

EU agricultural income 2014 – first estimates

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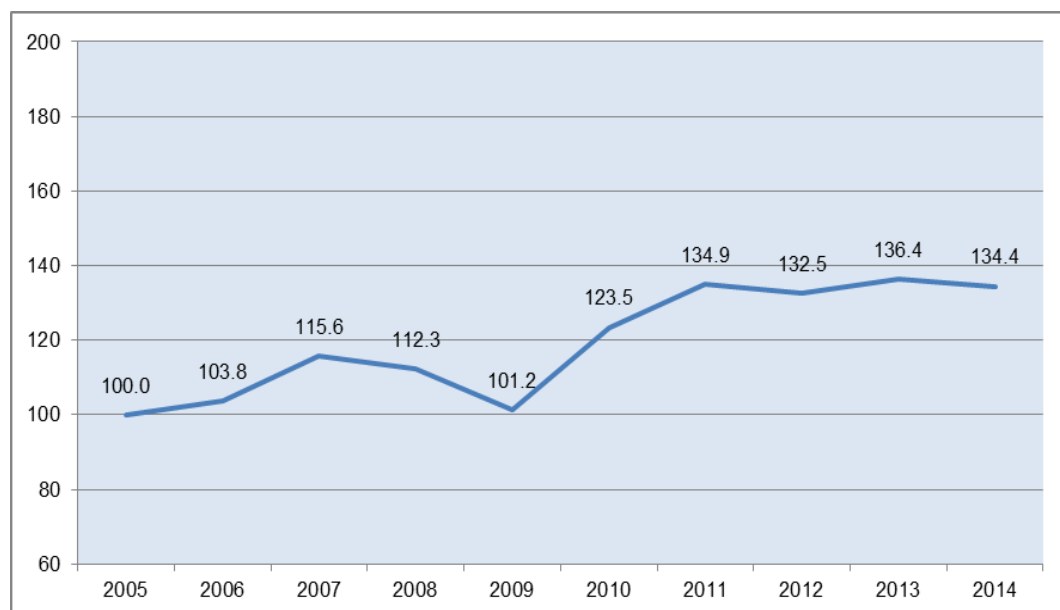
Measuring agricultural income in the EU

This brief presents the main results of the **first estimates for agricultural income in the EU for the year 2014**. Estimates have been compiled by national authorities in the EU Member States, in accordance with the common methodology of the Economic Accounts for Agriculture. Eurostat has calculated aggregate figures.

1. EU-28 agricultural income down by 1.7%

According to these preliminary results, **agricultural income per worker in real terms decreased on average by 1.7% in 2014 in the European Union as a whole** in comparison to the previous year. Despite this development, agricultural income in 2014 was still about 33% higher than in the crisis year 2009. The reduction in average income is stronger in the EU-15 (-2.4%) than in the countries that joined the EU in or after 2004 (EU-N12: -0.4%)¹.

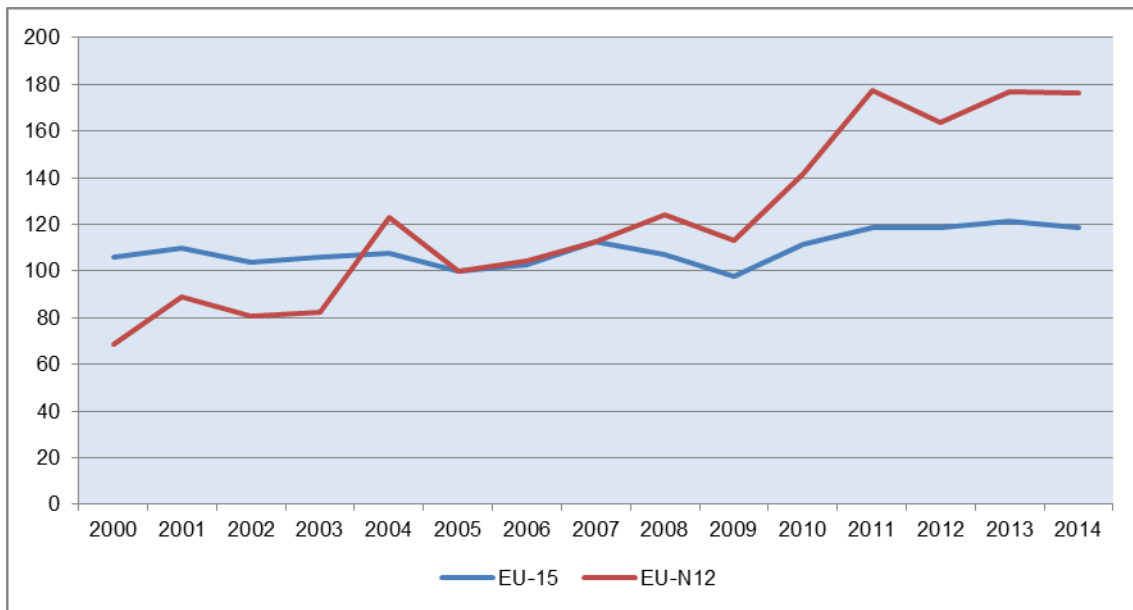
Development in agricultural income in real terms (Indicator A), per worker (AWU) in the EU-28, 2005=100



¹ For some indicators, data for Croatia are not fully available. Where possible, data for the EU-N13 (including Croatia) are presented.

