

# Statistics in focus

## AGRICULTURE AND FISHERIES

THEME 5 – 22/2000

### AGRICULTURE

## Contents

Overall output stable despite contrasting developments in crop and animal production.....2

Animal output: further decline in volumes but higher prices ...2

Crop output: volumes and prices below 1999 levels.....3

Development of the other components of the calculation of agricultural income.....3

Development of income from agricultural activity in the Member States in 2000.....4



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# Slight increase in EU-15 agricultural income in 2000: +1.3% in real terms

Ulrich EIDMANN

According to the provisional agricultural accounts for the year 2000, it is estimated that average income from agricultural activity<sup>(1)</sup> for the European Union as a whole (EU-15), increases by 1.3% (EUR-11: +1.9%). However, this EU average comprises the usual widely different situations in the Member States; in 2000 changes in agricultural income ranges from +24.1% in Denmark to -10.8% in the United Kingdom (see Figure 1 below). Despite the most recent increases, agricultural income remains still below or close to 1995 levels in most of the Member States where income increases are recorded in 2000 (DK, FIN, D, S, NL, L).

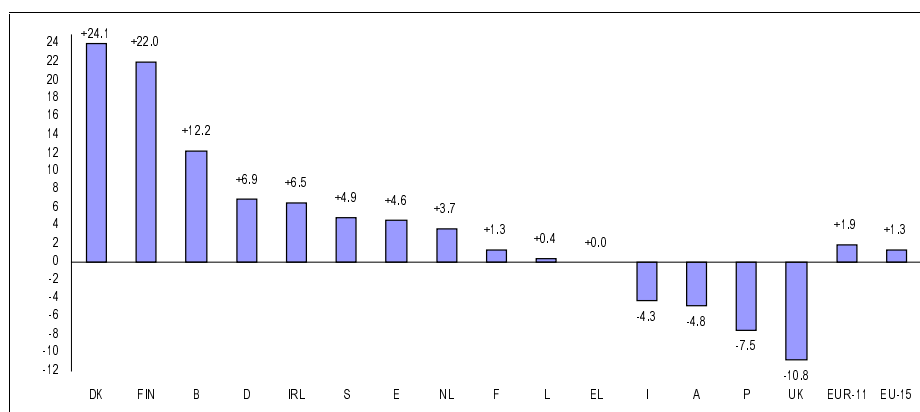


Figure 1: Change in the income from agricultural activity for the European Union as a whole (EU-15) and for the Member States in 2000 (in %)

The increase in the level of Indicator A for EU-15 in 2000 can be attributed, in most part, to the continued reduction in the volume of agricultural labour input (-2.7 %). Net value added at factor cost (i.e. factor income), though stable in nominal terms, is down by -1.4% when expressed in real terms. With overall output of agriculture remaining unchanged (in real value terms), the decline in real net value added is due mainly to higher input costs which, in their turn, is caused by a strong rise in real energy prices (+24.1%) but also higher prices for fertilisers and animal feedingstuffs. At the same time, the real value of subsidies falls slightly below 1999 levels while taxes (also in real terms) increases.

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 November / beginning of December 2000. For the first time, all the Member States have compiled these data on the basis of the revised EAA methodology (EAA 97) which is close to the national accounts methodology (ESA95).

<sup>1</sup> Measured by Indicator A which corresponds to the real net value added at factor cost of agriculture, per total annual work unit – cf. methodological notes.

## Overall output stable despite contrasting developments in crop and animal production

### Contrasting developments in crop and animal production...

The stability of overall agricultural output is the result of contrasting developments in crop and animal production (see Figure 2). Animal farmers benefit, this year, from a notable recovery in prices (+7.6% for animals, +1.0% for animal products). This rise outweighs by far the further decline in the output volumes of animals and animal products (-0.6% respectively -0.3%) so that the real value of animal output increases by 4.5%, in 2000. Crop farmers, in contrast, not only yield slightly lower volumes (-0.6%) but also face notable declines in the real terms prices of their products (-2.7%) so that overall crop output is down by 3.3%.

