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FAOSTAT ANALYTICAL BRIEF 7

# Agricultural investments and capital stock

## HIGHLIGHTS

- **Globally, between 2010 and 2017, Gross Fixed Capital Formation in agriculture increased by about 29 percent, from \$477 to US Dollars 617 billion in constant 2010 USD.**
- **Aggregate physical investments are growing overtime globally, but growth rates and trends differ across regions and countries.**
- **Agricultural investment rates grow faster in high-medium income countries, the agricultural sector is less capital-intense in low income countries.**

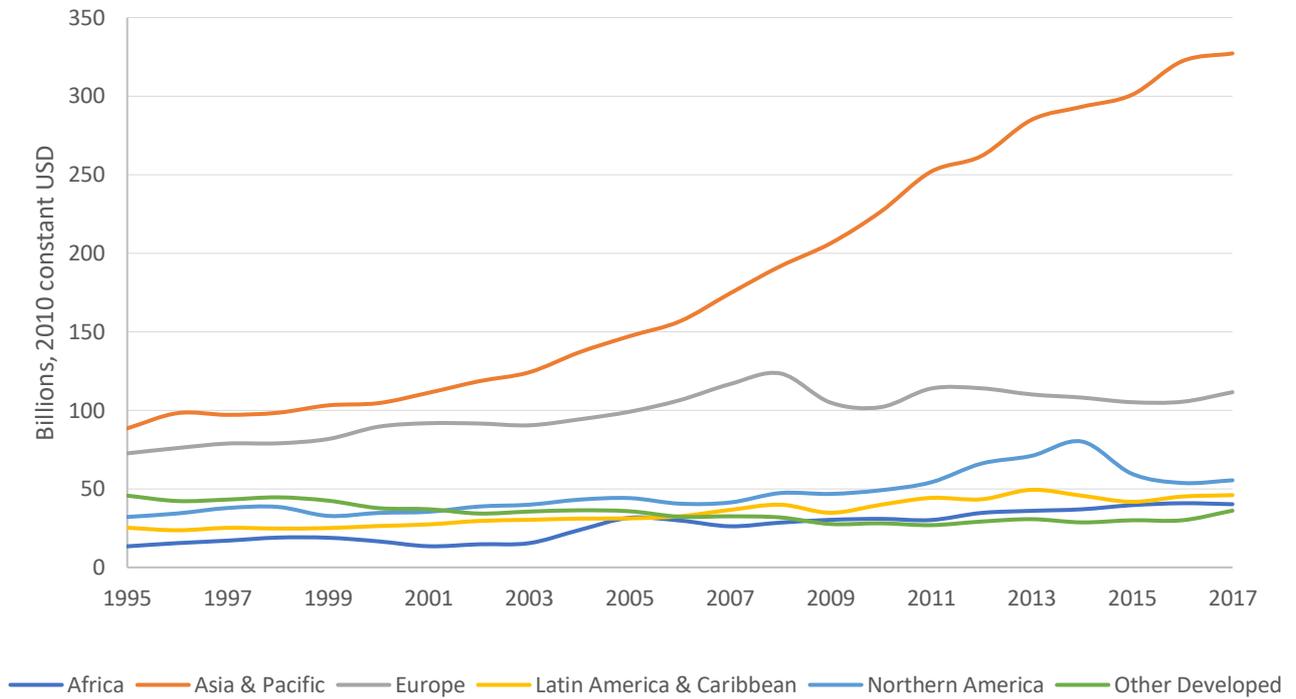
## FAOSTAT AGRICULTURAL INVESTMENT AND CAPITAL STOCK

### GLOBAL AND REGIONAL TRENDS IN AGRICULTURE GROSS FIXED CAPITAL FORMATION AND NET CAPITAL STOCK

Annual flows of physical investment in the agriculture sector almost doubled in Asia and the Pacific over that period (+44.5 percent) and increased remarkably in Africa (+30 percent) and the Japan, Australia and New Zealand (28.6 percent). Slower increases are recorded in the remaining regions, with agricultural investment flows increasing by about 15 percent in Latin America and the Caribbean, 13 percent in Northern America and 9 percent in Europe (Figures 1 and 2).