EU Agricultural and Farm Economics Briefs are available at:
http://ec.europa.eu/agriculture/rural-area-economics/briefs/index_en.htm

Development in agricultural income in real terms (Indicator A), per worker (AWU) in the EU-15 and EU-N12, 2005=100



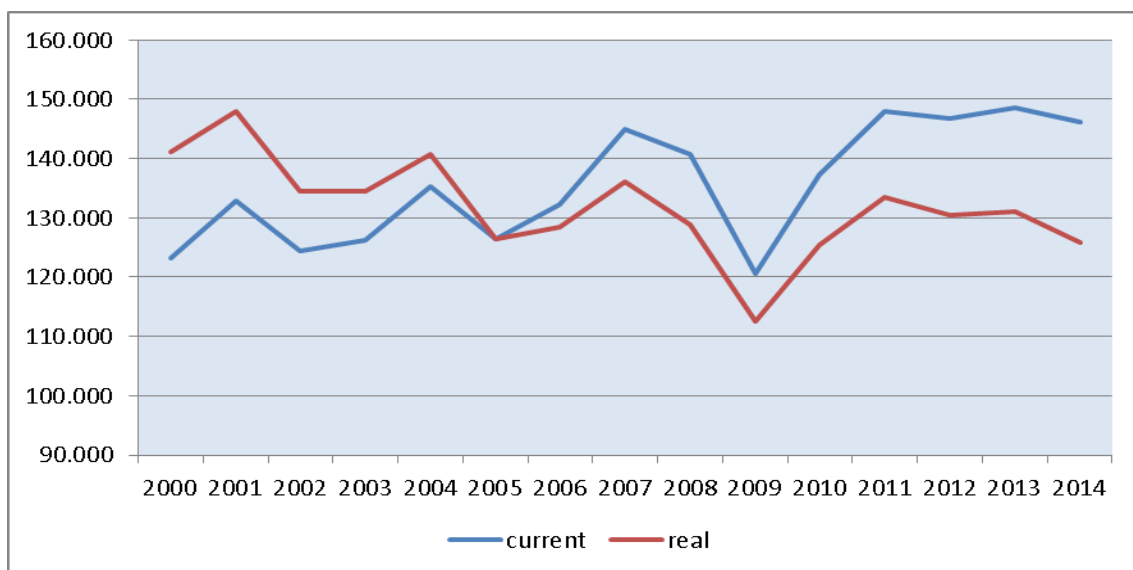
The income development per worker in 2014 reflects a **4% decrease in factor income²** in the EU-28, which is similar in the EU-15 (-3.9%) and the EU-N12 (-4.3%), combined with an average **reduction in labour input by 2.3%** which is more pronounced in the EU-N13 (-3.4%, including Croatia) than in the EU-15 (-1.3%).

Despite the recovery from the low point in 2009, real factor income for EU agriculture is characterised by a **long-term downward trend**. The level reached in 2014 is about 11% lower than in the year 2000³.

³ The comparison is done between the EU-28 in 2013 and the EU-27 in the year 2000. Insufficient data for Croatia do not allow for a comparison of the year-on-year evolution for the EU-28 before 2005.

