

PRELIMINARY ESTIMATE OF THE ECONOMIC ACCOUNTS OF AGRICULTURE | YEAR 2020

Agriculture: in 2020 a sharp drop in production and value added

➔ In 2020, **agricultural production** decreased by 3.3% in volume. Gross **value added** at basic prices fell by 6.1% in volume and **labor units** decreased by 2.4%.

The COVID-19 pandemic heavily affected secondary activities (-18.9%), which include agritourism, agriculture related services (-3.8%) and floriculture (-8%).

The production of **olive oil** (-18%), **industrial crops** (-2.2%) and **wine** (-1.9%) decreased. Only the **livestock** sector recorded a positive trend (+ 0.3%).

31,3

billion euros

The value added of agriculture in Italy

Italy confirms its first position in the Eu27, ahead of France (30,2 billion euros) and Spain (29,3 billion)

174,5

billion euros

The value added of agriculture for the Eu27 countries

-4,8%

The agricultural income indicator for Italy

The decline is only slightly larger than the Eu27 average (-4%)

www.istat.it

UFFICIO STAMPA
tel. +39 06 4673.2243/44
ufficiostampa@istat.it

CONTACT CENTRE
tel. +39 06 4673.3102
contact.istat.it



The Covid-19 emergency severely affects agritourism and related services

ISTAT releases the preliminary estimate of the agricultural sector's performance for the past year. In 2020, agricultural production fell by 3.3% in volume and value added by 6.1%.

The year was not favorable for most agricultural products, in particular for oil production, which suffered a drastic downsizing; in addition, the performance of agriculture was strongly affected by the impact of the Covid-19 pandemic on service activities and secondary activities of farms.

In particular, the output of non-agricultural secondary activities, after many years of continuous growth, recorded an unprecedented drop (-18.9%). Significant losses were recorded especially in agritourism activities, due to the prolonged closure of accommodation facilities and the sharp drop in the number of visitors, and in landscape and park and garden maintenance, while positive signs came from the production of renewable energy. There was also a significant contraction in the production of services (-3.8%), mainly due to the downsizing of primary processing activities.

The production of agricultural goods declined less, by 1.5% in volume.

Restrictive measures introduced to counter the spread of the pandemic interrupted the expansionary trend of recent years in the horticultural sector, whose production fell by 8% in volume compared to 2019.

Following the normal cyclical trend, the production of olive oil, after the exploit of 2019 when production volumes had marked a substantial increase (+32%), suffered a sharp contraction, falling by 18% overall. The result is the synthesis of a particularly marked drop in the regions of the South, on which a large part of national production depends (in particular, Puglia and Calabria recorded drops close to 50%), only partly offset by the significant increase in the regions of the Centre-North (where the average increase was over 20%).

2020 was also negative for industrial crops (-2.2%), some tree crops such as wine (-1.9%), forage crops (-0.9%), fresh vegetables (-0.5%), fruit (-0.4%) and cereals (-0.2%).

On the other hand, the year was favorable for potato production (+5.2%) and, to a lesser extent, for livestock production (+0.3%), driven by growth in livestock products (+2.0%), which offset the decline in livestock (-0.8%).

Compared to 2019, growth in producer prices was more moderate (+0.4% vs. +0.7% in the previous year), while prices related to costs (inputs) incurred by farmers decreased (-0.6% vs. +0.9% in 2019). The combined development of output and input prices led to an improvement in the terms of trade for the agricultural sector in 2020 (+1%).

The labour input (FTEUs) suffered a decline of 2.4%, reflecting decreases of 3.9% in employees and 1.7% in the self-employed.

AGRICULTURE: KEY NUMBERS. Year 2020 million of euros, percentage values

AGGREGATES	Millions of euros	Volume changes 2020/2019 %	Price changes 2020/2019 %	Value changes 2020/2019 %
Crop output	31.238,2	-2.4	+1.9	-0.5
Animal output	15.446,5	+0.3	-2.6	-2.3
Agricultural goods output	46.684,7	-1.5	+0.4	-1.1
Agricult. Services	4.992,0	-3.8	+1.3	-2.5
Agricultural output	51.676,7	-1.7	+0.5	-1.2
Non-agricult. Second. Activities	4.441,4	-18.9	-0.4	-19.2
Total output	56.118,1	-3.3	+0.4	-3.0
Total intermediate consumption	24.833,3	+0.4	-0.6	-0.3
Gross value added	31.284,7	-6.1	+1.2	-5.0
Net value added	21.206,5	-8.5	+1.5	-7.1
Factor income	25.544,4			-5.9
Labour input (1000 FTEUs)	1.076,2			-2.4
Agricultural income indicator			-4.8	

Production subsidies received by the sector remained largely unchanged (+0.3%) after significant increases in recent years.

