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AGRICULTURAL INCOME 1987

Down on 1986; virtually no change over "1980"

Every year at this time, EUROSTAT publishes revised estimates of the previous year's agricultural income trends in the Community based on information supplied by the Member States. In 1987 real net value added at factor cost in agriculture per annual work unit (Indicator 1) in the Community as a whole (excluding Portugal) will be 3.5% below the 1986 figure. This follows a slight increase of 1.0% in the previous year. A similar decline (-3.4%) is forecast for Indicator 2, the disposable income available for distribution to all persons employed in agriculture. An even sharper fall (-5.1%) is expected for Indicator 3, the disposable income available to holders and members of their families working on the holding (Table 1 and Figure 1). This follows a roughly 3% rise in 1986.

Slightly lower producer prices

The decline in income is due in the main to an average fall in producer prices in the Community of 1.2% in nominal terms, the major factor being a drop in producer prices in animal production (-2.0%). The hardest hit were pig prices. Animal product prices, e.g. milk, increased slightly, and crop prices fell only slightly on average (-0.4%) in nominal terms.

Production volume almost unchanged

The increase in crop production (+1.1%) is primarily due to much higher figures for oilseeds and olive oil, with cereal production remaining steady. Animal production, in contrast, fell by 1.6%, largely as a result of the drop in milk production following quota reductions, though the production of cattle for slaughter also fell. The overall volume of final agricultural production was almost the same in 1987 as the previous year (-0.1%).

Intermediate consumption down as a result of lower prices

The value of intermediate consumption, i.e. goods and services used in agricultural production, fell by 2% in 1987, thus continuing the trend of the previous year. Given the almost unchanged volume (+0.1%), this is due to much lower prices for fertilizers, energy and feedingstuffs, as a result of which intermediate consumption prices as a whole fell by 2.1%.

Sharper fall in agricultural labour input and lower rates of inflation

The agricultural labour input in the Community was 2.7% down, a sharper fall than the previous year, giving a slight nominal increase in net value added at factor cost per annual work unit (+0.8%). However, despite lower rates of inflation in almost all Member States, this corresponds to a fall of 3.5% in real terms, as mentioned above (Indicator 1).

Very different situations in the Member States

The overall income trend in Community agriculture is negative, but there are considerable differences between the Member States (Table 2 and Figure 2). Incomes are expected to fall in most countries, most significantly in the Federal Republic of Germany and Denmark, but the forecasts also suggest large increases in Spain and Ireland and slight increases in the Netherlands and Luxembourg.

Whilst the improvements in Ireland are mainly a result of higher producer prices, the sole factor in Spain is the increase in production volume. The income losses in the Federal Republic of Germany and Denmark are largely the consequence of sharp falls in production volume and less significant falls in producer prices. In both countries unfavourable weather and harvest conditions have helped to bring about this situation.

Virtually no change in agricultural income in 1987 over "1980"

A medium-term comparison reveals that agricultural income (Indicator 1) in the Community in 1987 was virtually the same (EUR 10: -0.2%; EUR 11: +3.0%) as in "1980" (cf. Table 2), although there are substantial differences from country to country. Well above-average increases (20% or more) between "1980" and 1987 are reported for Luxembourg, Spain, the Netherlands and Denmark, while in Ireland, Greece and Belgium, the medium-term trend has been slightly above the Community average. On the other side of the coin, there has been no growth since "1980" in the United Kingdom and France, while in the FR of Germany and Italy there has even been a decline (approx. -10%).

Substantial differences in the level of agricultural income from country to country

The income indicators, in absolute values expressed in ECU, reveal major differences from one Member State to another, ranging from two-and-a-half times the Community average in the highest- to just less than two-thirds the average in the lowest-income country. Converting to PPS (purchasing power standards) tends to reduce the national differences.

Agricultural income accounts for only part of total disposable income in agricultural households

The Economic Accounts for Agriculture supply information on changes in income from agricultural production only. A lot of agricultural households are in receipt of income from other activities. The methodology of these new income statistics was drawn up in general terms in 1987.

Further information

A detailed analysis of trends in agricultural income and its components covering the years 1977 to 1987 is contained in "Agricultural income 1987: Sectoral income index analysis" (Theme 5, Series D), just published. EUROSTAT has also published a volume of agricultural accounts for 1981-1986 (Theme 5, Series C).

Methodological notes:

- 1) The income indicator "net value added at factor cost" covers only the production sector agriculture and does not therefore represent total income of persons employed in agriculture, who may have income from other sources. The labour force input and any changes therein are expressed in annual work units (AWU). One AWU corresponds to one person employed full-time in agriculture for the whole year.
- 2) The concept of "final production" is applied in the European Community's economic accounts. It differs from the "delivery" concept (which is used for special purposes in certain countries) in that it includes changes in stocks and certain investments (e.g. livestock). To take an example: France's estimate for the total value of agricultural production in 1987 is FF 5 800 million lower than the corresponding "delivery" figure as a result of running down stocks of wine and cutting livestock numbers in 1987.
- 3) The report on incomes mentioned above contains a detailed commentary on how rates of change are computed for the various income indicators of the Community as a whole.

