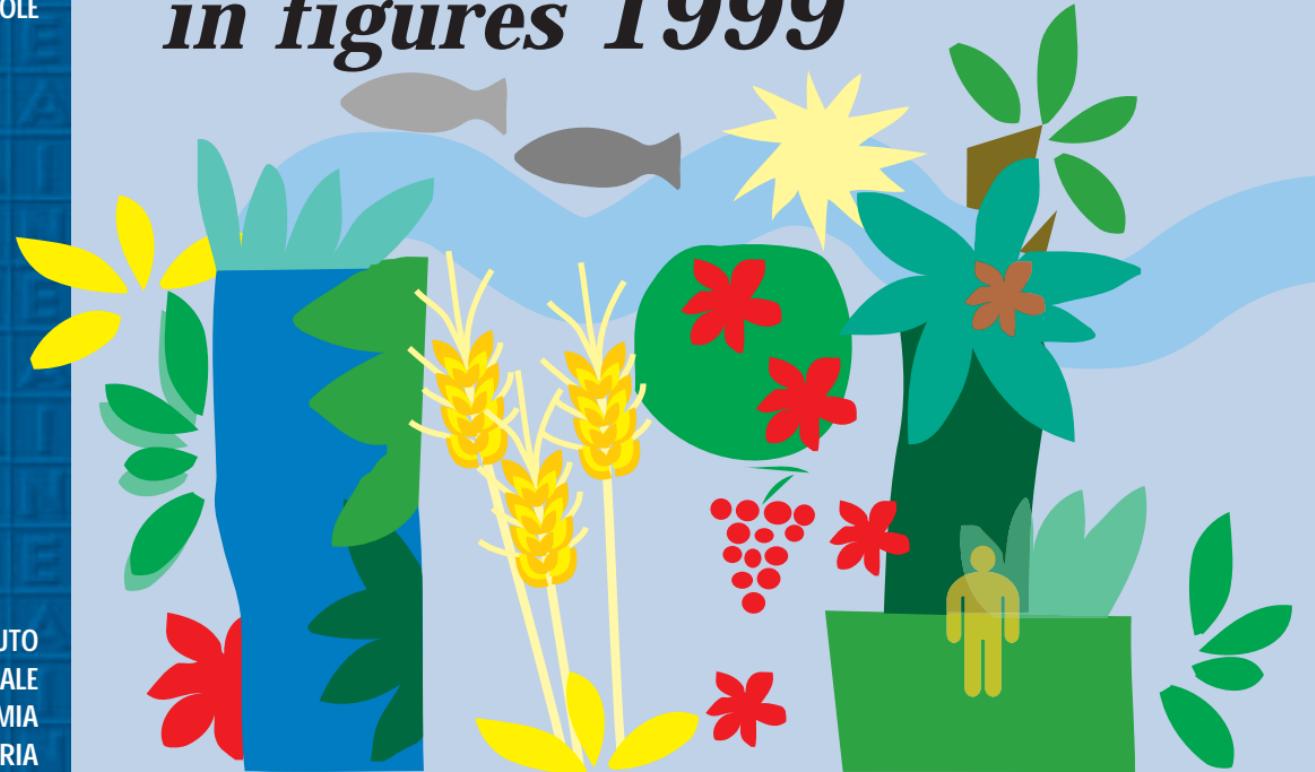


MINISTERO
PER LE
POLITICHE
AGRICOLE

ISTITUTO
NAZIONALE
DI ECONOMIA
AGRARIA

Italian agriculture in figures 1999



NORTH

- 1 Valle d'Aosta
- 2 Piemonte
- 3 Lombardia
- 4 Trentino Alto Adige
- 5 Veneto
- 6 Friuli Venezia Giulia
- 7 Liguria
- 8 Emilia Romagna

CENTRE

- 1 Toscana
- 2 Umbria
- 3 Marche
- 4 Lazio

SOUTH

- 1 Abruzzo
- 2 Molise
- 3 Campania
- 4 Puglia
- 5 Basilicata
- 6 Calabria
- 7 Sicilia
- 8 Sardegna



MINISTRY FOR AGRICULTURAL POLICIES

*Italian
agriculture
in figures
1999*

I N E A

*Unless otherwise indicated,
all the statistics contained in this booklet
have been provided by ISTAT and INEA.
For international comparisons,
Eurostat statistics have been used.*

*The statistics in this publication may be consulted on Internet
at the following address: <http://www.inea.it/pdf/itacoe99.pdf>
They may be quoted providing the source is acknowledged.*

Now in its 11th year, “Italian agriculture in figures” has without a doubt fulfilled the aim it set itself initially of providing operators in the agricultural sector with a concise and complete overview of the sector in our country. Easy to use, the booklet is consulted every year by a vast number of users both in Italy and abroad, thanks to the useful edition in English.

The booklet looks at the main issues concerning the agricultural world, with facts and figures ranging from the country's geographical and climatic features to the role played by agriculture in the national economy in terms of value added and employment and to the relationship between agriculture and the food industry. Farms are analysed according to their structural features and economic results, using statistics from the Italian National Statistics Institute (ISTAT) and the Farm Accounting Data Network (FADN).

Over the last few years, alongside traditional areas of interest the booklet has devoted an increasing amount of pages to newer topics, showing its ability to observe the evolutionary process which has turned agriculture into a multi-functional industry which not only serves to produce food but also renders other important services to the community in terms of supervising land, protecting the environment, taking care of the landscape and providing high-quality products. The chapters of the booklet dedicated to the environment, organic products and rural tourism, as well as the chapter dedicated to the increasing number of national food products of designated origin describe these services.

The picture is completed by an analysis of the application of EU market support and structural policies in Italy and by a useful chapter on the main national laws affecting the agricultural sector,

which has been enlarged in this edition. Another noteworthy feature of the booklet, which makes it into a particularly precious working tool, is the fact that most of the data it provides are presented with a regional break down and are accompanied, where possible, by a comparison with the situation in other member states of the European Union.

The publication of the 1999 booklet gives me the opportunity to express my warm thanks to INEA for its ability to describe, in this simple handbook, the profound processes of change and development which have taken place in the agricultural sector over the last few years and for providing useful cues for reflection for all those involved in formulating policy for the agricultural world or who form part of that world as operators or researchers.

Paolo De Castro
Minister for Agricultural Policies

Note on Changes to Methodologies

At the end of April 1999, the Italian National Statistics Institute, ISTAT, published the national accounts for the period 1988-1998, based on the new European System of National Accounts, known as ESA95, which replaced the previous system, ESA79. ESA95 marks a step forward in the harmonisation of international accounting systems and gives a more complete picture of economies.

In reviewing the system, ISTAT used the 1992 input-output matrix and updated the reference year for aggregates at constant prices from 1990 to 1995.

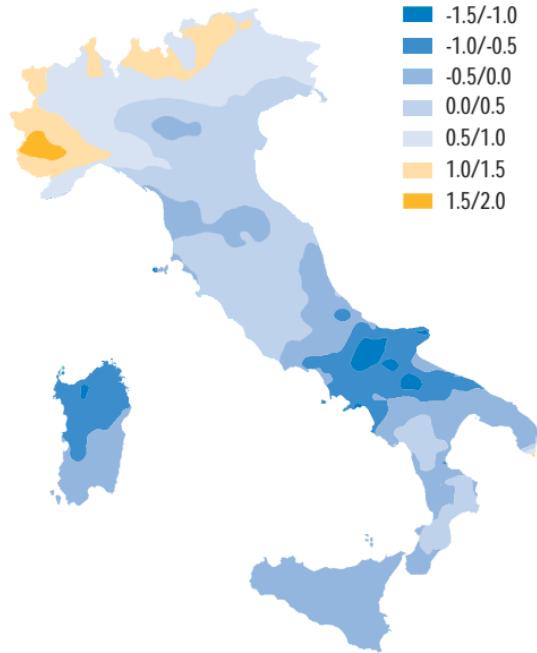
The review of the national accounts system has brought about major changes for the agricultural sector. With ESA95, the basic observation unit for agricultural accounts has become the "local unit of economic activity", which replaces the previous "national farm" concept. Transactions between and within farms, and services connected with

agriculture, are now included in the agricultural accounts. The method for calculating intermediate consumption has been changed and output is assessed according to basic prices, i.e. prices per unit of product less taxes plus subsidies related to the product itself. The inclusion of transactions within and between farms in output aggregates has led to a substantial increase in the estimate of output itself but has had no effect on value added as the transactions are also included in the calculation of intermediate consumption.

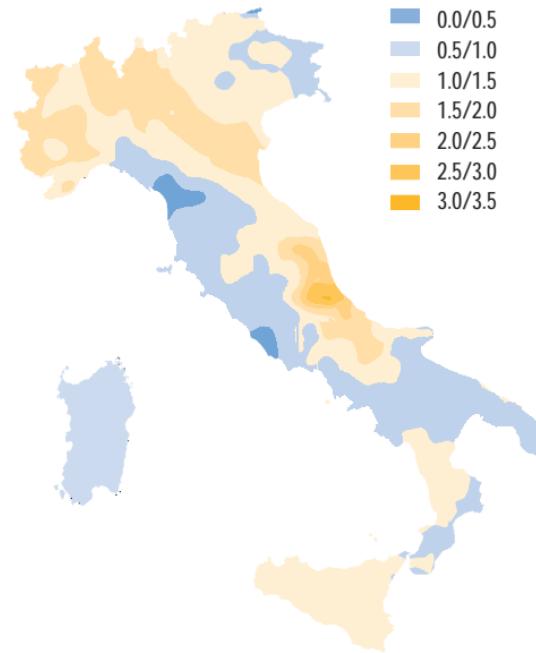
TERRITORY AND POPULATION

Climate

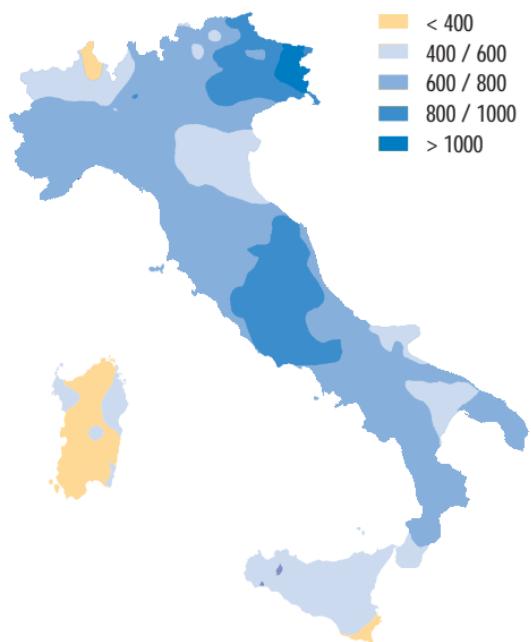
Deviations in the lowest annual temperatures (°C) compared to the norm, 1998



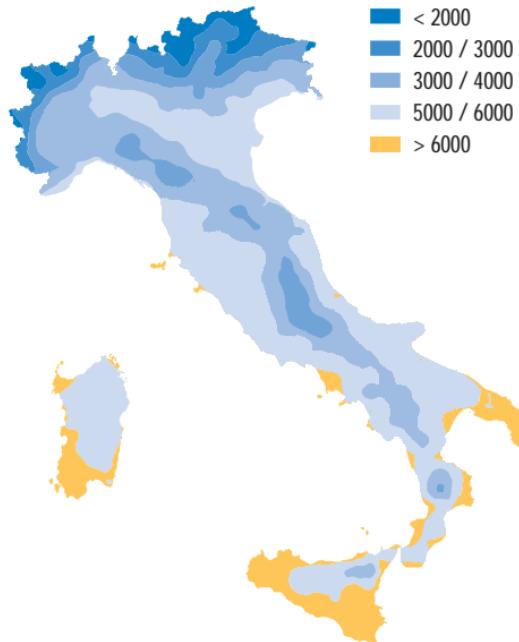
Deviations in the highest annual temperatures (°C) compared to the norm, 1998



Total annual rainfall (mm), 1998



Accumulated degree-days ($> 0^{\circ}\text{C}$), 1998



Land and Population

General features

One of Italy's main geographical features is the prevalence of hilly and mountainous terrain. Out of a total land area of approximately 30 million hectares, only 23% is made up of lowland and this figure falls to 18% in the South and 9% in the Centre.

Over the last few years, population growth has been almost entirely the result of foreign immigration, whereas the size of the Italian population has been stationary. In 1998 the resident population increased by 0.1% compared to 1997 with large differences between the North (+0.22%), the Centre (+0.17%) and the South (-0.9%).

Type of land according to altitude ('000 hectares), 1997

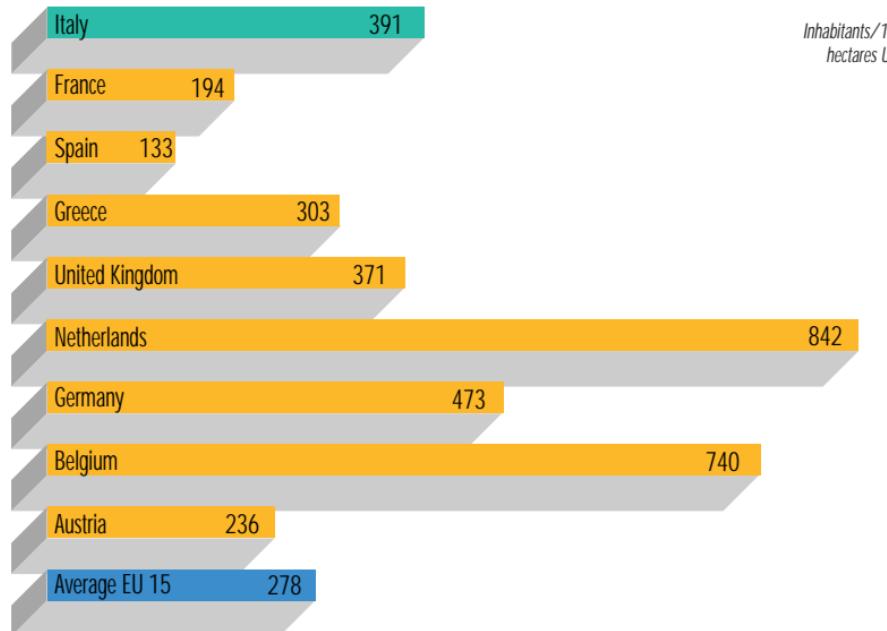
	North	Centre	South	Italy
Mountainous	5,532	1,576	3,503	10,611
Hilly	2,273	3,724	6,548	12,545
Lowland	4,187	536	2,255	6,978
TOTAL	11,992	5,836	12,306	30,134

Land and population, 1998

	Total area of land (km ²)	UAA (%)	Population ('000) (1)	Density inhab./km ²	Workforce ('000 units)
North	119,920	43.2	25,624	214	11,184
Centre	58,354	46.3	11,071	190	4,487
South	123,067	56.4	20,925	170	7,361
ITALY	301,341	49.2	57,620	191	23,032

(1) Resident population, estimates.

Population/agricultural land ratios, 1997 (*)



(*) Total population, estimates from the European Commission.

Agricultural areas and availability of land

The urbanization process is progressively absorbing land in Italy. There is a tendency for the total amount of unproductive land to increase, further to the spread of built-up areas and infrastructure; it is currently estimated at about 3 million hectares, which is equivalent to almost 10% of national territory. The area of agricultural land, on the other hand, is falling steadily; according to the structural survey carried out by ISTAT in 1997, it has decreased by about 2.7 million hectares (-15.3%) since 1970. This phenomenon is common to all European Union countries. According to Eurostat figures, between 1990 and the 1995-7 average, there was an average

annual decrease of 0.4% in Germany, 0.5% in Spain, 0.3% in France and 0.4% in Austria. Over the same period of time, the used agricultural area (UAA) in Italy remained more or less the same.

Use of land in Italy and EU countries (% total land), 1997

	Italy	Other Mediterranean countries (*)	Other EU countries (**)	Former EFTA countries (***)	Total EU 15
Arable land (1)	30.0	25.9	31.4	7.2	23.5
Permanent crops (2)	11.0	8.9	1.1	0.1	3.5
Vegetable gardens	0.3	0.0	0.2	0.1	0.1
Permanent grass and pasture	14.4	18.2	23.0	12.7	15.6
Woodland	21.4	30.1	22.3	55.9	33.1
Inland waterways	2.4	1.3	1.7	8.3	3.5
Unproductive areas and other land (3)	20.5	15.6	20.3	25.7	20.7
 TOTAL LAND ('000 hectares)	30,134	72,986	133,304	87,197	323,621

(*) Greece, Spain, Portugal.

(**) France, Germany, Benelux, Denmark, Ireland, Great Britain.

(***) Austria, Finland, Sweden.

(1) Arable crops, including temporary forage crops and fallow land.

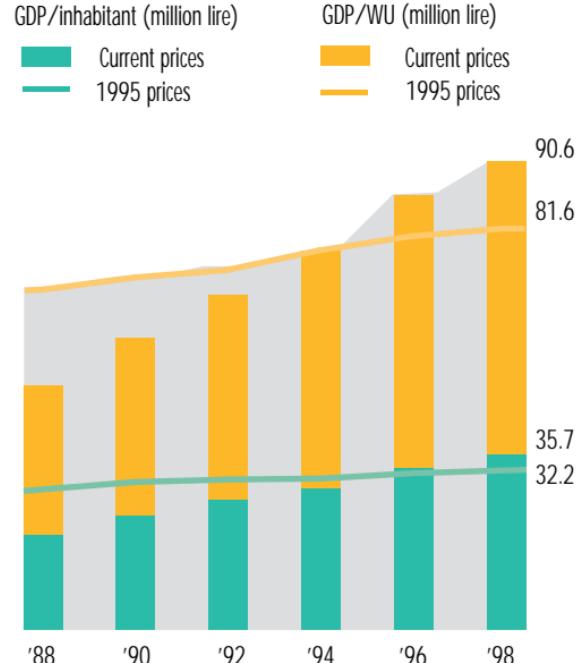
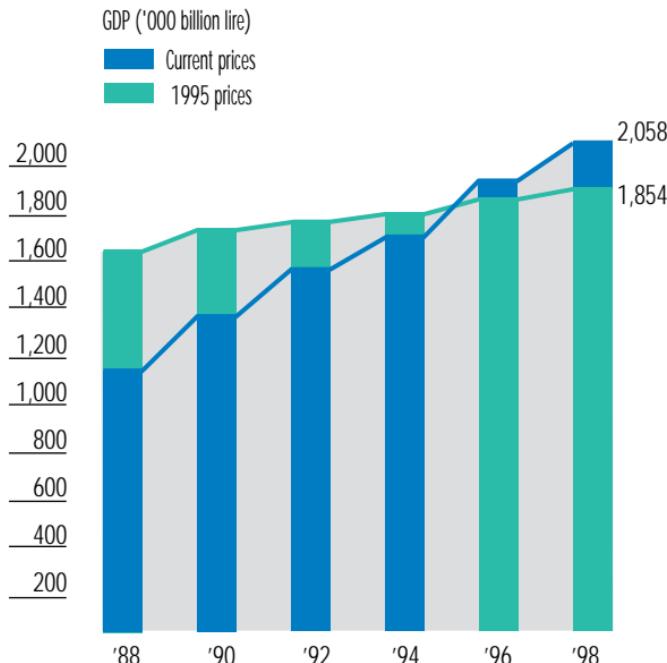
(2) Tree crops and other permanent crops.

(3) Unproductive areas include land covered by housing and other buildings, industrial plants and infrastructure, rocky and barren land; other land includes abandoned and uncultivated land, ornamental parks and gardens, farm land occupied by buildings, yards, roads and unused land between crops.

AGRICULTURE AND THE ECONOMY

Gross Domestic Product

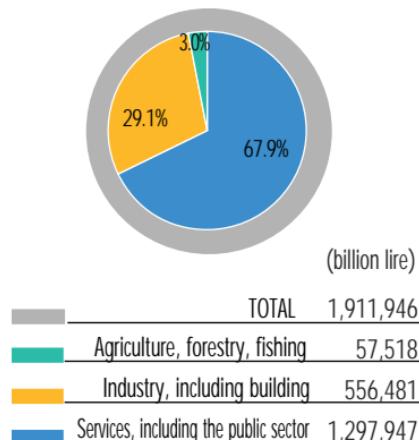
GDP, GDP per inhabitant and GDP per work unit, 1988-1998



Value Added

In 1998, value added (VA) at basic prices in the primary sector, including fishing, dropped by 0.7% in current value and remained stationary in real terms compared to 1997. Agriculture contributed 3% of the VA produced by

VA at basic prices by sector, 1998



the Italian economy, a slightly lower percentage than in 1997. Between 1988 and 1998, the contribution by agriculture to total national VA at basic prices dropped in real terms from 3.3% to 3.2%. Over the same period, the contribution of industry - in the strict sense of the manufacturing and mining industries - rose from 24.8% to 25.3% whereas the contribution of the building industry dropped from 5.7% to 5.1%; the contribution of commerce, transport and communications rose from 23.6% to 24.3%; the contribution of financial brokerage, information technology, research and professional business rose from 22.8% to 23.6% and the contribution of the civil service and other public and social services dropped from 19.9% to 18.4%. Over the last few years, the contribution of Italian agriculture to the national economy has moved closer to the situation in the other countries in the

Centre-North of Europe. There remain, however, large regional differences; in the North, agriculture provides just 2.6% of total VA and 5.6% of employment, whereas in the South these figures rise to 5.4% and 13.5% respectively (1996 ISTAT figures).

Contribution (%) of agriculture to national economies in 1997 (*)

Country	Value added
Italy	2.5
France	1.9
Spain	3.3
Greece	5.9
Germany	0.8
Netherlands	2.6
United Kingdom	0.7
Austria	0.9
Finland	0.7
Sweden	0.4
EU 15	1.6
USA (1)	3.0
Japan (1)	1.9

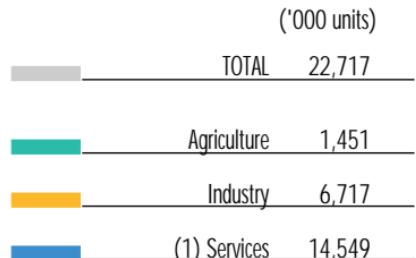
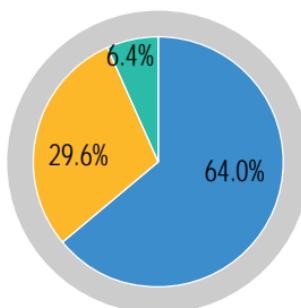
(*) Includes forestry, fishing and hunting. Eurostat figures are not directly comparable with national figures.
(1) 1994 estimates.

Employment

In 1998 the total workforce in employment in Italy, expressed in standard work units (WU) as defined by ISTAT for national accounts purposes, increased by 0.7% after remaining almost stationary during the previous year. Compared to 1997, the number of work units increased by 1.5% in the manufacturing and mining industries and by 1% in the service industry but dropped in agriculture (-1.9%) and the building industry (-2.1%).

In the agricultural sector, the number of self-employed workers fell by 2.9%; this meant a decrease in absolute terms of around 27,000 units and a drop from 13.6% to 13.2% of the overall number of self-employed work units in Italy. The number of hired workers remained almost stationary (-0.3%), representing approximately 3.5% of the total number of hired work units in Italy. In 1998, 66% of

Work units by sector



(1) Includes the public sector.

The agricultural workforce by sex and geographical area, 1998

	Total workforce ('000 units)	(%)	Women (%)	Men (%)
North	482	36.0	33.2	66.8
Centre	191	14.3	37.2	62.8
South	667	49.8	33.9	66.1
ITALY	1,340	100.0	34.1	65.9

the individuals making up the agricultural workforce were male. Only in the Centre of Italy did women show a relatively higher presence than elsewhere (37% compared to the national average of 33%).

One half of the agricultural workforce is to be found in the South of Italy; the other half is divided between the North (36%) and Centre (only 14%).

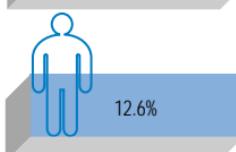
Percentage of the population employed in agriculture

Over the last ten years, the percentage of the population employed in the service industry has increased while it has dropped in industry (12.6% in 1988 to 11.7% in 1998) and has become even more marginal in agriculture (3.9% to 2.5%).

The ratio between agricultural workers and the population is changing rapidly: in 1988 there

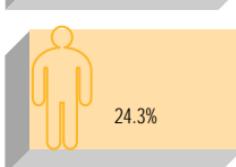
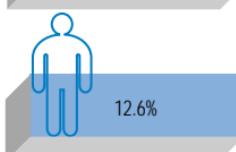
Percentage of population employed in agriculture

AGRICULTURE



 = 25%

INDUSTRY



SERVICES

'88

'98

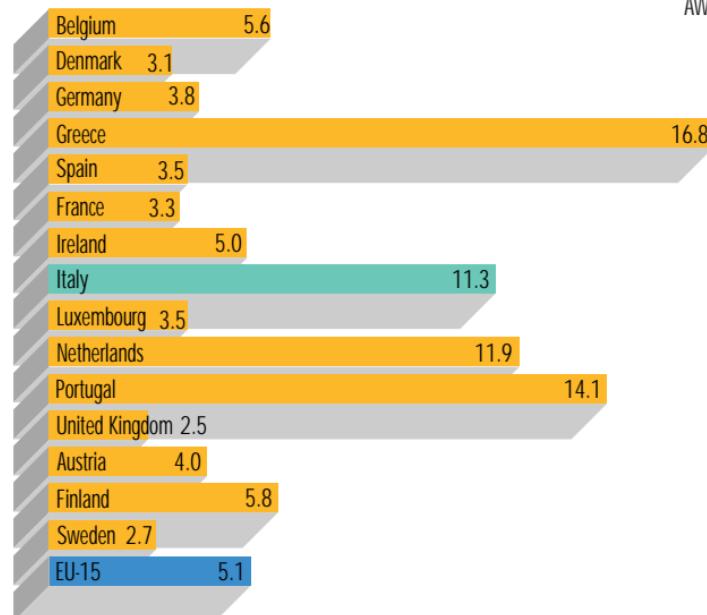
24.3%

25.2%

was approximately one agricultural work unit per 26 inhabitants whereas in 1998 there was one per 40 inhabitants. In industry this

ratio is changing much more slowly and in the service industry, including the civil service, it is practically stationary.

Employment in agriculture in the EU, 1997



Source: Eurostat, European Commission, DG Agriculture.

Employment in agriculture as % of total employment in EU countries, 1997 (*)

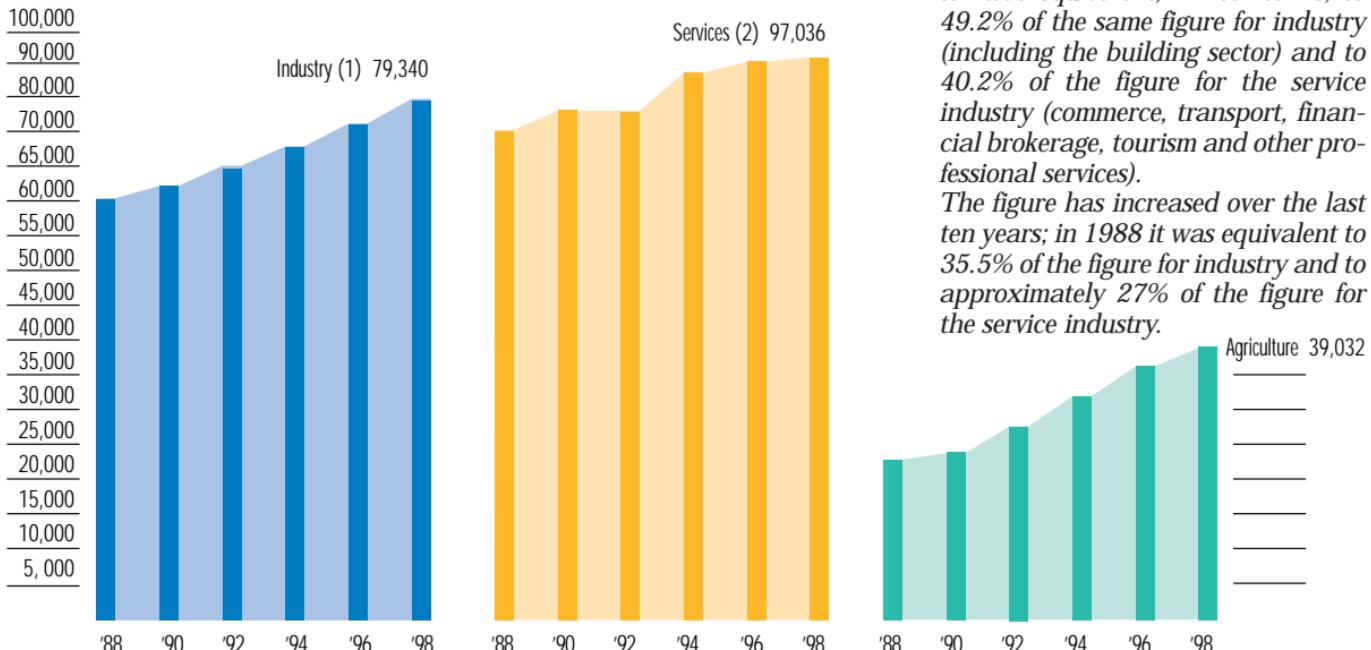
Country	Employment in agriculture
Italy	6.5
France	4.6
Spain	8.3
Greece	19.8
Germany	2.9
Netherlands	3.5
United Kingdom	1.9
Austria	6.9
Finland	7.7
Sweden	3.2
EU 15	5.0
USA	2.6
Japan (1)	4.8

(*) Includes forestry, fishing and hunting.

