



ISTITUTO NAZIONALE DI ECONOMIA AGRARIA

## ITALIAN AGRICULTURE IN FIGURES 2003



MINISTERO DELLE POLITICHE AGRICOLE E FORESTALI

## NORTH-WEST

- 1 Piemonte
- 2 Valle d'Aosta
- 3 Lombardy
- 4 Liguria

## NORTH-EAST

- 1 Trentino-Alto Adige
- 2 Veneto
- 3 Friuli-Venezia Giulia
- 4 Emilia-Romagna

## CENTRE

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

## SOUTH & ISLANDS

- 1 Abruzzo
- 2 Molise
- 3 Campania
- 4 Puglia
- 5 Basilicata
- 6 Calabria
- 7 Sicily
- 8 Sardinia



*Italian  
agriculture  
in figures  
2003*

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

The Italian, English and French versions of this publication  
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*<http://www.inea.it/pubbl/itaco.cfm>*  
They may be quoted providing the source is acknowledged.

Italian agriculture is increasingly focusing its attention on the quality of its products. The latest statistics confirm the restructuring process taking place in the primary sector, which is increasingly oriented towards quality production and the diversification of its supply. In fact farmers no longer confine themselves to the production of agricultural commodities but offer a wide range of additional services such as accommodation and recreational facilities, wine and food trails and the sale of local food specialities.

The large number of Italian DOC wines, the growing attention paid by farmers to the environment and the increase in organic farming all show the importance

of quality for our agricultural industry; at the same time, the growth in the phenomenon of farm tourism highlights the renewal of consumer interest in agriculture and especially in new styles of food consumption, with greater awareness of the safety and quality of food.

The publication of this informative booklet on Italian agriculture produced by INEA in collaboration with the Ministry for Agricultural and Forestry Policies confirms the role played by the National Institute for Agricultural Economics in spreading information within the agricultural world. Now in its 15<sup>th</sup> year running, "Italian agriculture in figures" covers all the main issues in the food and agriculture sector, including

the role played by the primary sector in the national economy, the links between agriculture and the food industry, the market, the retail sector and agricultural policies at European and national levels. This year, the main innovation consists in the reorganization of the chapter on national legislation affecting the agricultural sector, in which the laws have been grouped together by subject matter for ease of reference.

I once more take this opportunity to thank INEA for this important source of information which is again, as always, easy to consult, up-to-date in its facts and figures and extremely useful for everyone operating in the agricultural sector.

**Gianni Alemanno**  
Minister for  
Agricultural and Forestry Policies



## **CONTENTS**

## LAND AND POPULATION

Climate	p. 10
Land and Population	p. 13

## STRUCTURE OF THE FARMING INDUSTRY

Farms and Farm Area	p. 56
Size of Farms	p. 58
Use of Agricultural Land	p. 59
Livestock Farming	p. 61
Forms of Agricultural Enterprise	p. 63
Forms of Farm Management	p. 64
Farm Labour	p. 66
Mechanisation and Contract Work	p. 67
Inputs	p. 69
Crop Farming Practices	p. 70
Quality Production	p. 71
Tenure of Land	p. 72
Marketing of Commodities	p. 73

## AGRI-INDUSTRIAL SYSTEM

Composition	p. 28
Intermediate Consumption	p. 29
Credit for the Agriculture Sector	p. 30
Investments	p. 31
Land Market	p. 33
Production Levels	p. 35
Prices and Costs	p. 40
Total Output and Income from Farming	p. 42
Food Industry	p. 43
Distribution	p. 46
Food Consumption	p. 49
Foreign Trade	p. 51

## ECONOMIC RESULTS ACCORDING TO THE FADN

Incomes in 2001	p. 76
Profitability of Crops	p. 79
Profitability of Farms in Europe	p. 91

## AGRICULTURE AND THE ENVIRONMENT

Environmental Policy	p. 98
Protected Areas	p. 101
Use of Chemicals	p. 104
Irrigation	p. 106
Organic Farming	p. 108
Tourist and Recreational Services on Farms	p. 112

## QUALITY PRODUCTS

Designation of Origin	p. 116
Traditional Agri-food Products	p. 120
DOC Wines	p. 121

