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EUROPEAN COMMUNITY

NEWSFLASH

GREEN EUROPE

Agricultural incomes in the Community in 1983



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INTRODUCTORY REMARKS

Why is a brochure on agricultural incomes needed?

Although they are not the only factor in an assessment of the economic and social situation in agriculture, agricultural incomes are obviously of key importance. The improvement in the individual incomes of those working in agriculture is indeed, under Article 39 of the Treaty of Rome, one of the fundamental objectives of the common agricultural policy.

It is therefore not surprising to note that there is an ever-growing interest, especially in periods of economic difficulty like the present one, in the development of agricultural incomes in the Community. Parliament, for example, has debated the question on several occasions and at its meeting on 9 June 1983 adopted a resolution on this subject.

The Commission's staff, assisted by the relevant national agencies, has made a good deal of progress in recent years with a view to the prompt establishment of fuller and more accurate forecasts and of estimates of the economic results for the past agricultural year. For this purpose, new income indicators at Community level were established from 1982 onwards. The Commission's staff have assigned priority ranking to further work towards this objective in coming years.

In order to facilitate the provision of fuller information for all those interested in the subject, this document is published in the "Green Europe - Newsflash" series.

It is hoped that this will provide a satisfactory response to the wishes expressed in the past in several quarters that a coherent set of statistics should be made available on agricultural incomes in the Community.

What is the purpose of this document?

The purpose of this document is to provide an overall view of agricultural incomes in the Community, not only for 1983, but also for the last ten years.

Thus, it is not confined to providing a series, of whatever length, of figures and statistics, but attempts to assess income changes and analyse briefly the various factors determining change.

What is agricultural income?

The question might seem superfluous, but the concept of agriculture income must be defined in advance, for it may be used in several different ways.

This document defines "agricultural income" as income from farming. It is important to bear in mind that many of the 8 million farmers, or their households in the Community have incomes accruing from other sources: for example, farmers and their families may receive income either from social security, or from other - part-time - work, on a regular basis or for certain limited periods of the year. The disposable income of farmers may also be influenced by other factors (e.g. taxation), the scale of which is not easy to assess at Community level.

However, it must not be forgotten that the purpose of this document is in no way to consider either living standards or the social conditions of farmers and their families, which depend on many other factors other than income from farming.

It should be added that agricultural income can be assessed in different ways. The Annex on methods gives appropriate details in this connection.

What are the "sources" of the data used?

This document is divided into two parts, complementing one another: based on two different data sources:

- the first concerns an analysis of agricultural incomes at macro-economic level, i.e. based on data concerning the agriculture sector as a whole. This data is sent annually to the Commission by the competent agencies in the various Member States and is then processed, on the basis of common methods, by the Statistical Office of the European Communities;
- the second provides an analysis at micro-economic level, i.e. from data derived from observations of a sample of holdings chosen to represent the various classes of holding; the data and estimates come from the Community's Farm Accountancy Data Network (FADN).

What is the nature of the figures published in this document?

The document is based on the latest figures available to the Commission. As the figures are forecasts or estimates, some figures, given here, especially those for 1983, may well have to be revised.

Established on the basis of common methods but from data notified by the relevant agencies at national level, the results of these indicators may differ, sometimes significantly, from the figures published in the member countries. This depends either on the definition of income used, or the manner in which certain items used in the calculations are calculated, or on other factors (date of forecasts, etc.).

What is the link between this publication and other publications by the Commission on agricultural incomes?

This document amplifies and at the same time updates information on agricultural incomes provided regularly by the Commission in other documents it publishes regularly during the year (like the Annual Report on the Agricultural Situation in the Community, established on the basis of data available at the beginning of November, the explanatory memoranda to the price proposals, generally presented at the turn of the year, publications of the Statistical Office of the European Communities on the sectoral income index and publications concerning the Farm Accountancy Data Network (FADN)).

The 1983 Report on the Agricultural Situation in the Community, published in January 1984, contains a special chapter entitled "Farm incomes and the economic crisis", which looks in greater detail at the impact of the crisis on agricultural incomes, and a chapter entitled "Agricultural Production and Income".

On 20 February 1984, the Statistical Office of the European Communities also published a document containing a fairly detailed analysis of incomes in 1983 and during the 1973-1983 period, which has been extensively drawn upon in the preparation of the first part of this booklet.

OUTLINE OF AGRICULTURAL INCOMES IN 1983

In 1982, agricultural incomes showed a distinct improvement after declining in 1979 and 1980 with a slight increase in 1981. But in 1983, incomes in real terms again declined. Figures sent to the Commission by the ministries in the Member States as at 20 February 1984 show that the relative decline as compared with 1982 can be estimated at:

- about 7% on the basis of net value added at factor cost per labour unit (+ 10.6% in 1982), which represents the average income of all those working in agriculture (farmers, farm workers and family members);
- about 13% on the basis of the net income from farming of the farmer and his family per labour unit (+ 16% in 1982), i.e. net of wages, interest and rents.

The first of the two indicators, the only one for which there is a breakdown by Member State, shows that incomes declined particularly sharply in Germany (- 22% as compared with 1982), Luxembourg (- 19.5%) and Denmark (- 19%); the decline was also quite sharp in France (- 10%), the United Kingdom (- 7%), Greece (- 6%) and the Netherlands (- 4%). Only three Member States showed a modest improvement in 1983 over 1982: Ireland (+ 4.5%), Belgium (+ 2%) and Italy (+ 1.4%).

The figures, somewhat disappointing when compared with the exceptional performances of 1982, are accounted for mainly by a combination of two factors:

- the first, and the more important, is the relatively substantial decline for certain crop products, including cereals, roots and brassicas, fresh fruit, and wine in most of the Member States of the northern part of the Community. This decline in the volume of production, which, in several cases was more than 20%, and even 30%, was largely due to particularly poor weather in many European regions (very heavy rain in the spring, followed by drought in June). In 1982 European farming had, as has been noted, reached exceptionally high levels of production mainly because of excellent weather: this further amplifies the decline in the volume of production in 1983, which, in fact, was still well above the 1981 level;
- the second factor encroaching on farm incomes in 1983 was a swing against the farmers in what might be called their "terms of trade" (i.e. ratio between

farmgate price indices and input price indices) in most of the Member States of the Community. In contrast with the weather factor, which did most damage to crop products, the input farmgate "price squeeze" hurt livestock farmers most: the prices of livestock products not only increased in 1983 less rapidly than input prices but in certain cases (in particular for pig-meat and beef/veal), they were actually lower in relative terms than in 1982. On the other hand, milk prices remained relatively high (+ 7.7% as compared with 1982) and milk production also showed an increase (+ 3.5%).

However, the progress of agricultural incomes can only be properly assessed over periods of several years, since, as already noted, the exceptionally good figures for 1982 tend to make those for 1983 look worse than they really were. Over the three-year period 1981-1983 agricultural incomes increased on average - in real terms - by more than 7% in Belgium, by about 7% in the Netherlands, by 6% in Luxembourg, by 4.5% in Ireland, by 4% in Greece, by 3% in the United Kingdom, by 3% in Denmark and by a little more than 1% in France, but declined by 0.5% on average in Italy and about 1% in Germany.

In 1983, the decline in incomes - in real terms - was particularly sharp for pig farms (more than 30% when compared with 1982), but it must also be remembered that in this sector incomes had increased by nearly two thirds in the two previous years and that they still remain well above the average for all farms. Grain farmers also suffered relatively substantial income losses (- 12% in 1983, as compared with + 20% in 1982), and this was also the case for general crop farms (- 9% in 1983, as compared with + 9% in 1982), wine-growing (- 8% in 1983, + 60% in 1982) and for all mixed farms (from 8 to 10% less in 1983, while in 1982 the increases had ranged from 12 to 15%). On the other hand, the decline in incomes was less marked for beef/veal farms (- 4%) and dairy farms (- 1%). The only areas in which incomes showed an improvement in 1983 were horticulture (+ 12%) and fruit and permanent crops (+ 7%).