(1) 1994 Japanese employment figures.

Productivity

VA/WU by sector at 1990 prices ('000 lire)



(1) Includes the building industry.

(2) Excludes the civil service, education, health and other public services.

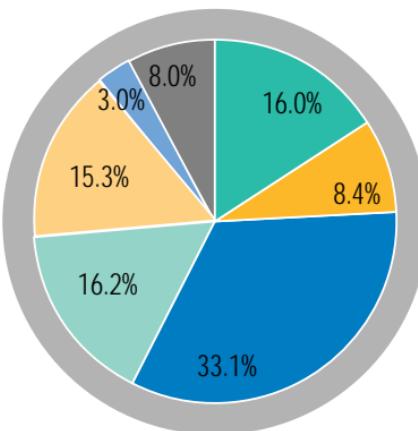
THE AGRI-INDUSTRIAL SYSTEM

Structure

The agri-industrial system is made up of a series of activities in which agriculture interacts with the sectors related to it: the inputs industries (fertilisers, pesticides, animal feed, energy etc), the food industry and the catering industry.

The agri-food sector is estimated to have been worth approximately 322,000 billion lire in 1998, equivalent to 15.6% of GDP. The sum is made up principally as follows: approximately 51,500 billion in value added (VA) from agriculture, 27,000 billion in intermediate consumption in agriculture, 26,000 billion in agri-industrial investments, approximately 52,000 billion in VA from the food industry, 49,000 billion in VA from the catering industry and approximately 106,000 billion in marketing and distribution.

Main components of the agri-industrial system, 1998



	(billion lire)
	TOTAL 321,732
VA from agriculture (1) (2)	51,502
Intermediate agricultural consumption (1)	27,127
Marketing and distribution	106,384
VA from the food industry (2)	52,155
VA from catering services	49,143
Agricultural production subsidies (1)	9,760
Agri-industrial investments	25,661

(1) Includes fishing.

(2) At market prices.

FACTORS OF PRODUCTION

Intermediate Consumption
Agricultural Credit
Investments
Land Market

Intermediate Consumption

Expenditure on intermediate consumption amounted to 26,500 billion lire in 1998, dropping in value by 2% compared to 1997. With the introduction of the new national accounting system known as *ESA95*, transactions within the agricultural industry were included among inputs, showing a 3.4% increase in quantity over the course of the year.

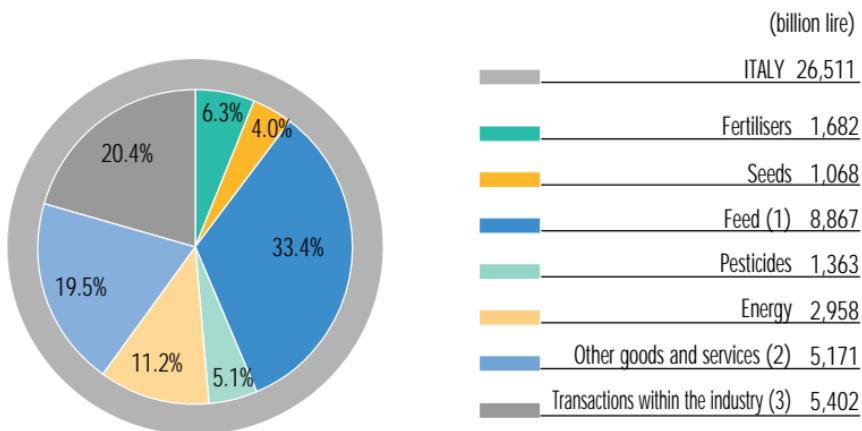
Considered overall, the quantity of inputs remained more or less stationary (-0.2%) after the decrease in 1997 (-1.9%). On the one hand, there was a drop in the use of animal feed (-2.2%), fertilisers (-3%) and pesticides (-1.2%) and a slight fall in consumption of energy (-0.6%) and in other goods and services (-0.2%); on the other, there was an increase in the use of seeds (+1.9%).

Input prices fell by an average of 1.8%, reinforcing the 1% drop in 1997. The variation in prices differed,

however, according to the category concerned: the price of transactions within the industry fell by 9.7% and seed prices dropped by 1.4% whereas the price of other goods and services

increased by 4.3%. Expressed as a percentage of total agricultural output, expenditure on intermediate consumption at constant 1995 prices fell to 32.7% in 1998 from 33% in 1997.

Main categories of intermediate consumption



(2) This figure has been re-assessed since preceding estimates, on the basis of FADN/INEA sources and the 1992 ISTAT input-output table.

(3) According to the new accounting system known as *ESA95*, this category includes seeds sold by farms to other farms, directly saleable forage products, products used as animal feed, hay from cereal crops etc.

Agricultural Credit

Absolute figures for 1998 show an almost stationary situation in short-term credit after the high increases recorded over the preceding three years. Only 31.2% of all short-term credit was on subsidised interest rates, almost 15% less than in 1997; this

was partly due to the EU-imposed termination of subsidies for loans for routine farm management. Medium and long-term credit, on the other hand, showed a slight increase (+1.6%). 62.1% of medium and long-term credit was on subsidised interest

rates, compared to 64% in 1997. The fluctuation in the use of credit was confirmed by the fact that the total amount of credit, expressed as a percentage of total agricultural output, rose from 27.7% in 1997 to 28.3% in 1998.

Agricultural credit (billion lire) (*)

Year	Short term	Medium and long term	Total	% of output
1992	7,354	13,406	20,760	27.7
1993	5,986	13,814	19,800	26.3
1994	5,382	13,596	18,978	24.8
1995	7,838	15,231	23,069	28.1
1996	8,589	14,026	22,615	26.2
1997	9,784	14,005	23,789	27.7
1998	9,790	14,231	24,021	28.3

() Includes credit for fisheries.
Source: Bank of Italy.*

Investments

In 1999 ISTAT published the results of its review of the national accounts, carried out in accordance with the new European System of National Accounts, known as ESA95 (cf. page 4). The review brought about various changes in the investments sector, including a widening of the concept of gross capital formation to include intangibles, and this affected agricultural accounts by including investments such as software and change of ownership charges etc.

According to the new sets of historical data, in 1998 gross fixed investments in agriculture increased at constant prices by 3.8%, representing a steady 4.9% of Italy's total gross fixed investments, a higher percentage on the whole than the percentages recorded over the last ten years. Investments in machinery and equipment rose by approximately 4% after remaining stagnant in 1997 and

investments in vehicles rose at an even higher rate (about 10%), while building investments dropped by about 1%, confirming the negative trend which began in 1996.

The accumulation of intangibles would seem to be increasing, rising from 9% of all investments in the agricultural sector in 1988 to 15.9% in 1998.

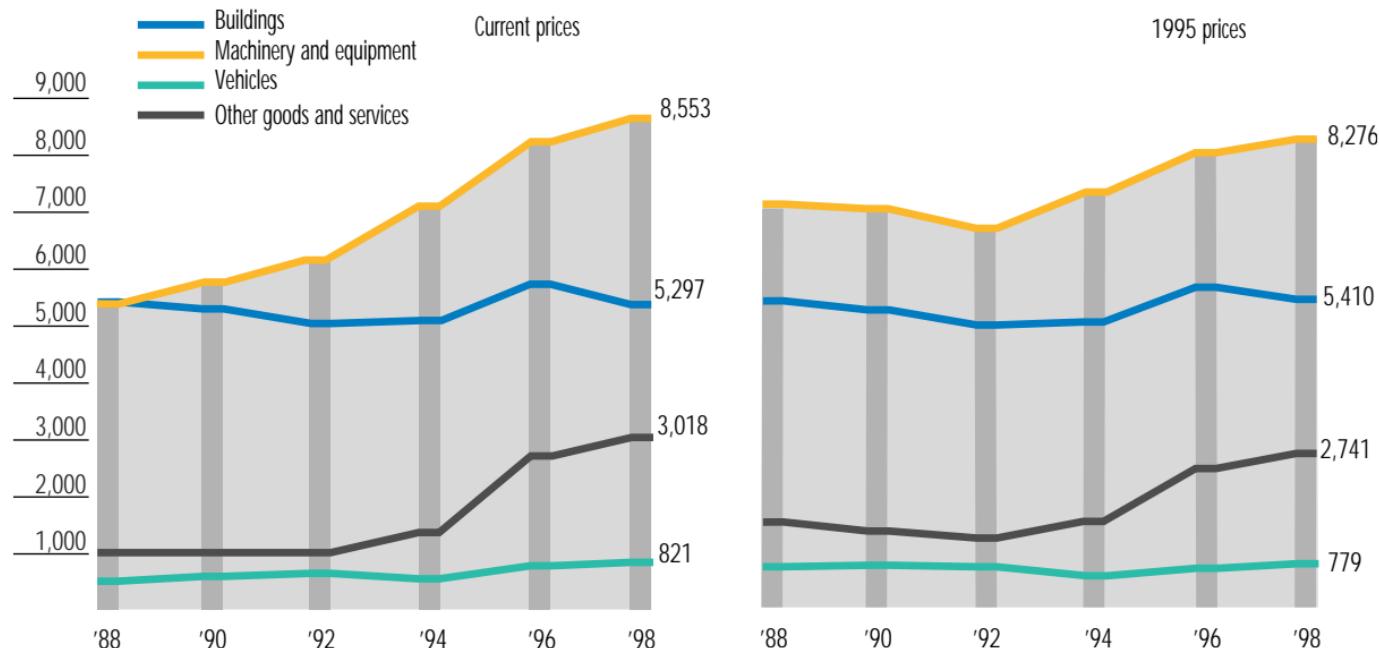
Trends in agricultural investments (*)

	Current values (billion lire)	Constant values 1995 prices (billion lire)	% of total gross fixed investments (1)	% of agricultural VA (1)
1988	12,224	17,252	5.4	34.6
1989	12,394	16,452	4.9	32.5
1990	12,555	15,589	4.5	32.1
1991	12,872	14,864	4.2	28.1
1992	12,720	14,076	4.1	26.3
1993	12,425	13,303	4.3	25.0
1994	13,934	14,456	4.7	26.9
1995	15,355	15,355	4.7	28.2
1996	17,290	16,686	5.0	30.1
1997	17,483	16,567	4.9	29.8
1998	17,689	17,206	4.9	30.4

(*) Includes forestry and fishing, gross fixed investments.

(1) At 1995 prices, agricultural VA at basic prices.

Machinery, buildings and other forms of investment (billion lire)(*)



(*) 1997 and 1998 figures are INEA estimates.

Land Market

In 1997 land prices rose slightly compared to the previous year; the average national increase was 2.8%, a higher rate than inflation for the first time since the beginning of the 1990's. According to operators in the sector, this trend was a consequence both of an expanding national economy which together with the lower cost of money created a positive climate for investors, and of a progressive adaptation to new EU policies. The market was animated essentially by two kinds of land: vineyards, thanks to a successful commercial trend in the wine sector and the value of new planting rights, and arable land, for which there are direct subsidies. Generally, fertile land with adequate infrastructure attracted greater interest and showed a fairly substantial rise in prices. Despite all this, however, actual sales were rather low.

From a geographical point of view, there was a substantial rise in land values in the North, a less marked rise in the Centre and no rise in the South and on the major islands.

The rent market continued to be characterized by stagnancy and uncertainty; the greatest demand was for land with specialised crops

(fruit and vegetables) and high-profit crops (vineyards in important wine-growing areas). The forthcoming expiry of the last rent contracts to have been extended for an extra period of time created a climate of great uncertainty among operators and in some parts of the South this led to numerous legal disputes.

Average land values (million lire/hectare), 1997

	Type of land (according to altitude)					Total	% change	
	Inland mountains	Coastal mountains	Inland hills	Coastal hills	Lowland hills		1997/96	1997/90
North-West	8.9	23.8	27.1	59.8	42.6	29.9	4.5	25.4
North-East	30.6	-	32.6	21.9	44.0	38.4	5.6	19.0
Centre	12.3	18.9	18.9	27.5	34.9	20.4	1.9	29.7
South	11.7	19.9	17.8	27.9	25.5	19.6	0.0	8.5
Islands	10.3	17.9	13.0	16.7	22.6	15.1	0.0	14.6
TOTAL	15.0	19.2	19.1	24.0	36.7	24.0	2.8	18.6

Source: INEA Land Values Data Bank

THE AGRI-FOOD SECTOR

Production Levels
Prices and Costs
Total Output and Farm Income
Food Industry
Distribution
Food Consumption
Foreign Trade

Production Levels

In 1998 the agricultural sector showed a modest rise in production levels after the stationary results in 1997. Output at basic prices increased by 0.8% in quantity but fell by 1.4% in value due to a

marked drop in prices.

Climatic conditions were characterized by drought, with temperatures in the first few months of the year over seasonal averages, especially in the Centre-North regions. Frost in

early spring damaged summer crops, which were also affected in some regions by hailstorms. Rainfall often did not compensate for the summer drought and heat.

Results varied in the main production sectors: an increase in field crops (+3%) was accompanied by a decrease in forage (-1%) and tree crops (-1.4%) while livestock production was practically stationary (-0.1%).

It must be pointed out that further to the introduction of the new accounting system known as ESA95 (cf. page 4), in the calculation of total agricultural output a new category of production is now included alongside traditional categories, called "services connected with agricultural activities", comprising: contract work, whether carried out by contractors ("passive contract work") or by farmers on farms that are not

Output at basic prices by sector, 1998

	Italy (billion lire)	(%)	% change 1998/97	
			Quantity	Price
Field crops (1)	32,399	38.2	2.5	-4.7
Tree crops	18,828	22.2	-1.4	4.9
Livestock	25,846	30.5	-0.1	-3.5
Connected services (2)	4,148	4.9	1.7	-1.6
Forestry	1,202	1.4	12	4.7
Fishing	2,353	2.8	-3.6	3.7
TOTAL	84,776	100	0.8	-1.9

(1) Includes forage crops for a value of 3,705 billion lire.

(2) Active and passive agricultural contract work, packaging of agricultural produce, maintenance of parks and gardens, services connected to livestock farming, artificial insemination, new planting.

Main cereal, vegetable and fruit crops, 1998 (*)

Harvested production Quantity ('000 tonnes)	% change 1998/97	
	Quantity	Price
Soft wheat	3,439	14.6
Durum wheat	4,811	+28.0
Maize	8,860	-11.4
Rice	1,354	-6.1
Sugar beet	12,902	-3.4
Tobacco	128	-1.9
Soya	1,231	7.4
Sunflowers	466	-4.5
Potatoes (early and maincrop)	2,195	8.7
Tomatoes	5,824	4.5
Grapes (table)	1,489	14.4
Wine ('000 hl) (1)	56,912	12.6
Olives (table)	55	-39.8
Olive oil ('000 quintals) (2)	4,378	-32.9
Apples	2,162	9.9
Pears	930	57.9
Peaches and nectarines	1,429	23.3
Oranges	1,590	-12.8
Lemons	525	-8.6
Mandarins and clementines	505	0.5
Kiwi	262	2.9

(*) Provisional data.

(1) Includes must.

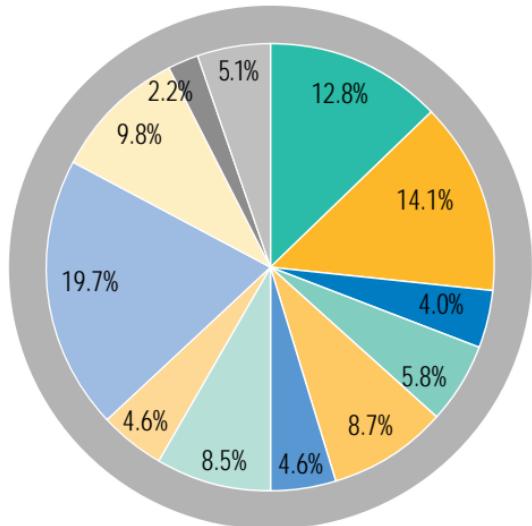
(2) 1 quintal = 100 kg.

theirs ("active" contract work); the packaging of products; the maintenance of parks and gardens; live-stock-related services; investments for new plantations etc. These activities showed a positive trend overall in 1998, recording a 1.7% increase which was accompanied, however, by a 1.6% drop in prices.

An analysis of the main production sectors shows a good recovery in cereal production thanks to a successful harvest of soft wheat (+14.6%) and durum wheat (+28%); there was a decrease, on the other hand, in the production of maize (-11.4%) and rice (-6.1%), partly due to the reduction in the area of land devoted to them.

Among industrial crops, there was an increase (+3.3%) in the oilseeds harvest, the result of an increase in soya (+7.4%) and a decrease in sunflowers (-4.5%); at the same time the

Agricultural output at basic prices by main sector, 1998



(1) Dried pulses accounted for 104 billion lire.

(2) Includes potatoes and fresh pulses.

(3) Sugar beet, tobacco, oilseeds, textile fibres and other industrial products.

(4) Includes honey for 35 billion lire and wool for 26 billion lire.

(5) Active and passive contract work, packaging of agricultural produce, maintenance of parks and gardens, new planting etc.

	(billion lire)
TOTAL	81,221
Cereals and dried pulses (1)	10,432
Vegetables (2)	11,437
Industrial crops (3)	3,218
Flowers and ornamentals	4,682
Grapes	7,095
Olives	3,747
Fruit including citrus	6,911
Forage crops	3,705
Meat	16,029
Milk	7,990
Eggs and other (4)	1,827
Connected services (5)	4,148

production of sugar beet fell (-3.4%), damaged by unfavourable weather conditions.

The production of potatoes and vegetables showed an increment, especially in the East and South. There

was an increase in fruit-bearing produce - cucumbers, strawberries, aubergines, peppers, melons etc - and especially in tomatoes (+4.5%) and there was also a 3.9% rise in stalk, leaf and inflorescence vegeta-

bles such as cabbage, fennel, salad, artichokes etc. The situation remained stationary for fresh pulses and maincrop potatoes but early potatoes showed an enormous increment (+37.2%).

As regards tree crops, an increase in the production of grapes (+14.3%) and fruit (+18.8%) contrasted with a sharp drop in the production of olives (-31.1%); citrus fruit, affected by adverse weather conditions, also showed a decrease (-11.6%).

The production of wine increased (+12.6%), reaching a total of 56.9 million hectolitres and a satisfactory level of quality. Only 440 million kg of oil (-32.9%) were produced, due to it being the low-yield year of the two-year production cycle, especially in Calabria. The production of fresh fruit increased, especially pears (+57.9%), peaches and nectarines (+23.3%).

Main livestock production, 1998

Production (1) Quantity ('000 tonnes)	% change 1998/97	
	Quantity	Price
Cattle (2)	1,587	-1.7
Pigs	1,664	-2.2
Sheep and goats	96	0.5
Poultry	1,195	1.5
Rabbits and game	391	1.1
Eggs (3)	12,433	1.1
Cow's milk (4)	10,144	2.7
Sheep and goat's milk	715	-0.7
		4.8 -16.0 -1.0 -4.1 -3.5 1.0 -5.0 -2.0

(1) Liveweight for meat.

(2) Includes buffaloes.

(3) Production in millions.

(4) Cow's milk from farms.

Agricultural output in EU countries, 1997

	Final output		Intermediate consumption		Intermediate consumption as % of final output
	Mecu (1)	(%)	Mecu (1)	(%)	
Italy	35,081.0	16.1	9,865.0	9.6	28.1
Belgium	6,592.0	3.0	4,251.0	4.1	64.5
Denmark	6,932.0	3.2	3,626.0	3.5	52.3
Germany	32,745.0	15.1	17,760.0	17.2	54.2
Greece	8,815.0	4.1	2,559.0	2.5	29.0
Spain	26,853.0	12.3	11,410.0	11.1	42.5
France	46,953.0	21.6	23,588.0	22.9	50.2
Ireland	4,435.0	2.0	2,207.0	2.1	49.8
Luxembourg	181.0	0.1	86.0	0.1	47.4
Netherlands	16,385.0	7.5	8,143.0	7.9	49.7
Portugal	4,347.0	2.0	2,190.0	2.1	50.4
United Kingdom	18,997.0	8.7	11,480.0	11.1	60.4
Austria	3,583.0	1.6	1,880.0	1.8	52.5
Finland	2,306.0	1.1	1,551.0	1.5	67.3
Sweden	3,333.0	1.5	2,454.0	2.4	73.6
EU 15	217,538.0	100.0	103,050.0	100.0	47.4

(1) 1 ecu = 1,929.3 lire.

The livestock sector showed a generally stationary situation, the result of a slight recovery in sheepmeat and goatmeat (+0.5%), poultrymeat (+1.5%), and rabbit and wild game (+1.1%), accompanied by a drop in beef (-1.7%) and pigmeat (-2.2%). The production of cows' milk rose by 2.7%.

Forestry products showed a marked increase (+12%), especially as regards timber for processing, whereas fish production fell (-3.6%).

Prices and Costs

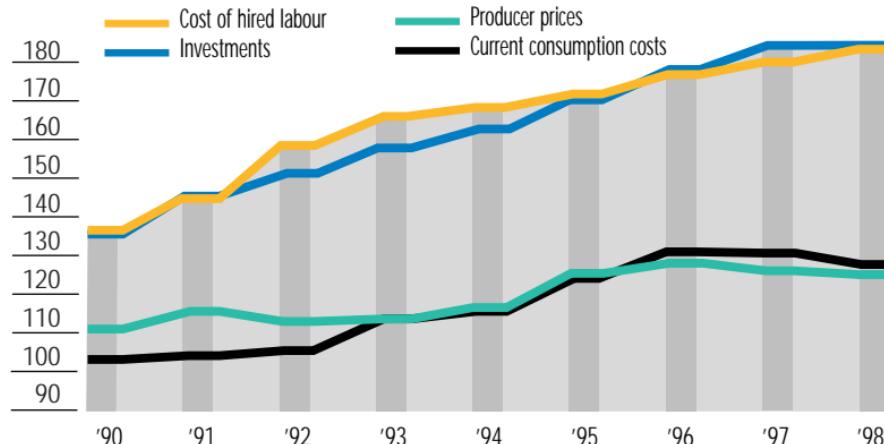
In 1998 the prices of goods purchased by farmers (current consumption) fell on an average by 2.6%, whereas they had been more or less stationary in 1997. There was a drop in particular

in the price of feed (-3.4%), fuel (-3.4%) and simple fertilisers (-6.4%), whereas there was a rise in the price of electricity (+1.8%), compound fertilisers (+1.7%), maintenance works

(+3%) and livestock (+5%). There was an increase in the price of investment goods, averaging 1.5% for machinery and 2.3% for improvement work, whereas there was a decrease in the price of buildings (-1.6%). Hired labour costs increased by around 2.5%.

Producer prices fell by an average of 0.9%, continuing along the deflationary trend of the previous year (-1.9%). The drop in prices affected many sectors, particularly cereals (-4.8%, with troughs of -14% for durum wheat and -11% for paddy), oilseeds (-8.3%), olive oil (-11.1%) and the livestock sector (-2.6%, with milk prices reaching -4.1% and pigmeat prices -16%). There were increases, on the other hand, in prices in the wine sector (+5.3%), especially in quality wines (+8.2%), and in sugar beet (+3.4%) and veal (+9.4%).

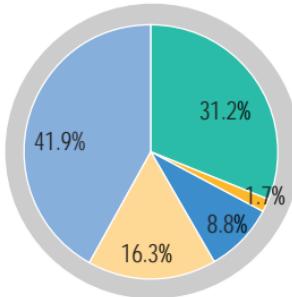
Index numbers (1985=100)



Total Output and Farm Income

Of the total output in the agricultural sector (including production-related subsidies and indirect taxes) in 1998, intermediate consumption (seeds, fertilisers, feed, energy etc) accounted for 31.2%, hired labour wages for 16.3% and the return to self-employed labour (farmers, entrepreneurial workers and family workers), capital and business before depreciation for 41.9%. Subsidies and grants from the State, Ministries, Regional Authorities and EU accounted for around 8.8%, a decrease compared to 1997.

Break-down of the income from farming, 1998 (*)



	(billion lire)
TOTAL OUTPUT (1)	87,286
Intermediate consumption	27,256
Indirect taxes on production	1,516
Production-related subsidies	7,707
Hired labour earnings	14,222
Other income (2)	36,585

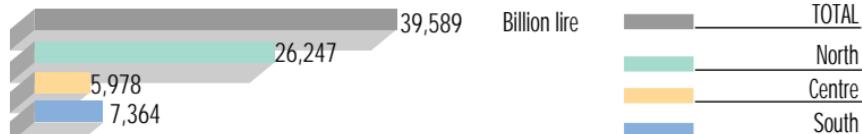
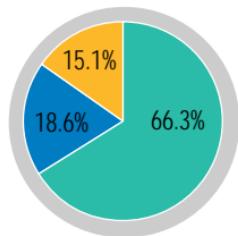
(*) Includes forestry and fishing.

(1) Includes production-related subsidies and indirect taxes.

(2) Self-employed labour, capital and business before depreciation.

Food Industry

Value added at basic prices, 1998 (*)



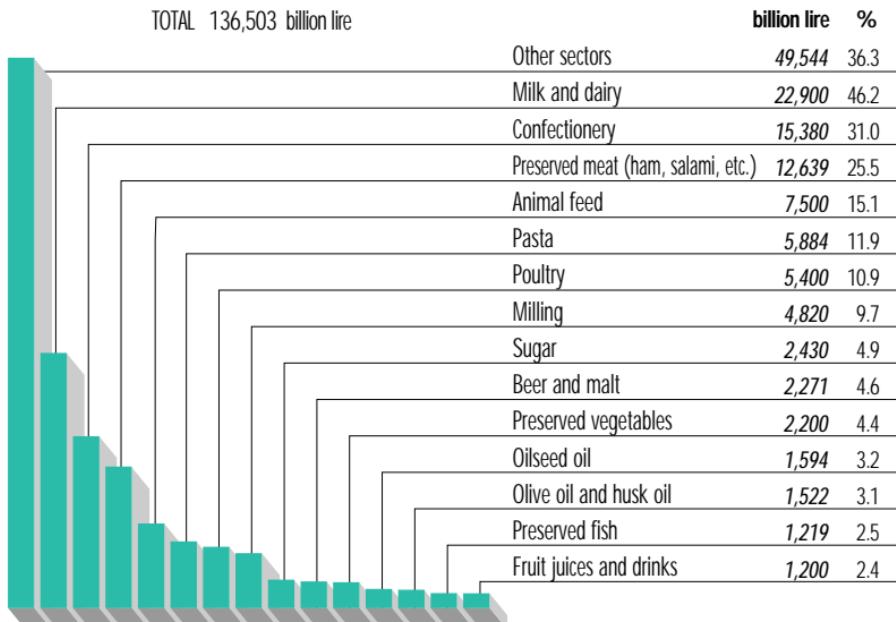
In 1998 the food industry contributed around 9.7% of the VA (at market prices) produced by the whole of industry (considered in the strict sense of the manufacturing and mining industries); moreover, VA from the food industry increased by about 2% in real terms from 1997.

Production rose by 2.7%, the highest increment in the whole of the 1990's, and decidedly higher than in industry as a whole (+1.7%). This lively trend is attributable to the revival of national and foreign demand, which had a positive effect on most sectors.

Positive trends were recorded in the following sectors in particular: oven products (+7.2%), baby and diet foods (+8.6%), sauces and spices (+16.9%). Growth was less marked in the pasta sector (+1.7%) and in the colonial products, coffee and tea sector (+1.5%). Special mention should be made of the dairy sector which

(*) The break-down figures for North, Centre and South are estimated.

Turnover in the food industry by sector, 1998



Source: Confindustria, Report on Italian Agriculture, May 1999.

showed an increment of 3.4%, the result of a large increase in ice-cream production (+10.3%) accompanied by a more modest increase in milk products (+2.3%).

