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Credit to agriculture

Global and regional trends

2013–2022

HIGHLIGHTS

- **Credit to agriculture* went up 13 percent in real terms, or USD 129 billion, between 2013 and 2022.**
- **The global share of agriculture in total credit decreased from 2.77 percent in 2013 to 2.26 percent in 2022.**
- **The share of Asia in total credit to agriculture increased from 40 percent in 2013 to 52 percent in 2022, while that of Europe decreased from 38 percent to 26 percent over the same period.**
- **The largest volume of credit to agriculture was granted in China and India, with USD 214 billion and USD 167 billion in 2022, respectively. India also has one of the highest shares of agriculture in total credit: 12 percent on average during 2013–2022.**

* The term “agriculture” includes forestry and logging, and fishing and aquaculture, as per ISIC Rev. 4, A_01-03.

Note: Values in this brief are based on the 128 countries for which data are available or imputable for the whole period 2013–2022, expressed in 2015 constant values.

FAOSTAT CREDIT TO AGRICULTURE

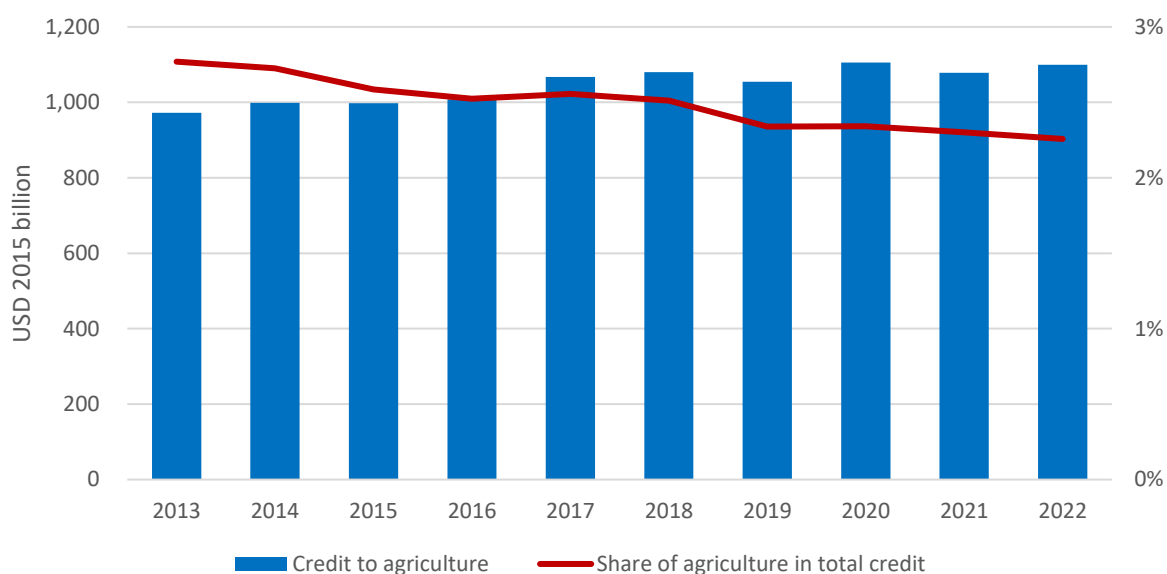
BACKGROUND

Access to formal credit is crucial to farmers for purchasing inputs such as seeds, fertilizers, plant protection materials or animal feed. In the absence of personal savings, borrowing from informal sources (such as moneylenders, relatives and friends) may involve unduly high interest rates and unfavourable conditions, which may make many agricultural operations uneconomical. The lack of access to credit is particularly problematic for farmers as there is a gap between the time that money is spent on cultivating crops or raising livestock, and the time money is made from the sale of the products.

GLOBAL

In 2022, credit to agriculture reached USD 1 099 billion, an increase of USD 127 billion (or 13 percent) compared with USD 972 billion in 2013. Yet, the growth in credit to agriculture was slower than in other sectors, as the share of agriculture in total credit declined between 2013 and 2022 from 2.77 percent to 2.26 percent (Figure 1).