## COMMON AGRICULTURAL POLICY

Market Policies	p. 124
Rural Development Policies	p. 134

## NATIONAL AND REGIONAL POLICIES

National Legislation	p. 144
Regional Expenditure	p. 153

## APPENDIX

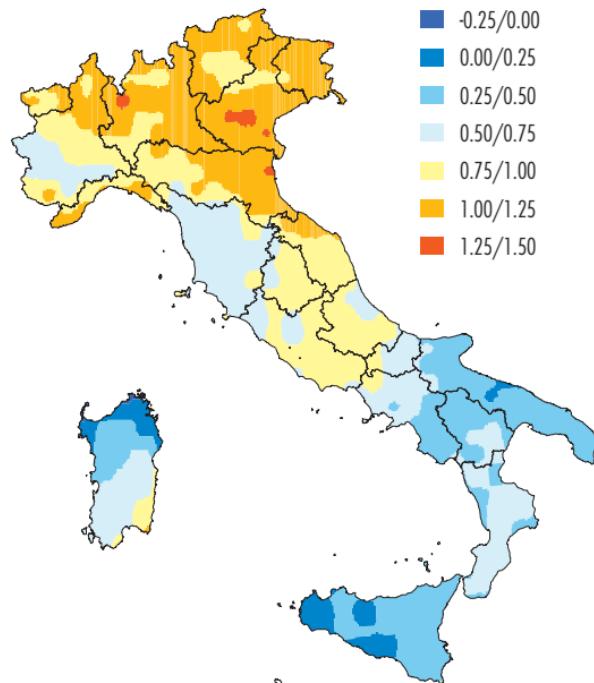
Glossary	p. 156
Useful Addresses and Websites	p. 160



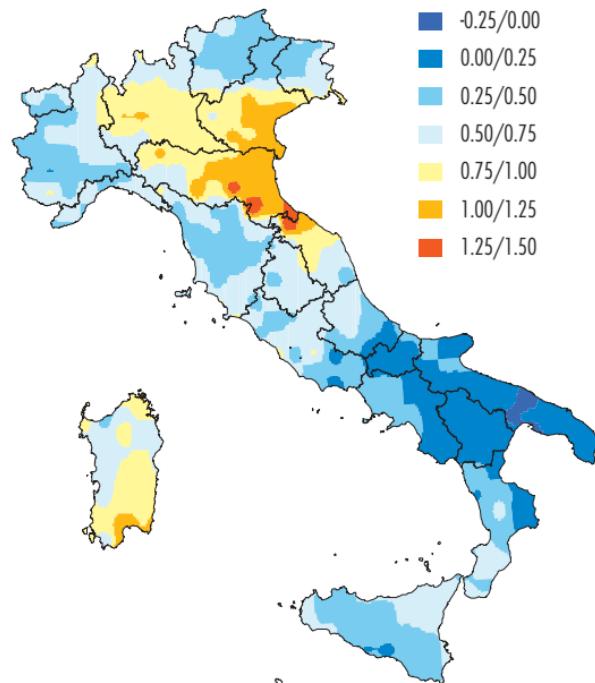
## **LAND AND POPULATION**

# Climate

Deviations in the lowest annual temperatures compared to the norm (°C), 2002    Deviations in the highest annual temperatures compared to the norm (°C), 2002

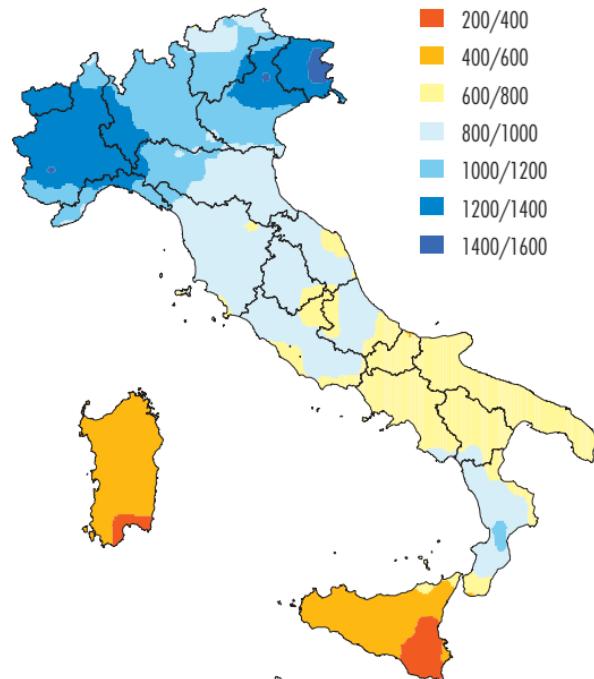


Source: UCEA.



