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### TRENDS IN THE EC AGRICULTURAL PRICE INDICES IN 1989

#### Results of forecasts 1)

#### **Producer prices of agricultural products (output):**

- Strong increase in nominal terms (+7.6%).
- Downward movements of previous years halted with a clear upturn in real terms (+2.1%).

#### **Purchase prices of goods and services for current consumption in agriculture (input I):**

- 4.9% rise in nominal terms, twice as high as 1988 (+2.5%).
- Little real change (-0.2%). Previous years characterized by clear price falls in real terms.

#### **Purchase prices of goods and services contributing to agricultural investment (input II):**

- 5.5% up in nominal terms.
- No change in real terms (-0.1%).

#### **Comparison of trends in real output and input (I) prices:**

- With the exception of Italy, every Member State experienced a positive real price effect on agricultural income.
- Positive price effect of 2.2 percentage points on average in the Community (previous year: -1.5 percentage points).

- 1) Agricultural output and input price trends in 1989 were forecast, in consultation with the Community's Member States, on the basis of price indices. The forecasts contained in this rapid report reflect the information available at 30 November 1989. No figures are currently available for Portugal.

## 1. EC index of producer prices of agricultural products (output prices)

According to forecasts available to date, the index of *producer prices of agricultural products* is expected to be up 7.6% *in nominal terms* in the Community as a whole (excluding Portugal) in 1989 compared with 1988 (cf. Table 1). This constitutes a considerable improvement over the previous year's rate of increase (+2.2%). It may be assumed that the prices for animal products (+9.2%) were a major factor contributing to the 7.6% rise. Crop product prices are expected to go up by only 6.0% in nominal terms.

The national rates of change of nominal producer prices forecast for 1989 range from +4.8% for Italy to +16.1% for Greece which, along with Belgium, shows a rise of more than 10%. The other Member States report rises of between +5.4% (IRL) and +8.9% (DK).

Deflating the overall index of producer prices of agricultural products by the consumer price index, the picture for the Community as a whole (EUR 11) is of a 2.1% rise in real producer prices (cf. Table 1). This reverses the downward movement of real producer prices in agriculture which had prevailed for several years.

Apart from the United Kingdom (-0.5%) and Italy (-1.4%), there will be real increases in agricultural producer prices in 1989 in all the other nine Member States covered, with the rates of change ranging from +0.4% (E) to +8.0% (B).

## 2. EC indices of the purchase prices of the means of agricultural production (input prices)

The index of the *purchase prices of goods and services for current consumption in agriculture (Input I)* is expected to increase in the Community as a whole (excluding Portugal) by 4.9% *in nominal terms* in 1989 (cf. Table 2), almost double the previous year's rise (+2.5%). In the two years prior to 1988 there had been a steady drop in nominal input prices, due primarily to falling prices for feedingstuffs, energy and fertilizers.

All the items listed in Table 2 may be assumed to have contributed to the *nominal* Input I price rise of 4.9%. The rise in purchase prices for animals for rearing is expected to be well above average (+19.5%), with a slightly above-average increase in energy prices and building repair costs. In contrast, purchase price increases for fertilizers (+3.0%) and plant protection products (+2.0%) are expected to be well below the average.

In all eleven of the Member States covered, *nominal* Input I prices are expected to rise (cf. Table 3): between 2% and 3% in Spain, Luxembourg and Belgium, more or less by the average (between 4% and 6%) in France, Denmark, the Netherlands, Italy, the United Kingdom, Ireland and the FR of Germany and well above the average in Greece (+12.6%).

In *deflated* form, there will be little or no change in Input I prices in the Community as a whole (excluding Portugal) in 1989 compared with 1988 (-0.2%). Real prices had fallen considerably in previous years. In the individual Member States, rates of change of real Input I prices will range from -4.3% (E) to +3.5% (D).

The index of *purchase prices of goods and services contributing to agricultural investment (Input II)* is expected to be up 5.5% (1988: +4.9%) *in nominal terms* in the Community as a whole (excluding Portugal) in 1989, whilst remaining largely unchanged in real terms (1989: -0.1%; 1988: -1.0%).

