Increase in EU-15 agricultural income in 2001: +2.7% in real terms

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According to the provisional results of the EAA for 2001, compiled and submitted to EUROSTAT by the Member States until end-November / start December 2001, income from agricultural activity per full-time worker equivalent is estimated to have increased, in 2001, by 2.7% when measured by Indicator A ([1]), for the European Union as a whole (EU-15). With this increase, the index of average income from agricultural activity reaches a level of 106.6 in comparison with 1995. For the members of the Euro zone (EUR-12), the index of Indicator A is estimated to have risen by 2.4% in 2001 thus reaching a level of 111.8 (1995 = 100).

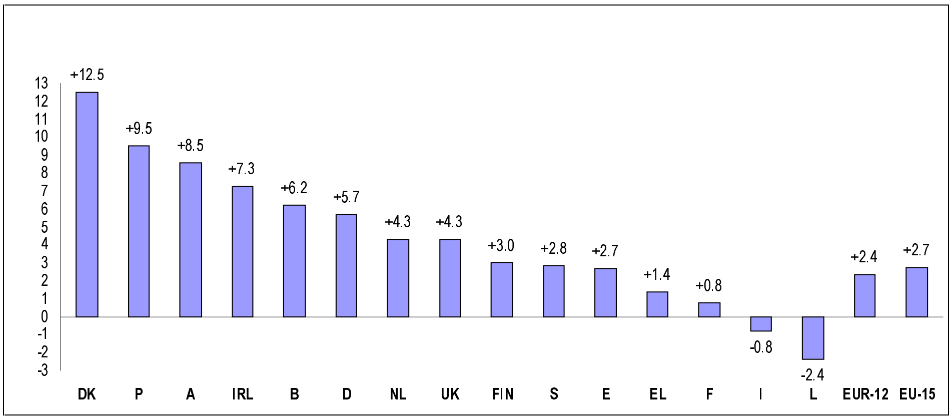

Figure 1: Income from agricultural activity (Indicator A) in the European Union, in 2001 (changes in %)

There are increases in Indicator A in thirteen Member States (see graph above), the strongest rates being in Denmark (+12.5%), Portugal (+9.5%), Austria (+8.5%) and in Ireland (+7.3%). But also Belgium (+6.2%) and Germany (+5.7%) record notable income increases. The only countries where agricultural incomes fall below the level of 2000 are Italy (-0.8%) and Luxembourg (-2.4%).

According to the Member States' estimates, real agricultural factor income, the basis of Indicator A, is slightly higher than in 2000 (+1.1%). But the increase in the level of Indicator A for EU-15 in 2001 is also due to the continued reduction in the volume of agricultural labour input (-1.6%; one of the slowest rates when compared to previous years).

([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). See methodological notes, at the end of this* Statistics in Focus, *for further information.*

Summary of the main factors determining the development of income in 2001

The principal aggregates behind factor income change in the following ways (figures relating to EU-15). (NB: *if not otherwise stated, the present analysis refers to output values at basic prices, and not at producer 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; see also Footnote 5*):

- **The real value of the agricultural industry's output is slightly higher compared with the previous year (+0.2%).** Increases in the real output values of animals (+2.4%) and animal products (+3.7%) thus outweigh the decline in the value of crop output (-1.8% in real terms, due mainly to lower output volumes (-7.5%) in ***cereal*** production and to lower volumes (-5.9%) and prices (-3.5%) in ***wine*** production). The increase in the average output value of animals, despite the considerable fall in the output values of ***cattle*** (real prices down by -13.2%) and ***sheep and goats*** (output volume down by -5.2%), is the result of a further remarkable increase in the real producer prices for ***pigs*** (+16.4% in real terms). Higher real prices for ***milk*** (+4.0%) are the main factor behind the rise in the output value of animal products).

- **The cost of intermediate consumption goods and services is slightly higher than in 2000 (+0.2% in real terms).** Average real prices for intermediate inputs are 1.2% higher than in 2000, mainly as a result of higher prices for ***animal feedingstuffs*** and ***fertilisers*** (+2.2% and +10.3% respectively, in real terms). The average volume of the input use is reduced by 1.0% which reflects mostly reductions in the use of ***fertilisers*** and of ***pesticides*** (down by 6.3% and 5.8% respectively).