### ...but overall agricultural output remains stable

On the level of overall agricultural output, the opposite developments

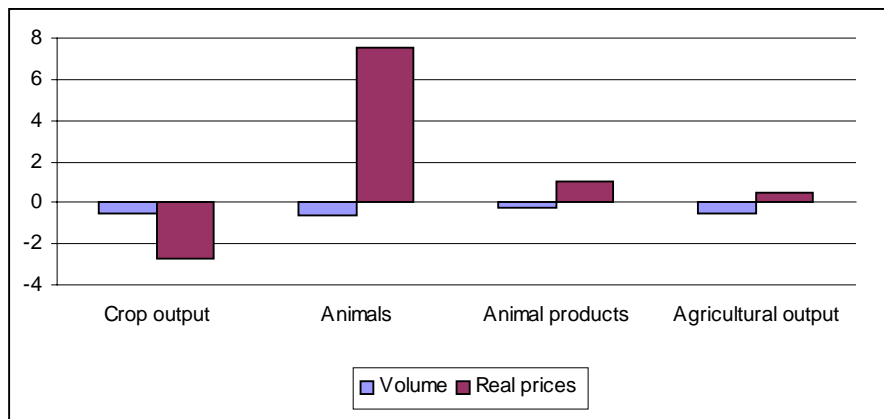


Figure 2: Changes in volumes and real terms prices of agricultural output for the European Union as a whole (EU-15), in 2000 (in %)

of volumes and prices outweigh each other so that agricultural output, in real value terms, remains unchanged in comparison with the previous year.

### ...as well as the output of the agricultural industry

the agricultural industry which comprises, apart from agricultural output, also the output of certain (i.e. inseparable) non-agricultural secondary activities (such as agro-tourism and the processing of agricultural raw products) carried out by farmers.

The same observations can be made with regard to the output of

## Animal output: further decline in volumes but higher prices

### Higher prices mainly for pigs and eggs...

Prices are able to recover on various markets for animals and animal products (see Table 1). The strongest increase is recorded for **pigs** where a reduction in the output volume (-1.8%) is accompanied by a rise in real terms prices of 21.5% (after strong declines in previous years). Similar is the situation with **eggs** where the output volume declines by 1.2% and (real) prices rise by 16.9%. Prices also go up for **cattle** and **poultry** though to a minor extent <sup>(2)</sup>.

<sup>(2)</sup> In this context, it should be noted that the most recent developments on the cattle market, related to the worries concerning BSE might have some bearing which, at this time, can not yet be fully anticipated in the present forecasts.

	Volume	Prices (real)	Values (real)	Share in EU-15 agricultural goods output (in 2000)	Major producer countries (share in EU-15 output, in 2000)
Cattle	+0.2	+1.3	+1.5	10%	F (29%) D (14%) I (13%)
Pigs	-1.8	+21.5	+19.3	9%	D (21%) E (16%) F (12%)
Poultry	-0.6	+4.3	+3.7	4%	F (29%) UK (19%) I (16%)
Milk	-0.3	-0.7	-1.0	14%	D (22%) F (21%) I (11%)
Eggs	-1.2	+16.9	+15.5	2%	F (20%) I (19%) D (18%)
<b>ANIMAL OUTPUT</b>	<b>-0.5</b>	<b>+5.0</b>	<b>+4.5</b>	<b>44%</b>	F (21%) D (17%) I (12%)

Table 1: Changes in volumes, prices and values of main animal output items for EU-15, in 2000 compared to 1999

On the whole, the real term prices for animal output are thus 5.0% higher than in 1999.

### ...but overall reduction in output volumes

However, as the volumes of most of the items of animal output are below 1999 levels (-0.5% in the average of animal output), the increase in the real value of animal output (+4.5%) is smaller than the increase in prices.

Most important exception to the general pattern of declining volumes and rising prices is **milk**. Both volume and real terms prices lay below 1999 levels so that the output value of milk declines by 1.0%.

## Crop output: volumes and prices below 1999 levels

### Overall decline in volumes, with the notable exception of cereals

As for animal output, volume declines are recorded for most of the crop products (at an average rate of -0.6%). Noteworthy exception from this overall pattern are **cereals** where mainly an expansion in the cultivated area lead to an increase in the overall output volume of 8.5%. Cereals benefit thus from the strong reduction in the cultivated area under **oilseeds** for which the compensatory payments, in the framework of the Common Agricultural Policy, are reduced considerably, in 2000. At the same time, the prices for cereals are down by 3.2% (in real terms). However, due to the strong volume increases, cereal farmers still record a 5% increase in the (real) value of their output.

