



Analysis of the agricultural sector 2011-16

30 November 2016

Banco de Portugal updates today the [Central Balance Sheet Study | 11 – Analysis of the agricultural sector](#), which analyses the economic and financial situation of enterprises in the agricultural sector¹ between 2011 and 2016.

This study was published for the first time in 2012, with information for the 2007-12 period.

Results are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and economic activity segment ('agriculture', 'agricultural products industry' and 'agricultural products trade'), and compared with results for total enterprises.

Structure and dynamics

The number of enterprises increased. SMEs were more significant in terms of turnover and number of employees

In 2015 the agricultural sector comprised 9 per cent of enterprises in Portugal (35,000 enterprises), accounting for 14 per cent of turnover and 9 per cent of the number of employees. Compared with 2011, the share of the agricultural sector in total enterprises posted marginal changes. Nevertheless, the sector's dynamic compared favourably with that of total enterprises: the share of the sector increased by 1.0 percentage points (p.p.) in terms of the number of enterprises and turnover and 0.4 p.p. regarding the number of employees.

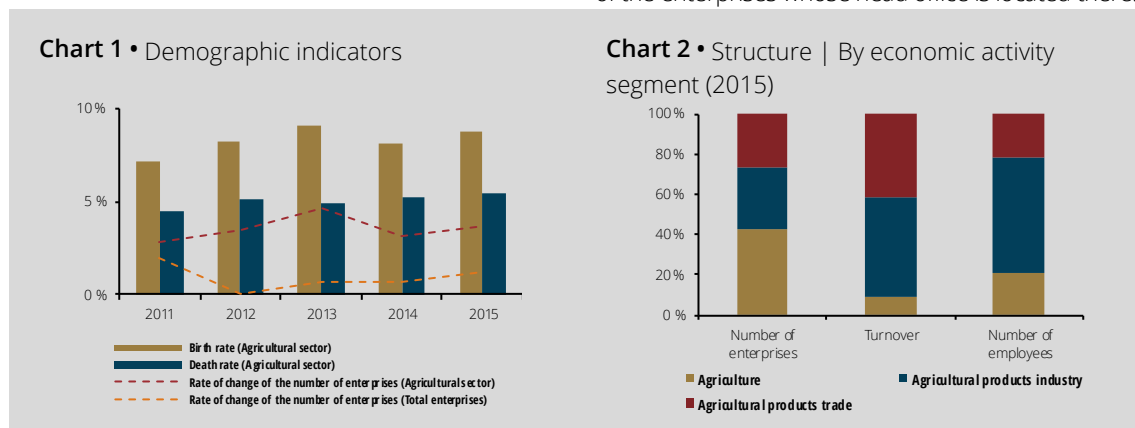
In 2015 the number of active enterprises in the

agricultural sector grew by 3.7 per cent from the previous year, 2.5 p.p. more than in total enterprises (Chart 1). For each enterprise in the sector ceasing activity, 1.7 new enterprises were created. The birth/death ratio was 0.5 p.p. higher than in total enterprises.

'Agriculture' accounted for 43 per cent of the sector's enterprises. The largest share of turnover was associated with the 'agricultural products industry' (49 per cent), followed by 'agricultural products trade' (42 per cent). The 'agricultural products industry' was also the most significant segment in terms of the number of employees (57 per cent) (Chart 2).

The sector was mostly comprised of microenterprises (85 per cent). However, SMEs, which represented 15 per cent of enterprises, accounted for the largest share of turnover (53 per cent) and the number of employees (57 per cent). Moreover, SMEs were more significant in the agricultural sector than in total enterprises. Large enterprises, although negligible in terms of the number of enterprises (0.3 per cent), aggregated 34 per cent of turnover and 18 per cent of the number of employees (Chart 3).

The Lisbon and Porto districts accounted for 27 and 13 per cent of the sector's turnover respectively. Turnover dispersion across other districts was more substantial in this sector than in total enterprises. The agricultural sector was more important in the Portalegre district, aggregating 49 per cent of turnover of the enterprises whose head office is located there.