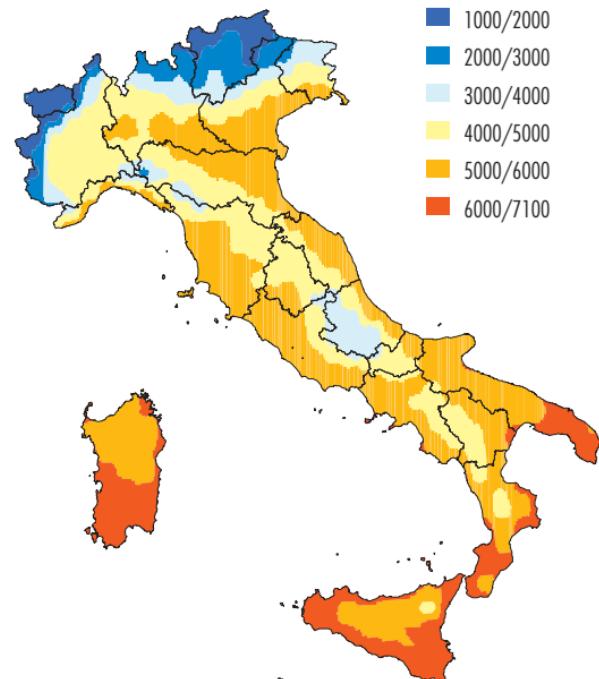
Source: UCEA.

*Total annual rainfall (mm), 2002*



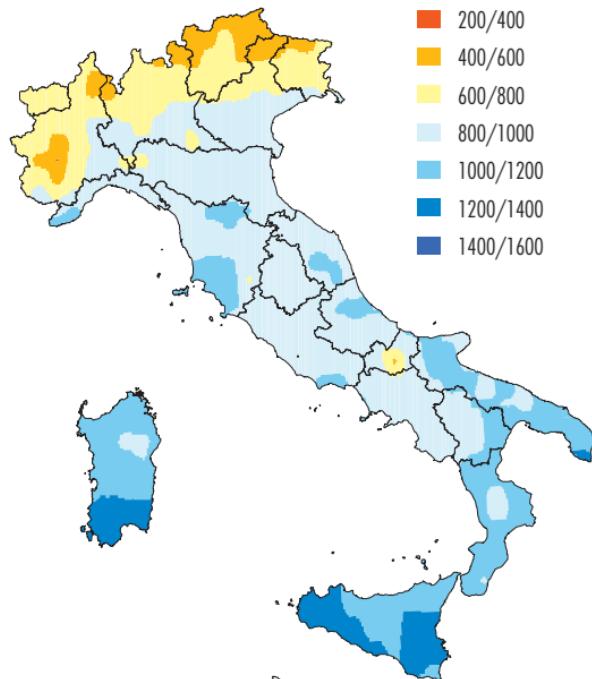
Source: UCEA.

*Accumulated degree-days ( $>0^{\circ}\text{C}$ ), 2002*

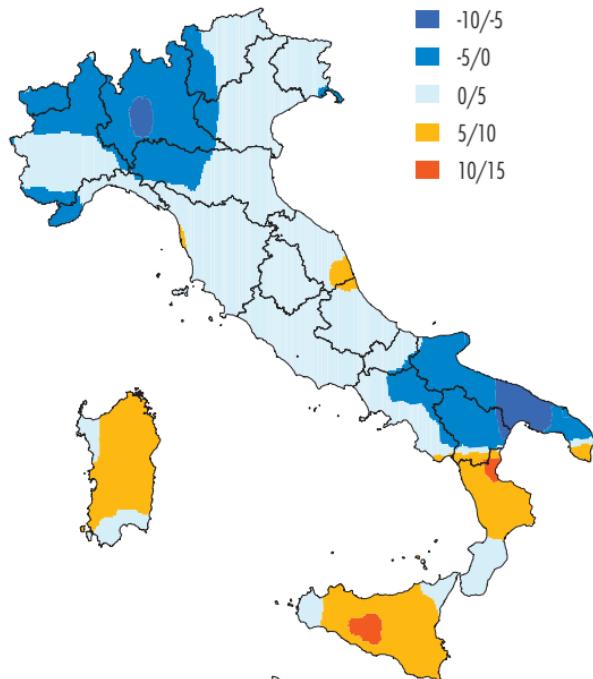


Source: UCEA.

*Total annual evapotranspiration (mm), 2002*



*Deviations in sunshine compared to the norm (%), 2002*



Source: UCEA.