PART I

PRODUCTION, COSTS AND INCOMES IN AGRICULTURE

1. PRODUCTION

Crop production

1982 saw bumper crops throughout the Community (+ 7% as compared with 1981), but in 1983 there was a decline of 4.4% for the Community as a whole, as the table below shows:

Table 1 - Volume of final agricultural production in 1983 as compared with 1982 (%)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
Final crop production	-18.6	- 1.6	+ 3.0	- 4.5	-10.1	-40.2	- 8.3	- 6.3	-12.7	- 2.6	- 4.4
Final live-stock production	+ 3.9	+ 0.3	+ 1.3	+ 2.0	+ 4.3	+ 1.4	+ 3.2	+ 5.5	+ 4.0	- 0.4	+ 2.3
Final total production	- 3.6	- 3.6	+ 2.3	0.0	- 0.4	- 9.7	- 1.1	+ 3.3	- 4.0	- 1.9	- 1.5

The main reason for this was the very poor weather in many European regions, contrasting with exceptionally good weather in 1982.

The volume of final crop production contracted particularly sharply in Luxembourg (- 40.2%), Germany (- 18.6%), Denmark (- 12.7%) and Belgium (- 10.1%).

Practically all crops suffered, including cereals (- 10.1%) and root and brassicas (- 10.2%), as the table below shows:

Table 2 - Production of main crops products in 1983 compared with 1982

Final crop production	- 4.4 %
Cereals	- 10.1 %
Roots and brassicas	- 10.2 %
Fresh vegetables	- 5.7 %
Fresh fruit	- 2.8 %
Grape must and wine	+ 2.1 %
Olive oil	+ 14.4 %

Livestock production

On the other hand the volume of livestock production (see Tables 1 and 3) showed a modest increase (+ 2.3%) throughout the Community except in Greece, where it fell a little (- 0.4%). The increase was between 1 and 2% for Italy, Luxembourg and the Netherlands, between 3 and 4% for the United Kingdom, Germany and Denmark and between 4 and 5.5% for Belgium and Ireland. The improvement for France was only 0.3%.

Expansion was strongest for beef/veal (+ 4.5% in Germany, + 6% in the United Kingdom and + 8% in Belgium) and pigmeat (+ 6.3% in Denmark and + 5% in Belgium). But these two products declined appreciably in Greece (- 6.2% for beef/veal and - 4.8% for pigmeat).

For milk, the increase in production volume was sharp in Ireland (7.7%), Germany (+ 6%), the Netherlands and Denmark (+ 4%).

Table 3 - Livestock production in the Community in 1983 compared with 1982

Final livestock production	+ 2.3 %
- Beef/veal	+ 3.9 %
- Pigmeat	+ 2.0 %
- Sheep and goatmeat	+ 1.2 %
- Poultrymeat	- 3.0 %
- Milk	+ 3.5 %
- Eggs	- 1.2 %

Total final production

Overall, the final production of agriculture in terms of volume declined by 1.5% for the Community as a whole. The decline was very sharp in Luxembourg (- 9.7%), Denmark (- 4%) and France and Germany (- 3.6%). It ranged between 0 and - 2% for the Netherlands, Belgium, the United Kingdom and Greece; there were increases of 2.3% in Italy and 3.3% in Ireland.

2. FARMGATE PRICES

As the Table below shows, farmgate prices in 1983 closely reflected the market situations for the various products:

Table 4 - Changes in farmgate prices in 1983 as compared with 1982

(in %)

Country	Final crop production	Final livestock production	Final agricultural production
D	+ 2.7	- 2.0	- 0.7
F	+ 11.4	+ 7.0	+ 9.0
I	+ 12.4	+ 13.2	+ 12.8
NL	+ 9.5	- 2.0	+ 1.5
B	+ 23.8	+ 3.1	+ 9.1
L	+ 7.2	+ 6.7	+ 6.8
UK	+ 11.6	- 1.8	+ 2.9
IRL	+ 14.2	+ 6.8	+ 8.2
DK	+ 13.4	+ 1.6	+ 4.6
GR	+ 18.6	+ 16.8	+ 17.9
EUR 10	+ 11.4	+ 3.5	+ 6.8

The smaller harvests led to an appreciable increase in farmgate prices (on average, 11.4%), but the increases for livestock products were lower (+ 3.5%).

With a very few exceptions, all crop product prices increased fairly sharply: cereals increased by 10.6%, roots and brassicas by 11.4%, fruit by 22.7% and vegetables by 24.7%.

With regard to livestock products, farmgate prices for milk increased by 7.7% on average, while prices for pigmeat fell by 5.5% (but by 11% in Germany and 9% in the Netherlands); on the other hand, prices for beef/veal showed little change.

Overall, farmgate prices increased on average by 6.8% in the Community as a whole, but declined by 0.7% in Germany and increased by as much as 17.9% in Greece. The breakdown by Member State of farmgate prices does however partly reflect inflation rates, as the following table shows:

Table 5 - Changes in farmgate prices and inflation rates for the whole economy in the various Member States in 1983

Country	Rate of change in implicit prices of final agricultural production	Inflation rate ¹
D	- 0.7	+ 3.2
F	+ 9.0	+ 10.2
I	+ 12.8	+ 14.5
NL	+ 1.5	+ 1.0
B	+ 9.1	+ 6.4
L	+ 6.8	+ 7.2
UK	+ 2.9	+ 5.4
IRL	+ 8.2	+ 10.5
DK	+ 4.6	+ 7.7
GR	+ 17.9	+ 21.4
EUR 10	+ 6.8	+ 6.3

¹GDP deflator

Except for the Netherlands and Belgium, farmgate prices increased less than general inflation.

In this connection, it should be noted that for the Community as a whole the rate of change for agriculture (+ 6.8%) exceeds the GDP deflator (6.3%). This is a result of the differing weighting used in the two cases (agricultural production in the first case, gross domestic product in the second).

3. INPUTS

Inputs (see Table 6), i.e. all current purchases of goods and services used by farmers for final agricultural production, increased, for the Community as a whole, by 8.7% in value and by 2% in volume in 1983 as compared with 1982, the purchase prices having increased by an average 6.6%. The upward movement in costs was very vigorous in Greece (21%), lay between 9 and 12% in Belgium, France, Luxembourg and Italy, between 5.5% and 7.3% in the United Kingdom, Denmark and Ireland, and was 3.5% in the Netherlands and 0.6% in Germany.

Table 6 - Change in value, volume and prices of inputs

Country	Value	Volume	Price
D	+ 3.2	+ 2.6	+ 0.6
F	+ 10.5	+ 1.1	+ 9.3
I	+ 15.0	+ 2.6	+ 12.1
NL	+ 5.5	+ 2.0	+ 3.5
B	+ 10.0	+ 0.8	+ 9.1
L	+ 12.6	+ 1.7	+ 10.7
UK	+ 7.3	+ 1.7	+ 5.5
IRL	+ 14.1	+ 6.3	+ 7.3
DK	+ 9.5	+ 3.4	+ 5.8
GR	+ 20.2	- 0.6	+ 20.9
EUR 10	+ 8.7	+ 2.0	+ 6.6

The prices of inputs as a whole increased at a lower rate than inflation in Germany, France, Italy, Ireland, Denmark and Greece, but at a higher rate in the other Member States.

Generally, the prices of seeds and feed increased most. Livestock farmers also had to cope with the fairly sharp increase in the volume of purchases (except in France) and with soaring prices for soya cake during the summer. On the other hand, the prices of fertilizers declined in certain Member States (Germany, Netherlands and Denmark), but increased in others.

4. PRODUCTIVITY AND THE "PRICE SQUEEZE"

The influence of these factors (final production and inputs, volume and prices) on incomes can be better understood if changes in the volume of final agricultural production are compared with changes in consumption of inputs and if farmgate prices are compared with the prices paid for goods and services of current consumption.

The results of these comparisons represent what may be called the "productivity of inputs" and the "price squeeze" or "terms of trade".

As Table 7 shows, the productivity of inputs declined appreciably in 1983 in almost all the Member States, especially Denmark (- 7.2%) and Luxembourg (- 11.2%). This means that the volume of purchases increased in general more than the volume of production, which, as we have seen, declined in most of the Member States.

Table 7 - Productivity of inputs in 1983
1982 = 100

	D	F	I	NL	B	L	UK	IRL	DK	GR
Volume final production	96.4	96.4	102.3	100.0	99.6	90.3	98.9	103.3	96.0	98.1
Volume inputs	102.6	101.1	102.6	102.0	100.8	101.7	101.7	106.3	103.4	99.4
Productivity	94.0	95.4	99.7	98.0	98.8	88.8	97.2	97.2	92.8	98.7

Table 8 shows the movement of the "price squeeze" or "terms of trade" of agricultural production in 1983. Here too, it is found that except for Italy (+ 0.6%), Ireland (+ 0.8%) and Belgium (=), the "terms of trade" swung against the farmers everywhere, especially in Luxembourg (- 3.5%) and in the United Kingdom (- 2.5%).

