PHASE OF AGRICULTURE IN THE EUROPEAN UNION

STADIUL AGRICULTURII ÎN UNIUNEA EUROPEANĂ

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Abstract: *The European agriculture is at a first degree level amongst the worldwide agricultural powers, using almost 5% of the active population of Europe. Agriculture represents 40% of the budget of the European Union in the period 2007-2013. The budget of common agricultural policies (CAP) represented 70% of the EU budget in 1980 and around 75% in 1985. The rural areas cover more than 90% of the European territory and amounts to almost 60% of the population (farmers and non-farmers), agriculture constituting the main activity in the rural environmentl.*

Key words: *agriculture, agricultural income*

INTRODUCTION

In the background of the evolution of the European Union, **agriculture** passed various steps during its development process: from the spectre of food penury and rural poverty, to the fulfilment of food self-sufficiency and of today's life standards of the farmers, of making the decision to extend its borders towards the Centre and Eastern Europe and to face future challenges related to food security, environment and climacteric changes and a balanced territory development.

In the middle of the 50s, the agriculture of the six founder members of the European Economical Communities (France, Germany, Italy, the Netherlands, Belgium and Luxembourg) provided 17.5 million places of work (which represented 33% of the active population of Italy, 25% of that of France and 10% of Belgium). Approximately 85% of the farms in Italy, 55% of those in Germany and approximately 35% of the farms in France had sizes between 0.5 and 5 hectares. The contribution of agriculture to the gross domestic product varied from 8.4% in Belgium to 23% in Italy.

Table 1

Basic data — key agricultural statistics

EU states	UAA (1000 ha)	No. of farms (1000)	UAA/ farm (ha)	Employment		Agricultural Output (Mio EUR)	Consump-tion of input (Mio EUR)	Gross value added (Mio EUR)
				No. (1000)	%			
	2010	**2007**	**2007**	**2010**	**2010**	**2010**	**2010**	**2010**
BE	1 365	48	28.6	81	1.8	7 757	5 135	2 622
BG	5 030	493	6.2	515	14.7	3 832	2 375	1 457
CZ	3 546	39	89.3	135	2.6	3 990	2 996	994
DK	2 639	45	59.7	73	2.6	9 214	7 059	2 155
DE	16 890	371	45.7	730	1.8	45 044	30 074	14 970
EE	932	23	38.9	19	3.5	636	400	236
IE	4 190	128	32.3	79	4.3	5 634	4 105	1 529
GR	3 819	860	4.7	429	9.2	10 245	4 678	5 567
ES	22 798	1 044	23.8	712	3.8	39 033	17 017	22 016
FR	35 178	527	52.1	779	2.9	66 651	39 479	27 172
IT	13 338	1 679	7.6	838	3.4	44 349	21 342	23 007
CY	121	40	3.6	15	3.7	695	377	318
LV	1 833	108	16.5	62	6.7	934	671	263
LT	2 689	230	11.5	95	7.1	2 005	1 357	648
LU	131	2	56.8	7	1.9	298	203	95
HU	5 783	626	6.8	220	5.5	6 561	4 468	2 093
MT	10	11	0.9	3	1.7	125	68	57
NL	1 921	77	24.9	251	2.9	24 772	15 794	8 979
AT	3 169	165	19.3	177	4.3	6 452	3 770	2 682
PL	15 625	2 391	6.5	1 604	10.1	19 437	12 053	7 385
PT	3 686	275	12.6	434	8.8	6 998	4 907	2 092
RO	13 711	3 931	3.5	1 726	19.1	15 342	8 885	6 456
SI	469	75	6.5	68	7.1	1 092	690	402
SK	1 930	69	28.1	45	2.1	1 902	1 525	377
FI	2 296	68	33.6	107	4.4	4 159	2 703	1 456
SE	3 067	73	42.9	100	2.2	5 046	3 599	1 447
UK	17 709	300	53.8	593	1.9	23 372	16 037	7 335
EU-27	183 87	13 700	12.6	10 459	4.7	355 573	211 763	143 810
EU-25	165 13	9 276	16.8	7 980	3.8	336 400	200 503	135 896
EU-15	132 19	5 662	22.0	5 353	3.0	299 024	175 900	123 124

Sources: European Commission (Eurostat and Agriculture and Rural Development DG), FAO and UNSO

Nowadays, agriculture in the EU provides more than 10.4 million places of work at the level of EU27, approx. 7.9 million (EU25) and 5.3 million (EU15). The new member states (Romania and Bulgaria) hold a

weight of 23% of the population dealing with agriculture, with 1.7 million places of work, 0.5 million respectively.

