

A. Purpose of the Indices

The price indices of output and input in Agriculture aim to estimate the impact of price changes on farmers' income from marketed produce (output), and on their expenditures for purchase of materials, products, and services (input).

The main uses of the indices are:

- (1) To deflate value series of inputs and outputs in Agriculture, i.e., to change the presentation of value series from current to constant prices;
- (2) To calculate the terms of trade in Agriculture according to prices (and not, for example, according to the influence of marketed produce quantities and of technological changes);
- (3) To update calculations used to determine prices of agricultural produce and policies for provision of subsidies.

B. Main Findings

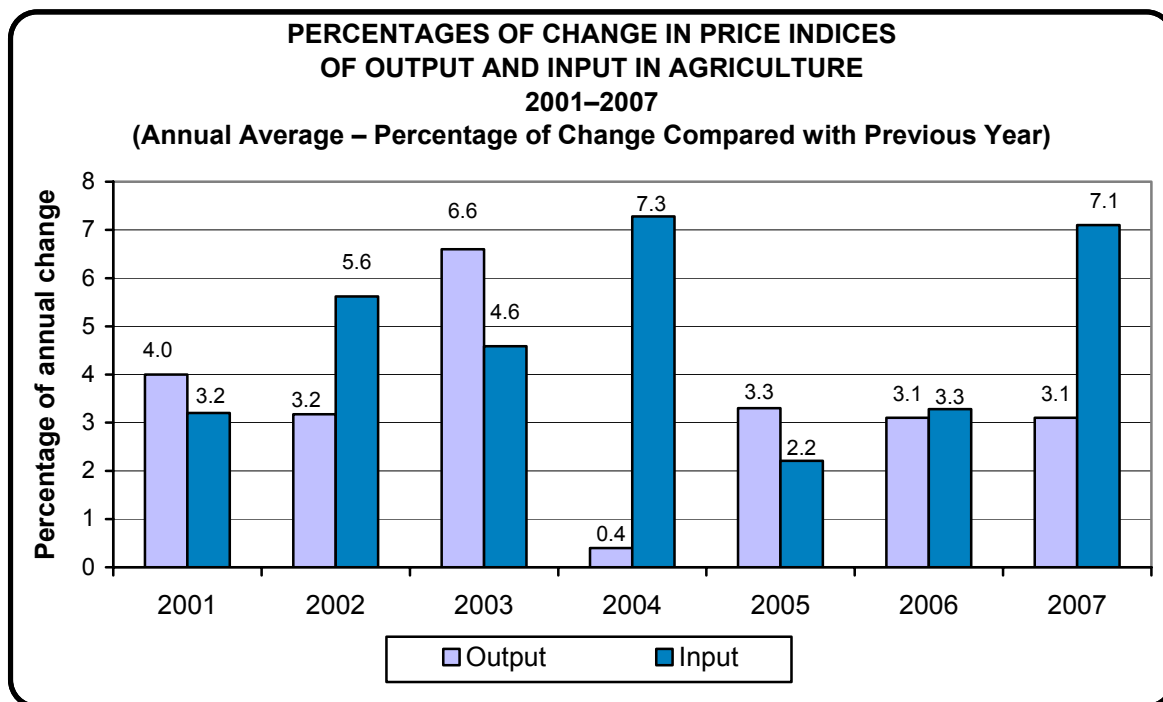
Prices of agricultural output in 2007 (average for January–December) were 3.1%¹ higher than in 2006. During that period, the prices paid for inputs in Agriculture increased by 7.1%.

In 2007, the terms of trade in Agriculture worsened in comparison with 2006 (the change in the input/output indices ratio was 2.3). The meaning of the decline in trade conditions is that the prices of agricultural inputs rose at a higher rate than the rate of increase in the prices of agricultural outputs. In previous years, the terms of trade improved and declined intermittently, so that no clear trend for a long time was evident.