# 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 some 30 million hectares, only 23% is made up of lowland and this figure falls to 18% in the South and 9% in the Centre. According to the 2001 Census, the (legal) resident population in Italy has increased by 0.4% since 1991. This increase is concentrated in the North-East (+2.5%) while in the other areas of the country the population has remained stationary or has fallen slightly. The Census confirmed a concentration of the population in lowland areas (47.7%) and hilly areas (39.3%), with only 13% of the population living in mountain areas.

## Agricultural area and availability of land

Knowledge of the territory is of fundamental importance for drawing up

### Type of land according to altitude (%), 2002

	North	Centre	South	Italy
Mountainous	46.1	27.0	28.5	35.2
Hilly	19.0	63.8	53.2	41.6
Lowland	34.9	9.2	18.3	23.2
<b>TOTAL ('000 ha)</b>	<b>11,993</b>	<b>5,838</b>	<b>12,302</b>	<b>30,133</b>

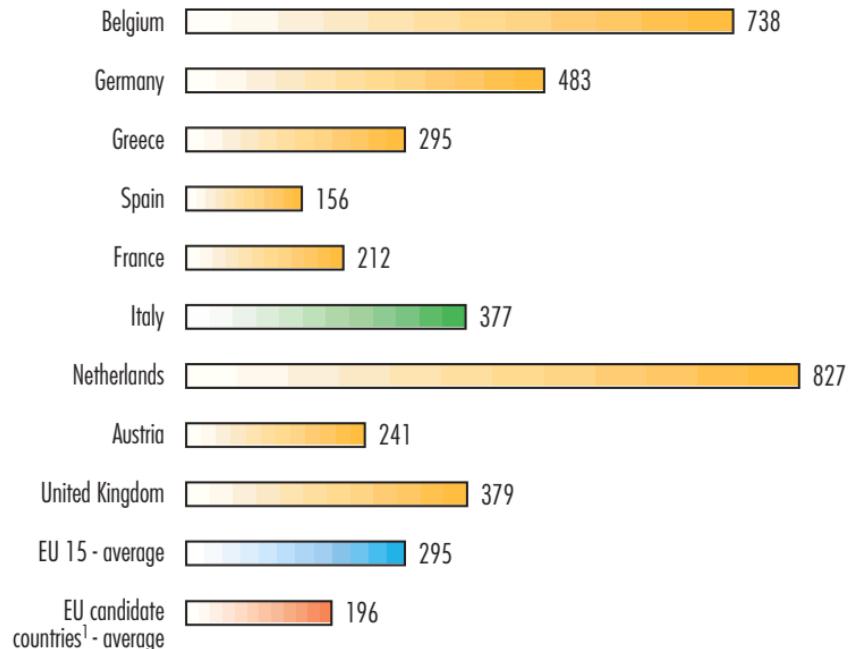
### Land and Population, 2002

	Total area of land km <sup>2</sup>	UAA <sup>1</sup> %	Population <sup>2</sup> '000	Density inhab./km <sup>2</sup>	Labour force '000 units
North	119,931	40.5	25,573	213	11,675
Centre	58,380	41.7	10,907	187	4,737
South & Islands	123,025	48.0	20,516	167	7,581
<b>ITALY</b>	<b>301,336</b>	<b>43.8</b>	<b>56,996</b>	<b>189</b>	<b>23,993</b>

<sup>1</sup> UAA from 2000 Agriculture Census.

<sup>2</sup> (Legal) resident population, 2001 Census.

## Population/agricultural land ratios (inhabitants/100 ha of UAA), 2001



development and environmental policies. According to a recent Eurostat survey, around 7% of Italian land, or approximately 2.1 million hectares, is occupied by man-made settlements, housing, installations, buildings, roads, railways etc. Another 6%, amounting to around 1.8 million hectares, consists in bare ground (rock etc) and 3%, or 900,000 hectares, consists in internal waterways, wetlands, glaciers etc. Agricultural area is decreasing progressively; between 1991 and 2001, the amount of used agricultural area (UAA) per inhabitant dropped from 0.3 to 0.26 hectares per capita (-11.1%). There is increasingly less UAA in other European Union countries too: according to Eurostat estimates on the use of land, UAA decreased by 10.9% between 1991 and 2001 in the EU excluding Italy, with rates varying considerably among the Member States.

