

1988 □ 18

EC AGRICULTURAL ACCOUNTS 1988

Agricultural income 1988:
slight improvement for the Community as a whole

The forecasts of agricultural income for 1988 are based on estimates as at 8 December 1988. There appears to be a slight improvement 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 1.3% (cf. Table 1) for the Community excluding Portugal. This follows on from a fall of -2.5% in 1987.

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), 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 rents, interest payments and wages), again in real terms and per non-remunerated annual work unit, are likely to show a perceptible increase of 1.2% (1987: -2.7%) and 1.4% (1987: -1.4%) respectively.

EUROSTAT will soon publish the Economic Accounts for Agriculture and Forestry for the period 1982-1987 (theme 5 series C)

An initial analysis ¹⁾ (cf. Table 3) of the reasons for this improvement in agricultural income reveals first of all an increase of 3% in the overall value of final production ²⁾, with prices up by 2% in nominal terms and volume up 1%.

The volume of crop production will increase by 2.5%, with substantial rises in citrus fruit (+20.3%), cereals (+10.9%) and fresh fruit (+5.8%), with falls for grape must and wine (-12.8%) and potatoes (-2.2%).

A 2.2% price rise in nominal terms of crop production reflects increases for most of the products concerned. The prices for potatoes (+11.2%), fresh fruit (+6.6%) and citrus fruit (+6.4%) are likely to be well up on 1987. On the other hand, those of sugar beet (-0.5%) and cereals (-0.4%) will be slightly lower. Here it may be noted that the prices of cereals will be down for the second year running owing to the excellent supply situation.

The lower figure for the volume of total animal production (-0.5%) reflects the reduction for milk (-2.3%) and cattle (-2%), the direct or indirect consequences of the quota system. Production of poultry, sheep and pigs will go up yet again. The higher production of eggs (+2.4%) will largely compensate for the decline in 1987 (-2%).

The price of total animal production will go up by 1.9% owing to much higher figures for sheep and goats (+5.4%), milk (+5%), cattle (+3.9%) and poultry (+2.8%). However, surplus supplies will mean that egg prices will be severely depressed (-10.2%) and those of pigs slightly so (-3.4%).

The value of intermediate consumption is likely to rise by 3.4% after two years in which the reverse movement applied. This is due to an increase in the volume (+1.3%) and the price (+2.2%) of intermediate consumption. The notably higher figure for the volume of plant protection and pharmaceutical products (+6.1%) is mainly due to the far greater use of fungicides. The prices of animal feeding stuffs will rise considerably in nominal terms (+3.3%) whereas energy prices will fall (-2.2%). Intermediate consumption represents approximately 40% in value terms of final total production, which explains why the trend in the value of the former (+3.4%) only partially affects the rise in the latter (+3%). Consequently, gross value added at market prices is expected to be 2.6% up in 1988 over the previous year.

The subsidies linked to production and which benefit the farmer will rise considerably as a consequence of national and Community arrangements, particularly the compensation for the suspension of milk quotas of 4%. Subsidies are expected to move from 7.1 thousand million ECU in 1987 to 8.7 thousand million ECU in 1988.

The considerable increase in taxes linked to production (+15.4%) is attributable very largely to the co-responsibility levy for cereals, the supertax on milk and the elimination levy on sugar beet.

Depreciation will rise by 1.5% (in 1987: +1.4%). Rents will rise by 4.1% and interest charges by 1.3% (in 1987: -1.7%) owing to higher interest rates.

1) It has not been possible to include the United Kingdom owing to the lack of detailed data.

2) See the methodological comments at the end of the text

Compensation of employees is expected to show a 3.3% rise, this being above the 1987 rate (+1.1%).

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 3.6% ¹⁾

Finally, there are two other factors influencing agricultural income per AWU in real terms: the variation in the numbers of such units and the rate of inflation.

According to information currently available, the agricultural labour force should fall by 2.6% in 1988 (-2.4% in 1987). The rate of change of the implicit price index of gross domestic product at market prices, which is used as a deflator, will be lower than it was last year (1987: 3.9%, 1988: 3.8%).

