxembourg (+16.0), with other Member States showing reductions varying between -3.0% in Germany and -20.2% in Portugal.

After the addition of subsidies⁽⁵⁾, which are expected to have increased by +14,0% across the Community in nominal terms (and by +8.1% in real terms, with wide discrepancies between Member States: -44.6% in Luxembourg compared with +175.0% in Denmark), and the deduction of taxes linked to production, estimated to have fallen by -10.5% in nominal terms for EUR 12 (-13.7% in real terms), gross value added at factor cost will decrease slightly in nominal terms (-0.2%) and -5.2% in real terms.

The deduction of depreciation, which is expected to have dropped slightly (-0.4%), in nominal terms for EUR 12 (-4.8% in real terms, ranging from -29.8% in Spain to +5.7% in Luxembourg), would result in a stable (0.0%) net value added at factor cost for EUR 12 (following +5.5% in 1991). The drop in real terms would be -5.0% compared with 1.7% in 1991 (see Table 1 for the results by Member State).

Interest payments and rents are estimated to have risen by +1.6% and +1.0% respectively in nominal terms (-3.2% and -3.8% in real terms). This would mean a nominal drop of -0.5% in the net income from agricultural activity of the total labour force for EUR 12 (+6.0% in 1991), equivalent to -5.3% in real terms (-1.5% in 1991).

Compensation of employees in agriculture is likely to rise by +7.0% (+1.9% in real terms), bringing with it a nominal reduction of -3.8% in the net income from agricultural activity of the family labour force for EUR 12 (+7.5% in 1991), or -7.9% in real terms (-1.6% in 1991).

Lastly, the total agricultural labour force, used for calculating indicators 1 and 2, is estimated to have fallen by -3.5% in 1992 for EUR 12 (-3.7% in 1991), with reductions ranging from -0.3% in the Netherlands to -6.3% in Spain (all other Member States remaining close to their average figures). The family agricultural labour force, used for indicator 3, declined by -3.4% for EUR 12 (-4.0% in 1991), despite relative stability in Greece and the United Kingdom.

Main trends in Member States' agricultural income in 1992

Country-by-country analysis reveals contrasts due to disparate agro-economic trends in 1992 and differences in the reference base (1991), the result of developments in previous years.

Falling agricultural income (indicator 1) has been observed in the following eight Member States:

- the Netherlands (-12.5%, following +0.1% in 1991), owing to a drop in the real value of final agricultural production (steep drop in real producer prices for crop products not offset by the substantial increase in crop production volume and the stable real value of animal production), aggravated by a sharp decline in subsidies and a very slight decline in the farm labour force;
- Portugal (-10.5%, following -8.6% in 1991): poor cereal and wine harvests and a steep decline in real prices (crop products -25.0%; animal products -9.3%) and despite a drop in the real value of intermediate consumption, an increase in subsidies and a considerable drop in depreciation and the farm labour force;

(5) In the context of the Economic Accounts for Agriculture, subsidies include only direct transfers to agriculture; they do not include price support, investment aid or assistance to the agro-food industry. The trend in these subsidies is not therefore representative of the trend in overall aid to Community agriculture, particularly since any increase may be the result of measures taken to offset the reduced support for prices and markets. This is the case with the reform of the common organization of the oilseeds markets which applies to the 1992/93 marketing period. The resulting changes might explain the majority of increases observed in 1992.

- Spain (-7.8%, following +1.8% in 1991), with sharp reductions in real producer prices for crop products (particularly fresh fruit, oilseeds and potatoes), production volumes (cereals and olive oil) and stable intermediate consumption and despite rising subsidies and a further appreciable drop in depreciation and the agricultural labour force;
- Denmark (-7.2%, following -8.5% in 1991), with a noticeable decline in the real value of crop production (due primarily to the fall in volumes, particularly of oilseeds and cereals) unable to be offset by the rise in the real value of animal production (particularly pigs). The increase in intermediate consumption (animal feedingstuffs) brought a fall in net value added at factor cost, despite a sharp increase in subsidies;
- Greece (-5.3%, following +27.2% in 1991): Steep reductions in real prices (crop products: fresh fruit, oilseeds, olive oil) and despite an increase in volumes (fresh fruit, oilseeds), the real value of final production fell appreciably and, coupled with a slight rise in intermediate consumption, caused a noticeable reduction in net value added at factor cost;
- Belgium (-2.9%, following -1.2% in 1991), owing to declining real prices of crop products (potatoes, oilseeds, fresh vegetables and fruit), partially offset by a steep increase in volume (potatoes and vegetables) and stable animal production;
- Italy (-2.9%, following +12.1% in 1991): with real prices down (cereals, oilseeds, wine) and production volume stable;
- the United Kingdom (-1.3%, following -4.1% in 1991): a steep drop in the real prices of most crop products, partially offset by a slight increase in animal production (particularly sheep) and coupled with a sharp decline in subsidies, taxes and depreciation.

