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Confirmation of a decline in income from agricultural activity for the EU-15 in 1999 : -3% in real terms.

Catherine RENNE

A clear decline in the real (i.e. deflated) price of agricultural products (-5% on average) was the main feature of the agricultural sector in 1999. The second estimates of the provisional Economic Accounts for Agriculture put the decline in the real value of the output of the branch of agricultural activity at 4% compared to the level in 1998. The impact of this decline in the value of output on the development of agricultural income was accentuated by the relatively moderate fall in the value of the means of production (-2%) and by the lower level of real subsidies (-2%); real net value added at factor cost declined strongly (-6% on average across the EU-15). The volume of agricultural labour continued to decline (-3%), resulting in income from agricultural activity¹ falling back by an average 3% in real terms in 1999.

For twelve Member States (B, DK, D, EL, E, F, IRL, I, NL, A, FIN, UK), the average income from agricultural activity for 1999 was below 1998 levels. The strongest rates of decline in income were recorded by Ireland (-12%), Denmark (-11%), Belgium (-9%) and the Netherlands (-6%), all these countries being particularly affected by the decline in animal prices. Rises in income were only recorded for Luxembourg (+2%), Sweden (+6%) and Portugal (+16%).

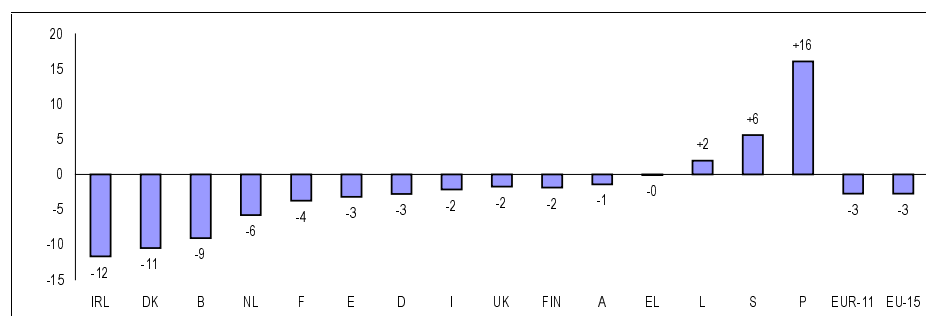


Figure 1: Change in income from agricultural activity in the European Union as a whole (EU-15) and in the Member States, in 1999 (in %).

Warning :

The results presented here are based on data from the Economic Accounts for Agriculture (EAA) supplied by the fifteen Member States at the end of January / beginning of February 2000. For the first time, these data should be established on a basis conforming to the revised EAA, which is close to the methodology of national accounts (ESA'95). The absence of time series data on the new basis means that it has not been possible to put the trends presented here in a long-term perspective.

¹ Measured by Indicator A – see the methodological notes

Real prices of agricultural output lower

The real price of crop output declines....

The real price of crop output was about 4% lower than the corresponding average for 1998. Price declines were widespread, falls being recorded for all the main crop products, with the exception of olive oil for which prices rose. The declines in the average real terms prices for vegetables, fruit and wine were particularly notable (see *Table 1*). The average price for potatoes declined considerably (-15% in real terms) from the levels in 1998, when higher prices reflected the harvesting difficulties experienced during wet weather. There was some stabilisation of cereal prices in 1999 (-1% in real terms) after further strong falls in 1998. Among the main cereal producing Member States, real terms prices for cereals rose a little in France (+2%), remained stable in Germany but continued to fall in Italy (-2%) and the United Kingdom (-5%).

...but the decline for animal output is even more pronounced.