The anticipated increase of 1.3% 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 the 1987/1986 period is taken as the stopping point. It very often happens that a favourable rate of change in one year is balanced out by an unfavourable one the year previously and vice-versa. The highest positive rates of change were in Ireland: +14.9% (+18% in 1987), in the FR of Germany: +12.7% (-16.6% in 1987), in Spain: +10.7 (+7.1% in 1987), in Greece: +5.8% (-1.0% in 1987) and in Belgium: +3.9% (-5.3% in 1987). In the Netherlands and Luxembourg, where rates are close to the Community average, income will improve slightly at 1.4% (-5.4% in 1987) and 1.2% (+2.3% in 1987) respectively. Nevertheless, there are countries where the reverse holds true: to a slight extent in Denmark: -1.8% (-14.2% in 1987) and in Italy: -1.9% (-0.3% in 1987) and to a greater extent in France: -4.2% (-1.5% in 1987) and the United Kingdom: -9.7% (-3.1% in 1987).

A medium-term comparison reveals that real agricultural income in the Community rose in 1988 over its "1980" level by 5.7% (cf. Table 2). Here again there are considerable differences between the States. The increase between these two years is far above the average in Ireland, Luxembourg and Spain (40% and more) and in Denmark and the Netherlands (roughly 20%). In Greece and Belgium, the figure is slightly above the Community average. On the other side of the coin, the figure is generally stable in Germany and has even fallen in France (-2%), Italy (-7%) and the United Kingdom (-10%).

Averaging the indices of agricultural income (indicator 1) from 1986 to 1988 per Member State irons out the substantial annual fluctuations in production. It will be seen that the "1987" income has remained at least at the same level as "1980" with the exception of Italy. The situation has been stable in Germany, France and the UK, while increases of highly varying proportions apply to the other Member States.

1) 2.9% if one includes the United Kingdom (cf. Table 1).

Development ϕ 1986-1988 ("1987") compared with ϕ 1979-81 ("1980")
 "1980" = 100

B	108.5	L	141.4
DK	129.4	NL	121.3
D	100.9	UK	98.4
EL	106.6	EUR 10	102.2
F	101.3	E	128.9
IRL	127.3		
I	93.9	EUR 12(without P)	105.7

These are provisional estimates. In March 1989 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 1987. 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 1980 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)
1988 % rates of change compared with 1987**

	B	DK	D	EL	E	F	IRL	I	L	NL	P	UK	EUR 12 (a)	
1	Nominal net value added at factor cost	2.6	-1.5	12.5	20.9	12.9	-4.4	15.8	-1.1	-1.3	0.3	:	-6.4	2.9
2	Total agricultural labour input in AWU (b)	-2.8	-3.8	-2.0	0.0	-3.0	-2.8	-1.5	-3.6	-4.6	-1.3	:	-1.9	-2.6
3	Nominal net value added at factor cost per AWU (1:2)	5.6	2.4	14.8	20.9	16.4	-1.6	17.6	2.6	3.5	1.7	:	-4.6	5.6
4	Implicit price index of gross domestic product at market prices	1.6	4.3	1.8	14.3	5.2	2.7	2.3	4.6	2.2	0.3	:	5.6	4.3 (c)
5	Real net value added at factor cost per AWU (3:4)	3.9	-1.8	12.7	5.8	10.7	-4.2	14.9	-1.9	1.2	1.4	:	-9.7	1.3

