

EUROPEAN COMMUNITY

NEWSFLASH

GREEN EUROPE —

Agricultural incomes in the European Community in 1985 and since 1973

APRIL 1986

AGRICULTURAL INCOMES

In 1985 and since 1973

The data used in this Newsflash has been supplied
by the Statistical Office of the European Communities (EUROSTAT)
and the Farm Accountancy Data Network (FADN)

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INTRODUCTORY REMARKS

The purpose of this publication

This publication in the Green Europe Newsflash series is the Commission's third consecutive annual detailed review of agricultural incomes in the Ten member Community.

The Commission is thus seeking to make available to the general public, as well as to the specialist, a coherent body of statistics and other information about how agricultural incomes have changed since 1979, in general terms, and what happened to them in 1985 in particular, while also analysing and explaining the various factors which have helped to shape the trend (final agricultural production, farmgate prices, prices paid, costs, etc.).

What is meant by "agricultural income"?

The question might seem superfluous, but the concept of agricultural income needs to be defined at this juncture, since it can cover several definitions that do not necessarily mean the same thing.

In this document "agricultural income" is looked upon as income from farming. It is, however, important to bear in mind that in the Twelve-member Community many of its 11 million farmers, and their households, also have incomes accruing from other sources, and they and their families may get part of their income from, say, social security, or from other, part-time, work on a regular basis or solely at certain times of the year. In 1979/80 about a third of the farmers in the Ten-member Community had another paid occupation apart from the farm, but in certain Member States their proportion was over 40% of all farms as a whole. However, one does not always know how much this income earned outside the farm amounted to. The disposable income of farmers may, moreover, also be influenced by other factors (e.g. taxation) on a scale which is hard 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 farms and their families, which depend on many other factors apart from the income from farming.

What are the "sources" of the data used?

This document is divided up into two complementary parts which are based on two different sources of data:

- Part I concerns the analysis of agricultural incomes at the macro-economic level, i.e. on the basis of data relating to the "agriculture" sector as a whole which is compiled, using a common method, by the relevant agencies in the various Member States and then assembled by the Statistical Office of the European Communities;
- Part II is an analysis of incomes at the micro-economic level, i.e. on the basis of data derived from observations of a sample of holdings chosen to represent the various categories of holding; the data and estimates come from the Community's Farm Accountancy Data Network (FADN).

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

This document amplifies and at the same time updates information on agricultural incomes which the Commission provides in other documents it publishes regularly at different times during the year, such as the Annual Report on the Agricultural Situation in the Community, drawn up on the basis of data available at the end of October, the explanatory memoranda to the price proposals, which are generally tabled in January, publications from the Statistical Office of the European Communities on the sectoral income index, and those concerning the Farm Accountancy Data Network (FADN).

EUROSTAT also published, in March 1986, a document containing a detailed analysis of how incomes developed in 1985 and during the period from 1973 to 1984, which went to make up the statistical basis for drafting Part I of this publication, while FADN, as usual, supplied the figures required to write up Part II of this document.

How are changes in agricultural income measured?

In the context of this document, changes in agricultural income are assessed by means of the rate of change in two income indicators, each corresponding to a specific definition of "agricultural income" or referring to a different set of persons contributing to its formation. The indicators are as follows (1):

Indicator A: Farm net value added at factor cost, per work unit: this shows changes in the income of all persons working in agriculture (farmers, family members and paid farmworkers). This indicator has existed since 1973 for all Member States.

Indicator B: Net income from farming of the farmer and his family, per work unit: this indicator expresses the income deriving from agriculture which is disposable (for the farmer and his family) after deduction of wages, rent and interest on capital borrowings. This indicator is only available for 9 Member States (however, the statistical series since 1973 is only in existence for 7 Member States).

Income changes are expressed in real terms, i.e. after deduction of the decline in each Member State's currency's purchasing power, which is measured by the inflation rate for the economy as a whole.

How precise is the data for agricultural incomes?

So far as the macro-economic data is concerned, it should be remembered, first of all, that since these are statistical aggregates, these indicators only show changes in aggregate income whether it be of all persons working in agriculture (indicator A) or simply of the farmer and his/her family (indicator B). These movements in agriculture's aggregate income mask a much less uniform reality as between different farmers, types of farming, etc. Part II of this Newsflash will look at some of these internal disparities within farming, using the micro-economic data. It should be stressed, however, that as with all forms of statistical evaluation, arriving at these income indicators entails a certain margin of error, due mainly to the difficulty of precisely appraising certain aggregates tending to influence farm incomes. More specifically, it has to be remembered that the figures for last year are generally speaking either preliminary estimates or predictions as to how various items have evolved, made at a time of the year when all the necessary information is not yet available and when sometimes the farming year may not be over for certain products.

(1) See the Appendix on Methodology explaining how these two indicators are calculated.

The figures given here for 1985 may, therefore, have to be revised in the course of 1986, although generally speaking those predicted ought not to be too wide of the mark (1).

Finally, on this point, it needs to be said that the margin of error is bigger for indicator B than for indicator A. Indicator B is not only dependent on all the factors - apart from employment - involved in calculating indicator A (value of final agricultural production and intermediate consumption, depreciation, subsidies, taxes, rate of inflation), but it also depends on other items (rents, wages and interest paid) that are usually more difficult to assess. Also, while, in indicator A, income is calculated in terms of total agricultural employment, in indicator B income only refers to the labour of the farmer and his/her family, which is an aggregate and more difficult to determine statistically than total employment.

So far as the micro-economic data is concerned, it should firstly be said that this is drawn from a sample of about 40,000 appropriately selected farm holdings, representing about 2.7 million "commercial" farms. Also, the figures relating to 1984 and 1985 (and to the 1984/85 and 1985/86 accounting years) result from estimates made using an "updating" model employing both the latest available accounts and coefficients for changes in quantities and prices.

What kind of figures are in this Newsflash?

This Newsflash is based on the latest figures made available to the Commission by the Member States as of 21 February 1986. Once again it needs to be said that as they are forecasts or estimates, some of the figures given here, especially those for 1985, may well have to be revised at a later date. Established on the basis of common methods but from data notified by the relevant agencies at national level, the **forecasts** relating to how agricultural incomes have evolved in 1985 may differ, sometimes significantly, from the figures published in the Member States. 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, differing treatment of changes in stocks, etc.).

- (1) For 1984, however, there was found to be, for indicator A, a very considerable gap at times between the Member States' initial forecasts drawn up in January 1985, and the revised figures arrived at in October 1985. Hence, for example, there was a 1 to 3 gap for Germany and one of 1 to 2 for Ireland. The gap is even wider for indicator B - 1 to 4.2 for Germany (no Irish figures are available).

AGRICULTURAL INCOMES IN 1985 - THE GENERAL PICTURE

Whereas agricultural incomes in the Community rallied slightly in 1984 on average after falling in the previous year, 1985 will have seen a fresh decline in income from agriculture, in real terms, and this will be true of virtually all the Member States. Thus, once again, as has been the case for several years, farming results are presenting us with what has become almost a regular seesaw effect, due largely to the sharp contrast between excellent weather one year and what is often particularly bad weather the next: 1985 was marked by a long, hard winter and a very wet spring and summer, apart from certain Mediterranean areas, that is, which suffered a prolonged drought. In 1984, on the other hand, the weather had been exceptionally good for farming. Provisional figures sent in by the ministries in the various Member States before 21 February 1986 show that the average relative decline in agricultural incomes in 1985 as compared with 1984 can, for the Community as a whole (1), be estimated at:

- A) - 6.4% in real terms on the basis of net value added at factor cost per work unit (+4.6% in 1984), this being an indicator of the average income of all those working in agriculture (farmers, family help and paid labour), expressed in constant purchasing power;
- B) - 13.7% in real terms on the basis of net income from farming of the farmer and his family per work unit (+5.1% in 1984), this being the income left after deduction of net value added at factor cost, wages, rent and interest.

As the following table shows, generally speaking the drop in farm incomes in 1985 was relatively more marked in Member States that had experienced a substantial increase in their agricultural income in 1984. Given that agricultural income in the past few years has been strongly influenced by the vagaries of the weather, it is only to be expected that the fall in farm incomes in 1985 would have been most pronounced in areas and Member States where the contrast between 1984's excellent weather conditions and 1985's bad weather, be it too much rain or not enough, was the most marked.

- (1) EUR 10 for income indicator A, EUR 9 (leaving out Greece) for income indicator B. Comparable figures are not available for Spain and Portugal.

Table I **Agricultural income in the Community**
in real terms in 1984 and 1985, by Member State

(%age rate of change over the previous year)

	Net value added at factor cost per work unit		Net income of the farmer and his family per work unit	
	1985	1984	1985	1984
Deutschland	- 14.0	+ 18.6	- 22.0	+ 32.5
France	- 9.0	+ 2.5	- 14.7	+ 2.0
Italia	+ 1.1	- 5.8	+ 0.4	- 14.7
Nederland	- 4.4	+ 5.3	- 5.8	n.a.
Belgique/ België	- 2.3	- 4.5	- 3.6	- 6.7
Luxembourg	+ 0.4	+ 4.1	+ 0.1	+ 4.5
United Kingdom	- 17.5	+ 13.9	- 46.0	+ 29.1
Ireland	- 13.8	+ 13.4	- 16.8	+ 20.4
Denemark	- 2.1	+ 31.5	- 3.8	+161.3
Ellas	- 0.6	+ 8.8	n.a.	n.a.
EUR 10	6.4	+ 4.6	- 13.7	+ 5.1

Thus, for example, agricultural incomes plummeted in the United Kingdom, Germany and Ireland in 1985 in real terms, but it has to be remembered that these same Member States recorded the most spectacular recovery in farm incomes in 1984. Something similar, although relatively less pronounced, also happened in France, the Netherlands, Denmark and Greece. Agricultural incomes in Italy, on the other hand, after a steep fall in 1984, remained relatively stable in 1985 and actually moved up slightly. In Belgium farm incomes went down for the second year running, whereas in Luxembourg there was a slight improvement in 1985, as there had been in 1984.

In economic terms there are basically two sets of factors that can account for the decline in agricultural incomes in 1985 compared with 1984.

Firstly, there is the reduction in the overall volume of production, especially where crops are concerned, in relation to the record volume in 1984. With cereals, for example, the total volume of production was down on 1984 by just under 10%, while remaining well above the level reached before the record harvest for that year. One also needs to add that the poor weather during harvest badly affected the quality of the crop in the northern part of the Community, and this was bound to have a depressing effect on farmgate prices. So far as livestock are concerned, beef/veal production was down by 2.7% on average compared with the record 1984 levels, and milk production followed the same path, with first estimates giving an average decline of 1.6% for 1985, although milk deliveries were on the increase during the second half of the year. The drop in the overall volume of agricultural production was more marked in Germany (-3.7%), the United Kingdom (-3.2%) and Ireland. However, most of the other Member States, apart from the Netherlands and Greece, were also affected.

Secondly, this fall in production brought about a deterioration in several Member States (Germany, France, United Kingdom and Ireland) in the agricultural "terms of trade", the cost/price "squeeze" between the prices paid by farmers for inputs of goods and services and the prices they get "at the farmgate". Although generally speaking less marked than that recorded in 1984, this deterioration came about despite considerable deceleration in the rate of price rises for agricultural means of production (about 5 points less than in 1984), and despite the actual fall in nominal terms registered in certain Member States. Nevertheless, other Member States - the Netherlands, Italy, Denmark, Greece, Belgium and Luxembourg - saw a distinct improvement in their "terms of trade" in 1985, due mainly to the substantial reduction in the price of animal feed during the year, varying between 8 and 10% compared with 1984, depending on the Member State. However, as we have seen, the positive effect this improvement had on farm incomes was not enough, in most of the Member States, to offset the impact of the fall in the volume of production.

Along with these two main sets of factors there have obviously been others that have helped to determine or magnify the fall in agricultural incomes in 1985. Thus, for example, the often dramatic drop in the income of the farmer and his or her family is not only due to the factors we have just been looking at. It may also be influenced by what is happening to wages, interest rates and rents, and the effect this has on the farmer's gross income.

If the results for 1985 are looked at in a longer-term context, over a number of years, the picture is as follows:

- A) so far as net value added at factor cost per person working is concerned, despite some fluctuation in recent years and its decline in 1985, average agricultural income in the Community for the 1983-1985 period is slightly higher in real terms (+1.4%) than that for the 1974-1976 period, and very much on a par with that for the 1973-1975 period, including 1973 which was historically speaking the most favourable year of all for farm income in the Community.
- B) so far as net income of the farmer and his family per person working is concerned (i.e. after deduction of wages, rent and interest), for which the necessary data is^{only} available for seven Member States, average income has substantially deteriorated, in real terms, over the last ten years, falling by 23% in total from 1974-76 to 1983-85. Basically this has been due to wage-costs on the one hand, and the cost of capital borrowings and farm-tenancies on the other, tending, on average, to run ahead of net value added. However, there have also been other factors that have helped to bring this about, such as the process of restructuring European agriculture and the reduction in agricultural employment both moving at a slower rate, etc. Nor should one forget that in many cases the fall in income derived from farming has been partly offset by an increase in the income earned from activities outside farming. Suffice it to say that in 1979/80 about a third of the Ten-member Community's farmers were engaged in a paid activity away from the farm.

As can be seen from the following table, which is based on an updating of the latest Farm Accountancy Data Network figures, the fall in incomes in 1985, measured in the net value added at factor cost per work unit, was particularly acute for farmers specialising in cereals. However, it has to be said that in 1984 this sector recorded an average increase in real terms of over 25%. The same applies to specialist "field crops" farms (-14% in 1985, + 5% in 1984), due mainly to the bad weather in 1985, and to horticulture (-2% in 1985, +10% in 1984). Most fruit-farmers saw their incomes making a recovery in 1985 after the fall experienced in 1984. For the second year running pigs and poultry specialists continued to make progress in income terms, whereas most of the other types of livestock farmers, whether specialists or mixed, suffered a sharp drop in incomes compared with 1984. This was particularly true of beef/veal and sheepmeat.