Activity and profitability

Growth of the sector's turnover has been chiefly driven by the internal market

The agricultural sector's turnover increased by 3 per cent in 2015 from 2014 (2 per cent in total enterprises). Turnover grew across all size classes (4 per cent in large enterprises, 3 per cent in SMEs and 1 per cent in microenterprises) and economic activity segments (9 per cent in 'agriculture', 4 per cent in the 'agricultural products industry' and 1 per cent in 'agricultural products trade').

The internal market has led developments in the sector's turnover (except for 2012 and 2013, when the external market made a greater positive contribution) (Chart 4). The export sector² comprised 6 per cent of enterprises, 29 per cent of the number of employees and 35 per cent of turnover of the agricultural sector's enterprises in 2015, similarly to that seen in total enterprises (6 per cent, 24 per cent and 37 per cent respectively).

The agricultural sector's EBITDA increased by 19 per cent in 2015 (25 per cent in total enterprises), following the recovery trend seen over the past three years (Chart 5). Large enterprises and the 'agricultural products industry' made the largest contributions to EBITDA growth in 2015 (14 p.p. and 15 p.p. respectively). Over that year, 54 per cent of the agricultural sector's enterprises posted positive changes in EBITDA compared with 2014 (similarly to total enterprises). The share of enterprises with negative EBITDA in the agricultural sector was of

30 per cent in 2015, i.e. lower than in 2014 and in total enterprises (32 and 33 per cent respectively).

Profitability was higher than in total enterprises

In 2015 return on equity in the agricultural sector increased by 2 p.p. from the previous year, to 8 per cent. This profitability was higher than in total enterprises (7 per cent), as has been the case since 2011 (Chart 6). The 'agricultural products industry' had the highest profitability (10 per cent), followed by that in 'agricultural products trade' (7 per cent).

The sector's operating margin (EBITDA/Revenue) amounted to 8 per cent in 2015, i.e. 2 p.p. below that in total enterprises. In turn, the net margin (Net income/Revenue) was similar to that of total enterprises (3 per cent) (Chart 7). The sector's operating and net margins in 2015 were above those seen in 2011, as was the case in total enterprises. By economic activity segment, 'agriculture' and the 'agricultural products industry' were the most significant in terms of the operating margin (13 and 11 per cent in 2015 respectively). The 'agricultural products industry' posted the highest net margin (5 per cent).

Financial situation

The capital ratio was higher than in total enterprises. Interest-bearing debt accounted for half of the sector's liabilities

In 2015 the agricultural sector's capital ratio stood at 39 per cent (32 per cent in total enterprises), i.e. 2 p.p. more than in 2011 (Chart 8). The sector's average capital ratio in 2015 was, however, higher than that for,

Chart 3 • Structure | By size class (2015)

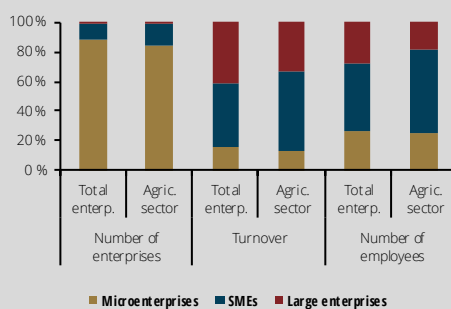


Chart 4 • Turnover | Contributions from the external and internal markets (p.p.) to the annual growth rate (per cent)

