

AGRICULTURE PRODUCTION

Flash Estimate 2004 and Forecast 2005

October 2004

Domestic Market

Basic Information

ISMEA quarterly estimations and forecasts regarding *tendency growth rates* of real Agriculture Production have been updated, on the bases of data and information as of mid-October 2004.

Estimates on total Agriculture Production are function of Crops and Livestock Productions trends during the 2004 (1). It is important to highlight that for many products related to Crops Production provisional estimates have been used, since harvest activities have just finished or are still in progress (such as wine, olive oil and citruses).

For Livestock Production, it was possible to estimate the production of the first two quarters of 2004, based on slaughtering and milk deliveries monthly data as of June. The third and the fourth quarter's trends are computed through ARIMA models.

Agriculture production: flash esteems 2004

ISMEA October 2004 revision confirms a strongly positive result for the entire Agriculture sector in 2004. Total **Italian Agriculture Production** increases by **6,5%**, at constant price. This tendency is mostly attributed to a high recover in crops production (**+11,9%**), against a little decrease in livestock production (**-0.5%**). The notable increases in 2004 total production derive, especially, from the comparison with 2003 results, which were extremely poor in terms of agricultural offer.

Positive crops production results have been favourably influenced by mid-year weather conditions. This had quite well balanced the losses of the previous year.

Agriculture Production: 2005 forecasts

According to ISMEA forecasts for 2005, based on conditions as of end-October, **Crops Production** should decrease starting from the first quarter and records a **-2.3%** on annual base. This result will be also due to the new PAC reform's effects. In the same period **Livestock production** should stay stable, with a slight increase of **0.3%** on annual bases. According to current information, the basic scenario for total agriculture production in 2005 should decrease by **-1.6%** on annual bases.

Crops Production

Quarterly 2004 estimations of Crops Production, which are based on main agriculture productions data, outline a strongly positive tendency, with increases going from 18% to 12% in the central part of the year.

The favourable weather conditions during the mid-quarters of the year aided most of agriculture productions. Crops with significant production increases are cereals (+25 %) and olive oils (+10%), but also fruits (+9.6%) and potatoes (+5.2%).

Official ISTAT datasets show notable increases for wheat (+30%) and

barley (+11%). Istat data evidence big jumps for maize (+23%) and soy (+25%) productions, which can be attributed to a generalized increase in yields. ISMEA experts, estimate an increase of 5% for rice production, based on information and foretaste from Ente Riso.

The total production for vegetables and potatoes should record a notable increase (+5%). ISMEA estimations, in particular, indicate a relevant increase in production for processing tomatoes (+10%). The total tendency for fruit production records an increase of 9.6%. Regarding to citrus, the production will increase by 2.5%, ISTAT source.

For wine sector, ISTAT data, as of end- September, estimates a 14% increase from the previous year.

The 2004 crops production, therefore, could be addressed as positive, after the one of 2003, which was characterized by an exceptional poor production

Finally, for olive oil, first ISMEA projections, based on specific field's surveys, report an increase of 4.4%.

Livestock Production

Total Livestock production records light decreases over all 2004 quarters. However, there are significant differences among sector's productions: the pig sector for 2004 should increase by 1.7% in slaughtering, the same trend is reported for beef slaughtering, with a +1.1% on annual bases (ISMEA forecast); milk deliveries show a substantial stability (-0.2%, Agea data) while a significant decrease is esteemed for aviculture slaughtering (-3% in the first five months).

Agriculture Employment: Istat updates survey methodology

This bulletin does not public ISMEA forecast on *Working Units* for the Agriculture sector. This decision is a direct consequence of ISTAT official note of September 28th, 2004. In this note ISTAT informs that Labour Force Survey is under revision and reconstruction (starting from the fourth quarter 1992), for the adoption of a new survey methodology from the first quarter of 2004. Moreover, the Survey will be subordinate to an ulterior revision based on populations' updates as of 1991 and 2001 Census. For this reason ISMEA forecasts on Working Units, will start again when the definitive historical series will be made available.