Table II **A**gricultural income (1) per person employed(2) in 1985 and 1984 for the main types of production : EUR 10 (in real terms)

TYPE OF PRODUCTION		%AGE ANNUAL RATE OF VARIATION	
		1985-1984	1984-1983
SPECIALISED HOLDINGS	Cereals (11)	- 24	26
	General cropping (12)	- 14	5
	Horticulture (21)	- 2	10
	Wine-growing (31)	- 4	- 12
	Fruit & permanent crops (3) (32)	5	- 12
SPECIALISED HOLDINGS	Milk (41)	- 3	0
	Beef/veal (42)	- 12	0
	Mixed cattle (43)	- 7	1
	Sheep and goats (44)	- 10	4
	Grain-eaters (4) (51 & 52)	3	>30
MIXED HOLDINGS	Mixed cropping (61 & 62)	- 8	0
	Mixed livestock (71 & 72)	- 5	9
	Crops/livestock (81 & 82)	- 13	9

Source: updated FADN estimates (RFS)

- (1) Agricultural income = farm net value added
- (2) Person employed = annual work unit
- (3) including olives and other permanent crops
- (4) pigs and poultry

PART I

PRODUCTION, COSTS AND INCOMES IN AGRICULTURE

I. FINAL AGRICULTURAL PRODUCTION IN 1985

1. The volume of production

Final agricultural production

Community final agricultural production⁽¹⁾ in 1985, although below 1984's exceptionally high figure for volume, was nevertheless above even the highest of levels obtained before 1984. Despite a fall of 1.7% in 1985 - due largely to the bad weather conditions for crop production - the volume of agricultural production has in fact carried on growing at an average rate of 1.5% a year for the past four years. The 1985 volume of production was down on 1984 for most of the Member States other than the Netherlands, Greece and Belgium. The decline was particularly marked in Germany (-3.7%), the United Kingdom (-3.2%), Ireland (-2.1%) and Denmark (-1.9%), in the majority of the Member States, in fact, most affected by the sharp contraction of their harvests in the crop sector. Over the longer period, however, it has been the Netherlands, Denmark, Greece and Ireland that have had a distinctly greater increase than the Community average in their volume of production, while the poorest growthrate was that recorded for Belgium and Luxembourg, as can be judged from the following table:

- (1) To simplify matters this text uses the terms "quantities produced", "volume of production", "final production in terms of volume" indiscriminately when it is in fact referring to final agricultural production valued at constant prices. "Final agricultural production" is defined as follows:

Final agricultural production

- = Gross production
- Losses
- Intra-consumption (i.e. products used within the agriculture sector as means of production/inputs)

This means that the rates of variation given in this publication may be different from figures derived from statistics for the level of production.

Table 1 Annual rate of change (%) in final agricultural production, volume

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR-10
1985	-3.7	-1.6	-1.3	+1.5	-	-1.5	-3.2	-2.1	-1.9	+1.7	-1.7
1984	+3.7	+5.5	-3.9	+3.5	+5.2	+1.8	+5.9	+8.4	+11.8	+5.4	+3.3
1973/85	+1.2	+1.1	+1.3	+3.5	+0.5	+0.5	+1.4	+2.0	+3.0	+2.1	+1.5

Since it was the harvesting of most of the crop outputs that was so decisively affected by the weather, boosting production in 1984 and setting it back in 1985, it is in crop production that one finds the steepest rate of decline in the volume of production in 1985.

In Germany, for example, final crop production went down by 7.6%, after having gone up by 14.4% in 1984. The reduction for the United Kingdom was 7.5%, compared with a 21.6% increase in 1984, and in Denmark there was a fall of 11.2% after a rise in 1984 of 52.4%. The drop in final crop production for Ireland was actually greater, at 20%, than the increase in 1984 of 19.5%. The Netherlands and Greece were alone in having their crop output go up in 1985 as well as in 1984.

So far as livestock production is concerned, it was down overall in Germany (-1.7%) and France (-2.1%), marking time in Italy, United Kingdom and Greece, and on the increase in the other Member States, especially Ireland (+1.4%) and Denmark (+2.5%).

Table 2 Rate of change (%) in crop and livestock production, volume, 1985

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR-10
Final crop production	-7.6	+0.9 (1)	-2.4	+2.0	-1.5	-13.6	-7.5	-20.2	-11.2	+2.5	-2.5
Final livestock production	-1.7	-2.1 (1)	+0.1	+1.0	+0.8	+0.6	-0.1	+1.4	+2.5	-0.2	-0.6
Total final production	-3.7	-1.6 (2)	-1.3	-1.5	-	-1.5	-3.2	-2.1	-1.9	+1.7	-1.7

(1) Deliveries only

(2) Including variation in stocks and gross fixed capital formation in agricultural goods

Crop production

The drop in the overall volume of crop production in 1985 as against the previous year, averaging 2.5% for the Community as a whole, is mainly attributable to the steep reduction in cereals output in most of the Member States compared with the record levels in 1984 (-9.8% for EUR 10, compared with +30% in 1984). The relative fall in cereals production in 1985 was about 3% for France, over 10% for Germany, Italy, the United Kingdom, Belgium and Denmark, and 20% or more in Greece, the Netherlands and Ireland. This fall was basically due to two factors:

- a) there was a slight reduction - about 1.6% - in the total acreage under cereals, mainly because frost damage meant there was less land being used for winter barley, **wheat**, etc.;
- b) yields were down on the record 1984 levels because of the bad weather and the fact that less fertiliser was being used than in the previous year.

However, despite the lower figures, both yields per acre and total production **were still** distinctly higher than the levels being reached prior to 1984. This is confirmation of the steady upward trend that has been discernible in this sector for several years, especially so far as softwheat is concerned.

Production of oilseeds once again surged ahead in 1985, chalking up an increase of around 20% over 1984, due mainly to the rise in sunflower acreage and output.

As for rootcrops and brassicas, although the production of potatoes went up in 1985 in most of the Member States (except the United Kingdom and Ireland), sugarbeet output, whilst increasing in certain Member States, turned downward in the Community as a whole.

The overall production of fresh vegetables fell slightly in 1985, while at the same time having gone up in several Member States.

There was a further drop in the production of fresh fruit. This was mainly on account of the steep fall in Germany, the United Kingdom and Italy.

Similarly, wine production also contracted in 1985, this time for the third year in a row, but output still remains well above consumption.

livestock production

The overall trend in livestock production in 1985 is the outcome of two distinctly opposite moves, namely, a reduction in the output of the cattle sector, both in terms of milk and meat production, but set against this, and partly offsetting it, an expansion in the production of pigmeat and poultry.

So far as beef and veal are concerned, there were two factors that contributed to the fall in production of about 3% in 1985 compared with 1984. Firstly, there is the fact that the second half of 1985 saw the start of the downward phase in the beef/veal production cycle which had peaked in 1984 and during the first half of 1985; secondly, there was not so much of an impact from the slaughtering of dairy cattle due to the introduction of milk quotas, and the other incentives to get out of dairy farming adopted by most of the Member States in 1984, and which had helped to boost the increase in beef and veal output in that year.

As for milk production, estimates for the 1985 calendar year show the volume of production for the Community as a whole as about 1.6% down on 1984. The reduction was in fact greater for Germany and France (both -2.5%), the Netherlands (-2.0%) and Denmark (-2.3%). In Belgium, Ireland and Greece, on the other hand, milk production looks as though it has gone up by 2.5%, 1.8% and 0.9% respectively. It also appears that there was a significant increase in deliveries to dairies during the second half of 1985 which could mean that several Member States will have exceeded the amounts allocated them under the quota system for the 1985/86 marketing year.

Pigmeat production went up by about 2.4% on average, but the actual increase in the Netherlands was 9%, the United Kingdom 3.3% and Denmark 5.1%. Poultrymeat production was also slightly up (about 2% on average). It was down in Germany and Italy but recorded substantial increases in France (3.0%), the Netherlands (3.5%), Belgium (5.6%), the United Kingdom (4.9%) and Ireland (6.5%).

2. Farmgate prices

1985 saw the movement of farmgate prices slowed down considerably. In fact these prices actually dropped in several Member States, as the following table shows:

Table 3 Farmgate prices and rates of inflation in the various Member States (1985 over 1984, %)

Country	Final crop production	Final live-stock production	Final production	Rate of inflation (1)
Germany	- 1.9	- 2.7	- 2.5	+ 2.1
France	- 0.4 (2)	+ 2.7 (2)	+ 0.8	+ 5.7
Italy	+ 9.6	+ 4.5	+ 7.4	+ 8.1
Netherlands	- 8.0	+ 1.0	- 2.5	+ 2.3
Belgium	- 4.3	+ 1.4	- 0.5	+ 4.7
Luxembourg	+ 8.1	+ 3.1	+ 3.9	+ 4.2
United Kingdom	- 7.7	+ 0.7	- 2.6	+ 5.5
Ireland	- 8.0	- 1.6	- 2.2	+ 6.1
Denmark	+ 5.4	- 2.1	+ 0.1	+ 3.9
Greece	+14.0	+16.6	+14.7	+19.3
EUR 10	+ 1.8	+ 1.3	+ 1.5	+ 5.1 (3)

(1) GDP deflator

(2) Deliveries only

(3) Figure not comparable with the Community farmgate prices average on account of the different weighting and method of calculation.

In the majority of the Member States this slowing down in farmgate prices has been much more marked than the deceleration in the general rate of inflation that has been evident for several years in the Community. This means that again more than in the past agriculture has contributed in 1985 to government efforts to curb inflation. The fact remains, nevertheless, that this setback to farmgate prices had a considerable impact on farm incomes in 1985, despite it being possible for this to be partly offset by a parallel reduction in the price of farm inputs, the costs to the producers of intermediate consumption goods and services.

There were several factors that contributed to the deterioration of farmgate prices in 1985. Firstly, it has to be remembered that for several years now Community farming has experienced growing structural surpluses in many sectors of production. That being the situation, it would be unrealistic to think that farmgate prices could get off scotfree from market forces. It is also bound to be the case that the market support systems set up as part of the CAP can no longer play the role they enjoyed when the Community was not in surplus. Secondly, in several sectors, and particularly in crop production, the 1985 farmgate prices continued to reflect the particularly high 1984 and 1985 output figures, and the resultant accumulation of stocks. Thirdly, the quality of certain crops was seriously affected by the bad weather during harvest in several of the Community's northern regions, and this too

was sure to show up in farmgate prices. Finally, so far as Germany and the Netherlands are concerned, it should be remembered that 1 January 1985 saw the start of the second stage in the dismantling of the positive MCAs applied in these two Member States, as had been agreed when the farm price decisions were taken for 1984/85. Since this brought with it a revaluation of their respective "green currencies", prices in the national currency went down by 5.1% in Germany (5.2% for milk and cereals), and by 0.8% in the Netherlands (0.6% for milk and 0.7% for cereals). The loss of income was nevertheless offset by national measures, with a financial contribution from the Community, but these factors need to be taken into account for a more accurate assessment of how farmgate prices evolved in these two member countries.

As regards crop products, farmgate prices were down generally speaking in the main producer-countries for cereals and rootcrops and brassicas, with a drop of 8% in Ireland and the Netherlands, 7.7% in the United Kingdom, 4.3% in Belgium, 1.9% in Germany and 0.4% in France. More particularly, so far as cereals are concerned, the price fell in all the Member States, except Greece. This price fall, which ranged from 1.5% in Denmark to 11.3% in Germany, was on account of pressure from the record 1984 harvest on the one hand, and due to the poor quality of part of the 1985 output on the other. Moreover, it should also be borne in mind that the institutional prices in ECU for the cereals sector in the 1985/86 marketing year have been lowered by 1.8% because the guarantee threshold in this sector has been exceeded. However, the most dramatic fall in the price of crop products in 1985 was that experienced by potatoes. This was due **mainly to an increase in potato production which had already been at bumper levels in 1984**, and resulted in a drop of 70% in France, 52% in the United Kingdom, 49% in Ireland, and 44% in the Netherlands.

In the vegetable sector prices were generally down in the Member States that had seen the **volume of their production go up**, with falls of 2% for Germany, 7.5% for the Netherlands, 15.3% for Belgium and 2.4% for the United Kingdom, as against price rises in the others.

So far as livestock production is concerned, prices appear to have rallied slightly on average for 1985 in the cattle-farming sector, giving an increase of 1.6% for the Community as a whole over the average for 1984, except in Germany and Ireland where there were falls of 3.5% and 3.7% respectively. However, not only did the average price for fatstock stay clearly below the guide price - and even below the intervention price - but the second half of the year saw a fresh deterioration in the market prices and consequently in the farmgate prices, parallel with considerably more being taken into intervention stocks which reached almost 800 million t. by the beginning of the autumn. In respect of milk, farmgate prices went up in all the Member States, (+2.6% on average) apart from Germany. This was virtually on a par with the average increase in the Community prices in the milk sector that stemmed from the price decisions for the 1985/86 marketing year (+2.8% on average in national currencies).

Farmgate prices for pigfarming were, on average, on a par, it can be said, with those for 1984, but they did go up in certain Member States such as Italy (+11.1%), France (+2.0%), the Netherlands (+1.0%). They also went down, however, in Germany (-3.0%), the United Kingdom (-4.2%), Denmark (-5.7%) and Ireland (-1.5%).