Factor income decreased by 5.9% in value and, consequently, the agricultural income indicator decreased by 4.8%

In 2020 Italian agriculture value added still at the top of the European ranking

In 2020, the agricultural sector recorded a decrease in production volume of 1.3% for all Eu27 countries. Looking at the main countries, the biggest drop was seen in Romania (-20.1%), while Italy (-3.3%), France (-2.6%) and Hungary (-2.1%) suffered significant losses. By contrast, production volume increased in Poland (+4.4%), Spain (+1.8%) and Denmark (+1.2%).

Producer prices (measured in basic price terms) were down for the Eu as a whole (-0.3%). The largest decreases were in Germany (-4.4%), the Netherlands (-2.9%) and Poland (-2.5%), while price increases were recorded in Romania (+7.7%) and Hungary (+6.3%).

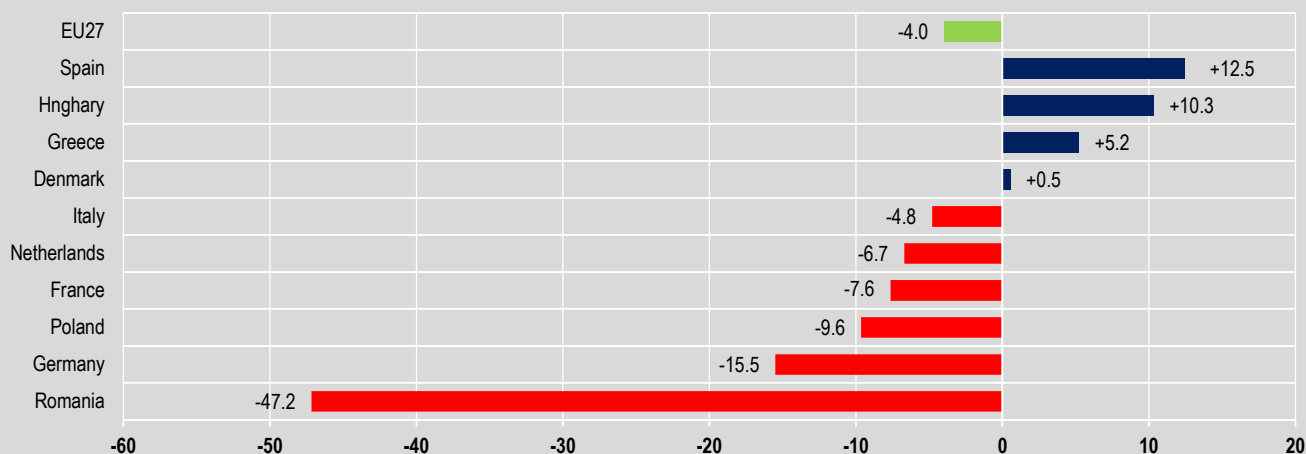
The ranking of production value at current prices for 2020 saw France in first place (EUR 75.4 billion), followed by Germany (EUR 56.3 billion), Italy (EUR 56.1 billion) and Spain (EUR 53 billion). In terms of value added, Italy remained in first place with 31.3 billion, ahead of France (EUR 30.2 billion) and Spain (EUR 29.3 billion).

As regards the impact of the Covid-19 pandemic on European agriculture, initial information seems to indicate that the drastic downsizing of trade activities and the difficulty in placing many products on the markets, with a consequent fall in prices, have had a major impact. Reports have been received on potato production and pig farms in Germany, mink farms in Denmark and nursery gardening in the Netherlands.

The trend of the agricultural income indicator A, which measures labour productivity in agriculture, showed a decrease for almost all major countries, in particular for Romania (-47.2%), Germany (-15.5%), Poland (-9.6%), France (-7.6%) and the Netherlands (-6.7%) while positive values were recorded for Spain (+12.5%), Hungary (+10.3) and Greece (+5.2%). Italy's value (-4.8%) was in line with the Eu27 average (-4%).

FIGURE 1. AGRICULTURAL INCOME INDICATOR FOR Eu27 AND MAIN EUROPEAN COUNTRIES

Year 2020, annual percentage changes



Glossary

Agricultural income indicator: is the so-called indicator A, defined by Eurostat as the value added at the cost of factors in real terms of agriculture per unit of work. The deflator used is that of GDP.

Base price: is the measure of the actual amount received by the manufacturer. It includes contributions on products and excludes product taxes and any trade and transport margins separately invoiced by the manufacturer.

Deflator: is the ratio between an aggregate expressed in nominal terms and the same expressed in real terms. It indicates how much of the growth of the aggregate, expressed in nominal terms, is attributable to price changes.

Gross salaries: include salaries, salaries and ancillary skills, in cash and in kind, gross of tax and social security deductions, paid to employees directly and on a regular basis, as established by contracts, company agreements and legal regulations in force.

Income from employment: is the cost borne by employers as remuneration for the work performed by workers employed by them. The aggregate of compensation of employees includes both gross salaries and social contributions, be they actual and/or figurative.

Labor Units (Ula): are a measure of employment with which part-time jobs (part-time work contracts and second activities) are reported in full-time work units. The work units are calculated net of the redundancy fund.