The price of animal output continued to decline markedly in 1999 (-6%), with the effects of overproduction that came to the fore in 1998, particularly noticeable in pig production, continuing into 1999. The real price of pigs fell again (down an average 9% on the level of 1998). Over-supplied poultry and egg markets at the start of 1999 also had to contend with the consequences of a dioxin crisis, real

Table 2: Change in the main EU-15 animal outputs in 1999

	Volume	Prices (Real)	Value (Real)	% of EU-15 1999 agricultural goods output	Major producer countries (% of EU-15 1999 agricultural goods output)		
Cattle	+3	-5	-2	10%	F (29%)	D (15%)	I (15%)
Pigs	+2	-9	-7	8%	D (21%)	E (16%)	F (13%)
Poultry	-2	-9	-10	4%	F (31%)	UK (20%)	I (17%)
Milk	0	-5	-4	16%	D (22%)	F (21%)	I (11%)
Eggs	-3	-8	-10	2%	F (20%)	D (17%)	I (17%)
ANIMAL OUTPUT	+1	-6	-5	44%	F (21%)	D (17%)	I (12%)

	Volume	Prices (Real)	Value (Real)	% of EU-15 1999 agricultural goods output	Major producer countries (% of EU-15 1999 output)		
Cereals	-6	-1	-6	10%	F (30%)	D (21%)	I (14%)
Oilseeds	+9	-23	-16	1%	F (41%)	D (27%)	UK (11%)
Sugar beet	+5	-6	-1	2%	D (25%)	F (21%)	I (12%)
Fresh vegetables	+3	-5	-2	8%	I (26%)	E (21%)	F (15%)
Plants and flowers	+1	-2	-1	7%	NL (29%)	D (20%)	I (15%)
Potatoes	+13	-15	-4	3%	F (18%)	UK (18%)	D (15%)
Fruits	+10	-9	0	7%	I (29%)	E (27%)	F (14%)
Wine	+6	-5	+1	7%	F (50%)	I (25%)	E (9%)
Olive oil	-12	+9	-4	2%	E (39%)	I (37%)	EL (22%)
CROP OUTPUT	+2	-4	-3	56%	F (24%)	I (19%)	D (16%)

Table 1: Change in the main EU-15 crop outputs in 1999

terms prices falling sharply (-9% and -8% respectively). Prices for cattle and milk also declined in 1999 (see *Table 2*).

Relatively weak growth in the volume of EU-15 agricultural output

The volume of EU-15 agricultural output rose by little more than 1% in 1999, based around relatively moderate rises in France, Germany and Italy (+2% respectively), an unchanged level in the United Kingdom and a decline in Spain (-4%). Outside of the big five producer countries, it is important to note that the volume of output in Portugal bounced back higher after 1998 (+18%) and also rose clearly in the Netherlands (+5%).

Cereal output down...

The volume of EU-15 cereal output for 1999 was 6% lower than that for 1998. This development resulted principally from less area sown to cereals, following the doubling in the rate of obligatory land set-aside

(from 5% to 10%). Moreover, Summer rainfall in the North of Europe and acute drought in the South lowered yields in a number of Member States. Of the principal producer countries, the volume of cereals output in France fell 5%, tipped 1% lower in Germany and stayed more or less unchanged in Italy. It was in Spain, however, that the volume of cereal output fell back the most (-30%). The only rises in cereals output volumes were in Portugal (+19%), where weather conditions were more favourable than those in 1998, in Ireland (+6%) and in Finland (+3%).

The volume of EU-15 olive oil output also declined markedly in 1999 (-12%). However, developments among the four main producer countries were contrasting: -34% in Spain, -16% in Greece, -6% in Portugal and +25% in Italy.

...but output volumes for other crops rise.

With the exception of cereals and olive oil, output volumes were higher in 1999 for the other main crop types. The volume of oilseeds output continued to rise in the EU-15 (+9%), with areas sown to oilseeds expanding. The volume of potatoes output bounced back up (+13%) after the strong decline in 1998. The volume of fruit output also rebounded higher (+10%) with little frost impact. Countries like Greece, France, Spain and Italy, which had all been affected by frosts during

April 1998, registered strong output volume rises for fruit (+17%, +14%, +10% and +8% respectively). Additionally, the volume of EU-15 wine output also rose strongly (+6%). The rise in wine output in France (+4%) set the tone for the EU-15 as a whole, the other two main producer countries, Italy and Spain, recording changes of +2% and -2% respectively. The changes in the smaller producer countries were more marked ; there were strong rises in Portugal (the volume of wine output has doubled) and Luxembourg (+15%), in Germany (+13%) and in Austria (+6%) but a sharp fall in Greece (-10%).

