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### AGRICULTURAL INCOME 1989

There has been a clear increase of 9.5% in real terms over 1988. This is mainly explained by an upswing in the prices of agricultural products (+7.3%) which is clearly higher than that of the means of production (+4.1%). The producer prices for animal products (+9.0%) have risen more strongly than for crop products (+5.3%). Agricultural income has improved in all the Member States with the exception of Spain where it has remained virtually constant.

Around this time each year, EUROSTAT publishes revised figures for the trends in agricultural income in the Community during the preceding year. These figures are based on the official estimates of the Member States; for the first time, it has been possible to include Portugal in the calculations. The results covering the Community as a whole refer therefore to EUR 12. 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).
- 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).
- 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).

## **Increase in real income in the Community as a whole**

Judging by the estimates available at the end of January 1990, net value added at factor cost, in real terms, per AWU (indicator 1) should have risen in the Community in 1989 by 9.5% over the previous year (Table 1 and Graph 1). This clear progression follows on a rise of 1.3% in 1988. Indicator 2 is likely to increase by 10.0% (1988: +1.2%) and indicator 3 by 13.4% (1988: +1.4%). The factors described below have contributed to these developments.

## **Slight increase in the volume of production**

It is estimated that the volume of agricultural production increased in 1989 by 0.4%, the result of a rise in crop production by 1.1% and a slight decline in animal production by 0.3%. In the crop sector, quantities have increased in particular for grape must and wine (+13.2%), fresh vegetables (+3.0%) and sugarbeet (+2.5%), whereas they have fallen for oilseeds (-8.9%), olive oil (-10.6%) and cereals (-1.8%). As regards animal production, the direct consequences of the application of milk quotas, i.e. the fall in the production of milk (-0.6%) and in the production of both eggs (-3.5%) and pigs (-0.8%), have been largely compensated by increases in the other products.

## **Clear rise in producer prices in both nominal and real terms**

Producer prices in nominal terms have gone up in the crop sector (+5.3%) and even more in the animal sector (+9.0%). Overall, the increase for producer prices is 7.3%, this being two to three percentage points higher than the inflation rate for 1989 (variation in the implicit price index of GDP at market prices). After the falls of previous years, pig prices have risen considerably (+21.8%). In the same way, the producer prices for bovine animals (+8.0%), eggs (+8.0%) and milk (+6.6%) have been far higher than in 1988. On the crop production side, notable increases are apparent in the prices for potatoes (+24.0%), grape must and wine (+18.5%), olive oil (+17.4%), oilseed plants (+10.7%) and fresh vegetables (+5.9%). On the other side of the coin, the prices of citrus fruits (-4.5%), fresh fruit (-0.4%) and cereals (-0.4%) have fallen. Taking final production as a whole, real increases in agricultural producer prices apply at EUR 12 level as well as in all the Member States with the exception of Spain and Portugal. In most of the Member States, these are due to the development of the prices of animals and animal products.

## **Moderate increase in expenditure on intermediate consumption which is largely determined by prices**

The value of intermediate consumption increased in 1988 and this trend continued in 1989 (+4.8%). However, prices play a far greater role in the second of these years; the volume of intermediate consumption went up by 0.7% only whereas prices progressed by 4.1%. The price increase of 4.3% for animal feedingstuffs and 7.0% for energy have had a considerable effect on expenditure in this sector overall. In all the Member States with the exception of Ireland and Spain, the rates of increase in expenditure on intermediate consumption are below the rates for final production.

### **Subsidies and taxes linked to production on the upswing, progression in the rates of increase of depreciation**

Subsidies linked to production have gone up by 9.6% in 1989 by comparison with the previous year; taxes have not gone up quite so much (+5.6%). On the Community average, depreciation (+3.4%) has gone up faster than last year.

### **Combined effect of these factors on revenue**

All the factors referred to above (quantity, price, etc.) have led to a rise in net value added at factor cost of 11.9% in nominal terms, this being the Community average. If account is also taken of the reduction in the agricultural labour force (-3.1% in 1989, -2.7% in 1988), the increase in this parameter, by annual work unit, becomes 15.5% by comparison with 1988. In real terms, however, this gives the above-mentioned figure of 9.5% for indicator 1.

