

TRENDS IN THE EC AGRICULTURAL PRICE INDICES (OUTPUT AND INPUT) IN THE THIRD QUARTER OF 1992

Please Note:

**Methodological changes have been made.
The changes are as follows:**

1. The index of the purchase prices of goods and services for current consumption in agriculture (input I) and the index of the purchase prices of goods and services contributing to agricultural investment (input II) have now been amalgamated into the index of the purchase prices of the means of agricultural production (input 00).
2. The concept of the "net price effect" has been replaced by the concept of the "agricultural terms of trade" (price scissors).

Producer prices of agricultural products (output)

*Further strong real price fall
(-6.8%, 2nd Quarter 1992: -6.2%)*

The average monthly index of producer prices of **agricultural products** (including fruit and vegetables), for the Community as a whole (EUR 11), declined (-2.8%) in *nominal* terms, in the third quarter of 1992 relative to the corresponding quarter of the previous year (see Table 1). This compares with the decline of (-1.1%) in the second quarter of 1992. Adjusted for inflation, output prices declined (-6.8%) relative to the same quarter a year ago, confirming the strong negative trend that emerged in the 2nd quarter of 1992.

Real producer prices for **crop products** dropped sharply for the second consecutive quarter (-12.3%) relative to the same period in 1991. Significant falls in real prices were observed for all crop products with the notable exception of flowers. In the 3rd quarter of 1992 the price decline for cereals (-10.0%)

was particularly marked, in view of the importance of this product group. The real prices for root crops (-22.7% essentially due to potatoes), fruit (-17.3%) and olives (-25.9%) were also well down on the corresponding period of the year before, with smaller falls recorded for wine must/wine (-11.8%) and fresh vegetable prices (-4.3%). Cereals prices as well as wine prices have now shown real decline for 5 consecutive quarters, and real root crop prices have now also declined for three consecutive quarters.

The *real* producer price for **animals and animal products** decreased again (-1.5%) in the 3rd quarter 1992 compared to the corresponding quarter of 1991 for the Community (EUR 11). Real prices for animals fell marginally (-1.0%). Within this category real prices for calves, cattle and sheep increased (+5.0%, +1.7% and +8.0% respectively). For cattle this represents a reversal of the negative trend in real prices over the preceding eleven quarters. These improvements were outweighed by the declines in other animal prices. For example the positive trend of pig prices, evident in recent quarters was reversed and prices fell (-3.5%) in real terms. Poultry prices also declined (-6.5%), as did 'Other' animals (-11.4%). Real milk prices for the Community (EUR11) continued to slide (-1.0%) but at a much slower rate than in the last five quarters. Egg prices, however, fell further (-10.9%), emphasising the sharp falls of the 1st and 2nd quarters of 1992 relative to the same period a year ago.

Looking at the trends across **Member States**, (see Table 2) the picture remains a sombre one for agriculture. Only two countries - Belgium and Ireland - show positive growth in real price indices for the total agricultural products (+2.0% for both), while the other countries vary between (-15.0%) for Spain to (-0.9%) in the United Kingdom.

Purchase prices of the means of agricultural production (input 00)

Continued rise in nominal terms (+2.8%)

Modest decline in real terms (-1.9%)

The average monthly index of the **purchase prices of the means of agricultural production (input 00)** continue to rise in nominal terms for the Community (EUR11) (+2.8%) in the 3rd quarter, following (+3.4%) in the 2nd quarter (see Table 3), but at rates below the general rate of inflation. Hence the deflated index shows a persistent fall, but at rates of decline below that recorded for the output indices in the 2nd and 3rd quarters of 1992.

The nominal EC price index (EUR11) for purchase prices of **goods and services for current consumption in agriculture (input I)** continued to rise in the 3rd quarter 1992 (+1.7%) compared with the same period a year ago, but at a slower rate than in the preceding four quarters. By contrast real prices continue to decline (-2.9%) but at a higher rate than in the preceding four quarters (see Table 3). The real decline in intermediate consumption prices in the 3rd quarter was due in large measure to falls in animal feedingstuffs (-4.0%), fertilisers (-5.1%), and energy (-4.1%). Animal feedingstuffs shows increasingly negative rates of change in the last two quarters, and Animals for rearing declined for the first time in four quarters.