### Crop output prices in general lower

The real terms prices of most of the

	Volume	Prices (real)	Values (real)	Share in EU-15 agricultural goods output (in 2000)	Major producer countries (share in EU-15 output, in 2000)
Cereals	+8.5	-3.2	+5.0	14%	F (27%) D (21%) I (12%)
Oilseeds	-11.9	+1.0	-11.0	2%	F (39%) D (25%) UK (8%)
Sugar beet	-4.3	-0.4	-4.6	2%	D (24%) F (23%) I (11%)
Fresh vegetables	-2.0	+2.6	+0.6	8%	I (24%) E (22%) F (15%)
Plants and flowers	+0.1	+1.1	+1.2	6%	NL (30%) I (17%) D (16%)
Potatoes	-0.3	-18.1	-18.3	2%	F (21%) D (14%) UK (13%)
Fruit	-2.5	-3.2	-5.6	6%	E (30%) I (27%) F (15%)
Wine	-4.3	-6.0	-10.0	6%	F (54%) I (25%) E (7%)
Olive oil	-18.8	-3.6	-21.7	2%	I (35%) E (34%) EL (29%)
<b>CROP OUTPUT</b>	<b>-0.6</b>	<b>-2.7</b>	<b>-3.3</b>	<b>56%</b>	<b>F (24%) I (18%) D (14%)</b>

Table 2: Changes in volumes, prices and values of main animal output items for EU-15, in 2000 compared to 1999

crop output items decline, in 2000 (at an average rate of -2.7%).

Most concerned are certainly **potatoes** where prices drop strongly (by 18.1% in real terms), and **wine** where the combined impact of lower volumes (-4.3%) and prices (-6.0% in real terms) lead to a decline in output of 10.0% (in real terms).

The average price of **oilseeds** rises

slightly (+1% in real terms), mainly as a result of the decline in output volumes. Apart from that, **fresh vegetables** and **flowers** seem to be the only products, amongst the main crop output items, where real price increases could be recorded, and where these price increases lead subsequently to increases (though small ones) in the (real) value of output.

## Development of the other components of the calculation of agricultural income

### Intermediate consumption costs higher

Despite a decline in the overall volume of intermediate consumption (-1.4% in the average of EU-15; agricultural services are the only item where the volume is slightly above 1999 levels), the input costs (i.e. the value of intermediate consumption) rise, in the average, by 1.2% (in real terms). This increase is the result of higher prices, mainly for **energy** (+24.1% in real terms) but also for **fertilisers** (+2.8%), and for **feedingstuffs** purchased from outside the agricultural industry (+2.3%). For intermediate consumption as a whole, real prices are 2.6% above 1999 levels.

### Gross and net value added below 1999 levels

With overall output remaining more or less unchanged, compared to 1999, and intermediate consumption rising in value, **gross value added at basic prices**, for EU-15, is 1.1% (in real terms) below previous year's level.

The **consumption of fixed capital** remains almost unchanged (-0.3% in real terms) so that the decline in **net value added at basic prices** is similar (-1.3% in real terms, for EU-15) to that in gross value added.

As for the **(other) taxes on production**, there is an increase compared to 1999 (+1.9% in real terms), while subsidies (i.e. **other subsidies on production**) are below previous year's level (-1.1% in

real terms)<sup>(3)</sup>.

Agricultural **factor income** (i.e. **net value added at factor cost**) is obtained by adding the other subsidies on production, less other taxes on production, to net value added at basic prices. For the

<sup>(3)</sup> In this context it is worth noting that under the new EAA methodology (see methodological notes at the end of this report), output is valued at basic prices. The basic price includes all subsidies on products and excludes all taxes on products. Therefore only a part of the subsidies and taxes is recorded under other subsidies (respectively taxes) on production. If the totals of subsidies and taxes (subsidies on products plus other subsidies on production, taxes likewise) are looked at, the level of subsidies remained unchanged in real terms, in 2000 compared to 1999, and the level of taxes went up by 1.2%.