The processed and preserved meat sector showed a positive trend on the whole (+2.1%), particularly as regards meat-based products (+4.1%) and cold meats (+2.8%), while butchers' meat registered a drop (-3.6%). There was also a downward trend in processed fruit and vegetables (-2.8%), in milling and starch products (-0.3%) and in products used for animal feed (-1.7%). The beverages industry showed a 5.1% increment which was the result of two contrasting trends: a large drop in wine (-10.1%) and an increase in beer (+6.6%) and in mineral water and soft drinks (+10.7%).

In Italy, the food market is in constant evolution and attracts considerable

**Production in Italy by sector:
% changes**

	% change 1998/97
Milling (1)	-0.3
Bran	-3.9
Pasta	1.7
Biscuits and bread	7.2
Processed fruit and vegetables (2)	-2.8
Vegetable and animal fats	4.4
Slaughter and processing of meat	2.1
Dairy products (3)	3.4
Sugar refining	-7.5
Confectionery	-6.4
Baby and diet food	8.6
Wine (4)	-10.1
Mineral water and soft drinks	10.7
Beer and malt	6.6
Animal feed	-1.7

(1) Includes starch products.

(2) Includes frozen fruit and vegetables (-4.6%).

(3) Includes ice-cream production (+10.3%).

(4) From non home-produced grapes.

**The food industry in the EU,
1997 (*)**

	VA at factor cost (%)	Employment (%)
Italy	9.5	8.5
France	14.8	13.4
Germany	21.0	20.0
Benelux	10.9	8.2
Denmark	2.9	2.6
United Kingdom	19.5	18.9
Spain	9.9	14.3
Sweden	2.2	2.3
Ireland	2.8	1.8
Finland	1.6	1.9
Portugal	1.8	4.0
Greece	0.9	2.0
Austria	2.3	2.1
EU 15 - TOTAL (1)	128,967	2,691

(*) Includes drinks and tobacco.

(1) VA in million ecu: 1997 conversion rate of 1 ecu = approx. 1,929 lire. Employment figure in '000 employees.

Source: EUROSTAT - Monthly Panorama of European Business.

national and foreign investment. The food industry is characterized by a large number of small and medium-sized enterprises: in 1996, the food, drinks and tobacco industries numbered just under 70,000 firms, approximately 13% of the total number of firms in the manufacturing industry, and employed more than 457,000 people, 9.4% of the total. These firms are unevenly distributed over the country, and there are also considerable structural and technological differences among them. In fact, although 44% of all firms are concentrated in the North and 40% in the South, with the remainder in the Centre, 60% of employees are concentrated in the North, compared to 16.5% in the Centre and 23.9% in the South⁽¹⁾.

In terms of growth, the number of firms increased by 12.6% between 1991 and 1996, while the number of

(1) cf. Cer-Svimez, Report on Industry in the South and Industrialization Policies, Rome 1999.

The food industry by region, 1996

	Food industry			As % of total manufacturing industry		
	Firms	Employees	Factories	Firms	Employees	Factories
Piemonte	5,383	40,365	5,873	12.0	7.0	12.1
Valle d'Aosta	188	953	203	20.6	15.4	21.1
Lombardia	7,991	87,357	8,676	6.8	6.3	6.9
Liguria	2,350	15,597	2,596	20.5	16.7	20.5
Trentino-Alto Adige	895	10,076	1,012	11.7	14.8	12.3
Veneto	5,404	42,182	5,939	8.6	6.7	8.8
Friuli-Venezia Giulia	1,319	9,595	1,465	11.5	7.4	11.7
Emilia-Romagna	7,167	66,224	7,849	13.7	13.0	14.0
Toscana	3,869	22,241	4,270	7.3	6.1	7.5
Umbria	1,107	7,888	1,225	11.8	12.1	12.2
Marche	2,064	11,429	2,366	9.5	6.1	10.0
Lazio	3,804	33,772	4,088	12.4	14.2	12.6
Abruzzo	2,304	10,993	2,452	20.0	11.4	19.7
Molise	595	3,380	638	28.5	27.4	28.0
Campania	6,414	28,366	6,766	18.8	16.1	18.7
Puglia	5,322	22,433	5,780	19.2	14.5	19.5
Basilicata	924	3,751	994	25.8	16.1	25.7
Calabria	3,148	8,647	3,355	29.8	26.4	30.1
Sicilia	7,328	22,136	7,662	26.8	22.6	26.6
Sardegna	2,250	9,667	2,376	23.0	23.4	22.7
ITALY	69,826	457,052	75,585	12.7	9.4	12.8

employees dropped by 6%. In the North, VA from the food industry grew, between 1991 and 1996, at an average annual rate of 2.9% in real terms, against 2.5% in the South. Over the same period of time, the number of work units fell at an average annual rate of 1.1% in the Centre-North and by 2.8% in the South.

In the European Union, the agri-food sector is one of the leading sectors as far as employment and value added are concerned.

Over 80% of value added from the food industry in the EU is concentrated in Germany, France, the United Kingdom, Italy, Spain and the Netherlands. There has been a particularly marked growth in production during the 1990's in France, Germany, the Netherlands and Denmark.

Distribution

In 1998, the distribution system continued to be characterized by a general decrease in the number of firms. According to Nielsen estimates, the number of wholesale operators in the food sector fell by 36% compared to 1992, a decrease which affected the whole country but in particular the North (-42%). In the retail trade, the decrease in

the number of outlets, estimated at around 39% since 1992, continued and was spread unevenly between the North (-52%), the Centre (-41%) and the South (-26%).

As a result of this decrease, the ratio of outlets to inhabitants dropped even further: the number of fixed food retail outlets passed from an average of 1 outlet for every 200

inhabitants at the beginning of the 1990's to practically 1 outlet for every 350 inhabitants in 1998. This rationalization process was accompanied by a positive trend in sales, which increased in value from 1997 by 1.8% in the North, 3.2% in the Centre and 3% in the South.

The retail food trade represented 35% of total retail trade in Italy,

Food distribution system in Italy, 1998 (*)

	North		Centre		South		ITALY	
	(%)	change 1998/92 (%)	(%)	change 1998/92 (%)	(%)	change 1998/92 (%)	No	change 1998/92 (%)
Wholesale	46.7	-41.9	19.0	-33.7	34.3	-29.0	32,100	-36.4
Retail (fixed outlets)	31.9	-52.0	18.1	-41.3	49.9	-26.0	166,100	-39.3
Wholesale/retail	28.3		20.3		13.3		19.3	
Inhabitants per retail outlet	482		367		253		347	

(*) The Ministry of Trade and Industry has not updated its statistics on the distribution system for 1998, except for large-scale distribution and associated trade.

Source: Estimates by AC Nielsen, "The trends of modern distribution", 1998.

reaching over 39% in the South. Different kinds of associations, unions and buying groups represented an increasing percentage of the total number of operators (from 14.4% in 1997 to 15.9% in 1998), in contrast to a slight fall in the number of retail partnerships.

The distribution industry will in due course feel the effects of the Bersani decree (Leg. Decree No 114 of 23/3/98), with its aims of liberalizing trade, of devolving administrative functions to local authorities and of helping medium-small firms by streamlining bureaucracy for them.

Large-scale retail trade

At 1 January 1998 there were 5,449 supermarkets compared to 5,207 in the previous year. This increase (+4.6%) was much lower than the one recorded in 1997 and confirmed that growth is slowing down

Large-scale retail food trade by geographical area, 1998 (*)

Geographical area	Outlets	Sales area (m ²)	Employees	No of outlets per 100,000 inhab.	Sales area m ² /1,000 inhab.
North	3,173	3,246,525	86,909	12.4	127.0
Centre	1,119	1,040,604	29,121	10.1	94.1
South	1,379	1,101,155	21,375	6.7	52.6
TOTAL	5,689	5,388,284	137,405	9.9	93.6

(*) Independent supermarkets, food departments in large stores and hypermarkets. At 1st January 1998.

Source: Calculations by INEA from data from the Ministry of Trade and Industry, "Structural features of the distribution system in Italy", Rome, September 1997.

as a result of the closure of a large number of outlets. There was an increase in the size of outlets, with the total retail area reaching 4.8 million m² (+6.5%), and in the total number of employees, which rose to over 100,000. At the same time, the average size of each outlet increased from 867 to 883 m². The number of hypermarkets rose to 240, with a retail area of over 1.2

million m² (+6.7%) - of which 579,000 m² for food alone - and a number of employees equivalent to approximately 36,000 work units (+10.2%).

Large-scale retail trade accounted for a steadily increasing proportion of the turnover of total fixed-location retail and according to Nielsen estimates its turnover is likely to represent 50% of the sales of pack-

aged products in the year 2000. The value of sales in the large-scale retail trade increased by 4.6% over 1997, compared to a 1.7% increase in small retail outlets.

There was a slight reduction in wholesale "cash and carry" distribution, with 283 outlets (-1.7%) and a total area of about 715,000 m² (-1.8%) for the sale of food.

Food Consumption

In 1998 family expenditure on food and drink amounted to about 197,000 billion lire, a 1.5% increase in current values and a 0.8% increase in constant values. This last figure confirms the stagnant trend in food consumption over recent years. Average price levels remained stationary (+0.7%).

Break-down of food consumption, 1998

Product	% of total food expenditure	Average annual rate of change 1998/92	
		Quantity (%)	Price (%)
Bread and cereals	16.3	-0.15	2.62
Meat	23.1	-1.89	2.49
Fish	6.6	0.11	2.43
Dairy produce and eggs	13.5	-1.25	3.80
Fats and oils	5.3	-1.90	4.17
Fruit	6.4	-0.27	0.81
Vegetables and potatoes	10.9	1.33	1.94
Sugar and confectionery (1)	6.4	1.11	4.13
Other foods (2)	0.3	-2.51	2.72
Coffee, tea and cocoa	1.5	-3.45	4.01
Mineral water and soft drinks (3)	4.8	1.6	1.99
Wine and alcoholic drinks	4.9	-4.61	4.99
OVERALL	100.0	-0.82	2.81

As regards the quantity of food consumed, there were different trends among products: consumption increased in milk and dairy products (+1.8%), fruit (+1.5%), vegetables and potatoes (+1.8%), alcoholic drinks (+1.6%) and non-alcoholic drinks (+4.9%), but it decreased in sugar, jam

and confectionery (-1.4%) and coffee, tea and cocoa (-1.2%).

Consumption of bread, cereal-based products, meat, fish and other food products remained stationary.

Expenditure on food dropped to 16.4% of total family expenditure, compared to 16.8% in 1997; ten years ago, it was around 20%.

An important part of the overall food demand of the country is represented by food consumption outside the home (canteens, snack bars and restaurants), confirming the change in consumers' eating habits. According to a recent survey by ISTAT on family consumption habits, in 1998 average monthly expenditure on meals and drinks outside the home amounted to around 115,000 lire, showing a 2.9% value increase over 1997 and representing 14.7% of average monthly family expenditure on food and drink. The food Italians spent most on in

(1) Jam, honey, syrups, cakes and biscuits etc.

(2) Diet foods, spices, baby products etc.

(3) Fizzy drinks, fruit juices etc.

1998 was meat (45,500 billion lire), followed by bread and cereal-based

products (about 32,300 billion), milk, dairy products and eggs (26,700 bil-

lion) vegetables and potatoes (21,500 billion), fish (about 13,000 billion), fruit (12,700 billion), sugar and confectionery (12,600 billion), wine and other alcoholic drinks (about 9,800 billion).

Since 1992, the proportion of meat, oil and fats, wine and other alcoholic drinks, coffee, tea, cocoa and fruit consumed in Italy has dropped, whereas the proportion of bread and cereal-based products, fish, vegetables, sugar and confectionery and non-alcoholic drinks has risen.

The figures for per capita consumption of different foods in the EU highlight the high proportion of Mediterranean products consumed in Italy compared to other member states. The demand for cereal-based products, wine, vegetables and fruit is much higher than the EU average, whereas milk consumption is 36% lower and pigmeat consumption about 16% lower.

Food consumption in the EU (kg per capita) (*)

Product	Italy	France	Spain	Greece	Germany	United Kingdom	Austria	EU
Cereals and cereal products (1)	118	76	73	139	75	85	72	83
Rice (1)	5	4	7	5	4	4	6	4
Potatoes (1)	38	58	89	87	73	106	56	77
Vegetables (2)	177	n.a.	157	308	81	99	n.a.	n.a.
Fruit including citrus (2)	121	n.a.	107	123	92	57	n.a.	n.a.
Milk (3)	67	100	133	67	91	130	96	105
Cheese	19	23	8	23	19	9	16	16
Butter	3	9	1	1	7	3	5	5
Total meat	85	99	108	88	87	71	96	88
Beef	24	26	13	23	15	14	20	19
Pigmeat	35	36	58	25	55	24	57	42
Fats and oils (4)	32	22	28	38	25	27	34	n.a.
Sugar (5)	26	34	34	26	34	38	40	33
Wine (6)	59	60	39	25	23	13	30	34

(*) Figures refer to the 1996/97 season: fats and oils, milk, dairy products and meat to 1996.

(1) Italy, France, Greece and EU figures refer to the 1995/96 season: cereals and cereal products are in flour equivalent.

(2) Includes processed products, dried fruit and nuts; Greece and UK figures refer to 1994/95.

(3) Including other fresh products.

(4) Spain figures refer to 1995/96 and Greece 1994/95, only oils of vegetable origin; Italy 1994.

(5) White sugar equivalent; Italy, Greece and EU figures refer to the 1995/96 season.

(6) Litres per capita.

Foreign Trade

In 1998 the trade deficit in the agri-food sector amounted to around 18,000 billion lire, a better result than in 1997 and in line with the trend of previous years. The 1998 improvement was due to a revival in exports (+4.2%), which increased more than imports (+1.4%). In contrast to the increase in the deficit in 1997, the 1998 result represents the resumption of the positive trend in agri-industrial foreign trade, which has led in recent years to a considerable improvement in the degree of trade cover.

Around 67% of Italian trade in the agri-food sector took place within the EU, with France and Germany standing out as Italy's main trading partners, as regards both sales and purchases. Among non-EU countries, the United States and Switzerland confirmed their impor-

The agri-food balance and the agri-industrial system (*)

	1990	1997	1998
MACRO-ECONOMIC AGGREGATES			
Total agri-industrial output (1)	98,241	124,654	124,365
Imports	31,554	45,950	46,600
Exports	13,620	27,515	28,661
Balance	-17,934	-18,435	-17,939
Volume of trade (2)	45,174	73,465	75,261
Apparent consumption (3)	106,738	134,799	142,304
INDICATORS (%)			
Degree of self-sufficiency (4)	92.0	92.5	87.4
Propensity to import (5)	29.6	34.1	32.7
Propensity to export (6)	13.9	22.1	23.0
Degree of trade cover (7)	43.2	59.9	61.5

(*) Billion lire at current prices; figures for agri-industrial output and trade also include "cured tobacco".

(1) Total output of agriculture, forestry and fishing plus VA from the food industry at basic prices (see glossary).

(2) Sum of exports and imports.

(3) Agri-industrial output plus imports minus exports.

(4) Output-consumption ratio.

(5) Imports-consumption ratio.

(6) Exports-output ratio.

(7) Exports-imports ratio.

Distribution of Italy's foreign trade in the agri-food sector (billion lire), 1998 (*)

Country	Imports (billion lire)	(%)	Exports (billion lire)	(%)	Nb (1) (%)	Country	Imports (billion lire)	(%)	Exports (billion lire)	(%)	Nb (1) (%)
EUROPEAN UNION 15	30,175	67.6	18,997	66.3	-22.7	Switzerland	431	1.0	1,258	4.4	49.0
France	8,330	18.7	3,622	12.6	-39.4	Norway	18	0.0	95	0.3	68.1
Germany	5,996	13.4	7,238	25.3	9.4	United States	1,632	3.7	2,338	8.2	17.8
Netherlands	4,200	9.4	991	3.5	-61.8	Canada	379	0.8	405	1.4	3.3
United Kingdom	1,523	3.4	2,414	8.4	22.6	CEE countries	1,047	2.3	864	3.0	-9.6
Belgium & Luxembourg	1,676	3.8	862	3.0	-32.1	Poland	321	0.7	184	0.6	-27.1
Spain	3,459	7.8	1,106	3.9	-51.5	Hungary	371	0.8	100	0.3	-57.5
Portugal	189	0.4	197	0.7	2.1	Czech Republic	32	0.1	153	0.5	65.4
Denmark	1,729	3.9	332	1.2	-67.8	OTHER EAST EUROPEAN STATES (2)	978	2.2	934	3.3	-2.3
Ireland	472	1.1	98	0.3	-65.6	MEDITERRANEAN COUNTRIES (3)	1,401	3.1	912	3.2	-21.1
Greece	1,117	2.5	726	2.5	-21.2	REST OF WORLD	7,301	16.4	1,757	6.1	-61.2
Austria	1,211	2.7	958	3.3	-11.7	Argentina	964	2.2	77	0.3	-85.2
Sweden	198	0.4	370	1.3	30.3	Brazil	1,028	2.3	154	0.5	-73.9
Finland	75	0.2	83	0.3	5.1	China	449	1.0	23	0.1	-90.3
OTHER DEVELOPED COUNTRIES	3,711	8.3	5,182	18.1	16.5	Japan	10	0.0	765	2.7	97.4
						TOTAL	44,613	100.0	28,646	100.0	-21.8

(*) Excludes "cured tobacco".

(1) Normalised balance (see glossary).

(2) Includes Russia, other CIS countries, former Yugoslavia countries and Albania.

(3) Mediterranean countries in non-EU Europe, Africa and Asia.

tance as market outlets for Italian produce, and the United States again, together with Brazil and Argentina, were leading suppliers.

Alongside its traditional trading partners, in the last few years Italy has developed growing trade relations with other countries: Central

and Eastern European countries first of all, followed by East Asian countries, especially China and Japan.

Foreign trade by main agri-food products (billion lire), 1998

Product	Imports	Exports	Nb (1) (%)
Cereals	2,607	100	-92.6
Fresh pulses and vegetables	757	1,296	26.3
Dried vegetables and fruit	714	257	-47.1
Fresh fruit	1,391	3,048	37.3
Citrus fruit	270	171	-22.4
Raw textile fibres	1,056	33	-93.9
Oilseeds	632	19	-94.2
Coffee and spices	1,845	67	-93.0
Flowers and ornamental plants	590	613	1.9
Uncured tobacco	296	353	8.8
Live animals	2,742	106	-92.6
of which cattle	2,062	69	-93.5
Other livestock products	999	37	-92.9
Forestry products	1,551	297	-67.9
Fish and game	1,333	311	-62.2
Other products	268	164	-24.1
TOTAL PRIMARY SECTOR	17,050	6,870	-42.6

Product	Imports	Exports	Nb (1) (%)
Cereal products	673	4,357	73.2
of which pasta	10	1,972	99.0
Sugar and confectionery	1,255	1,081	-7.4
Fresh and frozen meat	5,997	971	-72.1
Processed meat	251	979	59.2
Processed and preserved fish	3,653	331	-83.4
Processed vegetables	1,026	1,826	28.1
Processed fruit	628	1,262	33.5
Dairy products	4,949	1,844	-45.7
of which milk (2)	1,370	9	-98.7
of which cheese	1,994	1,374	-18.4
Oils and fats	2,510	1,445	-26.9
Oilcake and oilseed flour	1,574	352	-63.4
Drinks	1,475	5,335	56.7
of which wine	340	4,100	84.7
Other food industry products	3,573	1,994	-28.4
TOTAL FOOD INDUSTRY	27,564	21,777	-11.7
TOTAL AGRI-FOOD SECTOR	44,614	28,647	-21.8
Cured tobacco	1,986	14	-98.6
TOTAL AGRI-INDUSTRIAL SECTOR	46,600	28,661	-23.8

(1) Nb = Normalized balance (see glossary).

(2) Fresh and long life.

Foreign trade in agri-food sector by region (billion lire), 1998 (*)

	Primary sector		Food industry		Total	
	Imports	Exports	Imports	Exports	Imports	Exports
Piemonte	2,797.5	353.9	1,504.3	3,305.4	4,301.8	3,659.3
Valle d'Aosta	16.7	0.4	33.0	9.5	49.7	9.9
Liguria	993.4	569.7	986.4	401.5	1,979.8	971.1
Lombardia	4,455.4	547.5	6,105.9	3,612.7	10,561.4	4,160.2
Trentino Alto Adige	327.7	457.3	793.3	956.6	1,121.0	1,413.9
Veneto	3,201.7	810.0	2,687.2	2,629.3	5,888.9	3,439.3
Friuli Venezia Giulia	716.6	151.7	390.0	630.8	1,106.6	782.6
Emilia Romagna	2,361.0	1,322.8	3,523.6	3,442.5	5,884.6	4,765.3
Marche	561.0	93.3	108.8	163.7	669.7	257.0
Toscana	1,067.4	289.7	1,768.3	1,412.8	2,835.7	1,702.5
Umbria	290.4	99.7	321.7	239.6	612.0	339.3
Lazio	1,110.2	247.3	1,551.2	521.1	2,661.4	768.4
Campania	1,497.7	563.4	1,146.3	2,150.0	2,643.9	2,713.4
Abruzzo	313.6	112.6	227.2	338.9	540.7	451.5
Molise	54.9	4.7	44.1	91.3	99.0	96.0
Puglia	767.9	904.0	632.9	463.3	1,400.7	1,367.4
Basilicata	51.2	44.3	34.5	27.8	85.7	72.1
Calabria	201.4	64.7	187.0	57.0	388.3	121.7
Sicilia	438.2	488.7	483.7	417.1	921.9	905.8
Sardegna	345.8	11.0	122.5	261.2	468.4	272.2
ITALY	21,575.2	7,138.6	22,665.3	21,133.3	44,240.5	28,271.9

(*) The sum of the regional figures does not equate to the total given for Italy in the preceding tables because a small percentage of trade is not attributable to any single region.

Primary sector products represented 38% of total agri-food imports and 24% of exports; the balance in this sector worsened slightly in comparison to 1997. As regards imports, cereals and live animals remained of prime importance, while fresh fruit and vegetables dominated exports. As far as the food processing industry was concerned, exports rose by 5% over 1997 whereas imports remained stationary, resulting in an improvement in the trade balance. Meat, milk, dairy products and processed fish products accounted for a significant proportion of imports, while products made in Italy such as cereal products, wine and processed fruit and vegetables dominated exports.

The greater contribution by the food industry to the trade balance

highlights the growing importance of processed products in agri-food trade and the role of Italy as a producer of processed food on world markets.

In Italy the agri-food trade is con-

trolled by four regions in the North of the country: Lombardy, Veneto, Emilia Romagna and Piemonte. They are followed, at a considerable distance, by Campania, Tuscany and Lazio.

The distribution of foreign purchases and sales among the regions varies enormously according to whether primary products or processed commodities are being considered.

STRUCTURE OF THE FARMING INDUSTRY

Introduction

In accordance with EU instructions for the period 1990-2000, the Italian National Statistics Institute, ISTAT, completed its programme of two-year sample surveys with a survey on the structure and production of farms, which it carried out in 1997. Being an EU survey, the results only refer to farms in the so-called "field of survey", which does not correspond to the total of national farms in that it excludes farms with less than a hectare of used agricultural area (UAA) and with a marketed output below a certain value in the year under consideration (3,500,000 lire in the 1997 survey). The survey provides data on the

area of land used in agriculture, on the production of cereals and other crops and on the number of livestock and production of milk, thus complying with 7 EU regulations and directives through one multi-purpose sample of farms and one data-gathering model. It should be pointed out that ISTAT carried out similar structural surveys for national purposes in 1994, 1996 and 1998, using identical techniques and methodologies, in order to provide constant monitoring of the country's agriculture.

The results of the 1997 survey show a marked reversal of trend since 1995 for Italian farms included in the EU field of survey, as regards

both the number of farms and their structural and productive characteristics. This is probably due to:

a) the exclusion of a number of farms from the EU field of survey because according to the ISTAT definition they are no longer in possession of EU requisites;

b) the non-existence of a certain number of farms in the survey, because these have closed down since being counted in the 1990 Census, on which the survey was based.

The following chapters provide information on certain farm characteristics considered of interest at regional, national and EU level.

Farms and Farm Land

In 1997 there were 2,315,233 Italian farms with over 20 million hectares of land overall, of which 14.8 million hectares was used agricultural area (UAA). Compared to 1995, the number of farms in Italy dropped considerably (-6.7%) while UAA increased by 1%. The drop in the number of farms affected almost all regions except Valle d'Aosta (+1.5%), Marche (+0.9%) and Abruzzo (+4.4%), while most regions showed increases, some of which were substantial, in UAA.

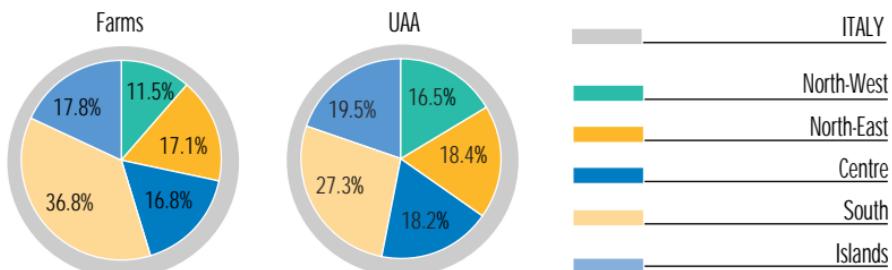
The most significant drop in the number of farms was recorded in the North-West (-11.9%), where there was, however, a 2.9% increase in UAA. The situation was particularly interesting in Piemonte, which recorded a 20.1% decrease in the number of farms and a 4.5% increase in UAA, and in the Autonomous Provinces of Bolzano

and Trento, which recorded a respective decrease of 4% and 2% in farms and a respective increase of 1.7% and 2.8% in UAA. In the Centre of Italy, where there are 16.8% of total national farms and 18.2% of national UAA, there was an overall drop both in the number of farms and in UAA, with particularly sharp decreases in Tuscany (-17.3% in farms and -4.6% in UAA)

and Umbria (-7.9% and -2.8% respectively), partially offset by increases in UAA in Marche (+9.7%) and Lazio (+3.5%).

36.8% of total national farms and 27.3% of total national UAA were located in the Southern regions, with 28.3% of farms concentrated in only three of these regions: Campania (8.7%), Puglia (13%) and Calabria (6.6%). 17.8% of national farms

Distribution of farms and UAA by geographical area, 1997



Farms, total farm land and used agricultural land, 1997

	Farms		Land (hectares)			% change 1997/95	
	Number	(%)	Total	UAA	Average UAA per farm	Farms	UAA
Piemonte	122,457	5.3	1,577,819	1,169,599	9.55	- 20.1	4.5
Valle d'Aosta	7,208	0.3	146,437	87,121	12.1	- 1.5	- 5.8
Lombardia	100,870	4.4	1,401,802	1,111,146	11.0	- 2.7	2.2
Trentino - Alto Adige	45,913	2.0	993,651	409,872	8.9	- 3.1	2.1
Aut. Prov. of Bolzano	21,929	0.9	558,948	265,813	12.1	- 4.2	1.7
Aut. Prov. of Trento	23,984	1.0	635,703	144,059	6.0	- 2.1	2.8
Veneto	181,015	7.8	1,045,988	868,494	4.8	- 7.0	- 1.1
Friuli - Venezia Giulia	48,644	2.1	384,938	260,197	5.3	- 2.2	2.4
Liguria	34,979	1.5	206,928	80,867	2.3	- 6.3	0.7
Emilia - Romagna	119,784	5.2	1,551,892	1,192,655	10.0	- 11.1	- 1.5
Toscana	92,889	4.0	1,654,390	902,110	9.0	- 17.3	- 4.6
Umbria	45,183	2.0	606,368	391,838	8.7	- 7.9	- 2.8
Marche	71,624	3.1	788,876	588,618	8.2	0.9	9.7
Lazio	179,177	7.7	1,124,105	821,249	4.6	- 0.5	3.5
Abruzzo	94,337	4.1	748,886	502,980	5.3	4.4	1.2
Molise	36,103	1.6	313,206	243,187	6.7	- 4.7	1.6
Campania	201,414	8.7	823,506	632,753	3.1	- 13.9	- 0.3
Puglia	300,614	13.0	1,544,404	1,431,099	4.8	- 0.9	1.6
Basilicata	68,553	3.0	739,939	597,035	8.7	- 4.6	1.7
Calabria	152,029	6.6	862,239	649,866	4.3	- 10.8	1.5
Sicilia	328,830	14.2	1,716,307	1,564,804	4.8	- 1.2	2.1
Sardegna	83,610	3.6	1,924,369	1,327,616	15.9	- 17.1	- 1.1
ITALY	2,315,233	100.0	20,156,050	14,833,106	6.4	- 6.7	1.0

were found on the two major islands, almost all of them in Sicily.

