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EC AGRICULTURAL ACCOUNTS 1989

Agricultural income 1989

In 1989 agricultural income in the Community is expected to increase by 7.7%, mainly because of considerably higher price rises for agricultural products than for the means of agricultural production. The situation has improved in all the Member States except Spain, where it has remained stable.

The forecasts of agricultural income for 1989 are based on estimates as at 8 December 1989. A clear improvement is expected for this year in the Community as a whole. There are three indicators for assessing the development of this income. Net value added at factor cost, in real terms and per annual work unit (AWU) (indicator 1) should rise by 7.7% (cf. Table 1) for the Community excluding Portugal. This follows a slight increase of 1.5% in 1988.

Net income from agricultural activity (net value added at factor cost less rents and interest payments) (indicator 2), in real terms and per annual work unit (hired and non-hired workers)

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and indicator 3, which covers the net income of the non-hired agricultural labour force, i.e. the holder and the members of his family working on the holding (net value added at factor cost less rent, interest payments and wages), again in real terms and per non-remunerated annual work unit, are likely to show respective increases of 8.2% (1988: +1.5%) and 10.8% (1988: +1.9%).

An initial analysis (cf. Table 3) of the reasons for this improvement in agricultural income reveals first of all an increase of 7% in the overall value of final production¹, with prices up by 7% in nominal terms and volume remaining stable.

The volume of crop production is likely to be up 0.1%, favourable climatic conditions having contributed to an increase in grape must and wine (+8.2%) following the fall in 1988, flowers and ornamental plants (+4.6%), fruit (+3.1%) and vegetables (+2.8%) on the one hand, and production of olive oil (-8.3%) and oilseeds and oleaginous fruit (-7.4%) having been badly hit by lack of rain on the other. There will be a slight fall in cereals, largely owing to the yield in Spain being 24% down on the 1988 figure.

A 5.2% price rise in nominal terms for crop production is largely due to increases for potatoes (+23.4%), grape must and wine (+17.2%), olive oil (+16.8%), oilseeds and oleaginous fruit (+11.1%) and vegetables (+5.2%). These increases can be attributed to the dry weather, which either reduced the harvest or favoured production of quality wines. On the other hand, prices of citrus fruits (-3.6%), fresh fruit (-1.2%), flowers and ornamental plants (-0.3%) and cereals (-0.1%) are expected to be slightly lower than in 1988. An increase in supply caused the prices of these products to drop, with the exception of cereals for which the decline was kept in check by a number of factors such as the application of stabilizers.

The slight drop in total animal production (-0.1%) mainly results from reductions in pigs (-1.3%) and animal products, particularly eggs (-3.8%) and milk (-0.6%).

The price of total animal production should go up by 8.6%, with an across-the-board increase in the prices of animals and animal products. The price of pigs (+20.9%) and eggs (+7.9%) will rise considerably due to the downturn in supply (effect of eggs and of the pig cycle). The fall in milk production likewise explains the substantial increase in the price of milk (+6.2%). The 7.6% increase in cattle prices is due to the fact that a lot of dairy cows have been slaughtered over recent years, and to the higher prices paid for other animals.

1 See the methodological notes at the end of the text

The value of intermediate consumption is likely to rise by 4.9%. This is due to an increase in both the volume (+0.5%) and the price (+4.3%) of intermediate consumption. The upturn in demand for animal feedingstuffs (+0.5%) is linked to the increase in poultry production and a drop in fodder supply. The notably higher figure for the volume of plant protection and pharmaceutical products (+4.7%) is mainly due to the climatic conditions, which necessitated greater use of plant health products.

The prices of all products consumed by agriculture will be up in nominal terms. The rate of increase should, however, be 2.7% points lower than for agricultural products (+4.3% as against +7.0%).

Gross value added at market prices (total final production less intermediate consumption) is expected to rise by 8.6% in 1989 compared with the 1988 figure.

Production subsidies paid to the farmer will show a 9.4% rise, largely due to the set-aside and extensivisation of production programmes. Subsidies will rise from 9.7 thousand million ECU in 1988 to 10.7 thousand million ECU in 1989.

The increase in taxes linked to production (+5.7%) in 1989 is markedly lower than in 1988. The slower increase rate for taxes linked to production is due, first and foremost, to the reduction in the coresponsibility levy on milk and to the partial reimbursement in 1989 of the 1988 supplementary levy on cereals.