### **Differing situation from one Member State to another**

The increase in agricultural income for the whole of the Community results from differing developments in the Member States (Table 2 and Graph 2). In all of them with the exception of Spain \*), income has increased. The highest growth rates (indicator 1) are in Denmark (+24.8%), Belgium (+19.3%), Luxembourg (+17.3%), the Federal Republic of Germany (+16.3%), the Netherlands (+11.9%) and France (+11.5%). The figures for Portugal (+9.0%), Italy (+8.4%) and the United Kingdom (+7.6%) are slightly below the Community average. The increase is less marked in Greece (+6.6%) and Ireland (+1.9%). In Spain, there is virtually no change (-0.2%). However, these variation rates must be seen in the light of income developments during the preceding year and even years. The EUROSTAT publication "Agricultural income 1989", which has just been published, contains detailed information on this subject.

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- \* According to the latest information, employment in agriculture in Spain did not go down by 5% but by 6% over 1988. This results in a progression for this country too, though a slight one, of 0.9% in indicator 1

## Improvement of 10.1% in agricultural income in 1988 in comparison to 1981

A medium-term comparison shows that agricultural income (indicator 1) in the Community in "1988" (average of the years 1987 to 1989) is higher by +10.1% than in "1981" (average of the years 1980 to 1982 - Table 2). There are also considerable differences between the Member States. Agriculture in Ireland, Luxembourg, Spain and the Netherlands has clearly profited. The growth rates for Belgium, Germany, Greece and Denmark are close to those of the Community; incomes have stagnated in France and Italy and have even declined in the United Kingdom and Portugal.

Agricultural income (indicator 1) 1987-1989 ("1988")  
in comparison with 1980-1982 ("1981")  
"1981" = 100

B	111.5	IRL	146.5
DK	110.7	I	101.9
D	111.0	L	135.2
GR	110.8	NL	118.9
E	131.9	P	92.4
F	103.1	UK	96.1

EUR 12      110.1

### To find out more

A detailed analysis of the development in agricultural income and its component factors is given in the publication "Agricultural income 1989" (Theme 5, Series D). EUROSTAT has also published the Economic Accounts for Agriculture and Forestry 1983-1988 (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. The labour force input and the development thereof 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, used for special purposes in certain countries, in that it includes changes in stocks and investments in agricultural products in production.
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 income report referred to above.

Table 1: Probable change in real agricultural income per annual work unit in 1989 as against 1988 (in %)

Member State	Real net value added at factor cost/AWU Indicator 1	Real net income from agricultural activity	
		of total labour input in agriculture/AWU Indicator 2	of family labour input/AWU (fam.) Indicator 3
B	+19,3	+22,6	+24,2
DK	+24,8	+61,2	+135,0
D	+16,3	+20,4	+24,8
GR	+6,6	+7,8	+8,5
E	-0,2	-2,9	-3,9
F	+11,5	+13,4	+16,8
IRL	+1,9	+0,5	+0,5
I	+8,4	+8,9	+17,2
L	+17,3	+18,9	+19,7
NL	+11,9	+11,9	+14,6
P	+9,0	+8,0	+8,6
UK	+7,6	+3,2	+5,6
EUR 12	+9,5	+10,0	+13,4

NB: The commas in the table read as decimal points

TABLE 2

INDICATOR 1

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	86.0	101.4	84.4	91.0	82.4	87.2	95.2	100.2	107.9	104.1	99.4	96.5	92.5	101.5	121.1	19.3
DK	65.7	64.0	53.5	55.4	64.6	70.3	61.1	66.1	75.7	91.6	78.4	104.5	95.3	100.3	81.0	78.8	98.4	24.8
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	89.6	107.2	124.7	16.3
GR	73.5	71.4	72.7	79.0	75.9	85.9	81.3	92.4	97.9	100.8	91.6	99.5	102.1	98.4	101.1	107.2	114.3	6.6
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	113.3	-0.2
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	108.6	11.5
IRL	83.2	76.3	93.4	89.2	109.6	112.1	93.1	78.2	82.0	89.4	94.3	108.7	100.0	91.2	109.8	126.7	129.1	1.9
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	103.1	8.4
L	71.3	59.2	65.6	57.5	71.9	72.3	74.6	68.3	76.9	107.1	94.5	97.2	98.9	103.9	104.6	108.8	127.6	17.3
NL	91.2	77.0	83.0	90.4	86.0	84.7	78.1	75.2	92.3	96.9	93.5	100.9	95.7	103.4	98.0	102.0	114.2	11.9
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	86.2	92.7	7.6
EUR 11	95.7	86.5	88.8	91.1	92.5	93.9	92.1	87.7	90.5	101.3	97.3	102.0	98.6	99.4	98.9	100.5	109.9	9.3
P	:	:	:	:	:	:	:	104.4	94.2	103.8	94.6	99.7	101.0	99.3	102.8	84.5	92.1	9.0
EUR 12	:	:	:	:	:	:	:	88.3	90.7	101.3	97.4	102.0	98.6	99.4	98.8	100.0	109.6	9.5