Agricultural income trends were more favourable in the following four Member States:

- France (+3.1%, following -3.8% in 1991): falling real prices of crop products were counterbalanced by increases in their volume, slight upturns in animal production and increases in subsidies, while the farm labour force continues its steady decline;
- Germany (+4.3%, following -6.4% in 1991): in general increasing volumes (crop production well up but animal production down), real prices falling sharply (particularly for crop products), subsidies rising and taxes falling;
- Luxembourg (+4.8%, following -14.6% in 1991), resulting from excellent harvests (fresh fruit, wine, potatoes) which compensated the negative effect on income of falling real prices (crop products and milk) and falling subsidies;
- Ireland (+12.0%, following -7.4% in 1991), with stable real producer prices for animals coupled with a slight increase in production volume, rising subsidies and falling intermediate consumption and taxes.

The longer-term trend in agricultural income

Trends in farm income differ widely from country to country in the medium term. The decline in 1992 is expected to bring indicator 1 to a level still more than +9.2% above that of 1984-86 (see Table 2) for the Community on average. Three groups of Member States can be distinguished (the figures refer to indicator 1 compared with 1984-86):

- agricultural income has risen sharply (ranging from +15% to +30%) in four Member States (E, F, GR and IRL);
- agricultural income has remained stable or risen more slowly in four Member States (I, L, B and D);
- agricultural income is well down (ranging from -10% to -20%) in four Member States (UK, N, P and DK).

A longer-term comparison between the current level of indicator 1 and its level in the early 1980s, using three-year averages in both cases (1990-92 / 1980-82) to eliminate the wide annual fluctuations in farm production and prices, shows that the overall trend in indicator 1 of agricultural income is clearly positive over the decade (+15.2% for EUR 12, equivalent to an average annual rise of +1.4%). Farm income as expressed by indicator 1 thus seems to have remained at its relatively high 1989 level. The same trend is seen in indicators 2 and 3, although it is less obvious here because of their greater instability. Among Member States, despite the declines in two (I and UK at -9.6% and -4.2% respectively) and the stable situation in Portugal (0.0%), the upturn ranges from +7% to +16% for four Member States (NL, DK, D and B), between +23% and +27% for three others (F, GR and L) and from +45% to 50% for Ireland and Spain.

Methodological notes:

1. The results published here are estimates by the relevant national bodies in the Member States for the current year, although Eurostat has provided estimates of depreciation in Italy. The income indicators cover only the agriculture branch and do not therefore represent the total income of persons employed in agriculture, who may have other sources of income (secondary activities, wages, social security payments etc.).
2. The concept of "final production" is applied in the European Community's Economic Accounts for Agriculture and differs from the "delivery" concept used in some Member States by including changes in stocks, for example. This explains certain differences between data published nationally and data published by Eurostat in accordance with a harmonized methodology.
3. The deflator used to calculate prices and values in real terms for each product or aggregate in each Member State is the implicit price index of GDP. The rates of change (nominal or real) for EUR 12 are averages of the national rates, weighted by their shares in the corresponding EC aggregate in a base year, expressed in ECUS. In the calculation of indicator 1, therefore, the rates of change in net value added (NVA) for EUR 12 are averages of the corresponding rates of change in the Member States, weighted by their share of NVA in the Community in 1985, calculated in 1985 ECUS. The rates of change in indicator 1 are then obtained by dividing the real rates of change in NVA by the rates of change in the number of AWUs.