Agriculture of European countries (EU-27) is characterized by an average size of agricultural holdings of 12.6 ha/farm, with a population dealing with agriculture of 4.7%, a weight of agriculture in the GDP of 1.2% and a weight of agriculture for the total gross fixed capital of 2.1%.

Compared to the above, Romania, registers an average surface of agricultural holdings of only 3.5 ha (much below the average of West European countries but also below the EU-27 average of 12.6 ha/farm), a weight of the population dealing with agriculture of 19.1% and a contribution of the primary sector to the GDP of 2.7%.

MATERIAL AND METHOD

The data are represented by my own calculi and by the processing of statistical and economical information of the European Commission by the Directorate-General of Agriculture and Rural Development.

RESULTS AND DISCUSION

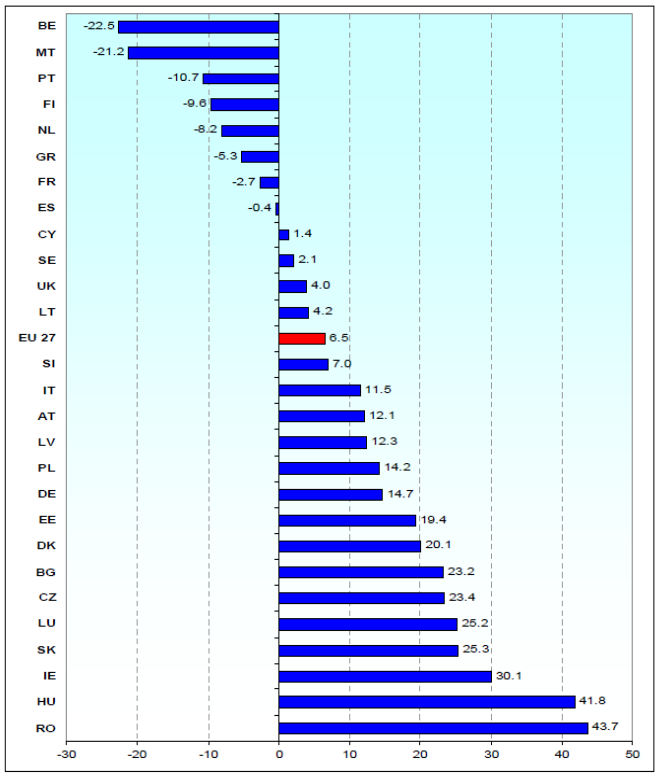
The **2011 agricultural year** in the EU was characterised by a 3.7% increase in the real agricultural (factor) income1. This is the second year of income increase (+10% in 2010), following a sharp reduction in 2009 (-13%).

The increase in animal output value by 7.7% reflects a rise in both, producer prices (6.6%) and volume (1%). Prices increased for milk (9.2%), poultry (8.5%), cattle (8%), equines (7.2%), sheep and goats (5.2%) and pigs (4.4%) but decreased for eggs (-4.7%). Higher volumes were registered for most products except equines (-2.9%) and eggs (-1%).

Agricultural input costs (in real terms) showed an increase of 9.2% mainly due to higher prices (9.2%) on a slightly higher volume (0.5%). The rise in input prices was mainly driven by higher prices for feedingstuffs (16.9%), fertilisers (14.7%) and energy/lubricants (+11.9%).

Reflecting the output and input price developments, the estimates depict a remarkable increase in the agricultural income per annual labour unit of 6.5% in real terms as compared to 2010 in the EU. However, the actual range by country varies from -22.5% for Belgium to +43.7% for Romania.

The general economic situation reflects a continued albeit moderate recovery in 2011. Total Gross Domestic Product grew by 1.6% in 2011 in the EU and by 3% at world level. The overall pace of recovery remains gradual and uneven among the EU countries; the Baltic States recorded the highest GDP increase rates (Estonia 8%, Lithuania 6.1% and Latvia 4.5%) followed by Poland and Sweden (each by 4%) while Greece and Portugal, confronted with drastic fiscal austerity and high unemployment rates, registered negative growth of -5.5% and -1.9% respectively. The outlook for 2012 looks less favourable with GDP growth at 0.6% in EU and 2.7% at global level.



