

Fall in agricultural income for the EU-15 in 1999 : -4% in real terms

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The general decline in real terms prices (-5% for final agricultural output) was a marked factor in 1999. It helps mainly to explain why the provisional estimates for the economic accounts for agriculture suggest a fall (-4%) in the real value of the output of the agricultural branch of activity for 1999 with respect to the level in 1998. The impact of this downward pressure on agricultural incomes was accentuated by the relatively moderate decline in the real terms value of intermediate consumption (-2%) and the decline in the real value of subsidies (-2%); net value added at factor cost in real terms fell strongly (-6%). After taking account of the continued reduction in the volume of agricultural labour (-3%), it has been calculated that the income from agricultural activity ⁽¹⁾ for 1999 fell back by an average of 4% in real terms from the level recorded for 1998.

The estimates from Member States suggest that there were declines in agricultural activity income in twelve countries (B, DK, D, EL, E, F, IRL, I, NL, A, FIN and UK). The greatest rates of decline in this income were recorded by Ireland (-13%) and Denmark (-11%), for whom the impact of the decline in prices for animals was particularly felt. In contrast, agricultural income rose in Luxembourg (+5%), in Sweden (+6%) and in Portugal (+14%).

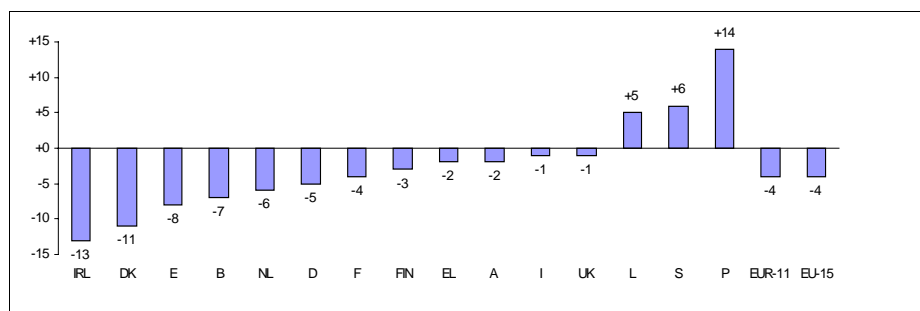


Figure 1: The change in the income from agricultural activity for the European Union as a whole (EU-15) and for the Member States in 1999 (in %)

Warning:

The figures presented here are based on the Economic Accounts for Agriculture (EAA) as provided by the fifteen Member States of the European Union at the end of November and beginning of December 1999. For the first time, these data should be established on a basis conforming to the revised EAA, which itself is close to the methodology of national accounts (the ESA 95). These data are, however, **highly provisional** and should only be used with care.

Statistics in focus

AGRICULTURE AND FISHERIES

THEME 5 – 24/1999

AGRICULTURE

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¹ Measured by Indicator A – Cf. the methodological notes.

Decline in the real terms prices of agricultural output

The real terms prices of crop output declined...

The real terms prices of crop output declined by an average 4% in 1999. The sharpest rates of decline were recorded for oilseeds and fruit (-22% and -8% respectively). The price of potatoes also declined strongly in 1999 (-13% in real terms), although this in part reflected the strong rise in price recorded in 1998 when there were difficulties experienced when lifting caused by the rain. There were also price declines for fresh vegetables and wine. Among crop products, only the real terms prices of cereals remained unchanged at the level of the EU-15; this reflected lower prices in seven Member States (DK, EL, E, A, P, FIN and the UK), those for Portugal (-8%) and the United Kingdom (-5%) being the steepest, but higher prices in Belgium (+8%), France (+2%) and Sweden (+1%).

...but less sharply than for animal output

Once more, the price of animal output declined markedly (-6% in real terms for 1999). The real terms price for pigs declined by a further 10% on average in 1999, following on from the crisis caused by pig over-production that characterised this market in 1998. Prices in poultry

and egg markets also declined by an average 8% and 10% in real terms in 1999, through the double impact of overproduction at the start of the year and the dioxin crisis which broke in the second half of the year. There were also real terms price declines for cattle and milk in 1999.

Weak rise in the volume of agricultural output for EU-15

The volume of agricultural output for the EU-15 rose by an average 1% in 1999. This EU-15 level increase comprised a particularly sharp rise in Portugal (+17%) but also significant rises in the Benelux countries (each +4%) as well as Austria and Finland (+3%). In contrast, there was a distinct decline in Spain (-5%).

The volume of cereal output declined...

The volume of cereal output for the EU-15 in 1999 was 6% less than the corresponding level in 1998. This development resulted principally from the reduction in the area sown to cereals caused by the doubling of the set-aside rate (from 5% to 10%). Additionally, heavy rains in the North of Europe and an acute drought in the South lowered yields; in Spain, the volume of cereal output was particularly down (-31% on the level in 1998). There were exceptions,

however, most notably in Portugal where the weather in 1999 was more clement than in 1998 and fostered a rise in cereal output of 17%, but also in Finland (+3%).

...but the volumes of other crops increased.