Further information:

These are provisional estimates. In March 1993 Eurostat will publish revised figures and a detailed analysis of trends in agricultural income for the Community as a whole and for each Member State in the report Agricultural Income 1992 (Theme 5, Series D). The annual edition of Economic Accounts for Agriculture and Forestry 1986-1991 (Theme 5, Series C) will be published in January 1993.

Table 1: INDICATOR 1 - CALCULATION OF ANNUAL CHANGES 1991/90 and 1992/91 (in %)

	Nominal Net Value Added		Deflator (GDP price Index)		Real Net Value Added		Agr. Labour Input (in AWU)		INDICATOR 1 (Real NVA / AWU)	
	91/90	92/91	91/90	92/91	91/90	92/91	91/90	92/91	91/90	92/91
B	-1.2	-3.6	3.1	3.4	-4.1	-6.8	-3.0	-4.0	-1.2	-2.9
DK	-8.2	-6.7	3.0	2.0	-10.8	-8.6	-2.6	-1.5	-8.5	-7.2
D	-6.9	5.6	4.6	4.4	-11.1	1.1	-5.0	-3.0	-6.4	4.3
GR	44.4	6.2	15.9	14.9	24.6	-7.6	-2.0	-2.4	27.2	-5.3
E	0.0	-8.0	6.8	6.5	-6.4	-13.6	-8.0	-6.3	1.8	-7.8
F	-4.1	2.5	3.3	3.0	-7.2	-0.5	-3.5	-3.5	-3.8	3.1
IRL	-8.5	13.5	2.5	4.0	-10.7	9.1	-3.6	-2.6	-7.4	12.0
I	16.8	-0.3	7.3	5.4	8.8	-5.4	-2.9	-2.5	12.1	-2.9
L	-15.0	2.8	3.6	2.9	-17.9	-0.1	-3.9	-4.7	-14.6	4.8
NL	3.1	-10.2	3.2	2.9	-0.2	-12.7	-0.3	-0.3	0.1	-12.5
P	3.4	-5.5	14.3	11.1	-9.5	-15.0	-1.0	-5.0	-8.6	-10.5
UK	-0.5	2.1	6.7	5.3	-6.8	-3.0	-2.7	-1.7	-4.1	-1.3
EUR 12	5.5	0.0			-1.7	-5.0	-3.7	-3.5	2.1	-1.6

Table 2: INDICATOR 1 - REAL NET VALUE ADDED per AWU (1984+1985+1986/3 = 100)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
B	86.82	95.24	100.37	108.33	104.35	99.41	96.24	90.76	98.58	123.20	111.81	110.49	107.31
DK	65.34	74.82	90.60	77.54	103.27	96.25	100.48	81.58	83.30	99.48	93.49	85.59	79.45
D	90.30	91.05	111.03	89.41	102.43	92.61	104.96	87.81	109.13	129.65	115.40	108.02	112.63
GR	91.96	97.42	100.05	90.92	98.79	101.31	99.90	102.16	112.44	124.41	104.48	132.86	125.82
E	86.35	76.88	88.89	89.14	100.05	102.35	97.60	104.57	120.52	121.09	126.98	129.25	119.11
F	87.98	91.15	107.63	100.27	99.42	100.05	100.53	101.46	99.07	115.11	120.14	115.59	119.18
IRL	88.27	88.63	96.72	101.09	112.32	97.74	89.94	109.84	128.58	131.45	134.23	124.34	139.30
I	109.26	106.71	106.95	112.04	101.04	101.42	97.53	98.82	93.33	99.17	91.01	102.01	99.01
L	68.03	76.52	105.40	93.20	96.57	100.02	103.42	104.99	106.78	122.61	115.26	98.46	103.23
NL	75.22	92.31	96.91	93.44	100.85	95.65	103.50	85.50	88.35	103.05	98.76	98.89	86.54
P	95.69	89.96	100.54	97.30	99.57	98.35	102.08	99.82	84.00	98.20	104.75	95.72	85.68
UK	90.70	96.07	104.55	93.32	112.75	89.98	97.27	95.36	85.34	97.34	96.04	92.08	90.84
EUR 12	90.63	92.52	102.29	98.17	101.79	98.32	99.89	97.41	100.07	112.10	108.73	110.98	109.21