Methodological notes

ISMEA adopted the ISTAT definition included in the agricultural section of the National Accounts when producing quarterly estimates and forecast for the variables Production and Employment in Agriculture. That was done in order to produce relevant and comparable information for the users.

The quarterly estimates are obtained applying temporal disaggregation techniques to the annual series. Regarding the Agricultural Output, the related information comes from both the Crop (vegetables) and Animal (monthly slaughtering and deliveries) Production. The basic information from ISTAT is integrated with the internal sources from ISMEA. To estimate the Working Units the main reference is the "Labour Force Survey" carried out from ISTAT. A more detailed methodological note is available on ISMEA Website.

The methodology on quarter's estimates and flash forecasts are explicated in the [Methodological Note](#).

Glossary

Production at basic Prices: Basic prices are computed including products' contributions and excluding the relative taxes, in order to estimate a production value closer to producer real yield. As a result of the adaptation of new SEC (SEC95) from National Accounting statistics, production is now computed at basic prices and no more at market prices.

This work estimates Agriculture Production at basic prices, on constant price of 1995. This in order to observe real deviations filtered from prices' effect, which approximate variations in productive volumes.

Working Unit (ULA): The Working unit are the working position transformed in full time. They are equivalent to the sum of the full-time position plus the part-time position on which is applied a transformation coefficient. This coefficient is given dividing the effective part-time worked hours in a specific sector by the corresponding full-time worked hours.

Tendency Growth Rates: Tendency growth rates are computed comparing the value of the quarter by the corresponding value of the same quarter of the previous year.

Raw Growth Rates: Raw Growth Rates are computed on data non seasonal or working days adjusted.