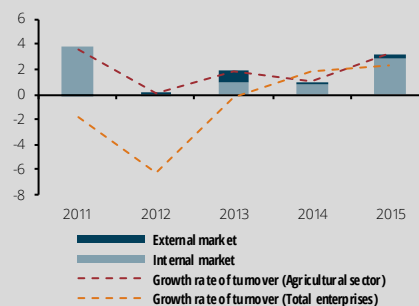


Chart 5 • EBITDA | Annual growth rate

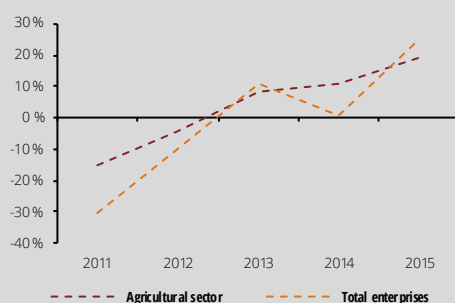
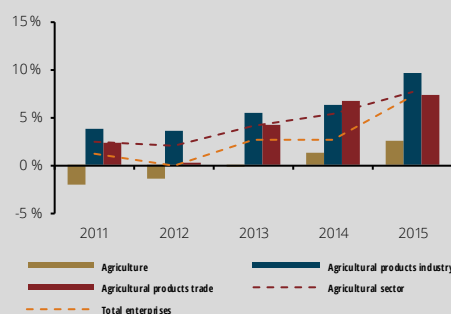


Chart 6 • Return on equity



at least, half of its enterprises (28 per cent). This average indicator was higher in larger enterprises: 44 per cent in large enterprises, 40 per cent in SMEs and 31 per cent in microenterprises. The 'agricultural products industry' was noteworthy, with the highest capital ratio (42 per cent), followed by 'agriculture' (38 per cent) and 'agricultural products trade' (33 per cent).

The sector's liabilities decreased by 1 per cent in 2015, following the same trend as total enterprises (a 3 per cent decrease). This reduction in the sector's liabilities was largely due to the negative contribution from debt securities (1 p.p.) (Chart 9).

In 2015 interest-bearing debt accounted for half of the agricultural sector's liabilities (58 per cent in total enterprises), chiefly due to bank loans (27 per cent of the sector's liabilities). Interest-bearing debt was more significant in the 'agricultural products industry' (55 per cent of liabilities), in contrast with 'agricultural products trade' (37 per cent of the segment's liabilities).

Reduction in interest expenses and increase in EBITDA resulted in a decrease in financial pressure

Interest expenses borne by the agricultural sector decreased, on average, by 13 per cent in 2015 (12 per cent in total enterprises). Half of the sector's

enterprises posted declines above 18 per cent (22 per cent in total enterprises) (Chart 10).

The reduction in interest expenses was broadly based across size classes and economic activity segments, particularly for SMEs, where they decreased by 15 per cent, and in the 'agricultural products industry' and 'agricultural products trade' segments, where they fell by 15 per cent.

Together with an increase in EBITDA, the reduction in the sector's interest expenses led to a reduction in financial pressure compared with 2014 (5 p.p.). In 2015 interest expenses consumed 13 per cent of the sector's EBITDA, i.e. less than in total enterprises (20 per cent) (Chart 11). The reduction in financial pressure was broadly based across size classes and economic activity segments.

According to information from Banco de Portugal's Central Credit Register, loans granted to the agricultural sector by the resident financial sector decreased by 0.3 per cent in the period between the end of 2015 and the end of the first half of 2016 (2.1 per cent decrease in total enterprises).

At the end of the first half of 2016, 10.7 per cent of loans granted to the sector were non-performing (8.4 per cent at the end of 2011), i.e. below that of total enterprises (16.7 per cent; 7.2 per cent at the end of

Chart 7 • Profitability by segment | Operating margin and net margin (2015)