The volume of animal output rises a little

The volume of EU-15 animal output is estimated to have risen by 1% in 1999. In the three biggest animal producing Member States (F, D, I), the rise in the volume of animal output was between 1% and 2%. The increase in animal output volume as a whole in Spain was more apparent (+4%), with strong rises in output volumes for both pigs (+7%) and milk (+6%). These developments were in general contrast to the situation in the United Kingdom, where the volume of final animal output fell slightly (-1%), most particularly brought lower by the falls for cattle (-1%), poultry (-2%) and pig output (-8%).

Following the fall in the volume of cattle output recorded in 1998 across the EU-15, there is estimated to have been a rebound in 1999

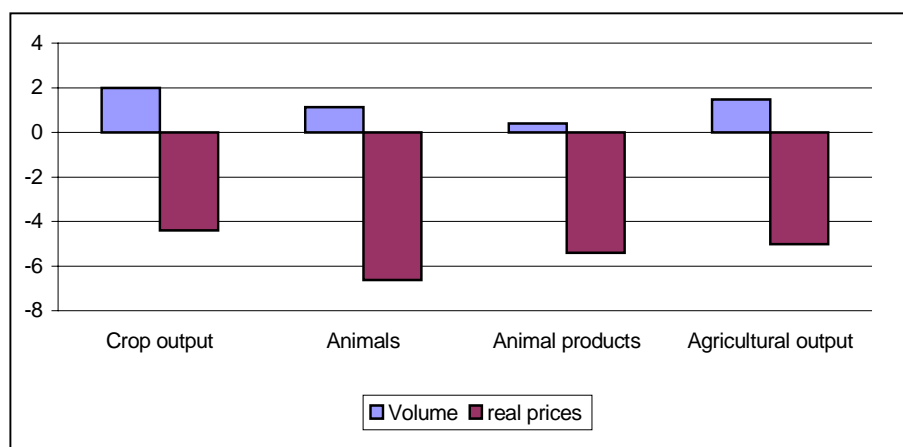


Figure 2: The change in the volume and real terms prices of agricultural output for the European Union as a whole (EU-15) in 1999 (in %)

(+3%). This situation reflects quite different developments among the Member States. The three main cattle producing Member States recorded rises in output volume above the EU-15 average : France (+6%), Germany (+10%) and Italy (+3%). There were also rises in Spain and Austria. In contrast, there were lower output volumes in a majority of Member States (DK, EL, IRL, L, NL, FIN, S, UK), with the overall volume in Belgium remaining almost unchanged. The expansion in production in the over-supplied EU-15 pig market continued into 1999 (output volume being 2% higher than in 1998), with important rises being recorded in Germany (+3%), Spain (+7%), France (+1%), Denmark (+1%) and the Netherlands (+3%). These developments were in stark contrast to the cutbacks in the United Kingdom (-8%). To complete the picture for animals and animal products, the volume of EU-15 milk output

remained relatively unchanged and the volume of EU-15 egg output is estimated to have decreased (-3%).