Table 8 - "Terms of trade" of agricultural production in 1983

1982 = 100

	D	F	I	NL	B	L	UK	IRL	DK	GR
Prices final produc- tion	99.3	109.0	112.8	101.5	109.1	106.8	102.9	108.2	104.6	117.9
Prices inputs	100.6	109.3	112.1	103.5	109.1	110.7	105.5	107.3	105.8	120.9
"Terms of trade"	98.7	99.7	100.6	98.1	100.0	96.5	97.5	100.8	98.9	97.5

5. OTHER FACTORS AFFECTING INCOMES

Apart from changes in final agricultural production and inputs, changes in real terms in agricultural incomes depend on a number of factors which must be considered briefly (see Table 9).

Subsidies

Subsidies to agriculture from the public authorities and from Community institutions increased on average by 11.3% in 1983 as compared with 1982. Larger increases were accorded in the United Kingdom (+ 53.4%), Denmark (+ 40.1%), Italy (+ 21.4%) and Greece (+ 12.5%). Subsidies none the less declined appreciably in France (- 22%) and to a lesser extent in the Netherlands (- 3%).

Output-related taxes

Output-related taxes increased by 15.4% in Italy, 13.1% in Greece and 9.7% in France. In Ireland, they were reduced by nearly half.

Depreciation

Changes in depreciation generally reflect the development of consumption of available capital in agriculture and changes in the prices of capital goods: depreciation increased in 1983 by about 4% in Germany, the Netherlands and the United Kingdom, by 15.2% in Italy, 24.5% in Greece and by 6 to 10% in the other Member States. Depreciation was of major importance in the decline in farm incomes in 1983, especially in the Member States (like Germany, Denmark and Luxembourg) in which this factor is an important cost element in agriculture.

Table 9 - Summary of factors affecting agricultural incomes

(change in 1983 as compared with 1982)

	D	F	I	NL	B	L	UK	IRL	DK	KL	EUR 10
Final production	- 4,3	+ 5,1	+ 15,4	+ 1,5	+ 8,7	- 3,6	+ 1,7	+ 11,8	+ 0,4	+ 15,7	+ 5,2
Inputs	+ 3,2	+ 10,5	+ 15,0	+ 5,5	+ 10,0	+ 12,6	+ 7,3	+ 14,1	+ 9,5	+ 20,2	+ 8,7
Gross value added at market prices	- 12,6	+ 1,2	+ 15,5	- 2,5	+ 7,1	- 12,0	- 4,5	+ 9,8	- 9,7	+ 14,5	+ 2,5
Subsidies	+ 1,2	- 22,0	+ 21,4	- 3,0	+ 7,8	0	+ 53,4	+ 8,9	+ 40,1	+ 12,5	+ 11,3
Output-related taxes	+ 1,5	+ 9,7	+ 15,4	+ 5,0		+ 2,2	+ 3,9	- 50,1	+ 2,0	+ 13,1	
Depreciation	+ 4,5	+ 9,5	+ 15,2	+ 4,0	+ 6,2	+ 9,9	+ 4,9	+ 7,7	+ 9,7	+ 24,5	+ 8,8
Nominal net value added at factor cost	- 21,4	- 2,5	+ 16,0	- 4,0	+ 7,4	- 15,4	- 3,1	+ 12,6	- 14,0	+ 14,8	- 2,3
Agricultural labour	- 2,5	- 1,9	- 0,1	- 1,0	- 1,0	- 2,0	- 1,1	- 2,5	- 2,7	+ 0,5	- 1,1
Inflation rates	+ 3,2	+ 10,2	+ 14,5	+ 1,0	+ 6,4	+ 7,2	+ 5,4	+ 10,5	+ 7,7	+ 21,4	+ 6,3
Real net value added at factor cost per person employed	- 21,9	- 9,8	+ 1,4	- 4,0	+ 2,0	- 19,5	- 7,0	+ 4,5	- 17,9	- 5,9	- 7,1

Subsidies net of output-related taxes and including VAT over- or under-compensation
 Not including depreciation in horticulture.

Farm labour

As the overall income accruing to agriculture must be shared out among all those working the land (farm heads, farm workers and family members), changes in the labour force affect the rate of change in income per person employed.

The total number of persons employed in agriculture - expressed in annual work units - will probably continue to decline in 1983, although the downward movement is slower than in the past (- 1.1% on average for the Community).

6. AGRICULTURAL INCOMES IN 1983 IN THE CONTEXT OF TRENDS SINCE 1973

The combination of the various factors examined above - in particular the decline in the volume of final agricultural production and the deterioration in the "terms of trade" - tended to reduce agricultural incomes in 1983. If, in addition, it is borne in mind that the figures for 1982 were exceptionally good, it is not surprising that the decline in incomes in 1983 was particularly drastic, especially in certain Member States.

In 1983, the net value added at factor cost per person employed declined by 7.1% in real terms when compared with 1982, whereas it had increased by 10.6% in 1982 and by 1.9% in 1981 (Table 10).

Table 10 - Real net value added per person employed in 1981, 1982 and 1983
(rate of change over previous year)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1983	-21.9	- 9.8	+ 1.4	- 4.0	+ 2.0	-19.5	- 7.0	+ 4.5	-17.9	- 5.9	- 7.2
1982	+15.8	+18.8	+ 2.1	+ 3.0	+10.5	+38.6	+11.8	+ 7.3	+17.4	+11.1	+10.6
1981	+ 6.6	- 2.9	- 5.0	+23.3	+10.5	+ 7.3	+ 5.1	+ 1.8	+12.5	+ 7.0	+ 1.9

If only the net income from farming of the farm head and his family (i.e. after deduction of wages, interest and rents) is considered, it will be founded that the income situation in 1983 was even more negative than is indicated above. The indicator for this definition of income declined in 1983 by 13.2% for the Community as a whole, after increasing by about 16% in 1982. Details by Member State for this indicator cannot be given because of the difficulties hampering some of them in their efforts to achieve sufficiently accurate estimates of certain components.

As noted above, a proper assessment of incomes in 1983 can be made only in the context of several years, showing medium- and long-term trends.

For this purpose, Table 11 summarizes, for each Member State and for the Community as a whole, income changes since 1973.

Table 11 - Real net value added per person employed and by Member State
1973-75 = 100

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
Index 1973 - 1975 = 100											
Ø 1976-79	102	91	107	100	97	100	93	116	104	108	99
Ø 1980-83	85	83	108	106	109	113	85	95	118	132	96
1983	77	83	109	109	119	114	86	102	113	135	96
Annual average rates of change											
Ø 1973-75	- 0.5	- 9.1	+ 1.7	- 5.4	- 8.5	- 5.1	- 7.5	+ 2.4	-10.5	- 1.4	- 3.8
Ø 1976-79	- 5.9	+ 0.6	+ 4.2	- 4.9	- 6.3	+ 6.9	- 5.6	+ 0.4	+ 2.0	- 0.1	- 0.7
Ø 1980-83	- 1.2	- 1.3	- 0.5	- 6.8	- 7.6	+ 6.2	+ 3.0	+ 4.5	+ 2.8	+ 3.8	+ 1.5
1983	-21.9	- 9.8	+ 1.4	- 4.6	+ 2.0	-19.5	- 7.0	- 4.5	-17.9	- 5.9	- 7.1

This table shows that in the long-term the incomes trend goes against Germany, France and the United Kingdom, has stayed stable for Ireland, is showing a slight improvement for the Netherlands, Italy and Belgium and a fairly firm improvement for Luxembourg, Denmark and especially Greece.

Graph 1 gives a better picture of changes in agricultural incomes in the various Member States in 1975 and enables these changes to be compared with changes in incomes in the economy as a whole.

It shows that in most Member States agricultural incomes declined substantially in real terms, especially in 1979-80 and in 1983. However, in certain Member States, particularly Germany, the Netherlands and the United Kingdom, agricultural incomes began to decline in 1976 and the process continued until 1980.

