



gLOCAL
EVALUATION WEEK
2021

MAY 31 - JUNE 4

Sharing local and global
M&E knowledge

The impacts of COVID-19 on the Italian Agriculture & Food sector

what can we learn to build forward better more resilient and
sustainable food systems?

June 4°, 2021

Annalisa Zezza – Federica Demaria

*CREA Centro di Ricerca
Politiche e bioeconomia*

- One year+ after the COVID-19 pandemic started, the **global economy is still trying to cope.**
- Main strategy worldwide has been the implementation of **varying lockdowns and restrictive measures** – these heavily disturbed the HoReCa (Hotel/Restaurant/Catering) sector, local retailers, and daily life
- A variety of measures implemented by the EU and at MS level, to **maintain the ability of firms to continue production and ensure their financial viability**, but also **restricting the movement of workers.**
- Initiatives aimed at **providing social safety nets and financial liquidity in agriculture** were also put in place.

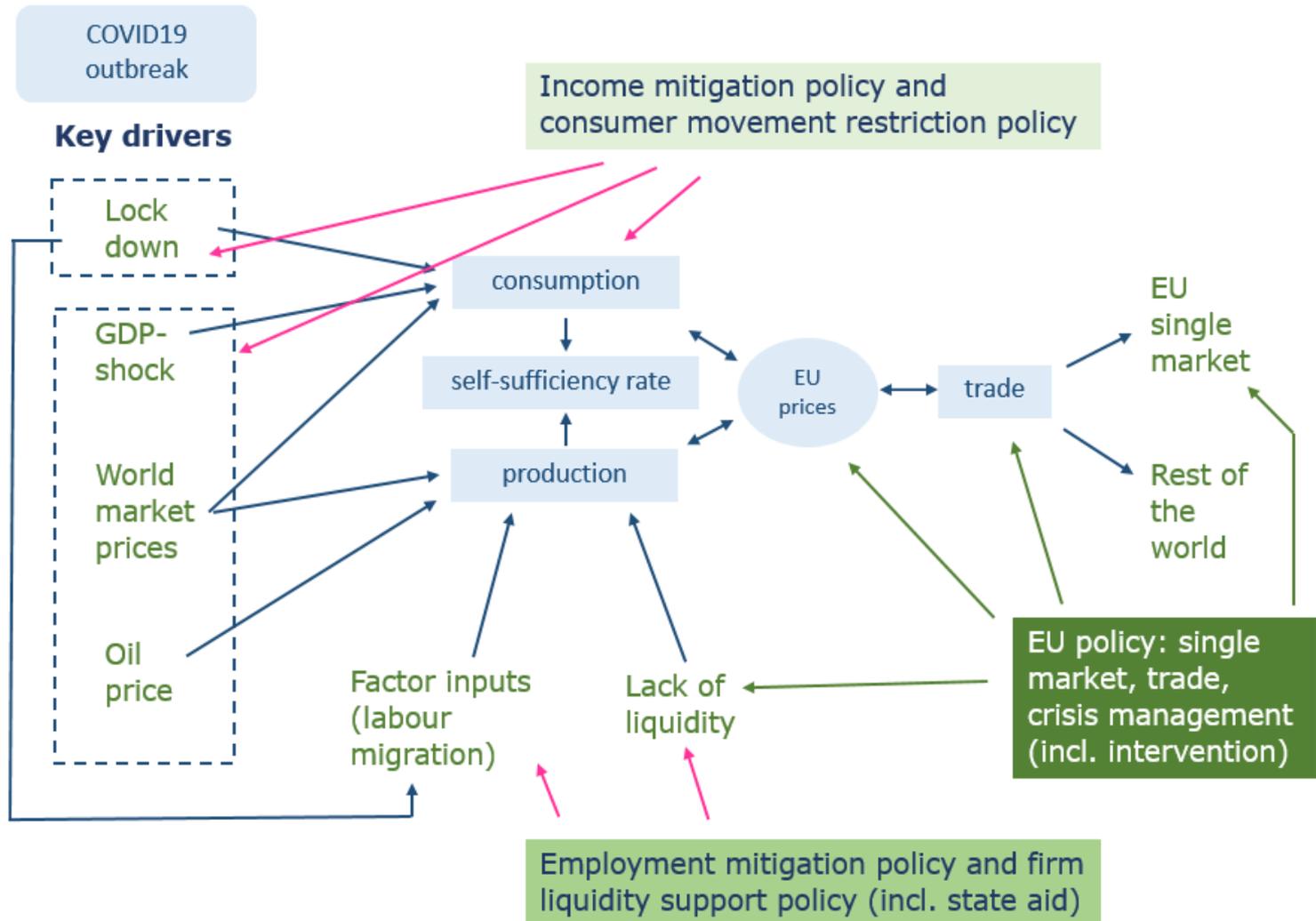
- Since March 2020, different global economic outlooks reported on the **COVID-19 impact on GDP** (World Bank, 2020; IMF, 2020; OECD, 2020a).
- However, little/no outlooks exploring potential **consequences of the pandemic at country and sector levels**.
- To fill this gap CREA used AGMEMOD (**Agricultural Member State Modelling**), to explore potential economic consequences for agriculture of alternative mid-term recovery pathways, in EU MS.
- E.g. Italy.