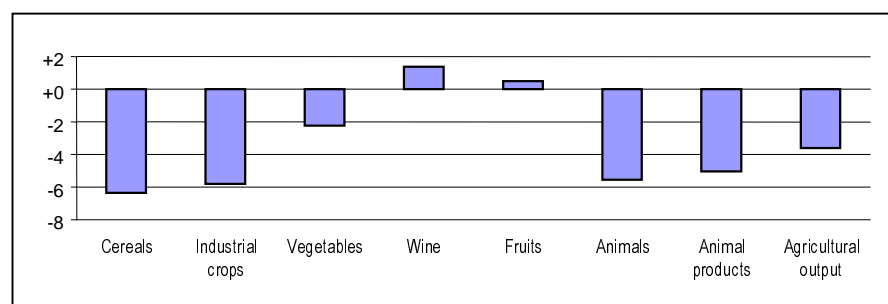
The real value of agricultural output clearly down

Principally due to the general decline in prices, the value of agricultural output for EU-15 is estimated to have fallen by 4% in real terms (see Figure 3). At Member State level, the decline in real output value was most pronounced in Belgium and Denmark (-8%), in Spain and Ireland (-8%), in the United Kingdom (-6%) and in the Netherlands (-5%). Only Portugal has estimated a strong increase (+11%), this being due to the considerable increase in the real value of crop output (+24%).

Moderate decline in the costs of intermediate consumption

The real price of intermediate consumption as a whole fell by an average of 2% for the EU-15. Within this total, the most significant falls in prices were recorded for fertilisers and animal feedingstuffs (-4% and -6% respectively). Prices for energy increased by 4%. The falls in the real term price of intermediate consumption were above the EU-15 average in seven Member States (DK, E, IRL, NL, P, FIN and the UK).

Figure 3: The change in real terms value of the main items of agricultural output in the European Union as a whole (EU-15) in 1999 (in %)



The volume of intermediate consumption remained relatively unchanged in 1999 compared to that of 1998.

Slight decline in the level of subsidies

The real value of subsidies received by the agricultural branch of the economy at the level of the EU-15 is estimated to have fallen back a little in 1999 compared to 1998 (-2%). Nevertheless, this change at the level of the EU-15 comprised a number of diverse developments in the Member States; the real terms value of subsidies increased strongly in Belgium and in the Netherlands, whereas they declined sharply in Ireland, in Portugal and in Austria. The real terms value of taxes at the level of the EU-15 remained unchanged in 1999 compared to 1998.

Decline in agricultural activity income in 1999

For the European Union as whole (EU-15), it is estimated that net value added at factor cost for the agricultural branch of the economy declined markedly (-6% in real terms). This measure only rose in two Member States (Portugal and Sweden).

The decline in the volume of agricultural labour continued in 1999, with the steepest rates of decline being in Spain and in Luxembourg (-5%) and in the United

Kingdom (-4%). Taking into account the rate of decline (-3%) in the volume of total labour input for EU-15, the Indicator A measure of income from agricultural activity is estimated to have fallen 3% (real terms) in 1999.

Marked contrasts between the Member States

In 1999, income from agricultural activity decreased in twelve Member States (see Table 3), most markedly in Ireland (-12%), Denmark (-11%), Belgium (-9%) and the Netherlands (-6%), all of which specialise in animal output and were affected by sharply falling prices - down by between 7% and 11% - in this sector. In each of these four countries, changes in crop output were unable to make up for this decrease.

Ireland: -12%

In Ireland, animal output accounts for over 80% of agricultural output. The decrease in real terms in the value of cattle output (decrease in both volume and real prices) and milk (decrease in real prices but no change in volume) was a major factor in the 7% decrease in the value of agricultural output in real terms. In addition, the decline in the value of intermediate consumption in real terms was less marked (-5%), consumption of fixed capital rose by 3%, and the value of subsidies in real terms fell sharply (-15%). Consequently, there was a marked decrease in real net value added at

factor cost (-14%). When taking the 3% decrease in the volume of agricultural labour into account, income from agricultural activity fell by 12% in 1999.

Denmark: -11%

Danish agricultural output is concentrated around three main products: pigs (27% of agricultural output), milk (22%) and cereals (13%). 1999 saw a marked decrease in real prices for all of these three products (-9%, -6% and -3% respectively). In addition, the volume of cereals output fell considerably (-9%). Overall, the value of agricultural output in real terms fell by 8% in 1999. There was also a marked decrease in the value of intermediate consumption in real terms (-7%). Furthermore, consumption of fixed capital increased (+2%), while the value of subsidies in real terms fell by 6%. Consequently, net value added at factor cost decreased sharply (-12%). After accounting for the 2% decrease in the volume of agricultural labour, income from agricultural activity fell by 11% in 1999.