### 3. Comparison of the forecast real development of the EC index of the producer prices of agricultural products with that of the EC index of the purchase prices of goods and services for current consumption in agriculture

In the Community as a whole (excluding Portugal), the deflated output price indices are expected to be 2.1% up in 1989, whereas the deflated Input I price indices are likely to fall slightly by 0.2% over the same period. The effect on income of the rise in real output prices will be reinforced by the simultaneous, albeit slight, drop in real input prices. This situation must be viewed against the fact that purchases of goods and services for current consumption in agriculture in the Community as a whole (EUR 11) account for only 46.4% in value terms of the overall sales of agricultural products (calculated with reference to the national farm concept). This has a positive effect on real agricultural income (in the sense of gross value added) of 2.2 percentage points (1988: -1.5 percentage points).

In four of the eleven Member States covered (IRL, D, NL and F), both output and input prices are rising in real terms. In four other Member States (GR, E, L and DK), real output prices are rising while input prices are falling. Output and input prices have declined in two Member States (I and UK). Finally, Belgium has recorded a rise in real (output prices, with input prices remaining unchanged).

Taking into account the value share of goods and services for current consumption in the sales of agricultural products per Member State, the real price effect on agricultural income was positive for all the Member States except Italy. The table below shows the Member States in order of increasing difference between the two rates of increase: growth rate of deflated output prices minus growth rate of deflated input prices, taking into account the value share of purchases of goods and services for current consumption in sales of agricultural products in 1985:

Country	Rates of change of real output prices (%)	Rates of change of real input I prices (%)	Input I as a share of output in 1985	Corrected rates of change of real input I prices (%) (2 x 3)	Net price effect (points) (1 - 4)
	1	2	3	4	5
I	-1,4	-1,2	0,309	-0,4	-1,0
IRL	+1,4	+1,6	0,480	+0,8	+0,6
UK	-0,5	-2,1	0,567	-1,2	+0,7
GR	+2,3	-0,8	0,264	-0,2	+2,5
E	+0,4	-4,3	0,495	-2,1	+2,5
L	+3,0	-0,3	0,396	-0,1	+3,1
D	+5,5	+3,5	0,644	+2,3	+3,2
NL	+5,4	+3,4	0,529	+1,8	+3,6
F	+3,9	+0,3	0,436	+0,1	+3,8
DK	+3,9	-0,2	0,519	-0,1	+4,0
B	+8,0	0,0	0,567	0,0	+8,0
EUR 11	+2,1	-0,2	0,464	-0,1	+2,2

#### Technical note

The EC agricultural price indices (output and input) are available in Eurostat's CRONOS data bank ("PRAG" domain) in both nominal and deflated form. By using deflated indices it is possible to eliminate the distortions in the nominal indices caused by different inflation rates in the Member States. The nominal agricultural price indices are deflated by means of the consumer price index. The terms "deflated" and "real" are used synonymously.

Spain has now been included in the EC agricultural price index system for the output price indices. Forecasts for both the output and input price indices are provided by Spain. No agricultural price indices or forecasts are yet available for Portugal.

Table 1

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

Indice CE des prix à la production des produits agricoles: Taux de variation des indices des prix par Etat membre (en %) (1)