The price index for **goods and services contributing to agricultural investment (input II)** at the level of the Community (EUR11) increased (+5.9%) in nominal terms and (+1.1%) in real terms in the 3rd quarter 1992 compared to the same period of 1991. This increase in real prices was comprised of a real price rise recorded for farm machinery (+0.5%) (following four quarters of decline), and a continued rise recorded for buildings (+2.2%).

In nominal terms most **countries of the Community** (EUR11) displayed modest positive increases in the purchase prices of the means of agricultural production (Input 00), with the notable exceptions of Greece (+11.9%) and Italy (+5.1%) (see Table 4). However, real price changes in Input 00 were negative across the countries of the Community (EUR11) except for Italy (+0.2%). The real price falls ranged from (-1.6%) in France, to (-4.7%) in Spain.

Comparison of trends in real output and input prices Agricultural Terms of Trade¹⁾

*Further erosion of the agricultural terms of trade in most Member States in the 3rd Quarter 1992
Negative change of the terms of trade (-5.0 %), 2nd Quarter : (-4.6 %) for EUR11*

Analysis by Eurostat shows that the **real agricultural terms of trade** for the Community as a whole (EUR11) has now declined month by month throughout almost all of 1992. The monthly index of terms of trade recorded an absolute low point in the 3rd quarter since the base year of 1985, and remains weak (see attached chart). The latest data for the 3rd quarter (EUR 11) shows a marked decline in real terms of trade (-5.0%) relative to the same period a year ago. This follows the (-4.6%) decline recorded in 2nd quarter.

Looking at trends across **Member States**, it is evident that there are some divergence's. For example the agricultural terms of trade improved in Belgium (+3.9%), Ireland (+4.6%) and the United Kingdom (+1.0%) in the 3rd quarter (see Table below). This resulted from a (+2.0%) improvement in real output prices in both Belgium and Ireland, and a fall of (-0.9%) in the United Kingdom, coupled with a (-1.9%) decline in Belgian, a (-2.5%) decline in Irish, and a drop of (-1.9%) in United Kingdom real input prices. Terms of trade dropped sharply in several other countries in the 3rd quarter, notably Spain (-10.9%), France (-10.0%), Greece (-8.7%), Italy (-5.7%), and the Netherlands (-4.6%).

Real Agricultural Terms of Trade

	2nd Quarter 1992		3rd Quarter 1992	
	index (1985=100)	04/92-06/92	index (1985=100)	07/92-09/92
		04/91-06/91 (%)		07/91-09/91 (%)
B	103,7	2,0	99,6	3,9
DK	92,5	1,1	88,3	- 1,1
D	94,0	-1,4	91,2	- 3,6
GR	94,8	-7,4	88,8	- 8,7
E	95,8	-1,6	93,9	-10,9
F	95,8	-5,7	87,4	-10,0
IRL	105,0	2,5	102,3	4,6
I	90,2	-8,7	94,0	- 5,7
L	93,7	-1,0	92,3	- 0,4
NL	103,0	-3,0	95,9	- 4,6
UK	91,1	-3,1	91,8	1,0
EUR 11	95,0	-4,6	92,3	- 5,0

¹⁾ In the past, there was some misunderstanding in the correct use of the concept of the "net price effect". It should not be used to obtain information about the effect of price changes (output and input) **on the change in agricultural income**. This would have required (i) the use of the concepts of final production and of intermediate consumption in order to establish the weighting schemes of the two indices, as well as the collection of the corresponding prices and (ii) the use of unit values in the calculation of the price indices. What are in fact used, are (i) the sales and purchase values in establishing the weighting schemes and (ii) "pure" producer and purchase prices in the calculation of the price indices. In addition, the purchase prices of goods and services for current consumption in agriculture (input I) and that of goods and services contributing to agricultural investment (input II) have now been amalgamated into the total index of the purchase prices of the means of agricultural production (input 00). A net price effect could still be calculated, but under no circumstances in respect of agricultural income. To avoid any possible wrong interpretation of the results, Eurostat has decided to replace the concept of the "net price effect" with the well-known concept of the "terms of trade" (price scissors) using the following formula :

$$\text{Terms of trade} = \frac{\text{total real output price index}}{\text{total real input price index}} \times 100$$