Belgium: -9%

Belgium is focussed more towards animal output: pigs, cattle and milk alone account for almost 50% of agricultural output. The value of these products in real terms decreased considerably in 1999 as a result of sharply falling prices (-13% for pigs, -5% for cattle, -4%

Table 3: The change in the main components of the income from agricultural activity for the European Union as a whole (EU-15) and for the Member States in 1999 (in %)

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR-11	EU-15
Output of the agricultural industry	-8	-8	-3	-2	-7	-3	-7	-2	0	-5	0	+11	+1	-1	-5	-3	-4
Crop output	-3	-9	-3	-2	-8	-3	0	-1	+4	0	-2	+24	+6	+1	-2	-2	-3
Animal output	-11	-7	-3	-1	-5	-4	-8	-5	-3	-11	0	-4	-4	-2	-8	-5	-5
- Intermediate consumption	-2	-7	-3	-1	-2	-1	-5	-1	+1	-2	-2	+3	0	-1	-5	-2	-2
- Consumption of fixed capital	-2	+2	0	+1	-4	+2	+3	0	+1	-1	-1	+15	-2	0	-2	0	0
- Taxes	+6	-22	+7	+9	-1	0	-40	0	-23	+1	-7	+36	-	-	-26	+1	0
+ Subsidies	+22	-6	+2	-4	+1	+1	-15	-8	-3	+14	-8	-12	-6	+1	-1	-2	-2
Net value added at factor costs (1)	-12	-12	-5	-3	-8	-6	-14	-4	-3	-8	-4	+13	-4	+2	-5	-6	-6
Agricultural labour input (2)	-3	-2	-2	-3	-5	-3	-3	-2	-5	-3	-2	-3	-3	-3	-4	-3	-3
Income from agricultural activity (1)/(2)	-9	-11	-3	0	-3	-4	-12	-2	+2	-6	-1	+16	-2	+6	-2	-3	-3

for milk). The value of the output of vegetables and horticultural products, which are the main crop output (20% of agricultural output), remained stable in 1999 (decrease in real prices and increase in volume). Overall, the value of agricultural output fell by 8% in real terms. The value of intermediate consumption also decreased, although less sharply (-2%). Despite the very marked increase of 22% in the value of subsidies, net value added at factor cost fell by 12%. In view of the 3% decrease in the volume of agricultural labour, income from agricultural activity fell by 9% in 1999.

Netherlands: -6%

Vegetables and horticultural products account for 38% of agricultural output in the Netherlands. In 1999, the value of output decreased (-2% in real terms), a rise in output volume being outweighed by the impact of lower prices. Falls in the real terms values of the three other main agricultural products in the Netherlands were more pronounced; milk (-15%), pigs (-5%) and cattle (-7%). This downward movement in values is reflected in the 5% fall in the real value of agricultural output as a whole. Despite the sharp rise in the value of subsidies paid and a fall in input costs, net value added at factor cost decreased by an even stronger rate of 8%. There was a decline in the volume of agricultural labour (-3%) in 1999, which when taken into account resulted in an estimated decline in income from agricultural activity per full-time labour equivalent of 6%.

France: -4%

In France, agricultural output is diversified, covering wine (16% of agricultural output), milk (14%), cattle (13%), cereals (13%) and vegetables and horticultural products (9%). Real terms prices of most agricultural outputs declined in 1999, but particularly those for animal output (-5% on average).