Source: Eurostat "Economic Accounts for Agriculture"

Figure 1. Development of the agricultural income per nnual Working Unit in the EU 27 in 2011 (% change versus 2010)

Table 2

Development of the agricultural income per AWU (2005=100)

	2005	2006	2007	2008	2009	2010	2011
EU 27	100	103.9	114.3	110.4	98.5	111.1	118.3
BE	100	123.1	132.6	107.2	113.4	141.1	109.3
BG	100	97.5	98.8	161.2	125.0	123.5	152.2
CZ	100	105.2	109.4	115.3	93.4	129.3	159.6
DK	100	112.8	114.4	66.6	66.3	113.8	136.7
DE	100	108.9	126.5	134.7	94.8	113.2	129.8
EE	100	100.0	140.1	112.4	95.7	156.9	187.3
IE	100	83.4	93.5	87.2	67.6	86.6	112.7
GR	100	95.2	102.9	88.5	90.4	83.5	79.1
ES	100	95.5	107.4	91.1	91.6	99.0	98.6
FR	100	111.3	121.1	104.6	84.5	113.0	110.0
IT	100	96.3	93.7	95.2	90.4	79.9	89.1
CY	100	90.0	90.1	85.7	89.8	92.0	93.3
LV	100	130.2	135.6	114.0	101.8	134.5	151.1
LT	100	88.9	133.2	123.2	106.0	120.8	125.9
LU	100	104.8	133.0	91.8	60.6	61.5	77.0
HU	100	107.3	115.2	152.2	104.3	123.2	174.7
MT	100	97.5	94.5	90.1	98.7	91.5	72.1
NL	100	123.0	121.8	104.4	86.7	112.7	103.5
AT	100	111.0	125.0	122.0	94.2	108.2	121.3
PL	100	110.5	134.9	111.3	134.6	152.3	173.9
PT	100	102.0	93.8	98.6	87.7	96.6	86.3
RO	100	99.3	76.8	114.4	97.1	87.7	126.0
SI	100	97.4	109.5	97.2	92.6	100.9	108.0
SK	100	122.1	128.9	143.5	110.5	114.4	143.4
FI	100	98.9	112.6	96.7	115.6	132.5	119.8
SE	100	111.3	135.7	119.1	93.4	122.4	125.0
UK	100	101.9	109.3	143.3	134.5	138.6	144.1

Source: Eurostat "Economic Accounts for Agriculture"

Overall consumer price inflation in 2011 is estimated at 3.1%, while food price inflation would stay at 3.2%. The Euro appreciated against the Dollar until August 2011 when it reached 1.43 $/€. The following months were characterised by depreciation of the exchange rate, standing at 1.312 $/€ at the end of 2011.

2011 provisional data show an exceptional year for the EU **trade**: the EU recorded an agricultural trade surplus (around € 7 billion), for the second year in row.

Estimated **EU agricultural exports** in value terms would reach around € 105 billion (+16% compared to 2010) of which 64% are processed final products. The increase in export value was particularly marked for "Spirits and liqueurs" and "Wine and vermouth" (each by +20% to reach more than € 8 billion), and "Cereal preparations" (+17% reaching € 6.6 billion). "Wheat (grains)" accounting for about half of exported

commodities, increased by 11% and reached over € 4 billion in 2011. These products represented around 26% of all agricultural exports.

Table 3

EU-27 trade in agricultural products, according to principal customer countries (Mio EUR)

Main client countries	Exports		Imports		Trade balance	
	2008	2010	2008	2010	2008	2010
USA	12 810	13 445	7 731	7 317	5 078	6 128
Russia	8 745	9 216	848	674	7 897	8 542
Switzerland	5 638	6 097	3 128	3 735	2 510	2 362
Japan	4 222	4 360	161	199	4 062	4 161
China	1 784	3 262	3 606	3 831	– 1 822	– 570
Hong Kong	1 882	3 145	43	39	1 839	3 106
Norway	2 809	3 055	463	449	2 346	2 606
Canada	2 196	2 373	1 695	1 715	501	659
Saudi Arabia	1 791	2 316	13	9	1 777	2 308
Turkey	1 538	2 228	2 948	3 163	– 1 410	– 935
Algeria	2 305	2 024	34	27	2 271	1 997
Australia	1 623	1 756	1 595	1 327	28	429
Ukraine	1 768	1 589	2 403	1 606	– 634	– 17
U.A.Emirates	1 357	1 549	279	226	1 077	1 324
Egypt	753	1 391	558	623	195	768
Singapore	1 141	1 375	99	104	1 041	1 271
South Korea	1 104	1 248	59	66	1 046	1 182
Brazil	872	1 148	13 253	11 560	– 12 381	– 10 411
South Africa	799	1 132	2 043	2 091	– 1 245	– 959
Croatia	1 166	1 092	349	375	817	717
Morocco	1 242	1 041	1 183	1 184	59	– 143
Israel	846	918	1 014	1 015	– 168	– 97
Mexico	846	911	722	791	124	120
Nigeria	739	852	372	547	367	305
Taiwan	612	766	69	72	543	695
Total of 25 countries (A)	60 589	68 289	44 668	42 744	15 920	25 545
Total of third countries (B)	79 688	89 325	87 238	83 650	– 7 550	5 675
% A/B	76.0	76.5				