**Table 1 : EC Index of producer prices of agricultural products :
Rates of change of the price indices for EUR 11 (in %) ⁽¹⁾**

	<u>07/91-09/91</u> 07/90-09/90	<u>10/91-12/91</u> 10/90-12/90	<u>01/92-03/92</u> 01/91-03/91	<u>04/92-06/92</u> 04/91-06/91	<u>07/92-09/92</u> 07/91-09/91
NOMINAL INDICES					
TOTAL	2.2	5.8	4.3	-1.1	-2.8
CROP PRODUCTS	6.2	7.8	3.3	-5.2	-7.9
Cereals and rice	2.9	0.5	-0.8	-6.5	-5.4
Root crops	13.6	6.6	-3.4	-14.3	-20.1
Fruit	12.5	29.7	25.3	5.1	-15.5
Fresh vegetables	0.5	6.2	6.8	-8.2	2.5
Wine must and wine	-1.4	-0.7	-0.7	-3.3	-7.5
Olives and olive oil	33.9	15.5	-9.3	-17.5	-19.3
Seeds	-1.7	-1.5	-5.1	-3.6	-1.6
Flowers etc.	3.4	3.5	-5.4	-3.9	11.4
Other crop products	2.5	4.0	0.8	3.0	-7.1
ANIMALS & ANIMAL PRODUCTS	-1.8	3.8	5.3	3.5	2.8
Animals	-2.4	6.0	9.5	5.1	3.5
Calves	-1.8	2.4	5.0	7.5	9.2
Cattle excluding calves	-5.7	-1.8	2.9	1.8	5.3
Pigs	-1.5	19.0	19.9	11.0	1.6
Sheep and lambs	-3.9	4.2	18.0	4.5	13.7
Poultry	2.2	1.5	3.1	-0.1	-2.2
Other animals	4.1	1.4	-1.2	-5.5	-4.0
Milk	-1.2	0.8	0.7	1.9	2.8
Eggs	1.6	2.3	-6.0	-4.6	-6.1
Other animal products	-11.6	-8.5	-0.8	6.5	9.6
DEFLATED INDICES					
TOTAL	-3.8	-0.4	-1.6	-6.2	-6.8
CROP PRODUCTS	-0.4	0.2	-3.5	-11.1	-12.3
Cereals and rice	-2.3	-4.9	-6.2	-11.8	-10.0
Root crops	7.6	2.1	-7.8	-18.6	-22.7
Fruit	6.8	17.5	17.2	-0.7	-17.3
Fresh vegetables	-5.2	-1.3	-2.2	-15.4	-4.3
Wine must and wine	-6.4	-5.3	-5.2	-7.8	-11.8
Olives and olive oil	19.3	3.5	-19.2	-24.6	-25.9
Seeds	-6.1	-5.9	-9.7	-7.8	-5.6
Flowers etc.	-2.1	-2.2	-10.1	-9.5	6.1
Other crop products	-7.4	-6.7	-9.8	-8.0	-19.5
ANIMALS & ANIMAL PRODUCTS	-6.8	-0.9	0.3	-1.3	-1.5
Animals	-7.4	1.2	4.1	0.3	-1.0
Calves	-7.5	-2.9	-0.8	1.8	5.0
Cattle excluding calves	-9.9	-5.8	-1.4	-2.3	1.7
Pigs	-5.9	14.5	14.2	6.1	-3.5
Sheep and lambs	-12.1	-3.6	10.3	-1.3	8.0
Poultry	-3.7	-3.9	-2.6	-5.0	-6.5
Other animals	-4.2	-6.4	-9.3	-12.5	-11.4
Milk	-5.9	-3.6	-3.9	-2.7	-1.0
Eggs	-4.6	-3.2	-11.4	-9.9	-10.9
Other animal products	-17.6	-13.8	-7.1	-1.4	1.5