European Union as a whole (EU-15), factor income declines by 1.4% in real terms (when expressed in nominal terms, factor income is 0.4% above 1999 levels). For EUR-11, factor income is 0.8% below previous levels when expressed in real terms (+0.9% in nominal terms). Only seven Member States (B, DK, D, IRL, NL, FIN, S) record increases in real factor income in 2000.

The **volume of total agricultural labour input** continues to decline steadily in all the Member States, the strongest declines (-4.0% and more) being observed in Finland,

Spain, the United Kingdom, Luxembourg and Sweden. In the European Union as a whole (EU-15) the volume of agricultural labour input falls by 2.6% in 2000 (EUR-11: -2.7%). The increase in the level of **Indicator A** (+1.3% for EU-15, +1.9% for EUR-11), the headline measure of agricultural activity income per unit of labour input, is therefore mainly due to the decline in labour input.

The real **compensation of employees** remains more or less at 1999 levels. At the same time, the real value of **rents** declines by 1.0% while the value of **interest**

**payments** rises by 2.1% (in real terms). As a result mainly of this latter development in interest payments, **real entrepreneurial income of agriculture** (termed **Indicator C**) is down by 2.3% compared to 1999 levels. **Indicator B** which presents the changes in (real) agricultural entrepreneurial income, per unsalaried annual work unit rises by 1.0% in 2000. As with Indicator A, this increase is mainly the result of the continued reduction in labour input: **unsalaried labour input** declines on the average of EU-15 by 3.3% in 2000.

## Development of income from agricultural activity in the Member States in 2000

### Denmark

(Indicator A: +24.1%)

Danish agricultural output is concentrated around three main products: pigs (29% of agricultural output), cereals (20%), and milk (19%). Therefore the strong rise in real pig prices (+27.6%; volumes are only little below 1999 levels) and the important increase in cereals output volumes (+7.7%, with real prices being stable), in 2000, explain most of the rise in real overall output (+5.5%). Intermediate consumption, fixed capital consumption, and also other taxes on production remains under 1999 levels so that, consequently, real factor income rises by 21.6%. Despite the strong increase in Indicator A, in 2000, the level of income from agricultural activity is still 5% below 1995 levels.

### Finland

(Indicator A: +22.0%)

Unlike most of the other Member States, Finnish animal farmers suffer, in 2000, from continued declines in the real prices for most of their products (-9.6% on the average of overall animal output, with volumes 2.1% higher). The increase in real overall output (+4.9%) is therefore mainly the result of strong increases in the output volumes of cereals (+50% what more than compensated for lower real terms prices: -7.8%) and of forage plants (+30%, accompanied by a moderate rise in real terms prices). Due to a strong rise in the real value of intermediate consumption (+7.3%), gross value added remains slightly below 1999 levels. The large increase in real factor income is therefore the result mainly of higher subsidies (in the form of other subsidies on production) but also of lower fixed capital consumption. Despite the strong increase in Finland's Indicator A, in 2000, the level of income from agricultural activity is still 7% below 1995 levels.

### Belgium

(Indicator A: +12.2%)

In Belgium, the main agricultural product are pigs (21% of agricultural output), followed by cattle (16%) and milk (13%). This explains why the strong recovery in the real pig prices (+25%, combined with a 5.4% increase in volumes!) has such a strong impact on the development of overall output (+6.5% in real values). Despite the marked increase in the real value of intermediate consumption (+6.1%), real gross value added grows by 7%. As fixed capital consumption (and also other taxes on production) is, at the same time, below 1999 levels, and (other) subsidies (on production) above, real factor income increases by 9.6%. In view of the 2.3% decrease in the volume of agricultural labour, income from agricultural activity increases by 12.2% in 2000.

### Germany

(Indicator A: +6.9%)

As in most other Member States, the important recovery in prices for animals and animal products (+10.7% though accompanied by a 2.2% decline in volumes), with real pig prices up by 24.5%, is the main factor behind the development of overall output of agriculture (+3.3% in real values, despite a volume decline of 1.8%). Despite increases in the real values of intermediate consumption, fixed capital consumption and other taxes on production (and considerably lower other subsidies on production), real agricultural factor income is 5.2% above 1999 levels. Taking into account the continued decline in the volume of agricultural labour (-1.6%), the income from agricultural activity per full-time labour equivalent rises by 6.9% (which meant that agricultural incomes, at this aggregate level, are almost back at 1995 levels).