Conversely, apart from single year variations, the underlying trend of agricultural incomes in the last ten years was relatively more favourable in Denmark, Greece and Luxembourg. Italy also saw an improvement in these incomes.

The most significant phenomena of the period include a sharp decline in agricultural incomes in Ireland in 1979 and 1980, following the marked improvement when Ireland joined the Community, a perceptible deterioration in incomes in Germany, and a recovery of incomes in most Member States in 1981 and 1982, followed by a decline in 1983.

The deterioration of agricultural incomes over this period is also brought out clearly by a comparison of such incomes with incomes for the economy as a whole. However, in several Member States, in recent years, farm incomes have been catching up with the general economy.

Graph 2 shows changes in 1975-1983 in the main variables influencing agricultural incomes: final production in terms of volume, the "terms of trade" and the productivity of inputs. The graph shows that the deterioration in the "terms of trade" was a fundamental cause of the decline of agricultural incomes in 1979 and 1980 in particular; the productivity of inputs declined a little for the Community as a whole, but improved in certain Member States; the increase in the volume of agricultural production was relatively sharp in all the Member States, especially the Netherlands; Luxembourg was the only country in which it declined.

Graph. 1

REAL INCOMES FOR THE WHOLE ECONOMY AND FOR AGRICULTURE

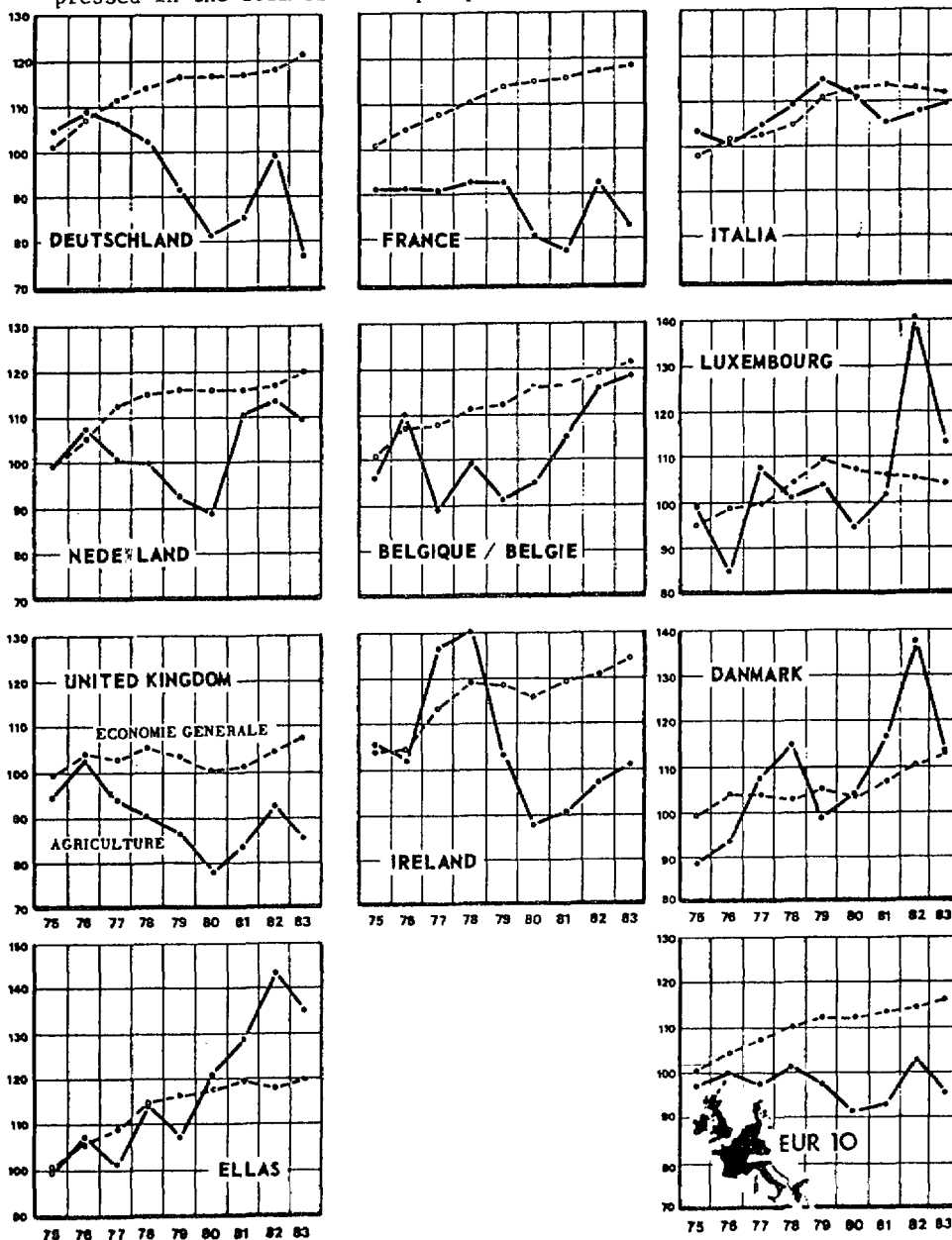
(Average 1973, 1974, 1975 = 100)

Agriculture - Sectoral income index.

Changes in incomes in the agricultural sector are represented by changes in net value added at factor cost (GDP deflator) expressed in the form of index per work unit.

General economy.

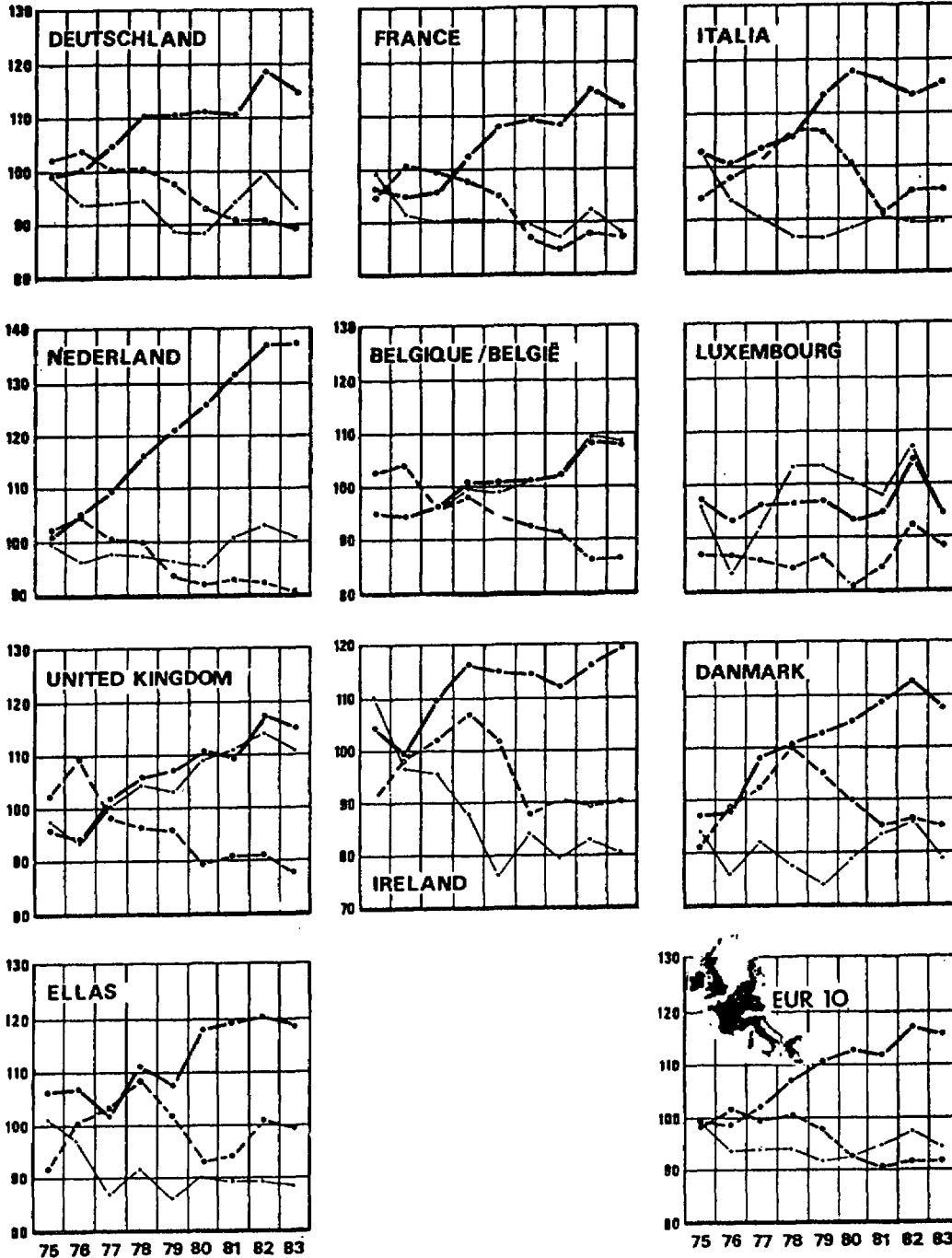
Changes in incomes in the general economy are represented by changes in net domestic product at factor cost (net value added at factor cost (GDP deflator)) and expressed in the form of index per person in employment.