Figure 1 : EVOLUTION OF INDICATORS 1, 2 AND 3 FOR EUR 12, 1980-1992
(1984+1985+1986/3 = 100)

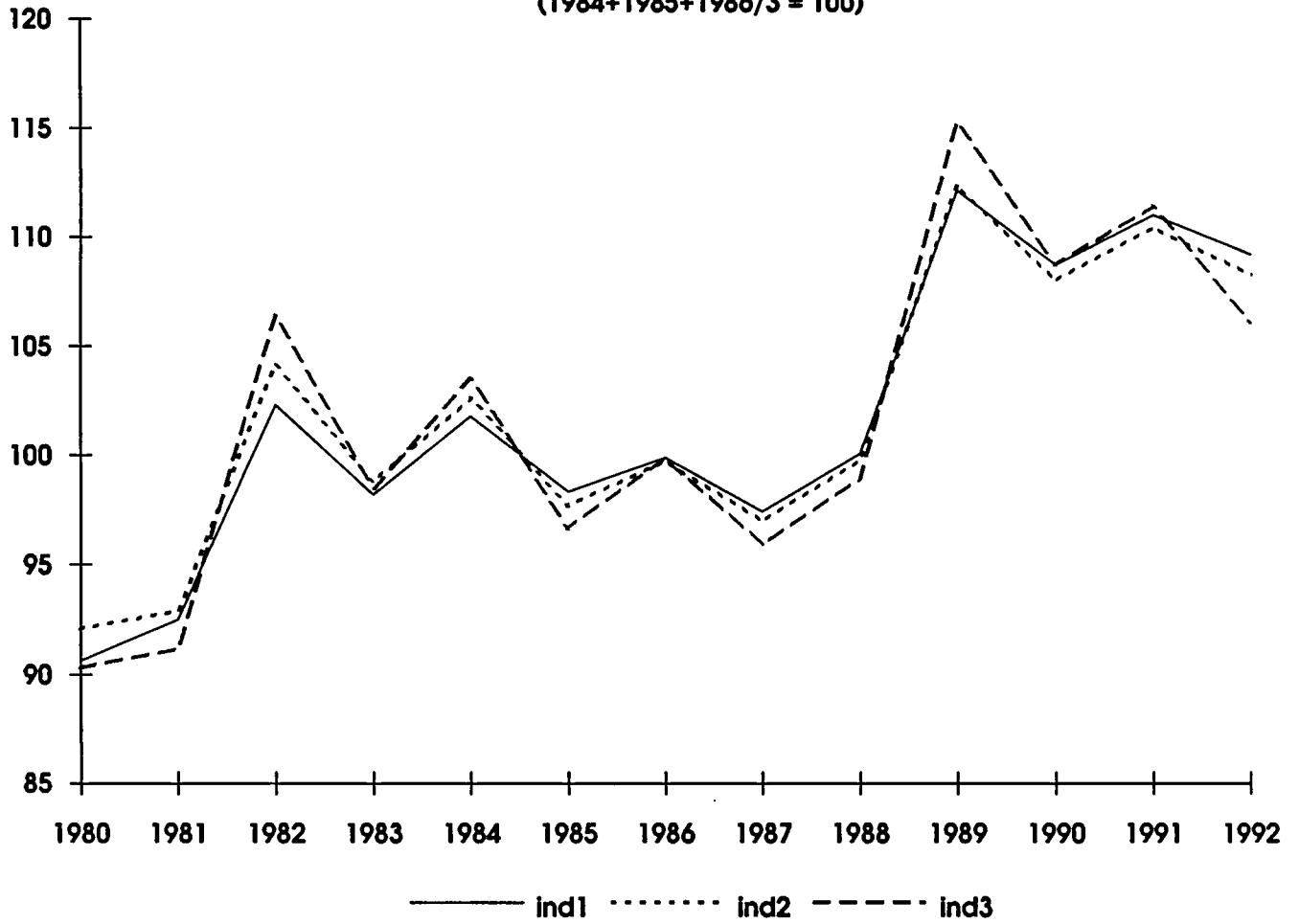


Figure 2 : ANNUAL RATES OF CHANGE OF INDICATORS 1, FROM 1989 TO 1992 (in %)