**Ireland****(Indicator A: +6.5)**

Data became available late so that no detailed analysis was possible.

**Sweden****(Indicator A: +4.9%)**

Apart from Finland, Sweden is the only Member State where the development in the real overall value of crop output is more positive (or less negative) than that observed for animal output. On the one hand, a strong increase in the volume of cereals (+24%, what more than compensated for lower real term prices) accounts for most of the increase in the real value of overall crop output (cereals are second most important product in Swedish agriculture). On the other hand, the real prices for animal output remain, unlike in most other Member

**The Netherlands****(Indicator A: +3.7%)**

The recovery in pig prices (+26%; volumes were 3% lower) as well as higher real term prices (+5.7%; volumes are slightly below 1999 levels) for vegetables and horticultural products (which account for more than one third of agricultural goods output), are the driving forces behind the development of overall output (+3.5% in real value terms). Taking into account the increases in the real values of intermediate consumption, fixed capital consumption, the other taxes on production, as well as a considerable decline in the level of the other subsidies on production, real agricultural factor income is 3.3% higher than 1999. The rate of decline in the volume of total agricultural labour input is the smallest (-0.3%) amongst the Member States of EU-15.

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR-11	EU-15
Output of the agricultural industry	+6.5	+5.5	+3.3	-0.5	-0.9	+1.0	+2.9	-2.9	-2.7	+3.5	-1.5	-5.6	+4.9	-1.0	-6.7	+0.6	+0.0
Crop output	+0.2	-0.5	-0.8	-1.0	-4.0	-2.2	+0.7	-6.4	-8.0	+1.2	-8.1	-14.4	+21.4	+1.2	-9.7	-3.1	-3.3
Animal output	+12.7	+10.4	+8.3	+0.3	+5.1	+5.9	+3.4	+4.0	+0.2	+6.9	+4.7	+10.3	-7.7	-2.9	-5.7	+6.1	+4.5
- Intermediate consumption	+6.1	-1.0	+2.5	+4.3	-0.3	+1.8	+0.8	+0.6	+1.5	+1.8	+2.2	-3.3	+7.3	-1.6	-1.9	+1.7	+1.2
- Consumption of fixed capital	-2.5	-1.8	+0.9	+0.2	-3.3	+1.2	+4.6	+0.6	-1.7	+0.6	-3.0	+1.6	-3.2	-2.0	-5.2	+0.3	-0.3
- Other taxes on production	-0.5	-0.9	+1.6	+3.1	-0.5	+0.1	+11.7	+0.5	-1.7	+13.7	-2.1	+10.8	+0.0	+0.0	-4.3	+2.2	+1.9
+ Other subsidies on production	+2.9	-0.9	-6.7	+8.4	+1.0	-2.9	-6.9	+3.7	+14.1	-39.8	-3.1	-8.1	+18.6	-2.3	-2.4	-1.2	-1.1
Factor income (1)	+9.6	+21.6	+5.2	-2.1	-0.9	-0.5	+3.4	-5.7	-3.8	+3.3	-6.9	-10.0	+15.5	+0.7	-14.7	-0.8	-1.4
Agricultural labour input (2)	-2.3	-2.0	-1.6	-2.2	-5.3	-1.8	-2.9	-1.5	-4.2	-0.3	-2.2	-2.7	-5.3	-4.0	-4.4	-2.6	-2.7
Income from agricultural activity (1)/(2)	+12.2	+24.1	+6.9	+0.0	+4.6	+1.3	+6.5	-4.3	+0.4	+3.7	-4.8	-7.5	+22.0	+4.9	-10.8	+1.9	+1.3

Table 3: Changes in the main components of the income from agricultural activity in the European Union as a whole and in the Member States, in 2000 (in %)

States, below 1999 levels. Overall output thus declines by 1% (in real terms). However, as a result of declines in the real values of intermediate consumption and of fixed capital consumption (and despite a reduction in the level of other subsidies on production), real net factor income rises by 0.7%. In view of the 4% decrease in the volume of agricultural labour, income from agricultural activity increases by 4.9% in 2000.