3. The value of final agricultural production

The combined effect of variations in the quantities produced and of variations in farmgate prices is expressed in terms of the variation in the value of final agricultural production, as shown below for each Member State:

Table 4 Rate of change (%) in the value of final agricultural production at current prices (1985 over 1984)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
Crop production	-9.4	+0.5 (1)	+7.0	-6.5	-5.7	-6.6	-14.6	-26.6	-6.4	+16.8	-0.7
Livestock production	-4.4	+0.5 (1)	+4.6	+2.0	+2.2	+3.7	+0.6	-0.2	+0.4	+16.4	+0.7
Total final production	-6.1	-0.8 (2)	+6.0	-1.0	-0.5	+2.3	-5.7	-4.3	-1.8	16.7	-0.2

(1) Deliveries only

(2) Including variation in stocks and gross fixed capital formation in agricultural goods

As this table shows, in seven out of the ten Member States the value of final agricultural production went down in 1985. The fall was quite considerable in some instances such as Germany (-6.1%), the United Kingdom (-5.7%), and Ireland (-4.3%). On the other hand this value rose in Greece (+16.7%) and Italy (+6.0%). When it comes to the factors that account for these variations one only needs to sum up at this juncture what has already been said about the volume of production and the farmgate prices. In Germany, the United Kingdom and Ireland the drop in the value of agricultural production is due both to the fall in prices and the reduction in the volume of production. In Greece, on the other hand, these two factors have combined together to push the value up. So far as the other Member States are concerned either the relative improvement in farmgate prices was not big enough to compensate for the drop in the level of production (France and Denmark), or it was actually bigger (Italy, Luxembourg), or, finally, the advance or the stagnation of production was more than offset by the deterioration in farmgate prices (Netherlands and Belgium).

II. INPUTS -- AGRICULTURE'S INTERMEDIATE CONSUMPTION IN 1985

What happens to the value of farm inputs - agriculture's intermediate consumption in terms of its current purchases of goods and services used for its final production - is of considerable importance so far as what happens to farm incomes is concerned. This is all the more so because these inputs play a relatively large part in the value of final production in, say, Germany, the Netherlands, Belgium, the United Kingdom and Denmark.

The overall volume of inputs for the Community as a whole was virtually the same in 1985 as for the previous year, increasing by only 0.1%. The situation varied, however, according to the Member State and the type of input.

Table 5 Changes in the value, volume and price of agricultural inputs and rates of inflation in the Community (% variation in 1985 over 1984)

Country	Value	Volume	Price	Rate of inflation (1)
Germany	- 0.6	+ 0.4	- 1.0	+ 2.1
France	+ 3.0	- 0.3	+ 3.3	+ 5.7
Italy	+ 5.0	+ 0.6	+ 4.4	+ 8.1
Netherlands	0.5	+ 4.0	- 4.5	+ 2.3
Belgium	1.3	- 0.2	1.6	+ 4.7
Luxembourg	- 1.2	0.3	0.4	+ 4.2
United Kingdom	1.5	- 2.2	+ 0.7	+ 5.5
Ireland	+ 4.2	+ 1.7	+ 2.5	+ 6.1
Denmark	2.3	- 1.3	- 1.5	+ 3.9
Greece	+16.0	+ 2.0	+ 13.7	+19.3
EUR 10	+ 1.4	+ 0.1	+ 1.3	+ 5.1

(1) GDI deflator

Thus the volume of inputs went up, for example, by 4% in the Netherlands, by 2% in Greece and 1.7% in Ireland, while it fell by 2.2% in the United Kingdom, 1.3% in Denmark and 0.3% in France. Similarly, as regards animal feed in particular, the total quantity employed went up by 5% in the Netherlands, 1.8% in Ireland and 1% in Germany, but went down by 4.1% in the United Kingdom and 2% in France and Denmark.

Less fertiliser was being used than in the previous year, when there was an increase in consumption. Hence the volume of fertiliser used in the United Kingdom, for example, went down in 1985 by 6.8%, and there were falls of 4% in Denmark, 3% in France and 1.5% in Germany, although in the Netherlands there was an increase of 3%. Energy consumption went up in most of the Member States (+9% in the United Kingdom), except for Germany where it stayed the same.

The increase in the price of inputs, which generally closely follows the rate of inflation recorded for the various Member States, remained well below the general price trend (+1.3% and +5.1% respectively for the Community as a whole). Several Member States (Germany, the Netherlands, Belgium, Denmark and Luxembourg) actually chalked up a fall, in nominal terms, in the price of inputs. The main reason for this most unusual event was the quite pronounced slump at times, compared with the 1984 average, in prices in the animal feed sector which went down by a mean 9% in the Netherlands, 8.1% in Denmark, 8% in Germany, 5.8% in Ireland, 5.6% in the United Kingdom, 4.6% in Belgium, 3.5% in France, etc. Several factors helped to bring about this distinct decline in **the price of what is for several Member States the biggest item in their farming production costs**. Firstly, there was the fall in cereal prices which began with the exceptional harvest in 1984 and continued for the greater part of 1985. Secondly, the price of products acting as cereal-substitutes, particularly corn-gluten feed, also fell in 1984 and during the first part of 1985, while, thirdly, soya cake prices **went down as well** both in 1984 and in the first eight months of 1985, averaging a drop of about 18% from one year to the next.

Seed prices, too, either fell in several Member States (Germany, Belgium, Ireland and Denmark) or rose more slowly than the inflation rate. Fertiliser prices, on the other hand, increased in almost all the Member States both in nominal and in real terms, going up in France and the Netherlands, for example, by 10%, in Ireland by 12.8%, in Germany by 5.5% and in Denmark by 5.7%.

If one compares changes in the average prices farmers receive to changes in the prices being paid to purchase goods and services, i.e. if one sets farmgate prices against the cost of inputs, this gives a ratio which may be described as "the agricultural terms of trade".

Table 6 Cost/price ratio - the 1985 agricultural "terms of trade"
(1984 = 100)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
Farmgate prices (a)	97.5	100.8	107.4	97.5	99.5	103.9	97.4	97.8	100.1	114.7	101.5
Input prices (b)	99.0	103.8	104.4	95.5	98.4	99.6	100.7	102.5	98.5	113.7	101.3
Cost/price ratio (a) : (b)	98.5	97.1	102.9	102.1	101.1	104.3	96.7	95.4	101.6	100.9	100.2

As this table shows, broadly speaking the Community's agricultural "terms of trade" tended to mark time in 1985. This was because the increase in the cost of inputs, at 1.3%, did not go higher than the rise, albeit a very slight one, in farmgate prices (+1.5%). The terms of trade actually improved in several Member States where the fall in the price of animal feed was a crucial factor (Benelux, Denmark) and where increases in farmgate prices were close to the rate of inflation. In the other Member States, on the other hand, where the fall or stagnation in farmgate prices was not entirely offset by a proportional reduction in the cost of inputs (Germany, France, United Kingdom and Ireland), 1985 saw a fresh deterioration in the agricultural terms of trade.

III. OTHER FACTORS AFFECTING AGRICULTURAL INCOMES IN 1985

Generally speaking income can be defined as the balance between the value of a product and what it has cost to produce it.

Farm incomes therefore depend not only on the quantities produced, the volume of inputs and their respective prices, but also on other cost components such as depreciation, output-related taxation, interest rates, rents, etc. The public subsidy that farming and the farmer may enjoy is also a factor. Moreover, if the total income from farming is expressed in terms of income per capita or per work unit what happens to agricultural labour must obviously also play a decisive role in what happens to income. Finally, it must also be remembered that if income development is to be measured in real terms and thus allow for the loss in actual purchasing power from one year to the next, the rate of inflation must also be taken into account. Table 7 brings together all these factors affecting income from agriculture in accordance with the various income definitions used for the purposes of this Newsflash, along with the rates of variation for the different items as against 1984. Since we have already dealt with the value of final production and inputs we shall confine ourselves next to taking a brief look at what has happened to the other more major items in this table.

Subsidies

Subsidy to agriculture in 1985 from national government agencies or the Community institutions was up by 10.3 on average for the Community compared with the previous year, insofar as this figures in agriculture's economic accounts. In Germany, however, subsidy soared by 38.6%. This was mainly because of compensation, through VAT, for the fall in support prices resulting from the dismantling from 1 January 1985 of the positive monetary compensatory amounts. As has already been said, the fall in German farmgate prices for most agricultural products in 1985 has to be viewed in the light of this increase in public subsidy for farming which was aimed at softening the impact on farmers' incomes. Subsidy also rose considerably in Ireland and Greece (by 19.5% and 18.1% respectively), but fell in France (by 4.0%), due mainly to the severe cutback in aid from the National Agricultural Disaster Guarantee Fund.

Table 7 : Factors affecting changes in agricultural incomes

(1985 over 1984)

in %

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1 : + : Final production	-6.1	-0.8	+6.0	-1.0	-0.5	+2.3	-5.7	-4.3	-1.8	+16.7	-0.2
2 : - : Intermediate consumption	-0.6	+3.0	+5.0	-0.5	-1.8	-1.2	-1.5	+4.2	-2.8	+16.0	+1.4
3 : = : Gross value added at market prices	-12.7	-3.8	+6.5	-1.5	+1.4	+4.8	-10.5	-11.2	-0.6	+16.9	-1.5
4 : + : Subsidies	+38.6	-4.0	+2.2	-170.0	+5.2	-23.4	+1.9	+19.5	+4.4	+18.1	+10.3
5 : - : Output-related taxes	-15.8	+7.5	+6.0	+3.0	n.d.	+2.9	-3.7	-6.7	+5.3	+27.5	
6 : - : Depreciation	+1.5	+5.0	+9.2	+2.0	+7.0	+4.9	+4.6	+3.3	+4.2	+24.8	+5.3
7 : = : Net value added at factor cost	-13.2	-6.7	+5.5	-3.0	+0.8	+1.8	-13.8	-10.8	-2.0	+16.3	-4.0
8 : - : Rent paid	+3.0	-3.5	+8.0	+2.0	+15.0	+3.3	+8.4	+9.4	-		
9 : - : Interest paid	+1.5	+8.8	+9.4	-	+3.0	+1.4	+22.4	-2.7	-2.0		
10 : = : Net income from farming of all persons working in agriculture	-18.0	-9.4	+4.9	-3.5	-0.4	+1.7	-19.8	-12.4	-1.6		-6.9(1)
11 : - : Wages paid	+3.0	+2.2	+5.0	+2.0	+2.6	-	+5.3	+3.7	+2.6		
12 : = : Net income from farming of the farmer and his family	-22.5	-12.5	+4.8	-4.5	-0.6	+1.7	-43.3	-13.9	-3.7		-11.7(1)
13 : : : Agricultural labour : - total	-1.1	-3.0	-3.5	-0.8	-1.5	-2.7	-0.9	-2.5	-3.6	-1.9	-2.4
14 : : : - unpaid	-2.6	-3.0	-3.4	-0.9	-1.5	-2.5	-0.5	-2.5	-3.6		-2.6(1)
15 : : : Inflation rate	+2.1	+5.7	+8.1	+2.3	+4.7	+4.2	+5.5	+6.1	+3.9	+19.3	+5.1
16 : Indica- Net value added at factor cost per person employed (real) ((7) : (13) : (15))	-14.0	-9.0	+1.1	-4.4	-2.3	+0.4	-17.5	-13.8	-2.1	-0.6	-6.4
17 : Indica- Net income from farming of the farmer and his family, real (12) : (14) : (15)	-22.0	-14.7	+0.4	-5.8	-3.6	+0.1	-46.0	-16.8	-3.8		-13.7(1)

(1) Not including Greece

(2) GPD deflator (October 1985 forecasts)

Output-related taxation

The current value of output-related taxation went up in certain Member States (France, Italy, the Netherlands, Denmark and Greece) and declined in others (Germany, United Kingdom and Ireland).

Depreciation

Depreciation is generally based on how much the durable means of production used in farming have depreciated in the course of the year. Any variation therefore reflects depreciation in agriculture's fixed capital assets on the one hand, and the trend in the price of capital goods on the other. Furthermore, the absolute level of depreciation also depends on the level of capitalisation in farming, on how much investment there has been in the past and which is contributing to the production process. Certain differences between Member States, so far as the relative importance of depreciation in farm income formation is concerned, can also be explained by the fact that the methods used to evaluate depreciation vary from one country to another. In 1984 (sic - ?) depreciation represented about one-third of agriculture's gross value-added in Germany, about 22% in the United Kingdom and Denmark, 20% in France, 18% in Italy, from 13 to 16% in Ireland and the Benelux countries, and barely 5% in Greece. Obviously, under these conditions, depreciation has a much greater effect on farm incomes in, say, Germany than in Greece. In effect whereas a theoretical rise in depreciation of 10% would be translated into a fall for Germany in net value added of about 5%, all other things remaining equal, in Greece the effect of that same rise would be almost ten times less, and the resultant drop in net value-added would only be about 0.5%.

? Shouldn't this
be 1985?

That having been said, in 1985, as in the previous years, there was quite a remarkable correlation between the rates at which depreciation varied as against the previous year, and the rates of inflation recorded in the various Member States.

Rent paid

In current value the rent paid by farmers went up in all the Member States apart from France, where it fell by 3.5%, and Denmark, where there was no change. It only also increased in real terms, however, in Belgium, the United Kingdom and Ireland.

Interest paid

There was an increase in current values in the overall value of interest paid in most of the Member States, especially the United Kingdom, Italy and France where there was an increase in real terms as well. This contrasted with the fall in real terms in Ireland, Denmark, Belgium, Germany and the Netherlands.

Agricultural labour

The way in which agricultural labour varies from one year to another has a considerable influence on what happens to the individual incomes of those working in agriculture. Because of the almost regular fall in the numbers working in agriculture the trend in income per person employed is generally speaking ahead of the trend in total income since the latter is then spread out over a smaller number of work units. Because of the income indicators being used in this context, one needs to take two different farming labour aggregates into account:

Total labour : this represents the work units - the farmer, his family and employees actually used for income formation, pro rata to the time spent on farming. As Table 7 shows, the Member States' estimates point to an average reduction in manpower of 2.4% in the Community, with the rate of variation for the various Member States ranging from - 3.6% for Denmark to - 0.8% in the Netherlands.

- Unpaid labour : basically this represent the amount of work done by the farmer and his family, not including as it does paid employees. According to the estimates supplied by the Member States, unpaid labour fell at roughly the same rate in 1985 as total labour, showing a drop in the order of 2.6%.