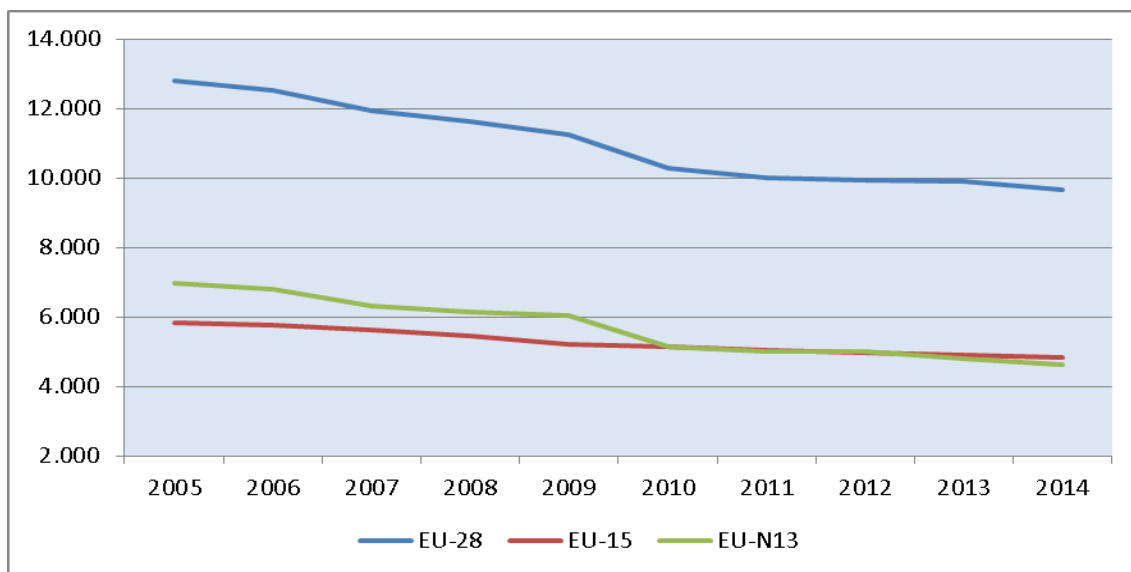
² Real net value added at factor cost

Development in factor income in EU-28 agriculture in current and real prices; million euro; 2000-2005 data for the EU-27



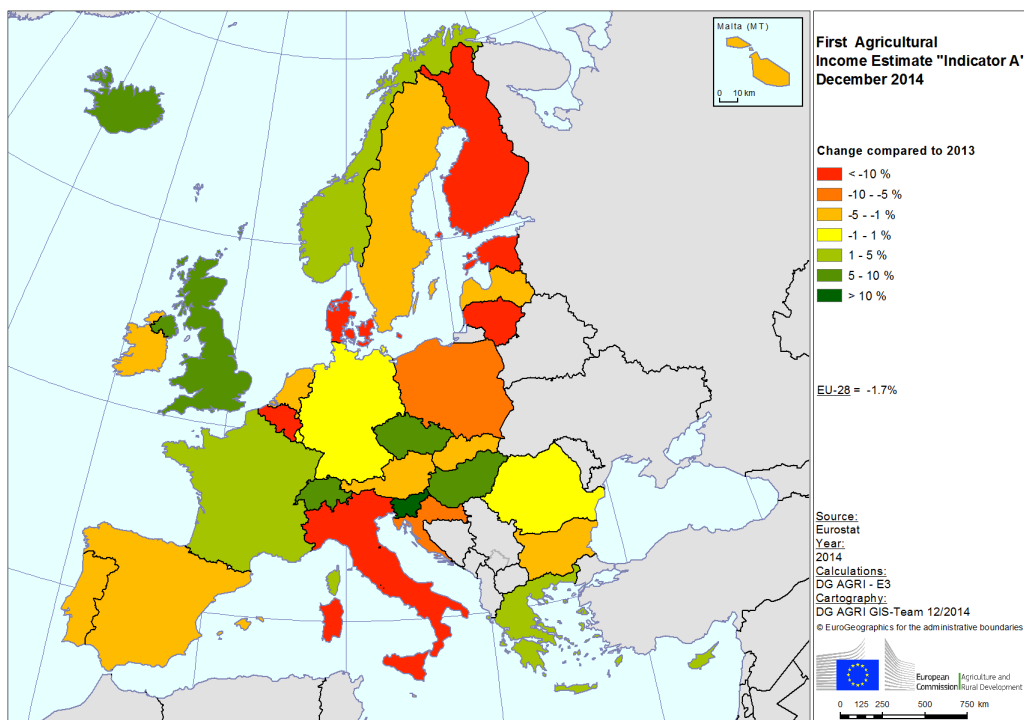
Likewise, the agricultural labour force is continuously declining, more strongly in the EU-N13 than in the EU-15.

Labour force in the EU, per country group (thousand AWU)