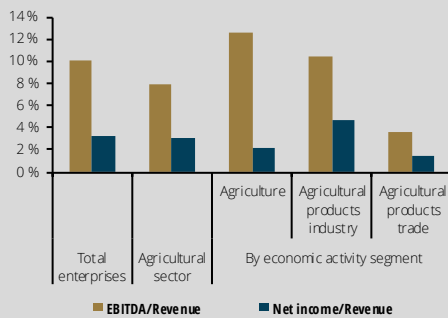


Chart 8 • Capital ratio | Weighted average and distribution median

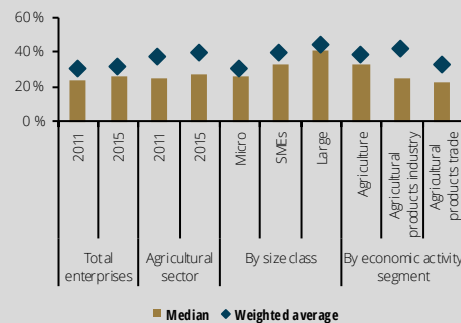
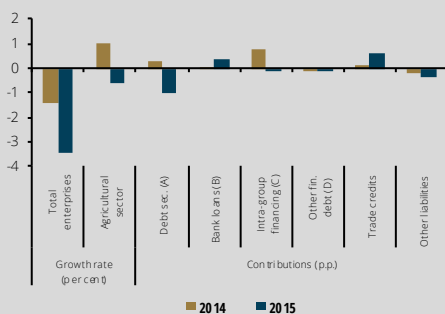
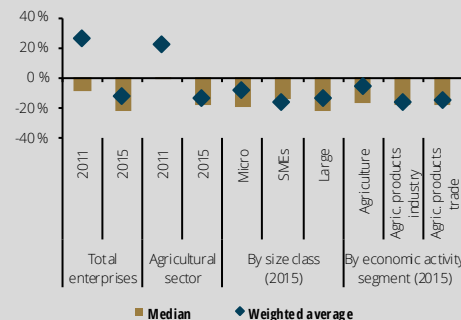


Chart 9 • Liabilities | Contributions from components (p.p.) to the annual growth rate (per cent)



Interest-bearing debt = A + B + C + D

Chart 10 • Interest expenses | Weighted average and median of the annual growth rate



2011) (Chart 12). Over the period under review, this sector's non-performing loans ratio posted more moderate developments than in total enterprises. This was broadly based across economic activity segments except for 'agricultural products trade'. In June 2016, 'agricultural products trade' had the highest non-performing loans ratio (18.1 per cent, compared with 10.3 per cent in the 'agricultural products industry' and 5.1 per cent in 'agriculture'). By size class, microenterprises were particularly noteworthy, with a non-performing loans ratio of 19.7 per cent at the end of the first half of 2016, compared with 8.2 per cent in SMEs and 3.0 per cent in large enterprises.

In 2015 trade credits corresponded to 26 per cent of liabilities of the agricultural sector's enterprises, i.e.

higher than in total enterprises (16 per cent). This type of financing was more substantial in 'agricultural products trade' (38 per cent of liabilities, compared with 24 per cent in the 'agricultural products industry' and 16 per cent in 'agriculture').

Similarly to most economic activity segments, the agricultural sector was unable to obtain net trade credit financing, as a result of the negative differential between accounts payable and accounts receivable (corresponding to 2 per cent of the sector's turnover). This was broadly based across size classes, and SMEs posted the most negative differential (4 per cent, compared with 1 per cent in microenterprises and 0.2 per cent in large enterprises). However, 'agriculture' obtained positive net trade credit financing to an amount of 2 per cent of its turnover.

Chart 11 • Weight of interest in EBITDA

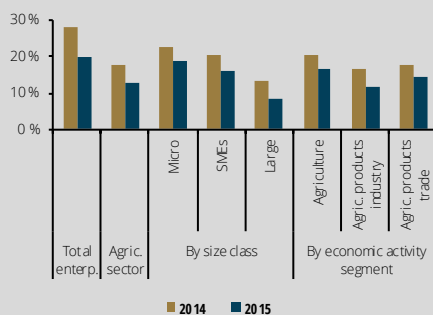
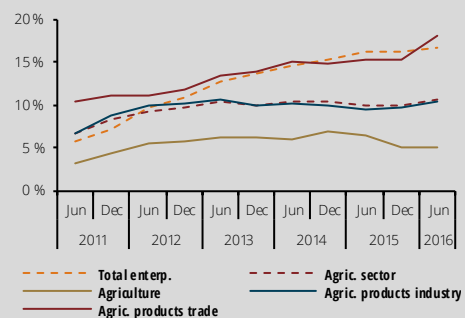