Rates of inflation

Since agricultural income variations are expressed in real terms Table 7 gives the inflation rates in 1985 for the general economy (GPD deflator) for the various Member States. The figures in Table 7, as well as those used in compiling all the income tables in this Newsflash expressed in real terms, represent forecasts drawn up by the Commission in October 1985 in conjunction with the relevant national agencies. These figures may therefore require some slight revision in the course of 1986.

IV. AGRICULTURAL INCOMES FROM 1973 TO 1985

Introduction

Since farming is very much subject, as we have seen, to the vagaries of the weather, which can be markedly different from one year to the next, the annual variation in farm incomes has to be looked at in the light of an analysis that covers a number of years. It also has to be said that, quite clearly, one can only discern any basic economic trend by viewing it over the longer term. In this chapter we shall be looking into what has happened to agricultural income since 1973, using the two income indicators already mentioned. Before embarking on this, however, there are a couple of things to say by way of introduction. Firstly, one should remember that the period in question, which is the longest for which there is a compatible series of Community figures available, was preceded by a period when farm incomes tended to be extremely dynamic. Hence between "1968" (the 1967 to 1969 average) and 1973 in Germany, for example, agricultural income (i.e. net value added at factor cost per work unit) went up by about 25% in real terms, while in France and Belgium the increase was over 50%, in Italy about a third, and in the Netherlands over 20%. On the other hand, one should be reminded that 1973 - the first year in the period we shall be examining - was an exceptionally good year, both from the point of view of the weather and of farming performance in the Community. For certain Member States it was actually their best year in the last twenty years.

Finally, one should not lose sight of the fact that the extreme dynamism of farm incomes during the Sixties and the first years of the Seventies had been facilitated by a quite considerable restructuring process undergone by European agriculture and by a very sharp drop in the numbers employed in farming. This was against a background where agriculture was still falling short in several sectors and the economy as a whole was pressing ahead very rapidly. The situation altered drastically with the second half of the Seventies, following the slowing-down in economic growth, the upsurge of unemployment, a steep falling-off in the exodus from farming, and the transition from shortage to what was increasingly becoming surplus for most agricultural production. It was inevitable, therefore, that farm incomes would be affected by this deterioration in the economic scene, despite the fact that over this period at no point did the steady growth in yields even falter. Moreover, this was true not only of the Community but also for most of the other major farming nations in the world. Having said all this, let us now look at what has happened to agricultural income in the Community since 1973 in more detail.

Net value added

Table 8 shows what has happened in three or four-year periods since 1973 to net value added at factor cost per person employed for each of the Member States, and for the Community as a whole, in real terms (indicator A).

Table 8 Net value added at factor cost per person employed since 1973 in real terms
(1973 - 1975 average = 100)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1973 - 75	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1976 - 78	105.3	90.2	104.3	103.8	102.1	99.2	95.0	120.1	98.0	111.4	100.1
1979 - 81	84.9	83.2	109.5	97.7	99.0	101.5	83.9	93.6	100.5	126.1	94.8
1982 - 85	88.6	87.4	107.0	116.7	116.7	128.4	90.1	103.5	137.9	144.5	100.7
1984	93.9	88.8	104.8	120.8	117.1	125.4	98.7	115.5	152.7	147.5	103.2
1985	80.8	80.8	106.8	115.5	114.4	125.9	81.4	99.5	149.4	146.7	96.6

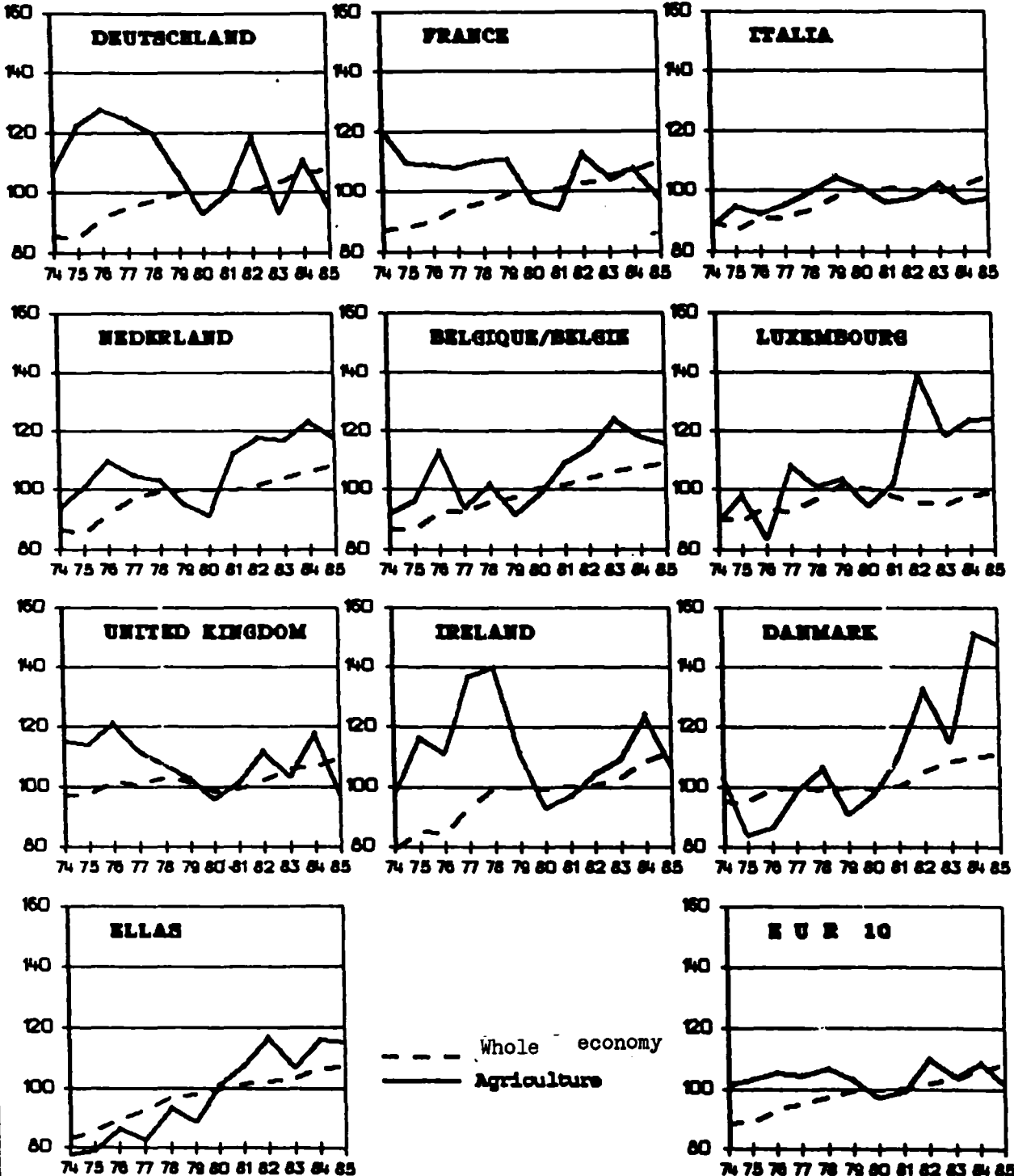
As this table demonstrates, despite dipping quite substantially during the 1979-81 period, agricultural income of all persons employed in farming (net value added at factor cost per work unit) remained, for the Community as a whole, relatively stationary in real terms during the period from 1973 to 1985. The index figure for income development for 1982-1985 is actually located at practically the same level as for the base period and for the 1976 - 1978 period. However, average Community evolution embraces trends that **sometimes** diverge as between Member States and obviously can also diverge within those states as between **holdings and regions**. Graph 1 gives a better idea of long-term trends in farm income in the various Member States, as well as the annual variation.

This graph and Table 8 both go to show that despite the relative decline in incomes in 1979 and 1980 at the Community level that has already been mentioned, agricultural incomes improved considerably during the period in question, in real terms, in Denmark (+37.9% between 1973-75 and 1982-85), Greece (+44.5% from 1973-75 to 1982-85), Belgium (+16.7%) and in Italy where, however, income can be seen

GRAPH 1

REAL INCOMES FOR THE WHOLE ECONOMY AND FOR AGRICULTURE

(Average 1979, 80, 81 = 100)



AGRICULTURE = net value added at factor cost per work unit
 WHOLE ECONOMY = net domestic product at factor cost per person
 in employment, in real terms

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to have marked time since the end of the Seventies. On the other hand -- and still in relation to the average for 1973/75, which again it should be said was a particularly good period for farming in most of the Member States - agricultural incomes deteriorated in Germany, where they were down by 11.4% from 1973/75 to 1982/85, the United Kingdom (-9.9%) and France (-12.6%). However, this underlying downward trend over the longer period has slowed down in all the Member States concerned, especially during the last five years, although one can also see greater variability from one year to the next because the fluctuations in the weather have been more acute than in the past. In the case of Ireland, where farm incomes soared spectacularly during the transitional period from 1973 to 1978 when it had just joined the EC and national prices were being brought into line with those of the Community, one can see that incomes plummeted between 1978 and 1980 (by 33.3%) then steadily climbed back up again between 1980 and 1984, again by 33.3%.

Net income of the farmer and his family

Whereas, as we have seen, over the long period real net value added at factor cost per person employed has more or less marked time, the net income of the farmer and his or her family, the income obtained after subtracting wages, interest and rent from value added at factor cost, this has proceeded to slump during the period from 1973-75 to 1982-85, as the following table shows.

Table 9 Net agricultural income of the farmer and his family per work unit in real terms

(1973 - 1975 average = 100)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10 (1)
1973 - 75	100.0	100.0	100.0	n.a.	100.0	100.0	100.0	n.a.	100.0	n.a.	100.0
1976 - 78	105.4	84.5	91.7	n.a.	100.9	94.6	88.2	n.a.	68.3	n.a.	91.7
1979 - 81	71.8	73.2	87.9	n.a.	91.2	97.5	64.8	n.a.	11.0	n.a.	74.8
1982 - 85	72.5	75.0	74.3	n.a.	109.7	128.1	61.3	n.a.	66.0	n.a.	74.9
1984	78.9	75.9	69.9	n.a.	109.5	124.5	74.5	n.a.	86.5	n.a.	77.2
1985	61.6	64.7	70.2	n.a.	105.6	124.6	40.2	n.a.	83.2	n.a.	66.6

(1) Not including Greece and the Netherlands or, from 1973 to 1978, Ireland.

What this table shows is that the net income of the farmer and his family dropped, on average, in real terms between 1973/75 and 1982/85 by about 25% in the seven Member States for which the whole series of figures is available. In Belgium and particularly Luxembourg, however, net income has gone up during the period in question (by about 10% and 25% respectively). On the other hand, it has fallen steeply in the United Kingdom (-38.7%) and Denmark (-34%), although in the case of the latter there has been quite a considerable recovery following the spectacularly plummeting incomes of 1979/81. In Germany, France and Italy the drop in net income is on a par with the Community average.

Some aspects of the factors affecting agricultural incomes during the period from 1973 to 1985

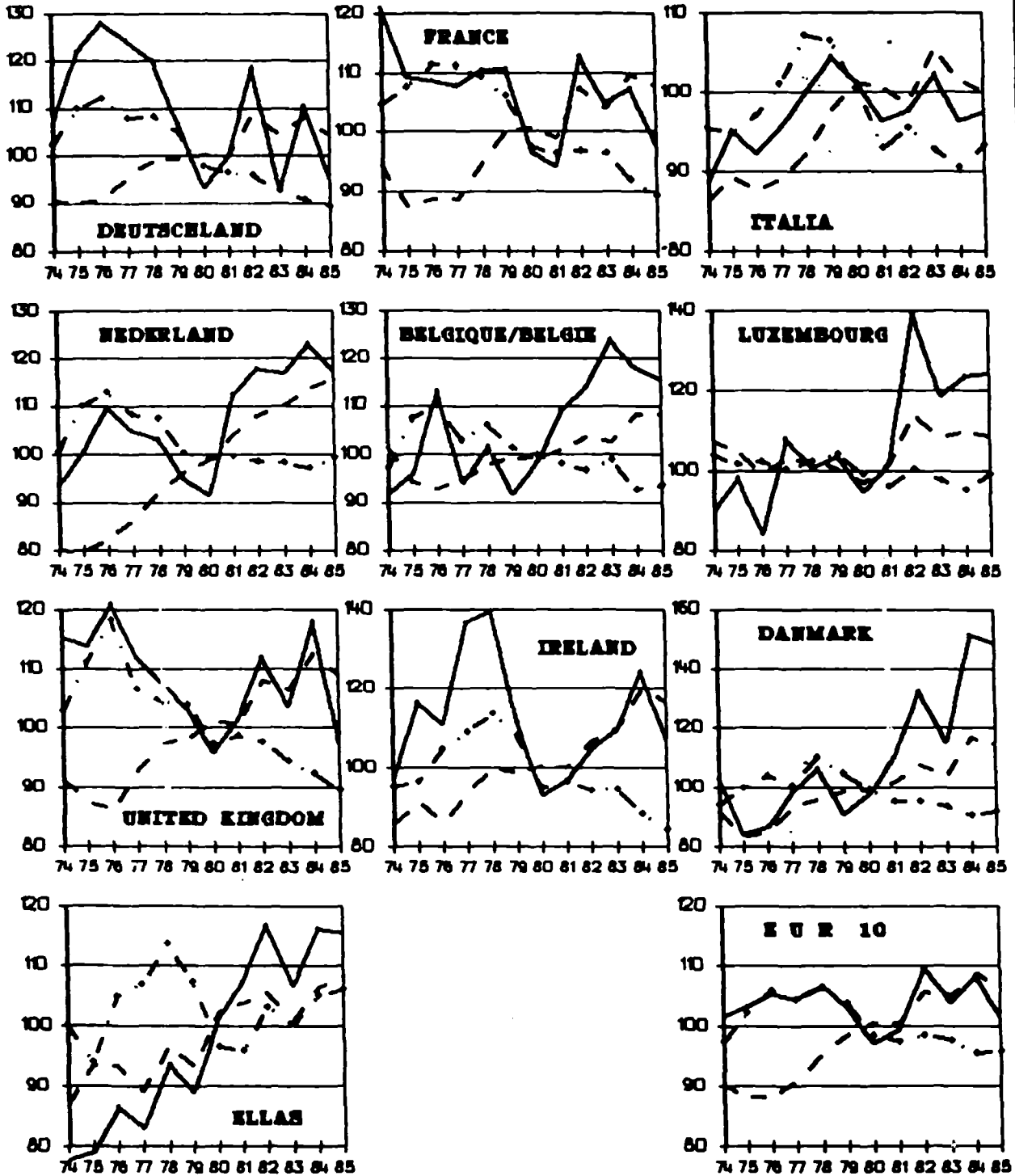
As has already been stressed, what happens to farm incomes depends on a number of factors, some of which are of a cyclical kind, such as the weather, production cycles, etc., while others are more structural by nature - the trend in the volume of production and the farming terms of trade, basic changes in the general economic context and in the situation on the agricultural markets, the rate of decline in jobs in farming, etc. It is not easy to isolate the influence of each of these factors on incomes in the various Member States, nor is it possible, in this context, to subject all the explanatory factors to an exhaustive examination. We shall therefore confine ourselves to looking at the main variables that we feel had the most decisive effect on farm incomes during the period from 1973 to 1985.