Only the real terms price of cereals rose (+2%). Despite a moderate rise in the volume of agricultural output (+2%), price declines brought down the real value of agricultural output (-4%). Intermediate consumption costs were a little lower (-1%) in 1999, declines in the purchase expenditure on animal feedingstuffs and fertilisers being largely balanced by higher energy expenditure. The real value of subsidies increased a little (+1%) in 1999. Nevertheless, net value added at factor cost fell by 6%. Taking into account the further decline in the volume of agricultural labour (-3%), income from agricultural activity per AWU fell by 4% in 1999.

Spain: -3%

In 1999, there was a sharp decline (-8%) in the real value of crop output (which accounted for 63% of agricultural output), reflecting the fall in output volumes (-8%) and the stability of real prices. Within the crop sector, output volumes of cereals and olive oil slumped (-30% and -34% respectively). Only the volume of fruit output increased significantly (+10%). The real value of animal output also fell sharply (down 5%), leaving agricultural output as a whole down 7% in real terms. Intermediate consumption expenditure did decrease but this was relatively small (-2% in real value terms). Despite a fall in the consumption of fixed capital (-4% in real terms) and a 1% increase in the real value of subsidies, net value added fell sharply (-8%). Such was the rate of decrease though in the volume of total agricultural labour (-5%), that the estimated decline in income from agricultural activity per AWU for 1999 was limited to -3%.

Germany: -3%

As in other Member States, real terms price falls for principal agricultural products was the key to average income development for the agricultural sector as a whole; real terms prices for milk (-5%), for pigs (-7%) and for vegetables and

horticultural products (-2%) were all lower. Only cereal prices remained stable. The real price of agricultural output as a whole declined 5%. The average price decline for agricultural products was accompanied by a higher total output volume, although at +2%, this was insufficient to prevent the value of agricultural output falling 3% in real terms. Despite the fact that the real value of the means of production also declined 3%, that the consumption of fixed capital remained stable in real terms and the real value of subsidies rose, net value added at factor cost in agriculture fell by as much as 5%. The fall in income from agricultural activity per AWU (-3%), further took into account the 2% decline in the volume of agricultural labour.

Italy: -2%

Crop output accounts for about two-thirds of the value of all agricultural output in Italy. A rise in crop output volumes (+3%) was accompanied by a sharper rate of decline in real prices (-4%) on average, resulting in a slight fall in real value for the sector (-1%). The real terms value of agricultural output as a whole fell more clearly (-2%). This downward pressure on incomes was confirmed by the sharp fall in subsidies (-8% in real terms) and barely moderated by the slightly lower real terms value of intermediate consumption (-1%); net value added at factor cost fell by 4%. The continued decline in the volume of agricultural labour (-2% in 1999) completed the estimate of a small downward (-2%) pressure on agricultural income.

Finland: -2%

Unlike most of the other Member States, it is estimated that there was an increase (albeit small, +1%) in the real terms value of agricultural output in Finland, despite also experiencing lower prices for agricultural products. This rise in real value is explained by the notable increase in the volume of total agricultural output (+5%), and

within this aggregate the marked rise in the volume of crop output (+10%), the volume of animal output remaining more or less unchanged. Despite these developments, there was over-riding downward pressure on value added from the sharp fall in subsidies (6%), which coupled with unchanged real terms expenditure on the means of agricultural production resulted in net value added at factor cost falling by 4%. The fact that this income was shared by the equivalent of a smaller number of full-time workers (-3%), led to income from agricultural activity falling by 2%.

United Kingdom: -2%

The agricultural sector in the United Kingdom was also characterised by lower real terms prices; that for total agricultural output falling by 6%. The sharpest rates of decline in price were in the animal sector and for industrial crops. These price falls were not accompanied by higher output volumes in the United Kingdom, since the volume of total agricultural output remained unchanged from the level in 1998; the decline in the volume of animal output counterbalancing the rise in the volume of crop output (+3%). In terms of the downward pressure on incomes, the sharp fall in the real terms value of intermediate consumption (-5%) and in the real value of the consumption of fixed capital (-2%) were insufficient to prevent net value added at factor cost falling strongly (-5%). It was only because of the clear reduction in labour input (-4%) that income from agricultural activity only fell by an estimated 2% in 1999.