- **Depreciation is slightly higher in real terms (+0.2%), and the "other taxes on production" fall a little below 2000 levels (-0.8%). However, the "other subsidies on production" increase considerably (+9.7% in real terms).** This increase is mainly due to higher (other) subsidies on production in the ***United Kingdom***, ***Spain***, ***Ireland***, ***France*** and in ***the Netherlands*** (there are also increases in DK, EL, I, L, A, P, S but these had less impact on the EU-15 aggregate figure).

The 2001 results from a medium-term perspective

As can be seen from Table 1, long EAA time series are now available for almost all Member States. This makes it possible to place the most recent income developments, i.e. those of 2001, in a medium-term perspective. The index of real agricultural factor income per annual work unit (Indicator A) is based on 1995 data being equal to 100 ([2]).

Member States can be divided roughly into two main groups. The first covers those countries for whom average real income from agricultural activity in 2001 is **above the level recorded for 1995**. This group comprises ***Germany*** and ***Spain*** (where the level of agricultural income attained in 2001 is more than 20 index points higher than in 1995), ***Portugal***, ***Italy***, ***Sweden***, ***Belgium***, ***Finland*** and ***France***. It is noteworthy that, despite the strong increase in 2001, the index of Indicator A in ***Denmark*** is almost at the same level as in 1995.

The second group covers those countries for whom average real income from agricultural activity in 2001 is **below the level recorded for 1995**: ***Ireland***, ***Greece***, ***Luxembourg***, ***Austria***, the ***Netherlands*** and in particular the ***United Kingdom***. The development in agricultural income in the United Kingdom since the mid-nineties is quite different to that of any other Member State of the European Union. In 1995, Indicator A had reached the highest level over the whole period. However, sharp declines in the second half of the nineties and in 2000 (major reasons being the BSE crisis but also the relative strengthening of the value of the pound against the EURO) put the level of Indicator A its lowest level since the accession of the United Kingdom to the European Community in 1973. Indicator A remained thus, in 2001, despite the most recent increase, still more than 40 index points below the corresponding 1995 level.

According to the calculations for the **EU-15 as a whole**, the index of Indicator A in 2001 is expected to reach 106.6 (1995 = 100), after increases of 3.7% in 2000 and of 2.7% in 2001.

([2]) Usually the average of the years 1994, 1995 and 1996 (i.e. "1995") is chosen as reference 100 but the absence of Greek data for 1994 renders this kind of calculation, for the moment, still impossible. In analysing developments before and since 1995 care must therefore be taken to establish whether income estimates for a given Member States for 1995 were particularly high or low. It is also necessary to underline that the figures of Table 1 cannot be used to compare income levels between Member States, but only to compare the change in average income as measured by Indicator A in relation to the level of this indicator in 1995.

eurostat	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 (%)
B	116,9	116,8	113,6	109,9	111,7	100,0	109,7	113,9	107,7	92,4	103,1	+6,2
DK	84,9	82,0	72,5	74,4	83,9	100,0	99,7	96,6	76,4	73,8	89,1	+12,5
D	:	91,6	95,8	90,7	94,3	100,0	110,9	116,1	105,9	96,5	121,9	+5,7
EL	:	:	:	:	:	100,0	95,2	95,5	95,0	96,7	95,0	+1,4
E	102,1	100,6	87,3	90,0	100,4	100,0	112,3	113,5	110,8	107,7	119,6	+2,7
F	87,9	77,3	83,9	83,4	94,4	100,0	100,2	103,5	108,0	105,7	105,8	+0,8
IRL	77,1	77,4	86,1	87,6	89,0	100,0	100,6	97,8	93,9	86,6	91,2	+7,3
I	78,2	83,6	83,0	85,3	91,1	100,0	105,7	108,3	108,5	118,1	113,5	-0,8
L	94,4	87,8	88,2	91,1	87,1	100,0	103,6	95,7	104,5	94,5	96,2	-2,4
NL	115,2	112,1	103,4	86,1	96,7	100,0	97,0	104,8	94,1	82,9	80,2	+4,3
A	95,6	93,0	88,8	78,2	87,0	100,0	91,9	85,2	81,6	77,4	79,7	+8,5
P	94,6	93,8	70,1	67,9	91,1	100,0	109,6	104,6	103,1	117,7	106,8	+9,5
FIN	99,8	91,6	81,0	81,4	87,6	100,0	82,6	82,2	74,0	81,2	103,5	+3,0
S	105,7	89,2	79,9	85,2	84,5	100,0	92,1	98,1	107,8	97,9	107,5	+2,8
UK	67,7	66,3	71,8	85,3	90,0	100,0	95,0	74,4	64,4	63,9	56,0	+4,3
EU-15	:	:	:	:	:	100,0	103,3	104,0	101,3	100,1	103,8	+2,7
EUR-12	:	:	:	:	:	100,0	104,3	107,3	105,8	104,6	109,2	+2,4

