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**FORECASTING OF RELATIVE CHANGE IN THE VALUE ADDED OF
AGRICULTURE PER PERSON EMPLOYED IN 1976**

PRELIMINARY REMARKS

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The problem of updating the Economic Accounts for Agriculture is one, which, in recent years, it has become ever more vital to overcome. The most important shortcoming has been the lack of up-to-date figures on income trends in agriculture for the annual debates in the Council of Ministers on agricultural prices and the annual Commission report on the state of Community agriculture. To remove this shortcoming, the SOEC has worked out the methodological and technical features required to update the Economic Accounts for Agriculture; subsequently a working party was instructed to prepare and coordinate the detailed methodological framework for the updating project, and experimental estimates for 1976.

The working party has fulfilled its terms of reference, and the results for 1976 are now published in this report.

The following points should be borne in mind when considering the information contained in the report :

- The results of the estimation cover the relative change in gross value added at factor cost in agriculture per worker in the calendar year 1976 compared with calendar year 1975. (Each calendar year, of course, comprises elements of two crop years).
- The exercise is in the nature of an experiment, the results of which have still to be evaluated. In view of certain special features in 1976 (drought), the estimates for this year have been particularly difficult to prepare.
- The estimates were made by the Member States or by experts in the Member States on the basis of a common methodology. The data represent point estimations with no specified margin of error.

- The estimates have been drawn up within the methodological framework of the Economic Accounts for Agriculture, a part of the European System of Economic Accounts (ESA). Complete harmonisation of data may not, however, yet have been achieved. In principle the results cover the production branch "Products of agriculture and hunting", and not the activity sector "Agriculture", which may be taken in very general terms to be the total of economic activities on agricultural holdings.
- The gross value added at factor cost in the production branch "Agriculture" is computed as follows :

Final production

- intermediate consumption
- = gross value added at market prices
- + subsidies
- taxes linked to production
- = gross value added at factor cost

- Gross value added at factor cost in agriculture is not an indicator for the total household income of farmers. It should be recalled that in addition to their purely agricultural income in the strict sense, agricultural holdings or households may also receive incomes from other sources. However the results obtained do give an important indication of changes in the most important basic factors for the purely agricultural income of farmers.

RESULTS

In spite of the serious drought, available figures indicate that value added¹⁾ in agriculture²⁾ in 1976 will be 8 % up in nominal terms. After adjusting for the average Community rate of price increase (inflation rate)³⁾, value added in agriculture will show a slight decline in real terms⁴⁾, in 1976 of about 1.0 % as compared with the previous year. These figures were calculated on the basis of preliminary estimates (sometimes revised) made by the Member States or by experts in the Member States. They take account of that part of the considerably increased subsidies granted to agricultural holdings in certain countries as a result of the drought which is expected to be paid in 1976.

Anticipated relative change in gross value added at factor cost in agriculture in 1976 (%)

Country and date of last estimate	Total		Per person employed	
	nominal	real	nominal	real
D (25. 11. 1976)	+ 2,9	- 0,9	+ 5,0	+ 1,2
F (9. 9. 1976)	+ 1,5	- 7,6	+ 5,9	- 3,5
I (20. 10. 1976)	+ 21,0	+ 3,2	+ 23,1	+ 4,9
NL (17. 11. 1976)	+ 9,2	+ 0,2	+ 10,5	+ 1,4
B (17. 11. 1976)	+ 0,8	- 7,5	+ 3,7	- 4,9
L (5. 11. 1976)	- 9,5	- 18,4	- 5,6	- 14,9
UK a) (19. 11. 1976)	+ 23	+ 8	+ 24	+ 9
IRL b) (17. 1. 1977)	+ 13,5	- 4,0	+ 14,5	- 3,0
DK (19. 11. 1976)	+ 6,7	- 2,1	+ 7,1	- 1,7
EUR-9 b)	+ 8,0	- 1,0	+ 10,5	+ 1,0

a) Rounded to the nearest whole percent

b) Rounded to the nearest half percent

The number of persons employed in agriculture in 1976 will once again show a decrease - although not of the same magnitude as in previous years - the result being a nominal increase of 10.5 % and a real increase of 1.0 % in the gross value added per person employed in agriculture in the Community.