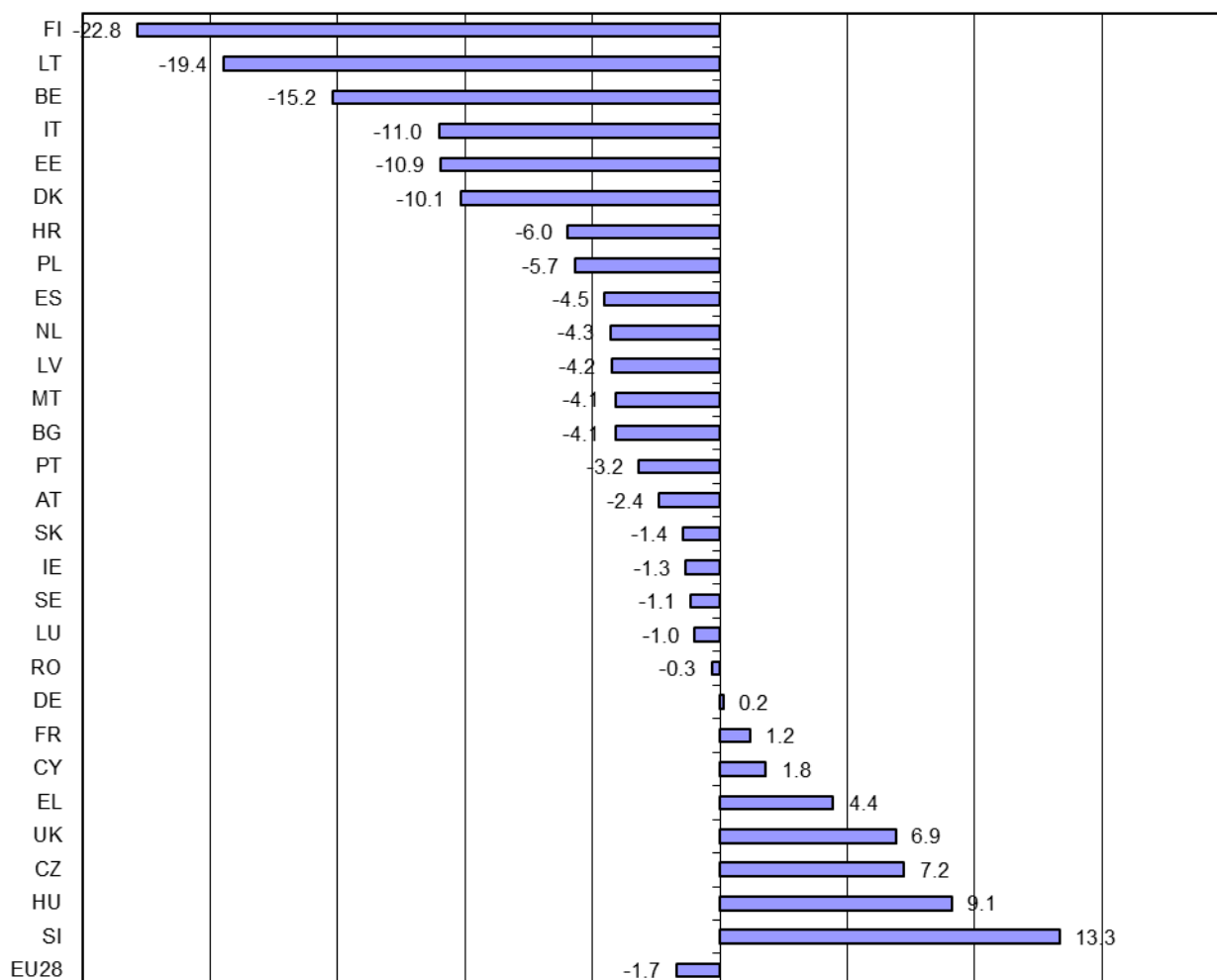


Results by Member State differ substantially, both in terms of changes from 2013 to 2014 and in terms of the absolute index value.

Development in agricultural income in real terms, per worker ("Indicator A") in the EU-28



Change (%) in agricultural income per worker in the EU-28 in 2013-2014



Agricultural income per worker declined in a total of 20 countries in 2014.

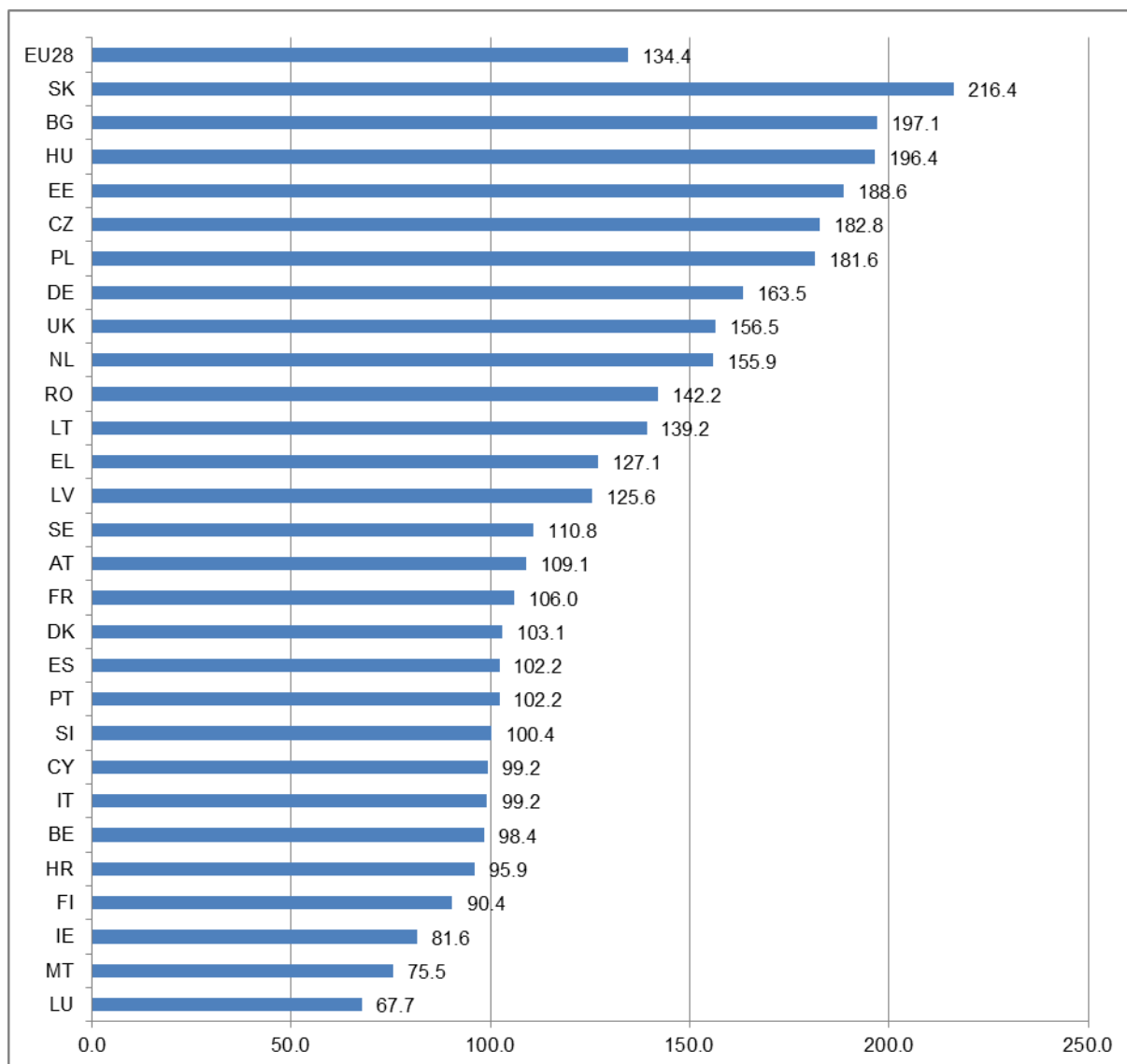
The estimate for Finland shows the highest decrease (-22.8%), mostly due to a significant drop in the output value of animal products (-17.7%). While the value of milk production in Finland only suffered a 2.7% decline, real milk prices fell by 5.5%.