Table 1: Indices of Indicator A of the income from agricultural activity in the European Union (1995 = 100)

Slight increase in overall output, contrasting developments in animal and crop production

Overall developments

The real value of the **agricultural industry's output** slightly increases in 2001 (+0.2%). This is the result of contrasting developments in animal and crop production ([3]).

In **animal production**, both the real output values (at basic prices) of animals and of animal products are expected to increase (+2.4% and +3.7% respectively) so that the overall output value of animal production rises, in 2001, by 2.9% in real terms. This increase is the result of a slightly higher volume of the animal output (+0.2%), and of an increase in real producer prices of 2.8%. The product-related net subsidies show an increase of 0.7%. It has to be noted, though, that, despite the positive overall results, the developments are quite different when looked at on a product-by-product basis.

In **crop production**, output volumes are in the average 3.2% lower than in 2000. This is only partly outweighed by higher real producer prices (+1.2%). The real value of product-related subsidies (net of taxes) is slightly below 2000 levels. As a result of these developments, the crop output value (at basic prices) for EU-15 declines by 1.8% in 2001.

*([3]) The combined output value of **agricultural services** (real output value -1.8%, in 2001) and of the **(inseparable) non-agricultural activities**, e.g. agro-tourism and the processing of agricultural raw products carried out by farmers, (real output value +1.5%, in 2001) accounted for only about 5% of the overall output value (at basic prices), in 2000; their impact on the overall results is therefore only limited.*

A closer look at animal and crop production

The increase in the average output value of animals is mostly the result of a further remarkable increase in ***pig*** prices. Against the background of a continuously strong consumer demand for pig meat (while output volumes are growing only very slowly: +0.2% in 2001), the real producer prices for pigs rise in all the Member States (with rises ranging between 9.8% and 22.1% in the major producer countries: D, E, F, DK, I, NL), and by an average 16.4% in EU-15, bringing about an increase in the output value of pig production of 16.6%. Real producer prices also increase in ***poultry*** production (+2.7%), and with a simultaneous growth in output volumes (+3.6%), the output value is 6.4% higher in real terms than in 2000.

Cattle production is once more strongly affected by the consequences of the BSE crisis, in most of the Member States, but also, in 2001, by the outbreak of foot-and-mouth disease (FMD), in the United Kingdom mainly ([4]). A weak consumer demand, particularly at the start of 2001, results in a drop of real producer prices in most of the Member States, averaging -13.2% for the EU-15. At the same time, the cattle output volume declines by 1.5%. In most of the Member States the level of product-specific (net) subsidies is increased (EU-15: +9.8% in real terms). The real value of cattle output (at basic prices) nevertheless falls by 10.2%.

The United Kingdom is the major producer country of

([4]) For the recording of the losses due to foot and mouth disease, in the United Kingdom, in 2001, see methodological notes.

sheep in the EU-15 (followed by E, EL and F). The outbreak of FMD, mainly in the UK, therefore shows a considerable impact on the overall EU result (despite the special recording method to be applied for exceptional losses, see methodological notes): the EU-15 output volume of sheep and goats goes down, compared to 2000, by 5.2% (UK: -21.9%). Real producer prices for sheep and goats equally decline in the UK, but important increases in most of the other Member States result in an overall rise of 8.0% for EU-15 which leaves the real output of sheep and goats at producer prices 2.5% above 2000 levels. However, the product-related net subsidies decline strongly in all Member States (EU-15: -33.0%) so that the real output when measured at basic prices falls 7.2% below 2000 levels.