Compared to 1995, in some regions farms recorded a fairly considerable increment in size, as for example in Piemonte (from 7.3 to 9.5 hectares), Bolzano (from 11.4 to 12.1 hectares), Sardinia (from 13.3 to 15.9 hectares) and Tuscany (from 8.4 to 9.7 hectares).

Despite the progressive increase in the average size of farm land, in 1997 around 30% of Italian farms still owned less than 1 hectare of UAA. However, the number of farms in this group decreased by 22.4% between 1995 and 1997. Overall, 75% of Italian farms possessed less than 5 hectares of UAA. It must be noted, however, that there was a significant increment (+7.7%) in farms with between 10 and 20 hectares of UAA, equal to 6.5% of the total number of farms.

Use of Farm Land

In 1997, of the 20.2 million hectares of land belonging to farms, just under 74% was made up of UAA. Of this, 8.3 million hectares were planted with arable crops (-0.4% compared to 1995), 3.9 million hectares were used for permanent grass and pasture (-2.7%) and 2.7 million hectares were planted with permanent tree crops (vines, olive trees, fruit trees etc) (+2.9%).

Of the remaining 5.3 million hectares not classifiable as UAA, 3.8 million hectares were covered with woodland (including poplar groves) and 1.6 million hectares were either unused farm land or woodland, or non-productive land.

40.4% of arable crops were grown in the South and on the two major islands, where 63.8% of permanent tree crops were also grown. Arable crops were the most widely grown crops all over the country except for

the islands, where a significant proportion of UAA was used for permanent grass and pasture (37.2%).

There were large differences in the proportion of land planted with permanent tree crops across the country:

from 7.3% of UAA in North-Western regions to 28.7% in Southern regions (not including the islands).

Lastly, it should be pointed out that around 30% of woodland is concentrated in Central regions.

Main uses of farm land (hectares), 1997

	Used agricultural area			Total	Woodland	Other land	Total land
	Arable area (a)	Permanent grass & pasture (b)	Permanent crops (b)				
North-West	1,455,832	814,771	178,130	2,448,733	629,279	254,974	3,332,986
North-East	1,717,605	651,718	361,895	2,731,218	877,331	367,920	3,976,469
Centre	1,745,353	513,418	445,043	2,703,814	1,129,862	340,063	4,173,739
South	2,088,087	803,441	1,165,392	4,056,920	654,041	321,219	5,032,180
Islands	1,245,048	1,076,819	571,254	2,893,121	480,996	267,259	3,641,376
ITALY	8,251,925	3,860,167	2,721,714	14,833,806	3,771,509	1,551,435	20,156,750

(a) Includes household plots.

(b) Includes edible chestnuts.

(c) Includes poplar groves.

(d) Unused farm land and other land.

Livestock

In 1997, approximately 700,000 farms kept livestock, with a 15.6% reduction since 1995 which was fairly evenly spread all over the country. The largest decreases in farms keeping livestock were recorded in Veneto (-19.8%), Emilia Romagna (-17.2%), Campania (-13.5%) and Piemonte (-22.8%). Changes in numbers of livestock kept by farms varied according to the kind of livestock: there were reductions in the number of cattle (-1.1%), goats (-1.6%), horses (-6.1%) and poultry (-3.5%) but increases in the number of pigs (+2.9%) and sheep (+2.1%, an increase which was not attributable to ewes, which actually decreased in number by 5%).

Livestock rearing was more widespread in the Central-Southern regions (not counting the two major islands), where 53.7% of livestock farms were located. However, it was

Livestock farms and number of head, 1997

	Farms	Cattle	Pigs	Sheep	Poultry
Piemonte	51,020	998,663	834,557	90,375	9,595,525
Valle d'Aosta	3,502	44,660	297	2,627	15,929
Lombardia	45,342	1,843,958	3,050,728	108,538	10,383,218
Trentino - Alto Adige	18,220	198,041	32,298	55,244	2,050,480
Aut. Prov. of Bolzano	13,200	151,118	26,087	36,296	131,424
Aut. Prov. of Trento	5,020	46,923	6,211	18,948	1,919,056
Veneto	82,856	927,552	545,936	30,170	44,991,911
Friuli - Venezia Giulia	13,737	104,373	291,233	2,522	3,130,759
Liguria	14,781	21,506	927	30,003	171,973
Emilia - Romagna	44,706	718,411	1,752,905	110,890	27,440,417
Toscana	28,761	119,714	214,703	627,874	3,446,765
Umbria	21,807	78,728	262,368	197,052	2,381,943
Marche	45,626	95,359	220,943	224,993	6,696,011
Lazio	68,960	347,381	180,303	1,186,094	2,514,610
Abruzzo	43,856	101,967	124,238	365,807	976,968
Molise	15,349	63,831	33,544	144,633	4,797,692
Campania	75,626	368,664	156,127	325,303	5,750,179
Puglia	10,720	199,908	25,566	355,718	2,313,522
Basilicata	24,266	90,130	85,587	363,489	2,472,838
Calabria	41,118	158,716	165,829	344,300	909,227
Sicilia	18,745	525,969	59,949	1,283,562	2,405,196
Sardegna	30,734	327,193	254,754	5,044,517	900,186
ITALY	699,732	7,334,724	8,292,792	10,893,711	133,345,349

especially in the North and Centre that a high proportion of farms kept livestock (over 40%). In the North, livestock farming was fairly specialized; in the North-West, 46.9% of the country's pigs were bred and over

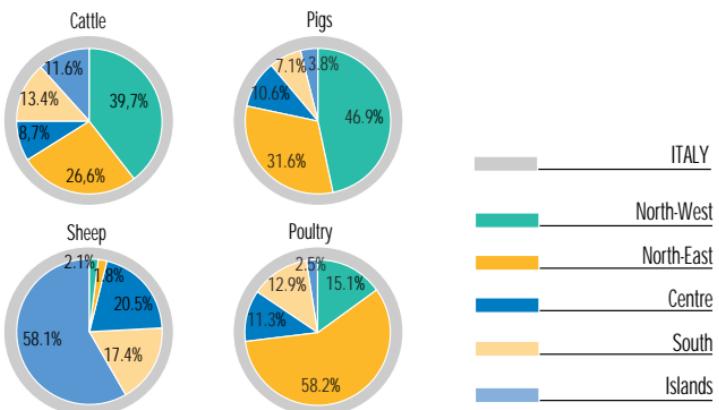
39% of its cattle, of which 38.7% were bred in the regions of Piemonte and Lombardy alone. Sheep farming, on the other hand, was concentrated on the islands.

Compared to 1995, there was an

increase in the average number of head per farm: the number of head of cattle rose from 29 to 32, the number of pigs from 29 to 33, the number of sheep from 70 to 85 and the number of poultry from 257 to 286.

Livestock farms by geographical area, 1997

	%	% of all farms
North-West	16.4	43.2
North-East	22.8	40.3
Centre	23.6	42.5
South	30.1	24.7
Islands	7.1	12.0
ITALY	100.0	30.2



Forms of Farm Management

In 1997, 96.5% of Italian farms were managed directly by the farmer. In 80% of these, the farmer ran his farm with the help of family labour only. There was a 6.5% drop from 1995 in the number of farms run directly by the farmer whereas there was a drop of around 10% in the number of farms employing hired workers. Farms run with other forms of management decreased in number by 42.5%, falling to 4,500.

The decreases in the number of farms were nearly always accompanied by corresponding decreases in UAA, with the exception of farms managed directly by the farmer himself which, on the contrary, showed a 1.8% increase in UAA. A final observation: farms run by the farmer mainly with non-family labour increased by 21.9% in number and by 6.8% in terms of UAA.

Farms and used farm land by form of management, 1997

Form of management	Farms		UAA		% changes 1997/95	
	No	(%)	(hectares)	(%)	Farms	UAA
Run directly by the farmer	2,233,822	96.5	12,422,360	83.7	-6.5	1.8
- only with family labour	1,891,504	81.7	8,956,917	60.4	-7.7	1.7
- mainly with family labour	239,179	10.3	2,254,574	15.2	-6.4	-0.4
- mainly with non-family labour	103,139	4.5	1,210,869	8.2	21.9	6.8
Run with hired workers and/or partners	76,912	3.3	2,355,557	15.9	-9.9	-2.7
Other	4,499	0.2	55,189	0.4	-42.5	-2.7
TOTAL	2,315,233	100.0	14,833,106	100.0	-6.7	1.0

Use of Machinery

Farms using agricultural machinery, 1997

	Total	Tractors	Powered cultivators	Combine harvesters
Piemonte	114,961	95,697	71,493	51,609
Valle d'Aosta	5,840	3,895	5,430	-
Lombardia	90,296	76,355	59,488	37,534
Trentino - Alto Adige	42,154	35,227	32,630	260
Aut. Prov. of Bolzano	20,506	18,682	15,251	108
Aut. Prov. of Trento	21,648	16,545	17,379	152
Veneto	167,026	137,198	115,568	76,461
Friuli - Venezia Giulia	42,070	30,120	11,276	28,505
Liguria	31,981	10,201	28,483	8
Emilia - Romagna	117,892	107,571	78,380	61,924
Toscana	77,156	59,322	48,795	13,761
Umbria	38,227	30,890	25,370	13,140
Marche	63,452	56,062	36,984	35,999
Lazio	138,838	93,722	87,510	22,619
Abruzzo	91,103	79,541	54,395	40,549
Molise	29,873	21,484	20,972	12,030
Campania	179,336	131,335	128,032	42,302
Puglia	272,367	129,580	209,870	50,137
Basilicata	58,865	47,185	29,719	36,702
Calabria	126,230	95,522	55,333	27,793
Sicilia	246,145	140,900	161,818	45,874
Sardegna	70,275	53,594	32,510	18,537
ITALY	2,004,087	1,435,401	1,294,056	615,744

In 1997, 87% of Italian farms used at least one piece of agricultural machinery (+2% compared to 1995). The use of machinery was more widespread in the North-East (93% of farms) and the North-West (92% of farms), whereas it was only used by 77% of farms on the two major islands. In many regions over 90% of farms used machinery. The regions with the greatest percentages of farms using machinery were Emilia-Romagna (98.4%), Abruzzo (96.6%) and Piemonte (93.9%) whereas the regions with the smallest percentages were Sicily (75%), Lazio (78%) and Valle d'Aosta (81%). The most widely used piece of machinery (72% of the total) was the tractor, with fairly significant regional variations. Powered cultivators were used by 64.6% of farms, whereas combine harvesters were used on only 30.7% of farms.

Farm Families

In 1997, there were 2,302,264 families on Italian farms, numbering 5,804,657 members. People have been leaving the agricultural sector at a higher rate than in the past and this trend has affected Italy more than other EU countries.

With respect to 1995, families left farms in two size groups in particular: those with under 5 hectares of UAA (-8.6%) or with 20-50 hectares (-9%). In farms belonging to other size groups, on the contrary, the number of families increased.

76.8% of families, with a total of 4,194,855 family members (averaging 2.4 members per family) lived and worked on farms in the smallest size group (under 5 hectares of UAA). The size of families was directly proportional to the size of farms, reach-

Families according to number of members and size of UAA, 1997

Size of UAA (ha)	Number of members in family						Total	
	1	2	3	4	5	6 and over	No	(%)
Under 5	497,457	626,550	284,461	232,319	91,704	35,028	1,767,519	76.8
5 - 10	52,793	84,610	55,167	48,941	20,059	10,432	272,002	11.8
10 - 20	24,740	40,486	31,910	29,643	13,925	8,950	149,654	6.5
20 - 50	14,777	22,539	19,636	20,810	9,381	6,785	93,928	4.1
50 - 100	4,493	5,463	5,035	5,485	3,308	2,165	25,949	1.1
100 and over	2,472	2,178	1,836	2,488	1,285	953	11,212	0.5
TOTAL	578,732	781,826	398,045	339,686	139,662	64,313	2,302,264	100.0

ing over 3 members in farms with more than 20 hectares of UAA. 25% of families numbered one member only (the farmer) and were

mainly concentrated on farms with under 5 hectares of UAA (28.1% of this size group) or over 100 hectares (22%).

34% of families were made up of two members, whereas only 2.8% of families were made up of six members or over.

Members in farmers' families according to size of UAA, 1997

Size of UAA (ha)	Number of members in family						Total	Average number per family
	1	2	3	4	5	6 and over		
under 5	497,457	1,253,100	853,383	929,276	458,520	221,119	4,194,855	2.4
5 - 10	52,793	169,220	165,501	195,764	100,295	67,245	750,818	2.8
10 - 20	24,740	80,972	95,730	118,572	69,625	57,312	446,951	3.0
20 - 50	14,777	45,078	58,908	83,240	46,905	44,696	293,604	3.1
50 - 100	4,493	10,926	15,105	21,940	16,540	14,348	83,352	3.2
100 and over	2,472	4,356	5,508	9,952	6,425	6,364	35,077	3.1
TOTAL	578,732	1,563,652	1,194,135	1,358,744	698,310	411,084	5,804,657	2.5

Age of Farmers

In 1997 the tendency for Italian farms to be run by increasingly older farmers was consolidated further, with a 1.2% increase from 1995 in the number of farmers over 55 years of age. This increase was only due to a rise in the percentage of farmers over 65 years of age (from 36.9% to 38.7%); the per-

centage of farmers between 55 and 65 years in fact dropped from 28.4% to 27.8%. The percentage of very young farmers (under 25), representing a scarce 0.5% of the total, remained unchanged. The growing proportion of elderly farmers (over 65) concerned the regions in the Centre and the two major islands

particularly, where they amounted to over 41% of the total number of farmers. The ageing tendency was highest in the regions of Umbria, Marche, Molise and Sicily, whereas Lombardy, Trento and Tuscany showed a higher percentage of younger farmers than the national average.

Farmers by age group and geographical area, 1997

	Age group						Total	(%)		
	Under 25 yrs		25-34 yrs		35-54 yrs					
	No	(%)	No	(%)	No	(%)	No	(%)	No	(%)
North-West	3,504	32.9	12,703	14.2	78,567	11.7	76,480	12.0	92,263	10.4
North-East	1,337	12.6	20,561	23.0	111,129	16.5	110,962	17.4	146,823	16.5
Centre	2,571	24.2	9,896	11.1	105,109	15.6	106,632	16.7	160,587	18.0
South	1,856	17.4	28,875	32.3	262,711	39.1	236,342	37.0	321,778	36.1
Islands	1,376	12.9	17,371	19.4	114,685	17.1	108,818	17.0	169,328	19.0
ITALY	10,644	100.0	89,406	100.0	672,201	100.0	639,234	100.0	890,779	100.0
									2,302,264	100.0

Labour

In 1997, 428.7 million days were worked in agriculture (an average of 185 per farm), of which 369.1 million days were worked by family labour (the farmer, the farmer's spouse, immediate family and other relatives). The farmer was the most active worker, providing 50.2% of the total volume of labour or 93 days, assisted by a spouse (66 days) and/or other family labour (112 days). Compared to 1995, the volume of labour fell slightly (-0.6%); this was

the result of a decrease in activity by all categories of family workers and regular workers (permanent wage-earners, managers, white-collar workers, etc) which was only partially offset by the increased activity of temporary workers (+0.5%), unofficial tenant farmers and similar (+13.7%). 37% of the total volume of work was used in the North of Italy, with an average of 289 days in the North-West and 207 in the North-East. Over one third of the volume of work was used

in the South, with 169 days per farm. In the South and on the two major islands there was a prevalence of non-family labour.

The use of family labour was directly proportional to the size of the farm: 52.4% of family labour was used on farms with less than 5 hectares of UAA against 1.5% on larger farms (100 hectares and over). The use of non-family labour, on the other hand, was practically unrelated to farm size.

Labour force on farms according to size of UAA, 1997

Size of UAA (ha)	Family labour			Non-family labour			Total days of work	
	Farms	Days	Average per farm	Farms	Days	Average per farm	Total	Average per farm
Under 5	1,749,519	193,615,609	111	254,068	15,974,374	63	209,589,983	111
5 - 10	272,002	67,682,024	249	52,806	6,974,227	132	74,656,251	248
10 - 20	149,654	48,933,452	327	35,167	7,380,788	210	56,314,240	324
20 - 50	93,928	40,566,541	432	29,635	10,010,563	338	50,577,104	423
50 - 100	25,949	12,714,022	490	12,954	7,078,340	546	19,792,362	465
100 and over	11,212	5,592,669	499	10,016	12,139,284	1,212	17,731,953	397
TOTAL	2,302,264	369,104,317	160	394,646	59,557,576	151	428,661,893	185

On and Off Farm Employment

The working members of farm families amounted to 4,871,581 units in 1997, a 6.6% drop from 1995; farmers themselves accounted for around 50% of these.

Over 68% of working family members worked exclusively on the farm (full-time), and about 30% had one or more paid jobs off the farm as their sole or main occupation; only 1.9% of family members had an off-

farm job as a secondary occupation. Among the sectors providing off-farm employment, the agricultural sector employed 20% of family members with a main part-time occupation off the farm and 56.6% of family members with a secondary part-time occupation off the farm, while industry employed 25% of family members with a main part-time occupation off the farm. There

tended to be an increase in family members working off the farm with respect to 1995, especially the category of "other immediate family". 65.9% of family members employed on farms of under 5 hectares had no paid job outside the farm. The percentage of full-time workers increased together with the size of the farm, reaching 81.7% on the largest farms.

Family members according to on-farm/off-farm employment, 1997

Type of family labour	Full-time on farm	Part-time on farm				TOTAL	
		Secondary job off farm		Sole or main job off farm			
		Total	in agriculture	Total	in agriculture		
Farmer	1,757,178	50,811	28,331	494,275	110,930	113,014	2,302,264
Spouse	865,074	16,159	9,299	261,022	56,939	51,682	1,142,255
Other immediate family	539,163	18,998	10,483	562,870	92,429	165,624	1,121,031
- who work on the farm	539,163	18,998	10,483	288,243	51,793	84,497	846,404
- who do not work on the farm	-	-	-	274,627	40,636	81,127	274,627
Relatives	161,065	6,950	4,463	138,016	34,590	37,645	306,031
TOTAL	3,322,480	92,918	52,576	1,456,183	294,888	367,965	4,871,581

Agricultural Contracting

In 1997, 45.3% of farms hired external services ("passive" contract work) for a total of 3,957,234 days of work, which average out to about 4 days per farm. The number of farms which used their machinery on other farms ("active" contract work) was much lower, supplying approximately 32 days per farm.

Compared to 1995, passive contract work decreased as regards both the number of user farms and days of work (-5.4% and -1.3% respectively). The service required by over a half of all user farms (58.1%) was the use of machinery provided by specialist contractors or hire firms, though this demand showed a sharp drop with respect to 1995 (-15.5% in terms of number of farms and -4.7% in terms of days of work). There was an even sharper drop in the number of farms hiring the services of co-operative organizations

(-37.7%) and in the corresponding days of work (-23%). On the contrary, the number of farms which hired machinery provided by other farms rose (+3.9%), together with a corresponding increase in the volume of work (+5.4%).

The use of machinery from off the farm was high in medium-sized farms and low in either very small or

very large farms: in fact only just over 40% of farms with under 5 hectares or over 100 hectares of UAA used off-farm machinery, whereas this percentage rose to around 56% in the case of farms with 5-10 hectares and 50-100 hectares, and it even exceeded 60% in farms with 10-50 hectares of UAA.

The use of external services was

Farms which use external services by size of UAA, 1997

Size of UAA (ha)	Farms		Days of work	
	Total	% of total farms	Total	Average per farm
under 5	721,429	41.1	1,990,117	2.8
5 - 10	154,254	56.5	684,061	4.4
10 - 20	92,549	61.3	473,175	5.1
20 - 50	60,049	62.6	444,120	7.4
50 - 100	15,325	56.0	198,136	12.9
100 and over	5,971	42.3	167,625	28.1
TOTAL	1,049,577	45.3	3,957,234	3.8

most widespread in the South of Italy, where it involved 54% of farms. The widest use was recorded in the regions of Basilicata (68.9% of farms in the region) and Abruzzo (68.2%). In Central regions, on the other hand, only a small percentage of farms resorted to contractors (14.6% in Tuscany and 28.1% in Lazio). Special mention should be made of the North-Western region of Liguria, where the use of external services became even less common than previously (only 6% of farms).

Farms which hire or offer contract services (passive and active contract work), 1997

	Active contract work		Passive contract work			
	Farms	Days	Total		of which specialist firms	
			Farms	Days	Farms	Days
Piemonte	1,294	51,520	56,677	155,024	35,031	91,174
Valle d'Aosta	2	2	1,176	6,038	38	38
Lombardia	891	34,208	46,762	231,463	36,454	186,592
Trentino - Alto Adige	1,143	9,730	9,000	57,663	933	1,021
Veneto	1,441	28,224	93,182	279,401	85,150	254,673
Friuli - Venezia Giulia	379	12,060	28,466	94,476	23,567	44,992
Liguria	28	660	1,907	5,609	30	916
Emilia - Romagna	1,349	43,856	79,822	325,675	65,353	246,092
Toscana	697	22,382	13,525	56,154	8,139	29,581
Umbria	131	3,877	15,737	74,964	15,347	73,073
Marche	687	40,646	39,872	238,442	35,215	211,478
Lazio	1,021	19,359	50,320	198,819	28,593	120,264
Abruzzo	332	12,647	64,374	150,887	30,557	63,984
Molise	673	8,944	16,439	59,480	5,598	16,373
Campania	1,528	42,654	102,354	298,162	42,363	111,110
Puglia	2,073	134,430	138,274	604,066	66,758	264,281
Basilicata	786	13,847	47,238	194,373	22,399	97,502
Calabria	3,033	43,699	90,781	289,575	41,889	150,332
Sicilia	3,391	145,513	107,329	442,168	49,851	219,240
Sardegna	894	33,861	46,342	194,795	16,995	90,487
ITALY	21,773	702,119	1,049,577	3,957,234	610,260	2,273,203

Farm Types

In 1997, it was possible to classify 2,288,751 farms (98.8%) with over 14.8 million hectares of UAA (99.7%) according to their production. These farms obtained a total standard gross margin (SGM) from their production (crops and/or livestock) of 18.5 million European Size Units (ESU) with a labour input of 428.4 million days of work (99.9%). On an average, each farm produced approximately 8.1 ESU with a labour input of 187 days.

84% of Italian farms were classified as specialist farms; this was a larger percentage than in 1995, and the increase was confirmed in all parts of Italy except the Centre (78.8%). Specialization in the arable sector prevailed in the North, while general cropping predominated in other

parts of the country, especially the South and the two major islands. Specialist farms produced 82.9% of the total national SGM, using 78.7% of national UAA and 78.7% of the total volume of work.

The most common type of production, in terms of number of farms, was permanent crops (vines, olive trees, etc), chosen by 45.7% of all farms and 54.4% of specialist farms. However, this category only accounted for 2.7 million hectares of UAA and it only produced 5.4 million ESU (5.1 per farm), using 156.1 million days of work (149 days per farm). In second place came farms specialized in the production of arable crops (26.6% of the total), with an average SGM of around 8.7 ESU and an average

labour input of 152 days. Specialization in herbivore livestock (cattle, sheep, horses, permanent forage crops etc) came next, practised by 9.3% of farms with an average of 10.6 ESU and 285 days in labour input.

Mention should be made here of the high productivity of farms specialized in horticulture, which was practised by only 46,078 farms (2%) but which produced an average SGM of 44.2 ESU with a labour input of 523 days.

Mixed farms (16% of total farms) were clearly oriented towards combinations of crops, producing an SGM of 1.8 million ESA from the use of 1.6 million hectares of UAA and a labour input of 54.1 million days.

Farms by type of production, 1997

Type of production	Farms		UAA		SGM		Days of work	
	No	(%)	(hectares)	(%)	ESU	(%)	No	(%)
SPECIALIZED FARMS	1,922,135	84.0	11,634,861	78.7	15,372,065	82.9	337,135,314	78.7
Arable crops	609,305	26.6	5,162,925	34.9	5,301,634	28.6	92,311,814	21.5
- cereals	375,030	16.4	3,430,403	23.2	2,829,385	15.3	42,652,499	10.0
Horticulture	46,078	2.0	90,504	0.6	2,035,694	11.0	24,094,044	5.6
Permanent crops	1,045,510	45.7	2,711,899	18.3	5,369,475	29.0	156,052,978	36.4
- vines	215,250	9.4	606,379	4.1	1,277,364	6.9	337,324,466	78.7
- olives	410,935	18.0	829,315	5.6	1,062,973	5.7	40,018,404	9.3
Herbivorous livestock	212,412	9.3	3,605,673	24.4	2,242,624	12.1	60,464,771	14.1
- dairy cattle	50,443	2.2	961,961	6.5	1,141,317	6.2	29,369,009	6.9
Granivorous livestock	8,830	0.4	63,860	0.4	422,638	2.3	4,211,707	1.0
MIXED FARMS	366,616	16.0	3,155,417	21.3	3,171,294	17.1	91,259,640	21.3
Mixed crops	246,374	10.8	1,574,491	10.6	1,824,941	9.8	54,103,804	12.6
Mixed livestock	23,837	1.0	299,780	2.0	274,061	1.5	7,847,655	1.8
Crops & livestock	96,405	4.2	1,281,146	8.7	1,072,292	5.8	29,308,181	6.8
TOTAL	2,288,751	100.0	14,790,278	100.0	18,543,359	100.0	428,394,954	100.0

Economic Size of Farms

In 1997 a large proportion (65%) of Italian farms did not reach an economic size of 4 ESU (equivalent to 9 million lire), and these farms produced only 12.1% of the national agricultural SGM. In fact, 45% of farms did not even reach 2 ESU, producing only 5.2% of the total national SGM despite the fact they used 8.8% of total UAA and 16% of the

total volume of agricultural labour. Vice versa, only 20,665 farms (0.9% of the total) reached 100 ESU and over, producing 23.9% of the total SGM using 2.4 million hectares of UAA (16.6%) and a labour input of 31.6 million days (7.4%).

Farms with less than 2 ESU were more common in the Centre, South and two major islands. Larger farms

(100 ESU and over), on the other hand, represented less than 0.5% of farms in the South (including the islands), bordered on 1% in the Centre and reached 2.4% in the North-West and 1.2% in the North-East.

Compared with 1995, there was a decrease in the number of the smallest farms, from 51.1% to 45%, which

Farms by economic size (ESU), 1997

	Economic size groups (ESU)									Total
	< 2	2 - < 4	4 - < 6	6 - < 8	8 - < 12	12 - < 16	16 - < 40	40 - < 100	100 and over	
North-West	92,582	49,050	23,973	13,610	18,818	10,639	33,027	16,507	6,478	264,684
North-East	153,085	64,675	42,223	21,066	28,207	20,604	43,500	15,240	4,765	393,365
Centre	188,957	74,279	33,930	19,092	20,589	11,685	25,053	9,320	3,573	386,478
South	411,045	185,052	81,138	47,033	47,397	23,009	37,242	11,246	3,738	846,900
Islands	184,752	85,692	36,556	22,258	23,532	12,427	23,459	6,537	2,111	397,324
ITALY	1,030,421	458,748	217,820	123,059	138,543	78,364	162,281	58,850	20,665	2,288,751

was probably a result of some small farms with very low or no profit leaving the EU field of survey and others

sliding up into the next size group (2-4 ESU). The number of farms of intermediate economic size (8-40

ESU) showed an increment, on the other hand, rising from 15.5% in 1995 to 16.6% in 1997.