Source: Agriculture - Central income index, 1973-1983, Eurostat Directorate General for Agriculture
 General economy - 1973-1980, Eurostat 1981 and 1983, Directorate-General for Economic and Financial Affairs.

Graph 2

CERTAIN FACTORS ACCOUNTING FOR AGRICULTURAL INCOME
(Average 1973, 1974, 1975 = 100)



..... Changes in final agricultural production in volume
 - - - - - "Terms of trade"
 - . - . - Productivity of inputs

PART II

AGRICULTURAL INCOMES BY TYPE OF FARMING

1. AGRICULTURAL INCOMES IN 1983

1.1. At Community level

The first part of this document has shown that agricultural incomes - expressed in terms of net value added at factor cost per person employed - declined in 1983 by about 7% in real terms. Part II looks more closely, on the basis of the latest updated figures from the Community's Farm Accountancy Data Network (FADN), at changes in income according to the various types of "commercial" holding.*

In this connection, it must be remembered that, by definition, the FADN's field of survey does not cover all holdings, so that some figures for all holdings represented in the FADN may sometimes show discrepancies as against the figures obtained at macro-economic level. This is also partly a matter of the methods used, which are explained in the Annex. The results of these estimates for the Community as a whole are summarized in the table below.

* See Annex on methods.

Table 12 - Changes in agricultural income¹ per person employed² in 1983
and in 1982 for the main types of farming (in real terms)
(EUR-10)

Type of farming	Annual change (%)	
	1983/82	1982/81
<u>I. Specialized farms</u>		
<u>Crop products</u>		
Cereals	- 12	+ 20
General crops	- 9	+ 9
Horticulture	+ 12	- 15
Wine-growing	- 8	+ 60
Fruit and permanent crops	+ 7	0
<u>Livestock production</u>		
Cattle - dairying	- 1	+ 8
Cattle - beef/veal	- 4	0
Pigmeat	Reduction exceeding - 30	+ 17
<u>II. Non-specialized farms</u>		
Mixed cropping	- 8	+ 15
Mixed cropping - Livestock	- 10	+ 12
All holdings	- 7	+ 14

¹Agricultural income = farm's net value added.

²Person employed = annual work unit.

SOURCE: FADN, results weighted on the basis of the 1975 structure survey.

As Table 12 shows, the decline in incomes in real terms in 1983 was particularly sharp for pig farms (exceeding - 30% below 1982). However, it should be remembered that on these holdings, incomes had increased by 40% in 1981 and by 17% in 1982. The income reduction in 1983 is due mainly to a dip in farmgate prices (- 5.5% on average as compared with 1982), which also necessitated a number of Community measures in the course of the year, including private storage aids.

Another type of holding which suffered notable real income losses in 1983 was the farm specializing in cereals production (- 12% in 1983, following an increase of 20% in 1982). Here, as indicated in Part I of this document, the very poor weather, especially in northern and central parts of the Community, was a crucial factor limiting production (- 10.1%) and, consequently, reducing incomes, although farmgate prices improved appreciably in 1983 (+ 10.6% on average, as compared with 1982).

Real income reductions were smaller for cattle fattening holdings (- 4% in 1983, no change in 1982) and for specialized dairying holdings (- 1% in 1983, + 8% in 1982). In both cases, the appreciable increases in production costs, particularly the cost of feed in 1983, more than offset the increase in production in volume on these holdings (+ 3.9% for beef/veal, + 3.5% for milk) and the increase in milk prices (+ 7.7%).

The only types of farming for which incomes improved in 1983 were horticulture (+ 12%) and specialized fruit growing, including other permanent crops (citrus fruit, olives, etc.), but it must be added that the economic results had been quite disappointing in 1982. These results are due mainly to a sharp increase in prices in these sectors (an increase on average of about 24%), which more than offset the decline in the volume of production (- 2.8% for fresh fruit, - 5.7% for fresh vegetables) that occurred in 1983.

Specialized wine-growers suffered an average loss in real income of about 8%; this followed an increase, however, of about 60% in 1982.

Mixed farms also suffered from a number of unfavourable factors (weather, markets). Real income losses ranged from 8 to 10%.

1.2. Breakdown by Member State

Table 13 shows changes in agricultural incomes, still in real terms, in the various Member States, according to the various types of farming. As already stated, for various reasons the figures covering all commercial farms represented in the FADN show discrepancies as against the macro-economic data presented in Part I of the report. None the less, the table confirms the main findings at macro-economic level and also allows of a more detailed analysis.

For the table shows that the largest reductions in agricultural incomes in 1983, for commercial farms covered by the FADN, occurred in Germany (- 28%) and Luxembourg (- 39%). However, it should be added, also on the basis of FADN figures, that in 1982 these were the two Member States in which the largest increases in agricultural incomes had been achieved (+ 29% in Germany, + 36% in Luxembourg).

The main interest in the table is found, however, in the breakdown of rates of change of incomes by type of farming. Bearing in mind that income reductions in 1983 were generally strongly influenced by the exceptionally high figures achieved in 1982, this table yields the following conclusions.

- For cereals holdings, Ireland is the only country in which incomes rose substantially in 1983 (16%), and all the other Member States except the United Kingdom suffered appreciable income losses, ranging from -7% in France to -30% and more in Germany. Trends were comparable for the other crops (potatoes, beets, etc.) ranked under general crops.
- With regard to specialized horticulture holdings, incomes increased in the Netherlands (+ 21%), the United Kingdom (+ 15%) and France (+ 13%). They tended to mark time in Germany and Denmark.
- Specialized wine-growing holdings enjoyed increased incomes in Italy and in Greece, but the figures were generally negative in Germany, after a bumper year in 1982.

- On fruit holdings and olive holdings, incomes increased in most of the Member States, except Belgium and the Netherlands.

- With regard to specialized dairy farms, incomes increased in Belgium, Ireland and Italy; they tended to mark time in Germany and the Netherlands, but in France, the United Kingdom, Luxembourg and Denmark, they declined to varying degrees.

- Except in the United Kingdom, Ireland and Belgium, incomes on holdings specializing in fattening cattle tended to decline.

- Incomes on pig farms declined fairly substantially in all the Member States.

Table 13 - Agricultural incomes¹ per work unit in 1983 in the main types of farming

(Change % as against 1982, in real terms)

Farming	% of total commer- cial holdings: 2	D	F	I	NL	B	L	UK	IRL	DK	H	EUR-10
Cereals	(4)	> - 30	- 7	- 16	:	:	:	- 2	+ 16	- 22	- 22	- 12
General crops	(15)	> - 30	- 8	- 4	- 7	0	:	- 8	+ 4	- 15	- 5	- 9
Horticulture	(2)	0	+ 13	+ 4	+ 21	+ 2	:	+ 15	:	- 1	:	+ 12
Wine-growing	(5)	> - 30	- 8	+ 8	:	:	> - 30	:	:	:	+ 8	- 8
Fruit ³	(11)	+ 2	+ 14	+ 13	- 12	- 6	:	+ 1	:	+ 1	- 5	+ 7
Milk	(16)	0	- 4	+ 4	0	+ 7	- 27	- 8	+ 5	- 3	:	- 1
Beef/veal	(4)	> - 30	- 8	- 4	- 12	0	- 26	+ 2	+ 1	- 8	:	- 4
Pigmeat	(1)	> - 30	- 30	- 19	> - 30	- 27	:	> - 30	:	- 21	:	> - 30
Mixed cropping	(11)	> - 30	- 7	+ 1	- 17	- 4	:	- 11	:	- 15	- 7	- 8
Crops-livestock	(12)	- 30	- 7	- 4	- 3	+ 3	:	- 4	+ 5	- 9	- 10	- 10
All types of farming	(100)	- 28	- 7	+ 2	- 3	- 1	- 39	- 5	+ 3	- 11	- 6	- 7

Source: FADN estimates (weighting based on 1975 structures survey).