(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 1988

"1980" (1) = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	$\frac{1988}{1987}$
B	116.4	93.0	97.4	114.8	95.5	103.1	93.3	98.7	108.0	113.8	122.8	118.1	112.9	111.0	105.1	109.3	3.9
DK	97.1	94.7	79.1	81.9	95.6	104.0	90.4	97.7	111.9	135.5	116.0	156.4	149.5	143.8	123.4	121.1	-1.8
D	125.4	107.4	121.9	126.8	122.8	118.2	107.1	94.0	98.9	118.0	95.8	112.7	97.8	109.0	91.0	102.6	12.7
EL	81.2	78.9	80.3	87.3	83.9	94.9	89.8	102.1	108.1	111.4	101.2	110.0	112.7	105.2	104.2	110.3	5.8
F	119.4	111.3	103.0	102.8	100.1	103.7	106.3	95.4	98.3	115.4	106.5	104.3	103.0	103.8	102.2	97.9	-4.2
IRL	98.2	90.0	110.3	105.4	129.5	132.6	110.0	92.7	97.3	105.4	112.0	128.5	118.5	107.9	127.4	146.5	14.9
I	109.2	104.2	107.7	106.2	92.3	97.8	103.1	99.7	97.2	98.4	102.7	95.4	95.5	94.7	94.4	92.7	-1.9
L	96.7	80.1	88.7	77.6	97.2	98.2	101.4	93.7	104.8	146.4	129.5	132.3	134.4	138.6	141.9	143.6	1.2
NL	111.4	94.0	101.3	110.4	105.1	103.4	95.4	91.9	112.7	118.4	117.0	123.3	117.0	125.2	118.5	120.1	1.4
UK	129.1	115.2	113.7	120.9	111.8	108.0	102.9	95.7	101.4	110.3	101.2	119.0	96.8	103.8	100.6	90.8	-9.7
EUR 10	115.5	105.3	106.3	108.9	101.0	104.1	102.4	96.8	100.8	111.3	105.0	108.5	103.4	104.9	100.9	100.8	-0.1
E	:	:	:	:	:	:	101.7	104.9	93.4	108.2	108.8	122.2	124.6	118.7	127.2	140.7	10.7
P	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
EUR 12 (2)	:	:	:	:	:	:	102.1	97.8	100.2	111.2	105.7	110.6	106.3	107.1	104.4	105.7	1.3