Market ratio: in this context, the market ratio of agriculture is measured by the ratio between the index of producer prices of agricultural products (output) and that of intermediate consumption prices (input) for domestic producers.

Value added at basic prices: it is the difference between the value of the production of goods and services and the value of the intermediate costs incurred for this production. Production is valued at basic prices, ie net of taxes on products and gross of product subsidies and intermediate costs at purchase prices. Corresponds to the sum of production factors and depreciation.

Methodological note

The Economic Accounts of Agriculture

The Economic Accounts of Agriculture (CEA) provide an overview of the activity of the sector. From the agricultural accounts derive economic trends by product, changes in basic prices and production volumes by product groups and by production sector. The data are processed according to the methodologies established by the European system of national and regional accounts (Sec 2010) and concern economic aggregates such as production, intermediate consumption, value added and agricultural income.

The data has a high level of detail, both territorial and product. The methodology used complies with the guidelines recommended by Eurostat. In this Report the data relating to the central framework of the National Accounts are presented and analyzed in the first part, while in the second part those relating to the Account Satellite of Agriculture prepared for Eurostat international comparisons (Eu27).

The two accounts present some differences: the Agriculture Satellite Account does not include the activities of family gardens, small farms and some service activities while it provides information on the inclusion, among agricultural activities, on the production of wine and olive oil processed by cooperatives (which, instead, is not included in the National Accounts as it is attributed to the beverage industry). In the case of wine, for example, the economic value of production is divided into Ateco 01.21.00 (cultivation of grapes and production of wine from own grapes) and Ateco11.02.10 (production of table wine and quality wines produced in specific regions) where wine cooperatives and wine industry are included.

The value of agricultural production

For the definition of the production value, the "quantity by price" method is used. It is obtained by multiplying the quantities of the products by their average annual unit price. This method provides the completeness of the estimates as more than 170 products and activities covering the entire production of the agricultural sector are considered. Calculation procedures are extremely detailed and include every type of product at the 4-digit level of the Nace Rev.2.

The quantities are detected starting from the survey "Estimation of surfaces and production of agricultural crops": the survey includes details at provincial level and measures the surveyed areas, the average yields per hectare, the total production and the collected production and complies with the European Regulation 543/2009. Prices are collected through a specific survey called "Monthly survey of producer price of products sold by farmers" with details for each province; the survey takes into account the seasonality of productions and excludes imported products. There recorded average prices (to the producer) are then increased by any contributions and adjusted with taxes on products, thus obtaining the basic prices. Using the basic prices, the "quantity by price" method enables to have the production value for each product. For other types of production, such as farms, the quantities (which also take into account ongoing production) are derived from specific surveys of a corporate nature: the most relevant are those on slaughterhouses for butchered meat and that on dairy farms for the conferment of milk to the dairy industry. This information makes it possible to extend the quantity by price method to the evaluation of livestock production.

A similar consideration concerns the estimates of other production aggregates such as secondary activities and support activities. For example, in the estimates of the agritourism the surveys on presence and flows in agritourism companies and on the movement of customers in hotel facilities are taken into account; these estimates are then compared with the evaluations of the sector organizations and with the VAT declarations of the agricultural sector.

Another example concerns the production of electricity from renewable sources (photovoltaic, biomass, biogas) which is estimated starting from the data relating to the energy produced expressed in KW/h for the main sectors of economic activity (agriculture, industry, services) taken over by the Energy Services Manager (GSE). The quantities of energy produced by the agricultural sector are then valued through the average sale price including any aid.

The intermediate consumption of agriculture

The estimate of intermediate consumption of the sector is processed through a methodology attributable to the "quantity by price" approach. In addition to the consolidated cost components (for example technical means such as feed, fertilizers, seeds and phytosanitary), new types of farm costs such as insurance for structures and animal husbandry, bottling, marketing of the wine produced on the farm, packaging related to the first processing of the products and preparation for the markets, routine maintenance for photovoltaic systems and biogas plants, maintenance of parks and gardens, other minor expenses related to farm tourism and related activities and finally the expenses related to other support activities have been included.

The used sources range from specific surveys on technical means, to the monthly survey on prices of products purchased by farmers, and to the Rica-Rea sample survey, which provides basic microeconomic information on farms and includes a specific questionnaire section on costs.

References

News and in-depth information on "News in agricultural accounts -The revision of the national and regional accounts of agriculture and the changes made with the introduction of the Sec 2010" are available at <http://www.istat.it/it/archivio/162712>.

Information on national accounts (annual and quarterly) and on institutional, territorial and environmental accounts is available at <http://www.istat.it/it/conti-nazionali>. Detailed data at European level are available at <http://ec.europa.eu/eurostat/data/database> under the theme "Agriculture, forestry and fisheries"/"Agriculture"/"Economic Accounts for Agriculture".

For technical and methodological clarifications

Alessandra Agostinelli

agostine@istat.it

Paolo Panfili

panfili@istat.it