Graph 2 depicts the trends during the period in question in the two main variables affecting net agricultural value added - final production in volume terms, and the agricultural terms of trade. What this graph chiefly shows is that over the period from 1973 to 1985 there was no let-up in the growth in the volume of production, which went up, on average, at an annual rate of 1.5%, apart, that is, from in 1976, 1981, 1983 and 1985 which were the years hardest hit by bad weather. The agricultural terms of trade, on the other hand, after a period of relative stability and even, between 1974 and 1978, a slight improvement, then embarked on a more or less steady decline, especially between 1979 and 1980 as farmgate prices failed to catch up with those for farming inputs. Taken together these two trends combined at the Community level to bring about a relative improvement in agricultural incomes expressed at net value added at factor cost between 1974 and 1978, followed by a sharp drop in 1979 and 1980 and a recovery, albeit a rather erratic one, in the first half of the Eighties. In some Member States, however, such as Germany and the United Kingdom, the deterioration in the terms of trade set in earlier. Moreover, whereas in Denmark, Greece and the Benelux countries this decline was more than offset by a net increase in the volume of production (thus boosting incomes during the

Graph 2

CERTAIN FACTORS AFFECTING AGRICULTURAL INCOME

(Average 1979, 80, 81 = 100)



— Net value added of agriculture per work unit (in real terms)
 - - - Final production of agriculture, in volume
 - · - · - "Terms of trade" - cost/price ratio in agriculture

CEE - 1985 - 1986 - 1987 - 1988 - 1989

1973-1985 period, the situation in the other Member States is rather different. Thus in France, for example, the two factors achieved a certain balance, although the underlying trend was for this to deteriorate in the long term. In Italy the volume of production climbed steadily, along with the terms of trade, until 1980, resulting in a net improvement in incomes. This was followed, however, by a decline due as much to a fall in the amounts produced as to a deterioration in the terms of trade. In the Netherlands, United Kingdom and Ireland farm incomes picked up considerably between 1980 and 1984, mainly on account of the steep growth in the volume of production (by an annual 2.1%, 2.7% and 4.3% respectively) after the drop in output of the earlier years. However in 1985, as we have seen, farm incomes dropped again in these three countries, especially the United Kingdom and Ireland, because of the bad weather conditions.

Agricultural incomes in Germany during the 1973 - 1985 period developed somewhat erratically, in a rather similar way, it would appear, to the United Kingdom. After an initial period lasting up until 1976 when, thanks to an improvement in their terms of trade, farm incomes tended to be firming up, they then moved steadily downwards until they reached their lowest point in 1980, since when they have fluctuated widely, rallying substantially in 1981, 1982 and 1984 because of the increase in the volume of production, and heading down again in 1983 and 1985 under the combined influence of a drop in the volume of production and the deterioration in the terms of trade that had set in in 1976.

The importance of depreciation in Germany, where in 1984 it made up about 35% of gross value added at market prices, compared with a Community average of about 21%, was also something that played a decisive role in the magnitude of the fluctuations in German agricultural income. One can get some idea of this simply by comparing Germany with Ireland, where depreciation only represents 16% of agriculture's gross value added. In both these Member States 1985 saw virtually the same fall in gross value added at factor cost (about -8.4%), but because of the different scale of depreciation in the two countries the fall in net value added at factor cost (i.e. after depreciation had been deducted) was 13.2% in Germany and less than 10.8% in Ireland.

Another factor which in recent years has considerably influenced the slowing-down in the growthrate in farm incomes and even, in certain Member States, hastened their deterioration, has been the deceleration of the exodus from agriculture, something that has already been mentioned and which, in more precise terms, amounts to a reduction in the volume of labour used in agriculture, largely as a consequence of the economic crisis.

Hence, for example, whereas the volume of farm labour was dropping at a rate of 3.5% a year in Germany during the period from 1973 to 1979, during the 1980-85 period the annual fall was only 1.8%. However in other Member States such as Italy and Ireland workers were leaving the land at a sustained rate throughout the entire period.

Turning now to the second income indicator, i.e. net agricultural income of the farmer and his family, clearly one also has to add pay, interest and rent to the explanatory factors already referred to. Table 10 gives an idea of how these various items evolved, in nominal terms, during the period from 1973 to 1985 for each Member State.

Table 10 Changes in the net value added at factor cost, in wages rent, interest and net agricultural income of the farmer and his family, in nominal terms

(Indices 1983-85; base: 1973-75 = 100)

	D	F	I	NL	B	D	UK	IRL	DK	GR
Net value added at factor cost, overall	95.4	187.8	379.8	176.5	162.6	182.9	250.9	288.2	245.9	587.3
Pay	138.2	274.6	539.0	n.a.	189.7	95.6	304.4	n.a.	181.8	n.a.
Interest	164.6	411.3	1271.4	n.a.	386.6	243.7	526.5	n.a.	443.8	n.a.
Rent	191.0	148.8	338.1	n.a.	117.8	193.2	606.2	n.a.	418.2	n.a.
Net agricultural income of the farmer & his family, overall	74.3	157.2	256.9	n.a.	151.3	183.1	171.3	n.a.	122.0	n.a.
Rate of inflation	148.4	268.3	461.6	171.9	184.1	192.3	321.6	364.7	238.6	509.5

As this table shows, during the period from 1973-75 to 1983-85 net agricultural income of the farmer and his family rose, in global terms, less fast than net value added at factor cost in almost all the Member States for which data is available. In Germany, though, there was a fall in nominal terms in both net value added and in the farmer and his family's net income, which dropped by more than net value added at factor cost. This is due to the fact that in several

Member States either ^{wages} or interest and rents, or all three of these put together, have gone up faster than net value added at factor cost, and often faster than inflation. Thus, for example, interest paid tripled, in nominal terms, in France, Belgium and Denmark, quadrupled in the United Kingdom and, in Italy, showed a twelvefold increase, far outstripping not only net value added but also the rates of inflation. As for wages paid, these went up in real terms in Italy, France and Belgium, and in Germany and the United Kingdom, moreover, they went up faster than net value added at factor cost. Finally, the rents being paid increased in real terms in Germany, the United Kingdom and Denmark.

Another component which plays a decisive role in what happens to the income of the farmer and his family is the relative importance of each of these charges on the net value added of agriculture in the various Member States. In the United Kingdom, for example, in 1984 they represented about 56% of net value added at factor cost (cf. about 40% in 1973), most of which was accounted for by wages. In current values these costs went up overall between 1973-75 and 1983-85 by 246%. However, because of their importance in British farmers' income formation, whereas net value added at factor cost showed an overall increase during the same period of 150.9%, the net income of the farmer and his or her family - in other words, the income left after deduction of pay, interest and rent - only went up by 71.3% in nominal terms. For the same reasons, and still in the United Kingdom, the net income of the farmer and his family per work unit dropped in 1985 by 46% in real terms, whereas the net value added at factor cost only fell by 17.5%. Similarly, in Germany, where in 1984 these costs represented about 38% of the net value added at factor cost (24% in 1973), half of which was going on interest charges, the net income of the farmer and his or her family per work unit fell between 1973-75 and 1983-85 by 27.5% in real terms, whereas the fall in net value added at factor cost per work unit was only 11.4% during the same period. More or less the same thing happened in Italy, mainly on account of the considerable increase in farmworkers' pay (45% of net value added in 1984 cf. 27% in 1973) and in interest being paid (12% in 1984 cf. 3% in 1973). In this Member State, in fact, agricultural pay in 1984 on its own represented all in all a greater charge on the net income of the farmer and his family. That is the reason why the net income of the farmer and his family plummeted between 1973-75 and 1983-85 (-25.7% in real terms) despite the increase in net value added at factor cost per work unit. The same applies to Denmark where interest charges have come to dominate agricultural operating costs (about 53% of net value added in 1984 as against 25% in 1973), although recent years

have tended to see this slow down somewhat. Given these conditions, it ^{should} come as no surprise that the net income of the farmer and his family fell between 1973-75 and 1980-85 by 44% (it was even as much as 90% down at the end of the Seventies), whereas net value added shot up during the same period (+38% in real terms).

What can be said, in conclusion, is that during the last twelve years in most of the Member States the deterioration in the agricultural terms of trade, especially since 1976, and the increase in certain operational costs (mainly depreciation, interest or pay) have not simply offset but actually outweighed the favourable effects that boosting the volume of production and reducing the number of jobs in agriculture have had on per capita farm incomes.

PART II

AGRICULTURAL INCOME BY TYPE OF FARMING AND
INCOME DISTRIBUTION

V. AGRICULTURAL INCOME IN 1985

1. Foreword

As was spelled out in the introduction to this Newsflash, the analyses of incomes by types of farming that follow (1) are based on data compiled by the Community's Farm Accountancy Data Network (FADN). The latest figures available at the Community level are for the 1983/84 accounting year and have as their base a sample of close on 40,000 holdings representing over 2,700,000 agricultural holdings altogether. For 1984 and 1985 estimates have been arrived at with the aid of an "updating" model, using both the latest accounts available and coefficients relating to the most recent years' quantities and prices.

Since by definition FADN's survey does not cover the total number of agricultural holdings, some figures for the whole of the holdings represented in the FADN may differ from those obtained for agriculture as a sector at the macro-economic level. Thus, for example, FADN only covers holdings greater than a certain economic size which market a large part of their output. Clearly it is not possible, in these circumstances, to get the micro-economic findings to chime perfectly with those at the macro-economic level, but one does find remarkable consistency between the two sources.

2. At Community level

The following table gives the results of these estimates for the 1984 and 1985 calendar year:

(1) Because of the methods used these analyses are only based on Indicator A for agricultural income, namely, net value added at factor cost per work unit in real terms.

Table 11 Changes in agricultural income (1) per person employed (2) in 1985 and 1984 for the main types of farming (in real terms) (EUR 10)

TYPE OF FARMING		ANNUAL VARIATION (%)		
		1985-1984	1984-1983	
Cereals	(11)	-24	26	
General crops	(12)	-14	5	
Horticulture	(21)	- 2	10	
Winegrowing	(31)	- 4	-12	
Fruit & permanent crops ⁽³⁾	(32)	5	-12	
SPECIALISED HOLDINGS	Milk	(41)	- 3	0
	Beef/veal	(42)	-12	0
	Mixed cattle	(43)	- 7	1
	Sheep and goats	(44)	-10	4
	Pigs and poultry	(51+ 52)	3	>30
MIXED HOLDINGS	Mixed cropping	(61+ 62)	- 8	0
	Mixed livestock	(71+ 72)	- 5	9
	Crops/livestock	(81+ 82)	-13	9
ALL TYPES		- 8	4	

Source: updated FADN figures (RFS)

- (1) Agricultural income = net value added of holding
- (2) Person employed = annual work unit
- (3) including olives and other permanent crops

As one would expect after reading the first part of this Newsflash, table 11 shows that in 1985 holdings specialising in cereals had a particularly marked fall in their income. This averaged 24% and can be put down both to the reduction in output compared with the bumper harvest the previous year (1984), and to the deterioration in the "terms of trade" in this sector, with the fall in farmgate prices for cereals and the considerable increase in certain cost elements, especially fertiliser. However, it is worth remembering that graingrowers' incomes shot up in the previous year - by 26% on average - as a result of 1984's considerably expanded cereals production.

Another sector where incomes dropped quite a bit in 1985 - and virtually for the same reasons - was that of holdings specialising in general crops, most of which grow a combination of different crops (sugarbeet, brassicas, rootcrops, particularly potatoes, oilseeds, field crops, etc.). The fall in income for this type of farming averaged around 14% in 1985, whereas in 1984 it had chalked up a gain of 5%.

Specialist horticulture saw its incomes decline somewhat compared with the previous year when they had increased considerably. This deterioration was partly due to the reduced volume of output and partly to the growth of production costs, particularly energy and fertiliser, while farmgate prices had distinctly progressed on average in the Community as a whole, apart from certain northern Member States where they went down. For fruitgrowers, on the other hand, 1985 was not as bad as the previous year and incomes did in fact increase by an average 5% whereas in 1984 they had fallen by 12%.

Winegrowers again suffered a drop in incomes, although at 4% this was not as big a fall as the previous year when their incomes went down by an average 12%, although the situation does vary from one Member State to another.