> - 30 = decline incomes exceeding 30%.

: indicates either that this type of farm does not exist in a given Member State or that there are very few holdings of this type, and therefore that the information is insufficient to allow of estimates.

1 Agricultural income = net value added of the holding

2 Results of 1975 structures survey

3 Including olives and other permanent crops.

2. AGRICULTURAL INCOMES FROM 1978 TO 1983

As Table 14 and Graph 3 show, most of the important types of farming chosen suffered relatively severe income losses, in real terms, between 1978 and 1980. However, incomes rallied a little in 1981, and showed an appreciable improvement in 1982, partly because of the very good weather. The decline in incomes in 1983 brought them back to the average for 1978-1980, but they remained above the 1981 level.

Certain types of production do, however, show differing income trends during the same period.

The most remarkable feature in this connection is probably the virtually uninterrupted improvement in incomes on specialized fruit holdings (+ 72% between 1978 and 1983 for the Community of Nine). As a result of this, incomes per work unit, which were the lowest in this sector among all types of farming, whether crop or livestock, except mixed cropping, had become the highest by 1983, apart from pig farming.

With regard to specialized pig farming, it should be stressed that despite quite sharp cyclical fluctuations in incomes in this sector, these are well above the average throughout the period.

Another sector in which incomes have fluctuated both upwards and downwards quite sharply in recent years is specialized wine-growing. After a decline of 35% between 1978 and 1981 for EUR-9, incomes leapt by 60% in 1982 to fall back by 8% in 1983. However, in general, the incomes on this type of holding are well above the average and were even the highest in 1982, except for specialized pig farms.

For certain types of farming, on the other hand, real incomes declined quite steadily throughout the period: these include horticulture, mixed cropping and cattle fattening.

Table 14 - Real incomes¹ by work unit during 1978-1983, in the main types of farming

	Types of farming	% of all commercial holding ²	EUR-9 Average all types of farming 1978 = 100						EUR-10 Average all types of farming 1981 = 100		
			1978	1979	1980	1981	1982	1983	1981	1982	1983
Specialized holdings	Cereals	(4)	138	114	112	108	129	115	136	163	144
	Field crops, other	(15)	115	101	97	101	111	101	92	100	92
	Horticulture	(2)	120	115	111	119	101	96	163	138	132
	Winge-growing	(5)	128	119	89	83	133	122	108	173	158
	Fruit and permanent crops ³	(11)	76	71	79	123	123	131	111	111	118
	Cattle, dairying	(16)	118	94	87	96	104	103	132	142	141
	Cattle, rearing/ Pigs fattening	(4) (1)	88 165	66 179	61 135	68 188	68 220	65 165	93 258	93 305	89 226
Mixed farms	Mixed cropping	(11)	73	64	54	53	60	55	63	73	66
	Crops - Livestock	(12)	89	78	74	76	86	77	101	114	103
	All holdings	(100)	100	86	83	84	96	89	100	114	105

Source : FADN results 1978-1981; FADN estimates 1982, 1983.

1 Agricultural income = net value added of the holding in real terms

2 On the basis of 1975 structures survey.

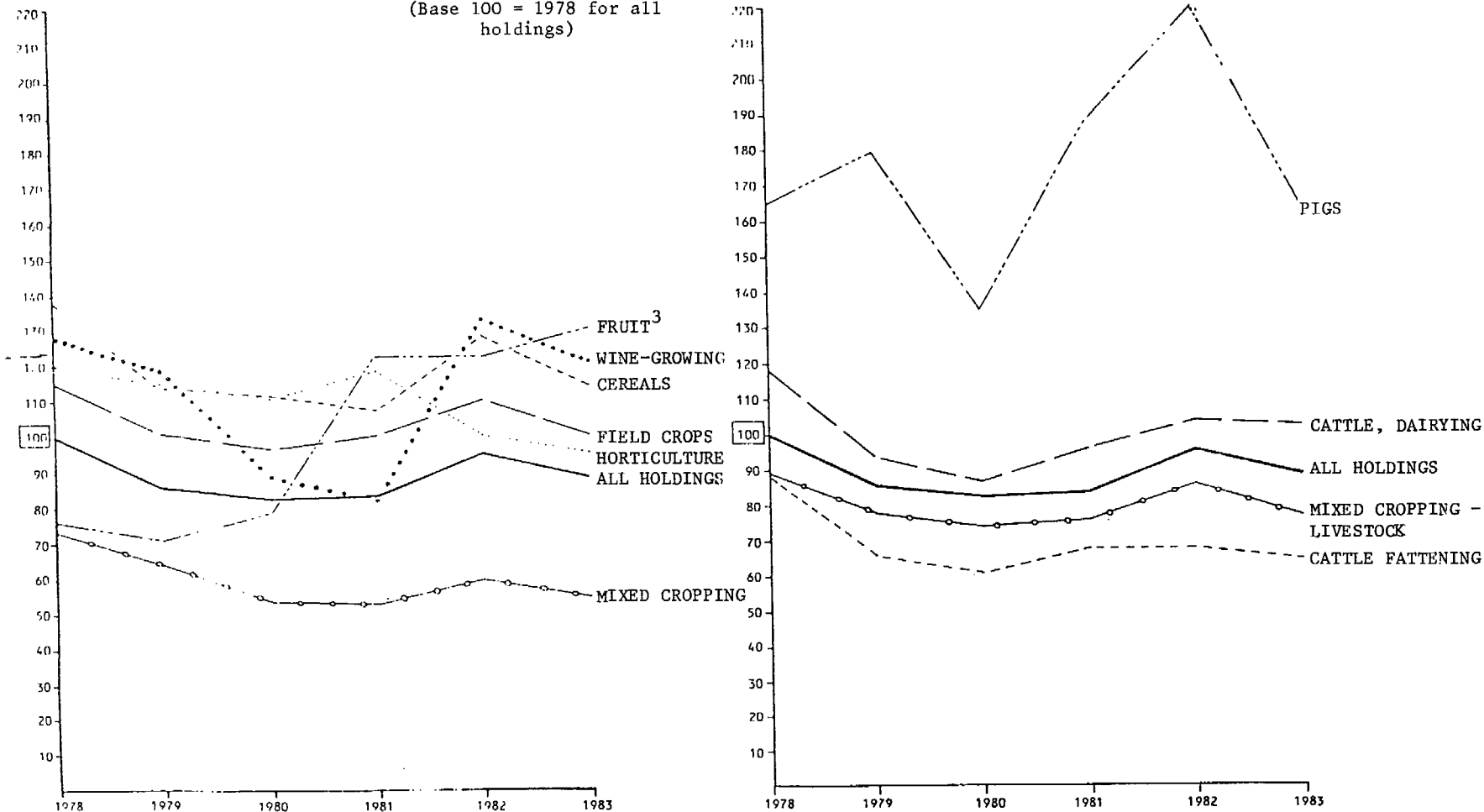
3 Including olives and other permanent crops.

Graph 3

AGRICULTURAL INCOME¹ PER PERSON² IN REAL TERMS FOR THE MAIN SECTORS OF PRODUCTION, 1978-1983 (EUR-9)

BR/MSB
1.4.84

(Base 100 = 1978 for all holdings)



Source:-FADN results 1978-1981 (weighted on the basis of the 1975 structures survey)
-FADN estimates 1982, 1983.

¹ Income = net value added of holding.

² Per person: per annual work unit.

³ Including olives and other permanent crops.

3. THE DISTRIBUTION OF AGRICULTURAL INCOMES

Table 15 and the related Graph 4 show the distribution of the incomes of persons working on agricultural holdings coming within the FADN field of survey, according to the absolute levels of incomes for 1981/82, the last accounting year for which the necessary data are available.