Farms, UAA, SGM and days of work by economic size of farm, 1997

Economic size group (ESU)	Farms		UAA		SGM		Days of work	
	Number	(%)	(hectares)	(%)	ESU	(%)	Number	(%)
Under 2	1,030,421	45.0	1,295,686	8.8	970,990	5.2	68,622,937	16.0
2 - 4	458,748	20.0	1,328,665	9.0	1,285,485	6.9	61,823,165	14.4
4 - 6	217,820	9.5	1,093,527	7.4	1,056,273	5.7	41,750,429	9.7
6 - 8	123,059	5.4	880,142	6.0	844,498	4.6	30,923,491	7.2
8 - 12	138,543	6.1	1,292,179	8.7	1,355,526	7.3	42,983,145	10.0
12 - 16	78,364	3.4	1,014,657	6.9	1,081,940	5.8	28,817,202	6.7
16 - 40	162,281	7.1	3,107,592	21.0	4,011,005	21.6	80,134,320	18.7
40 - 100	58,850	2.6	2,319,190	15.7	3,504,301	18.9	41,691,598	9.7
100 and over	20,665	0.9	2,458,639	16.6	4,433,340	23.9	31,648,667	7.4
TOTAL	2,288,751	100.0	14,790,277	100.0	18,543,359	100.0	428,394,954	100.0

Farm Structures in the EU

According to the first Eurostat calculations, in 1997 the number of farms in the EU amounted to 6,951,800, with 128,929,600 hectares of UAA and a SGM of 116,929,400 ESU. The regressive trend in the number of farms was confirmed (-5.7%) with respect to 1995 whereas there were increases in UAA (+0.3%) and the SGM (+6.4%). The failure of farms to meet the requisites needed to be included in the EU field of survey and the natural closure of a certain number of farms due to the farmer stopping his activity and/or a lack of successors, especially in the very small farms, were phenomena common to all EU countries except for Sweden (+0.9%). Higher-than-average decreases in farm numbers were observed in particular in Finland (-9.5%), Denmark (-8.1%), France and Portugal (-7.5%), Italy

Evolution of farms and UAA in the EU, 1967-97

	1967		1977		1987		1997	
	Farms ('000)	UAA ('000 ha)						
Belgium	214.8	1,593.1	126.5	1,448.7	92.6	1,370.3	67.2	1,382.7
Germany	1,246.0	12,678.2	851.6	12,214.5	705.1	11,842.9	534.4	17,160.0
France	1,708.0	30,115.2	1,249.2	29,305.8	981.8	28,058.0	679.8	28,331.3
Italy	2,980.5	17,928.3	2,634.1	16,517.5	2,784.1	15,544.6	2,315.2	14,833.8
Luxembourg	8.6	134.0	5.8	132.4	4.1	126.6	3.0	126.3
Netherlands	247.0	2,232.5	154.6	2,060.3	132.0	2,023.7	107.9	2,010.5
EUROPE 6	6,404.9	64,681.3	5,021.8	61,679.2	4,699.7	58,966.1	3,707.5	63,844.6
Denmark	-	-	127.8	2,927.5	86.9	2,798.3	63.2	2,688.6
United Kingdom (1)	-	-	271.2	17,146.7	260.1	16,751.1	232.7	16,312.4
Ireland	-	-	225.0	5,067.8	217.0	4,915.4	147.8	4,342.4
EUROPE 9	-	-	5,645.8	86,821.2	5,263.7	83,430.9	4,151.2	87,188.0
Greece (1)	-	-	-	-	953.3	3,842.4	784.5	3,593.6
Spain	-	-	-	-	-	-	1,208.3	25,630.1
Portugal	-	-	-	-	-	-	416.7	3,822.1
EUROPE 12	-	-	-	-	6,359.3	87,273.3	6,560.7	120,233.8
Austria	-	-	-	-	-	-	210.1	3,415.1
Finland	-	-	-	-	-	-	91.4	2,171.6
Sweden	-	-	-	-	-	-	89.6	3,109.1
EUROPE 15	-	-	-	-	-	-	6,951.8	128,929.6

(1) 1997 figures are provisional.

Farms UAA and SGM in the EU, 1997

	Farms		UAA		SGM		Average values per farm		% change 1997/95		
	('000)	(%)	('000 ha)	(%)	('000 ESU)	(%)	UAA (ha)	SGM (ESU)	No farms	UAA	SGM
Belgium	67.2	1.0	1,382.7	1.1	3,155.3	2.7	20.6	47.0	-5.4	2.1	4.3
Germany	534.4	7.7	17,160.0	13.3	17,244.0	14.7	32.1	32.3	-5.7	0.0	8.8
France	679.8	9.8	28,331.3	22.0	23,991.8	20.5	41.7	35.3	-7.5	0.2	4.2
Italy	2,315.2	33.3	14,833.8	11.5	18,543.4	15.9	6.4	8.0	-6.7	1.0	0.0
Luxembourg	3.0	0.0	126.3	0.1	105.0	0.1	42.1	35.0	-6.3	-0.5	9.4
Netherlands	107.9	1.6	2,010.5	1.6	9,077.0	7.8	18.6	84.1	-4.7	0.6	1.6
Denmark	63.2	0.9	2,688.6	2.1	3,614.5	3.1	42.5	57.2	-8.1	-1.4	1.6
United Kingdom (1)	232.7	3.3	16,312.4	12.7	10,771.6	9.2	70.1	46.3	-0.8	-0.8	7.8
Ireland	147.8	2.1	4,342.4	3.4	2,761.3	2.4	29.4	18.7	-3.7	0.4	9.3
Greece (1)	784.5	11.3	3,593.6	2.8	5,476.7	4.7	4.6	7.0	-2.2	0.4	12.6
Spain	1,208.3	17.4	25,630.1	19.9	12,836.9	11.0	21.2	10.6	-5.4	1.6	17.0
Portugal	416.7	6.0	3,822.1	3.0	2,707.2	2.3	9.2	6.5	-7.5	-2.6	11.0
Austria	210.1	3.0	3,415.1	2.6	2,431.6	2.1	16.2	11.6	-5.3	-0.3	-1.3
Finland	91.4	1.3	2,171.6	1.7	2,171.8	1.9	23.8	23.8	-9.5	-0.9	38.8
Sweden	89.6	1.3	3,109.1	2.4	2,041.3	1.7	34.7	22.8	0.9	1.6	-0.7
EU 15	6,951.8	100.0	128,929.6	100.0	116,929.4	100.0	18.5	16.8	-5.7	0.3	6.4

(1) Provisional figures.

(-6.7%) and Luxembourg (-6.3%), offset only in part by the more limited decreases recorded in the United Kingdom (-0.8%), Greece (-2.2%), Ireland (-3.7%) and Spain (-5.4%). The progressive decrease in number of farms emerges more clearly if compared with 1967. In thirty years, in fact, the six founder members of the Union show decreases of over 50-60% except for Italy with -22.3%. Another difference between Italy and the other founder states is that for the latter the annual decrease has been more or less constant, around 2-3% a year, whereas for Italy it was lower than 1% until 1987 and then rose to 1.7% a year

between 1987 and 1997. As far as the size of UAA was concerned, with respect to 1995 there were fairly substantial increases in eight EU countries, and it is especially worth mentioning the increments recorded in Italy (+1%), France (+0.2%) and Spain (+1.6%). The different variation in number of farms and UAA has affected average farm size figures, with substantial increases for some countries such as Belgium, Germany, France and Denmark. Italy, on the other hand, has shown only a modest increase in average farm size over the last thirty years, recording a rise from 6 to just 6.4 hectares

between 1967 and 1997 and even recording a fall in 1987 to 5.6 hectares.

The SGM produced by EU farms showed an increase, compared to 1995, in almost all member countries except for Austria (-1.3%), Sweden (-0.7%) and Italy (no change). The countries showing well over-the-average increases in their SGM included Germany (+8.8%), Greece (+12.6%), Spain (+17%) and Portugal (+11%). Portugal in particular, together with Finland, showed a considerable increase in its SGM despite a substantial decrease in number of farms and UAA.

ECONOMIC RESULTS ACCORDING TO FADN

1997 Incomes

INEA, the official liaison body between Italy and the EU for the implementation of the Farm Accountancy Data Network (FADN), gathers information on a sample of farms, the number of which varies each year between 16,000 and 20,000.

The accountancy data is produced with the collaboration of the regions and farmers' associations according to INEA criteria which highlight structural characteristics, factor endowment, the composition of production and a break-down of costs.

The basic data, after being validated and processed, is fed into a national data bank and is printed in specialist publications. Further and more detailed information is available from all of INEA's regional offices.

Average farm data according to altitude of territory, 1997

Farms	UAA (ha)	WU	VFO	Variable costs	Fixed costs	Net income
				('000 lire)		
Mountainous	3,632	32.30	1.75	91,131	42,967	22,715
Hilly	7,419	20.58	1.57	89,378	34,650	20,831
Lowland	4,595	20.78	1.80	156,015	69,817	37,537
TOTAL	15,646	23.36	1.68	109,355	46,909	46,440

Average farm data by geographical area, 1997

	Farms	UAA (ha)	WU	VFO	Variable costs ('000 lire)	Fixed costs	Net income
North	6,476	23.66	1.97	156,391	71,138	38,805	62,569
Centre	3,056	22.28	1.63	93,621	33,582	25,628	39,456
South	6,114	23.58	1.40	67,399	27,906	13,069	32,848
TOTAL	15,646	23.36	1.68	109,355	46,909	26,175	46,440

Average farm data by geographical area - changes, 1997/96

	VFO			Variable costs			Fixed costs			Net income		
	1996	1997	Change 97/96	1996	1997	Change 97/96	1996	1997	Change 97/96	1996	1997	Change 97/96
	('000 lire)		(%)	('000 lire)		(%)	('000 lire)		(%)	('000 lire)		(%)
North	150,139	156,391	4.16	69,104	71,138	2.94	37,637	38,805	3.10	59,500	62,569	5.16
Centre	97,084	93,621	-3.57	36,338	33,582	-7.59	26,375	25,628	-2.83	39,909	39,456	-1.14
South	74,374	67,399	-9.38	30,589	27,906	-8.77	13,908	13,069	-6.03	36,336	32,848	-9.60
TOTAL	105,551	109,355	3.60	44,454	46,909	5.52	23,293	26,175	12.37	47,679	46,440	-2.60

Average farm data by ESU, 1997

	Farms	UAA (ha)	WU	VFO	Variable costs	Fixed costs	Net income
					('000 lire)		
2 - 4 ESU	744	6.74	1.00	19,265	8,593	6,547	6,108
4 - 8 ESU	2,541	10.75	1.12	30,217	11,975	9,294	12,393
8 - 16 ESU	4,420	16.11	1.36	53,743	21,726	13,915	23,973
16 - 40 ESU	5,091	26.06	1.72	102,556	42,907	24,534	45,538
40 - 100 ESU	2,253	38.08	2.42	225,711	102,890	51,523	92,315
Over 100 ESU	597	72.89	4.09	589,070	252,641	131,576	242,532
TOTAL	15,646	23.36	1.68	109,355	46,909	26,175	46,440

Average farm data by type of farm, 1997

	Farms	UAA (ha)	WU	VFO	Variable costs	Fixed costs	Net income
					('000 lire)		
Arable	4,175	26.17	1.39	88,484	33,026	24,588	32,661
Horticulture	933	2.36	2.08	122,111	44,347	25,544	52,390
Permanent tree crops	3,543	10.00	1.60	90,338	24,579	23,239	42,969
Herbivorous livestock	3,658	38.93	1.94	146,495	79,755	31,357	64,795
Granivorous livestock	106	10.55	2.10	372,682	222,042	49,000	111,467
Mixed crops	1,435	15.91	1.57	74,970	26,481	20,417	31,024
Mixed livestock	363	22.24	1.83	125,665	66,217	24,715	54,591
Mixed	1,433	30.83	1.81	124,893	62,996	29,682	53,008
TOTAL	15,646	23.36	1.68	109,355	46,909	26,175	46,440

AGRICULTURE AND THE ENVIRONMENT

Environment

The EU's environmental policy has developed considerably over recent years, especially since the addition of the Environmental Protocol to the Single European Act of 1986, which sanctioned the need for common action in order to safeguard the environment. An important feature of the Single Act was the stipulation that conservation of the environment must be considered an essential element of all other EU policies, and this integrated approach was emphasised even more strongly in the Fifth Environmental Action Programme (1993-2000).

As far as the agricultural sector is concerned, Regulation 797/85 was the first legislative measure to link agricultural policy with conservation of the environment. Afterwards, there followed a series of measures which were drawn up to achieve general objectives of agricultural

policy, especially in terms of curbing surplus production, but which benefited the environment at the same time, through incentives for low-impact agricultural activities, conversion and extensification of production and set-aside. Among these, structural and territorial measures such as Regulations 2052/88, 4253/88 and 2328/91 were particularly important.

Regulation No 2092/91, regarding the production of organic foods, was also important in recognizing the role of organic farming in safeguarding the environment and conserving rural areas.

The main instrument for conserving the natural environment in the agricultural sector is Regulation 2078/92, one of the 1992 CAP reform accompanying measures, which set up a scheme of direct aid payments for farmers who introduce

and maintain methods of agricultural production compatible with the conservation and care of nature and the countryside. In Italy this regulation has been implemented over the whole of the country through 21 multi-annual regional schemes.

The policy of protecting the environment in the agricultural world has evolved further in the contents of Agenda 2000 and the recent regulations resulting from it. Agri-environmental measures have been proposed again for the period 2000-2006 and have been included in the wider framework of rural development schemes, confirming the process of integration in policies for each sector. At the same time, through the so-called horizontal measures, member countries have been given the right to subject total or partial payment of the direct subsidies guaranteed by the CAP to ful-

filment of minimal environmental requirements (cross-compliance). Among other Community initiatives which affect the primary sector in a more or less direct manner, the following should be mentioned:

- Regulation 2080/92, by which a Community aid scheme was set up for forestry-related measures in the agricultural sector. Premia and incentives for forestry investments have the dual aim of protecting the environment and limiting agricultural production.
- Regulation 1973/92, amended by Regulation 1404/96, which set up a financial instrument for the environment (LIFE). It provides a budget of 450 million ecu for the second implementation phase (1996-99). The

general objective is to contribute to the development and application of EU legislation and policy regarding the environment by making sure the “polluter pays” principle and the subsidiarity principle are respected.

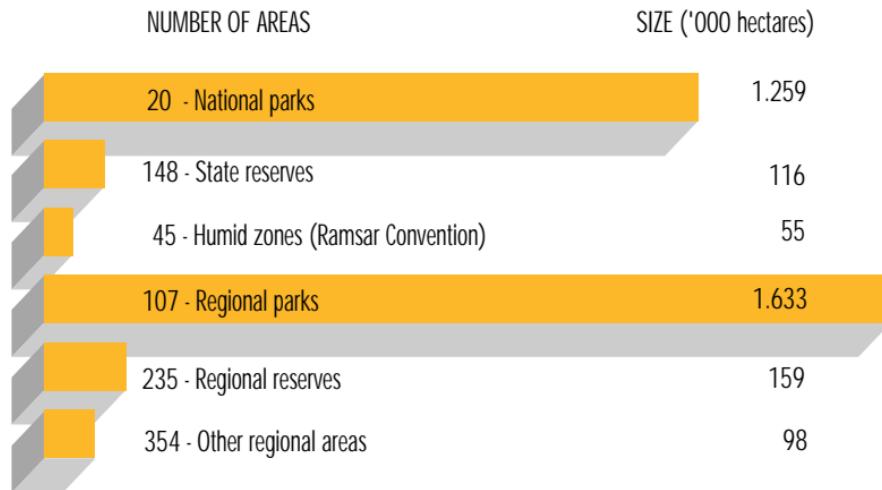
- Directive 43/92/EEC, concerning the conservation of natural and semi-natural habitats, wild animals and flowers. The main objective of this directive is to protect biodiversity; for this purpose, special conservation areas are being identified with the aim of creating a European ecological network (Nature 2000).
- The LEADER II Community Initiative, set up in July 1994, designed to promote initiatives for rural development in which a prominent part is played by agriculture

with a low impact on the environment, energy production crops, conservation of the environment and rural tourism.

- At national level, in addition to Italian legislation passed to implement EU regulations, mention must be made of the Framework Law No 394/91 promoted by the Environment Ministry for protected areas which regulates productive activity, including agriculture, in these areas. Among more recent legislation, mention should be made of Law No 426/98 which sets out a number of projects for reclaiming and recovering polluted areas and for nature conservation and also provides new funding for certain activities with environmental objectives.

Protected Areas

Protected areas, 1998 (*)



(*) Does not include marine areas.

Source: CNR Protected Areas Study Group

National Parks

- Abruzzo 43,900 hectares
- Arcipelago de La Maddalena 5,134 hectares of land and 15,046 hectares of sea
- Arcipelago Toscano 17,887 hectares of land and 56,766 hectares of sea
- Asinara 5,000 hectares
- Aspromonte 78,517 hectares
- Calabria 12,690 hectares
- Cilento and Valle di Diano 181,048 hectares
- Circeo 8,400 hectares
- Dolomiti Bellunesi 31,512 hectares
- Foreste Casentinesi del Monte Falterona and Campigna 38,118 hectares
- Gargano 121,118 hectares
- Golfo di Orosei e del Gennargentu (**)
- Gran Paradiso 70,286 hectares
- Gran Sasso and Monti della Laga 148,935 hectares
- Maiella 74,095 hectares

(**) Area still being calculated.

- Monti Sibillini 71,437 hectares
- Pollino 192,565 hectares
- Stelvio 134,620 hectares
- Val Grande 14,837 hectares
- Vesuvio 8,482 hectares

Protected natural marine areas

The following protected marine areas were established by decree of the Ministry of Environment on 12 December 1997:

- Porto Cesareo
- Sinis Peninsula - Island of Mal di Ventre
- Cinque Terre
- Tavolara - Punta di Coda Cavallo
- Islands of Ventotene and Santo Stefano
- Punta Campanella

The protected marine area of Portofino was created by decree of the Ministry of the Environment on 6 June 1998.

Protected areas by region, 1998 (hectares) (*) ()**

	State areas	Regional areas	Total protected areas	Regional contribution to national total (%)	% of territory
Piemonte	47,937	148,369	196,306	6.2	7.7
Valle d'Aosta	37,200	4,033	41,233	1.3	12.6
Lombardia	60,420	448,664	509,084	16.0	21.3
Aut. Prov. of Trento	19,350	83,806	103,156	3.2	16.6
Aut. Prov. of Bolzano	55,094	126,221	181,315	5.7	24.5
Veneto	37,346	55,569	92,915	2.9	5.1
Friuli-Venezia Giulia	399	53,110	53,509	1.7	6.8
Liguria	16	59,879	59,895	1.9	11.1
Emilia-Romagna	23,834	102,524	126,358	4.0	5.7
Toscana	44,516	104,008	148,524	4.7	6.5
Umbria	18,609	40,875	59,484	1.9	7.0
Marche	64,955	21,675	86,630	2.7	8.9
Lazio	30,010	150,999	181,009	5.7	10.5
Abruzzo	235,468	76,239	311,707	9.8	28.0
Molise	5,190	1,056	6,246	0.2	1.4
Campania	190,503	148,570	339,073	10.6	24.9
Puglia	127,766	1,139	128,905	4.0	6.7
Basilicata	92,071	29,553	121,624	3.8	12.2
Calabria	196,837	750	197,587	6.2	13.1
Sicilia	0	227,161	227,161	7.1	8.8
Sardegna	11,711	650	12,361	0.4	0.5
ITALY	1,299,232	1,884,850	3,184,082	100.0	10.5

Source: CNR Protected Areas Study Group.

(*) Does not include marine areas. (**) As at December 1998.

Woodlands

Italian woodlands have been increasing slowly but constantly since the 1960's. At present they represent around 25% of the total area of land in Italy or just over 6.8 million hectares. They consist mainly in "poor" woods, coppices and minor formations (maquis, bush thickets, riparian formations). In the EU, there are 130 million hectares of woodlands, covering 36% of the total land area.

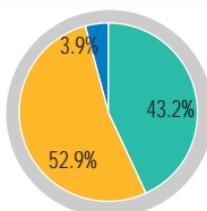
Italian wood formations are mainly found in mountainous (59.5%) and hilly (35.5%) regions. They are of difficult access and are subject to hydrogeological and landscape restrictions which result in their being of limited productivity but of high environmental value. The predominance of coppices is a result of private property - which is on the whole extremely fragmented - prevailing over public property. It is often impossible to manage

this kind of woodland at a reasonable cost, and this leads to vast areas being left totally untended. The CNEL estimates that there are approximately 1.5 million hectares of woodlands whose owner or manager is unknown and which are left completely untended, without any form of management whatsoever.

The regions with the largest areas of woodland are Tuscany, Piemonte and Trentino-Alto Adige and, in the South, Sardinia (thanks to the amount of maquis on the island) and Calabria.

The gravest danger faced by Italian woodlands is fire, caused in many cases by arson; fires destroy or damage between 20,000 and 100,000 hectares of woodland each year. From 1990 to 1998 there were more than 100,000 fires, an average of 11,700 fires destroying 57,000 hectares each year. Regulation 2080/92 led to tree replanting on over 500,000 hectares of farm land in the EU between 1993 and 1997, including 50,000 hectares in Italy, a considerably lower amount than expected.

Forest area by type of woodland, 1997



	(ha)
ITALY	6,842,635
High forests	2,958,946
Coppices	3,617,405
Maquis	266,284

Use of Chemicals

Over the last few decades there has been a considerable increase in agricultural productivity owing, among other factors, to a greater use of chemicals. In many cases this has undermined the positive contribution by agriculture to environmental conservation. At the same time, the negative effects of an intensive use of pesticides are reflected in consumers' perception of the quality and healthiness of agricultural produce.

In recent years, however, there has

been a general tendency to reduce the amount of chemicals used. In 1998 the use of fertilisers dropped by 2.4% and the use of pesticides by 0.8% compared with the previous year and since the beginning of the 1990's, the decrease has been by 10.5% (fertilisers) and by 22.4% (pesticides). It is likely that these trends are partly the result of the reform of the CAP, which has led to the separation of support mechanisms from production for certain

crops; this has discouraged farmers from pursuing increasingly higher levels of productivity. At the same time, from the mid 1990's, agri-environmental measures have been encouraging a less intensive use of chemicals through incentives for integrated and organic farming techniques.

An analysis of the use of fertilisers shows a constant fall in the use of phosphorus-based products (-4% in the last year) whereas nitrogenous

Evolution in the use of fertilisers ('000 tonnes)

	1989/90	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Nitrogen	820.5	906.8	910.0	917.9	879.2	918.9	894.0	876.1
Phosphorus	607.9	662.0	613.0	589.2	584.7	545.6	528.0	506.9
Potassium	337.7	415.4	397.0	394.4	427.0	418.8	397.5	393.5
TOTAL USE	1,766.1	1,984.2	1,920.0	1,901.5	1,890.9	1,883.3	1,819.5	1,776.5

Source: Assofertilizzanti.

Evolution in the use of pesticides ('000 tonnes)

Type	1990	1994	1995	1996	1997	1998
Herbicides	27.8	25.9	26.0	25.0	25.0	23.1
Insecticides & acaricides	36.5	33.3	33.4	31.0	30.0	29.0
Fumigants & nematocides	6.7	4.2	4.7	4.9	5.2	6.0
Fungicides	65.7	46.7	49.3	48.8	45.8	47.6
Others	4.5	4.2	4.3	4.5	4.5	3.9
TOTAL DOMESTIC MARKET	141.2	114.3	117.7	114.2	110.5	109.6

Source: Agrofarma.

Use of pesticides by geographical area, 1998



Source: Agrofarma.

and potassium-based products showed smaller changes and alternating trends.

The overall decrease in the use of pesticides is due in particular to a reduction in the quantities of herbicides and insecticides used on farms as the result of the introduction of new low-dosage products. Consumption of fungicides, fumigants and nematocides, on the contrary, shows alternating trends and in fact increased over the last year.

From a geographical point of view, it emerged that the regions in the North made the largest use of pesticides in Italy (54%), showing a considerable increase compared to 1997. An increase was also recorded in the South, whereas there was a large drop in the Centre, which in 1998 used only 13.7% of the pesticides consumed in all the country.

Organic Farming

Organic farming is a method of running a farm in which the use of fertilisers and pesticides is forbidden in order to protect the environment and promote lasting agricultural development.

Regulation 2092/91 sets out the criteria and rules which EU farmers must observe for a production method to be recognized as organic. Incentives for organic farming have been provided over the last few years by Regulation 2078/92, one of the accompanying measures of the 1992 CAP reform.

In 1997, the number of organic farms in Italy rose to over 30,000 and the area of land used for organic farming, including land placed into organic conversion, reached 641,000 hectares. There was an increase in both the number of organic farms and the area of land used, the latter almost doubling in

Land used for organic farming or placed into organic conversion in Italy, 1997

	1997 (1)		% change 1997/96	
	Farms	UAA	Farms	UAA
Piemonte	1,074	17,933	171.9	362.2
Valle d'Aosta	6	332	200.0	-65.1
Liguria	119	1,303	101.7	282.0
Lombardia	601	10,321	47.7	23.3
Trentino-Alto Adige	264	1,416	10.9	-1.5
Veneto	721	6,059	31.3	58.2
Friuli-Venezia Giulia	139	765	13.9	8.4
Emilia-Romagna	2,264	51,151	77.3	56.4
Toscana	743	20,961	10.4	39.1
Marche	1,297	27,887	41.0	75.8
Umbria	421	9,625	27.2	12.0
Lazio	1,952	24,664	92.7	53.7
Abruzzo	449	6,262	76.8	96.7
Molise	277	2,432	10.8	-36.4
Campania	535	6,569	54.6	87.0
Puglia	4,314	105,240	100.5	112.5
Basilicata	194	5,736	71.7	57.1
Calabria	1,762	32,887	233.1	331.2
Sicilia	8,326	122,154	35.6	13.3
Sardegna	5,386	187,451	257.4	296.7
ITALY	30,844	641,149	78.5	91.9

(1) UAA figures are provisional, AIAB farm figures refer to only 7,400 farms out of 9,445.

Source: data provided by inspection bodies and processed by INEA.

amount compared to 1996. As far as the geographical distribution of organic agriculture was concerned, in the South there was a larger percentage of the country's organic farms (69%) and an even larger percentage of organic land (73%) compared to the North (17% of farms and 14% of land) and the Centre (14% of farms and 13% of land).

Unfortunately exact data is not available either for the area of land used for each organically produced crop or the production obtained in each sector.

In the EU, the number of farms involved in organic production has increased constantly, rising from about 7,000 in 1987 to over 80,000 in 1997. Over the same period of time, organic farm land increased steadily, reaching over two million hectares. Italy owns 30% of the total area of used organic land in the EU, followed by Germany

(18%) and Austria (16%).

As far as production and consumption of organic products are concerned, it appears that countries in

Northern Europe are greater consumers whereas countries in the South are specialized above all in production.

Organic farms and farms under conversion in the EU

	1996		1997	
	Number	Hectares	Number	Hectares
Austria	19,433	309,089	19,996	345,375
Belgium	228	4,261	291	6,418
Denmark	1,166	46,171	1,617	64,329
Finland	4,452	84,555	4,381	102,335
France	3,854	137,084	4,784	165,405
Germany	7,353	354,171	8,184	389,693
Greece	1,065	5,269	1,100	10,000
Ireland	696	20,496	808	23,591
Italy	17,279	334,176	30,844	641,149
Luxembourg	20	594	23	618
Netherlands	656	12,385	810	16,660
Portugal	250	9,191	278	12,193
United Kingdom	865	49,535	1,026	54,670
Spain	2,161	103,735	3,526	152,105
Sweden	2,712	113,571	2,701	117,669
TOTAL EU 15	62,190	1,584,283	80,369	2,102,210

Rural Tourism

Rural tourism is playing an increasingly important role in the differentiation of activities carried out by farms, as it offers considerable opportunities of economic development. Rural tourism is also compatible with objectives of conserving the environment, of promoting local produce and of restoring the architectural heritage in rural areas, objectives to which both consumers and society in general appear to be increasingly sensitive and attentive. Rural tourism is legally regulated by Law No 730/1985, which subordinates it to agricultural activity, a factor which has partially curbed growth in the sector. Despite this, the number of farms offering rural tourism services rose considerably between 1985 and 1998 (+30%). Farms offering rural tourism services are concentrated in particular in the North and Centre of Italy. This,

Farms offering rural tourism services by region, 1998

	Total	Farms with provision of meals	Number of beds
Piemonte	313	228	2,200
Valle d'Aosta	48	19	306
Lombardia	423	278	2,720
Aut. Prov. of Bolzano	1,750	321	14,000
Aut. Prov. of Trento	167	90	1,219
Veneto	648	299	1,300
Friuli - Venezia Giulia	218	174	414
Liguria	103	78	647
Emilia - Romagna	292	254	4,898
Toscana	1,406	332	16,229
Umbria	371	112	4,873
Marche	369	261	2,500
Lazio	132	93	1,763
Abruzzo	278	163	2,151
Molise	134	40	850
Campania	854	270	2,451
Puglia	604	121	4,185
Basilicata	198	60	1,229
Calabria	85	85	1,143
Sicilia	150	103	1,447
Sardegna	362	326	2,229
ITALY	8,905	3,707	68,754

however, is due to the particularly high number of these farms in the region of Tuscany and in the province of Bolzano, which together contain over 35% of the national

total. In the South, mention should be made of the regions of Campania, Puglia and Sardinia for their quite considerable number of farms offering rural tourism services. Approximately

42% of all Italian farms involved in rural tourism include the provision of meals among their services and 30% offer the possibility of hiking or other sports activities.