(1) On the base 1985 = 100

EUR 11 = EUR 12 - Portugal

Table 2
EC Index of producer prices of agricultural products : Rates of change of the price indices by Member State (in %) ⁽¹⁾

			B	DK	D ⁽²⁾	GR	E	F	IRL	I ⁽⁴⁾	L	NL	UK	EUR11 ⁽³⁾
Total	Nominal indices	a)	5.7	3.1	6.0	18.6	3.0	3.1	2.5	4.8	-6.1	9.7	2.0	5.8
		b)	3.1	5.9	4.5	13.2	4.6	1.5	2.3	4.4	-0.7	3.6	2.2	4.3
		c)	2.7	1.5	2.8	3.2	-1.4	-4.3	3.4	-2.9	-0.2	-1.9	-0.9	-1.1
		d)	4.3	-0.9	-2.3	2.2	-10.3	-9.0	4.9	-0.9	0.9	-3.8	2.7	-2.8
	Deflated indices	a)	3.0	0.9	2.0	0.6	-2.5	0.2	-1.0	-1.2	-8.3	4.7	-2.0	-0.4
		b)	0.7	3.5	0.1	-4.3	-1.8	-1.5	-1.7	-1.2	-3.4	-0.7	-1.8	-1.6
		c)	0.1	-1.0	-1.5	-10.8	-7.3	-7.2	-0.4	-7.9	-3.7	-5.9	-4.8	-6.2
		d)	2.0	-2.9	-5.6	-10.9	-15.0	-11.4	2.0	-5.6	-2.2	-6.9	-0.9	-6.8
Crop products	Nominal indices	a)	5.5	5.4	6.0	21.4	4.5	4.8	9.1	6.0	1.3	10.2	1.4	7.8
		b)	-3.9	2.3	-1.0	12.1	4.1	0.5	3.9	4.8	1.0	1.7	-1.2	3.3
		c)	-7.8	-5.2	-4.6	0.7	-2.8	-8.8	4.0	-5.8	0.8	-10.0	-7.2	-5.2
		d)	-1.4	2.2	-12.7	-1.3	-16.5	-19.5	-7.4	-1.9	-0.4	-8.3	-4.4	-7.9
	Deflated indices	a)	2.8	3.2	2.0	2.9	-1.1	1.9	5.4	-0.1	-1.2	5.2	-2.7	0.2
		b)	-6.1	-0.1	-5.1	-5.2	-2.3	-2.5	0.2	-0.9	-1.9	-2.4	-5.1	-3.5
		c)	-10.2	-7.4	-8.7	-12.9	-8.7	-11.6	0.2	-10.6	-2.7	-13.6	-10.9	-11.1
		d)	-3.7	0.1	-15.6	-13.9	-20.9	-21.6	-10.0	-6.5	-3.5	-11.3	-7.7	-12.3
Animal products	Nominal indices	a)	5.8	2.1	6.0	11.8	0.9	1.3	1.7	2.9	-7.1	9.3	2.4	3.8
		b)	7.2	7.6	6.9	16.2	5.2	2.7	2.1	3.9	-0.9	4.8	4.5	5.3
		c)	9.3	4.8	6.2	9.8	0.7	1.1	3.3	1.7	-0.4	3.3	3.7	3.5
		d)	7.2	-2.2	2.1	11.2	-0.5	2.7	6.8	0.6	1.1	-1.4	6.8	2.8
	Deflated indices	a)	3.1	-0.1	1.9	-5.1	-4.5	-1.6	-1.8	-3.0	-9.4	4.4	-1.7	-0.9
		b)	4.7	5.2	2.4	-1.7	-1.2	-0.4	-1.9	-1.7	-3.7	0.5	0.3	0.3
		c)	6.4	2.3	1.6	-5.1	-5.4	-2.0	-0.5	-3.5	-3.8	-0.9	-0.5	-1.3
		d)	4.8	-4.3	-1.3	-3.1	-5.8	-0.1	3.8	-4.1	-2.0	-4.6	3.1	-1.5