According to its share of more than 13% in the overall output of agriculture (in 2000), ***milk*** is the most important product in EU-15. The increase of the real producer prices for milk, in 2001, by +4.0%, has therefore an important impact on the development of the overall results of animal production and of income. With output volumes slightly higher than in 2000, milk output progresses, in 2001, by 4.5%.

Cereals are the second most important product (group) in EU-15 agriculture (according to their share in year 2000 output). However, after the record harvest of the previous year, cereal output is expected to decline by 7.5% in volume terms, in 2001. There are certain differences between the different types of cereals, and also between Member States, but altogether both the area cultivated under cereals and the yields per hectare decline, as a consequence mainly of unfavourable weather conditions. In line with the agenda 2000, there is a further cut in the intervention prices (though the real producer prices go up by +0.4%) compensated for by a simultaneous increase in the direct payments for cereals (+2.0% increase in product-related subsidies). The value of cereals output declines by 4.2%.

In ***wine*** production, important declines in both output volumes and real producer prices (-5.9% and -3.5% respectively) result in a decline of the wine output value of 9.2% in real terms. There are also lower output volumes for ***potatoes*** and for ***fruit*** (-8.0% and -2.5% respectively); the real producer prices, however, go up by 26.3% (potatoes) and 7.8% (fruit), so that in both cases important increases in the output values (+16.0% and +4.8% respectively) can be observed.

	VOLUME	PRODUCER PRICE (real)	VALUE (real, at producer prices)	VALUE (real, at basic prices)	Share in EU-15 overall output (in 2000)	Major producer countries (share in EU-15 output, in 2000)		
Cereals	-7.5	+0.4	-7.1	-4.2	13.0%	**F** (27%)	**D** (21%)	**I** (12%)
Oilseeds	-3.0	+17.8	+14.3	-4.5	1.8%	**F** (38%)	**D** (26%)	**I** (11%)
Fresh vegetables	-1.1	-0.8	-1.9	-1.6	7.3%	**I** (24%)	**E** (21%)	**F** (15%)
Potatoes	-8.0	+26.3	+16.2	+16.0	2.2%	**D** (23%)	**F** (19%)	**UK** (12%)
Fruit	-2.5	+7.8	+5.0	+4.8	5.7%	**E** (30%)	**I** (28%)	**F** (15%)
Wine	-5.9	-3.5	-9.2	-9.2	5.4%	**F** (53%)	**I** (26%)	**E** (8%)
CROP OUTPUT	**-3.2**	**+1.2**	**-2.1**	**-1.8**	**53.4%**	F (24%)	I (18%)	D (15%)
Cattle	-1.5	-13.2	-14.5	-10.2	9.9%	**F** (28%)	**D** (14%)	**UK** (13%)
Pigs	+0.2	+16.4	+16.7	+16.6	8.5%	**D** (21%)	**E** (15%)	**F** (13%)
Sheep and goats	-5.2	+8.0	+2.5	-7.2	2.1%	**UK** (28%)	**E** (26%)	**EL** (13%)
Poultry	+3.6	+2.7	+6.4	+6.4	4.1%	**F** (27%)	**UK** (19%)	**I** (16%)
Milk	+0.2	+4.0	+4.2	+4.5	13.6%	**D** (22%)	**F** (20%)	**I** (11%)
ANIMAL OUTPUT	**+0.2**	**+2.8**	**+3.0**	**+2.9**	**41.6%**	F (21%)	D (17%)	I (12%)

Table 2: Development of main crop and animal output items in the European Union, in 2001 (changes in %)