Depreciation is expected to rise by 3.0% (1988: 3.3%). Rents are likely to be up 3.6%, with higher interest rates boosting interest charges by 8.8% (1988: 2.9%).

Compensation of employees will rise by 4.4%, this being higher than the 1988 rate (2.8%).

To arrive at net value added at factor cost, subsidies must be added to gross value added at market prices, and taxes linked to production, as well as depreciation, deducted. The result is an increase in nominal terms of 10.5%.

Finally, there are two other factors influencing agricultural income per AWU in real terms: the variation in the number of such units and the rate of inflation. According to information currently available, the agricultural labour force should fall by 2.6% in 1989 (-3.0% in 1988). The rate of change of the implicit price index of gross domestic product at market prices, which is used as a deflator, will be slightly higher than it was last year (1988: 4.4%, 1989: 4.9%).

The anticipated increase of 7.7% in real agricultural income per AWU (indicator 1) is the weighted average of changes in the Member States.

A country-by-country analysis reveals differing situations, partly because of varying agro-economic trends and partly because 1988/1987 is taken as the reference base. It very often happens that a favourable rate of change in one year is balanced out by an unfavourable one the previous year and vice versa. The highest positive rates of change were in Denmark: +25.9% (-2.7% in 1988), Luxembourg: +17.0% (+2.8% in 1988), Belgium: +15.7% (+9.7% in 1988) and in FR Germany: +13.5% (+19.9% in 1988). In France, the United Kingdom, Italy, and the Netherlands, where rates are close to the Community average, income will improve by +8.5% (-2.2% in 1988), +7.6% (-9.9% in 1988), +7.3% (-5.7% in 1988) and +7.0% (+4.1% in 1988) respectively. Trends are still positive, though less so than for the Community as a whole in Greece: +5.3% (+4.2% in 1988) and Ireland: +2.5% (+15.4%) in 1988. There will, however, be a slight downturn in Spain: -0.1% (+8.4% in 1988).

A medium-term comparison reveals that real agricultural income in the Community rose in comparison to its "1985" level by 7.9% (cf. Table 2). Here again there are considerable differences between the Member States. The increase between "1985" and 1989 is far above the average in Ireland, Luxembourg and FR Germany (+20%) and somewhat above average in Belgium, Spain, Greece and the Netherlands (between 10 and 20%). Trends for France and Italy are positive but lower than the Community average. On the other side of the coin, the figure has remained relatively stable since "1985" in Denmark and is even declining in the United Kingdom (-7%).

Averaging the indices of agricultural income (indicator 1) from 1987 to 1989 per Member State irons out the substantial annual fluctuations in production. It will be seen that that the "1988" income has remained at least at the same level as "1980". The situation has been stable in Italy and the United Kingdom while increases of highly varying proportions apply to the other Member States.

Development 1987-1989 ("1988") compared with 1979-1981 ("1980")
 "1980" = 100

B	117,6	IRL	144,8
DK	127,7	I	99,3
D	111,9	L	155,0
GR	116,9	NL	125,9
E	136,6	UK	99,1
F	105,2		
		EUR 12	113,5
		(without P)	

These are provisional estimates. In March 1990, Eurostat will publish revised figures and a detailed analysis of the development of agricultural income for the Community as a whole and for each of the Member States.

Methodological notes:

- 1) The results published here are estimates by the relevant national organizations in the Member States for the current year. 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 investments in agricultural products.
- 3) The rates of change (Table 1) in net value added (NVA) per AWU in real terms for the Community result from weighting the national rates of change with each country's share of NVA in the Community in 1988. Total real NVA for the Community in Table 2 is obtained by adding the real NVA figures deflated by the implicit price index of GDP and converted into ECU by reference to 1985 exchange rates. Average real NVA per AWU in absolute terms is obtained by dividing total real NVA by total AWU to form the basis for calculating the series of Community indices.