(1) On the base 1985 = 100

$$a = \frac{10/91-12/91}{10/90-12/90}$$

$$b = \frac{01/92-03/92}{01/91-03/91}$$

$$c = \frac{04/92-06/92}{04/91-06/91}$$

$$d = \frac{07/92-09/92}{07/91-09/91}$$

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

(3) EUR 12 - Portugal

(4) 07/92-09/92 estimated

**Table 3 : EC Indices of purchase prices of means of agricultural production :
Rates of change of the price indices for EUR 11 (in %) ⁽¹⁾**

	07/91-09/91 07/90-09/90	10/91-12/91 10/90-12/90	01/92-03/92 01/91-03/91	04/92-06/92 04/91-06/91	07/92-09/92 07/91-09/91
NOMINAL INDICES					
00 TOTAL	4.2	3.6	3.7	3.4	2.8
01 GOODS & SERVICES CURRENTLY CONSUMED IN AGRICULTURE	3.8	2.9	2.6	2.4	1.7
1. Seeds	0.0	1.0	-2.1	-2.8	-0.4
2. Animals for rearing	2.2	9.4	10.7	9.0	1.0
3. Energy	8.0	-1.1	-0.3	4.8	2.3
4. Fertilizers	1.3	-1.3	-2.0	-0.6	1.4
5. Plant protection products	5.8	5.4	2.9	1.7	1.9
6. Animal feedingstuffs	2.4	3.0	3.1	1.4	0.2
7. Small tools	6.4	4.6	3.2	2.6	1.8
8. Maintenance and repair of plant	6.3	6.8	6.8	6.9	6.1
9. Maintenance and repair of buildings	5.9	5.6	4.7	4.4	4.5
10. Veterinary services	3.7	3.6	2.1	2.5	2.9
11. General expenses	6.0	6.1	4.8	5.0	4.9
02 GOODS & SERVICES CONTRIBUTING TO AGRICULTURAL INVESTMENT	5.6	5.6	7.0	6.2	5.9
12. Machinery	3.6	4.1	4.9	4.7	4.9
13. Buildings	9.1	8.2	10.7	8.7	7.6
DEFLATED INDICES					
00 TOTAL	-1.4	-1.6	-1.6	-1.7	-1.9
01 GOODS & SERVICES CURRENTLY CONSUMED IN AGRICULTURE	-1.7	-2.1	-2.5	-2.5	-2.9
1. Seeds	-4.8	-3.9	-6.5	-6.9	-4.7
2. Animals for rearing	-2.7	5.2	6.7	4.8	-3.3
3. Energy	0.0	-8.1	-7.7	-1.7	-4.1
4. Fertilizers	-3.8	-6.4	-8.0	-6.7	-5.1
5. Plant protection products	1.1	1.0	-1.5	-2.6	-1.9
6. Animal feedingstuffs	-3.0	-1.8	-1.6	-3.3	-4.0
7. Small tools	0.8	-0.5	-1.9	-2.4	-2.6
8. Maintenance and repair of plant	1.2	1.7	1.7	1.7	1.7
9. Maintenance and repair of buildings	0.7	0.8	-0.2	-0.4	0.4
10. Veterinary services	-0.9	-0.8	-2.2	-1.7	-0.8
11. General expenses	1.0	1.3	0.4	0.6	1.0
02 GOODS & SERVICES CONTRIBUTING TO AGRICULTURAL INVESTMENT	-0.3	0.0	1.2	0.8	1.1
12. Machinery	-1.6	-0.9	-0.3	-0.3	0.5
13. Buildings	2.1	1.7	4.1	2.8	2.2

⁽¹⁾ On the base 1985 = 100

EUR 11 = EUR 12 - Portugal

Table 4
EC Indices of purchase prices of the means of agricultural production : Rates of change of the price indices by Member State (in %) ⁽¹⁾