			D	F	I	NL	B	L	UK	IRL	DK	GR	E	EUR 11
Total	Nominal indices Indices nominaux	a)	-5,8	0,4	4,0	-6,5	-5,5	0,9	2,0	-0,5	-3,6	13,3	8,6	1,6
		b)	-2,0	-2,7	-0,6	-1,8	-2,4	0,6	1,4	4,0	-2,7	11,4	-2,4	-0,6
		c)	-0,8	0,3	2,7	1,5	-0,7	2,4	0,2	10,5	1,4	12,4	2,6	2,2
		d)	8,4	7,5	4,8	6,6	11,2	6,6	7,2	5,4	8,9	16,1	7,3	7,6
	Deflated indices Indices déflatés	a)	-5,6	-2,2	-1,8	-6,7	-6,7	0,6	-1,3	-4,2	-7,0	-7,9	-0,2	-3,2
		b)	-2,2	-5,7	-5,1	-1,4	-3,9	0,7	-2,7	0,8	-6,5	-4,3	-7,3	-4,5
		c)	-2,0	-2,3	-2,2	0,6	-1,9	1,0	-4,5	8,2	-3,0	-1,0	-2,1	-2,0
		d)	5,5	3,9	-1,4	5,4	8,0	3,0	-0,5	1,4	3,9	2,3	0,4	2,1
Crop products Produits végétaux	Nominal indices Indices nominaux	a)	-2,7	2,2	5,0	-4,3	-2,9	3,1	6,1	8,1	0,5	13,2	14,0	5,3
		b)	0,5	-4,9	0,1	2,3	2,6	1,6	1,5	-5,2	0,8	12,4	-1,7	0,2
		c)	-2,9	-2,3	3,2	-0,5	-3,5	0,9	-6,0	0,0	-5,9	13,3	3,9	1,5
		d)	0,8	7,1	3,4	1,3	3,4	-3,0	5,9	7,1	1,1	15,7	6,0	6,0
	Deflated indices Indices déflatés	a)	-2,5	-0,4	-0,8	-4,5	-4,1	2,8	2,6	4,1	-3,0	-8,0	4,7	-0,6
		b)	0,3	-7,8	-4,4	2,8	1,0	1,7	-2,6	-8,1	-3,1	-3,4	-6,6	-4,5
		c)	-4,1	-4,8	-1,8	-1,3	-4,6	-0,6	-10,4	-2,1	-10,0	-0,2	-0,9	-3,4
		d)	-2,0	3,4	-2,8	0,2	0,2	-6,2	-1,7	3,1	-3,5	1,9	-0,7	-0,2
Animal products Produits animaux	Nominal indices Indices nominaux	a)	-7,0	-1,5	2,5	-7,6	-6,8	0,4	-0,4	-1,7	-5,2	13,6	2,4	-1,6
		b)	-3,0	-0,4	-1,5	-4,0	-4,9	0,4	1,3	5,3	-4,2	9,2	-3,4	-1,2
		c)	0,1	2,8	0,1	2,6	0,8	2,7	4,1	11,9	4,7	10,0	1,0	2,8
		d)	11,6	8,0	6,9	9,4	14,9	8,6	7,8	5,1	12,0	14,6	9,1	9,2
	Deflated indices Indices déflatés	a)	-6,8	-4,0	-3,2	-7,8	-8,0	0,2	-3,7	-5,3	-8,6	-7,7	-5,9	-5,4
		b)	-3,3	-3,4	-6,0	-3,6	-6,3	0,5	-2,7	2,1	-7,9	-6,2	-8,2	-4,5
		c)	-1,1	0,2	-2,9	1,7	-0,4	1,3	-0,8	9,5	0,1	-3,1	-3,6	-0,8
		d)	8,4	4,4	0,6	8,2	11,4	5,0	0,1	1,2	6,9	1,0	2,2	4,1

(1) On the base / sur la base 1985 = 100    a =  $\frac{1986}{1985}$     b =  $\frac{1987}{1986}$     c =  $\frac{1988}{1987}$     d =  $\frac{1989}{1988}$

Table 2  
 EC Indices of purchase prices of the means of agricultural production:  
 Rates of change of the price indices for EUR 11 (in %) (1)  
 Indices CE des prix d'achat des moyens de production agricoles:  
 Taux de variation des indices des prix pour EUR 11 (en %) (1)