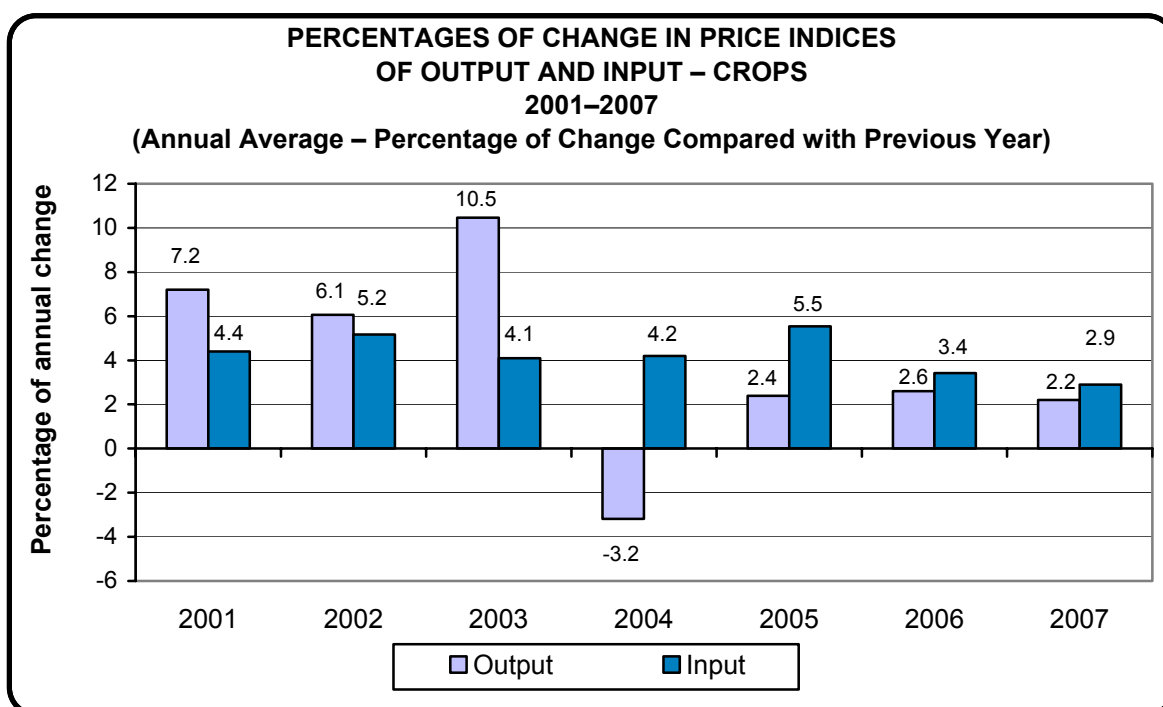
¹ The change in the prices of agricultural output is calculated in the CBS in two different series of indices:

- The current series in which the basis weights are of 2000.
- The series published in the Agriculture account, where the basis was the weights of the previous year.

Therefore, the percentage of change in the current price index of agricultural output is different from the percentage of change published in the agricultural industry account.