Despite lower prices for animal feed in 1985, incomes fell in the cattle-farming sector. The fall, which was quite steep in some instances, was more pronounced for farmers specialising in beef and veal production, where incomes were 12% down on 1984. What in fact happened here was that the volume of production was less in most of the Member States than the previous year which had seen an exceptional level of slaughtering due, in part, to the implementation of the Community milk quota system and to the incentives to get out of dairy farming enacted by several Member States. This meant that the slight recovery in prices was not enough, taken as a whole, to compensate for the drop in the volume of production.

Generally speaking there was less of a fall in income - 3% on average - for specialist dairy farmers, since milk prices made a significant recovery in almost all the Member States in 1985. This did not, however, outweigh the drop in the volume of output which resulted from the application of the milk quota system.

Agricultural incomes in factory farming (non-free range pigs and poultry) improved for the second year running, although not by as much as in 1984 when they went up by over 30%, compared with +3% in 1985. However, it should be remembered that incomes in the pigmeat sector tend to evolve in an irregular way because of the pigfarming production cycle.

3. Breakdown by Member State

Table 12 shows what happened, in terms of FADN estimates, to farm incomes by type of farming in the various Member States. As a general rule the overall results of these estimates for all the commercial holdings covered by FADN in the various Member States do not differ significantly (except perhaps for Belgium, Denmark and Italy) from those set out for agriculture as a whole in **Part I** of this Newsflash.

However, the data in Table 12 is only considered to give some idea of the size of the variations in farm incomes by type of production in the various Member States.

As has already been said, the biggest fall in agricultural incomes, and one that was experienced in all the Member States, was that suffered by farms specialising in cereals, representing about 6% of the commercial holdings. The magnitude of this fall in the various Member States can partly be accounted for by the spectacular growth of incomes in this sector in 1984. In Germany, the United Kingdom, Denmark and Ireland, where grainfarmers' incomes had shot up by over 30% in real terms in 1984, there were falls in 1985 ranging from 25 to more than 30%. Cerealgrowers' incomes also plummeted in France (-27%), Italy (-16%) and Greece (-12%). It should be pointed out, however, that despite these losses, as we shall see further on, farm incomes from cereals as a specialist crop remained well above the average, in 1985/86, for all types of farming put together. The fall in income of holdings specialising in general crops (about 14% of commercial farms) was particularly steep in the Netherlands, where it was over 30% and mainly caused by the collapse of potato prices, the United Kingdom (-20%), Ireland (-22%), Belgium (-18%) and France (-15%).

Table 12 - Agricultural incomes (1) per work unit in 1985, by main type of farming
(Change % compared with 1984, in real terms)

TYPE OF FARMING		: % of : :total : :commercial : :holdings :	D	F	I	NL	B	L	UK	IR	DK	H	EUR10
Cereals	(11)	6	<-30	-27	-16	-	-	-	-26	<-30	-24	-12	-24
General crops	(12)	14	-15	-16	-8	<-30	-18	-	-20	-22	-11	+/-0	-14
Horticulture	(21)	2	10	1	-4	-7	-14	-	-3	-	20	-2	-3
Wine-growing	(31)	6	<-30	0	4	-	-	<-30	-	-	-	-5	-4
Fruit & permanent crops (2)	(2) (32)	9	-15	-5	13	3	7	-	-27	-	5	9	5
Milk	(41)	19	-4	-2	-2	2	2	4	-7	-8	-9	-4	-3
Beef/veal	(42)	4	<-30	-13	3	2	-2	-3	-12	-22	-	-14	-12
Mixed cattle	(43)	4	-13	-8	-2	8	-1	1	-10	-14	-12	-	-7
Sheep and goats	(44)	5	-	-7	-3	-	-	-	-21	-19	-	-1	-10
Pigs and poultry	(51+52)	1	-8	-6	22	16	0	-	-22	-	3	-20	3
Mixed cropping	(61+62)	10	-24	-9	-4	-4	-13	-	-24	-	-10	2	-8
Mixed livestock	(71+72)	7	-13	-7	-2	14	-1	4	-15	3	-8	+/-0	-5
Crops/livestock	(81+82)	13	-18	-15	-7	-7	-11	-	-20	-27	-7	-4	-13
ALL TYPES	(100)		-12	-9	-2	-3	-7	-3	-17	-15	-8	+/-0	-8

Source : updated FADN estimates (RFS)

(1) Agricultural income = farm net value added

(2) including olives and other permanent crops

The trend in income from specialist horticultural holdings tended to be relatively poor in Italy, the United Kingdom and the Benelux countries, but was rather good in Germany and Denmark. Income from wine-growing was inclined to mark time in France, and rose slightly in Italy, but dropped precipitately in Germany because of the drastically reduced volume of production. Trends in specialist fruitfarming are also in marked contrast from one Member State to another, with income in Italy up again considerably after falling in the previous year, making gains in Belgium and Greece but showing a sharp decline in Germany and the United Kingdom. Specialist dairyfarmers, who make up about 19% of the commercial holdings, saw a slight income deterioration in Germany, France, Italy and Greece in 1985. The fall was more pronounced in the United Kingdom, Ireland and Denmark, but in the Benelux countries, on the other hand, there was something of a recovery in dairyfarming income.

The drop in income from beef and veal referred to at the Community level was particularly steep in Germany, where it exceeded 30%, Ireland (-20%) and France (-13%), although Italy and the Netherlands recorded a slight increase in income.

Although incomes from specialist pig and poultry-farming were slightly higher on average for the Community as a whole in 1985, they were very much reduced in the United Kingdom, Germany, France and Greece.

Finally, mixed holdings, which account for about 30% of all holdings, experienced an almost general drop in income in nearly every Member State. This can be put down to the combined effect of the various factors described above which influenced the specialised holdings' incomes.

VI. AGRICULTURAL INCOMES BY TYPE OF FARMING FROM 1979 TO 1985

As Table 13 and Graph 3 demonstrate, although farm incomes have been subject in recent years to almost regular annual fluctuations on account of the effect the opposite extremes in weather conditions have had on agriculture, they can nevertheless be said to have hovered on or around the same level for the period from the 1979/80 marketing year up to 1985/86. There are, however, differences, some of them quite considerable, between one type of farming and another, not only in the way these have developed but also in terms of the absolute level of incomes. In crop production the highest incomes obtained during the period, despite considerable seesawing from one year to the next, have been those going to specialist cereals holdings (although these are only a portion of all the farms where cereals are grown). The incomes of these holdings reached their highest level of the period in 1984/85, outstripping the average income for the "commercial" holdings taken as a whole by as much as 65%. Although, as we have seen, it would be true to say that income from specialist cereal-farming took a dive in 1985/86, it would be equally true to say that this income was still 36% above that year's average.

The same applies to holdings specialising in general cropping. Apart from in 1985/86 their incomes increased at a regular rate and were 20% above the average despite this latest year's setback.

Specialist horticulture was already one of the sectors with the highest income level at the start of the period, and in recent years has improved its economic performance. On the other hand specialist winegrowers have seen a substantial deterioration in their income over the period, which has seen them slide down since 1983/84 to below the average for all holdings, whereas in 1979/80 they had been 40% above it.

So far as livestock production is concerned, the incomes per work unit in this sector have been well above the average throughout the period, despite distinct seesawing from one year to the next in the incomes of specialist pig and poultryfarmers.

The same is true of specialist dairy holdings, although in this case incomes were not so far removed from the average, and the gap was getting smaller. Income from specialist beef and veal holdings, on the other hand, and from mixed cattle-farming, were located below the average during the period.

Finally, mixed holdings, while following the same trends in income as those for holdings as a whole, generally did less well than the latter.

Table 13 Agricultural income (1) per work unit during the 1979/80 - 1985/86 period, by main type of farming (in real terms)

TYPE OF FARMING	% of total commercial holdings	Average all types of farming EUR 9 1981/82 = 100							Average all types of farming EUR 10 1981/82 = 100					
		1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1981/82	1982/83	1983/84	1984/85	1985/86	
HOLDINGS	Cereals (11)	6	139,9	136,4	134,7	155,0	138,7	173,4	131,5	142,1	156,5	138,4	173,4	132,4
	General crops (12)	14	116,7	112,4	119,2	122,1	131,8	137,2	116,2	100,0	99,6	105,8	110,6	96,0
	Horticulture (21)	2	127,9	127,2	128,0	116,1	134,5	147,6	147,3	137,5	124,1	143,6	157,7	157,4
	Wine-growing (31)	6	143,0	102,5	96,5	121,3	100,6	88,4	87,1	100,4	124,9	103,8	92,6	91,0
	Fruit & permanent crops (2) (32)	9	91,1	84,8	83,8	74,0	88,5	74,6	77,1	77,7	68,1	78,6	70,0	73,0
SPECIALISED HOLDINGS	Milk (41)	19	110,1	103,8	112,0	122,7	113,2	111,1	109,7	120,9	132,5	122,2	120,0	118,4
	Beef/veal (42)	4	65,5	70,2	96,4	92,7	88,4	87,8	77,3	103,8	99,5	95,0	94,3	83,1
	Mixed cattle (43)	4	93,7	86,0	85,8	98,1	86,9	86,8	81,5	92,6	105,9	93,8	93,7	87,9
	Sheep and goats (44)	5	80,9	78,8	93,1	83,8	82,2	88,0	75,4	79,0	73,6	71,8	76,1	67,0
	Pigs and poultry (51+52)	1	196,6	162,8	223,3	186,6	143,8	195,0	191,9	239,0	187,3	148,3	201,0	197,6
MIXED HOLDINGS	Mixed cropping (61+62)	10	75,3	63,0	59,0	61,4	63,9	62,9	57,4	60,9	62,5	64,5	64,6	59,8
	Mixed livestock (71+72)	7	88,0	75,2	85,7	94,6	79,1	85,0	80,7	89,2	98,0	83,5	89,7	85,3
	Crops/livestock (81+82)	13	90,1	85,1	90,4	98,6	91,7	98,6	86,3	93,8	102,3	94,5	101,6	89,2
ALL TYPES	(100)	102,2	93,8	100,0	105,9	101,9	105,2	96,9	100,0	104,5	100,6	104,2	96,5	

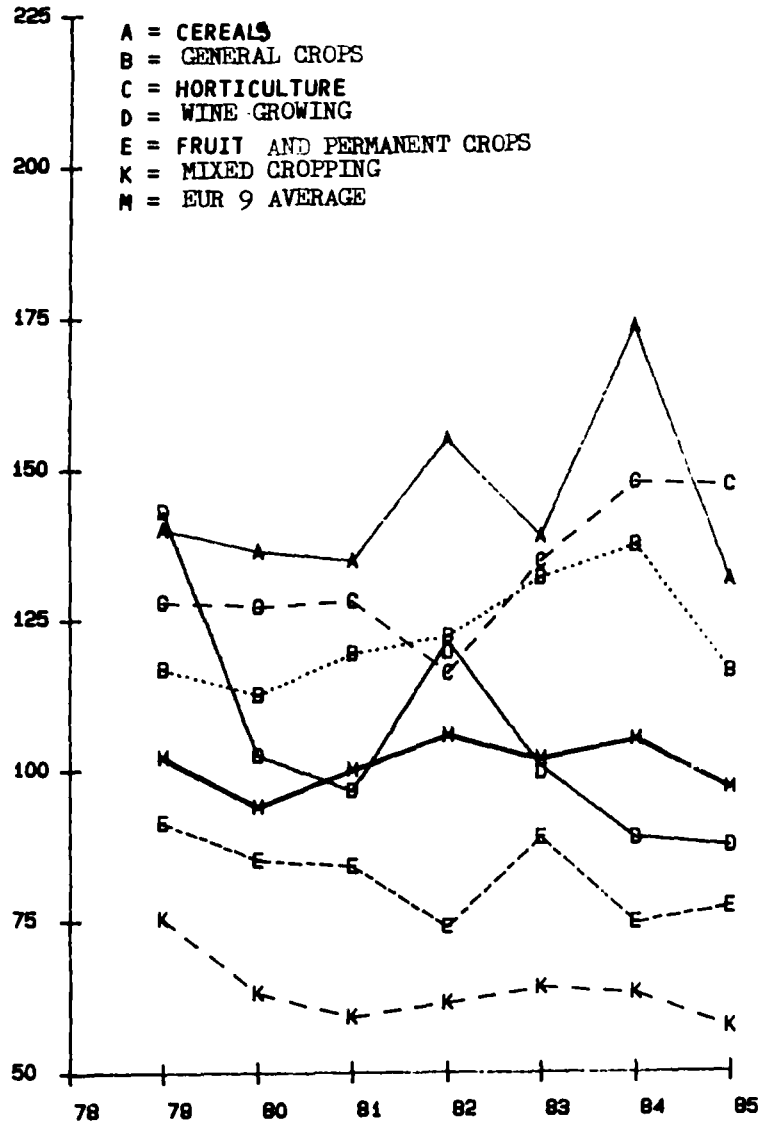
Source : FADN results 1979/80 - 1983/84, weighted on the basis of the current year; FADN estimates 1984/85 - 1985/86

- (1) Agricultural income - farm net value added
(2) including olives and other permanent crops