			B	DK	D ⁽²⁾	GR	E	F	IRL	I	L	NL	UK	EUR11 ⁽³⁾
Total	Nominal indices	a)	1.2	0.9	4.2	16.0	0.9	0.8	0.9	4.0	1.1	3.7	4.0	3.6
		b)	1.0	-0.6	4.1	12.5	1.2	0.3	0.8	7.2	-0.2	2.5	3.0	3.7
		c)	0.8	0.4	4.3	11.4	0.3	1.4	0.9	6.3	0.8	1.1	2.3	3.4
		d)	0.4	0.3	1.3	11.9	0.6	1.1	0.3	5.1	1.2	0.9	1.7	2.7
	Deflated indices	a)	-1.4	-1.3	0.2	-1.6	-4.5	-2.1	-2.6	-2.0	-1.4	-1.0	-0.2	-1.6
		b)	-1.4	-2.8	-0.2	-4.8	-5.0	-2.7	-3.2	1.4	-3.0	-1.7	-1.1	-1.6
		c)	-1.9	-2.0	-0.2	-3.7	-5.8	-1.6	-2.8	0.9	-2.7	-3.0	-1.8	-1.7
		d)	-1.9	-1.8	-2.1	-2.5	-4.7	-1.6	-2.5	0.2	-1.8	-2.4	-1.9	-1.9
Goods and services currently consumed in agriculture	Nominal indices	a)	1.0	0.1	4.0	15.8	1.0	0.1	0.6	1.9	-0.3	3.1	3.5	2.9
		b)	0.8	-1.4	3.9	12.1	0.6	-0.5	0.7	4.0	-2.4	2.3	2.6	2.6
		c)	0.6	-0.1	4.2	12.4	0.1	0.8	0.7	2.9	-0.8	0.6	1.9	2.4
		d)	0.2	-0.1	0.4	12.4	0.3	1.5	-0.1	1.3	-0.1	0.2	1.2	1.7
	Deflated indices	a)	-1.6	-2.0	0.1	-1.7	-4.4	-2.7	-2.8	-3.9	-2.7	-1.6	-0.6	-2.1
		b)	-1.6	-3.6	-0.5	-5.2	-5.6	-3.5	-3.3	-1.7	-5.1	-1.9	-1.4	-2.5
		c)	-2.0	-2.5	-0.3	-2.8	-5.9	-2.3	-3.0	-2.4	-4.2	-3.5	-2.2	-2.5
		d)	-2.0	-2.1	-3.0	-2.1	-5.0	-2.2	-2.9	-3.4	-3.1	-3.0	-2.3	-2.9
Goods and services contributing to agricultural investment	Nominal indices	a)	2.8	3.8	4.7	16.4	0.5	3.2	2.1	6.5	3.5	5.9	6.0	5.6
		b)	2.3	2.6	5.0	13.5	3.3	3.4	1.6	11.1	3.9	3.0	4.6	7.0
		c)	1.6	2.2	4.9	9.1	1.0	3.7	1.9	10.4	3.6	3.0	4.1	6.2
		d)	1.5	1.5	4.4	10.8	1.7	3.3	1.7	9.5	3.6	3.0	3.8	5.9
	Deflated indices	a)	0.2	1.6	0.8	-1.3	-4.8	0.3	-1.4	0.4	0.9	1.1	1.8	0.0
		b)	-0.1	0.3	0.6	-4.0	-3.0	0.4	-2.4	5.0	1.0	-1.2	0.5	1.2
		c)	-1.1	-0.2	0.4	-5.7	-5.1	0.6	-1.8	4.7	0.1	-1.2	-0.1	0.8
		d)	-0.8	-0.6	0.9	-3.4	-3.7	0.5	-1.1	4.3	0.4	-0.4	0.2	1.1