**Spain****(Indicator A: +4.6%)**

Strong increases in the real output value of cereals (+28%, due to higher volumes) and of pigs (+20%, due mainly to higher prices) compensate only partly, on the level of overall output, for the falls in the real output values of olive oil (-25%), olives (-26%) and fresh fruit (-22%), which are in all cases the result of lower volumes and prices. Overall output is thus slightly below 1999 levels (-0.9% in real value terms). Despite declines in the real values of intermediate consumption and of fixed capital consumption, real factor income is also 0.9% below 1999 levels. However, as the volume of total agricultural labour declines again strongly (-5.3%), the income from agricultural activity per AWU for 2000 increases by 4.6%.

**France****(Indicator A: +1.3%)**

Declines in the real output values of wine (-6.5% because of lower volumes and real prices) and of oilseeds (-16% mainly because of a strong reduction in output volumes), on the one hand, but increases in the output values of pigs (+21%, due to the recovery of pig prices) and of cattle output (+4.8% as a result of higher volumes and real terms prices), on the other, are the main factors influencing the development of overall output of agriculture (+1.0% in real value terms). However, increases in the real values of intermediate consumption, fixed capital formation and a decline in the real value of the other subsidies on production lead to a decline of 0.5% in the level of real agricultural factor income. Taking into account the further decline in the volume of total agricultural labour input (-1.8%), there is nevertheless an increase of 1.3% in the income from agricultural activity per AWU in 2000.

**Luxembourg****(Indicator A: +0.4%)**

The decline of more than 20% in the volume of wine output (accompanied by a small decline in real prices) has a major impact on the development of overall output of agriculture (-2.7% in real value terms) in 2000. With an increase, at the same time, of 1.5% in the real value

of intermediate consumption, agricultural gross value added is 6.5% below 1999 levels. It is thus the consequence mainly of an increase in the level of the other subsidies on production (but also of a reduction in the real value of fixed capital consumption) that the real agricultural factor income decreases at a considerably lower rate (-3.8%) than gross value added. Ultimately, therefore, it is the strong decline in the volume of labour (-4.2%) that resulted in income from agricultural activity per AWU increasing (+0.4%).

**Greece (Indicator A: ±0.0%)**

With small declines in the volumes of both crop and animal output (-1.8% respectively -0.3%) which are accompanied by slight increases in real terms prices (+0.9% and +0.5% respectively), overall output of agriculture is slightly below 1999 levels (-0.5% in real value terms). A notable increase in the real value of intermediate consumption results, however, despite higher subsidies on production, in real factor income declining by 2.1%. As the volume of agricultural labour input declines at a similar rate, the income from agricultural activity remains stable in 2000.

**Italy (Indicator A: -4.3%)**

The development of overall output is influenced, in 2000, mainly by the declines in volumes and real prices of wine and olive oil. Wine producers faces a reduction in the real output value of their product of 15%, olive oil producers even of 28%. Overall output declines thus by 2.9% in value terms, despite an increase of 4% in the real value of animal output (due mainly to the recovery in pig prices). Slight increases in the real values of intermediate consumption and fixed capital consumption add to the downward pressure on incomes. Real factor income is thus 5.7% lower than in 1999, despite an increase in the level of other subsidies on production. Taking into account the continued decline in the volume of agricultural labour (-1.5% in 2000), Indicator A declines by 4.3%.

**Austria (Indicator A: -4.8%)**

Due mainly to higher (real terms) prices for pigs and cattle (+18.1% and +3.9% respectively) and higher output volumes for milk and eggs (+4.1% and +2.2% respectively), the real value of animal output increases by 4.7% in 2000. However, important volume declines for a number of crop products (cereals, oilseeds, sugar beet, potatoes, wine etc.) brought about a reduction of overall crop output volumes of more than 10% (only partly compensated for by real price increases) which results in real value declines of crop output (-8.1%) and even overall output of agriculture (-1.5%). At the same time, the real value of intermediate consumption increases while the other subsidies on production are reduced so that, despite a lower real value of fixed

capital consumption, real agricultural factor income declines by 6.9%. In view of the 2.2% decrease in the volume of agricultural labour, income from agricultural activity falls by 4.8%.