Table 1 : Real net value added at factor cost per annual work unit (AWU)
1989 % rates of change compared with 1988

		B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12(a)
1	Nominal net value added at factor cost	15.7	25.5	13.9	21.1	1.8	9.0	5.0	11.5	17.1	8.5	:	12.0	10.5
2	Total agricultural labour input in AWU (b)	-3.0	-4.0	-2.0	0.0	-5.0	-2.8	-1.9	-2.3	-3.0	0.0	:	-2.4	-2.6
3	Nominal net value added at factor cost per AWU (1:2)	19.3	30.7	16.2	21.1	7.2	12.1	7.0	14.1	20.8	8.5	:	14.8	13.4
4	Implicit price index of gross domestic product at market prices	3.1	3.8	2.4	15.0	7.3	3.3	4.4	6.3	3.2	1.4	12.4	6.7	5.3 (c)
5	Real net value added at factor cost per AWU (3:4)	15.7	25.9	13.5	5.3	-0.1	8.5	2.5	7.3	17.0	7.0	:	7.6	7.7

(a) Without Portugal

(b) Number of persons for Ireland

(c) See the methodological comments, paragraph 3

Table 2 : Indices of real net value added at factor cost per annual work unit (AWU) from 1973 to 1989, "1985" (1) = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1989 1988 %
B	102,8	82,2	86,1	101,4	84,4	91,0	82,4	87,2	95,3	100,2	107,9	104,1	99,4	96,5	92,5	101,5	117,4	+15,7
DK	65,7	64,0	53,5	55,4	64,7	70,3	61,1	66,1	75,7	91,6	78,4	104,5	95,3	100,3	81,0	78,8	99,2	+25,9
D	117,0	100,2	113,9	118,3	114,5	110,2	99,9	87,6	92,2	110,1	89,4	105,7	91,2	103,2	88,0	105,4	119,6	+13,5
GR	73,5	71,4	72,7	79,0	75,9	85,9	81,3	92,4	97,9	100,8	91,6	99,6	102,1	98,4	101,1	105,3	110,9	+5,3
E	74,3	63,5	71,5	76,5	87,0	88,1	80,2	86,0	76,6	88,8	89,2	100,2	102,3	97,5	104,7	113,5	113,4	-0,1
F	115,9	107,3	99,7	98,6	95,9	99,4	101,9	91,5	94,2	110,6	102,0	99,9	99,9	100,1	99,6	97,4	105,7	+8,5
IRL	83,2	76,3	93,4	89,2	110,0	112,1	93,1	78,2	82,0	89,4	94,3	108,7	100,0	91,2	109,8	126,8	130,0	+2,5
I	104,9	98,9	100,6	94,4	99,1	100,4	106,7	97,6	95,7	100,1	110,2	100,2	102,1	97,7	100,8	95,1	102,0	+7,3
L	70,2	58,4	64,6	56,6	70,8	71,3	73,5	67,9	76,6	106,3	94,0	97,0	98,7	104,4	104,7	107,6	125,9	+17,0
NL	91,2	77,0	83,0	91,0	86,0	84,7	78,1	75,2	92,3	96,9	93,5	100,9	95,7	103,4	98,0	102,1	109,3	+7,0
UK	117,1	106,2	102,1	110,9	103,3	98,4	94,8	88,4	94,7	102,8	93,1	111,8	90,4	97,8	95,9	86,4	93,0	+7,6
EUR 11	95,7	86,6	88,9	91,1	92,5	93,9	92,1	87,8	90,5	101,3	97,3	102,0	98,6	99,4	98,7	100,2	107,9	+7,7
P	:	:	:	:	:	:	:	104,4	94,2	103,8	94,6	99,7	101,0	99,3	102,8	83,9	:	:
EUR 12	:	:	:	:	:	:	:	88,3	90,7	101,3	97,4	102,0	98,6	99,4	98,61	99,7	:	:

(1) "1985" = (1984+1985+1986)/3

Table 3: The provisional economic accounts for agriculture of the EC (1) 1989

FINAL PRODUCTION OF AGRICULTURAL PRODUCTS	Growth rates (2) (in %)			Value 1989 in Mio ECU
	Volume index	Price index	Value index	
Total crop production	0.1	5.2	5.3	94738
of which :				
Cereals	-2.9	-0.1	-3.0	21704
Root crops	0.6	11.5	12.1	9041
of which : Potatoes	-0.4	23.4	22.9	4427
Sugar beets	1.3	2.0	3.4	4590
Industrial crops	-6.5	10.6	3.4	6800
of which : oil seeds and oleaginous fruit	-7.4	11.1	2.8	4389
Fresh vegetables	2.8	5.2	8.1	17645
Fresh fruit	3.1	-1.2	1.9	8846
Citrus fruit	2.6	-3.6	-1.1	2091
Grape must and wine	8.2	17.2	26.8	10527
Olive oil	-8.3	16.8	7.1	2998
Ornamental plants	4.6	-0.3	4.2	7071
Total livestock production	-0.1	8.6	8.5	100118
of which :				
Animals	0.5	10.2	10.7	58628
of which : Cattle	0.7	7.6	8.4	25229
Pigs	-1.3	20.9	19.4	20151
Sheep & Goats	4.1	0.2	4.3	3664
Poultry	2.4	1.0	3.4	8333
Animal products	-0.9	6.5	5.5	41490
of which : Milk	-0.6	6.2	5.6	34354
Eggs	-3.8	7.9	3.8	5160
Total final production	0.0	7.0	7.0	195881