- **AGMEMOD: a dynamic, partial, multi-country, multi-market equilibrium system representing main agricultural sectors in each EU Member State.**
- **Model incorporates e.g. behavioural responses of economic agents to changes in agricultural prices and policy instruments.**

Approach

Driver captured through expert information

Drivers included in the AGMEMOD model as specific scenario input



- Simulation exercise explores three scenarios:
(i) **baseline**; (ii) **optimistic**; (iii) **pessimistic**
- Baseline scenario consistent with expected economic developments for the period 2020-2022 (World Bank, 2021) for the Euro Area.
- Euro Area disaggregated into single Member States, using OECD criteria (2020a) to the aggregate figures.
- For 2023-2030, assumption is the economy will grow at the same 'speed', (rate of growth), as if the COVID-19 outbreak did not happen.

GDP developments, rate of growth (%)

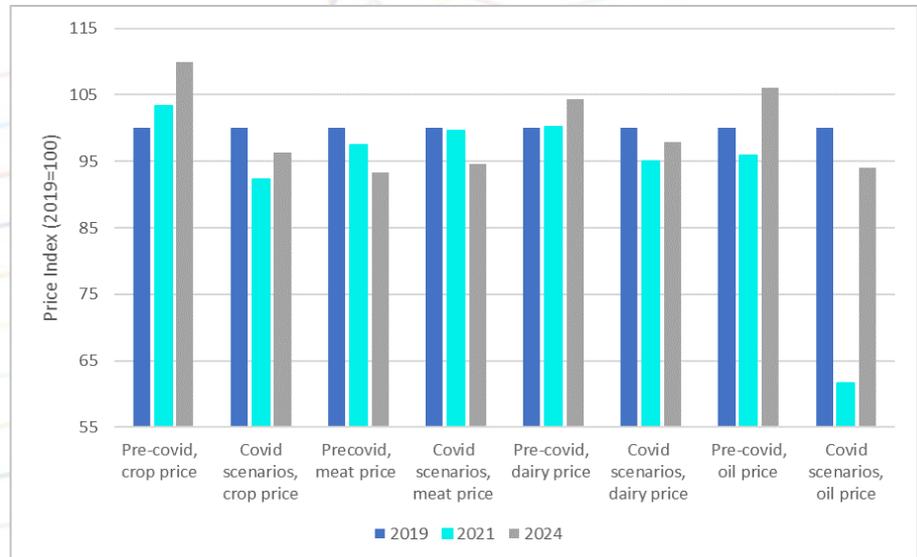
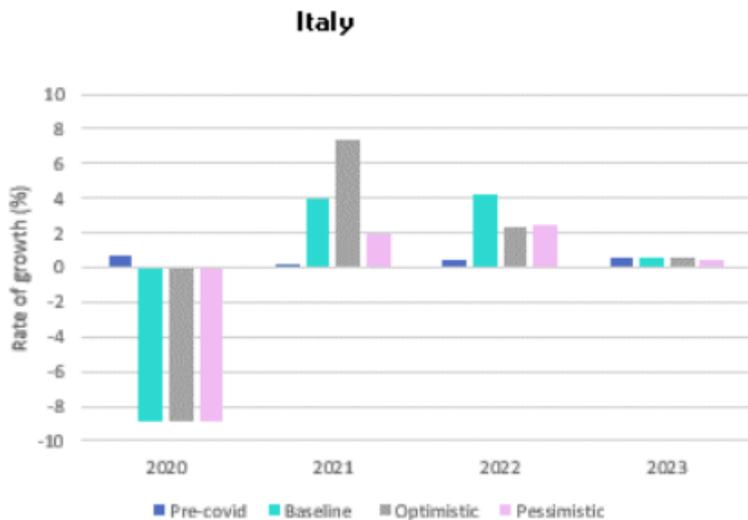
Scenario	2020	2021	2022	2023
Pre-covid	2.35	1.85	1.98	2.04
Baseline	-6.85	3.76	3.91	2.04
Optimistic	-6.85	7.88	2.91	2.04
Pessimistic	-6.85	1.88	2.26	1.43