**Portugal (Indicator A: -7.5%)**

Unfavourable weather conditions lead to a decline in the overall volume of crop output of almost 10% (with wine being particularly affected: -20% in volume terms). As real prices are, at the same time, in decline, the real value crop output is more than 14% below 1999 levels. This means that, despite higher prices for animals (particularly pigs and poultry) and higher volumes and prices for animal products, overall output of agriculture declines by 5.6% (in real terms). The increase in the real value of fixed capital consumption, as well as a considerable decline in the real value of other subsidies on production add furthermore to the downward pressure on incomes so that real agricultural factor income, despite a decline in the real value of intermediate consumption, is 10% below 1999 levels. Taking into account the 2.7% decrease in the volume of agricultural labour, income from agricultural activity declines by 7.5% in 2000.

**United Kingdom (Indicator A: -10.8%)**

Strong declines in the real values of both crop and animal output bring about a decrease in the real value of overall output of 6.7%. These value declines are mainly the result of lower real terms prices (though, on the average, also output volumes are below 1999 levels). Cattle and milk (which, taken together, account for about a third of the agricultural output value), experience real price declines of 9.2% and 9.6%, respectively. Real pig prices, in contrast, are considerably higher (+17.0%) but volume reductions are so important that the real output value of pigs only increases by 2.5%. The real values of both intermediate consumption and particularly of fixed capital consumption are below 1999 levels. The real agricultural factor income declines nevertheless by 14.7% in 2000. Taking into account the strong decline in the volume of agricultural labour (-4.4%), Indicator A declines by 10.8% (which means that agricultural incomes, at this aggregate level, are more than 40% below 1995 levels).

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The results presented here are based on the data of the Economic Accounts for Agriculture (EAA) as provided by the 15 Member States of the European Union at the end of November/start of December 2000. They have been drawn up in accordance with the revised methodology of the EAA (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 EAA are an essential synthetic tool for assessing and analysing the trend of agricultural income (see box). The estimates published here are provisional. In March 2001, Eurostat will publish a report "Income from agricultural activity - 2000 (Edition 2001)" (Theme 5, Studies and Research) containing revised data and an analysis of the trend in agricultural income for the European Union as a whole and for each Member State.

### 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, by 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 (AWU). 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 AWU, which together make up the total number of AWU.

### 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 EAA, 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 in the present context is Indicator A. Its development is presented as indices. 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 output at basic prices the value of intermediate consumption, the consumption of fixed capital, and adding the value of the (other) subsidies less taxes on production.

### The new methodology of the EAA (EAA/EAF 97, Rev. 1.1)

The introduction of the new methodology has resulted in a number of changes in the data, as a result both of the change in the methodology itself and of the use of new data sources. Some of the changes have had a direct impact on value added and thus on the measurement of agricultural incomes, whereas others have altered only the level of certain aggregates without, however, affecting value added and the measures of agricultural income.

The most important methodological revisions affecting the measures of agricultural income are:

1. The recording of secondary, non-agricultural activities of agricultural units where these activities cannot be separated from the main agricultural activity. This mainly concerns the processing of agricultural products and agri-tourism.
2. The exclusion of the output of units producing solely for own-final consumption (e.g. kitchen gardens).
3. 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.
4. 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 output at basic prices. The basic price is defined as the price received by the producer, after deduction of all taxes on products but including all subsidies on products.
2. The abandonment of the concept of national farm: besides output sold, stocked or for own-consumption by agricultural units, the output of the agricultural industry now includes a part of output used as intermediate consumption by the same unit (for example, grain or forage used in animal feed).



# Further information:

## ➤ Reference publications

Title Manual on the Economic Accounts for Agriculture and Forestry EAA/EAF 97 (Rev. 1.1)  
 Catalogue No KS-27-00-782-EN-C Price EUR 28

## ➤ Databases

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### For information on methodology:

Ulrich EIDMANN, EUROSTAT/F1, L-2920 Luxembourg, Tel.: (352) 4301 35444, Fax: (352) 4301 37317,

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