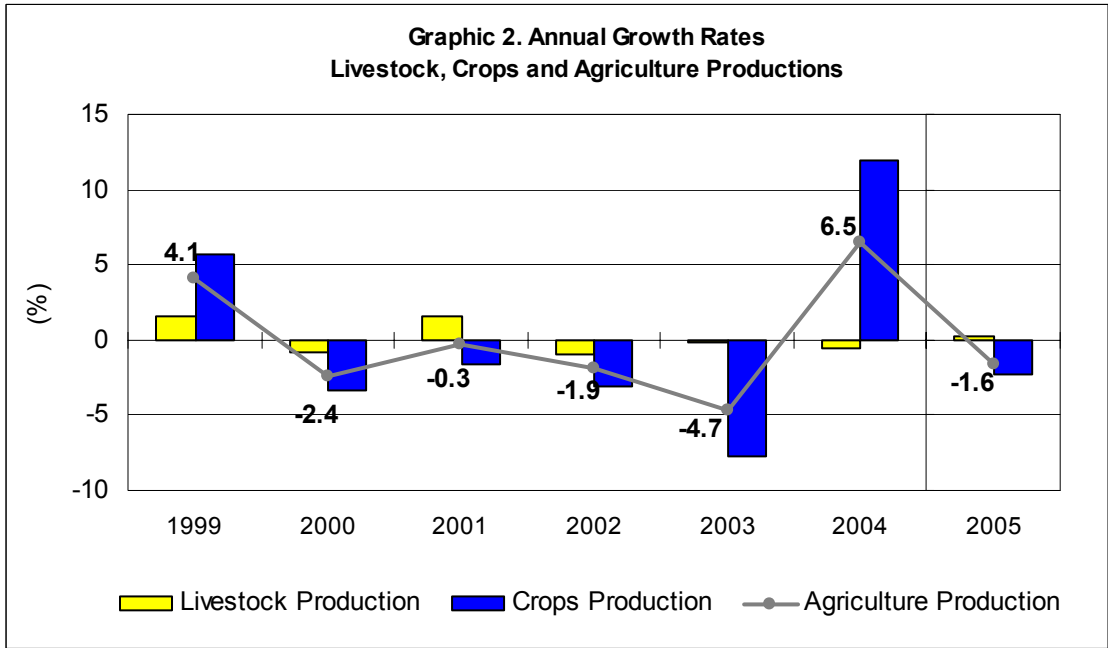
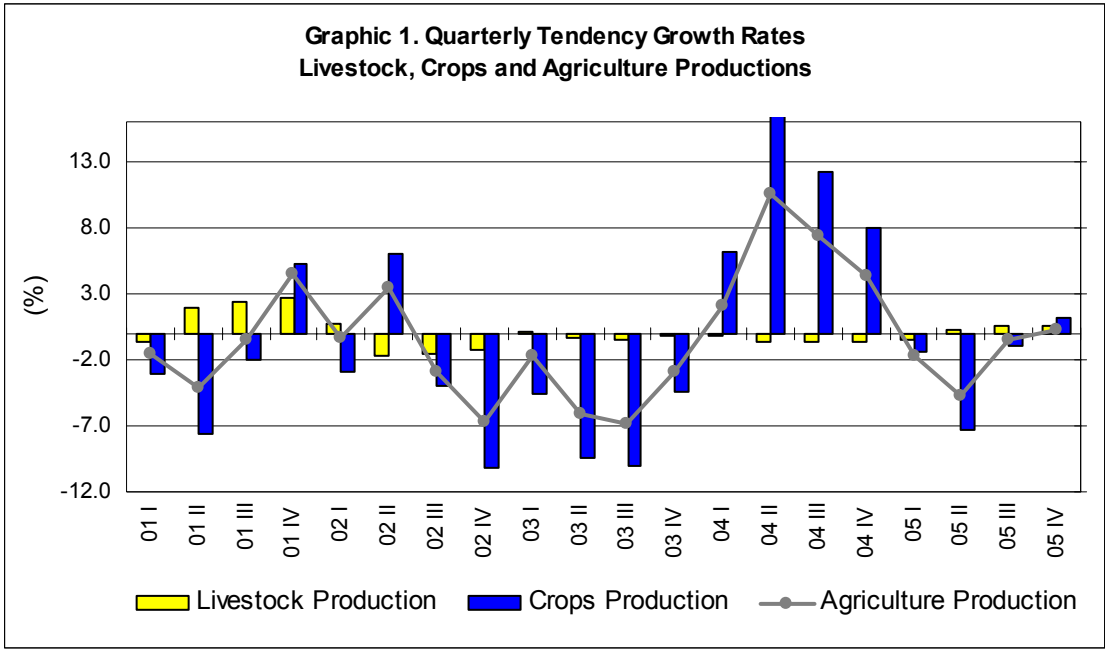


Table 1: Quarterly Production and Employment
(raw tendency changes)

	<i>Production at basic Prices, Constant Prices 1995. Percentage changes over the same quarter of the previous year</i>		
	Livestock Production	Crops Production	Total Production
03 I	0.1	-4.7	-1.7
03 II	-0.3	-9.5	-6.0
03 III	-0.5	-10.1	-6.8
03 IV	-0.2	-4.4	-2.9
04 I	-0.2	6.1	2.1
04 II	-0.6	18.0	10.5
04 III	-0.7	12.3	7.4
04 IV	-0.7	7.9	4.4
05 I	-0.5	-1.4	-1.7
05 II	0.3	-7.3	-4.7
05 III	0.6	-1.0	-0.4
05 IV	0.6	1.2	0.3

Table 2: Annual Growth Rates

Year	<i>Production at basic Prices, Constant Prices 1995</i>		
	Livestock production	Crops Production	Total Agriculture Production
1999	1.6	5.7	4.1
2000	-0.8	-3.4	-2.4
2001	1.6	-1.7	-0.3
2002	-1.0	-3.0	-1.9
2003	-0.2	-7.7	-4.7
2004	-0.5	11.9	6.5
2005	0.3	-2.3	-1.6

N.B. The forecasted values are those under the line, they are obtained through ARIMA models.

(1) Final data are based on the information as of October 15th, 2004

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