PRODUCTS OF DESIGNATED ORIGIN AND REGIONAL SPECIALITIES

Designation of Origin

Current legislation for registering and protecting the designation of origin of foods (the official naming of food products after the place in which they were produced) plays an important role in defending and promoting rural development, in encouraging the growing inclination of consumers for quality foods and in differentiating supply for the benefit of both the individual farmer, in terms of greater productivity at single farm level, and of the nation, by increasing its competitiveness in the food sector.

EC Regulations 2081 and 2082 of 1992 create a legal framework for the protection of food names with the explicit aim of enhancing and promoting regional specialities, defining and setting down rules for PDO (protected designation of origin), PGI (protected geographical indication) and the certification of specific

character.

The European Union possesses a protected agri-food heritage of 515 PDO and PGI products, with most registered names belonging to cheeses, followed by fruit and vegetables, cereals, fresh meat, oils and fats.

Italy, with 100 registered products, comes second after France in number of registered names, thanks to its cheeses, its cold meats (for which it has the largest number of registered names, the latest ones being Cotechino, a special porkmeat sausage, and Zampone, a stuffed pig's trotter, both from Modena), its fruit and vegetables and olive oils. An Italian bread product - Genzano bread - has also been registered as a PGI product as well as a fresh meat product, young white bovine meat from the Central Apennines, which comes from Chianina, Marchigiana

and Romagnola cattle breeds. The success achieved in terms of the number of registered food names has not been accompanied, however, by prompt application of all the conditions in the relevant regulations; there have been delays in setting up adequate inspection and certification systems, due to cultural reasons and a lack of technical and organizational resources. In Italy most of 1998 was spent on conforming to article 10 of Regulation 2081, which stipulates that the functions of inspection and verification of product conformity must be carried out by independent bodies. An unequivocal reminder from EU authorities that the food name protection system envisages two separate functions - inspection of the production process according to product specifications and certification by an independent body - was not well received in Italy,

with its long tradition of self-inspection carried out by producer associations, and it caught the public authorities responsible for implementing the regulations unprepared. Between the end of 1997 and 1998 a whole series of ministerial decrees were passed in order to define the inspection system and the role, structure, organization and activity of the independent bodies. This effort by the legislator and by the public administration was often hindered by the intervention of the Antitrust Authority and the Council of State itself, which were called on to defend the interests of producers who did not feel they were protected by their producer associations (as in the case of *Grana Padano* cheese). Despite these difficulties, at the end of 1998 and in the first few months of 1999, inspection bodies for many PDO and PGI products were autho-

rized to carry out inspection activities. There is now, therefore, a register of private inspection bodies which have proved they fulfil the requirements laid down in EU regulations, i.e. they meet all EN 45011 requirements, they have an adequate supply of personnel and resources at their disposal to carry out the inspections and their inspection procedures are satisfactory. The Ministry for Agricultural Policies is responsible for coordinating inspection activities and for general supervision. Other important measures for PDO and PGI products are contained in Legislative Decree No 173/98 "Provisions for limiting production costs and for improving the structure of farms". In the measures for structural improvements and economic integration of the whole production chain, for the first time producer

associations and production chain organizations for PDO and PGI products in general have been given the explicit right to plan production according to the market, to carry out plans to improve product quality - even if this means limiting the volume of supply - and to concentrate the supply and marketing of their members' production. Article 8 of the decree sets out a framework plan of action for promoting traditional agri-food products, including the preparation of a gastronomic heritage atlas complete with references to cultural, handicraft and tourist heritages. The Ministry for Agricultural Policies is working on the application of this initiative and has set out the regulations for identifying and classifying traditional products. At the same time, the possibility is being studied of introducing derogations from hygiene and

health regulations for industrial products and processes in the case of regional and speciality products, since the latter owe their specific character to their “non-regulation” use of raw materials and production methods. In our country, in fact, beside the high-value commodities registered as PDO or PGI products, there are a myriad of minor products of limited production and economic

value for which an effective promotion strategy is needed to prevent them from disappearing and to prevent long-standing traditions being lost. According to ISTAT estimates, products with protected food names represent around 12% of the entire final output in Italy. The main sectors in which quality products reach significant values are wine, cheese and cold meats.

Agri-food products with a registered food name (PDO or PGI) in the EU (*)

Country	Total
France	109
Italy	100
Greece	77
Portugal	73
Germany	60
Spain	45
United Kingdom	25
Austria	10
Netherlands	4
Luxembourg	4
Belgium	3
Denmark	3
Finland	1
Sweden	1
TOTAL	515

(*) Situation updated after EC Regs. 590/99 and 872/99.
The list includes products registered according to art. 17 and art. 16 of EEC Reg. 2081/92.

List of Italian agri-food products with a registered food name (PDO or PGI)(*)

Cheeses

PDO
Asiago
Bitto
Bra
Caciocavallo Silano
Caciotta d'Urbino
Canestrato Pugliese
Castelmagno
Fiore Sardo
Fontina
Formai de Mut dell'alta Valle Brembana
Gorgonzola
Grana Padano
Montasio
Monte Veronese
Mozzarella di Bufala Campana
Murazzano
Parmigiano Reggiano
Pecorino Romano
Pecorino Sardo
Pecorino Siciliano
Pecorino Toscano

Provolone Valpadana

Quartiolo Lombardo
Ragusano
Raschera
Robiola di Roccaverano
Taleggio
Toma Piemontese
Valle d'Aosta Fromadzo
Valtellina Casera

Fruit, vegetables, pulses, cereals and bakery products

PDO

"Nocellara" from Belice
San Marzano tomatoes from the Agro Sarnese-Nocerino
PGI
Sicilian blood oranges
Pantelleria capers
Montella chestnuts
Calabrian clementines
Vallata Bellunese Lamón beans
Sarconi beans
Garfagnana spelt
Borgotaro mushrooms

Castelluccio di Norcia lentils

Castel del Rio chestnuts
Mugello chestnuts
Giffoni hazelnuts
Piedmont hazelnuts
Genzano home-made bread
Senise peppers
Emilia-Romagna pears
Mantua pears
Romagna nectarines and peaches
Red "radicchio" (kind of chicory) from Treviso
Variegated "radicchio" from Castel Franco
Nano Vialone Veronese rice
Romagna shallots
Canicatti table grapes

Olive oils

PDO

Aprutino Pescarese
Brisighella
Bruzio
Canino
Cilento

Collina di Brindisi
Colline Salernitane
Colline Teatine
Dauno
Garda
Laghi Lombardi
Monti Iblei
Penisola Sorrentina
Riviera Ligure
Sabina
Terra di Bari
Terra d'Otranto
Umbria
Valli Trapanesi
PGI
Toscana

Fresh and processed Meats

PDO
Calabrian "capocollo" (kind of salami)
Piacenza "coppa" (cured neck of pork)
Zibello "culatello" (kind of ham)
Calabrian bacon
Piacenza bacon
Carpegna ham
Modena ham
Parma ham
San Daniele ham
Tuscan ham
Veneto Berico-Euganeo ham
Brianza salami
Piacenza salami
Varzi salami
Calabrian sausage

Calabrian "soppressata" (kind of salami)
Valle d'Aosta "Jambon de Bosses" (kind of ham)
Valle d'Aosta "Lard d'Arnad" (kind of bacon)
PGI
Valtellina "bresaola" (cured beef)
Modena "cotechino" (kind of porkmeat sausage)
Bologna "mortadella"
Norcia ham
Alto Adige "speck" (smoked ham)
White young bovine meat from the Central Apennines
Modena "zampone" (stuffed pig's trotter)

DOC Wines

Law No 164 dated 10 February 1992 sets out the rules for the designation of origin of wines.

The term "designation of origin" refers to the use of the geographical name of a particularly specialized wine-growing area to indicate a well-known quality product which possesses characteristics related to the natural and human environment in which it is produced.

The term "indication of geographical origin" is used when the geographical name of an area is used to indicate the wine produced there.

Wines may be classified as follows:

- controlled and guaranteed designation of origin (DOCG);
- controlled designation of origin (DOC);
- indication of geographical origin (IGT).

During 1998, important legislation long awaited by wine-growers came

into effect; the purpose of this legislation, described below, was to spell out in greater detail the rules and regulations for quality wines introduced by Law No 164/92.

Ministerial Decree No 256 dated 4/6/97, which came into effect in early 1998, sets out the conditions which producer associations of DOC and DOCG wines must meet to obtain authorization to carry out the important duties assigned to them by Law No 164. The decree was important because it established a legislative framework for the duties and organization of bodies in charge of managing, protecting and promoting DOC and DOCG wines.

With Law No 193 dated 16 June 1998, the concept of a "harvesting choice" provided for in Law No 164 was applied. Thanks to this law, it is finally possible for operators to pass, according to production levels, from

Italian DOC wines by region (*)

Valle d'Aosta	1
Piemonte	49
Liguria	8
Lombardia	16
Trentino - Alto Adige	7
Veneto	21
Friuli - Venezia Giulia	9
Emilia - Romagna	20
Toscana	38
Marche	11
Umbria	13
Lazio	25
Abruzzo	3
Molise	3
Campania	20
Basilicata	1
Puglia	25
Calabria	12
Sicilia	18
Sardegna	20

N.B. Altogether there are 313 DOC wines in Italy; this is a lower total than the sum of all regional DOC wines because 7 wines are inter-regional.

(*) At 1/5/1999.

Wines with controlled and guaranteed origin designation (DOCG) (*)

Region	Designation	Type	Colour
PIEMONTE	Asti	Asti or Asti spumante/Moscato d'Asti	White
	Barbaresco	Riserva	Red
	Barolo	Riserva	Red
	Brachetto d'Acqui o Acqui		Red
	Gattinara	Riserva	Red
	Gavi o Cortese di Gavi	Tranquillo, frizzante, spumante	White
	Ghemme	Riserva	Red
LOMBARDIA	Franciacorta	Cremant, Millesimato, Millesimato Cremant,	White, Rosé
		Rosé, Rosé Cremant, Rosé Millesimato,	
		Rosé Millesimato Cremant	
	Valtellina superiore	Riserva, Sassella, Grumello, Inferno, Valgella	Red
EMILIA ROMAGNA	Albana di Romagna	Secco, Amabile, Dolce, Passito	White
	Brunello di Montalcino	Riserva, Vigna	Red
TOSCANA	Carmignano	Rosso, Rosso riserva	Red
	Chianti	Riserva, Superiore:	Red
		Colli Fiorentini, Rufina, Montalbano, Colli Senesi,	
		Colli Aretini, Colline Pisane, Montespertoli	
UMBRIA	Chianti classico	Riserva	Red
	Vernaccia di San Gimignano	Riserva	White
	Vino nobile di Montepulciano	Riserva	Red
CAMPANIA	Montefalco Sagrantino	Secco, passito	Red
	Torgiano	Rosso riserva	Red
SARDEGNA	Taurasi	Riserva	Red
	Vermentino di Gallura	Superiore	White

one *DOCG* to another *DOCG*, from one *DOC* to another *DOC*, or from one *IGT* to another *IGT*, providing the product meets all the criteria necessary to be registered with a certain designation and provided that the area to which the designation refers is larger than the area from which the product comes. At the same time, the law safeguards the real quality of the product and makes it possible for operators to prevent devaluation of a product which for some reason does not reach an excellent level of quality in one year.

The law in fact acknowledges the fact that some designations cover very wide areas in which some wines are of a higher quality than others and therefore have stricter and more exacting specifications.

At May 1999, 116 Italian wines had obtained an *IGT* (indication of geographical origin).

(*) As at 1/5/1999.

RESEARCH AND DEVELOPMENT

Research

In 1997, State funding in Italy for research and experimental activities in the agricultural sector amounted to over 925 billion lire, equivalent to 1.3% of the value of final output from agriculture. This figure is much higher than in previous years and in fact is not comparable to past figures in that the availability of ISTAT data has led to a better estimate of the funds used for research by important institutions such as the MURST, which itself spent 39.7% of the total. The MURST was followed by the Ministry for Agricultural Policies (16.4%), the CNR (14.3%) and the regions (11.3%). There was a slight increase in the number of human resources compared to 1996; the total rose to 6,144 full-time equivalents, including 3,054 researchers and university lecturers. Around 105 billion lire were spent on agricultural research by regional organizations, a similar amount to

1996. Regions and autonomous provinces may be divided into three groups according to their spending on research:

a) regions which independently developed research of local interest and technical assistance - Valle d'Aosta, Alto Adige, Trentino, Friuli-Venezia Giulia, Sardinia, Sicily;

b) regions which showed a significant financial and organizational commitment - Piemonte, Liguria, Veneto, Emilia-Romagna, Tuscany, Calabria;

c) regions which showed a very modest commitment in relation to the volume of agricultural production - Lombardy, Lazio, Campania, Puglia. In 1997 legislative reform of the research system began with the aim of making it more competitive internationally: Law No 59/97 set out rules and general criteria for conferring functions and duties on the regions, and Legislative Decrees 204/97 and

Funding for agricultural research and experimental activities by region, 1997

Region/Auton. Province	Expenditure on R. & Exp. (billion lire)	% of agric. VFO
Piemonte	4,170	0.08
Valle d'Aosta	2,297	2.25
Lombardia	2,582	0.03
Veneto	7,136	0.10
Aut. Prov. of Trento	11,386	0.71
Aut. Prov. of Bolzano	14,330	-
Friuli - Venezia Giulia	4,800	0.40
Emilia Romagna	12,879	0.17
Liguria	1,800	0.13
Toscana	3,102	0.12
Umbria	320	0.03
Marche	2,400	0.13
Lazio	931	0.03
Abruzzo	3,700	0.20
Molise	-	0.00
Campania	692	0.02
Puglia	2,000	0.03
Calabria	6,457	0.23
Basilicata	1,858	0.23
Sicilia	322	-
Sardegna	21,582	0.99
TOTAL	104,744	0.1

204/98 redesigned the framework of responsibilities for agricultural research, aimed at creating a national programme which would pay greater attention to the demand for innovation from producers.

In 1998 the EU's Fifth Framework Programme for research and technological development was approved for the period 1999-2002 with a budget of approximately 13 billion euros, of which 1 billion for agriculture. The new programme is innovative in that it focuses on a limited number of objectives - prioritized according to Agenda 2000 - and it simplifies procedures in order to make participation easier for small and medium enterprises. Research activities in agriculture, forestry and rural development are unified under two key actions: "Control of infective diseases in animals" and "Sustainable management of agriculture, fishing and forestry,

State funding for research and experimentation in agriculture, 1997

Institution	(million lire)	% of total
MURST - Funding to Agriculture & Veterinary Science Faculties	254,835	27.5
MURST - Funding to food companies	113,000	12.2
CNR - National Research Council	132,311	14.3
Ministry for Agricultural Policies	151,325	16.4
INEA - National Institute of Agrarian Economics	22,159	2.4
ISMEA - Inst. for Study, Research & Info on the Agricultural Market	4,728	0.5
INN - National Nutrition Institute	9,550	1.0
"Lazzaro Spallanzani" Institute	1,904	0.2
National Agency for Select Seeds	12,670	1.4
National Institute for Wild Fauna	5,074	0.5
ENEA - Subject Agriculture	31,839	3.4
Experimental Stations for Industry, MICA	17,657	1.9
Higher Institute of Health	15,141	1.6
Experimental Institutes for Animal Disease Prevention	12,187	1.3
Central Institute for Research Applied to the Sea	11,919	1.3
Centre of Economic & Agricultural Research for the South	583	0.1
National Apiculture Institute	274	0.0
Institute of International and Compared Agrarian Law	240	0.0
Regions and regional bodies	104,744	11.3
Contributions to international organizations, Foreign Affairs Ministry	11,100	1.2
Agronomics Institute for Overseas, Foreign Affairs Ministry	12,130	1.3
TOTAL	925,370	100.0

including the integrated development of rural areas". The former has been

allocated 300 million euros, the latter 520 million.

Source: NABS-ISRDS records and INEA-ORA questionnaire.

Development Services

Agricultural development services have played an important role at national and regional level in the context of the Structural Funds for 1994-99. A Multi-Regional Operational Programme (MOP) is currently being implemented with an investment of around 231 mecu and provision has been made for specific expenditure amounting to 308 mecu in the Regional Operational Programmes (ROPs) for Obj. 1 areas and in the Single Programming Documents (SPDs) for Obj. 5b areas.

The MOP for "Activities Providing Support for Agricultural Development Services" is in an advanced stage of implementation. Approved in 1995, the programme has undergone substantial changes both in content and distribution of funds among the different measures. Compared to the first draft:

- the Measure producing support for development services has been removed;
- the Measure for the employment of

MOP for "Activities Providing Support for Agricultural Development Services" - Evolution of Funding

Measure	Initial budget (a)	Budget at 06.08.98	Change in (b) compared to (a)
		('000 ecu)	(%)
1. Employment of advisers	130,775	145,157	+11
2. Technological innovation & promulgation of results	31,297	55,344	+77
3. Training system for agricultural advisory service	41,451	25,589	-38
4. Operational & educational support	23,730	-	-100
5.1. Technical assistance, analysis & monitoring	3,891	5,064	+30
5.2. Evaluation	200	200	-
6. Multi-regional Guarantee Fund	85	75	-10
TOTAL	231,429	231,429	-

agricultural advisers, already allocated over 50% of the funds, has been given increased funding (+11%);

- the funds for the Measure for targeted research has been almost doubled;
- the funds for the Measure financing education has been reduced by 1/3;
- the entire management of the

Measure on research, together with its funding, has been incorporated into the Measure for technical assistance, which is implemented by INEA.

At 28/02/99, the implementation of the programme from the financial viewpoint was satisfactory, with a level of commitment and of disbursement of

Measure 2 - Research projects by sector and sub-sector

Sector & sub-sector	Projects No	Allocation (million lire)
Tree crops	19	24,017
citrus	2	4,306
fruit	6	6,666
olives	5	5,670
vines	4	5,740
other	2	1,635
Field crops	10	15,889
cereals	5	10,497
forage	1	605
grain pulses	1	1,590
medicinal plants	2	2,497
other	1	700
Horticulture	9	11,796
flowers & ornamentals	1	1,500
vegetables	7	7,719
market gardening	1	2,577
Livestock	17	31,865
fish farming	3	3,038
animal farming	14	28,827
Forestry	3	4,135
Other (1)	21	27,074
TOTAL	79	114,778

funds equal to 83.5% and 50.3% respectively. The implementation of each measure is as follows:

- **Measure 1** shows the best level of disbursement, funding the employment of agricultural advisers for their first six years of activity (912 units in 1998);

- **Measure 2** shows an excellent level of

commitment but a low level of disbursement due to start-up delays and to the complex procedures involved in getting projects funded. Further to the publication of two Public Announcements, 79 projects costing a total of 115 billion lire have been selected;

- **Measure 3** shows low commitment

Financial implementation of the SPDs

- Objective 5b

	Measures specific to services		Measures related to services	
	Level of commitment (%)	Level of disbursement (%)	Level of commitment (%)	Level of disbursement (%)
Aut. Prov. of Bolzano	-	-	27.7	5.7
Emilia - Romagna	15.7	5.0	33.7	12.4
Friuli - Venezia Giulia	0.0	0.0	28.7	3.1
Lazio	0.0	0.0	56.6	7.1
Liguria	61.9	42.2	52.0	25.5
Lombardia	36.1	11.4	64.6	6.5
Marche	55.4	19.0	52.0	11.7
Piemonte	-	-	98.1	1.3
Toscana	51.0	44.9	54.8	32.5
Umbria	40.3	27.5	44.8	17.5
Veneto	87.4	45.8	103.7	31.8
TOTAL	41.0	24.4	70.9	19.4

(1) Includes projects for horizontal issues which involve several production sectors.

and disbursement due to structural shortcomings affecting the agricultural training centres; activity, however, has been intense, with 91 courses being held in 1998, providing 1,191 days of education for 1,721 participants;

- **Measure 5.1** sets out initiatives supporting the Ministry for Agricultural Policies, the Committees and other parties involved in the MOP;

- **Measure 5.2** funds the independent body in charge of evaluating the MOP;

- **Measure 6** has carried out a feasibility study to verify the characteristics, operational procedures and instruments of the Fund concerned.

The research activity fostered by Measure 2 is the most innovative aspect of the MOP in that it is connected with the promulgation of results. The 79 selected projects regard various subjects, of which processing procedures, cultivation techniques and the production chain are the most recurrent.

The measures involving the development services in the ROPs for the Southern regions and in the SPDs for other regions are in the implementation phase. According to monitored data at 31/12/97, the situation is as follows:

- the funds for Measures drawn up specifically for the development services have been reduced by 8% in the ROPs and by 34% in the SPDs;
- the level of commitment and disbursement of funds is very low in both types of programme, especially in the ROPs;
- in the SPDs, the Measures containing schemes for diversification and/or improvement of production showed a better level of commitment.

The fund reductions were partly due to a low level of spending; EU regulations allow for financial alterations to measures if spending is low. The difficulties in implementing these measures may be due to the long time-scales and complex procedures

involved and the isolation of these measures with respect to other measures regarding development services. In fact it is more appropriate for measures regarding these services to be included in actions aimed at improving agricultural structures or at promoting rural development.

Financial implementation of the ROPs, Objectives 1 and 5a - "Development services in agriculture and promulgation of results"

	Level of commitment (%)	Level of disbursement (%)
Abruzzo	82.9	40.8
Basilicata	34.7	23.1
Calabria	71.9	11.7
Campania	19.7	12.4
Molise	24.0	23.3
Puglia	23.6	7.3
Sardegna	8.4	8.4
Sicilia	23.6	3.2
TOTAL	28.3	11.5

INSTITUTIONS AND LEGISLATION

EU Trade Agreements

Agreements with CEECs

In 1998 the association agreements between the EU and the ten countries of Central and Eastern Europe (CEECs) were almost completed when the agreements with the three Baltic States (Estonia, Latvia and Lithuania) came into force on 1st February. The last agreement to be concluded was with Slovenia, which came into effect a year later, on 1st February 1999. During 1998 the EU also concluded protocols with most of the CEECs by which trade concessions in the agricultural sector contained in the association agreements were adjusted. The adjustment took account of both the preferential tariff regimes existing between the three new EU member states (Austria, Sweden and Finland) and the CEECs for agricultural trade and GATT commitments.

On the enlargement front, in March 1998 the accession process began for the CEECs, and negotiations were opened with Hungary, Poland, Estonia, the Czech Republic and Slovenia. Accession partnerships were adopted with each of these candidate countries, stipulating terms and conditions for the pre-membership phase. The partnerships establish the principles, the priorities, the intermediate objectives and the conditions for each candidate country in order that the accession criteria set in 1993 can be met. In the agricultural sector a number of common objectives were set, including harmonization of veterinary and plant health regulations, adjustment to the basic mechanisms of CAP management and monitoring of agricultural markets, and the application of rural development measures.

Agreements with CIS countries

In 1998 relations between the EU and the countries of the Community of Independent States (CIS) were further reinforced when the partnership and cooperation agreements with Ukraine and Moldavia came into effect, following the ones already concluded with Russia. Another agreement was signed, in May, with Turkmenistan aimed at consolidating the country's independence, at accelerating the beginning of the democratic process and at helping the country join the market economy.

For the other CIS countries, relations with the EU are based on the application of provisional agreements of a commercial nature. There has been no improvement in relations with Belorussia because of the continuing political situation and violation of human rights.

Further to the economic and financial crisis which hit Russia in summer 1998, the EU activated measures to help the country overcome the crisis. The measures aimed essentially at normalizing the flow of trade, especially as regards agricultural produce. The EU also adopted a programme of food aid based on a free supply of products taken from Community intervention stocks.

Agreements with Mediterranean countries

The Euro-Mediterranean Partnership formalized in 1995 during the Barcelona Conference was taken a step forward when the association agreement between the EU and Tunisia came into effect on 1st March 1998. The agreement regulates relations of a political, economic and commercial nature by rein-

forcing economic, social, cultural and financial cooperation and it establishes the conditions for a progressive and total liberalization of trade.

The agreements reached with Israel, Morocco, Jordan and the Palestinian Authorities are still being ratified by the national Parliaments in EU states but some arrangements regarding concessions for agricultural products have been applied in advance on a provisional basis. Agreements with Algeria, Egypt, the Lebanon and Syria are still in the negotiating stage.

As regards the customs union with Turkey, the new preferential regime for agricultural produce came into effect in 1998, amending the reciprocal concessions in the preferential agricultural agreements further to the Uruguay Round agreements and the latest enlargement of the EU.

In March 1998, the EU also began accession negotiations with Cyprus, intensifying pre-membership strategies.

Agreements with countries in other parts of the world

The EU has entered into numerous political, economic and commercial cooperation pacts of a varied nature in different parts of the world. These include commercial relations with countries in South-East Asia (ASEAN), in particular Cambodia and Laos, with ACP countries (Africa, the Caribbean and the Pacific) for which the intermediate revision agreement of the 4th Lomé Convention came into effect in 1998, and with OTs (overseas countries and territories) with which the EU has come to an agreement over the conditions for importing rice.

With the South African Republic, a new party to the revised 4th Lomé Convention, the EU has started negotiations for a free trade agreement.

Cooperation agreements have been reached with the former Yugoslavian Republic of Macedonia (with effect from 1st January 1998) and Yemen; another cooperation agreement, with Pakistan, is in the negotiating stage. In 1998 EU relations with Latin American countries were reinforced further, thanks to cooperation agree-

ments of a political, institutional, social and economic nature. Among these, the cooperation agreement with the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) and the temporary agreement on commerce and accompanying measures with Mexico came into effect in the course of 1998. The EU has also committed itself to beginning negotiations for an inter-regional association agreement with MERCOSUR (Argentina, Brazil,

Paraguay, Uruguay) and a political and economic association agreement with Chile.

As regards relations with the United States, a plan of action has been adopted for launching a transatlantic economic partnership, with the aim of eliminating commercial obstacles and studying multilateral liberalization. Greater cooperation on agricultural issues is particularly envisaged, at bilateral and multilateral levels.

Reform of Agenda 2000

With the agreement reached at the Berlin Summit (24 and 25 March 1999), foundations were laid to provide the EU with more suitable policies for the new CAP priorities established by the Agenda 2000 planning document. The Council also outlined a financial framework which should make it possible both to implement the new policies and to face the challenges of the coming years, guaranteeing future enlargement to the CEECs. In fact the new Financial Perspective for the next seven years (2000-2006) has been drawn up in such a way as to take the joining costs of the new member states into account.

It must be pointed out, however, that spending on the agricultural sector, and particularly on support for market policies, remains high whereas the financial commitment for structural actions shows a tendency to decline,

Financial Perspective of the European Union (million euros), 2000-2006

Rubric	2000	2001	2002	2003	2004	2005	2006	Total
1 - Agriculture	40,920	42,800	43,900	43,770	42,760	41,930	41,660	297,740
CAP expenditure	36,620	38,480	39,570	39,430	38,410	37,570	37,290	267,370
Rural development & accompanying measures	4,300	4,320	4,330	4,340	4,350	4,360	4,370	30,370
2 - Structural actions	32,045	31,455	30,865	30,285	29,595	29,595	29,170	213,010
Structural Funds	29,430	28,840	28,250	27,670	27,080	27,080	26,660	195,010
Cohesion Fund	2,615	2,615	2,615	2,615	2,515	2,515	2,510	18,000
3 - Internal policies	5,900	5,950	6,000	6,050	6,100	6,150	6,200	42,350
4 - External actions	4,550	4,560	4,570	4,580	4,590	4,600	4,610	32,060
5 - Administration	4,560	4,600	4,700	4,800	4,900	5,000	5,100	33,660
6 - Reserves	900	900	650	400	400	400	400	4,050
Monetary reserve	500	500	250					1,250
Urgent aid reserve	200	200	200	200	200	200	200	1,400
Aid for guarantees	200	200	200	200	200	200	200	1,400
7 - Pre-accession aid	3,120	3,120	3,120	3,120	3,120	3,120	3,120	21,840
Agriculture	520	520	520	520	520	520	520	3,640
Pre-accession struct. instrument	1,040	1,040	1,040	1,040	1,040	1,040	1,040	7,280
PHARE (candidate countries)	1,560	1,560	1,560	1,560	1,560	1,560	1,560	10,920
8 - Enlargement (1)				6,450	9,030	11,610	14,200	16,780
TOTAL	91,995	93,385	100,255	102,035	103,075	104,995	107,040	702,780

(1) Expected expenditure for accession of first CEECs

Source: Office of President of the Council of EU

contrary to the frequently-stated need to redress the balance.