Other important scenario inputs are **world market prices, oil price, inflation, and exchange rates.**

In the three cases, the expected developments for oil price and exchange rates for the period 2020-2022 are taken from the **OECD Economic Outlook (OECD, 2020a).**

The developments for world market prices indicate **a return to the pre-COVID level by 2025.**

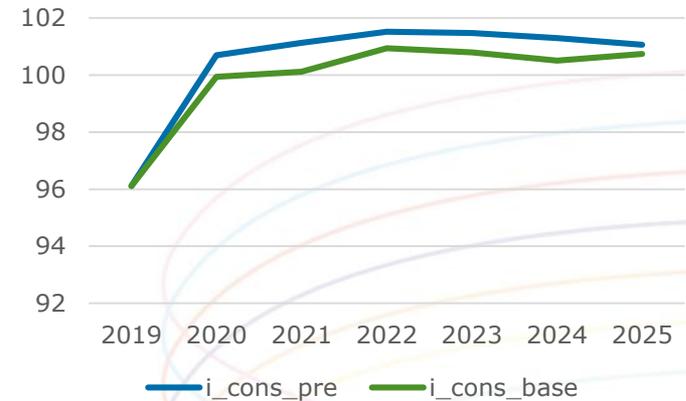
World Market Prices



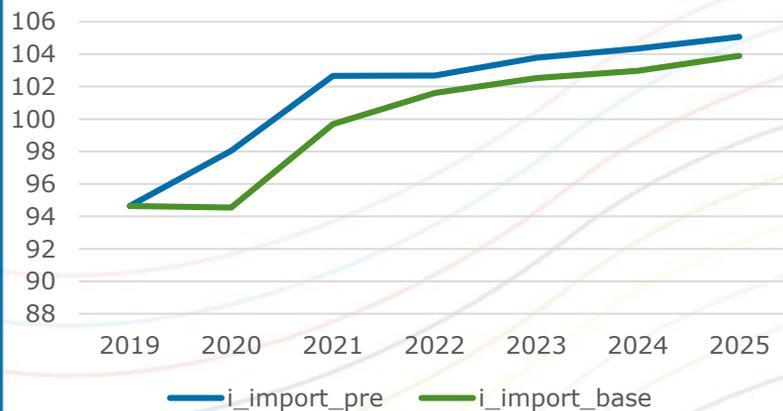
- In 2020, **the Italian GDP showed a marked contraction (-8.8%)**.
- Total or partial closure of restaurants and *cantinas* impacted differently along the various supply chains. **Wine, fish and horticulture sectors suffered the most.**
- However, **an improvement in the agri-food trade balance was registered** by the end of 2020. Compared to 2019, the **trade surplus exceeded 3 billion euros**, given the stability of exports and a 5.1% decrease in imports.
- Exports of pasta, rice, olive oil and tomato preserves increased, while the decline in imports mainly affected cereals, fish products, baked goods, and cheeses.

Scenario simulations of **meat products** showed an **increase in internal demand in 2020**, leading to a higher self-sufficiency rate. The simulated scenarios suggest that per capita consumption could stabilize by 2022.