A comparison of national rates of change in the real gross value added at factor cost per person employed reveals considerable differences from country to country in 1976 as in preceding years. Thus in Luxembourg the value added per person employed at factor cost fell by about 15 % in real terms, despite subsidies being increased by a third; this however followed an increase of 15 % between 1974 and 1975. Good results are, on the other hand reported by the United Kingdom and Italy where the real value added at factor cost per person employed is expected to increase by about 9 and 5 % respectively, but the former showed a 5 % reduction between 1974 and 1975. Slight increases of between 0 and 2 % are expected for the Federal Republic of Germany and the Netherlands. Much less favourable rates of change are anticipated in France, Belgium, Ireland and Denmark where reductions of about 2 to 5 % are to be expected.

Rates of change of the gross value added at factor cost in agriculture per person employed (%)

Country	nominal				real			
	74 : 73	75 : 74	76 : 75	3-year average	74 : 73	75 : 74	76 : 75	3-year average
D	- 0,1	+ 17,3	+ 5,0	+ 7,4	- 6,5	+ 9,5	+ 1,2	+ 1,4
F	+ 6,0	+ 7,4	+ 5,9	+ 6,4	- 4,9	- 5,9	- 3,5	- 4,8
I	+ 17,2	+ 25,3	+ 23,1	+ 21,9	+ 0,3	+ 6,6	+ 4,9	+ 3,9
NL	- 7,4	+ 20,1	+ 10,5	+ 7,7	- 14,8	+ 8,2	+ 1,4	- 1,7
B	- 5,4	+ 21,2	+ 3,7	+ 6,5	- 16,1	+ 7,9	- 4,9	- 4,4
L	+ 4,9	+ 18,3	- 5,6	+ 5,9	- 7,3	+ 15,0	- 14,9	- 2,4
UK a)	+ 12	+ 22	+ 24	+ 19	- 1	- 5	+ 9	+ 1
IRL	- 5,1	+ 46,6	+ 14,5 ^{b)}	+ 18,7	- 11,5	+ 19,2	- 3,0 ^{b)}	+ 1,6
DK	:	+ 4,1	+ 7,1	+ 5,6 ^{c)}	:	- 6,5	- 1,7	- 4,1 ^{c)}
EUR-9	:	+ 17,6	+ 10,5 ^{b)}	+ 10,9 ^{d)}	:	+ 2,1	+ 1,0 ^{b)}	- 0,5 ^{d)}

: = figure not available

a) Rounded to the nearest whole percent

b) Rounded to the nearest half percent

c) Average of last two years only

d) Weighted by using 3-year (1973-1975) average of percentage shares of the gross value added at factor cost in agriculture

The change in the gross value added at factor cost per person employed in 1976 can be traced back to the following basic causes :

- As a result of the widespread drought in the summer of 1976 the agricultural production volume of most Community Member States fell as compared with the previous year. Only in Italy, the Netherlands and Belgium did it virtually remain constant.
- The decrease in production volume was considerably more pronounced for vegetable products than for animal products. In some countries the volume of animal products in 1976 actually increased.
- The negative effect of the decrease in production volume on final production value was, however, compensated or over-compensated in almost all countries by higher prices for agricultural products.