Development of the other components of the calculation of agricultural income

Values in real terms (i.e. deflated)	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR-12	EU-15
Output of the agricultural industry	+2.3	+3.9	+1.3	-1.8	+0.4	-0.0	-4.2	+0.4	-2.7	-1.0	+0.9	+1.9	-2.9	+0.7	-1.3	+0.2	**+0.2**
Crop output	*+4.6*	*-2.4*	*-2.1*	*-3.4*	*-5.5*	*-1.3*	*-2.1*	*-1.4*	*-8.0*	*+1.5*	*+0.6*	*+2.9*	*-7.3*	*-1.9*	*-1.6*	*-1.9*	***-1.8***
Animals	*+0.5*	*+14.1*	*+4.1*	*+3.5*	*+11.6*	*+1.7*	*-8.6*	*+6.2*	*-4.2*	*-6.6*	*+0.2*	*+1.5*	*+7.8*	*+9.8*	*-8.1*	*+3.2*	***+2.4***
Animal products	*+1.2*	*-2.9*	*+7.1*	*+0.9*	*+8.6*	*+2.1*	*+1.9*	*-1.4*	*+3.4*	*+0.5*	*+3.9*	*-0.9*	*-2.3*	*-2.7*	*+12.8*	*+3.0*	***+3.7***
- Intermediate consumption	+2.1	+2.1	-0.6	-1.5	+0.4	+0.8	-1.0	+1.1	-2.4	-0.9	-0.7	-0.2	-5.2	+2.9	-0.1	+0.0	**+0.2**
= Gross value added at basic prices	+2.7	+6.2	+3.9	-2.0	+0.4	-0.8	-7.9	+0.1	-3.0	-1.0	+2.8	+4.2	+1.8	-3.8	-2.8	+0.3	**+0.2**
- Consumption of fixed capital	-1.1	-2.9	-0.9	-1.6	+5.8	+2.2	-2.5	+0.5	+0.0	-1.1	-1.5	+0.3	-2.1	-2.6	-2.9	+0.7	**+0.2**
- Other taxes on production	-2.1	+6.9	+0.2	-2.4	-0.3	-0.1	+57.9	-1.9	-2.9	-1.2	-2.0	+1.4	:	:	-13.0	-0.5	**-0.8**
+ Other subsidies on production	-2.1	+1.0	-14.0	+10.2	+22.2	+12.1	+47.9	+3.4	+0.3	+79.5	+4.0	+19.4	-2.8	+6.5	+65.1	+6.7	**+9.7**
= Factor income (1)	**+3.6**	**+9.1**	**+4.3**	**-1.5**	**+0.9**	**-1.1**	**+0.1**	**+0.2**	**-3.7**	**+0.8**	**+6.7**	**+7.3**	**-0.1**	**-1.3**	**+2.5**	**+0.8**	**+1.1**
Agricultural labour input (2)	-2.4	-3.0	-1.3	-2.9	-1.8	-1.8	-6.7	+1.0	-1.4	-3.4	-1.7	-2.0	-3.0	-4.0	-1.8	-1.5	**-1.6**
Indicator A (1)/(2)	**+6.2**	**+12.5**	**+5.7**	**+1.4**	**+2.7**	**+0.8**	**+7.3**	**-0.8**	**-2.4**	**+4.3**	**+8.5**	**+9.5**	**+3.0**	**+2.8**	**+4.3**	**+2.4**	**+2.7**
Indicator A, indices in 2001 (1995 = 100)	**109.5**	**100.2**	**128.8**	**96.4**	**122.8**	**106.6**	**97.8**	**112.6**	**93.9**	**83.7**	**86.5**	**117.0**	**106.6**	**110.5**	**58.4**	**111.8**	**106.6**

Table 3: Main components of the income from agricultural activity in the European Union, in 2001 (changes in %)

Intermediate consumption costs change only slightly

Most of the intermediate consumption headings show only little changes in real prices, in 2001. Of those items where price changes are somewhat more important, in 2001, ***energy*** (after the sharp price rise in 2000) and ***pesticides*** record price declines of 2.0% and 2.1% respectively (in real terms), and it is therefore mainly the result of higher prices for ***animal feedingstuffs*** (+2.2%) and ***fertilisers*** (+10.3%) that the average real price of the intermediate consumption goods and services, in 2001, is 1.2% higher than in the previous year.