Figure 1: Global credit to agriculture and share of agriculture in total credit



Source: FAO. 2023. Credit to agriculture. In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/IC>

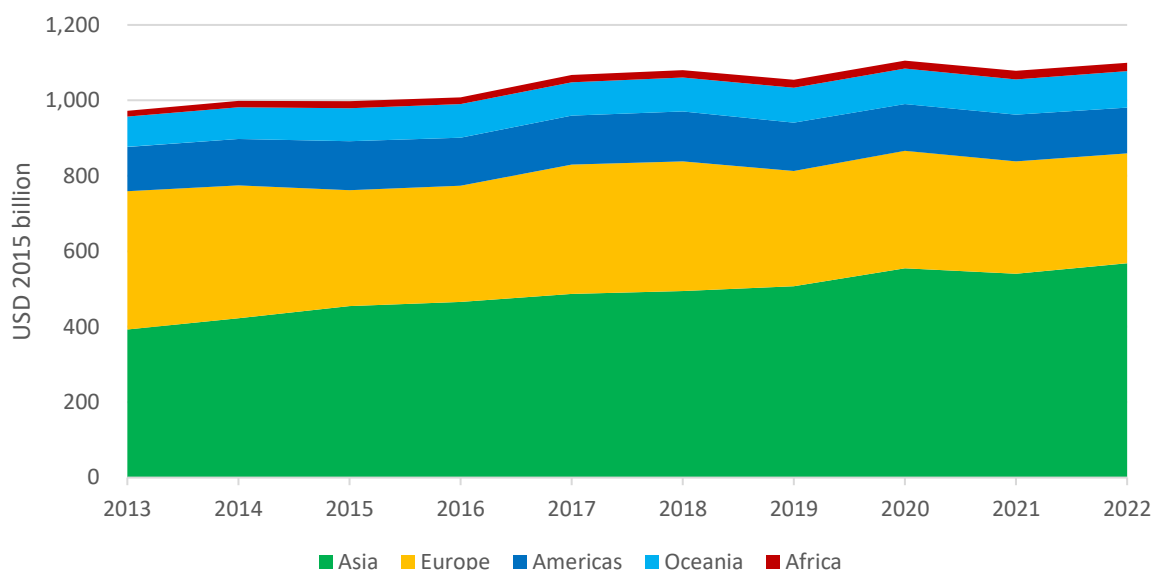
REGIONAL

As a reflection of the size of the sector in the region, Asia is the largest supplier of credit to agriculture, accounting for 40 percent of the global amount in 2013 and 52 percent in 2022. The amount loaned in the region increased by 45 percent between 2013 and 2022, from USD 392 billion to USD 568 billion, led mainly by China (where credit to agriculture went up 41 percent from USD 152 billion to USD 214 billion) and India (where it increased by 50 percent from USD 111 billion to USD 167 billion) (Figure 2).

Europe is the only region that experienced a decrease during the period, by 21 percent from USD 367 billion to USD 291 billion, caused almost entirely by a large decrease in the Kingdom of the Netherlands. As a result, the share of Europe in the world total dropped to 26 percent in 2022 compared to 38 percent in 2013. In contrast, the amount of loans increased by 4 percent in the Americas from USD 118 billion to USD 122 billion, by 20 percent in Oceania from USD 80 billion to USD 97 billion, and by 44 percent in Africa from USD 15 billion to USD 22 billion.

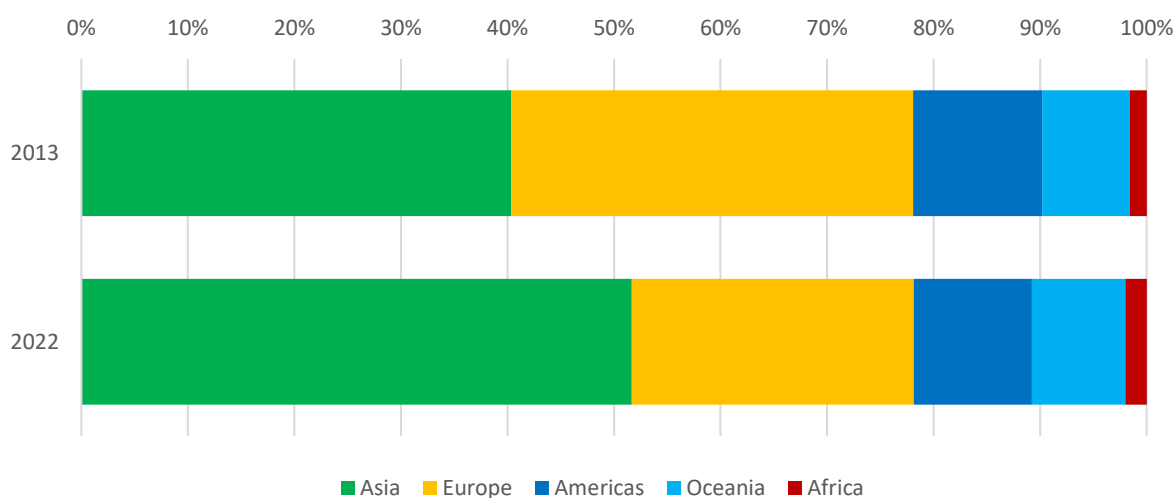
Compared with Europe and Asia, the changes in the shares of the Americas, Oceania and Africa were marginal. In the Americas, the share decreased by 1 percentage point (from 12.1 percent in 2013 to 11.1 percent in 2022) while in Oceania and Africa it increased by less than 1 percentage point (from 8.2 percent to 8.8 percent, and from 1.6 percent to 2.0 percent, respectively) (Figure 3).