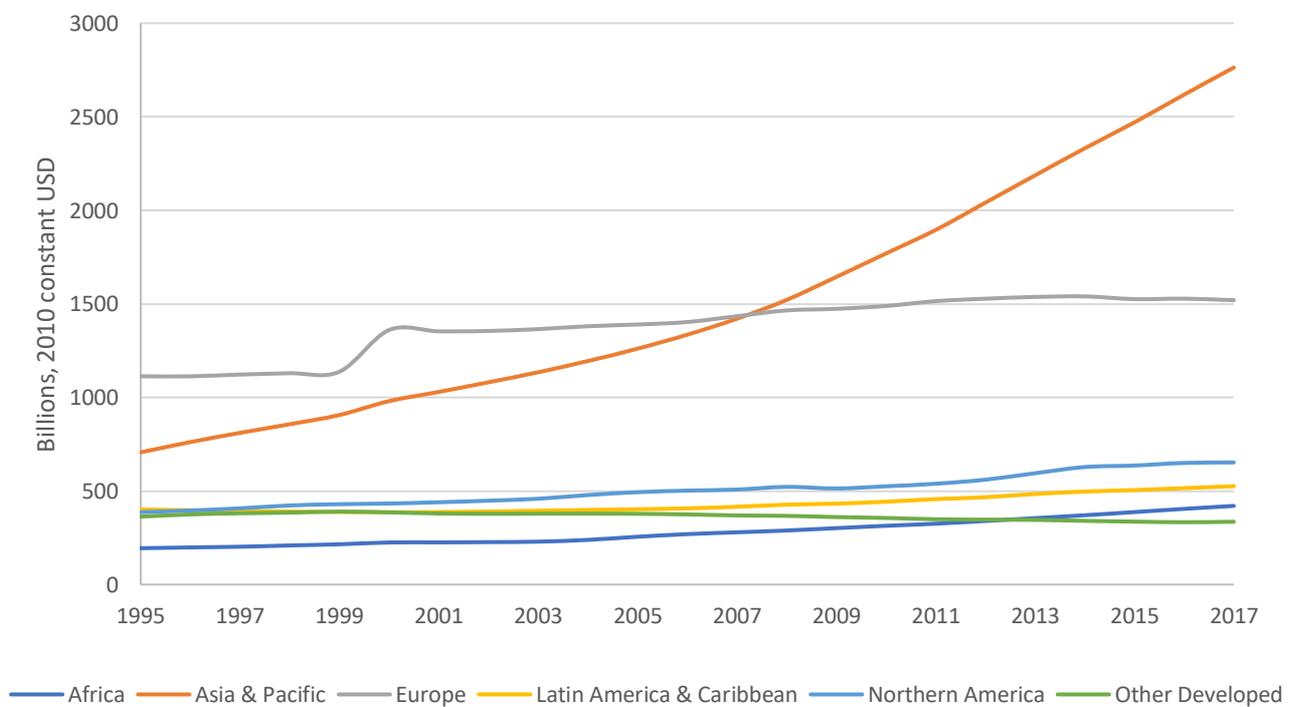
The agricultural investment ratio improved in the 2010–2017 period, increasing by about 16 percent, following a growing trend (Table 1). At the regional level, investment ratios present a global upward trend, with the exception of Japan, Australia and New Zealand. In Africa, the Agricultural Investment Ratio (AIR) raised from 9 percent to 10 percent, while in Asia and the Pacific and in Latin America and the Caribbean it remained stable. More sustained growth is recorded in Northern America, from 20 percent to 22 percent, and Europe. In the Japan, Australia and New Zealand, instead, the AIR fell slightly, from 31 percent to 27 percent.

**Figure 1. Gross fixed capital formation in agriculture – Regional aggregation**



Source: FAO, 2020.

**Figure 2. Net capital stock – Regional aggregation**



Source: FAO, 2020.