Lithuania (-19.4%) and Belgium (-15.2%) also reported important decreases in agricultural income per worker, for different reasons: while in Belgium the value of crop output seems to be most affected (-13.8%), Lithuania shows declines in the value of both crop (-9.4%) and animal (-7.2%) output, combined with a 10.5% drop in subsidies and a 5% growth in the consumption of fixed capital.

The highest income increase is found in Slovenia (+13.3%), due to a substantial increase in the output value of animal products (+11.8%) and a drop in production costs of 5.8%.

Other strong performers in 2014 include Hungary (+9.1%), the Czech Republic (+7.2%) and the United Kingdom (+6.9%). However, only 8 countries showed an increase compared to 2013 values. The values of the income indices themselves provide an overview of the changes in agricultural income levels per worker in relation to the base year 2005. Countries with the highest index value have seen the biggest improvements over time, regardless of the absolute level of income per worker.

Index of agricultural income in real terms (Indicator A), per worker (AWU), 2005=100



Since 2005, Slovakia has more than doubled its level of income per worker, while Bulgaria and Hungary have made similar progress. The six countries with the highest increases all joined the EU in 2004 or later, which bears witness to the positive effects of an increase in public support granted to the farm sector, higher market prices and access to the single market. At the other end of the scale, the agricultural income per worker in 8 countries was lower in 2014 than it was in 2005, with Luxembourg reporting the highest drop of almost 33%.

Nonetheless, despite the successive income boosts experienced by the EU-N12, agricultural income per AWU in 2014 for this group of countries came to around EUR 5 800 compared to about EUR 24 500 for the EU-15.

2. Crop output value most affected in 2014

Agricultural income is calculated by subtracting from the value of agricultural output at basic prices the value of intermediate consumption (variable production costs), the consumption of fixed capital and production taxes, and adding the value of production subsidies.

The most changeable elements in this equation are the **output value** (composed of volume * price) and **production costs**, which will be analysed in turn.

Overall, the **agricultural output value in the EU-28 fell by 3.5%** between 2013 and 2014, mostly due to a reduction in crop output value.