The figures show quite wide differences between Member States in the distribution of incomes "per person employed". For example, in Greece and in Italy, 82% and 58% respectively of the persons working on agricultural holdings enjoyed an average income below 4 000 ECU in 1981/82, and only 0.5% and 8% respectively had an income exceeding 12 000 ECU.

The Netherlands, Belgium, Denmark and the United Kingdom present a marked contrast to this, for in these countries at least 50% of farmers and farm workers enjoy incomes exceeding 12 000 ECU.

Between the two extremes are Germany, France, Ireland and Luxembourg.

Table 15 - Distribution of agricultural incomes¹ among specialized holdings

% of total number of work units in each class of income (1981/82)

Agricultural income (ECU) ¹	EUR 10	D	F	I	N	B	L	UK	IRL	DK	GR
2.000 -	23	20	7	30	1	2	10	7	10	4	40
2.000 - 4.000	23	14	12	28	2	3	4	5	21	2	42
4.000 - 8.000	23	28	32	24	12	17	28	16	36	13	16
8.000 - 12.000	13	20	24	9	14	24	30	20	18	20	2
12.000 - 20.000	12	14	18	6	33	33	24	33	12	35	0
20.000 - 28.000	4	3	5	2	20	12	3	13	2	16	0
28.000	2	1	2	1	18	9	1	6	1	10	0
TOTAL	100	100	100	100	100	100	100	100	100	100	100

¹Agricultural income: net value added of the holding by annual work unit.

Source : FADN, 1981/82 results, weighted on the basis of the 1975 structures survey.

Graph 4 DISTRIBUTION OF AGRICULTURAL INCOMES¹

% of total number of work units in each income class

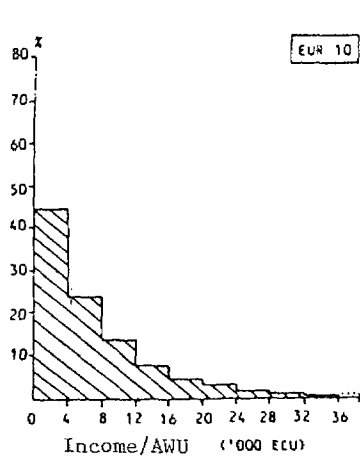
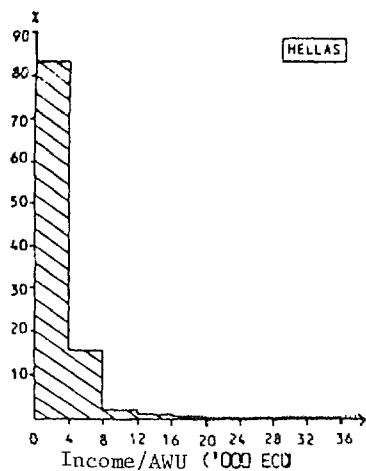
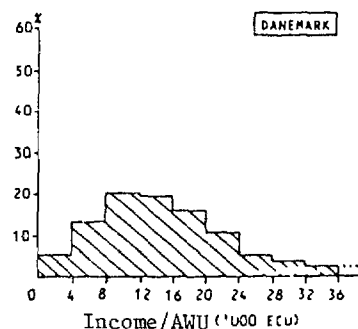
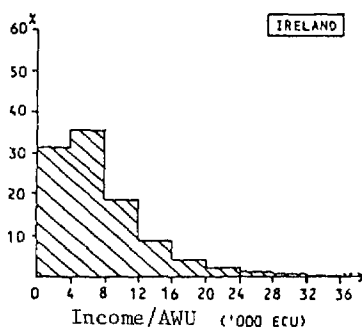
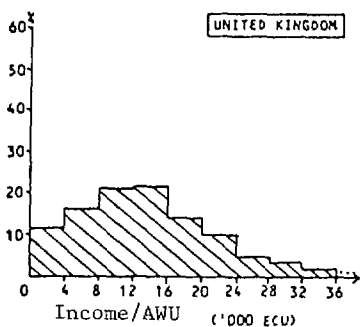
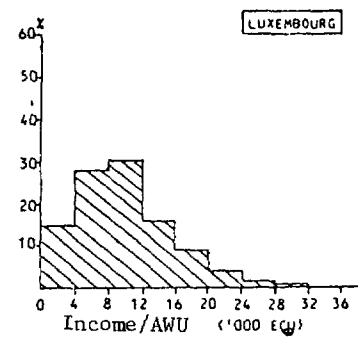
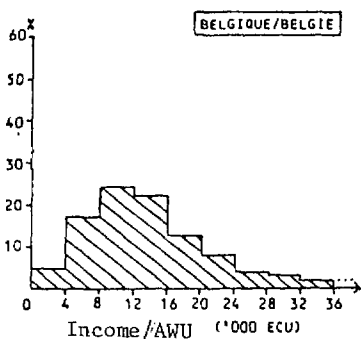
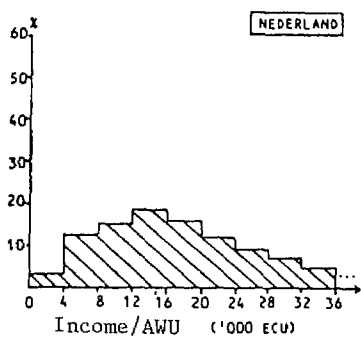
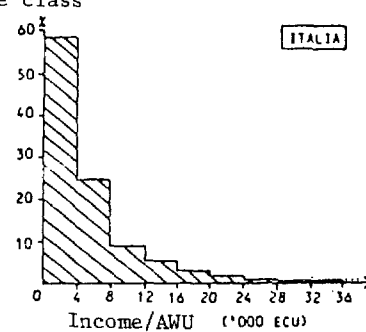
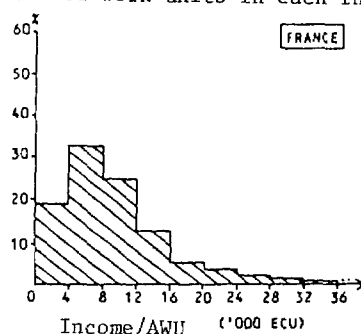
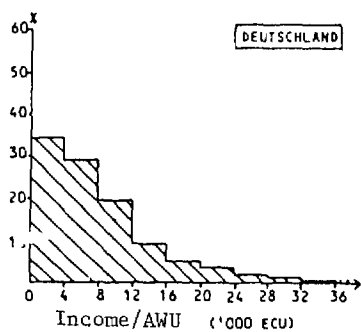


Table 16 - Indices of net value added at factor cost per unit of manpower employed, real

"1974"¹ = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
D	105,1	91,1	104,1	109,1	106,2	102,4	90,9	80,1	85,4	98,9	77,2
F	110,5	100,9	91,4	90,8	90,3	92,2	92,5	80,1	77,8	92,4	83,3
I	100,1	96,8	103,6	100,9	104,1	109,1	114,1	110,7	105,2	107,4	108,9
NL	110,4	92,2	98,8	107,5	101,6	99,9	92,4	89,6	110,5	113,8	109,2
B	114,7	91,9	96,1	110,3	89,7	99,0	90,8	95,3	105,3	116,4	118,7
L	110,5	91,9	99,5	85,2	108,5	101,3	104,0	94,8	101,7	141,0	113,5
UK	110,7	97,3	94,7	102,5	94,4	90,7	86,2	78,5	82,5	92,2	85,7
IRL	101,8	90,9	106,7	102,6	127,2	130,3	103,8	88,9	90,5	97,1	101,5
DK	110,5	103,6	88,5	93,6	107,8	115,5	99,2	104,4	117,5	138,0	113,3
Hellas	102,3	99,3	99,5	107,7	101,9	113,9	107,5	120,7	129,2	143,5	135,0
EUR 10	105,8	96,3	97,9	100,0	98,9	101,1	97,8	91,5	93,2	103,1	95,8

¹"1974" = (1973 + 1974 + 1975) ./ 3.