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

FIGURE 1: CHANGE IN REAL NET VALUE ADDED AT FACTOR COST PER AWU FROM 1987 TO 1989 IN % (COMPARED WITH THE PREVIOUS YEAR)

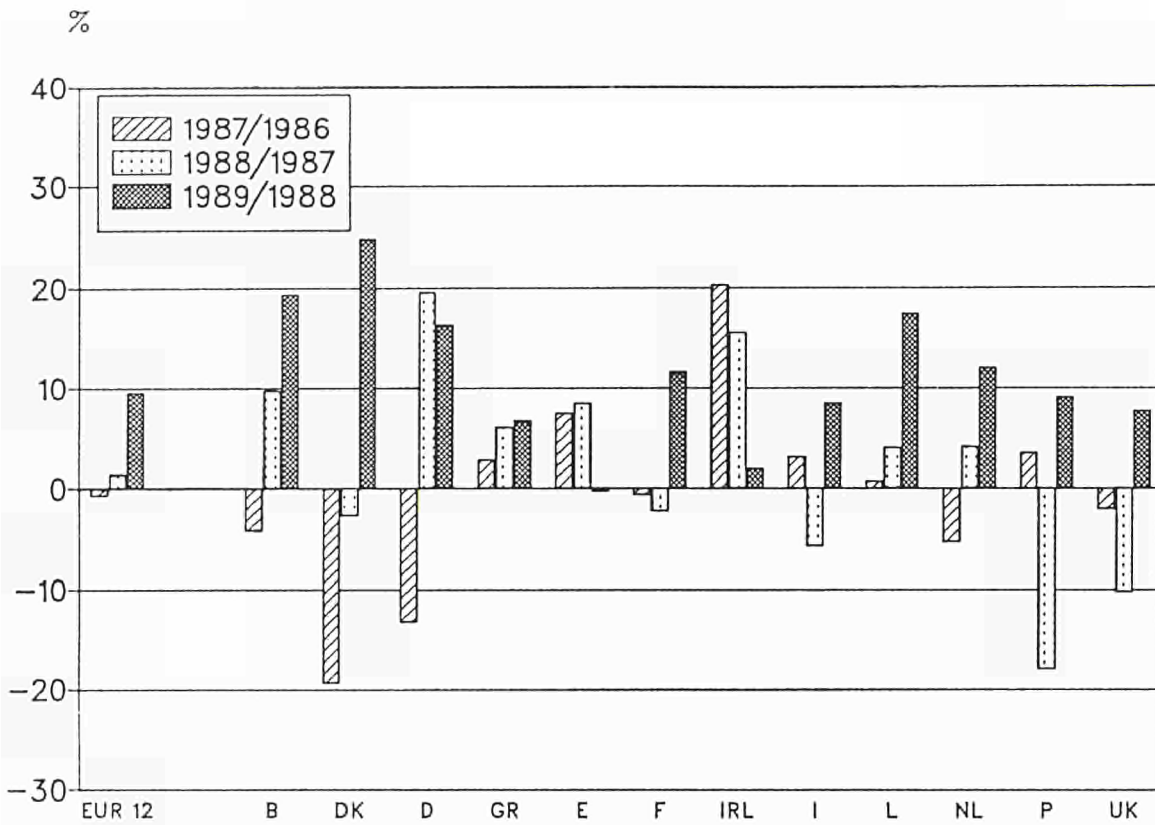


FIGURE 2: REAL NET VALUE ADDED AT FACTOR COST IN AGRICULTURE PER AWU: 1988 INDICES ("1985"=100) AND 1989 CHANGE OF INDICES COMPARED WITH 1988