The final production value of agriculture rose in all Member States as a result of this effect as follows :

Increase in value of final production (nominal rates)

0 to just under	5 %	Luxembourg
5 " " "	10 %	F.R. of Germany, France, Denmark
10 " " "	15 %	Netherlands, Belgium
15 " " "	20 %	Ireland
20 " " "	25 %	Italy, United Kingdom

- The value of intermediate consumption in agriculture rose steeply, due amongst other factors to the high level of expenditure on additional purchases of animal feedingstuffs. In the Federal Republic of Germany and in Denmark the increase was between 10 and 15 %; in France, the Netherlands and Belgium it was between 15 and 20 %; and in Italy, Luxembourg, the United Kingdom and Ireland between 20 and 25 %.
- In order to reduce the negative effects of the drought on agricultural income, subsidies in most Member States were raised.
- In most Member States, there was a further reduction in the number of workers leaving the agricultural sector in 1976.

It must be pointed out that the figures available provide no information about regional or type of farming differences in the trend of value added in agriculture in the individual Member States, although these differences may well be very pronounced - as the example of Luxembourg, which is a small country in terms of area, demonstrates.

It is possible that the present statistics do not yet reflect the full consequence of the serious drought of the summer of 1976. For example, the early part of 1977 could see further shortfalls in supplies of feedingstuffs

for livestock dependent on coarse fodder if stocks prove to be inadequate. This could result in earlier slaughtering and/or additional purchases of higher cost feedingstuffs. Even the years after 1977 could still be influenced by the consequences of the 1976 drought.

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- 1) Gross value added at factor cost
 - 2) Production branch "Products of agriculture and hunting".
 - 3) Implicit price index for the gross domestic product at market prices.
 - 4) The real rates of change for value added of the Community are calculated as a weighted average of the nine national real rates of change. The weighting factors used are the following percentage shares of the gross value added at factor cost in agriculture of the Community in 1975 for each Member State (at current prices) :

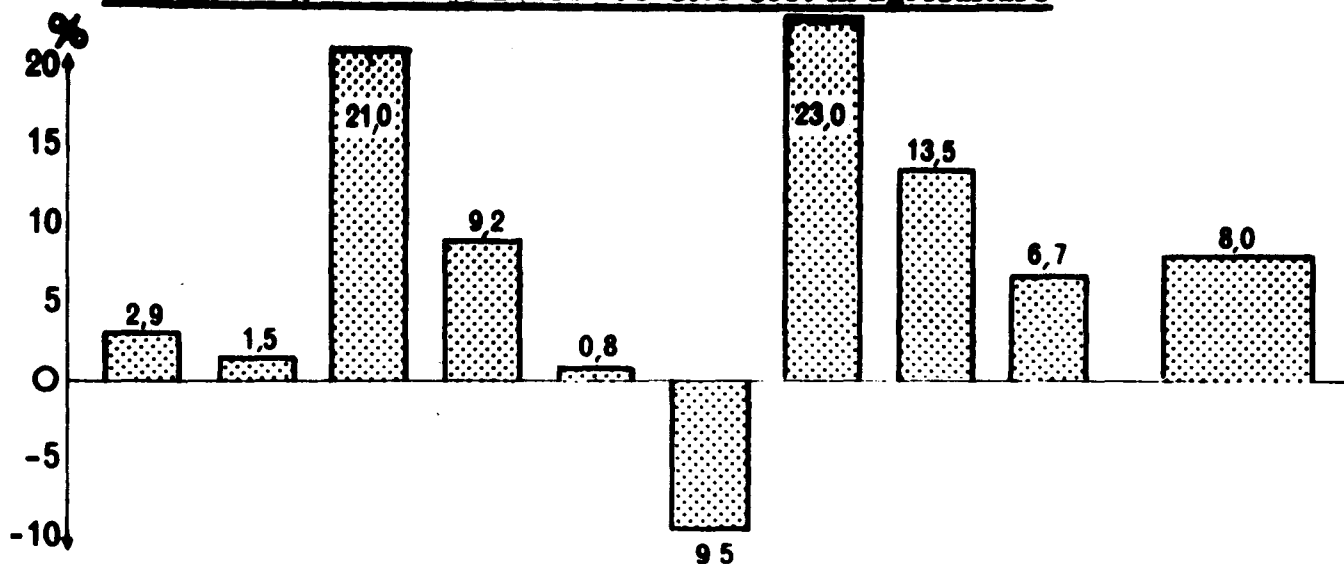
D .	19.2 %	NL	6.5 %	UK	9.6 %
F	29.6 %	B	3.1 %	IRL	2.2 %
I	26.3 %	L	0.1 %	DK	3.4 %

The nominal rates of change for the Community are calculated by inflating the real rates of change.