Reform of the CAP by sector and rural development support

The resources allocated to Rubric 1 in the Financial Perspective - divided between expenditure on the CAP and expenditure on rural development and accompanying measures - should allow the EU to put into effect a multi-functional, sustainable, competitive policy of intervention in the agricultural and rural sectors throughout the Union. The aim of the policy should be to guarantee protection of the landscape, conservation of the natural environment, support for the rural population and food safety for consumers.

In order to stabilize agricultural spending and reach a balance in world agricultural markets, the EU also aims at cutting support prices in

certain sectors with Agenda 2000 reforms, intending to carry them through with greater decisiveness than the MacSharry reform of 1992. It is proposed that farmers will be compensated for the cuts through direct aid payments, based not only on productivity but also on other criteria, thus placing greater importance on the multi-functional aspect of agriculture in all rural areas in the Union.

Arable sector

Reform proposals include a 15% cut in the intervention price for cereals to be applied in two phases (equally spread between the 2000/01 and the 2001/02 seasons). Direct payments per hectare for cereals will be increased, also in two phases, from the current 54 to 63 euros per tonne. Payments will be gradually brought to the same level for non-textile lin-

seeds (in three phases), set-aside (two phases) and oilseeds. As regards oilseeds, the method for calculating direct aid payments will be changed by abolishing the system of reference prices. The cuts in direct payments will take place in three yearly phases, until they reach the level of direct payments for cereals, as follows:

- 81.74 euros per tonne for the 2000 crop;
- 73.37 euros per tonne for the 2001 crop;
- 63.00 euros per tonne for the 2002 crop.

For protein crops, on the other hand, the change in payments will take place all at once. In order to maintain competitiveness with cereals, a supplement of 9.5 euros per tonne will be added to the basic payment (63 euros per tonne) as from the 2000/01 season.

Obligatory set-aside has been set at

10% for the whole 2000-20006 period. Small producers are exempt from this obligation.

With the reform, Italy has obtained an increase in the national reference yield from 3.78 to 3.9 tonnes per hectare.

Beef sector

The intervention price (IP) will be cut by 20% over three years, reaching 2,224 euros per tonne in 2002, when public intervention will be abolished, replaced by private storage aid. To compensate for the IP cuts, from the year 2000 there will be stepped increases in special premia until they reach the following levels in 2002:

- Bulls, 210 euros (once in their life span, from the age of 9 months or a weight of 185 kg);
- Steers, 150 euros (twice in their life span, at 9 and 21 months);
- Suckler cows, 190 euros per annum

(to which a supplementary national premium of 50 euros per head is added).

The ceiling for premia granted to Italy has been increased from 578,418 to 621,611 head for suckler cows, while the limit for young male bovines remains unchanged at 598,746 head. The ceiling of 90 head per farm for access to market organization premia also remains the same.

Further to the reform of the market organization, the following premia have been established:

- Slaughter premium of 80 euros for bulls, steers, cows and heifers aged at least 9 months;
- Slaughter premium of 50 euros for calves aged between 1 and 7 months;
- Extensification premium of 33 euros per head (stocking density of 1.6-2 LU per ha) and of 66 euros per head (stocking density of less than 1.6 LU

per ha). This premium will be increased as from 2002 to 40 euros (stocking density of 1.4-1.8 LU per ha) and 80 euros (stocking density of less than 1.4 LU per ha).

- Deseasonalisation premium for slaughtering steers.

Lastly, a financial envelope will be given to every member state to be allocated at each state's discretion in support of both beef and dairy cattle farming, with priority given to disadvantaged countries. The amount received by Italy will reach 65.6 million euros in 2002.

Dairy sector

The reform proposals include an extension of the milk quota regime to 2006, a 15% cut in intervention prices of butter and skimmed milk powder and a 17% cut in the indicative price of milk as from the 2005/2006 marketing season.

The Italian quota (9,930,060 tonnes) will be increased by 600,000 tonnes between 2000 and 2002.

As from the 2005/2006 marketing season, the following system of direct aid payments will be introduced to compensate producers for the reduction of support prices:

- 5.75 euros per tonne in the 2005/2006 season;*
- 11.49 euros per tonne in the 2006/2007 season;*
- 17.24 euros per tonne as from the 2007 season.*

Wine sector

The ban on planting new vineyards for 10 years has been confirmed, but every country has been given the right to plant a certain area of new vineyards, which for Italy amounts to 12,933 hectares. The EU Commission may assign a further 17,000 hectares by the year 2003 to regions which

show specific requirements.

A system for regularizing unauthorized vineyards will be introduced, with the application of penalties or the payment of planting rights depending on the case.

An aid regime for converting and improving the structure of vineyards has been introduced.

As a market control mechanism, voluntary distillation has been introduced to guarantee the supply of alcohol for food use and, in the case of surplus wine production, recourse to "crisis" distillation will be possible. The bans on making wine from grape must and on mixing wines with wines from non-EU countries have been confirmed; wine-making practices have been kept as they were.

Horizontal measures

The horizontal measures were conceived to correct certain distributive

imbalances created by the CAP.

Through them, member states may:

- attach minimal environmental conditions to direct payments under the market organizations for each sector (cross compliance);*
- modulate direct payments, with reductions of up to a maximum of 20% on the total, making them conditional upon meeting specific employment and income criteria;*
- use the savings made by the above two provisions as additional support for agri-environmental measures, early retirement, deprived areas, areas with special environmental restraints and forest conservation;*
- limit payments to those who actually carry out agricultural activities.*

Rural development

Intervention policy in the rural development sector is becoming more

ambitious and horizontal in nature, so that measures may be implemented across all rural areas even if they are not directly related to farms; in particular, the distinction between Objective 5b and non-Objective 5b areas will disappear.

In the single Regulation 1257/99, the measures from nine existing Council regulations are brought together; this simplification and concentration process will not only remain a paper exercise but will also be put into practice by giving the regions the possibility of drawing up a single intervention programme valid for a seven-year period (2000-2006), which for regions in the Centre-North will take the form of a Rural Development Plan and in Objective 1 areas the form of an Operational Programme.

Other elements of the reform worthy of note are:

- greater involvement of the Guarantee Section of the EAGGF, which will finance all rural development measures in non-Objective

1 areas and the accompanying measures, plus the compensation allowance, in Objective 1 areas; - greater featuring of the environ-

List of measures included in Regulation 1257/99

Art.	Measure	Financial help (1)	Previous Regulation
4-7	Investments in farms		Reg. 950/97
	normal farmers	40% - 50%	
	young farmers	45% - 55%	
8	Young farmers setting up first farm	25,000	Reg. 950/97
9	Professional training & education		Reg. 950/97
10-12	Early retirement		Reg. 2079/92
	premium for alienor	15,000-150,000	
	premium for wage-earner	3,500-35,000	
13-15	Compensation payments	25-200	Reg. 950/97
16	Environmental compensation payments	25-200	New
22-24	Agri-environment	600-900-450	Reg. 2078/92
25-28	Agri-industry	40% - 50%	Reg. 951/97
29-32	Forestry measures		Reg. 2080/92
	article 31 (4)	725-185	
	article 32 (2)	40-120	
33	Rural development		Reg. 4256/88

(1) Expressed in euros or as the maximum percentage of the total cost that can come from public funds.

ment in all measures;
- the extension of EU policy to the forestry sector.

Reform of the Structural Funds

One of the several priorities established at Berlin was to improve the efficacy of the Structural Funds in order to achieve greater economic and social cohesion among the different regions in the Union, through concentrating resources, improving the financial administration of the funds and simplifying procedures for managing the various programmes. As a consequence, priority Objectives were reduced from six to three, thus concentrating structural aid in the regions with the greatest need. Economic and social cohesion is to be achieved through the harmonious, well-balanced and sustainable development of all economic activities, the development of employment and

human resources, the protection and improvement of the environment, the elimination of disparities and the promotion of equality between men and women.

A total of 213,000 million euros has been allocated for the implementation of the structural policies in Rubric 2 in the EU Financial Perspective, of which

18,000 million have been assigned to the Cohesion Fund.

Community Initiative Programmes

Further to the reform of the CAP and structural intervention, only four Community initiative programmes have been confirmed:

Structural policy in the European Union: objectives and instruments

Objective to be achieved	Fund used	Area concerned
Objective 1: Promote development and structural adjustment of regions whose economic development is lagging behind	ERDF, ESF, EAGGF/Guidance & FIFG	Entire area in regions with per capita GDP under 75% of EU average
Objective 2: Promote economic and social conversion of areas with structural difficulties	ERDF & ESF	Selected areas in regions not involved in Objective 1 undergoing social and economic change in industrial and service sectors, rural areas in decline, urban areas in difficulties, areas with economic problems deriving from fishing
Objective 3: Promote adjustment and modernization of educational, training and employment policies	ESF	All regions not involved in Objective 1

INTERREG: Financed by the ERDF only, it regards cross-border, transnational and inter-regional cooperation and has been allocated 4,875 million euros;

URBAN: Financed by the ERDF only, it regards urban areas and has been allocated 700 million euros;

EQUAL: Financed by the ESF only, it regards transnational cooperation aimed at fighting all forms of unemployment and inequality on the work market and has been allocated 2,847 million euros;

LEADER: Financed by the EAGGF

only, it regards rural development and has been allocated 2,020 million euros.

Transitional support

Adequate transitional support for the period 2000-2005 will be guaranteed to regions no longer entitled to aid (former Objective 1, Objective 2 and Objective 5b areas) so that they can complete conversion processes already started and so that the results achieved by structural intervention up to 1999 are not jeopardized. The overall sum allocated to this support under Rubric 2 in the EU Financial Perspective amounts to a

total of 11,132 million euros.

Cohesion Fund

Support through the Cohesion Fund is confirmed for the four member states which received this support in the 1994-1999 period (Spain, Portugal, Greece and Ireland), their per capita GDP being lower than 90% of the EU average. In distributing the sum allocated to the Fund (18,000 million euros) among these countries, the improvements achieved by each of them in terms of national prosperity during the current budget period will be taken into account.

Application of the CAP

Arable, beef and dairy sectors

In the arable sector, the 1992 CAP reform was based on a gradual reduction of price levels in order to bring them closer to world market prices, and on direct payments to producers calculated according to potential productivity per unit of land, the parameters for which were set by dividing Italian territory into 254 uniform areas.

In order to calculate aid payments and the conditions linked to them, growers were divided into two main categories with two different schemes: large growers, to whom the "main scheme" applies, and small growers, to whom the "simplified scheme" applies. The division into two schemes is based on the potential yield of cultivated land; growers with a potential yield of over 92 tonnes come under the main scheme whereas growers with a potential yield of

Area of land under the main and simplified schemes, 1998

Total applications: 772,447	Main scheme	Simplified scheme	Other land
	135,402 applications Area of land (ha)	611,528 applications Area of land (ha)	25,517 applications Area of land (ha)
Durum wheat	482,308	1,028,346	
Corn	640,381	436,003	
Other cereals	422,431	825,138	
Total cereals	1,545,120	2,289,487	
of which ensiled	74,273	50,273	
Soya	381,685	12,174	
Sunflowers	312,211	3,685	
Rape	115,467	1,151	
Total oilseeds	809,363	17,010	
Total protein crops	24,029	59,371	
Total non-textile flax	180	8	
Obligatory set-aside	8,676		
Voluntary set-aside	158,478		
Total set-aside	167,154		
of which non-food	14,577		
Forage areas for cattle premia	228	609	22,240
TOTAL AREA	2,546,074	2,366,485	22,240
GRAND TOTAL			4,934,799

**Application of the CAP in the arable sector in EU countries ('000 hectares),
1997/98 season**

Basic land	Set-aside	Land planted to arable crops (1)				
		Simplified scheme	(%)	Main scheme	(%)	
Belgium	479	12	255	58.5	181	41.5
Denmark	2,018	160	284	13.9	1,752	86.1
Germany	10,156	821	1,577	15.8	8,381	84.2
Greece	1,492	11	1,135	90.2	123	9.8
Spain	9,220	1,080	1,439	16.3	7,393	83.7
France	13,526	960	1,782	13.1	11,786	86.9
Ireland	346	18	102	30.3	235	69.7
Italy	5,801	157	2,526	51.7	2,359	48.3
Luxembourg	43	1	20	52.6	18	47.4
Netherlands	437	6	301	76.0	95	24.0
Austria	1,203	72	386	33.7	759	66.3
Portugal	1,041	32	396	45.6	473	54.4
Finland	1,591	146	426	32.4	887	67.6
Sweden	1,737	203	272	17.3	1,297	82.7
United Kingdom	4,461	297	244	5.5	4,187	94.5
EU 15	53,548	3,978	11,144	21.8	39,925	78.2

(1) Excludes land planted to forage.

Source: European Commission, DG VI.

under 92 tonnes are included in the simplified scheme. The difference between the two schemes consists in the fact that in the main scheme, compensation varies according to the crop and there is an obligation to set aside part of the farm's cultivated land (10% in 1998) whereas in the simplified scheme, there is no set-aside obligation and there is only one rate of compensation, whatever crops are cultivated; the additional subsidy calculated on a hectare basis for the cultivation of durum wheat in certain areas also continues to exist.

In 1998, 772,447 applications for payments were made to the Italian Intervention Board for the Agricultural Market (AIMA); of these, 79.2% were in connection with the simplified scheme, which was favoured by cereal producers. On the other hand, 97.9% of the land devoted to oilseeds was cultivated in accor-

dance with the main scheme.

All in all, between the main and the simplified schemes, only 3.4% of the land for which compensation was requested was set aside.

In the beef sector, to compensate livestock farmers for the loss of income caused by the reduction in prices imposed by the 1992 reform, premia were increased for adult male bovines and a suckler cow premium was introduced. These premia are only guaranteed for extensive breeding (2 LU/ha) and for a maximum of 90 head per farm.

In the dairy sector, intervention policy is based on a production control mechanism carried out through a quota system, with market and internal consumption support instruments. A maximum guaranteed quantity of production is set for every member state, over which a super-levy is incurred. This fine is divided

Number of adult male bovines and suckler cows for which premia are payable under Regs. 805/68 and 3886/92, 1997

	Adult males			Suckler cows	
	For which premia are payable	Application 1st period	Application 2nd period	For which premia are payable	Application
Belgium	235,149	235,149	1,049	443,588	412,235
Denmark	277,110	250,420	3,829	136,191	113,906
Germany	1,782,700	1,574,878	101,163	774,566	582,790
Greece	140,130	140,130	8,000	149,778	149,500
Spain	603,674	603,674	24,312	1,462,369	1,462,369
France	1,754,732	1,754,732	285,000	3,855,243	3,850,000
Ireland	1,002,458	1,002,458	972,087	1,109,363	1,109,062
Italy	598,746	528,515	20,000	787,993	787,993
Luxembourg	18,962	18,962	2,666	14,765	14,900
Netherlands	157,932	91,701	111	98,200	65,677
Austria	423,400	278,975	15,569	325,000	266,518
Portugal	154,897	154,897	16,842	286,554	286,554
Finland	241,553	195,077	18	55,000	29,787
Sweden	226,328	226,328	9,830	155,000	147,025
United Kingdom	1,419,811	1,419,811	894,617	1,805,323	1,711,705
EU 15	9,037,582	8,475,707	2,355,093	11,458,933	10,990,021

Source: European Commission, DG VI.

Application of the milk quotas system in the EU (tonnes)

	1996/97		1997/98	
	Maximum guaranteed quantities	Deliveries (1)	Maximum guaranteed quantities	Deliveries (1)
Belgium	3,109,639	3,007,687	3,125,099	3,020,847
Denmark	4,454,639	4,478,499	4,454,649	4,466,761
Germany	27,764,778	26,941,689	27,767,500	26,944,696
Greece	629,817	583,563	629,817	634,326
Spain	5,438,118	5,410,000	5,452,064	5,407,987
France	23,749,650	23,108,921	23,772,759	23,174,046
Ireland	5,235,723	5,268,673	5,235,902	5,244,084
Italy	9,698,399	9,965,500	9,698,399	9,433,912
Luxembourg	268,098	256,101	268,098	256,472
Netherlands	10,988,039	10,705,585	10,988,594	10,696,605
Austria	2,382,377	2,359,749	2,383,182	2,408,477
Portugal	1,835,461	1,624,221	1,835,461	1,665,929
Finland	2,384,327	2,314,652	2,388,183	2,385,579
Sweden	3,300,000	3,267,299	3,300,000	3,274,181
United Kingdom	14,338,375	14,098,776	14,354,321	14,241,285
EU 15	115,577,440	113,390,915	115,654,028	113,255,187

(1) Declared by member states.

Source: European Commission, DG VI.

among the single producers who contributed to forming the excess.

Accompanying measures

When the European Council approved the reform of the CAP in 1992, it also passed a package of measures called "the accompanying measures", which codified and reformulated a number of schemes which had previously been implemented without any form of coordination, adapting them to the Union's new support policies for the agricultural sector. This process is described below.

- Several environment-related measures which had previously been implemented through Regulations 2328/91 (Section VII) and 4115/88 (extensification of agricultural and livestock production) were re-formulated in a new regulation, No 2078/92, which aimed at spread-

ing and supporting “eco-compatible” agriculture by encouraging production methods and techniques compatible with protection of the natural environment and conservation and care of the countryside.

After a first phase characterized by a slow and difficult start, application of the regulation took off in the Community in general in 1996 and in Italy the year after, followed by a period of consolidation in 1998. In the 1994-98 planning period, the EU spent no less than 4,900 million ecu on application of the regulation. Italy spent 585.2 million ecu or about 12% of the total allocation, in third place after Germany and Austria which spent around 22% of the total each. It should be pointed out that in the case of Italy the figure published for sums disbursed in 1998 is much

Financial framework for agri-environmental measures in Italy (million lire) (*)

	Old Planning Period			New Planning Period
	1994 - 97	1998	1999 (1)	Total period 2000 - 2006
Valle d'Aosta	25,179	13,293	11,550	18,776
Piemonte	222,526	119,667	135,390	201,163
Lombardia	52,403	88,404	137,862	411,471
Aut. Prov. of Bolzano (2)	70,803	24,467	29,351	74,329
Aut. Prov. of Trento	39,090	10,740	11,000	20,448
Friuli-Venezia Giulia	10,532	11,005	10,326	21,245
Veneto	98,194	55,661	55,761	76,500
Liguria (2)	4,576	8,418	10,101	28,581
Emilia Romagna	123,525	117,847	150,046	397,547
Toscana (2)	240,794	126,314	151,577	248,234
Umbria	50,142	26,044	65,169	212,889
Marche	25,405	40,645	50,000	138,943
Lazio (2)	122,652	87,703	87,703	152,756
Abruzzo	2,393	7,776	22,897	81,754
Molise	4,782	4,172	5,350	14,921
Campania (2)	1,565	10,587	12,704	38,665
Puglia	48,680	55,905	139,761	455,023
Basilicata (2)	69,419	73,190	75,288	424,412
Calabria (2)	27,331	61,794	74,153	207,487
Sicilia	1,564,399	201,697	231,300	440,563
Sardegna (2)	79,625	112,320	112,320	258,276
TOTAL	1,658,834	1,257,651	1,579,610	3,915,983

(*) National quota plus EAGGF quota.

(1) Friuli, Lazio, Molise, Sardegna, Valle d'Aosta and Veneto only have, in 1999, an extension for commitments which expired in 1998. New applications only for measure F in Basilicata and for measures A2, D2 and G in Sicily.

(2) The figures for 1999 are estimates.

Source: 1998 - AIMA; 1999 - regional data.

Utilization of Community budget for the implementation of Regs. 2078/92, 2079/92, 2080/92 (million ecu), 1994-98

	2078/92		2079/92		2080/92	
	1998	1994-98	1998	1994-98	1998	1994-98
Belgium	2.4	5.2	5.1	12.2	0.2	0.2
Denmark	8.1	24.1	1.6	6.3	3.0	12.6
Germany	258.3	1,099.0	0.0	1.5	12.3	79.1
Greece	6.1	16.1	30.6	87.5	13.3	53.0
Spain	54.9	156.6	20.1	45.2	142.6	464.6
France	70.5	516.6	72.1	424.1	4.3	11.7
Ireland	121.2	281.2	62.5	176.7	30.6	158.7
Italy	120.8	585.2	0.8	1.2	63.9	134.8
Luxembourg	2.1	6.3	0.0	0.0	0.0	0.0
Netherlands	12.7	37.5	0.0	0.0	1.3	8.8
Austria	273.3	1,073.8	0.0	0.0	4.4	14.3
Portugal	65.6	205.3	5.4	11.1	25.9	98.0
Finland	138.8	530.1	10.7	21.7	6.0	17.4
Sweden	101.7	227.8	0.0	0.0	0.0	0.0
United Kingdom	46.3	136.1	0.0	0.0	19.6	73.7
TOTAL	1,282.8	4,900.9	208.9	787.5	327.4	1,126.9

Source: EU data processed by the Ministry for Agricultural Policies.

lower than the actual requirement because of a delay in payments caused by the need to review Italy's inspection procedures.

- The generative principles of Directive 160/72, introducing measures encouraging early retirement in agriculture, inspired the approval of Regulation 2079/92, which set out a whole series of schemes aimed at ensuring a generation changeover in agriculture and supporting programmes for unifying land. From 1994 to 1998 little more than 787 million ecu was spent throughout the EU. Italian spending on this measure was very low, proving the inadequacy of the incentives offered compared to the obligations imposed on farmers. Although the limited implementation of this measure in Italy - and in several other member states -

suggested that the measure should be thoroughly reviewed, the new regulation on rural development in fact confirms the provisions of the old one. Consequently, the ban on farmers receiving the early retirement premium as well as national pension allowances will continue to be the main obstacle for the application of this measure in the future too.

- Regulation 2080/92, which introduced a programme for afforesting land withdrawn from production, codified and re-formulated in one single regulation a series of schemes which were implemented previously through Regulations 2328/91 (Section VIII), 1272/88 (five-year set-aside) and 1609/89 (introduction of forestry measures on agricultural land). Between

1994 and 1998 just under 1,127 million ecu were spent on this regulation, over half of which was spent by two countries alone, Spain and Ireland. Around 12% of the total allocation for this regulation was spent by Italy; in 1998 in particular, numerous payments were made for new tree planting authorized at the beginning of the implementation period.

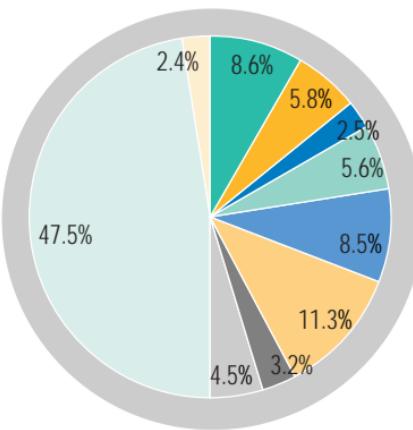
CAP Expenditure by Sector

In 1998 the Italian Intervention Board for the Agricultural Market (AIMA) paid out premia for 7,810,270 million lire.

Expenditure on the arable sector was the highest of all (47.5%), followed by oil (11.3%), fruit and vegetables (8.6%), tobacco (8.5%), vine products (5.6%) and agri-environmental measures (5.6%). In the livestock sector, expenditure on cattle amounted to 4.5% of the total and on sheep to 3.2%.

It should be noted that the distribution of CAP-related premia in Italy does not fully reflect the importance of each sector in terms of their contribution to the value of agricultural output.

Sums disbursed in Italy by sector ()*



	(million lire)
TOTAL	7,810,270
Fruit & vegetables	674,087
Vine products	455,270
2080/92	193,187
2078/92	437,798
Tobacco (1)	667,303
Oil	882,429
Sheep	252,010
Cattle	350,814
Arable crops	3,711,874
Milk and cheese	185,498

(*) Accounting year 16/10/97 - 15/10/98.

(1) 1997 figure.

Source: AIMA.

Structural Funds for Agriculture

Objective 1

The operational programmes part-funded by the EAGGF and implemented in Objective 1 areas showed an overall increment in commitments and disbursements during 1998, reaching 78.3% and 42.5% of the total allocation respectively.

The Multi-Regional Programme for the commercial promotion of products from the South (known as MOP-COM) showed a particularly significant result, its level of commitment rising in a single year from 0.6% to 78.8%.

Among the regions, Basilicata was particularly active, its regional programme showing a rise in level of commitment from 58.1% to 117%.

Objective 5a

Objective 5a is implemented in Italy with a clear distinction between actions for the benefit of farms ("indi-

Financial implementation of the Community Support Framework in Objective 1 areas ('000 ecu), 1994-1999 ()*

Programme	Total cost 1994-1999 (a)	Commitments (b)	Disbursements (c)	Progress (%)		
				(b/a)	(c/a)	(c/b)
Multi-regional	395,410.0	264,055.4	126,769.6	66.8	32.1	48.0
OP - support agric. dev.ment services	231,429.0	160,915.5	115,284.3	69.5	49.8	71.6
OP - promotion agric. production	120,000.0	94,580.5	6,475.6	78.8	5.4	6.8
OP - support veg. & fruit growers	8,226.0	8,559.4	5,009.6	104.1	60.9	58.5
OP - territorial pacts (1)	35,755.0	-	-	-	-	-
Regional	4,025,353.2	3,198,753.6	1,753,502.4	79.5	43.5	54.8
OP - EAGGF rural dev.ment Abruzzo	189,850.0	191,753.3	110,233.4	101.0	58.1	57.5
MOP - Basilicata	385,960.0	451,716.5	197,346.6	117.0	51.1	43.7
OP - EAGGF rural dev.ment Calabria	485,729.6	519,855.7	243,780.6	107.0	50.2	46.9
MOP - Campania	589,759.6	523,654.7	280,882.1	88.8	47.6	53.6
GS - Stockbreeding Campania Region	66,470.0	734.8	358.1	1.1	0.5	48.7
MOP - Molise	205,731.0	153,045.6	71,467.8	74.4	34.7	46.7
MOP - Puglia	729,010.0	427,228.6	218,124.3	58.6	29.9	51.0
MOP - Sardinia	644,014.0	477,480.0	334,290.0	74.1	51.9	70.0
MOP - Sicily	728,829.0	453,283.7	297,019.5	62.2	40.7	65.5
TOTAL	4,420,763.2	3,462,808.5	1,880,271.9	78.3	42.5	54.3

(*) Situation at 31/12/1998. One ecu = 1,936.27.

(1) Ministry of Treasury, Budget and Economic Planning.

Source: Processing by S.I.R.G.S.

OP = Operational Programme

MOP = Multi-fund Operational Programme

GS = Global Subsidy

rect actions" - Regulation 950/97) and actions regarding the processing and marketing of agricultural and forestry products ("direct actions" - Regulations 951/97 and 867/90).

Through indirect actions, financing is provided for investments on farms, for young farmers starting up a business for the first time, for education and training schemes and for compensation payments. Through direct actions investments are financed in the sector which deals with processing and marketing agricultural products.

The figure for indirect actions implemented outside Objective 1 areas is of particular interest; the level of implementation reached an average of 71% in 1998, with peaks of nearly 100% in some regions and autonomous provinces (Lombardy, Piemonte, Friuli-Venezia Giulia, Trento and Bolzano).

Financial implementation of Reg. 950/97 in Obj. 5 areas (million ecu)(*)

	Original amount (a)	Residual amount (b) (1)	Disbursements 1994-1998 (c)	Progress (%) (c/a)	Progress (%) (c/b)
Valle d'Aosta	10.3	10.3	5.9	57.0	57.0
Piemonte	89.5	84.3	71.0	79.3	84.2
Lombardia	43.8	34.7	32.9	75.3	95.0
Aut. Prov. of Bolzano	19.2	14.8	13.3	69.3	90.0
Aut. Prov. of Trento	21.7	16.6	13.9	64.0	83.9
Veneto	60.6	52.5	32.2	53.1	61.3
Friuli - Venezia Giulia	16.9	16.3	13.9	82.6	85.8
Liguria	23.4	22.3	13.4	57.2	60.1
Emilia Romagna	60.1	55.2	37.8	62.9	68.5
Toscana	38.3	32.4	19.7	51.5	60.9
Umbria	18.0	15.8	8.4	46.5	53.3
Marche	30.6	23.1	18.3	60.0	79.2
Lazio	26.0	23.6	16.8	64.8	71.4
Abruzzo	13.9	13.9	7.1	50.8	50.8
Regional total	472.4	415.7	304.8	64.5	73.3
National programme	4.0	0.4	0.3	6.4	64.3
Total Reg. 950/97	476.4	416.1	305.0	64.0	73.3
Regs. 1035/72 & 1360/78	18.0	18.0	2.1	11.6	11.6
GENERAL TOTAL	494.4	434.1	307.1	62.1	70.7

(*) EAGGF quota

(1) The amount is lower than originally allocated because of cuts following the earthquake and the transfer of funds to Reg. 951/97.
Source: Calculations by the Ministry for Agricultural Policies.