	1986 1985	1987 1986	1988 1987	1989 1988
<b>Nominal indices / Indices nominaux</b>				
<b>01 Goods &amp; serv. currently cons. in agricult.</b> <b>Biens &amp; serv. de cons. courante de l'agric.</b>	-2,3	-1,6	2,5	4,9
1. Seeds / Semences	0,6	3,7	-0,1	5,0
2. Animals for rearing/Animaux d'élevage	-5,8	-1,7	3,9	19,5
3. Energy / Energie	-18,9	-4,7	-2,8	5,9
4. Fertilizers / Engrais	-4,1	-8,8	0,1	3,0
5. Plant protection products / Produits de protection des cultures	2,4	1,0	1,8	2,0
6. Animal feedingstuffs/Alim. des animaux	-1,3	-2,7	3,8	4,7
7. Small tools / Petit outillage	4,3	3,6	3,5	4,1
8. Maintenance and repair of plant / Entretien et réparation du matériel	6,5	6,6	4,8	5,2
9. Maintenance and repair of buildings / Entretien et réparat. des bâtim. d'expl.	4,4	3,7	4,5	5,9
10. Veterinary services/Serv. vétérinaires	4,8	3,0	3,0	3,7
11. General expenses / Frais généraux	4,4	3,3	4,2	4,2
<b>02 Goods &amp; serv. contr. to agricult. investm.</b> <b>Biens et serv. conc. aux invest. de l'agric.</b>	6,6	4,0	4,9	5,5
12. Machinery / Machines	6,8	3,9	4,5	5,1
13. Buildings / Ouvrages	6,0	4,5	5,5	6,2
<b>Deflated indices / Indices déflatés</b>				
<b>01 Goods &amp; serv. currently cons. in agricult.</b> <b>Biens &amp; serv. de cons. courante de l'agric.</b>	-6,2	-5,1	-1,0	-0,2
1. Seeds / Semences	-3,1	0,3	-3,6	0,1
2. Animals for rearing/Animaux d'élevage	-8,4	-4,0	0,8	14,9
3. Energy / Energie	-22,8	-8,4	-6,5	0,9
4. Fertilizers / Engrais	-7,8	-12,1	-3,3	-1,8
5. Plant protection products / Produits de protection des cultures	-1,4	-1,7	-1,7	-3,1
6. Animal feedingstuffs/Alim. des animaux	-5,4	-6,2	0,1	-0,6
7. Small tools / Petit outillage	0,4	0,1	-0,3	-1,2
8. Maintenance and repair of plant / Entretien et réparation du matériel	2,3	2,9	1,1	-0,3
9. Maintenance and repair of buildings / Entretien et réparat. des bâtim. d'expl.	0,5	0,3	0,8	0,4
10. Veterinary services/Serv. vétérinaires	0,9	-0,3	-0,7	-1,9
11. General expenses / Frais généraux	0,8	0,1	0,7	-0,7
<b>02 Goods &amp; serv. contr. to agricult. investm.</b> <b>Biens et serv. conc. aux invest. de l'agric.</b>	1,3	0,4	0,7	-0,1
12. Machinery / Machines	2,5	0,1	0,6	-0,3
13. Buildings / Ouvrages	-0,9	1,0	0,8	-0,1