Austria: -1%

The real terms value of total agricultural output remained more or less unchanged in 1999 from the level in 1998. This aggregate stability comprised an increase in total output volume coupled with a corresponding fall in average real prices. It principally reflected the net effect of contrasting developments

within the animal sector, which is Austria's main agricultural sector. Cattle and milk output values rose in real terms (+2% and +7% respectively), while pig output value decreased under the twofold effect of the decrease in both volumes and prices. The real value of intermediate consumption in real fell by 2%, and the value of subsidies by 8% in real terms. These factors led to net value added at factor cost falling by 4%. In view of the 2% decrease in the volume of agricultural labour, income from agricultural activity fell by 1%.

Greece: 0%

In Greece, crop output accounts for 70% of agricultural output. With the exception of industrial crops and fruit, the real terms value of the main crop outputs decreased in 1999 (for total crop output, -2%). In the case of olive oil, this decrease was due to the fall in output volume (-16%). The increase in the value of industrial crop and fruit output is explained by the increase in volume (+7% and +17% respectively). The value of intermediate consumption in real terms fell by 1%, and the value of subsidies by 4% in real terms. Net value added at factor cost thus fell by 3%. In view of the 3% decrease in the volume of agricultural labour, income from agricultural activity remained stable in 1999.

Luxembourg: +2%

In 1999, the value in real terms of the output of the farming sector remained stable. The trends for the main agricultural outputs varied widely: the real terms value of pig output increased (+13%) as a result of the steep rise in volume; the real value of cattle output decreased strongly (-10%) through lower prices and volumes; the value of wine output increased in real terms (+12%) as a result of the marked increase in volume; and the value of cereals output fell (-8% in real terms) because of lower output volumes. Other important determinants in the calculation of

income were the slight rise in the real value of intermediate consumption (+1%) and decline in the value of subsidies (-3% in real terms). Overall, net value added at factor cost fell by 3%. Ultimately, therefore, it was the strong decline in the volume of labour that resulted in income from agricultural activity per AWU increasing (by 2%).

Sweden: +6%

In Sweden, the real price of total agricultural output stayed relatively unchanged in 1999 from the level in 1998. There were exceptions within the aggregate, however, with strong decreases in the real prices for cattle (-6%) and industrial crops (-5%). As a result of the slight decrease in the volume produced, the value of agricultural output in real terms fell by 1%. Nevertheless, net value added at factor cost rose by 2% because of the small fall in expenditure on intermediate consumption goods and services (-1% in real terms) and a small rise in the real value of subsidies (+1%). In view of the 3% decrease in the volume of agricultural labour, income from agricultural activity increased by 6% in 1999.

Portugal: +16%

A return to more favourable weather conditions in 1999 enabled agricultural output to match the levels achieved in 1997-98. This explains the steep rise in the volume of agricultural output (+18%), and particularly crop output (+31%), within which the doubling of the output volume of wine was a key factor. The value of total agricultural output reflected rose strongly (by 11% in real terms). The value of intermediate rose by 3% consumption in real terms, and despite the marked decrease in the value of subsidies (-12% in real terms), net value added at factor cost rose by 13%. In view of the 3% decrease in the volume of agricultural labour, income from agricultural activity increased by 16% in 1999.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The results presented here are based on the data of the Economic Accounts for Agriculture (EEA) as provided by the 15 Member States of the European Union at the end of November/start of December 1999. They have been drawn up in accordance with the revised methodology of the EEA (see box), which is close to the methodology of the national accounts (ESA95) but incorporates a number of changes to take account of the special features of the agricultural economy. The EEA are an essential synthetic tool for assessing and analysing the trend of agricultural income (see box). The estimates published here are provisional.