**Table 1. Average of the annual Agricultural Investment Ratio – Regional aggregation**

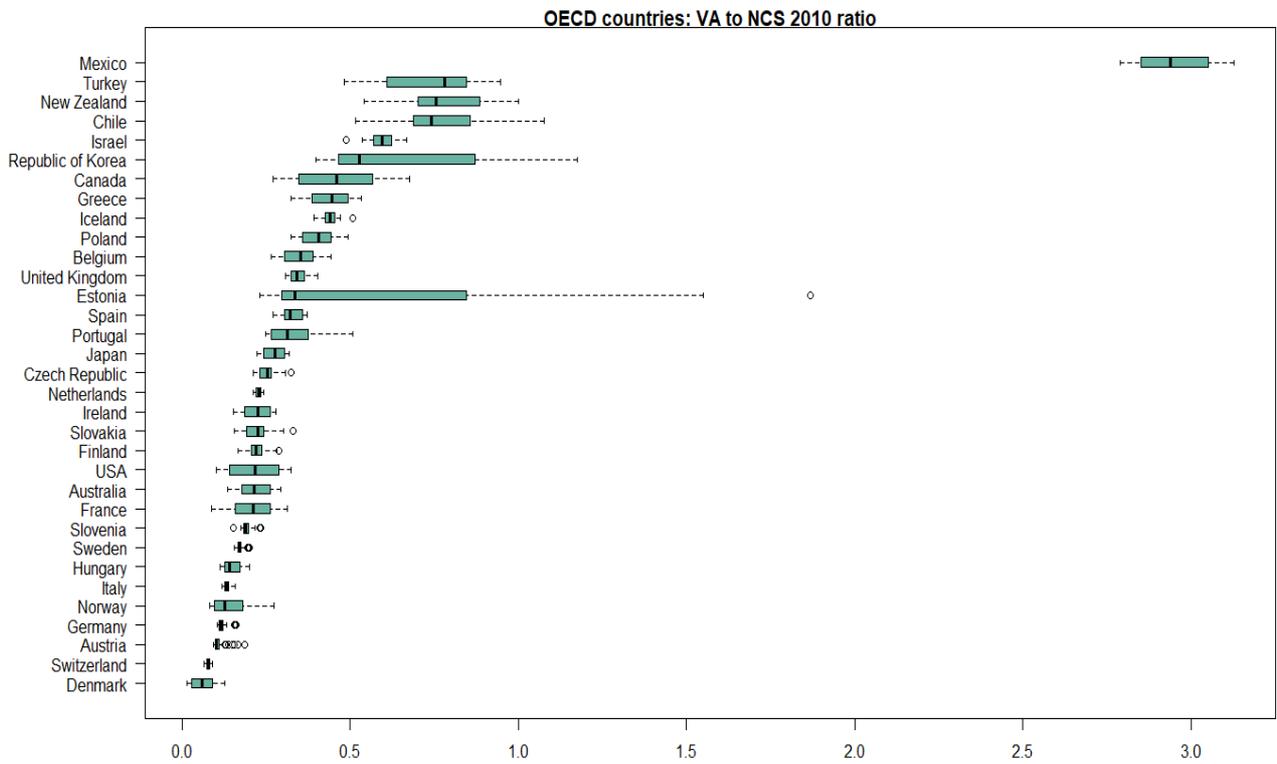
Annual average AIR	1995-2001	2002-2009	2010-2017	1995-2017
Africa	0.10	0.09	0.10	0.10
Asia & Pacific	0.10	0.10	0.11	0.10
Europe	0.29	0.32	0.35	0.32
Latin America & Caribbean	0.11	0.10	0.11	0.11
Northern America	0.21	0.20	0.22	0.21
Other Developed	0.31	0.31	0.27	0.30
Global	0.14	0.15	0.16	0.15

Source: FAO, 2020.

Despite lower average growth rates in physical investment flows compared to Asia, developed economies continue to present higher investment ratios, resulting in more capital-intensive agriculture sectors than the low-income countries.