(1) On the base base 1985 = 100

$$a = \frac{10/91-12/91}{10/90-12/90}$$

$$b = \frac{01/92-03/92}{01/91-03/91}$$

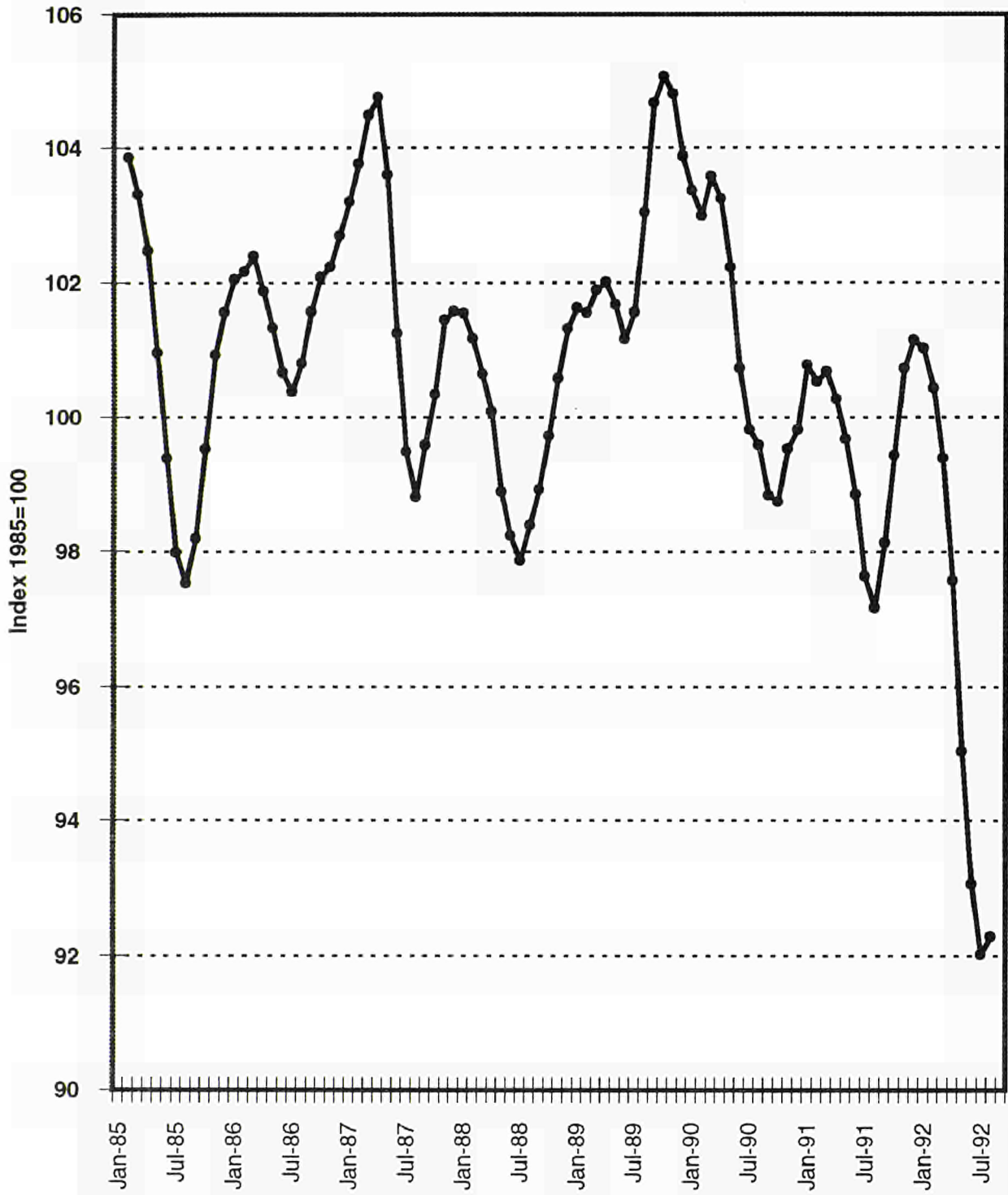
$$c = \frac{04/92-06/92}{04/91-06/91}$$

$$d = \frac{07/92-09/92}{07/91-09/91}$$

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

(3) EUR 12 - Portugal

Trend in the Agricultural Terms of Trade from January 1985 to September 1992 for EUR 11



Source: Eurostat, F-1, Three Monthly Moving Average