Table 17 - Final production of agriculture (volume)

("1974"¹ = 100)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1973	100,1	102,4	97,6	96,6	101,2	100,5	103,9	96,7	97,1	95,3	100,1
1974	100,7	101,7	99,0	102,0	103,4	101,7	100,7	98,8	105,9	98,8	101,0
1975	99,3	95,9	103,3	101,4	95,4	97,8	95,5	104,5	96,9	105,9	99,0
1976	100,5	95,0	100,6	105,3	94,4	92,8	94,0	99,9	98,1	106,7	98,5
1977	105,6	95,8	103,0	109,0	96,5	95,7	101,7	109,6	107,9	101,9	101,8
1978	110,1	102,7	106,3	116,9	100,2	97,9	105,9	116,5	110,1	111,1	107,1
1979	110,1	108,7	113,0	121,6	100,5	96,4	107,1	115,5	113,2	107,5	110,5
1980	111,5	109,4	117,5	125,6	101,1	93,2	110,4	114,8	114,7	118,0	113,0
1981	110,6	108,0	116,7	132,2	102,0	95,5	109,4	112,3	119,3	119,7	112,9
1982	119,1	115,2	113,4	137,4	107,9	104,2	117,0	115,9	123,8	120,7	117,8
1983	114,8	111,1	116,0	137,4	107,5	94,1	115,7	119,7	118,8	118,4	116,0

¹"1974" = (1973 + 1974 + 1975) 3

Table 18 - The "prices squeeze"¹ or "terms of trade"

"1974"² = 100

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1973	102,6	111,6	109,1	105,0	104,7	107,4	103,6	118,3	105,2	109,8	106,7
1974	94,6	93,8	96,2	93,1	92,7	95,4	94,1	90,6	94,9	98,3	94,7
1975	102,7	94,6	94,7	101,9	102,6	97,2	102,3	91,1	99,9	91,9	98,6
1976	103,8	100,4	98,7	104,6	104,2	96,8	109,2	98,7	104,5	100,8	102,0
1977	100,6	99,4	101,1	100,2	96,4	96,1	98,0	101,9	101,2	103,0	99,4
1978	100,6	98,0	106,5	100,0	98,4	94,7	96,2	107,0	110,4	108,5	100,7
1979	98,0	95,4	106,8	94,0	94,4	96,1	95,5	102,0	104,8	102,6	98,2
1980	93,3	87,0	100,4	91,8	92,1	90,3	89,9	88,8	99,8	93,1	92,5
1981	90,8	85,6	91,6	92,8	91,6	94,3	90,7	90,7	94,6	93,9	90,3
1982	90,2	87,9	95,7	92,5	86,5	102,2	90,8	89,4	95,8	101,7	91,7
1983	89,0	87,6	96,3	90,7	86,5	98,6	88,5	90,1	94,7	99,2	91,9

¹Implicit index of prices of final production divided by implicit index of input prices.

²"1974" = (1973 + 1974 + 1975) / 3.

Table 19 - Productivity of inputs "1974"² = 100

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1973	99,0	100,4	98,5	98,9	101,1	103,3	100,9	90,6	97,3	100,5	99,2
1974	101,8	100,1	98,5	101,5	103,7	100,6	102,1	99,2	108,0	101,3	101,0
1975	99,1	99,6	103,0	99,5	95,2	96,0	97,0	110,1	94,7	98,2	99,7
1976	93,8	91,5	93,6	96,9	94,4	83,6	93,4	95,6	86,2	96,9	93,5
1977	93,9	90,0	90,7	97,9	95,5	91,5	100,1	95,4	92,5	87,3	93,4
1978	94,7	90,2	87,3	97,8	99,6	103,3	104,3	88,4	87,5	91,4	93,6
1979	89,2	90,1	87,4	96,7	99,2	103,2	103,5	76,1	84,3	86,3	91,7
1980	89,5	89,2	88,7	95,6	100,9	100,4	108,8	84,5	88,9	90,2	93,1
1981	94,5	87,0	91,7	100,9	102,5	98,0	110,5	79,3	93,6	89,4	94,7
1982	99,1	92,0	89,3	102,8	109,4	106,9	114,1	82,8	95,9	89,4	97,3
1983	93,2	87,8	89,0	100,7	108,1	94,9	110,9	80,5	89,0	88,2	94,0

¹ Index of volume of final production divided by index of volume of inputs

² "1974" = (1973 + 1974 + 1975) / 3.

METHODS USED

I. Macro-economic analyses

- . In this document, changes in agricultural incomes for "agriculture" as a whole are assessed essentially on the basis of two income indicators, each of them having a quite specific economic significance:
 - (1) Net value added at factor cost per person employed: represents all the resources deriving from farming available to farmers to remunerate the various factors contributing to its formation, namely labour (of farmers, family members and paid workers) and capital (including land and buildings, owned or borrowed);
 - (2) Net income from farming of the farmer and his family per person employed: represents income that can be distributed to non-remunerated agricultural labour (normally the farmer and his family members) after paid labour and borrowed capital had been remunerated.

- . These indicators are obtained according to the following equation:
 - Final agricultural production
 - Inputs
 - = Gross value added at market prices
 - + Subsidies
 - Output related taxes
 - = Gross value added at factor cost
 - Depreciation
 - = Net value added at factor cost
 - Rents and interest paid
 - Wages paid
 - = Net income from farming of farmer and his family.

- . Net value added at factor cost is then divided by total employment of labour in agriculture, in work units/year. This gives the average income of all those working in farming (farmers, paid workers, family members).

- . The net income from farming of the farmer and his family is divided, on the other hand, only by the employment of unpaid agricultural labour, still in work units/year since the remuneration of paid workers has already been deducted from this item.

- . Since the aim is to establish the annual change in incomes, the basic data, and the results, are expressed in terms of rate of change of one year as against another.

- . The change in real terms in incomes is obtained by dividing the change in nominal terms by an appropriate deflator, in fact the GDP deflator.

- . The first of the two income indicators is available since 1973, both at Community level and for each Member State. The second indicator was, however, introduced from 1982 and only at Community level, in view of the difficulties hampering certain Member States in attempting to establish sufficiently accurate estimates of certain items (in particular, wages, interest and rents paid).

II. Micro-economic analyses

A. FADN

The Farm Accountancy Data Network (FADN) musters figures from a sample of Community agricultural holdings: the Network was specially set up to obtain the information needed to ascertain, among other things, farm incomes.

During 1981/82 - the last accounting year for which figures are available for the whole of the Community - the sample covered about 33 000 holdings. The stratification of the sample according to types of farming, economic size and geographical location, combined with the data weighting system, ensures that it covers a total of more than 2 800 000 holdings in the Community.¹ This corresponds to 85% of the holdings coming under the field of survey assigned to the FADN. This field of survey was constituted in 1981/82 by agricultural holdings that can be described as "commercial" and which ensure annual employment of at least 1 or 0.75 work units according to Member State.

The holdings covered by the FADN correspond to 80% of the total production capacity of all Community holdings (measured on the basis of standard gross margins), 85% of total UAA, 2/3 of the total number of work units in agriculture, 80% of total areas under cereals and 90% of total milk production.

B. Definition of income

The definition of income used in this report for FADN data is "net value added of the holding".

¹In the absence of sufficient basic data in all the Member States, the data are still being weighted on the basis of the 1975 agriculture structures survey. In view of changes in the numbers of holdings since 1975, use of a weighting coefficient having a more recent basis should probably lead to an improvement in the rate of cover.

This concept corresponds to:

- + gross production (i.e. the value of the products sold, self-consumed and self-used, provisions in kind, changes in livestock inventories and products)
 - + grants and subsidies
 - (minus) - inputs (supplies and services, purchased and self-used)
 - (minus) - depreciation for material, equipment and buildings
 - (minus) - insurance and taxes and dues on production, land and buildings
-
- = net value added of the holding.

This concept corresponds to the balance available to remunerate capital and labour (paid workers, family workers, including management) involved in the holding.

This micro-economic indicator is the closest, by its definition, to the macro-economic concept of net value added at factor cost (sectoral income index and economic accounts of agriculture).

The figures given in this document for 1981/82 and previous years are calculated on the basis of data obtained from the reporting holdings. The figures for 1982 and 1983 come from calculations made on the basis of an "updating model" using data for changes in quantities and prices.

III. The two approaches are complementary

The specific approach adopted by the two sources leads to discrepancies with regard to the field of observation covered, the collection of data, and the definitions and methods of calculation used.

The results obtained from the two sources cannot therefore be expected to be identical. The two approaches are to be regarded as complementary.

The macro-economic approach provides an overall and average view of farming as a general economic activity at the level of the Member State and of the

Community and thus enables direct comparisons to be made with average income for all economic activities.

The micro-economic approach pinpoints differences between agricultural holdings depending on type of farming or economic size, and gives information on the distribution of incomes.

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