

Statistics in focus

AGRICULTURE AND FISHERIES

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AGRICULTURE

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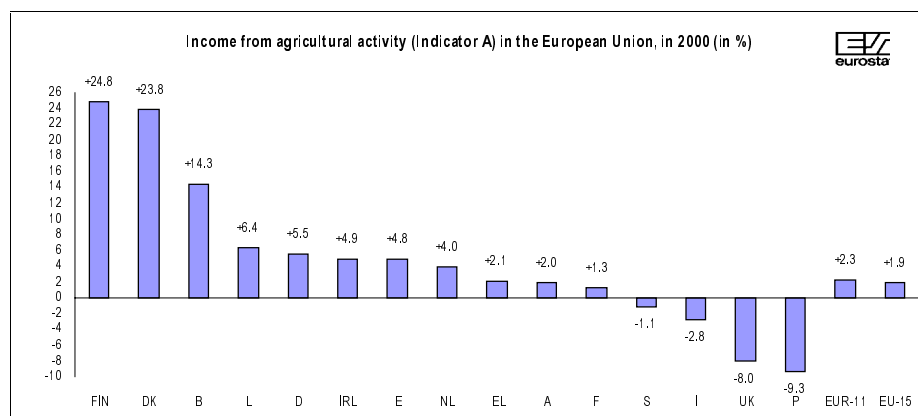
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Increase in EU-15 agricultural income in 2000 confirmed: +1.9% in real terms

Ulrich EIDMANN

An exhaustive new report from Eurostat titled *Income from agricultural activity in 2000 (2001 edition)* has just been prepared, in which the main results and factors are analysed. This report which will soon be available is the first one based on the new Economic Accounts for Agriculture methodology (EAA 97).

According to the provisional results of the EAA for 2000, submitted to Eurostat by the Member States until mid-March 2001, income from agricultural activity per full-time worker equivalent is estimated to have increased in 2000 (+1.9% when measured by Indicator A ⁽¹⁾) for the European Union as a whole (EU-15). With this increase, average income from agricultural activity is estimated to be about 3.5% higher than in the 1995 reference year. In the case of EUR-11 (the Members of the Euro zone), Indicator A is estimated to have risen by 2.3% in 2000; thus standing more than 8% higher than in 1995.



Changes in income from agricultural activity varied widely from one Member State to another in 2000. There were increases in Indicator A in eleven Member States (see graph above), the strongest rates being in Finland (+24.8%) and in Denmark (+23.8%). By contrast, the fastest rates of decline were in the Portugal (-9.3%) and in the United Kingdom (-8.0%).

Real-terms agricultural factor income actually fell in 2000 compared with the previous year in eight of the fifteen Member States and in the EU-15 as a whole (EU-15: -1.2%) but a sharper rate of decline in agricultural labour input (EU-15: -3.0%) led to a rise in the income indicator for EU-15. The volume of total agricultural labour continued to decline in 2000 in each of the fifteen Member States.



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¹ *Indicator A* measures the change of real (i.e. deflated) agricultural factor income (corresponding to the net value added at factor cost) related to the change in total agricultural labour input (in annual work units). Emphasis is placed on this measure of income from agricultural activity in the rest of this Statistics in Focus.

Summary of the main factors determining the development of income in 2000

The principal aggregates behind factor income changed in the following ways (figures relating to the EU-15):

- **The real value of agricultural output was almost unchanged compared with the previous year (+0.1 %).** This overall stability comprised a clear increase in real-terms average producer prices for animal output (+6.2 %), lower real-terms average producer prices for crop output (-2.9 %), relatively slight declines in the volumes of crop and animal output (-1.2 % and -0.9 % respectively) and a modest increase in the real value of product-specific subsidies (+1.5 %);
- **The cost of intermediate consumption goods and services increased compared with the previous year (+1.2 % in real terms).** Average real-terms prices for intermediate inputs were 2.6% higher than the previous year, mainly as a result of higher energy prices. There were declines in the volumes of all the individual headings (-1.3 % on average);
- **Depreciation was almost unchanged in real terms, whereas the balance of "other subsidies less other taxes on output" declined (-2.9 % in real terms).**

Animal output

The sharp rise in real-terms producer prices for animals (+9.5%) is the most noticeable change under this heading. Much of this overall development was due to the recovery of pig prices which recovered from the extremely low level of the previous two years (a year-on-year average real-terms price increase of 24% for the EU-15). But producer prices for poultry, sheep, goats and other livestock also showed a clear improvement on the previous year. One reason for these price rises was the BSE crisis, which led consumers to steer clear of beef again in favour of other kinds of meat, especially towards the end of 2000. During the first part of the year, until the renewed outbreak of BSE, the beef sector benefited from rising producer prices, but with prices plummeting towards the end of the year, it is now likely that real-terms producer prices for beef in the EU-15 will remain unchanged over the year. The real-terms index of producer prices for

animal output as a whole for the EU-15 was an average 6.2% higher than the average for the previous year.

The volume of animal output as a whole in 2000 was slightly lower than for the previous year' (-0.9% for the EU-15). There was a sharp rise in product-specific subsidies paid for cattle (real-terms value +11.7%), in particular as part of Agenda 2000. But for animal output as a whole, the average EU-15 real value of subsidies on products was only slightly above the previous year's level (+0.4%).

The changes described above in volumes, real-terms producer prices and aid combined to give rise in the real output value of animal production in twelve of the Member States in 2000; as an average over EU-15, the value was 4.9% higher than in the previous year.