(1) On the base / sur la base 1985 = 100

Table 3

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

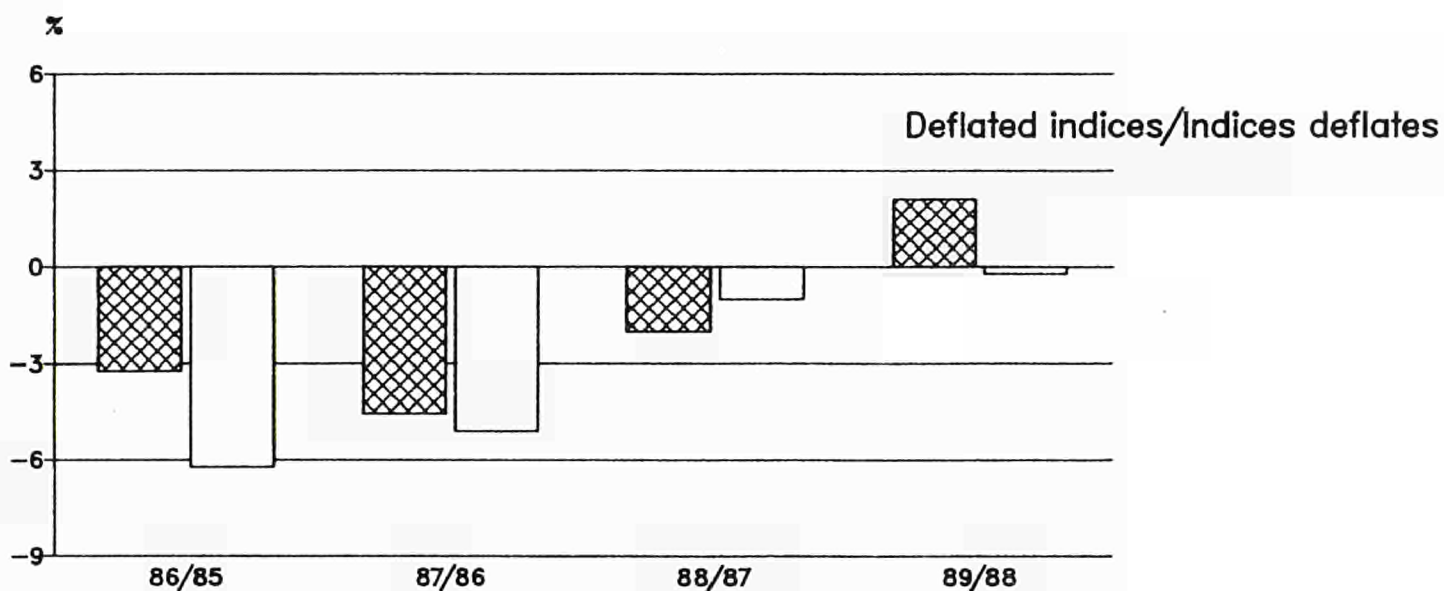
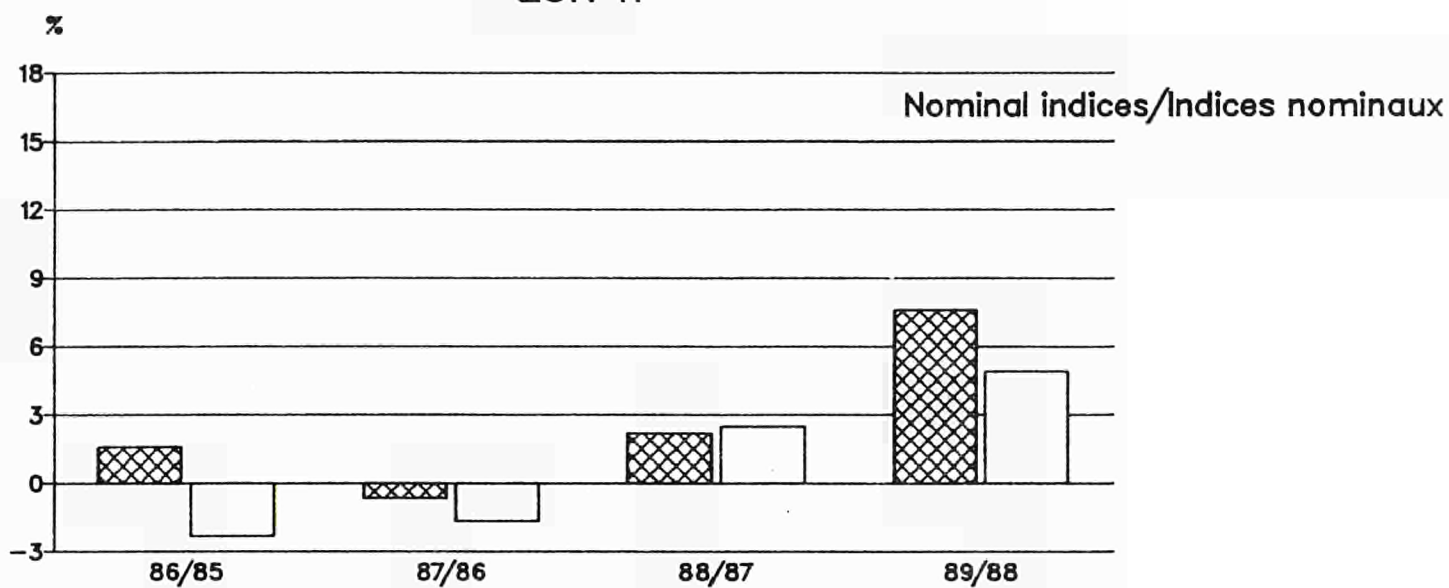
Indices CE des prix d'achat des moyens de production agricoles: Taux de variation des indices des prix par Etat membre (en %) (1)