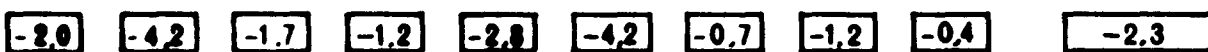
This report is also being included in an Addendum to the 1976 report on "The Agricultural situation in the Community" (reference COM (77) 60).

Evolution of rates of change from 1971 to 1976 (%)

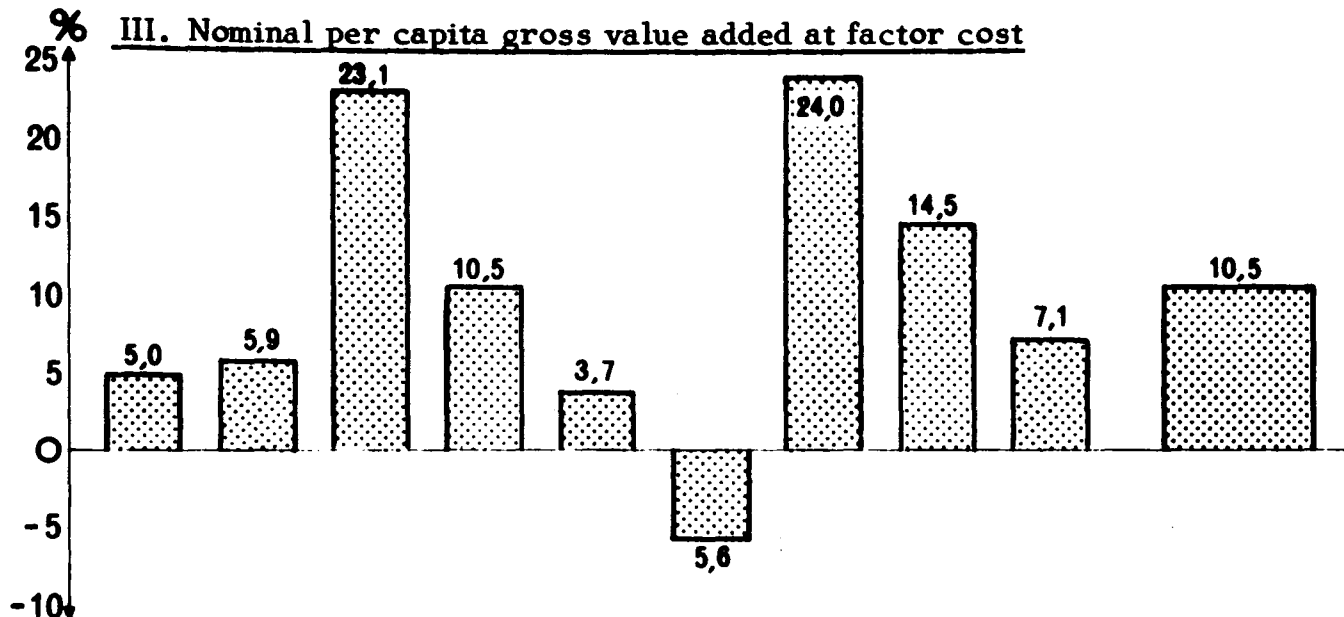
I. Nominal gross value added at factor cost in agriculture



II. Agricultural labour force



III. Nominal per capita gross value added at factor cost



IV. Implicit price index of gross domestic product



V. Real per capita gross value added at factor cost