Volumes, prices and values – EU-28 changes in 2014 compared to 2013

	VOLUME (at producer prices)	PRODUCER PRICE (real)	VALUE (real, at producer prices)	VALUE (real, at basic prices)	Share in EU-28 overall output (producer prices, in 2013)	Major producer countries (share in EU 28 output at producer prices, in 2013)		
						2014 / 2013 (%)		
Cereals	+5.9	-13.9	-8.7	-8.9	12.9%	FR(21%)	DE(14%)	RO(8%)
Oilseeds	+8.2	-14.7	-7.7	-7.8	2.8%	FR(19%)	DE(18%)	RO(9%)
Sugar beet	+6.9	-11.6	-5.6	-5.0	0.9%	FR(26%)	DE(17%)	PL(11%)
Fresh vegetables	+1.9	-6.5	-4.7	-4.7	7.3%	IT(20%)	ES(19%)	FR(9%)
Plants and flowers	-0.4	-0.5	-0.9	-0.9	4.9%	NL(31%)	DE(13%)	IT(12%)
Potatoes	+5.5	-24.5	-20.3	-20.3	3.0%	FR(15%)	NL(13%)	DE(12%)
Fruits	+0.4	-10.7	-10.3	-10.3	6.0%	ES(30%)	IT(21%)	FR(12%)
Wine	-2.6	-4.0	-6.4	-6.4	4.9%	FR(45%)	IT(29%)	ES(9%)
Olive oil	+46.4	-8.2	+34.4	+33.7	0.9%	IT(44%)	ES(33%)	EL(17%)
Crop output	+3.8	-9.5	-6.0	-6.1	51.5%	FR(19%)	IT(13%)	ES(12%)
Cattle	+1.5	-5.2	-3.9	-3.8	7.6%	FR(24%)	UK(14%)	DE(11%)
Pigs	+0.6	-6.1	-5.5	-5.5	9.1%	DE(18%)	ES(16%)	FR(9%)
Sheep and goats	-1.1	+1.2	+0.1	-0.4	1.2%	UK(32%)	ES(16%)	FR(13%)
Poultry	+3.0	-4.3	-1.4	-1.3	5.2%	FR(17%)	IT(12%)	UK(12%)
Milk	+3.6	+1.2	+4.8	+4.5	13.9%	DE(19%)	FR(15%)	IT(9%)
Eggs	-0.8	-5.0	-5.8	-5.8	2.1%	IT(15%)	FR(9%)	ES(9%)
Animal output	+1.9	-2.8	-0.9	-1.0	40.7%	FR(15%)	DE(15%)	IT(10%)
Agricultural services	+0.5	+0.2	+0.7	+0.7	4.7%	IT(26%)	FR(22%)	NL(13%)
Secondary activities	+1.6	-0.4	+1.2	+1.2	3.1%	FR(16%)	IT(12%)	RO(11%)

The overall **lower value of crop output** (-6.1%) is due to decreasing output values for potatoes (-20.3%), fruits (-10.3%) and cereals (-8.9%). Only the value of olive oil production increased by 33.7%, due to a massive increase in production volume (+46.4%), mostly in Spain (+171%). Though the crop output volume registered an overall increase of 3.8%, real crop output prices dropped by 9.5%.

Animal output value also registered a decrease (-1.0%), in particular on account of values for eggs (-5.8%) and pigs (-5.5%). On the other hand, milk production values went up by 4.5% due to an increase in volume by 3.5%. Overall, animal production volumes grew by 1.9% in the EU-28 in 2014, but real producer prices dropped by 2.8%.

3. Effects of the Russian import ban

The effect of the **Russian import ban** on prices for fruit and vegetables, meat (cattle) and milk is starting to become visible from these first estimates.

At the level of the EU-28, the real price level for **fruits** fell by 10.7%. Fruit prices decreased most strongly in Poland (-36.8%), followed by Hungary (-23.8%), the Netherlands (-22.7%) and Belgium (-22%).

Prices for **fresh vegetables** declined by 6.5% in the EU-28. Countries most affected are Estonia (-18.3%), Poland (-15.8%) and Slovenia (-14.6%).

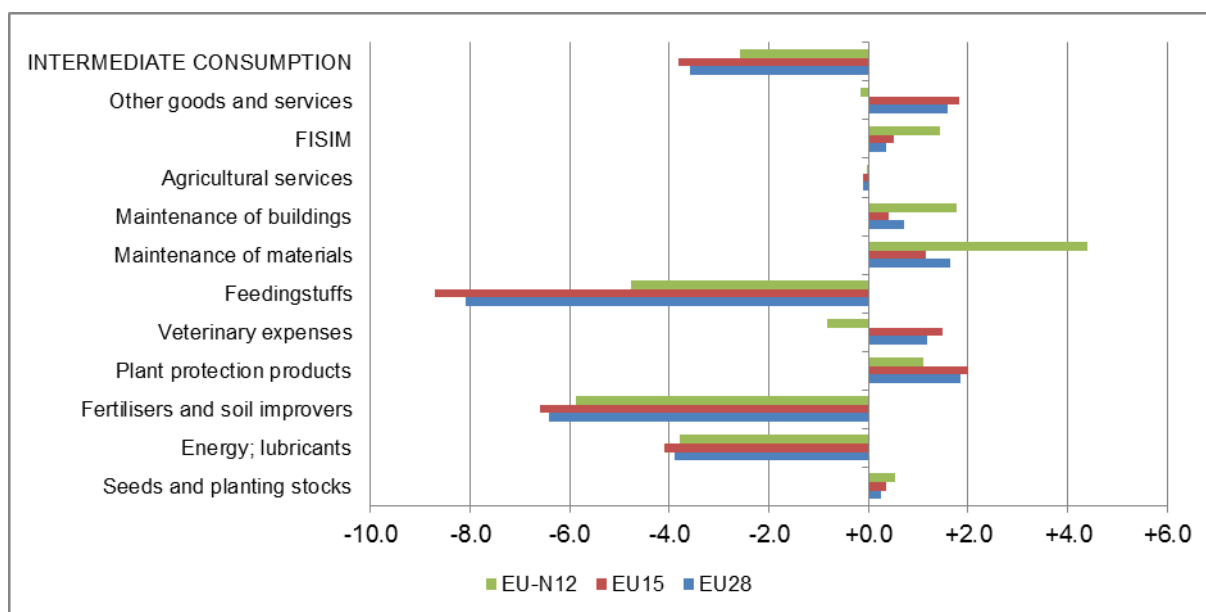
Cattle prices dropped by 5.2%, with the highest decreases in Estonia (-28.7%), Bulgaria (-24.4%), Lithuania (-15.5%) and Latvia (-15.3%).