This result was achieved thanks to the possibility offered by the Treasury of financial operations known as "overbooking", which consists in the provision of more funds than those actually necessary from national and regional resources, in order to guarantee EU co-financing. This mechanism allowed regions to increase their level of commitment and accelerate actual disbursement of funds.

Objective 5b

The level of implementation achieved by the Single Programming Documents (SPDs) in Objective 5b areas in 1998 can be considered as satisfactory especially in terms of commitments. Many regions show levels of commitment close to 80%, with Friuli-Venezia Giulia, Liguria and Lombardy reaching around 100%.

Financial implementation of the Single Programming Documents in Objective 5b areas ('000 ecu), 1994-99 (*)

SPD	Total cost 1994-1999 (1) (a)	Commitments (b)	Disbursements (c)	Progress (%)		
				(b/a)	(c/a)	(c/b)
Aut. Prov. of Bolzano	159,247.7	123,166.7	70,600.8	77.3	44.3	57.3
Emilia Romagna	289,594.0	192,700.6	129,606.9	66.5	44.7	67.2
Friuli - Venezia Giulia	213,415.6	212,205.2	95,280.5	99.4	44.6	44.9
Lazio	473,568.1	316,192.9	136,570.9	66.8	28.8	43.1
Liguria	104,614.7	111,405.7	57,923.0	106.4	55.3	51.9
Lombardia	158,559.4	158,479.8	79,128.7	99.9	49.9	49.9
Marche	643,108.9	203,327.4	94,502.1	31.6	14.7	46.4
Piemonte	317,361.0	267,288.1	139,528.7	84.2	43.9	52.2
Toscana	568,409.4	451,312.3	272,391.8	79.4	47.9	60.3
Aut. Prov. of Trento	65,774.6	50,660.6	26,847.4	77.0	40.8	52.9
Umbria	970,964.3	284,676.9	163,514.6	29.3	16.8	57.4
Valle d'Aosta	14,119.3	10,923.0	4,986.3	77.3	35.3	45.6
Veneto	599,301.3	418,928.4	227,928.8	69.9	38.0	54.4
Ministry of Industry	1,098,152.7	859,603.8	270,656.7	78.2	24.6	31.4
TOTAL	5,676,191.2	3,660,871.9	1,769,467.6	64.5	31.7	48.3

(*) Situation at 31/3/1998. One ecu = 1,936.27 lire.

(1) The Community Decisions approved before 31/12/1998 are taken into account in the figures given.

Source: Calculations by S.I.R.G.S.

The overall figure for the implementation of the SPDs in Objective 5b areas in Italy is greatly underestimated because the SPDs in Umbria and Marche were allotted a considerable increase in funds in 1998 further to adjustments made to programmes in order to meet post-earthquake structural necessities; the increased allocation of funds for these two regions, however, did not lead to the immediate use of EU funds because of the limited time available.

LEADER II Community Initiative

There are still considerable delays in the implementation of the LEADER II Community Initiative and large obstacles remain in the way of full use of available funding.

The situation is particularly worry-

Financial implementation of LEADER II Community Initiative ('000 euros), 1994-99 (*)

	Total cost (a)	Commitments (b)	Disbursements (c)	Progress (%) (b/a)	(c/a)	(c/b)
Objective 1 areas	411,733.0	207,022.5	35,205.2	50.2	8.6	17.0
Abruzzo	31,930.0	30,238.2	3,470.3	94.7	10.8	11.4
Basilicata	43,918.0	16,907.7	3,567.4	38.5	8.1	21.1
Calabria	53,388.0	38,552.4	3,575.9	72.2	6.7	9.2
Campania	51,330.0	3,749.9	1,408.5	7.3	2.7	37.5
Molise	20,933.0	4,513.2	-	21.5	-	-
Puglia	59,754.0	54,667.5	16,438.7	91.4	27.5	30.0
Sardegna	78,012.0	58,393.3	6,774.1	74.8	8.6	11.5
Sicilia	72,468.0	-	-	-	-	-
Non-Objective 1 areas	455,541.3	184,293.6	25,068.4	40.5	5.5	13.6
Aut. Prov. of Bolzano	23,408.3	12,544.2	1,657.8	53.9	7.0	13.2
Emilia Romagna	25,141.4	15,126.5	3,969.7	60.1	15.7	26.2
Friuli - Venezia Giulia	17,723.2	8,551.7	1,939.1	48.2	10.9	22.6
Lazio	73,884.0	32,595.2	-	44.1	-	-
Liguria	18,328.8	6,870.8	1,673.7	37.4	9.1	24.3
Lombardia	17,314.8	5,003.2	1,009.3	28.9	5.8	20.1
Marche	44,624.7	10,409.5	1,948.4	23.3	4.3	18.7
Piemonte	48,823.2	24,083.9	4,792.9	49.3	9.8	19.9
Toscana	65,094.6	24,061.2	4,368.7	36.9	6.7	18.1
Aut. Prov. of Trento	10,507.2	5,508.6	560.5	52.4	5.3	10.1
Umbria	37,978.6	6,204.0	1,212.3	16.3	3.1	19.5
Valle d'Aosta	2,235.6	937.4	63.8	41.9	2.8	6.8
Veneto	70,476.3	32,396.8	1,871.5	45.9	2.6	5.7
National network	3,077.8	3,178.2	609.2	100.2	19.8	19.1
TOTAL	870,351.3	394,494.5	60,882.9	45.3	7.0	15.4

(*) At 31/03/1999. One euro = 1,936.27 lire.
Source: Calculations by S.I.R.G.S.

ing for those regions which have still not completed their selection of Local Development Groups despite the fact there are only a few months left to the closing date of the programme, by which commitments must be made;

these regions consequently risk not being able to make use of EU funding. At the same time, however, the innovative significance of this initiative, which has led to the formation of almost 100 Groups in many parts of

the country, should be borne in mind. It will only be possible to assess the fruits of this initiative being carried out in Italian rural areas in the medium term, considering its educational and responsibility-building nature.

Main National Legislation

Law No 449/97, passed in connection with the Finance Act (the Budget) for 1998, paved the way for a major change in Italy's agricultural policy in that it gave high priority in national planning to support measures for the agricultural sector and it committed the Government to passing a legislative decree containing provisions for limiting production costs and for improving the structures of farms (art. 55 para 14).

With the "Programmatic Platform for the Definition of Agricultural Policy Measures" agreed between the Government and Social Partners, a wider framework was created for promoting agricultural development and encouraging the multi-functional role of agriculture.

In accordance with these objectives, the Government's Economic and Financial Planning Document for the period 1999-2001 sets out the

following policies:

- the renewal of Italian agricultural policy within the EU framework;*
- the development of the multi-functional role and manifold activities of the agricultural sector;*
- the promotion of quality and speciality products on domestic and foreign markets;*
- the organization of market supply through the reform of producer associations, vertical integration and improved cooperation;*
- the promotion of technological innovation and greater provision of business advice and assistance.*

The process of renewal triggered off by the above planning principles and policies resulted in the following legislation in 1998 and 1999:

Legislative Decree No. 173 dated 30 April 1998, "Provisions for limiting production costs and for improv-

ing the structure of farms", which implements Law 449/97 and is the first coherent set of farm support measures to be passed in the 1990's. The decree does not arrange funding for the sector but it provides for aid regimes and extensions of grants and subsidies to be set up through specific Ministerial decrees and programmes. Funding is guaranteed by subsequent provisions which will be included in the next multiannual law or in other laws.

The principal measures are:

a) Limiting production costs by:

- setting up an aid regime, in accordance with Reg. 950/97, to promote energy conservation through the use of renewable sources of energy and the adoption of systems limiting pollution and environmental impact;*
- financing development programmes for innovative agricultural machinery and extending the*

- incentives on low-impact transport to the agricultural sector;
- operating changes on the social security front by including certain categories of workers in the agri-food chain and in firms responsible for the maintenance of woodland and park areas in the social security system for agricultural workers, and by using a large portion of the funds made available by EU agrimoney regulations to reduce INAIL contributions (INAIL = National Board for Insurance against Accidents at Work);
- extending credit guarantees by allowing Agricultural Credit Guarantee Associations to have access to grants from the Fund at the Mediocredito Bank; permitting the use of agricultural bills - rather than the costlier ordinary bills - in operations of subsidised credit for the purchase of machinery, in

accordance with the "Sabatini Law"; the renegotiation of existent agricultural loans granted to farms and to businesses belonging to agricultural associations on lower interest rates.

b) Increasing competitiveness by creating and setting up an identification trademark, the so-called "Italy trademark", to indicate quality products and regional specialities made in Italy, and by setting up a national board responsible for protecting and promoting quality products and the names of speciality products in the agri-food sector.

c) Improving the structure of farms and firms through a comprehensive series of measures for the whole agricultural and food production chain, including:

- the extension to the agricultural and fishing industries of negotiated planning instruments such as terri-

torial pacts, programme contracts and area contracts, as set out in Law 662/96 (art. 2, para 203). The application criteria and procedures for these provisions were established by Resolution No. 127 of the CIPE (Committee of Ministers for Economic Planning) dated 11/12/1998. Territorial pacts have the widest application as they can be set up for investments in agriculture, fishing, fish farming, production of biomass energy and handling and storage services for terminals and containers, including packaging and crating operations. Area contracts are applicable to a more limited range of activities such as production of biomass energy and services for marketing and packaging goods of agricultural origin, whether they are food products or not. Programme contracts, which are

related to projects promoted by large businesses, may be used for schemes regarding agriculture, fishing and fish farming; they may also be promoted by associations of small and medium-sized businesses which have been set up in the form of cooperatives;

- the implementation of measures to increase the quality of production, the agronomic use of livestock waste and the renovation of farm buildings in accordance with the laws on safety at work (Legislative Decree No. 626/94), and the creation of a national programme to safeguard genetic, animal and vegetable resources;
- agreements between producers in the agri-food system in accordance with EU regulations on quality products (Regs. 2081/92 and 2082/92), organic farming (Reg. 2092/91) and market organiza-

tions (Regs. 952/97 and 2200/96);
- the formulation of regulations governing inter-professional organizations, setting out their objectives and the criteria and requisites they have to meet to be recognized, for the purpose of promoting economic integration of the whole agri-food production chain;

- an aid regime, to be set up with a specific programme, on behalf of businesses in the agri-food sector as a complement to schemes set out in EU regulations (Reg. 951/97 and Dec. 94/173). The regime includes schemes for: improvements to the structure of farms through concentration and unification; technological innovation; the renovation of wiring, plumbing and other installations in compliance with health standards; the promotion of speciality and regional products; strengthening of cooperative firms.

An aid regime is also planned for agri-food businesses in serious financial difficulties in accordance with EU legislation on State aid (Community Guidelines 97/C/283/02), to be set up in a programme formulated by the Ministry for Agricultural Policies.

- d) Accelerating the use of the Structural Funds and defining services of public interest.** To simplify the procedures connected with use of the Funds, it is envisaged that the evaluation, selection and award criteria for incentives set out in Law No. 488/92 for the reform of State intervention in depressed areas will be adopted for the agricultural sector. Operating procedures will be decided by the Committee of Ministers for Economic Planning. Other regulations will follow to simplify and bring together procedures and requisites from national and EU

legislation. A farmer's charter and a register of farms will be drawn up and the National Agricultural Information System (SIAN) will be re-organized.

Law No 423 dated 2 December 1998, "Structural and urgent measures in the agriculture, citrus and livestock sectors". With this law, the following measures were approved for the benefit of particularly vulnerable agricultural sectors:

- presenting a special plan for Italian citrus cultivation to the CIPE (Committee of Ministers for Economic Planning) and providing the financing for it (70 billion lire for 1998, plus 20 billion each for 1999 and 2000), to deal with the serious crisis in the citrus sector. The plan involves limiting production costs, reorganizing marketing methods and improving product

quality;

- arranging and financing (60 billion lire) a programme to adapt the structures of dairy farms to new EU regulations (Directives 92/46 and 92/47), giving priority to small farms in fringe areas and to farms belonging to young farmers under 40;

- using the allocation of 391 billion lire provided in the 1998 Finance Act to fund inter-regional programmes, land improvement loans and certain Ministerial responsibilities such as aircraft for fighting forest fires and the National Agricultural Information System (SIAN) etc;

- schemes for livestock associations to hold genealogical registers and related activities (30 billion lire);

- market intervention for potatoes (15 billion lire), the start of a national programme entitled "bio-

fuels" which applies the Kyoto Conference resolutions (5 billion a year) and the provision of funding for projects submitted by young farmers in accordance with Law No 95/95 (26 billion in the two-year period 1999-2000).

Law No 441 dated 15 December 1998, "Provisions for developing and encouraging agricultural activity by young farmers". These provisions, based on innovative principles, aim at promoting a generation changeover in the farming world in accordance with EU regulations and are binding for the regions.

The law implements the EU principle that priority of access to aid should be given to young farmers starting up their first business, providing agriculture is their main occupation, thus completing the legislative framework created by Regulation

950/97 with incentives, tax exemptions and support for land unification plans. Aid for starting up a first-time farm business is also available to part-time farmers with other activities on or off the farm; special consideration is given to young people taking over a farm from a preceding owner and to business partnerships, including companies with capital belonging to young partners. Priority is given to young people starting up a farm in mountainous or disadvantaged areas or involved in the measures encouraging early retirement under Regulation 2079/92.

Another key element of the law is improvement of the structure of land, allowing up to 60% of the sum available in the "Fund for the formation of agricultural property" to be used to facilitate the purchase or enlargement of farms by young farmers.

The Fund may finance land unification programmes through agreements with the regions. Fidejussionary guarantees may be granted to support investments on farms managed by young farmers, who are also entitled to tax relief, if certain requisites are met and certain procedures are followed, in the form of exemption from death duties, gift taxes, land taxes, stamp duties and INVIM (capital gains tax on property).

Treasury Decree No 147 dated 19 March 1999 establishes criteria and procedures for granting the incentives awarded under Law No 95/95 to young entrepreneurs by the "Young Entrepreneurs Society" to young farmers between the ages of 18 and 35 who take over the management of a family farm from a relative no further than two degrees of

relationship away, provided farming is their principal occupation. Beneficiaries must reside in the Objective 1, 2 and 5b areas set out in Regulation 2081/93 and must submit projects for producing, processing and marketing agricultural produce with an investment of up to 2 billion lire.

Law No 448 dated 23 December 1998, "Public finance measures for stabilization and development". This law, passed in connection with the Finance Act (the Budget) for 1999, includes several incentives for the agricultural sector: the abolition of certain social security contributions; the extension to 31 December 1999 of the expiry date for the reclassification of disadvantaged areas; the extension of the tax credit granted for every employee hired on a permanent contract to farms in

Objective 1 areas; the extension to rural areas in decline (Objective 5b areas) of tax benefits/relief for rural buildings and for rent contracts for rural property; the possibility of regularizing unpaid tax situations; the reopening of the social security amnesty.

Law No 449 dated 23 December 1998, the "1999 Finance Act", which sets out the use of public funds in the State Budget, allocating approximately 3,590 billion lire to agriculture, forestry and fishing. Most of this allocation will be spent on consolidating development and making structural improvements in the sector.

Financial cover is provided for the measures regarding young farmers, the reform of AIMA (the Intervention Board for the Agricultural Market), milk quota fines, farmers associations and the regulations on the pro-

tection of food names (origin designation).

Financial cover is also provided for bills still going through the approval process (cf. Consolidation Law, Bill C. 1516 and Bill C. 5245) and for regulations still in the process of being formulated, regarding aid regimes established by Legislative Decree No 173/98.

Other allocations are for the implementation of the three-year fishing plan, for the sugar beet sector, for the national solidarity fund and for irrigation schemes.

Beside the legislation directly concerned with agricultural policy measures and the funding for them, other laws with a much wider scope have been passed, introducing important innovations which also affect the primary sector. These include:

Legislative Decree No 112 dated 31

March 1998, "Devolution of State administrative duties and functions to the Regions and Local Authorities", implementing Law No 59/97 (the so-called "Bassanini 1"). The law contains numerous provisions which implement the principle of federalism by transferring functions and duties from the State to the Regions and from the latter to other Local Authorities.

Several measures affect the agricultural sector directly, although the process of federalism has already been implemented in this sector and will be completed with the application of Legislative Decree No 143/97. Special mention should be made of the provisions for simplifying and liberalizing procedures regarding authorizations for bakeries and for firms which produce feed, medicinal integrators and starches; for transferring responsibility for renewable

sources to the regions; for giving the regions the responsibility for organizing campaigns promoting commodities (including local agri-food products) on foreign markets.

Responsibilities of national importance include conservation of protected areas of national interest and protection of biodiversity; the establishment of technical specifications, standards and maximum and minimum values; the identification of species threatened by the risk of extinction; the implementation of international agreements and EU directives. Some of these responsibilities are discharged directly by the State, others are shared with the regions.

More generally, it is the State's responsibility to identify the depressed areas in the country, to coordinate institutional programme agreements and the related negotiated planning instruments, to implement the regula-

tions for intervention in depressed areas and to provide financial help for productive activities.

Law No 208 dated 30 June 1998 aims at activating resources for depressed areas and ensuring the necessary funds are available in the budget at the beginning of every financial year. For the period 1999-2001 funds have been allocated for the completion of schemes of major economic interest which also regard the agricultural sector (irrigation, land reclamation) and infrastructure. A revolving fund has been set up to finance entrepreneurial promotion programmes, as a first step in reorganizing promotional agencies and incentives through the creation of a joint-stock company called "Sviluppo Italia" ("Development Italy") (Legislative Decree No 1/99 and CIPE Resolution No 1/99).

Law No 144 dated 17 May 1999, "Measures for investments, reorganization of employment incentives and review of the regulations governing INAIL (the National Board for Insurance against Accidents at Work) by the Government and provisions for the reorganization of social security agencies". This law, passed in connection with the Finance Act, contains several measures affecting the primary sector, including the creation of an Agriculture Development Fund in the Ministry for Agricultural Policies which will collect all funds for improving the structure of the agri-food system and financing the aid regimes in Legislative Decree No 173/98; the replenishment of the Mountain Fund (Law No 97/94); the creation of a joint-stock company for afforestation of the environment and the protection of biodiversity.

APPENDIX

Glossary

Agricultural contracting

The hiring out of agricultural machinery to farms, mainly by firms and contractors specialized in agricultural activities (ploughing, sowing, harvesting etc).

AWU

Annual Work Units

According to the EU definition, for the purpose of structural surveys one AWU is equivalent to the labour input of a person who works at least 2,200 hours a year.

ESU

European Size Unit

It is a multiple of the ecu and is used to measure the standard gross margins (SGM) attributed to farms.

FADN has adopted the 1986 SGM since 1995, according to which 1 ESU = 1,200 ecu = 1,783,200 lire.

ISTAT adopts the average SGM for 1993, 1994 and 1995, so that 1 ESU = 1,200 ecu = 2,308,608 lire.

FT

Farm Type

The classification of farms into types is based on the economic importance of each of the various agricultural activities of the farm in proportion to one another.

In order to classify a farm into a particular type, the standard gross margins (SGM) for the area in which the farm is situated are used. Hectares of crop area or number of livestock on the farm are multiplied by the appropriate SGM and the figure thus obtained is measured against a "farm type" table which serves to identify the FT on the basis of criteria established by the EU. The classification is valid for all official statistics.

A farm is classified as "specialist" if the SGM of one of the farm's productive activities (or more than one if the activities are related) represents over two thirds of the total SGM of the farm.

Fixed costs

Costs for using factors of production with a duration of several years: depreciation, interest, land rent, wages for permanent hired labour.

Forms of Farm Management

- run directly by the owner
- run with hired labour and/or partners
- run under a share-cropping agreement

GDP

Gross Domestic Product

GDP is the net result of activities carried out by productive units oper-

ating on the economic territory of the country. It equates to the sum of the value of goods and services produced within that territory during a specified period of time (usually a calendar year). It does not include the value of intermediate goods and services.

Intermediate consumption in agriculture

Total expenditure by farms on seeds, fertilisers, pesticides, feed and other livestock expenses, energy, irrigation water and various services.

Net Income

Net income is the return on all factors belonging to the farm enterprise: land, labour and capital.

Normalized Balance

This is the ratio of the simple balance of trade (exports minus

imports) to the overall volume of trade (exports plus imports); it varies between -100 (absence of exports) and +100 (absence of imports) and is used to compare the trade performance of aggregates of different products and of products of different absolute value.

Occupation of UAA

The relationship between a farm business and land capital can be:

- ownership
- tenancy

Production-related subsidies

Premia and grants paid out by public bodies in support of the agricultural sector.

SGM

Standard Gross Margin

The SGM is a financial measure estab-

lished for each of a farm's agricultural activities by subtracting the sum of certain specific costs (seeds, fertilisers, pesticides, feed, forage etc but not labour and machinery) from the value of final output. The gross margins calculated in this way are said to be "standard" in that the value of final output and costs are calculated on a three-year average and in relation to the altitude zone of the region.

SGMs are expressed in European Currency Units (ecu) and are updated by INEA during structural surveys and ISTAT agricultural censuses.

The sum of the SGMs of all the farm's activities equates to the economic size of the farm, which is expressed in European Size Units (ESU).

Work Unit (WU)

This is a national accounts term used to measure the total volume of work used in a productive activity

carried out in the country, expressed in standard amounts of working time. The volume of labour expressed in work units (or "employee equivalents") includes labour by temporary workers, undeclared employees, non-resident foreigners and workers with a second job.

Total Farm Land

In the structural surveys of farms, total farm land refers to UAA, cultivated woodland (woods and poplar groves), unused agricultural land and any other areas within the farm perimeter. It differs therefore from the definition used in current agricultural statistics, which also includes other untended areas of land not belonging to any farm.

UAA

Used Agricultural Area

UAA comprises all arable land, per-

manent grass and pasture, tree crop land, household plots and land planted with (edible) chestnut trees.

VA

Value Added

Value added is the difference between the value of goods and services produced in each production sector and the value of the intermediate goods and services consumed in producing them. It is equivalent to the return on all factors of production including depreciation.

Value added at factor cost includes any subsidies paid by public bodies (EU and single States) to the various sectors but it excludes indirect taxes. Value added at market prices, on the other hand, includes indirect taxes but excludes production-related subsidies.

With ESA95, estimates of value added and output are no longer pre-

sented at factor cost because of the introduction of the concept of basic prices. Basic prices include all subsidies correlated to the value of products - so they exclude, for example, compensation payments not directly related to quantities of production - and they exclude specific taxes on products.

Therefore, unlike value added at factor cost, value added at basic prices includes other taxes on production and excludes production-related subsidies.

Output after intermediate consumption costs equates to value added at basic prices.

VFO (Value of Final Output) and Total Output at basic prices

Final output is the quantity of a commodity which can be sold off the

farm; it is therefore equal to production minus the part of it that is used on the farm itself as a means of production.

ESA95 introduced the concept of output as the sum of all goods and services resulting from a productive activity. It includes all products destined for the market whether they are sold at an economically significant price or are bartered (saleable production), whether they are produced to be used by producers as final consumption or as gross fixed investments (production for own final use) or whether they are offered free of charge or at an eco-

nomically insignificant price (other non-saleable production).

As far as the farming industry is concerned, we should point out that the goods and services which one local unit of economic activity provides another local unit belonging to the same sector are included in the concept of output. The secondary productive activities of local units are included as well as their main productive activity when input costs of the secondary activities cannot be separated from the input costs of the main activity.

The "national farm" concept, on

which current agricultural accounts are based, has been superseded. With ESA95, the value of output is calculated by assessing all output - whether destined for sale or for other uses - at basic prices, i.e. at the price received by the producer per unit of product less taxes on the product plus subsidies related to the product. Subsidies not related to the product are excluded.

Variable costs

Costs incurred for the use of "immediate-consumption" factors of production: energy, rental/hire charges, casual labour.

Useful Addresses

**Ministero per le Politiche agricole
MiPA (Ministry for Agricultural
Policies)**
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REGIONAL DEPARTMENTS OF AGRICULTURE

Abruzzo

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RESEARCH AND DEVELOPMENT

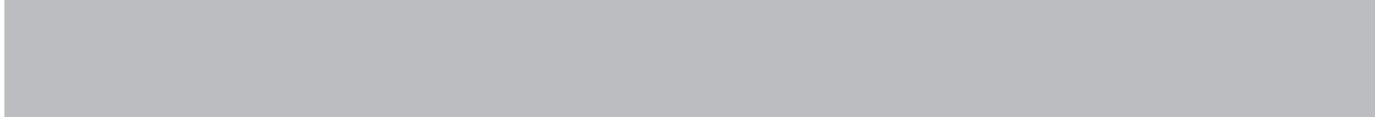
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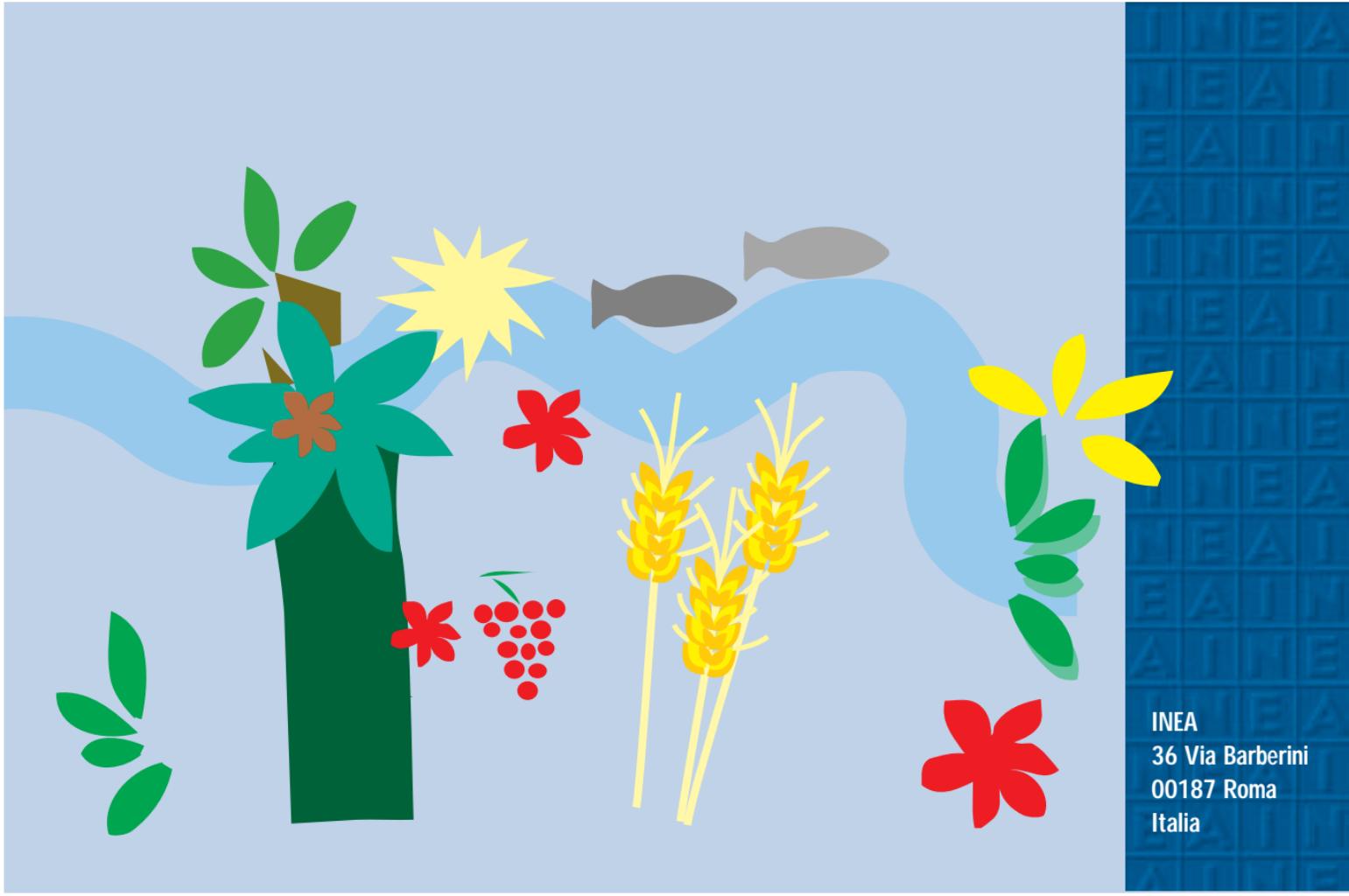
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