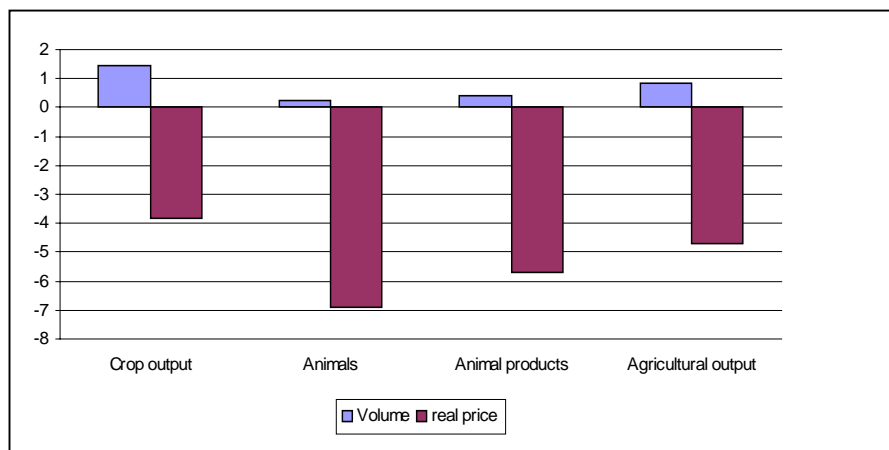
With the exception of cereals, the volume of crop products increased. The volume of oilseeds output continued to rise in the EU-15 (+6%), principally due to the rise in area sown. The volume of potatoes output rebounded (+12%) from the low levels recorded in 1998. The volume of fruit output also rose (+9%), being less affected by the frost in 1999; output volumes were considerably higher in Greece (+18%), France (+14%) and Spain (+5%), where Spring frosts in 1998 had been particularly severe on this type of crop. The output volume of wine for the EU-15 was also higher in 1999 (+7%) although there were contrasting developments among producer nations; volumes in Portugal doubled, increased strongly in Luxembourg (+25%) and in Germany (+12%), rose more moderately in France and in Italy (+4% each) but declined in both Spain (-4%) and in Greece (-10%).

The volume of animal output stabilised

The volume of animal output in 1999 remained relatively unchanged from the level in 1998 both for the EU-15 and most of the Member States. The most notable exceptions to this development were Spain, for whom there was an increase of 3% resulting from higher output volumes for pigs (+6%) and milk (+4%), and the United Kingdom, for whom there was a decline of 2% resulting from lower cattle and poultry output volumes (each -3%).

The volume of cattle output for the EU-15 remained stable in 1999 after the decline recorded in 1998; estimated increases in 1999 have been recorded for Austria (+5%) and France (+3%) but falls have been

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 %)



recorded for five Member States (DK, L, NL, FIN and the UK). The volume of pig output continued to rise at the level of EU-15 in 1999 (+1%); there were strong rises in Luxembourg (+22%) and in Spain (+6%) but a strong reduction in the UK (an estimated -8%). The volumes of milk and eggs are estimated to have fallen.

The real value of agricultural output for EU-15 in decline

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 Denmark (-8%), in Spain (-8%) and in Belgium (-6%). Only Portugal has estimated a strong increase (+10%), this being due to the considerable increase in the real value of crop output (+22%).

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 (-5%), with the prices for energy and plant protection products also falling slightly (-1% each). The volume of intermediate consumption remained relatively unchanged in 1999

Table 1: The change in the main components of the income from agricultural activity for the European Union as a whole (EU-15) in 1999 (in %)

	Volume	real price	real value
Output of the agricultural industry	+1	-5	-4
- Intermediate consumption	+0	-2	-2
- Consumption of fixed capital			-0
- Taxes			-1
+ Subsidies			-2
Net value added at factor costs (1)			-6
Agricultural labour input (2)			-3
Income from agricultural activity (1)/(2)			-4

compared to that of 1998.

The falls in the real term price of intermediate consumption were above the EU-15 average in eight of the Member States (DK, E, IRL, L, NL, P, FIN and the UK). Only in the Sweden was there not a decline in the average price, stability being estimated.

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. 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

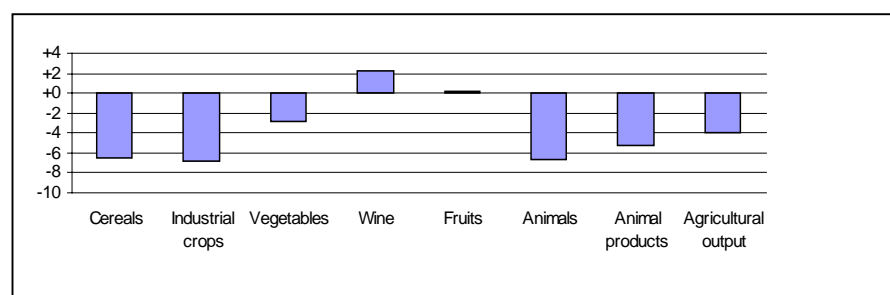
sharply in Portugal, in Austria, in Italy and in Denmark. The real terms value of taxes at the level of the EU-15 also declined in 1999 compared to 1998.

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 three Member States (Luxembourg, 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%). 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 4% (real terms) in 1999.

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



➤ 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. In March 2000, Eurostat will publish a report "Income from agricultural activity - 1999" (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, 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 analyzed 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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