While the overall level of **milk** prices in the EU-28 remained relatively stable (+1.2%), the effect of the Russian import ban can be seen in price drops of 11.6% in Lithuania, 5.5% in Finland, 4.2% in Estonia and 3.1% in Latvia. Milk prices also fell in Malta (-11.7%), Ireland (-4.7%) and Denmark (-3.4%).

4. Input prices lower

Production cost (intermediate consumption) values for the EU-28 declined by 3.6% in 2014, despite a slight increase in volumes (+0.6%), because **real input prices fell by 4.1%**. In particular, prices declined for feeding stuffs (-9%), fertilisers and soil improvers (-6.8%) and energy (-3.1%), while no input component showed price increases above 1.1% at EU-28 level.

Changes in the real value of production costs (intermediate consumption)



The striking increase in costs for the maintenance of materials in the EU-N12 (+4.4%) is due to a 15% increase of this item in Romania, which also reported an 11.9% increase in the costs for maintaining buildings. This is caused by higher prices combined with a greater volume of activity in this area.

5. Concluding remarks

The overall estimates for farm income for 2014 do not show any drastic changes. Even if this masks significant developments in individual countries, it is good news against the background of **high volatility of agricultural income** since 2005: it increased by around 16% between 2005 and 2007, declined by 12% between 2007 and 2009, to go up again by 33% between 2009 and 2011. Since then, the overall changes have been less dramatic.

Effects of the **Russian import ban** are starting to become visible, through decreases in the real price level for fruits, vegetables, milk and cattle in a number of Member States.

It should be noted that the December estimates give an indication of the main trends in income developments and are calculated by Member States, on the basis of estimations and projections (for example the 2014 income estimate is based on cereal price estimate for the whole 2014/2015 marketing year which started in July 2014 and finishes in June 2015). Experiences from previous years show that corrections can be substantial.

An update of income estimates will be available in spring and final figures later next year.

Measuring agricultural income in the EU

Agricultural income comprises the income generated by agricultural activities (as well as inseparable non-agricultural, secondary activities) over a given accounting period (i.e. the calendar year 2014), 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, it must not be confused with the total income of farming households as it does not comprise income from other sources (non-agricultural activities, salaries, social benefits, income from property).

The present estimates have been compiled by the national authorities in the Member States of the European Union in accordance with the methodology of the Economic Accounts for Agriculture (Regulation (EC) No 138/2004), which is close to the methodology of the national accounts but incorporates a number of changes to take account of the special features of the agricultural economy.

The real income of factors in agriculture, per annual work unit, 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 production taxes, and adding the value of production subsidies.

In order to take account of part-time and seasonal work, agricultural labour or changes therein are measured in annual work units (AWUs), defined as the work-time equivalent of a full-time worker.

The **agricultural income per worker** is calculated as **factor income per annual work unit (AWU) in real terms**. It corresponds to the **net value added at factor cost** of agriculture, per annual work unit and deflated by the implicit GDP price index.

This measure is commonly expressed as an **index** of the real income of factors in agriculture per annual work unit called "**Indicator A**" (2005=100).