Technical notes:

1. The data measured in **real terms** are obtained by deflating the corresponding nominal data with the implicit price index of gross domestic product (GDP).
2. The **EUR-11** aggregate comprises the eleven countries participating in the Euro (B, D, E, F, IRL, I, L, NL, A, P, FIN).
3. For the 11 countries in the Euro zone, historical data prior to 01.01.99 are published in **EURO** by applying the relevant current ECU exchange rate to the data expressed in national currency.
4. The aggregates measured in real terms for the European Union as a whole are obtained by first deflating the nominal values (at current prices) recorded in the various Member States, applying the implicit price index of gross domestic product of the particular country concerned, and then converting them into EURO (at 1995 exchange rates for long-term analysis and at those of year n-1 for the short-term development). The results are thus added up so as to obtain the real values for the European Union. It is on the basis of these aggregates in real terms that the developments for the European Union are calculated, which means that an "EU deflator" is never explicitly used.
5. In order to take account of part-time and seasonal work, agricultural labour or changes therein are measured in annual work units (AWUs). One AWU corresponds to the input, measured in working time, of one person who is engaged in agricultural

activities in an agricultural unit on a full-time basis over an entire year. A distinction is drawn between non-salaried and salaried AWUs, which together make up the total number of AWUs.

What is agricultural income?

One of the main objectives of the Economic Accounts for Agriculture is to measure agricultural income and changes therein.

In the EEA, the income indicators relate to the income generated by agricultural activities (as well as inseparable non-agricultural, secondary activities) over a given accounting period, even though in certain cases the corresponding revenues will not be received until a later date. It does not, therefore, constitute the income effectively received in the course of the accounting period itself. Moreover, they are not indicators of total income or of the disposable income of farming households; in addition to their purely agricultural income, such households often receive income from other sources (non-agricultural activities, salaries, social benefits, income from property). In other words, **agricultural income must not be regarded as the income of agricultural households.**

The agricultural income indicator which is analysed here is Indicator A. Its development is presented as indices, in real terms. It is defined as below:

Indicator A: Index of the real income of factors in agriculture, per annual work unit

This indicator corresponds to the real net value added at factor cost of agriculture, per total annual work unit. Net value added at factor cost is calculated by subtracting from the value of agricultural production at basic prices the value of intermediate consumption, the consumption of fixed capital and production taxes, and adding the value of production subsidies.

The new methodology of the EAA

Implementing the new EAA methodology involved numerous changes in the accounting data due both to the revision of the methodology and to the use of new data sources. Some of these revisions have had a direct impact on the measurement of the agricultural income whilst others have changed only the level of certain aggregates without influencing the measure of income.

The following methodological revisions affecting the assessment of agricultural income can be noted:

1. The recording of secondary, non-agricultural activities of agricultural units where these activities cannot be separated from the main agricultural activity. This chiefly involves the processing of agricultural products and agri-tourism.
2. The exclusion of the output of kitchen gardens and animal husbandry by "non-farmers";
3. The exclusion of upstream and downstream production activity involved in seed multiplication (i.e. research and certification);
4. The recording of the production of wine and olive oil (from grapes and olives produced on the holding);
5. The recording of various operations according to the principle of rights and obligations, meaning that the amounts are recorded during the year in which the claim or obligation, in the economic sense of the term, is created, transformed or removed. For example, the value of subsidies recorded in the accounts for year n corresponds to aid granted in year n even if all or part of the payment takes place in year n+1 or at a later date.
6. The reclassification of certain agricultural aid which used to be classed as "operating subsidies" and which will now be recorded as "capital transfers". The value of this aid will no longer enter into the calculation of income.

Revisions which have had no impact on the measurement of income (all things being equal) concern:

1. The valuation of production at basic prices. This is defined as the price received by the producer, after deducting all taxes on the products but including all product subsidies.
2. The abandonment of the concept of national farm: besides production sold, stocked or for own-consumption by agricultural units, the production of the agricultural branch of activity will now include a part of production used as intermediate consumption by the same unit (for example, grain or forage used in animal feed).

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