Crop output

The value of crop output (at basic prices) is expected to have fallen by an average 3.3% in real terms for the EU-15 in 2000. The main reason is a decline in real producer prices (-2.9%), but the volume of output also fell slightly below the 1999 level (-1.2%). In the average of EU-15, subsidies on crop products rose slightly (+2.2%), mitigating somewhat the real-term decline in values.

The changes at EU level were determined largely by France, Italy, Germany and Spain, since the value of crop output in these Member States alone accounted for some 70% of the EU-15 total in 2000. In all four countries, the real-terms value of crop output was lower than in the previous year, with the sharpest fall among

them being in Italy (-6.0% in real terms). Output values in 2000 were also lower in most of the other Member States, and particularly so in Austria, the United Kingdom and Portugal. Indeed, real-terms values of crop output in 2000 were higher than the previous year for only three Member States, that for Finland being particularly higher.

Changes in volumes, prices and thus values varied from one product to another and from one Member State to another, largely because of varied climatic conditions between Member States, the differing sensitivity of crops to climatic conditions but also because market conditions varied.

Other components of the calculation of agricultural income in the EU

A rise in the average real-terms price level (+2.6%) of agricultural **intermediate consumption** in the European Union (largely as a result of soaring energy prices), with volumes being lower (-1.3%), is expected to have led to a slight increase in the real value of intermediate consumption in 2000 (EU-15: +1.2%). With output value in the industry remaining more or less unchanged over the year, the increase in the real-terms spending on intermediate consumption resulted in a small decline of -0.9% in the year-on-year level of real-terms agricultural **gross value added at basic prices**.

The level of **fixed capital consumption** in the European Union was almost the same in 2000 as in 1999 (-0.1% in real terms). The **non-product-specific taxes**, which are relatively unimportant in terms of EU-15 average, are estimated to be around 0.5% higher in 2000 than in 1999. At the same time, the real-terms value of **non-product-specific subsidies** received by the agricultural industry in the European Union declined in 2000 (1.8% less than in 1999). Real-terms **agricultural factor income** (i.e. real net value added at factor cost), the basis for Indicator A, thus dropped by 1.2% for the European Union as a whole in 2000.


 eurostat	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR-11	EU-15
Output of the agricultural industry	+7.9	+5.0	+3.6	-0.2	-0.9	+1.0	+1.5	-2.7	+0.5	+3.6	-0.0	-5.5	+2.0	-1.3	-6.8	+0.8	+0.1
<i>Crop output</i>	+0.4	-0.7	-1.6	-0.8	-3.3	-2.1	-2.3	-6.0	-1.4	+1.3	-6.7	-14.8	+12.3	-1.6	-9.3	-3.1	-3.3
<i>Animal output</i>	+14.5	+9.8	+10.2	+1.0	+4.0	+5.7	+3.1	+3.9	+1.6	+7.1	+6.7	+11.2	-6.0	-1.1	-5.7	+6.4	+4.9
- Intermediate consumption	+7.3	-1.1	+3.6	+3.6	-0.4	+1.8	+0.5	-0.4	+1.6	+1.8	+1.4	-2.0	+2.2	+0.3	-2.6	+1.8	+1.2
- Consumption of fixed capital	-1.5	-1.8	+0.9	+0.2	-3.3	+1.2	+4.6	+0.6	-5.7	+0.6	-1.7	+1.6	-3.0	-2.0	-4.8	+0.4	-0.1
- Other taxes on production	-0.5	-0.9	+1.6	+1.5	-0.5	+0.1	+10.4	+1.5	-1.7	+13.7	-40.2	+10.8	+0.0	-1.3	-4.9	+0.8	+0.5
+ Other subsidies on production	+2.9	-0.9	-6.7	+11.6	+2.7	-2.9	-0.5	-3.6	+6.3	-40.2	-3.1	-18.3	+20.9	-2.3	-4.6	-2.1	-1.8
Factor income (1)	+11.8	+20.1	+3.9	-1.2	-0.7	-0.5	+1.8	-5.1	+4.0	+3.7	-0.3	-11.8	+18.6	-5.1	-13.6	-0.5	-1.2
Agricultural labour input (2)	-2.3	-3.0	-1.6	-3.3	-5.3	-1.8	-2.9	-2.4	-2.2	-0.2	-2.2	-2.7	-5.0	-4.1	-6.1	-2.8	-3.0
Indicator A (1)/(2)	+14.3	+23.8	+5.5	+2.1	+4.8	+1.3	+4.9	-2.8	+6.4	+4.0	+2.0	-9.3	+24.8	-1.1	-8.0	+2.3	+1.9
Indicator A, Indices in 2000 (1995 = 100)	117.3	96.2	102.1	102.2	117.6	105.7	87.8	112.9	101.6	94.5	95.1	112.0	94.1	98.2	58.9	108.8	103.5

Table 1: 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 %)

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

- The data measured in **real terms** are obtained by deflating the corresponding nominal data with the implicit price index of gross domestic product (GDP).
- The **EUR-11** aggregate comprises the eleven countries participating, in 2000, in the Euro (B, D, E, F, IRL, I, L, NL, A, P, FIN).
- 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.
- 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.

FURTHER READING

The Eurostat report **Income from agricultural activity in 2000 (2001 edition)** presents a detailed analysis of changes in income from agricultural activity in 2000 over 1999 in the European Union and in the Member States. In January 2001, Eurostat has published the **Economic Accounts for Agriculture and Forestry and Agricultural Labour Input Statistics, 1973-1999**, on CD-ROM.

Further information:

➤ Reference publications

Title Income from agricultural activity in 2000 (2001 edition)
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➤ Databases

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