At the same time, the average volume of input use remains below 2000 levels (-1.0%). This reflects mainly the reductions in the use of ***fertilisers*** and of ***pesticides*** (down by 6.3% and 5.8% respectively) but also lower input volumes of ***energy***, ***seeds***, ***agricultural services***, and of ***animal feedingstuffs***.

On the whole, the real value of intermediate consumption is only slightly (+0.2%) above the level of 2000.

Value added slightly above 2000 levels

With overall output slightly above 2000 levels, and a similar increase in the value of intermediate consumption, real **gross value added at basic prices**, for EU-15, is 0.2% above previous year's level. In the Member States, the changes in gross value added are, however, more pronounced: eight Member States (B, DK, D, E, I, A, P, FIN) show increases up to 6.2% (***Denmark***, followed by ***Portugal***: +4.2%, and ***Germany***: +3.9%). In seven Member States (EL, F, IRL, L, NL, S, UK), gross value added declines (strongest decline in ***Ireland***: -7.9%).

In the average of EU-15, fixed capital consumption (i.e. **depreciation**), in 2001, is slightly higher in real terms (+0.2%). The EU-15 **net value added at basic prices** remains more or less unchanged in comparison to 2000 (+0.1%).

"Other subsidies on production" considerably higher

The "**other taxes on production**" are of only minor importance in EU-15. In 2000, their share in the net value added at basic prices was only little above 3% (for EU-15), and the reduction in the real value of these taxes (by 0.8%, in 2001) has therefore only little impact on the development of agricultural incomes. The "**other subsidies on production**", in contrast, are about three times more important in value; their share in EU-15 net value added, in 2000, is almost 10%, and there is an increase in these subsidies of 9.7% ([5]). This increase is mainly due to higher "other subsidies on production" in the ***United Kingdom***, ***Spain***, ***Ireland***, ***France*** and in ***the Netherlands*** (there are also increases in DK, EL, I, P and S but these have less impact on the EU-15 aggregate figure) ([6]).

([5]) In this context it is worth noting that under the EAA 97 methodology, 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". When the totals of subsidies and taxes (subsidies on products plus other subsidies on production, taxes likewise) are looked at, the level of subsidies increases by 2.6% in real terms, in 2001 compared to 2000, and the level of taxes declines by 2.4%. The resulting increase in net subsidies (subsidies total net of taxes total) is 3.2% in real terms.

([6]) The most important increase, in absolute terms, in 2001, is recorded for the United Kingdom. This increase is due to a change in the support schemes according to which certain subsidies previously classified as subsidies on products (related to cattle and

Moderate increase in real agricultural factor income

Agricultural **factor income** (i.e. net value added at factor cost), the basis of Indicator A, is obtained by adding the other subsidies on production (less other taxes on production), to net value added at basic prices. For the European Union as a whole (EU-15), factor income increases by 1.1% in real terms (when expressed in nominal terms, factor income is 3.7% above 2000 levels). For EUR-12, factor income is 0.8% above previous levels when expressed in real terms (+3.4% in nominal terms). Ten Member States (B, DK, D, E, IRL, I, NL, A, P and UK) record increases in real factor income in 2001; the strongest increases are observed in ***Denmark*** (+9.1%), ***Portugal*** (+7.3%) and in ***Austria*** (+6.7%). The fastest rate of decline is measured in ***Luxembourg*** (-3.7%).

The **volume of total agricultural labour input** continues to decline steadily in almost all the Member States, the strongest declines being observed in ***Ireland*** (-6.7%), ***Sweden*** (-4.0%) and in ***the Netherlands*** (-3.4%). ***Italy*** is the only Member State where labour input increases (+1.0%); this is important in so far as Italy's share in the EU-15 agricultural labour input total is almost 20%. It is against this specific background that the EU-15 rate of decline, in 2001, is one of the slowest rates (-1.6%) when compared to previous years.

The upwards development in real agricultural factor income, in combination with the further decline in agricultural labour input, brings about an increase of the agricultural income **Indicator A** for EU-15 of 2.7%.