			D	F	I	NL	B	L	UK	IRL	DK	GR	E	EUR 11
Goods and services currently consumed in agriculture / Biens et services de consommation courante de l'agriculture	Nominal indices Indices nominaux	a)	-7,9	-3,8	-0,5	-8,9	-5,7	-3,8	-1,7	-3,8	-5,5	17,4	4,8	-2,3
		b)	-5,4	-1,8	0,4	-7,9	-5,5	-4,9	0,4	-4,7	-3,7	8,7	1,1	-1,6
		c)	1,1	2,0	3,3	2,6	2,6	0,6	4,5	2,7	5,0	7,7	0,5	2,5
		d)	6,3	3,8	5,0	4,6	3,1	3,0	5,4	5,5	4,5	12,6	2,3	4,9
	Deflated indices Indices déflatés	a)	-7,7	-6,3	-6,0	-9,1	-6,9	-4,1	-4,9	-7,3	-8,8	-4,5	-3,7	-6,2
		b)	-5,6	-4,8	-4,2	-7,5	-7,0	-4,9	-3,6	-7,6	-6,6	-3,8	-3,8	-5,1
		c)	-0,2	-0,6	-1,7	1,7	1,4	-0,9	-0,4	0,6	0,5	-5,1	-4,2	-1,0
		d)	3,5	0,3	-1,2	3,4	0,0	-0,3	-2,1	1,6	-0,2	-0,8	-4,3	-0,2
of which / dont : Animal feedingstuffs/ Aliments pour animaux	Nominal indices Indices nominaux	a)	-6,8	-2,8	0,2	-8,9	-4,2	-3,3	1,1	-1,9	-5,2	16,2	4,5	-1,3
		b)	-8,8	-3,2	0,7	-10,5	-6,9	-6,2	0,1	-2,1	-0,6	9,0	0,6	-2,7
		c)	2,6	6,3	4,2	3,5	3,6	-0,7	5,6	2,6	4,4	7,0	0,4	3,8
		d)	4,9	5,0	4,4	7,0	1,9	2,0	5,3	7,0	5,6	20,2	-0,6	4,7
	Deflated indices Indices déflatés	a)	-6,7	-5,3	-5,3	-9,1	-5,4	-3,6	-2,2	-5,5	-8,5	-5,5	-4,0	-5,4
		b)	-9,0	-6,1	-3,9	-10,1	-8,3	-6,2	-3,9	-5,1	-9,7	-6,3	-4,4	-6,2
		c)	1,3	3,5	-0,9	2,7	2,4	-2,1	0,6	0,4	-0,1	-5,8	-4,2	0,1
		d)	2,1	1,4	-1,8	5,7	-1,1	-1,5	-2,3	3,0	0,7	5,9	-6,9	-0,6
Goods and services contributing to agricultural investment / Biens et services concourant aux investissements de l'agriculture	Nominal indices Indices nominaux	a)	2,4	4,3	5,6	3,0	4,5	3,9	6,8	4,5	3,8	28,5	11,6	6,6
		b)	2,0	4,3	3,5	2,9	1,0	2,3	6,7	4,4	3,6	11,3	4,1	4,0
		c)	2,1	3,2	6,6	2,6	3,1	1,8	6,1	4,1	5,4	10,0	3,4	4,9
		d)	2,4	4,1	6,0	2,4	5,0	6,7	6,2	4,4	4,4	14,0	6,2	5,5
	Deflated indices Indices déflatés	a)	2,5	1,6	-0,2	2,8	3,1	3,6	3,3	0,6	0,1	4,5	2,6	1,3
		b)	1,7	1,1	-1,2	3,3	-0,5	2,4	2,4	1,2	-0,4	-4,4	-1,1	0,4
		c)	0,8	0,5	1,4	1,7	1,9	0,3	1,1	1,9	0,8	-3,1	-1,4	0,7
		d)	-0,4	0,6	-0,2	1,2	1,8	3,2	-1,4	0,6	-0,4	0,4	-0,4	-0,1

(1) On the base / sur la base 1985 = 100    a =  $\frac{1986}{1985}$     b =  $\frac{1987}{1986}$     c =  $\frac{1988}{1987}$     d =  $\frac{1989}{1988}$

TRENDS IN THE EC AGRICULTURAL PRICE INDICES(OUTPUT AND INPUT)  
 1989(\*)  
 EVOLUTION DES INDICES CE DES PRIX AGRICOLES(OUTPUT ET INPUT)  
 1989(\*)

Rates of change of the agricultural price indices  
 Taux de variation des indices des prix agricoles  
 EUR 11