Chart 12 • Non-performing loans ratios (end-of-period figures)



¹ For the purposes of this analysis, the agricultural sector includes not only agricultural activities in a strict sense, but also downstream activities associated with agricultural products, more specifically in terms of industry and trade. The list of economic activity segments (on the basis of CAE-Rev.3) included in the agricultural sector is presented in more detail in *Central Balance Sheet Study | 11 – Analysis of the agricultural sector*, of December 2012.

² The definition of export sector is presented in more detail in *Central Balance Sheet Study | 22 – Analysis of enterprises in the export sector in Portugal*, of June 2015.

For more information, see:

[Statistical domain of Central Balance Sheet Database statistics in BPstat | Statistics online](#)

[Supplement to the Statistical Bulletin 2/2013 on statistics on non-financial corporations of the Central Balance Sheet Database](#)

[Central Balance Sheet Study No 26 on non-financial corporations \(in Portuguese only\)](#)

[Central Balance Sheet Study No 11 on the agricultural sector](#)

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Annex – Main indicators for the agricultural sector

Chart	Series	2011	2012	2013	2014	2015	2016
1 Demographic indicators	Agricultural sector						
	Birth rate	7.1	8.3	9.1	8.1	8.8	
	Death rate	4.5	5.1	4.9	5.2	5.4	
	Rate of change in the number of enterprises	2.8	3.5	4.6	3.2	3.7	
	Rate of change in the number of enterprises / Total enterprises	1.9	0.0	0.7	0.7	1.2	
2 Structure By economic activity segment	Agriculture						
	Number of enterprises	35.2	37.1	39.0	40.7	42.8	
	Turnover	7.1	7.9	8.0	8.6	9.1	
	Number of employees	16.7	17.4	19.1	20.2	21.3	
	Agricultural products industry						
	Number of enterprises	35.6	34.2	32.8	31.8	30.7	
	Turnover	49.1	49.2	49.2	49.1	49.2	
	Number of employees	60.1	59.9	58.8	57.9	57.3	
	Agricultural products trade						
	Number of enterprises	29.2	28.6	28.2	27.5	26.5	
	Turnover	43.8	42.9	42.8	42.4	41.7	
Number of employees	23.2	22.7	22.1	21.9	21.5		
3 Structure By size class	Share of microenterprises in the number of enterprises in the aggregate						
	Total enterprises	88.0	88.9	89.4	89.4	89.1	
	Agricultural sector	82.3	83.5	84.5	84.8	85.1	
	Share of microenterprises in the aggregate's turnover						
	Total enterprises	15.4	15.5	15.6	15.7	15.8	
	Agricultural sector	12.7	12.9	13.3	13.3	13.2	
