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PRODUCTION, PRICES AND INCOME IN EC AGRICULTURE

An analysis of the economic accounts for agriculture 1973-88

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The Economic Accounts for Agriculture published by Eurostat provides a comprehensive and harmonized survey of economic activity in the agricultural branch to serve as a basis for analysis, forecasting and policy-making. The analysis of these accounts in the framework of this study, carried out by an expert from The Netherlands, Mrs Ida Terluin (LEI) is intended to serve the same purpose. It records trends in Community agriculture from the point of view of the objectives of the common agricultural policy (CAP) set out in Article 39 of the Treaty of Rome.

Trends in Community agriculture between 1973 and 1988 are examined from two angles: the performance of agriculture is compared, on the one hand, with the rest of the economy and, on the other, with that of five non-EC countries (the United States, Canada, Australia, Japan and Sweden).

The first part of the study, Chapters 2 and 3, describes the trends in the main items from the Economic Accounts for Agriculture and the general economic background during the reference period. Chapters 4, 5 and 6 analyse trends in the volume and prices of final agricultural output and intermediate consumption. This is supplemented in Chapters 7 and 8 by figures on agricultural productivity and agricultural incomes. Chapter 9 concludes the study by examining the results for production, prices, productivity and incomes in the agricultural branch in order to assess the performance of agriculture in relation to the CAP objectives.

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The volume of final agricultural output in the Community increased by over 2% per year between "1974" and "1986". This growth, although it slowed down somewhat towards the end of the period, meant that the Community became more self-sufficient, covering its requirements for almost all non-tropical agricultural products except maize, fruit, oilseeds and sheepmeat. The volume of intermediate consumption rose sharply (3.5% per year) during the period "1974-79" and then fell to just over 1.0% in "1979-87", while the agricultural labour force declined by 3% per year, which was a higher rate of agricultural depopulation than in the non-EC countries. Real prices of agricultural products in the Community fell by 2.7% per year during the reference period. This decrease became even more marked towards the end of the period "1974" - "1988". Since real prices of intermediate consumption only fell by 1.8% per year, agricultural producers were faced with an unfavourable situation of declining relative prices, although it was less unfavourable than in the other countries studied (except Japan). Lastly, real prices of foodstuffs fell by 0.6% between "1974" and "1985".

These trends in prices, volume and labour force had the following effects:

- Net labour productivity in agriculture increased by about 5% per year, which was more than in the rest of the economy and more than in the agricultural branches of the non-EC countries examined (which meant that their initially higher productivity became more like that of Community agriculture).
- Although there were differences between Member States, there was a slight increase of less than 0.5% in agricultural income per Annual Work Unit (AWU). The concept of relative agricultural income, which is defined as the ratio between agricultural income per AWU and income per worker in the economy as a whole, is used to assess the level of and examine trends in farmers' incomes. It emerges that agricultural incomes are lower than those in the rest of the economy, and that the situation became even worse during the period studied. It should, however, be noted that this decrease was probably overestimated since many farmers derive an increasing proportion of their income from non-farming activities.
- Real prices of agricultural products differed only slightly in relation to long-term trends.

In the light of these results and bearing in mind the CAP objectives, it can be seen that the objectives of increasing agricultural productivity in the EC (Article 39, 1a), assuring the availability of supplies (Article 39, 1d) and stabilizing markets (Article 39, 1c) would seem to have been achieved. On the other hand, trends in agricultural incomes do not seem to have achieved the objective (Article 39, 1b) regarding the purchasing power of agricultural incomes. Furthermore, although consumer prices of foodstuffs decreased in line with the objective of ensuring reasonable prices for consumers (Article 39, 1e), this achievement is mitigated by the fact that there was an even greater decrease in producer prices of agricultural products.

This study is published in English only, and is available from the Office for Official Publications of the European Communities, L-2985 Luxembourg, under the catalogue number CA-70-91-750-EN-C, for the price (excluding VAT) of ECU 17.