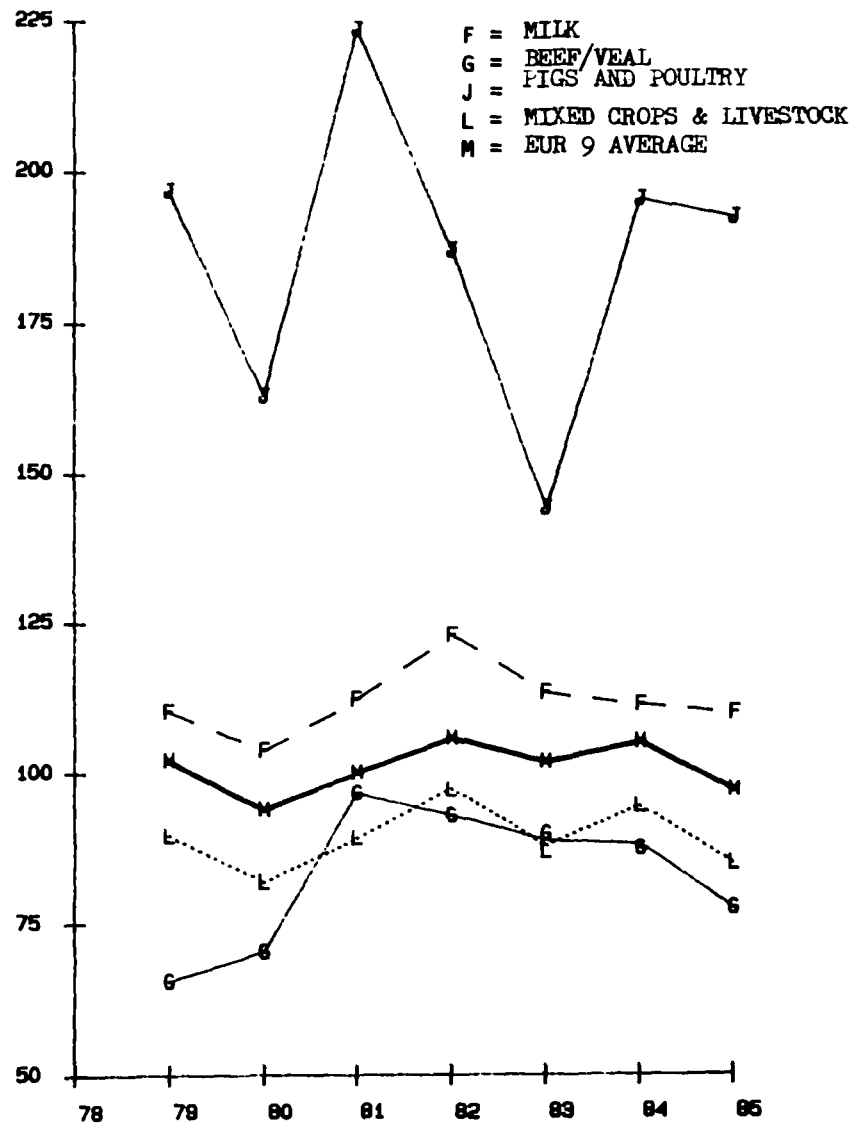
GRAPH 3: AGRICULTURAL INCOME (1) FOR THE MAIN TYPES OF FARMING IN

REAL TERMS 1979/80 - 1985/86 (Base 100 = EUR 9 1981/82 average income for all holdings)

EUR 9



(1) net value added of/holding per annual work unit



Source : FADN results 1979/80 - 1983/84 current weighting; FADN estimates 1984/85 - 1985/86

VII AGRICULTURAL INCOMES BY ECONOMIC SIZE CATEGORY FROM 1979 TO 1983

Table 14 shows how agricultural incomes have evolved by economic size of holding (reading the figures in the horizontal direction) and at the same time gives some idea, albeit a very basic one, of the internal disparities within Community farming (taking the figures vertically), according to the same criteria, for the period from 1979/80 to 1983/84. The figures in this table need to be interpreted with a certain amount of caution since the real situations they cover are **often not sufficiently** alike. Firstly, both the movement in time and the level of ^{the} incomes for the various economic sizes of holdings are influenced by the actual size category itself, and by the types of farming that are typical of the various categories. Secondly, one should not lose sight of the fact that these are Community averages which may be concealing considerable variety, in reality, as between one Member State and another. This having been said, it does not detract from the fact that there are several quite interesting conclusions to be drawn from the figures in Table 14.

Hence, for example, one can say that generally speaking it is the small and the very small holdings that have been hardest hit by the deterioration of incomes during the period from 1979/80 to 1983/84. The large holdings, on the other hand, have managed either to safeguard their incomes, or to benefit, on occasion, from their relative improvement or from less of a reduction **in relation** to the average.

So far as the income disparities per economic size category are concerned, one finds that average income per work unit gets bigger as one passes from the smallest **in size to the** largest holdings. On average **the** largest holdings actually enjoy an income per work unit that is equal to three times that of the "small" holdings, and 4 to 5 times that of the "very small" holdings. It would take a more refined analysis, however, to get a better picture of the scale of this phenomenon, and of the economic and structural factors that affect it.

Table 14 Agricultural incomes⁽¹⁾ in real terms per work unit, by economic size category⁽²⁾ from 1979/80 to 1983/84

Economic size category of holdings	EUR 9 Average all farming types 1981/82 = 100					EUR 10 Average all farming types 1981/82 = 100		
	1979/80	1980/81	1981/82	1982/83	1983/84	1981/82	1982/83	1983/84
Very small (1 - <4 ESU)	42.4	36.7	32.5	32.9	33.8	36.3	36.5	36.1
Small (≥ 4 - <8 ESU)	65.1	58.0	58.1	57.3	55.9	62.2	61.?	59.9
Medium (≥ 8 - <16 ESU)	100.1	90.4	94.6	99.5	91.4	101.5	106.?	97.7
Large (≥ 16 ESU)	173.8	166.4	173.9	182.5	170.0	187.2	196.?	183.0
All holdings	102.2	93.8	100.0	105.9	101.9	100.0	104.?	100.6

Source: FADN figures 1979/80 - 1983/84

(1) Agricultural income = net value added of holding

(2) 1 ESU (European Size Unit) is equal to 1,000 EUA standard gross margin in 1972/74 prices and conditions. As a representation of economic size in farming it is generally preferred to a surface area measurement since it takes the differing intensity of farm holdings into account.

VIII. THE DISTRIBUTION OF AGRICULTURAL INCOMES OVER COMMERCIAL HOLDINGS

Along with Graph 4, Table 5 shows how incomes were distributed among the farm holdings covered by the FADN according to income category in the 1983/84 accounting year, the most recent one for which the necessary data is available. Although the absolute level of incomes may vary considerably from one year to the next, generally speaking the distribution of incomes among the various Member States and the different income categories tends to be relatively stable in the long run.

As in previous years, the most striking thing about Graph 4 is the quite distinct divide between how farm incomes are structured in the North and in the South of the Community, with southern Member States like Greece and Italy having over 60% and about 45% respectively of their commercial agricultural holdings represented in FADN recording an average income per work unit, in 1983/84, of less than 4000 ECU, whereas in the Netherlands, Belgium and the United Kingdom holdings whose income per work unit was less than 4000 ECU only amounted to between 4 and 13%.

The reverse is true at the other end of the income scale where, for example, holdings with an average income per work unit in excess of 12,000 ECU a year make up about 75% of the total in the Netherlands, 66% in Belgium, 55% in Denmark and 50% in the United Kingdom, as against Italy and Greece where they only form 12% and barely 2%. It ought also to be said that in 1983/84 about 10% of holdings in Germany and Denmark suffered an income setback, due mainly to the bad weather during that marketing year.

In Germany, France, Luxembourg and Ireland incomes are largely concentrated in the 4,000 - 12,000 ECU category, which takes in between 40 and 50% of the commercial agricultural holdings covered by the FADN in these Member States.

It should be pointed out, however, that these comparisons between Member States can be misleading since an income of 4,000 or 12,000 ECU does not mean the same thing in economic terms, nor have the same purchasing power in Greece as it does in the Netherlands. Nor should one lose sight of the fact that the definition of income being used in this context is that of the net value added of the holding, i.e. the income before rents, interest and salaries are deducted. This means that the income which the farmer and his family disposes of after these items have been deducted is not only less than the holding's net value added but may also vary considerably according to the relative size of these costs, and hence/ on the extent to which more or less use is made of these factors in the different types of farming and forms of holding. This particularly applies to the interest on capital borrowed by the intensive forms of holding.

Table 15 Distribution of agricultural incomes (1): % of the holdings in each income category (1983/84 accounting year)

Agricultural income in ECU (1)	EUR 10	D	F	I	NL	B	L	UK	IR	DK	H
≤ 0	3,7	9,7	4,0	2,0	1,5	1,1	5,7	3,9	2,4	10,5	1,8
0 - 4.000	29,8	16,6	15,8	43,2	4,0	3,1	10,6	9,2	19,6	8,4	60,4
4 - 6.000	15,0	12,4	12,9	18,7	2,7	4,1	6,3	7,4	19,9	5,4	20,4
6 - 8.000	11,1	13,4	12,3	11,4	4,3	9,2	11,4	8,5	14,8	6,0	9,2
8 - 10.000	8,8	11,6	12,7	7,3	5,4	7,0	11,6	10,2	10,6	6,8	4,0
10 - 12.000	6,7	8,7	9,3	5,2	7,0	9,3	12,8	10,3	7,4	8,3	1,8
12 - 16.000	9,3	12,7	13,3	5,7	13,2	19,5	18,5	15,8	10,9	14,5	1,4
16 - 20.000	5,5	6,7	7,4	2,7	12,8	16,8	12,1	12,6	5,6	10,9	0,5
20 - 24.000	3,5	3,6	4,4	1,6	11,4	9,4	7,4	8,0	4,1	8,1	0,2
> 24.000	6,5	4,4	8,0	2,2	37,8	20,6	3,8	14,0	4,8	21,1	0,2
TOTAL	100	100	100	100	100	100	100	100	100	100	100

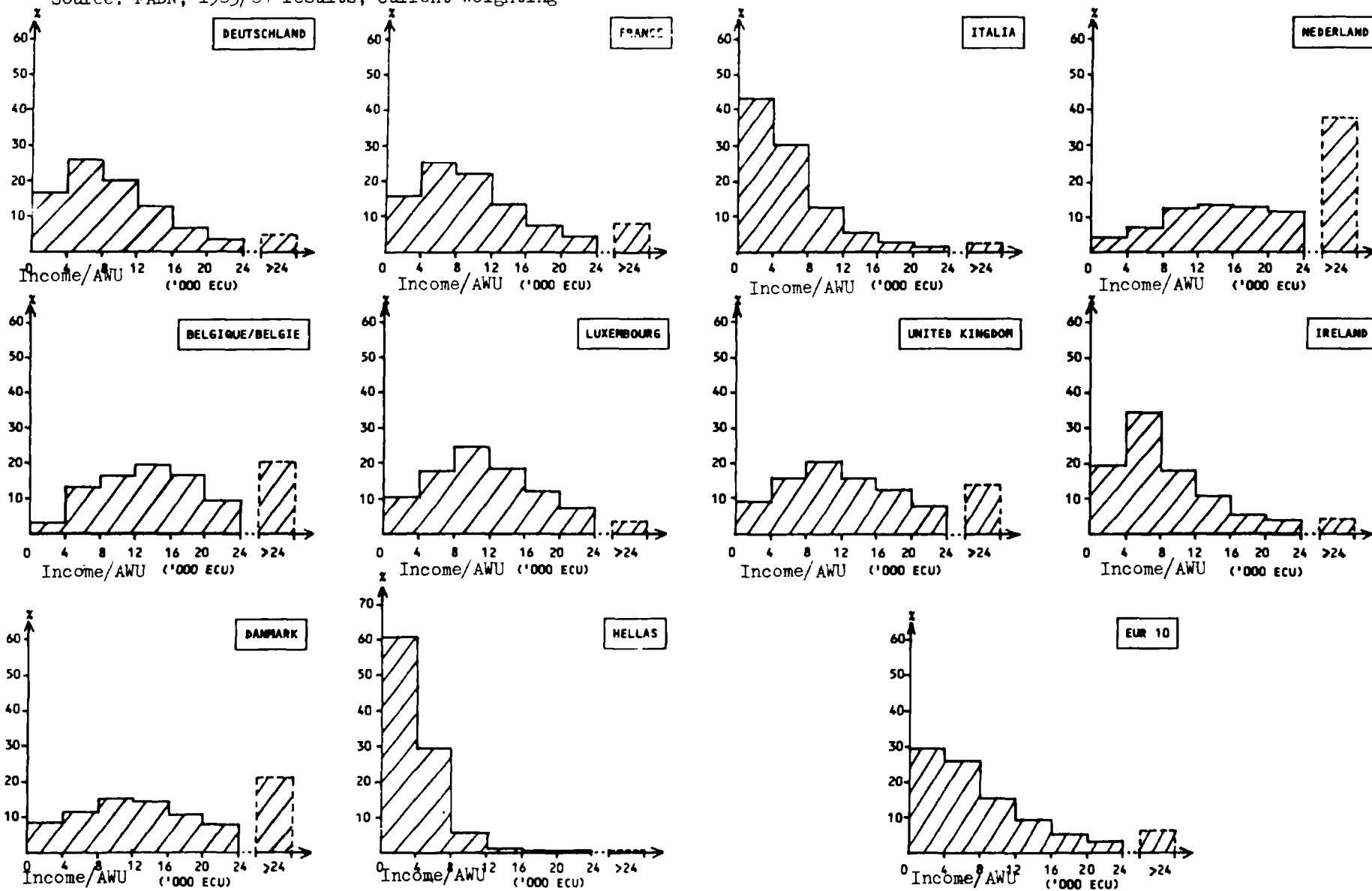
Source : FADN, 1983/84 results, current weighting

(1) Agricultural income = net value added of holding per annual work unit

GRAPH 4: DISTRIBUTION OF AGRICULTURAL INCOMES (1) IN COMMERCIAL HOLDINGS

% of holdings in each income category
 Source: FADN, 1983/84 results, current weighting

(1) Net value added of holding per annual work unit



STATISTICAL APPENDIX

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

"1980" (1) = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	% 1985 1984	% 1985 1984
D	124,4	107,2	122,3	128,1	121,0	120,1	106,8	93,5	100,1	118,8	93,4	110,8	95,3	-14,0
F	132,2	121,3	109,4	108,7	108,0	110,6	110,9	96,7	94,3	112,9	104,9	107,5	97,8	- 9,0
I	91,9	88,9	95,1	92,4	95,4	100,0	104,5	101,4	96,4	97,6	102,3	96,4	97,5	+ 1,1
NL	111,7	93,9	100,8	109,9	104,9	103,2	95,0	91,7	112,6	118,1	117,1	123,3	117,9	- 4,4
B	115,1	92,0	96,3	113,3	94,3	102,0	92,1	98,9	109,3	111,0	124,0	118,4	115,7	- 2,3
L	107,8	89,9	98,4	84,3	108,2	101,1	103,8	95,0	101,9	139,7	118,9	123,8	124,3	+ 0,4
UK	129,3	115,5	114,0	121,1	112,0	107,6	103,1	96,1	101,6	112,0	103,7	118,1	97,4	-17,5
IRL	109,0	97,3	116,5	111,1	136,8	139,8	111,7	93,2	97,2	104,7	109,6	124,3	107,1	-13,8
DK	110,8	103,3	84,2	86,7	98,8	106,8	91,1	98,1	110,6	132,4	115,4	151,8	148,6	- 2,1
GR	79,5	77,9	79,1	85,6	83,1	93,8	89,1	101,4	107,6	116,9	106,9	116,3	115,6	- 0,6
EUR 10	111,1	101,7	103,3	105,4	104,5	106,8	103,4	97,3	99,3	109,8	104,1	108,9	101,9	- 6,4

(1) "1980" = (1979 + 1980 + 1981) ÷ 3.