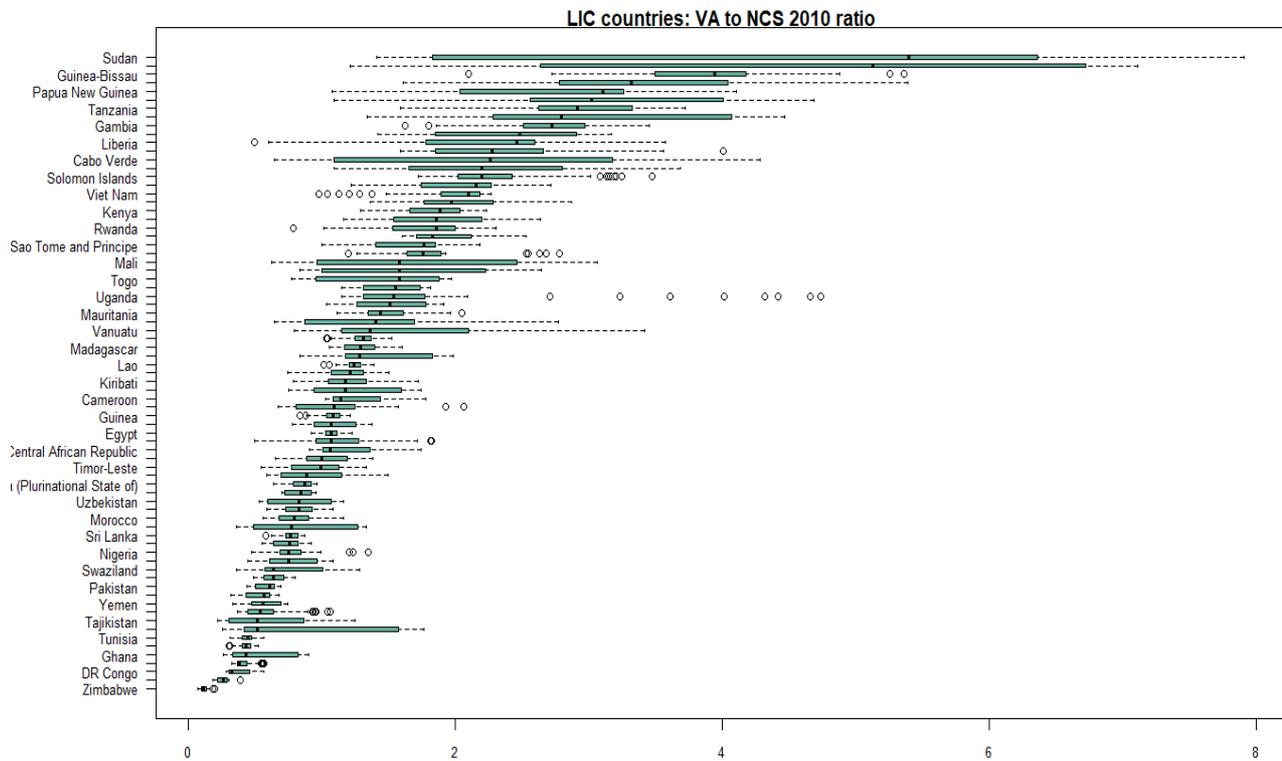
The value added to net capital stock (VA-to-NCS) ratio in agriculture, by capturing how many units of value added in agriculture is generated from each unit of capital stock, indicates a level below one in Organisation for Economic Co-operation and Development (OECD) countries, meaning that the agricultural production is heavily mechanized (Figure 3). A rightward shift of the boxplots is observed, instead, for low- and lower middle-income countries with a VA-to-NCS ratio above one for many of them, indicating a less capital-intense agricultural sector (Figure 4).

Figure 3. Index of value added to net capital stock ratio for OECD countries



Source: FAO, 2020.

Figure 4. Index of value added to net capital stock ratio for low income countries



Source: FAO, 2020.

### TECHNICAL COMPUTATION PROCEDURE

The FAO Capital Stock Database reports on aggregate physical investment flows and capital stock in agriculture, forestry and fishing for 190 countries and territories from 1995 to 2017. Variables contained in the database are Gross Fixed Capital Formation (GFCF), Net (or Wealth) Capital Stock (NCS) and Consumption of Fixed Capital (CFC), measured according to the methodological and computational concepts of the System of National Accounts (SNA) 2008. Whenever available, the database integrates official national accounts data harvested from United Nations Statistics Division (UNSD) and/ or the OECD.

Only a subset of the member countries reports official data on all required variables for the reference period of the dataset. When information is not available, or is only partially available from

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