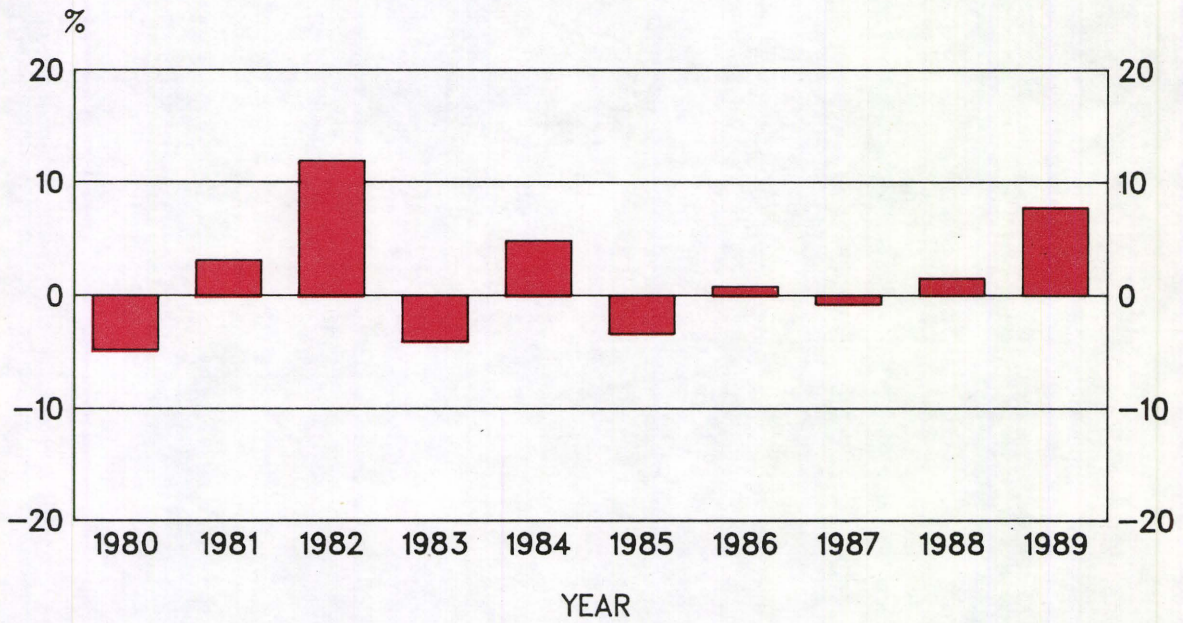
(1) Excluding Portugal

(2) Values in national currencies

INTERMEDIATE CONSUMPTION	Growth rates (2) (in %)			Value 1989 in Mio ECU
	Volume index	Price index	Value index	
Total	0.5	4.3	4.9	83870
of which :				
Animal feedingstuffs	0.5	4.3	4.9	35530
Fertilizers	0.3	2.9	3.3	9881
Energy	-0.1	6.9	6.8	8044
Plant protection and pharm. products	4.7	2.0	6.8	5684

INCOME ACCOUNTS	Growth rates (2) of value 1989/1988 (in %)	Value 1989 in Mio ECU
Gross value added at market prices	8.6	112011
Subsidies	9.4	10734
Taxes linked to production	5.7	3945
Depreciation	3.0	24384
Net value added at factor costs	10.5	94500
Rents	3.6	4155
Interests	8.8	12436
Net income from agricultural activity for the total labour force	11.1	77909
Compensation of employees	4.4	19752
Net income from agricultural activity for the family labour	13.6	58156

ANNUAL RATES OF CHANGE OF REAL NET VALUE ADDED AT FACTOR COST OF AGRICULTURE PER AWU IN THE COMMUNITY(without Portugal), 1980-1989



ANNUAL RATES OF CHANGE OF REAL NET VALUE ADDED AT FACTOR COST OF AGRICULTURE PER AWU IN THE COMMUNITY(without Portugal), 1988-1989