Sources: European Commission (Eurostat and Agriculture and Rural Development DG)

The US remained the main destination for EU agricultural products with a value of € 14.6 billion (+8% compared to 2010). Exports to Russia continued their recovery also in 2011 (+14%), going above € 10.5 billion.

Switzerland maintained position as the EU's third main destination of agricultural exports with a value of over 6.5 billion Euros (+7%).

The value of the estimated 2011 **EU agricultural imports** would increase to € 98 billion (+16% compared to 2010). As in the case of exports, processed final products represented the highest share in agricultural imports (51%). Tropical products were the most significant EU imports: "Fruits and Spices" and "Coffee, Tea and Mate" imports reached together a value of over € 18 billion. Oilcake imports were over € 7 billion and the category "Other animal or vegetable oils" stood at about € 8 billion. The abovementioned product groups combined represented almost 35% of all EU agricultural imports. In 2011 EU imports from Brazil, the main EU partner accounting for 14% in total agricultural imports, were higher than one year ago (it reached almost € 14 billion) and imports from the US increased from € 7.4 billion in 2010 to over € 8.2 billion in 2011 (+12%). For the EU third main supplier, Argentina, EU imports increased to € 6.3 billion.

CONCLUSIONS

The rise in 2011 was the outcome of increases in both the volume of the agricultural output (1.4%) and prices (5.7%) in the agricultural sector.

At EU level, the average income from agricultural activities (measured in real terms as factor income per annual work unit) increased in 2011 by 6.5% as compared to 2010. The increase in agricultural income represents the combined result of an increase in real agricultural income (+3.7%) and a reduction in agricultural labour input (-2.7%).

The rise in real agricultural income in 2011 is the result of an increase in the agricultural output value at basic prices in real value terms (+7.2%) and in the real value of agricultural intermediate consumption (+9.7%). The agricultural output value of both crop and animal production improved (by +7.5% and +7.7% respectively). The increase in intermediate consumption resulted from a slight increase in volumes (+0.5%) coupled with a surge in input prices which went up by 9.2% on average in real terms, driven mainly by price heights in feedingstuffs (+16.9%), fertilisers and soil improvers (+14.7%) and energy and lubricants (+11.9%). The slight decrease in fixed capital consumption (-0.1%) combined with higher levels in taxes paid on production (+1.3%), compensation of employees (+0.4%), rents to be paid (+1%) and interest paid (+2.2%) led to higher production

costs. Finally, the -0.4% decrease in other subsidies on production had a marginal impact on the level of revenues in the agricultural sector in 2011.

Agricultural income per worker in 2011 was above the 2010 levels in nineteen Member States. The largest increases were observed in Romania (+43.7%), Hungary (+41.8%), Ireland (+30.1%), Slovakia (+25.3%) and Luxembourg (+25.2%), while significant drops were recorded in Belgium (-22.5%), Malta (-21.2%), Portugal (-10.7%), Finland (-9.6%) and the Netherlands (-8.2%).

The agricultural labour input in the EU fell by 2.7% in 2011 as compared to 2010. The highest reductions were recorded in Bulgaria (-9%), Belgium and Romania (each by -7%) while it increased in Slovakia (+7%).

Therefore, EU agriculture is a worldwide leader for agro-alimentary products, being the first worldwide importer and exporter of agricultural and food products.

The Common Agricultural Policy contributed without doubt to this success, helping enterprises to revamp, to adapt and to get endowed. More and more, the EU exports food products with high added value, instead of raw products. Meanwhile, the EU is the first worldwide importer of products coming from countries in progress, considerably helping the most in need.

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