	Share of microenterprises in the number of employees in the aggregate						
	Total enterprises	27.5	28.1	28.1	27.8	27.2	
	Agricultural sector	23.9	24.8	25.4	25.5	25.2	
	Share of SMEs in the number of enterprises in the aggregate						
	Total enterprises	11.7	10.9	10.4	10.3	10.6	
	Agricultural sector	17.3	16.1	15.2	14.9	14.6	
	Share of SMEs in the aggregate's turnover						
	Total enterprises	42.6	42.1	42.0	42.1	42.7	
	Agricultural sector	52.5	53.4	53.3	53.3	53.1	
	Share of SMEs in the number of employees in the aggregate						
	Total enterprises	46.6	46.1	45.6	45.4	45.4	
	Agricultural sector	58.5	58.1	57.5	57.6	56.8	
	Share of large enterprises in the number of enterprises in the aggregate						
	Total enterprises	0.3	0.2	0.2	0.2	0.3	
	Agricultural sector	0.4	0.3	0.3	0.3	0.3	
	Share of large enterprises in the aggregate's turnover						
	Total enterprises	42.0	42.4	42.3	42.2	41.5	
	Agricultural sector	34.7	33.8	33.3	33.5	33.7	
	Share of large enterprises in the number of employees in the aggregate						
	Total enterprises	25.8	25.8	26.3	26.8	27.5	
	Agricultural sector	17.6	17.2	17.1	17.0	18.0	
4 Turnover Contributions from the external and internal markets (p.p.) to the annual growth rate (per cent)	Growth rate of turnover / Agricultural sector	3.6	0.1	1.9	1.0	3.2	
	Contribution from the external market	-0.2	0.2	1.0	0.3	0.3	
	Contribution from the internal market	3.8	-0.1	0.9	0.8	2.9	
	Growth rate of turnover / Total enterprises	-1.8	-6.2	-0.2	1.9	2.4	
5 EBITDA Annual growth rate	Total enterprises	-30.4	-10.2	10.6	1.0	24.8	
	Agricultural sector	-15.3	-4.5	8.5	11.1	19.0	
6 Return on equity	Total enterprises	1.2	0.0	2.7	2.7	7.2	
	Agricultural sector	2.5	2.0	4.1	5.4	7.8	
	Agriculture	-2.0	-1.4	-0.2	1.4	2.5	
	Agricultural products industry	3.9	3.7	5.5	6.3	9.8	
	Agricultural products trade	2.3	0.1	4.2	6.7	7.5	
7 Profitability by segment Operating margin and net margin	EBITDA / Revenue						
	Total enterprises	7.9	7.6	8.4	8.3	10.1	
	Agricultural sector	6.2	5.9	6.3	6.9	7.9	
	Agriculture	8.7	9.5	10.2	11.8	12.6	
	Agricultural products industry	8.7	8.4	8.5	9.0	10.5	
	Agricultural products trade	2.7	2.2	2.9	3.4	3.6	
	Net income / Revenue						
	Total enterprises	0.5	0.0	1.2	1.2	3.3	
	Agricultural sector	1.0	0.8	1.6	2.1	3.1	
	Agriculture	-1.8	-1.3	-0.1	1.2	2.2	
	Agricultural products industry	2.0	1.8	2.7	3.1	4.6	
Agricultural products trade	0.4	0.0	0.7	1.2	1.4		