Figure 2: Credit to agriculture by region



Source: FAO. 2023. Credit to agriculture. In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/IC>

Figure 3: Regional shares of credit to agriculture in global credit



Source: FAO. 2023. Credit to agriculture. In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/IC>

COUNTRY

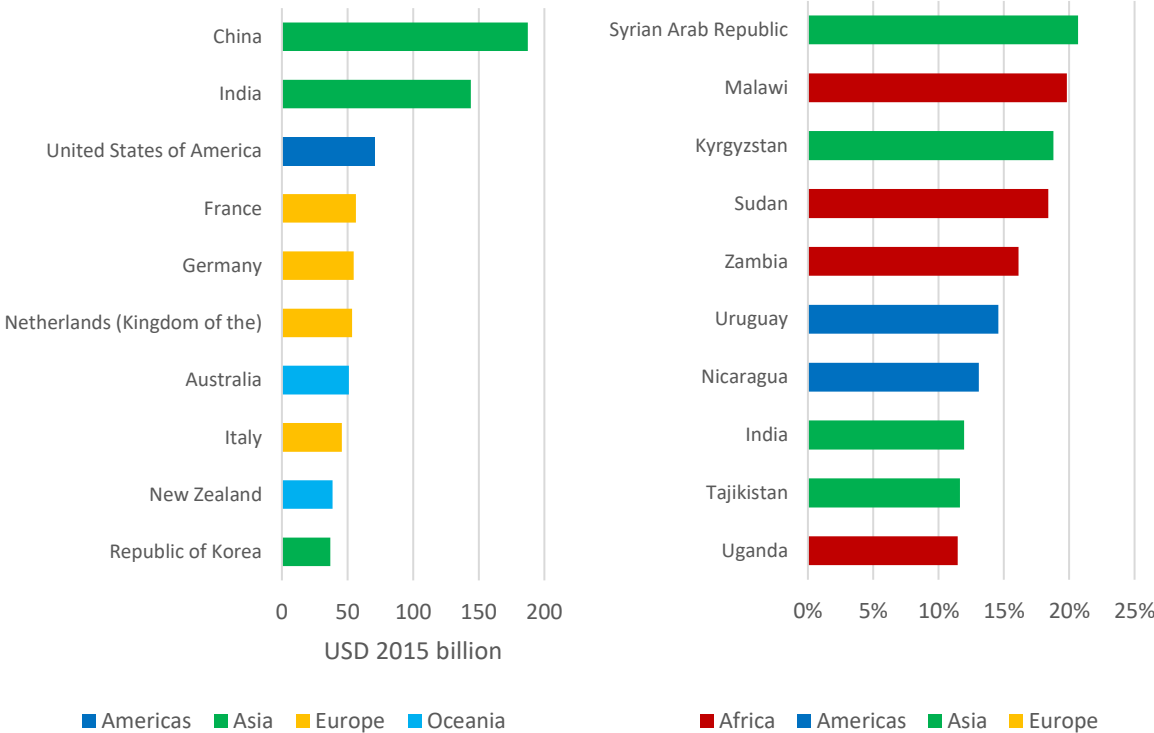
Countries with the highest amounts of credit to agriculture are by far China (with on average USD 187 billion per year in agricultural loans between 2013 and 2022) and India (USD 144 billion) as a clear sign of the economic and physical sizes of their agricultural sector. Credit to agriculture is also high in high-income countries with large-size economies and intensively mechanized agriculture. The United States of America, France, Germany, the Kingdom of the Netherlands, Australia, Italy, New

Zealand and the Republic of Korea are among the top ten countries in the amount of credit to agriculture on average between 2013 and 2022 (Figure 4). Banks in these countries disbursed USD 37–71 billion each year on average between 2013 and 2022.

China has developed various lending systems to deal with credit demands for expanding its agriculture sector since the mid-1990s, such as the Rural Credit Cooperatives, the Agricultural Bank of China, the Agricultural Development Bank of China, and many small lending institutions such as microcredit corporations, village and township banks, and credit-only financial institutions. In India, agriculture is one of the sectors benefiting from the Priority Sector Lending scheme, which relaxes the lending norms for poor and small businesses and sets targets for the share of each sector in the adjusted net bank credit or the credit equivalent amount of off-balance sheet exposure.

Countries with the highest shares of agriculture in total credit are mostly low- and middle-income countries where agriculture represents a high share of GDP and/or employment. Of the top ten countries with the largest share of credit to agriculture, eight are in Asia and Africa. India stands out as it has some of the highest amounts of credit to agriculture and shares of agriculture in total credit (Figure 4).