Table 17 The farmer and his family's net income from farming, real

"1980" (1) = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	% 1985	% 1985
														1984
D	149,3	122,2	147,2	155,1	147,4	138,8	114,9	89,6	96,3	125,4	83,2	110,2	86,0	- 22,0
F	159,6	135,7	118,1	117,5	115,2	116,8	116,8	94,6	91,3	117,3	102,5	104,6	89,2	- 14,7
I	122,8	110,1	113,9	105,1	104,2	108,7	113,3	103,2	88,3	86,9	94,7	80,8	81,1	+ 0,4
NL	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	- 5,8
B	126,2	98,7	104,3	126,2	99,8	106,2	92,3	97,9	110,1	116,9	128,7	120,1	115,8	- 3,6
L	114,9	93,1	100,3	80,9	108,5	102,1	105,3	93,9	101,5	148,1	122,5	128,0	128,1	+ 0,1
UK	209,5	159,1	159,3	175,5	153,6	136,6	111,3	87,2	103,3	128,0	101,6	131,2	70,8	- 46,0
IRL	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	122,1	88,1	94,1	104,6	117,0	140,9	117,2	- 16,8
DK	1164,8	977,1	576,3	541,2	661,7	652,5	143,4	16,4	140,0	554,2	299,9	783,7	753,9	- 3,8
GR	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
EUR 8	149,5	126,3	125,4	126,1	121,4	120,5	112,9	94,6	92,5	110,2	98,2	103,2	89,1	- 13,7
(2)														

(1) "1980" = (1979 + 1980 + 1981) ÷ 3.

(2) No data (n.d.) for Netherlands and Greece or, from 1973 to 1978, for Ireland

Table 18 Final production of agriculture (volume)

("1980" (1) = 100)

	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1973	90,4	95,7	85,0	76,0	99,8	105,3	92,7	83,3	83,8	85,6	89,5
1974	90,8	94,6	86,4	80,0	102,0	107,4	91,4	86,0	92,0	87,4	90,3
1975	90,4	87,6	89,5	79,7	94,3	105,4	87,5	91,3	83,9	93,6	88,3
1976	91,0	88,8	87,8	82,7	93,0	99,6	86,4	86,3	84,9	93,6	88,4
1977	95,9	88,8	89,0	86,6	95,1	102,8	93,2	94,1	93,2	89,3	91,0
1978	99,3	95,1	92,3	92,5	98,3	102,5	97,4	100,0	95,7	96,8	95,7
1979	99,5	100,5	97,9	96,6	99,2	100,6	98,1	98,9	98,8	93,5	98,7
1980	100,4	100,6	101,3	99,1	99,6	97,3	101,3	100,7	99,2	102,6	100,7
1981	100,1	98,9	100,8	104,2	101,2	102,0	100,6	100,4	102,0	103,9	100,6
1982	108,8	107,7	98,6	108,1	103,6	114,5	108,1	106,7	107,8	105,6	105,8
1983	104,6	104,1	105,6	110,1	102,9	108,2	106,5	110,1	104,6	101,1	105,3
1984	108,5	109,8	101,5	113,9	108,3	110,1	112,8	119,4	116,9	106,6	108,8
1985(2)	104,5	108,0	100,2	115,6	108,3	108,7	109,2	116,9	114,7	108,4	107,0

(1) "1980" = 1979 - 1980 - 1981 ÷ 3

(2) Forecasts

Table 19 The "cost/price squeeze" ⁽¹⁾ or "terms of trade"

"1980" (2) = 100

	D	F*	I	NL	B	L	UK	IRL	DK	GR	EUR 10
1973	111,8	124,2	107,3	113,3	109,4	118,5	116,8	125,0*	111,6	108,5	109,3
1974	102,4	104,8	95,4	100,8	97,4	104,1	103,0	95,2*	94,0	100,3	97,5
1975	110,2	107,8	94,8	110,2	107,5	101,8	111,2	96,6*	100,1	94,2	102,3
1976	112,4	111,5	97,1	113,0	110,3	102,5	118,3	104,8*	104,0	104,9	106,0
1977	108,2	111,2	101,1	108,3	103,1	100,5	106,7	109,1*	101,0	107,1	104,5
1978	108,5	109,4	107,2	107,7	106,2	102,6	104,3	113,7*	110,6	113,8	106,4
1979	105,0	106,2	106,5	100,7	101,7	104,3	103,9	108,2*	104,8	107,4	104,0
1980	98,1	97,4	100,6	99,4	100,1	99,4	97,5	95,1	99,6	96,6	98,5
1981	96,8	96,4	93,0	99,9	98,3	96,4	98,7	96,7	95,6	96,0	97,4
1982	96,1	96,9	95,5	98,8	96,9	100,5	97,8	94,5	95,4	103,3	98,5
1983	92,7	96,4	92,6	98,4	99,0	97,8	94,6	94,6	93,6	100,4	97,7
1984	90,9	92,0	90,7	97,5	92,7	95,4	92,6	88,5	90,7	105,3	95,7
1985	89,5	89,3	93,3	99,5	93,7	99,5	89,5	84,4	92,2	106,2	95,9

(1) Index of farmgate prices divided by the index for prices of inputs

(2) "1980" = (1979 + 1980 + 1981) ÷ 3.

* EUROSTAT estimate

Table 20 Total agricultural labour in the Community
 "1980" (1) = 100

	1983	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	% 1985	% 1985
													1984	1984
D	126,4	121,1	118,1	115,2	109,4	107,1	101,8	99,8	98,5	96,2	93,7	92,2	91,2	- 1,1
F	117,3	113,5	109,7	107,4	105,2	103,5	101,8	100,0	98,2	96,4	94,5	92,5	89,7	- 3,0
I	117,8	115,3	110,7	109,8	107,2	106,1	103,2	100,3	96,5	91,1	91,0	87,6	84,5	- 3,5
NL	112,9	110,9	109,7	108,2	105,0	102,6	101,4	100,3	98,3	97,9	97,9	97,5	96,7	- 0,8
B	129,8	124,8	119,5	113,7	108,8	105,2	104,9	99,2	96,1	94,7	94,1	92,8	91,4	- 1,5
L	124,0	118,3	114,0	108,8	104,3	107,1	103,6	99,6	96,8	94,7	92,8	90,9	88,4	- 2,7
UK	112,6	108,3	105,4	106,2	105,0	104,8	102,6	99,8	99,6	96,8	95,8	94,5	93,6	- 0,9
IRL	118,7	115,8	114,3	111,3	109,4	108,4	106,1	100,1	93,7	92,3	90,3	86,8	84,6	- 2,5
DK	120,3	117,7	115,0	112,0	110,0	106,6	104,2	99,4	96,3	93,8	89,0	86,1	83,0	- 3,6
GR	118,2	115,5	112,6	110,0	107,4	104,9	102,5	99,9	97,6	95,9	94,5	92,3	90,5	- 1,5
EUR-10	118,5	115,1	111,7	109,9	106,8	105,1	102,6	100,0	97,4	94,9	93,6	91,3	89,1	- 2,4

(1) "1980" = 1980/1981/1982 ÷ 3

Table 21 Unpaid agricultural labour

("1980" (1) = 100)

	D	F	I	NL	B	L	UK	IRL	DK	GR
1973	127.7	117.5	120.5	n.d.	130.2	122.2	110.0	n.d.	119.2	n.d.
1974	121.3	114.1	117.8	n.d.	125.3	117.0	105.1	n.d.	116.5	n.d.
1975	118.9	110.5	113.8	n.d.	120.0	113.4	103.4	n.d.	114.5	n.d.
1976	116.5	107.9	111.2	n.d.	113.3	108.8	105.5	n.d.	111.8	n.d.
1977	110.5	105.6	107.8	n.d.	108.6	103.8	104.0	n.d.	109.3	n.d.
1978	108.2	103.7	107.5	n.d.	104.8	106.8	104.4	n.d.	105.4	n.d.
1979	101.8	101.8	103.9	n.d.	104.6	103.5	102.3	105.4	104.0	n.d.
1980	100.2	100.0	100.0	n.d.	99.0	99.8	99.6	100.2	99.9	n.d.
1981	97.8	98.2	96.1	n.d.	96.4	96.7	98.1	94.4	96.0	n.d.
1982	95.7	96.4	89.6	n.d.	94.6	94.4	97.9	93.2	93.4	n.d.
1983	93.3	94.6	91.0	n.d.	93.6	92.5	97.4	91.3	89.0	n.d.
1984	92.4	92.6	88.4	n.d.	92.3	90.7	97.5	87.7	86.1	n.d.
1985	90.0	89.8	85.4	n.d.	90.9	88.4	97.0	85.5	83.0	n.d.

(1) "1980" = $\frac{1979-1980-1981}{3}$
n.d. = no data

METHODOLOGY APPENDIX

I. Macro-economic analyses

- . In the context of 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 which can be summed up as follows:
- A) Net value added at factor cost per person employed: this indicator represents all the resources deriving from farming available to farmers to remunerate the various factors contributing to its formation, namely labour (of the farmers, family members and paid workers) on the one hand, and capital (including land and buildings, owned or borrowed) on the other;
- B) Net income from farming of the farmer and his/her family per person employed: this indicator represents the income that can be distributed to unpaid agricultural labour (normally the farmer and his or her family) once paid labour and capital borrowed have been remunerated.

These indicators are obtained according to the following equations:

Final agricultural production
- Inputs (intermediate consumption)
= Gross value added at market prices
+ Subsidies
- Output-related taxes
= Gross value added at factor cost
- Depreciation

Indicator A = Net value added at factor cost : employment of total agricultural labour, in work units : rate of inflation

- Rent and interest paid
- Wages paid

Indicator B = Net income from farming of the farmer and his family : employment of unpaid agricultural labour, in work units : rate of inflation.

- . Net value added at factor cost is then divided by total employment of labour in agriculture, in work units/year (the work unit/year expressing the labour input that actually goes into farming in proportion to the time that farming takes up). One thus gets the average income of all those working in agriculture (farmers, paid workers, family members).
- . The net income from farming of the farmer and his family is, on the other hand, divided only by the employment of agricultural unpaid labour, still in work units/year, since the remuneration of paid workers has already been deducted from this item.
- . Since the aim is to determine annual changes in incomes, the basic data, as well as the results, is expressed in terms of the rate of change from one year to the next.
- . The change in real terms in incomes is obtained by dividing the change in nominal terms by an appropriate deflator, in this case the GPD deflator.
- . Indicator A is obtainable from 1973 onwards both at Community level and for all the Member States.
- . Indicator B exists for 1985 solely for nine Member States (leaving out Greece), reflecting the difficulties some of the them have to contend with in attempting to establish sufficiently accurate estimates of certain items. However, the historical series since 1973 only exists for seven Member States (i.e. not including Ireland, Greece and the Netherlands).

II. Micro-economic analyses

A) Statistical bases : FADN

The Farm Accountancy Data Network (FADN) musters figures from a sample of farm holdings in the Community. During the 1983/84 accounting year the sample covered about 40,000 holdings, representing around 2.7 million commercial holdings in the EEC.

These are holdings which sell at least part of their output and have a minimum of economic activity. This minimum is defined in terms of European Size Units (ESU) and varies according to the Member State.

The commercial holdings represent about 80% of total agricultural gross value added, 85% of utilized agricultural area, and 90% of the Community's dairy cattle.

The holdings selected are regrouped according to types of farming on the basis of a Community "typology" of agricultural holdings, and broken down into specialised holdings and mixed types of farming. The proportion of each type of holding in the total number of holdings is given in Table 13 of this report. A summary of the accounting figures is contained in the Report on the Agricultural Situation in the Community, and in the Commission's annually published "FADN : Accountancy Results".

B. Definition of income

The definition of income used in this report for FADN data is "net value added of holding", expressed per annual work unit. The net value added of holding is equal to the value of total output minus total inputs (after deduction of depreciation and output-related taxes and including subsidies). This definition therefore corresponds to that of net value added at factor cost used in the macro-economic analysis.

The annual work unit represents the work actually carried out by a full-time worker during the year. Part-time work and seasonal work are entered in the accounts in proportion to the length of the work.

C. Updating

The estimates of how agricultural incomes have evolved in 1984 and 1985 have been obtained using an "updating" model employing coefficients relating to changes in quantity and price (R.F.S.). These coefficients are applied to the accounts figures for the various types of farming during the 1983/84 accounting year, the last for which the accounts data is currently available). The updating is carried out either on the basis of the accounting year (Table 13) or on the basis of the calendar year (Tables 11 and 12).

III. The two approaches complement one another

The specific approach adopted by the two sources leads to discrepancies with regard to the field of observation covered, the collection of ^{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 ~~aggregate~~ **aggregate 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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