Developments of Income Indicators B and C

The real **compensation of employees** increases by 0.8%, in 2001. However, the real values of **interest** and of **rental payments** decline by 2.9% and 0.8% respectively so that the real net entrepreneurial income of agriculture (equivalent to **Indicator C**), for EU-15, increases at a faster rate than agricultural factor income (+1.9% compared to 2000 levels).

Indicator B, the index of real net agricultural entrepreneurial income, per non-salaried annual work unit, is not calculated for Germany on methodological grounds ([7]) and, therefore, not for the EU-15. However, across the other Member States (i.e. EU-14), there was an average increase of 4.2 % in this indicator, in 2001. This increase of the indicator is the combined result of a higher real net entrepreneurial income (+1.3% for EU-14), on the one hand, and of a decline noticeable decline in the non-salaried agricultural labour input (-2.8% for EU-14), on the other.

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sheep) had to be reclassified as subsidies on production. In fact, the level of overall subsidies (subsidies on products plus other subsidies on production) in the United Kingdom, in 2001, is 1.9% below previous year's levels (in real terms; net subsidies: -0.9%).

([7]) For holdings in the new German Länder*, which are organised as legal persons, wages and salaries are paid to all employees, including owners and their family members. Labour input by owners or family members is therefore not recorded as non-salaried labour. As a consequence, these holdings' entrepreneurial profits (or losses) are not in any way based on non-salaried labour.*

➢ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The results presented in this publication are based on the data of the Economic Accounts for Agriculture (EAA) as compiled and provided by the 15 Member States of the European Union at the end of November/start of December 2001. They have been drawn up in accordance with the revised methodology of the EAA (EAA/EAF 97, Rev. 1.1, see further reading). This methodology 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 2002, EUROSTAT will publish an exhaustive report "Income from agricultural activity in 2001 (Edition 2002)" containing revised data and a detailed analysis of the trend in agricultural income for the European Union as a whole and for each Member State. In addition this report will contain a study of the development of agricultural productivity in the Member States of EU-15. It is EUROSTATs intention to include also, for the first time, a chapter dedicated to the agricultural income in the Candidate Countries, and more particularly about its development in 2001.

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) at market prices.
2. The **EUR-12** aggregate comprises the twelve countries participating, in 2001, in the Euro (B, D, EL, E, F, IRL, I, L, NL, A, P, FIN).
3. 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 GDP of the country concerned, and then converting them into EURO (at 1995 exchange rates for long-term analysis and at those of the year 2000 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.
4. 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**.

In the present context, emphasis is laid on the Indicator A of agricultural income. Its development is presented as indices. It is defined as follows:

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

This indicator corresponds to the real (i.e. deflated) 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 recording of the losses due to FMD, in the United Kingdom, in 2001

The losses due to the outbreak of foot and mouth disease (FMD), in the United Kingdom, in 2001, are considered as **exceptional**. According to the rules of national (and EAA) accounting such exceptional losses are to be recorded in a different way than "normal" losses. In contrast to the normal losses (which are deducted from output), the value of the exceptional losses (up to the time of the loss) is **not deducted** in the calculation of output (as if the loss had not occurred). At the same time, the compensation paid for these exceptional losses is recorded as "other capital transfers". Both the value of the (exceptional) losses and the compensation for these losses, therefore do not enter the calculation of agricultural income. Still, the sheep output shows a considerable decline in volume terms, and this despite the inclusion of the exceptional losses in output. This is due to the strong decline of sales which in itself is a further result of the FMD crisis. In the context of the present (first) estimates of agricultural income in 2001, there is, besides the United Kingdom, no other Member State where exceptional losses had been recorded.

FURTHER READING

Economic Accounts for Agriculture and Forestry and Agricultural Labour Input Statistics on CD-ROM, 1973-2000, EUROSTAT, Luxembourg, forthcoming.

Manual on the Economic Accounts for Agriculture and Forestry EAA/EAF 97 (Rev. 1.1), EUROSTAT, Luxembourg, available in all official languages, on paper and electronically (pdf).

Further information:

➢ **Reference publications**

Title Manual on the Economic Accounts for Agriculture and Forestry EAA/EAF 97 (Rev. 1.1)

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