Figure 4: Credit to agriculture and share of agriculture in total credit, top countries (2013–2022 average)



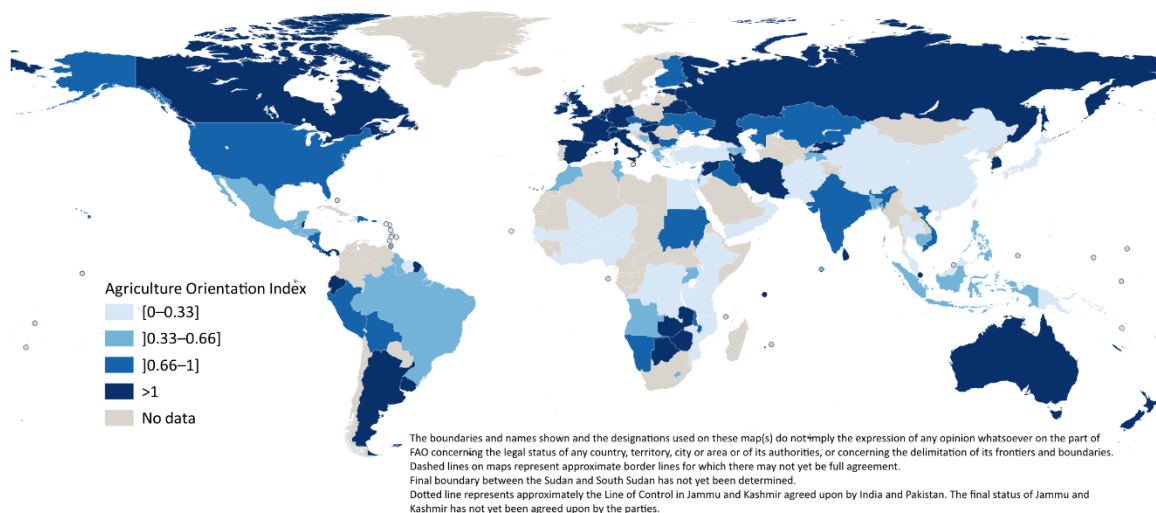
Source: FAO. 2023. Credit to agriculture. In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/IC>

The Agriculture Orientation Index (AOI) for credit normalizes the share of credit to agriculture by dividing it by the share of agriculture in gross domestic product (GDP). An AOI lower than 1 indicates that agriculture receives a credit share which is lower than its contribution to the economy, while an

AOI greater than 1 indicates a credit share to the agriculture sector greater than the value added that it generates.

Among countries for which credit data are reported or imputed, many high-income countries had AOI values above or close to 1 between 2013 and 2022, this could be because in these countries, agriculture accounts for a small share of GDP or is dominated by large producers; more focused on commercial production; more mechanized; and have a greater capacity to provide collateral.

Figure 5: Agriculture Orientation Index of credit to agriculture (2013–2022 average)



Source: FAO. 2023. Credit to agriculture. In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/IC> based on UN Geospatial. 2020. Map geodata [shapefiles]. New York, USA, UN.

EXPLANATORY NOTES

Credit to agriculture measures the amount of loans and advances given by the banking sector to farmers, to rural households, to agricultural cooperatives or to any agri-related businesses. Each country's central bank compiles its credit stocks by economic activities as part of their monetary and financial statistics publications via annual or quarterly reports online. Data collection has been carried out mostly through reports found on the central bank websites.

Although not all countries follow the international standard industrial classifications of all economic activities (ISIC Rev. 4: <https://unstats.un.org/unsd/classifications/Econ/isic>), all countries whose data are collected provide credit data extended to the agriculture, forestry and fishing sector separately from the ones to manufacturing and services. Where such information is available, countries provide details separately for the three subsectors: agriculture, forestry, and fishing.

The Food and Agriculture Organization of the United Nations (FAO) provides the country data information (<https://www.fao.org/faostat/en/#data/IC>) about the established concepts of credit and lending institutions and the composition of total credit of each country's financial statistics, to help users better understand the source data.

However, data for some years and some countries were not readily found online and these missing values were imputed (5.3 percent) for regional and global aggregates (see the metadata) using macro indicators trends and moving average methods.

FAOSTAT provides credit data series from 1991 to 2022 for over 130 countries. Currency measures are standardized in millions of units and are provided both in terms of local currency and USD using exchange rates published in FAOSTAT. They are also converted to 2015 constant values in both local currency and USD using GDP deflators published by the United Nations Statistics Division, which are all republished in FAOSTAT.

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FAO. 2023. Credit to agriculture. In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/IC>

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