Output prices/Prix output



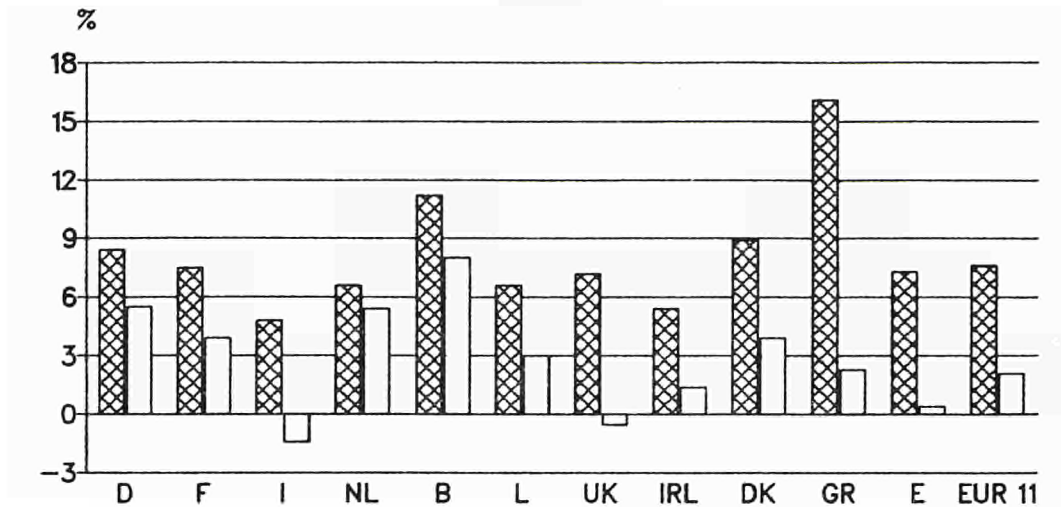
Input prices/Prix input

(\*)Forecast/Prevision



EC Index of producer prices of agricultural products  
 Rates of change of the price indices by Member States  
 Indice CE des prix a la production des produits agricoles  
 Taux de variation des indices des prix des Etats Membres

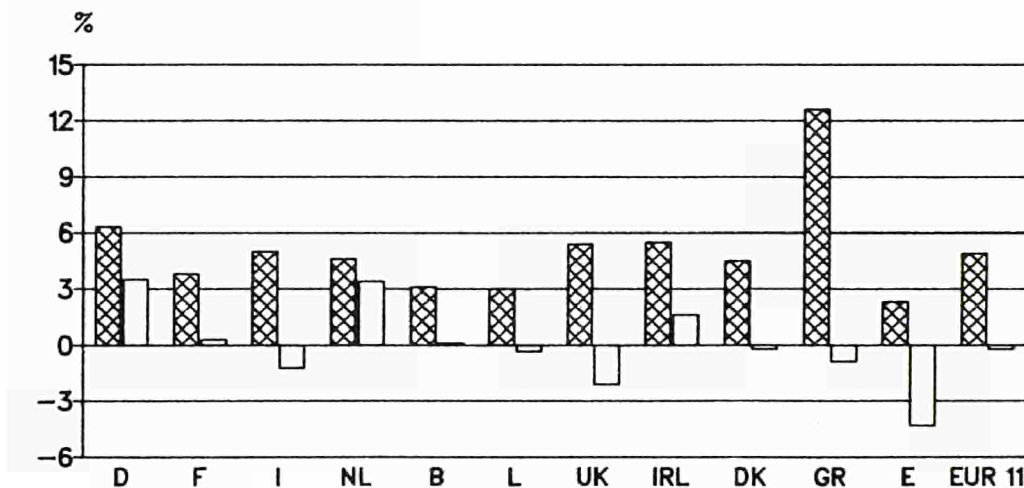
1989(\*)



EC Indices of purchase prices of the means of agricultural production  
 Rates of change of the price indices by Member States  
 Indices CE des prix d'achat des moyens de production agricoles  
 Taux de variation des indices des prix des Etats Membres

1989(\*)

Goods and services currently consumed in agriculture  
 Biens et services de consommation courante de l'agriculture



Nominal Indices/Indices nominaux



Deflated Indices/Indices deflates