Table 1 : Probable change in real agricultural income per annual work unit in 1987 as against 1986, in %

Member State	Net value added at factor cost Indicator 1	Net income from agricultural activity	
		of total labour input in agriculture Indicator 2	of family labour input Indicator 3
B	- 5,8	- 6,0	- 6,7
DK	- 12,4	- 25,2	- 35,3
D	- 16,3	- 22,1	- 27,5
EL	- 0,6	- 0,5	- 0,8
E	5,8	6,6	7,9
F	- 2,5	- 2,1	- 2,7
IRL	13,9	19,1	21,1
I	- 6,2	- 4,9	- 9,3
L	2,4	2,4	1,9
NL	2,6	2,8	3,6
UK	- 2,9	- 1,6	- 4,0
EUR 11	- 3,5	- 3,4	- 5,1

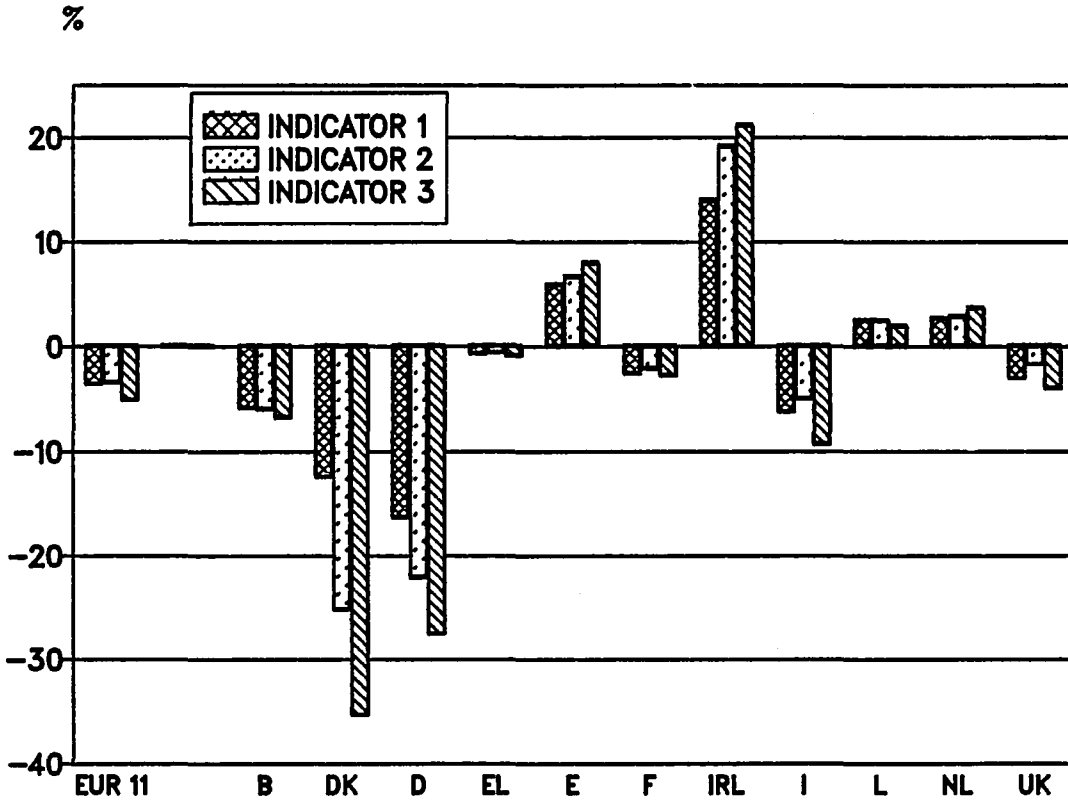
Table 2 : Indices of real net value added at factor cost per annual work unit (Indicator 1) from 1977 to 1987, "1980" = 100

	B	DK	D	EL	F	IRL	I	L	NL	UK	EUR 10	E	EUR 11
1977	95,6	95,8	122,7	84,1	99,9	142,4	93,5	97,0	105,0	111,7	102,1	:	:
1978	103,1	104,3	118,2	94,8	103,4	143,5	101,0	98,0	103,4	108,0	105,4	:	:
1979	93,3	90,6	107,1	90,1	106,0	116,1	104,7	101,2	95,4	103,0	103,0	102,5	102,6
1980	98,7	97,6	94,0	102,0	95,5	91,1	98,8	93,8	91,8	95,7	96,3	105,7	97,4
1981	108,0	111,8	98,9	107,9	98,5	92,9	96,6	105,0	112,7	101,3	100,8	91,9	100,0
1982	113,7	135,4	117,9	112,0	113,1	102,8	98,5	146,2	118,3	111,3	111,5	107,3	111,3
1983	122,8	115,9	95,8	100,0	106,1	111,4	102,9	129,8	117,0	101,2	105,1	107,4	105,6
1984	118,1	154,2	112,1	109,4	103,2	121,9	94,4	132,8	123,2	119,1	108,3	120,1	110,2
1985	112,9	147,7	98,0	108,9	100,8	105,7	97,1	135,0	117,7	96,8	103,0	122,3	105,7
1986	109,8	141,1	109,5	105,6	102,6	94,9	95,6	139,2	124,8	103,8	104,9	114,4	106,7
1987	103,4	123,6	91,7	105,0	100,0	108,1	89,7	142,5	128,0	100,8	99,8	121,0	103,0
1987/1986 in %	- 5,8	-12,4	-16,3	- 0,6	- 2,5	13,9	- 6,2	2,4	2,6	- 2,9	- 4,9	5,8	- 3,5

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

NB: The commas in the tables read as decimal points

**FIGURE 1: ESTIMATED CHANGE IN REAL INCOME IN AGRICULTURE PER AWU
1987 AS COMPARED WITH 1986 (IN %)**



**FIGURE 2: REAL NET VALUE ADDED AT FACTOR COST IN AGRICULTURE PER AWU:
1986 INDICES ("1980"=100) AND 1987 CHANGE OF INDICES
COMPARED WITH 1986**