EAA first forecast 2014

	Nominal Net Value added at factor cost (factor income)	GDP price index	Real Net Value added at factor costs	Total Labour input	Indicator A
EU28	-3.2	///	-4.0	-2.3	-1.7
SI	+14.5	+0.01	+14.5	+1.0	+13.3
HU	+11.2	+1.69	+9.3	+0.2	+9.1
CZ	+8.9	+1.55	+7.2	+0.0	+7.2
UK	+8.1	+1.88	+6.1	-0.8	+6.9
EL	-0.2	-1.47	+1.3	-3.0	+4.4
CY	+1.1	-0.62	+1.8	-0.0	+1.8
FR	+1.1	+0.80	+0.3	-0.9	+1.2
DE	+2.3	+1.94	+0.4	+0.2	+0.2
RO	-6.0	+3.20	-8.9	-8.6	-0.3
LU	+1.2	+1.86	-0.6	+0.4	-1.0
SE	-1.5	+1.33	-2.8	-1.7	-1.1
IE	-0.9	+0.48	-1.3	+0.0	-1.3
SK	-3.5	-0.10	-3.4	-2.0	-1.4
AT	-2.6	+1.48	-4.1	-1.7	-2.4
PT	-5.1	+1.14	-6.1	-3.1	-3.2
BG	-11.1	-0.38	-10.7	-6.9	-4.1
MT	-2.2	+2.00	-4.1	+0.0	-4.1
LV	-11.6	+1.57	-13.0	-9.1	-4.2
NL	-4.4	+0.80	-5.1	-0.9	-4.3
ES	-7.1	-0.31	-6.8	-2.4	-4.5
PL	-5.5	+0.18	-5.7	+0.0	-5.7
HR	-6.8	+0.52	-7.3	-1.4	-6.0
DK	-9.0	+1.22	-10.1	+0.0	-10.1
EE	-10.7	+1.60	-12.1	-1.3	-10.9
IT	-11.5	+0.44	-11.8	-0.9	-11.0
BE	-16.2	+0.76	-16.9	-2.0	-15.2
LT	-17.5	+0.84	-18.2	+1.5	-19.4
FI	-22.8	+1.35	-23.8	-1.3	-22.8
CH	+8.3	-0.10	+8.4	-1.0	+9.5
NO	+4.7	+2.30	+2.4	-2.3	+4.8
IS	+4.5	+1.81	+2.7	-5.3	+8.5

Indicator A (2005=100)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
BE	123.1	132.5	106.9	100.9	130.9	116.4	141.4	116.0	98.4
BG	96.9	98.8	159.3	111.3	121.9	140.6	161.8	205.5	197.1
CZ	105.2	118.9	129.2	105.8	124.9	170.0	168.3	170.4	182.8
DK	112.8	113.8	65.2	66.6	116.1	130.4	168.7	114.8	103.1
DE	108.8	135.2	143.7	105.1	118.6	143.3	133.6	163.2	163.5
EE	100.1	140.0	109.7	92.5	153.5	194.9	227.3	211.9	188.6
IE	81.9	90.7	83.8	63.9	70.8	89.2	81.9	82.8	81.6
EL	96.1	105.1	105.6	124.3	120.5	113.6	118.0	121.7	127.1
ES	95.6	107.4	91.1	91.6	101.3	99.3	100.0	107.1	102.2
FR	111.0	124.9	107.7	88.2	124.7	130.0	131.0	104.8	106.0
HR	116.3	120.3	138.2	131.9	120.8	115.3	98.4	102.0	95.9
IT	97.2	96.0	98.3	93.9	83.1	97.5	96.3	111.4	99.2
CY	90.0	90.1	85.8	89.9	91.9	68.4	94.6	97.5	99.2
LV	130.0	135.9	114.8	102.5	131.9	126.8	146.1	131.2	125.6
LT	88.9	133.2	123.4	105.9	120.2	153.4	191.8	172.9	139.2
LU	105.3	134.0	97.8	63.7	61.7	76.1	87.8	68.4	67.7
HU	107.2	114.7	151.5	103.1	120.6	178.6	164.4	180.0	196.4
MT	97.8	95.2	88.6	98.8	90.2	77.0	77.2	78.7	75.5
NL	123.0	121.8	104.4	84.0	152.0	130.0	140.9	162.9	155.9
AT	112.9	128.5	125.5	94.8	112.8	132.9	124.9	111.7	109.1
PL	110.7	136.2	118.9	134.0	168.3	200.0	185.9	192.5	181.6
PT	99.8	94.6	105.5	89.7	107.1	89.0	95.3	105.6	102.2
RO	99.2	76.8	114.4	97.1	122.2	157.3	116.1	142.6	142.2
SI	97.4	109.5	97.2	92.4	100.4	113.5	89.2	88.6	100.4
SK	122.1	128.9	143.4	110.5	168.5	199.9	225.3	219.5	216.4
FI	98.4	112.6	95.9	113.4	125.6	128.9	132.4	117.1	90.4
SE	112.5	135.5	122.7	97.6	132.1	135.4	136.3	112.1	110.8
UK	100.2	105.1	131.2	133.1	125.4	142.8	134.9	146.4	156.5
EU28	103.8	115.6	112.3	101.2	123.5	134.9	132.5	136.4	134.4
EU15	102.8	112.7	107.3	97.6	111.4	118.4	118.8	121.5	118.6
EU-N12	104.5	112.7	124.3	112.9	141.8	177.5	163.6	176.7	176.1
CH	99.4	102.7	107.5	104.7	102.7	106.3	105.3	111.6	122.2
NO	93.9	104.8	106.8	118.1	125.2	122.5	128.6	126.6	132.7
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Contact: DG Agriculture and Rural Development, Unit Economic Analysis of EU Agriculture

Tel: +32-2-29 91111 / E-mail: Agri-E3@ec.europa.eu

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