Chart	Series	2011	2012	2013	2014	2015	2016
8 Capital ratio Weighted average and distribution median	Capital ratio (weighted average)						
	Total enterprises	29.7	29.3	29.8	29.6	31.5	
	Agricultural sector	37.2	37.2	37.9	38.0	39.0	
	Microenterprises	27.0	26.5	28.4	28.6	30.6	
	Small and medium-sized enterprises	36.5	36.3	38.7	39.5	39.8	
	Large enterprises	44.0	45.1	43.0	42.3	43.6	
	Agriculture	37.2	37.1	37.8	37.8	38.4	
	Agricultural products industry	40.8	40.5	40.8	40.9	41.8	
	Agricultural products trade	28.4	29.5	30.9	31.4	33.0	
	Capital ratio (median)						
	Total enterprises	24.1	23.3	23.6	25.0	26.6	
	Agricultural sector	25.2	25.3	25.6	26.7	27.7	
	Microenterprises	23.1	23.0	23.2	24.5	25.7	
	Small and medium-sized enterprises	30.3	31.0	31.7	32.8	33.4	
	Large enterprises	39.0	45.6	43.0	41.3	40.8	
	Agriculture	28.3	29.8	31.0	32.7	33.0	
	Agricultural products industry	25.6	24.2	23.5	24.2	25.4	
Agricultural products trade	21.6	21.4	21.3	21.8	22.8		
9 Liabilities Contributions from components (p.p.) to the annual growth rate (per cent)	Growth rate of liabilities / Total enterprises	1.4	-1.9	-1.8	-1.4	-3.4	
	Growth rate of liabilities / Agricultural sector	-0.1	-1.0	-1.2	1.0	-0.6	
	Contribution from debt securities	-0.6	0.2	0.5	0.3	-1.0	
	Contribution from bank loans	-1.1	-0.5	-1.0	0.1	0.4	
	Contribution from intra-group financing	0.9	0.0	-0.2	0.8	-0.1	
	Contribution from other financial debt	-0.5	-0.4	-0.3	-0.1	-0.2	
	Contribution from trade credits	0.4	0.4	-0.6	0.2	0.6	
	Contribution from other liabilities	0.7	-0.7	0.3	-0.2	-0.4	
10 Interest expenses Weighted average and median of the annual growth rate	Growth rate of interest expenses (weighted average)						
	Total enterprises	26.2	4.7	-6.4	-6.3	-11.8	
	Agricultural sector	21.8	8.5	-8.5	-2.8	-13.5	
	Microenterprises	15.3	19.4	-21.2	-0.7	-7.6	
	Small and medium-sized enterprises	24.5	4.4	-11.5	-3.8	-15.4	
	Large enterprises	21.2	9.2	5.6	-2.3	-13.8	
	Agriculture	17.0	12.1	-7.3	2.9	-6.0	
	Agricultural products industry	22.6	7.6	-6.6	-3.3	-15.3	
	Agricultural products trade	23.3	8.5	-14.3	-5.9	-14.8	
	Growth rate of interest expenses (median)						
	Total enterprises	-9.3	-22.4	-31.5	-20.2	-22.5	
	Agricultural sector	-0.4	-11.4	-20.9	-11.7	-17.6	
	Microenterprises	-11.3	-18.2	-26.1	-15.7	-19.8	
	Small and medium-sized enterprises	21.8	1.5	-10.8	-4.6	-13.6	
	Large enterprises	49.3	1.6	-6.0	-15.8	-22.0	
	Agriculture	-4.0	-9.7	-21.4	-8.7	-16.4	
	Agricultural products industry	0.5	-11.8	-22.2	-14.1	-18.5	
Agricultural products trade	1.1	-13.2	-18.7	-11.3	-18.2		
11 Weight of interest in EBITDA	Total enterprises	30.5	35.5	30.0	27.9	19.7	
	Agricultural sector	20.9	23.8	20.1	17.6	12.8	
	Microenterprises	37.9	49.5	33.9	22.4	18.9	
	Small and medium-sized enterprises	29.7	32.3	23.9	20.7	16.1	
	Large enterprises	11.5	13.1	13.9	13.2	8.7	
	Agriculture	31.3	29.7	24.8	20.5	16.6	
	Agricultural products industry	18.0	20.3	18.5	16.8	11.5	
Agricultural products trade	25.6	34.0	22.1	17.7	14.2		
12 Non-performing loans ratios (end-of-period figures)	Total enterprises	7.2	10.8	13.8	15.4	16.2	16.7
	Agricultural sector	8.4	9.6	10.0	10.4	9.9	10.7
	Agriculture	4.3	5.8	6.1	7.0	5.1	5.1
	Agricultural products industry	8.8	10.1	10.0	10.1	9.8	10.3
	Agricultural products trade	11.0	11.9	13.9	14.9	15.3	18.1

NOTES:

The aggregates 'Microenterprises', 'Small and medium-sized enterprises', 'Large enterprises', 'Agriculture', 'Agricultural products industry' and 'Agricultural products trade' refer to components included in the Agricultural sector, except where indicated. Similarly, contributions shown always refer to contributions to the total of the sector under review. All figures are shown as a percentage, except where the indicator refers to contributions (p.p.). Shaded cells are not represented in the charts. Figures for Chart 12 refer to December in each period, except for the last figure shown, which refers to June.