(1) "1980" = (1979 + 1980 + 1981) : 3

(2) Without Portugal

Table 3: The provisional economic accounts for agriculture of the EC (1) 1988

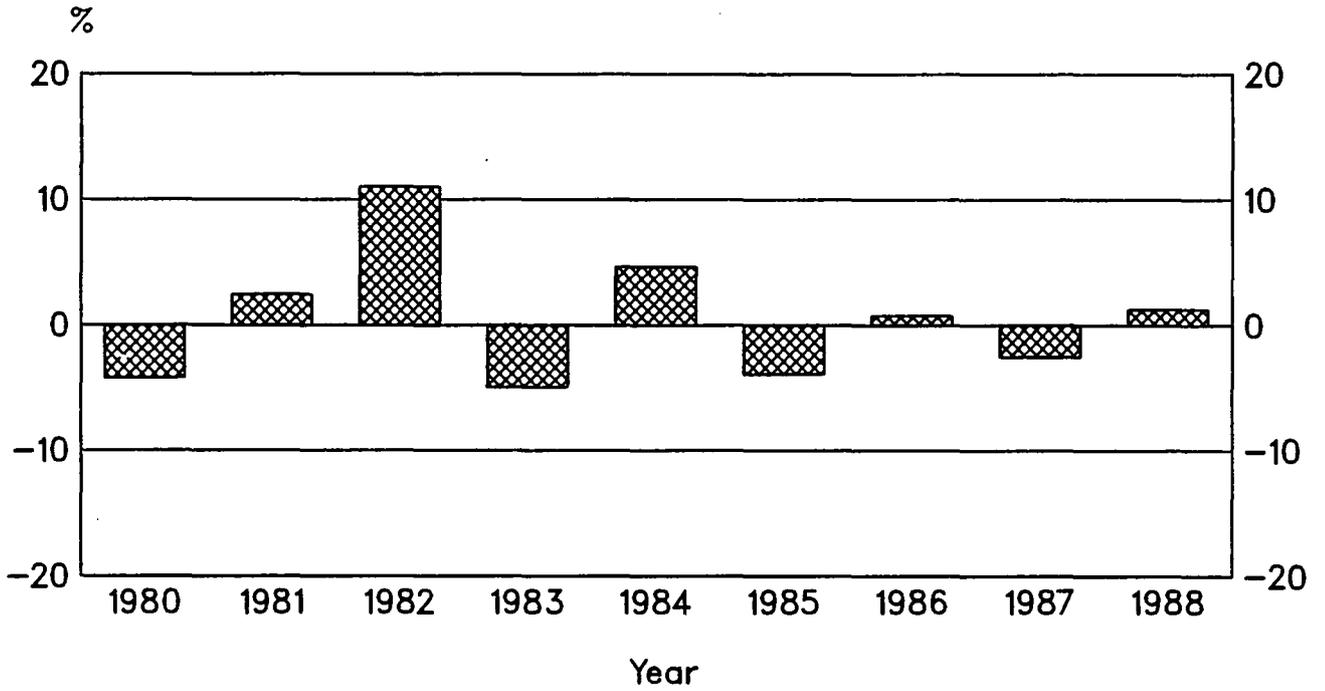
FINAL PRODUCTION OF AGRICULTURAL PRODUCTS	Growth rates (2) (in %)			Value 1988 in Mio ECU
	Volume index	Price index	Value index	
Total crop production	2.5	2.2	4.8	81330
of which:				
Cereals	10.9	- 0.4	10.4	19203
Root crops	- 0.1	4.4	4.3	7109
of which:Potatoes	- 2.2	11.2	8.8	3056
Sugar beet	1.8	- 0.5	1.2	4031
Industrial crops	1.7	3.4	5.1	6125
of which:oil seeds and oleagin. fruit	- 3.7	1.2	- 2.5	2754
Fresh vegetables	0.0	0.9	0.9	14175
Fresh fruit	5.8	6.6	12.8	8340
Citrus fruit	20.3	6.4	27.9	2036
Grape must and wine	-12.8	2.5	-10.7	8153
Olive oil	3.5	2.3	5.8	2892
Ornamental plants	3.7	1.4	5.1	6166
Total livestock production	- 0.5	1.9	1.3	79940
of which:				
Animals	- 0.1	1.4	1.3	46787
of which: Cattle	- 2.0	3.9	1.8	19973
Pigs	1.3	- 3.4	- 2.1	15165
Sheep&goats	2.0	5.4	7.5	2346
Poultry	2.9	2.8	5.9	6872
Animal products	- 1.6	2.9	1.2	33026
of which: Milk	- 2.3	5.0	2.6	28437
Eggs	2.4	-10.2	- 8.1	4086
Total final production	1.0	2.0	3.0	161861

INTERMEDIATE CONSUMPTION	Growth rates (2) (in %)			Value 1988 in Mio ECU
	Volume index	Price index	Value index	
Total	1.3	2.2	3.4	69920
of which:				
Animal feedingstuffs	1.4	3.3	4.8	29195
Fertilizers	0.9	0.0	0.9	8406
Plant protection and pharm. products	6.1	1.1	7.3	4507
Energy	0.4	- 2.2	- 1.8	6786

INCOME ACCOUNTS	Growth rates (2) of value 1988/1987 (in %)	Value 1988 in Mio ECU
Gross value added at market prices	2.6	91941
Subsidies	16.4	8731
Taxes linked to production	15.4	3786
Depreciation	1.5	17386
Net value added at factor costs	3.6	79510
Rents	4.1	3804
Interest payments	1.3	9930
Net income from agricultural activity		
for the total labour force	4.0	65776
Compensation of employees	3.3	16466
Net income from agricultural activity for the family labour	4.2	49309

(1) Excluding the United Kingdom and Portugal
(2) Values in national currencies

Annual rates of change of real net value added at factor cost of agriculture per AWU in the Community (without Portugal), 1980-1988



Annual rates of change of real net value added at factor cost of agriculture per AWU in the Community (without Portugal), 1987-1988