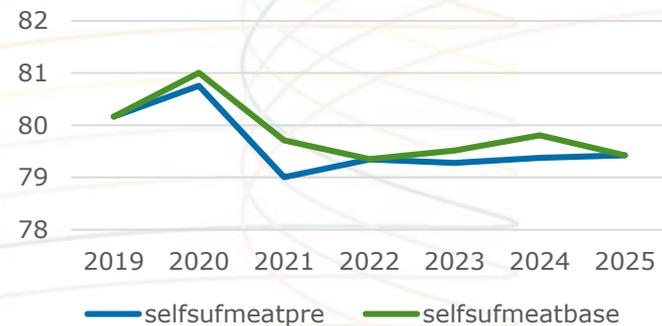
Meat Consumption



Meat Imports

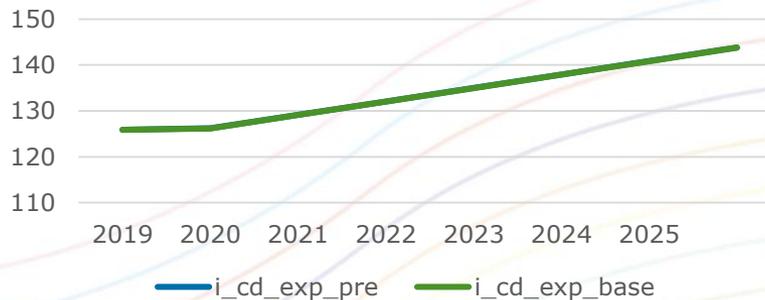


Self sufficiency rate meat total

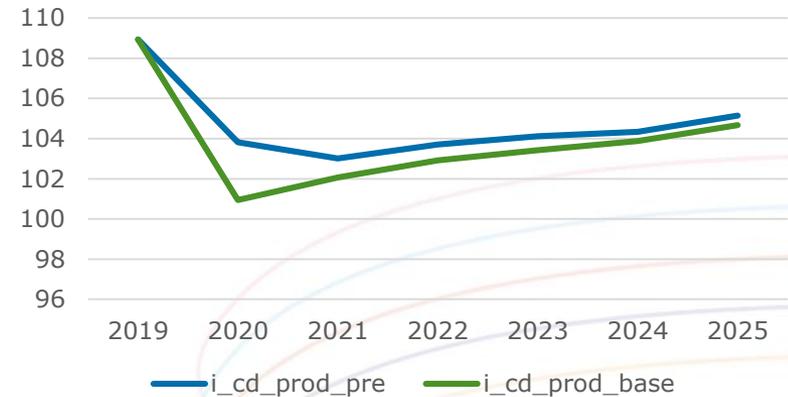


A decrease in internal production of **cheese** led to an **increase in imports and to lower exports**, when pre-covid baseline is compared with the pandemic situation.

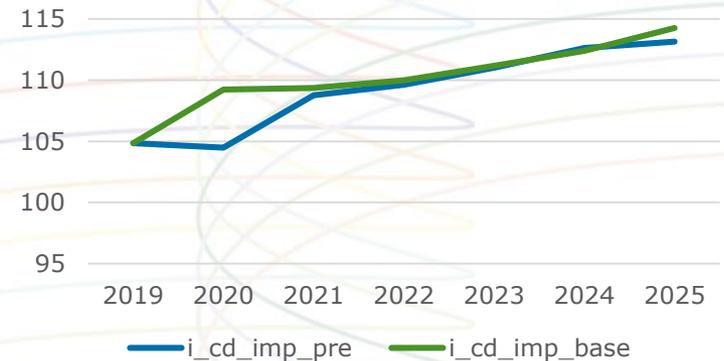
Cheese Export



Cheese production



Cheese Import



Regarding **crops**, the available data for 2020 confirms the simulation results, with marginal changes when comparing the pre-COVID baseline with the pandemic situation.

Nevertheless, the decrease in prices for the three sectors raises some **concerns regarding the impact on farm incomes**. For the three commodities prices are expected to return to pre-COVID levels only by 2025.

- Model outcomes and insights of country experts confirm that **the agriculture sector has been quite resilient**
- **Limited impact of the income shock** due to the low-income elasticity of food products, and the **policy support** implemented to mitigate the employment destruction and the overall economic collapse.
- **Trade flows** contributed to buffer domestic market disruptions. Nevertheless, prices of certain products notably reacted to market disruptions.
- **Partial closure of food services** has imposed a **variety of challenges for producers and food processors** who had to react quickly to supply the 'private' kitchens of consumers who were more concerned than ever about adopting a healthy diet .

A growing uncertainty

- Although we introduced two extreme scenarios for sensitivity analysis, we are well aware that **hypotheses are subject to increasing uncertainty**
- Oil prices have recovered substantially and are currently above pre-pandemic levels. The FAO Food Price Index is currently at its highest level since June 2014 and commodity prices may exert inflationary pressure on the global economy this year and probably beyond.

- **Changes in consumption models and diets**
- **Zoonosis (AFS)**
- **Climate change**
- **New technologies**
- **Trade agreements**
- **Self-sufficiency policies and protectionist waves**



 **Thank you for your attention!**