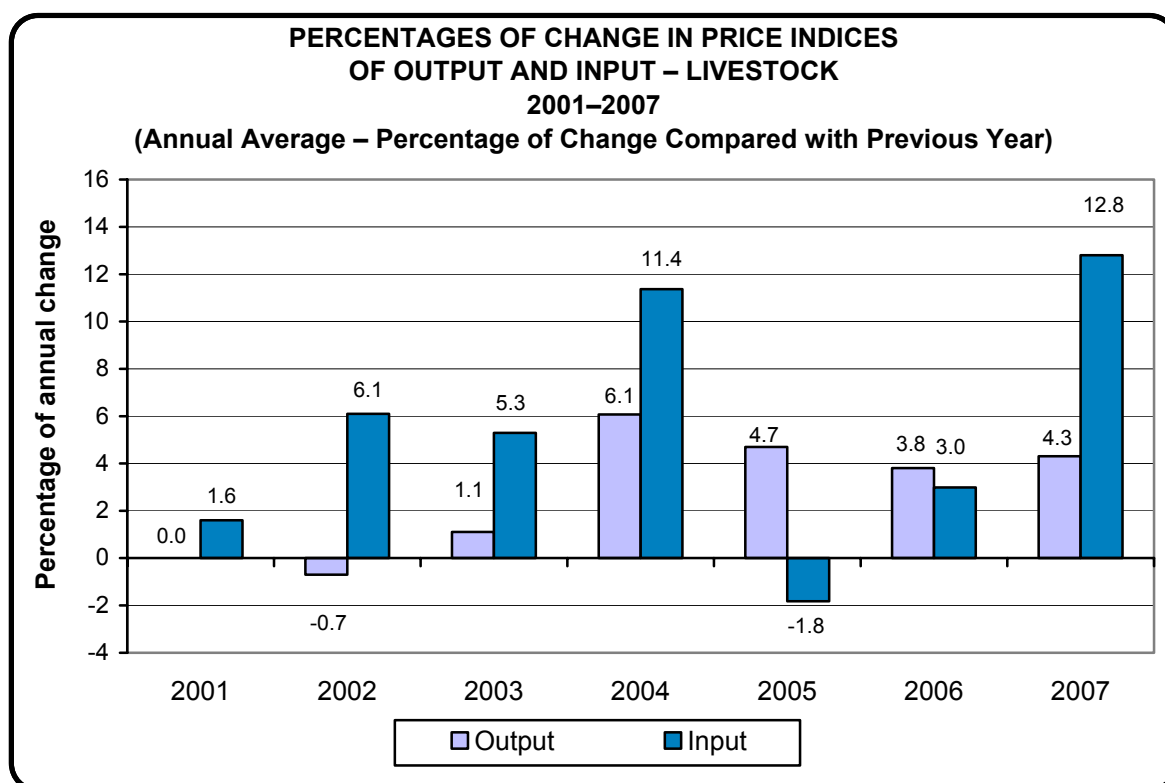


Crops



The diagram indicates that the price index of output in plant crops increased by 2.2% in 2007, and the price index of input in those industries increased by 2.9%. The rise in the prices of plant crop output resulted from a rise in the prices of various crop industries, and mainly in fodder (7.5%); fruits, excluding citrus (6.9%); and vegetables, potatoes and melons (4.0%).

Livestock and Their Products



In the livestock industries, the price index of output increased by 4.3% in 2007, whereas the price index of input increased by 12.8% (almost triple), as shown in the diagram above. The rise in the output prices of livestock and their products resulted from an increase in the prices at various rates in livestock industries, mainly in sheep and goats (11.1%), and in poultry (6.6%).

C. Price Index of Agricultural Output

The prices that farmers received for their outputs rose by 3.1% in 2007 compared with 2006.

Crops

The prices that farmers received for their crops were, as mentioned, 2.2% higher in 2007 than in 2006.

The rise resulted from an increase in prices in the various crop industries: prices of fodder increased by 7.5%; prices of fruits, excluding citrus, rose by 6.9%; and prices of vegetables, potatoes and melons increased by 4.0%.

Livestock and Their Products

The prices that farmers received for livestock and their products were 4.3% higher in 2007 than in 2006.

Prices of pigs rose by 12.7%, prices of sheep and goats rose by 11.1%, and prices of poultry rose by 6.6%.

D. Price Index of Agricultural Input

The prices paid by farmers for their inputs rose by 7.1% in 2007 compared with 2006.

Prices of inputs in crops were 2.9% higher, and prices of inputs in livestock were 12.8% higher in 2007 than in 2006.

The main changes in the 2007 prices of inputs are listed in the following table:

Input	Percentage of change
Fodder	21.3
Chicks	6.6
Packing materials	5.4
Fuel, lubricants and electricity	5.0
Fertilizers and manures	4.1
Construction materials for buildings, and plastic covers	3.6
Seeds and saplings	3.6
Machinery, equipment, and spare parts	3.4
Hired transportation	3.1
Veterinary services	2.5
Pesticides	1.2
Water	-2.1
Insurance	-2.9