<sup>1</sup> Countries due to join the EU in 2004 further to the Laeken summit: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

## Use of land (% total land area), 2001

	Italy	Other Mediterranean countries <sup>1</sup>	Central European countries <sup>1</sup>	North European countries <sup>1</sup>	EU <sup>2</sup>
Crops <sup>3</sup>	37	33	32	6	27
Woods & forests <sup>4</sup>	29	26	32	60	37
Moorland <sup>5</sup>	8	20	4	4	8
Permanent grass <sup>6</sup>	10	11	20	3	12
Bare ground	6	5	3	2	3
Waters & wetlands <sup>7</sup>	3	1	3	23	8
Buildings & other uses <sup>8</sup>	7	4	6	2	5
<b>TOTAL ('000 ha)</b>	<b>30,133</b>	<b>72,988</b>	<b>110,172</b>	<b>78,812</b>	<b>292,105</b>

<sup>1</sup> Other Mediterranean countries: Greece, Spain, Portugal. Central European countries: Belgium, Luxembourg, Denmark, Germany, France, Netherlands, Austria. North European countries: Finland, Sweden.

<sup>2</sup> Excludes United Kingdom and Ireland, where the survey could not take place because of foot and mouth disease.

<sup>3</sup> Field and tree crops, temporary fodder crops, fallow land.

<sup>4</sup> Includes poplar groves and eucalyptus.

<sup>5</sup> Areas with over 20% covered by small shrubs.

<sup>6</sup> With and without bushes.

<sup>7</sup> Includes glaciers and eternal snows.

<sup>8</sup> Buildings, gardens, other artificial forms of occupation.

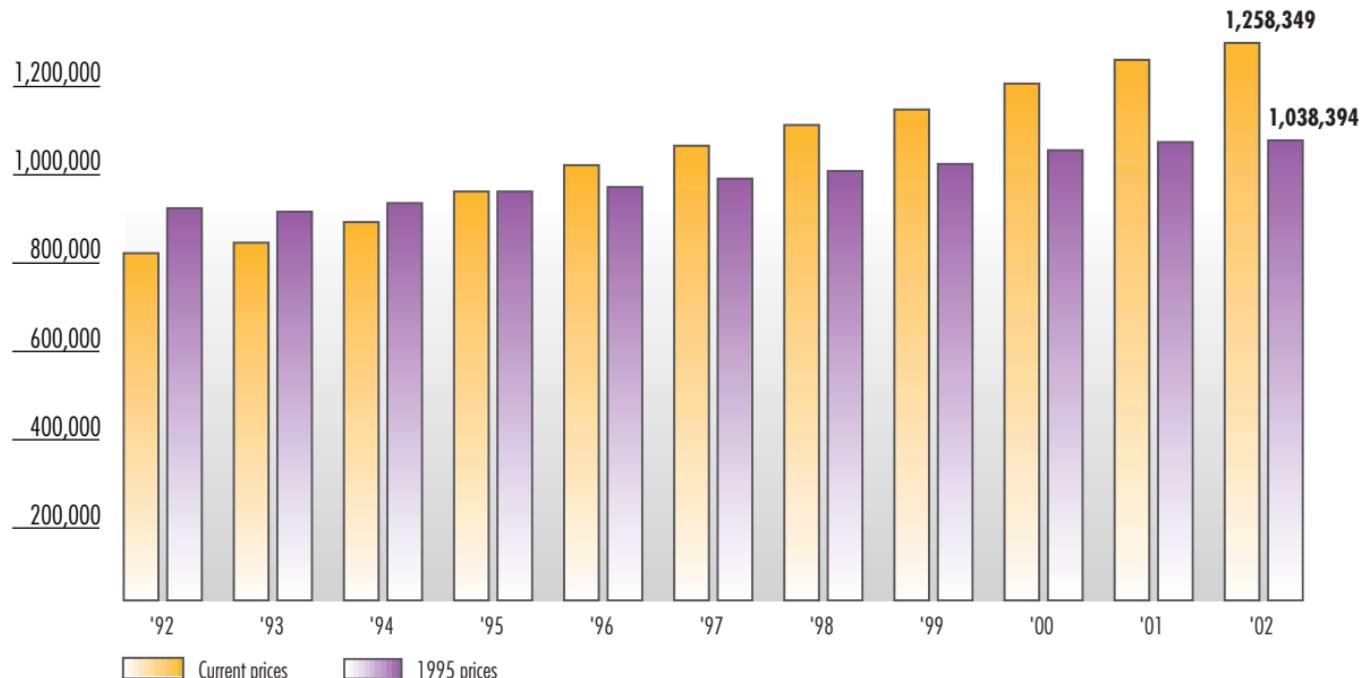
Source: EUROSTAT, first results of the 2001 Lucas pilot survey.



## **AGRICULTURE AND THE ECONOMY**

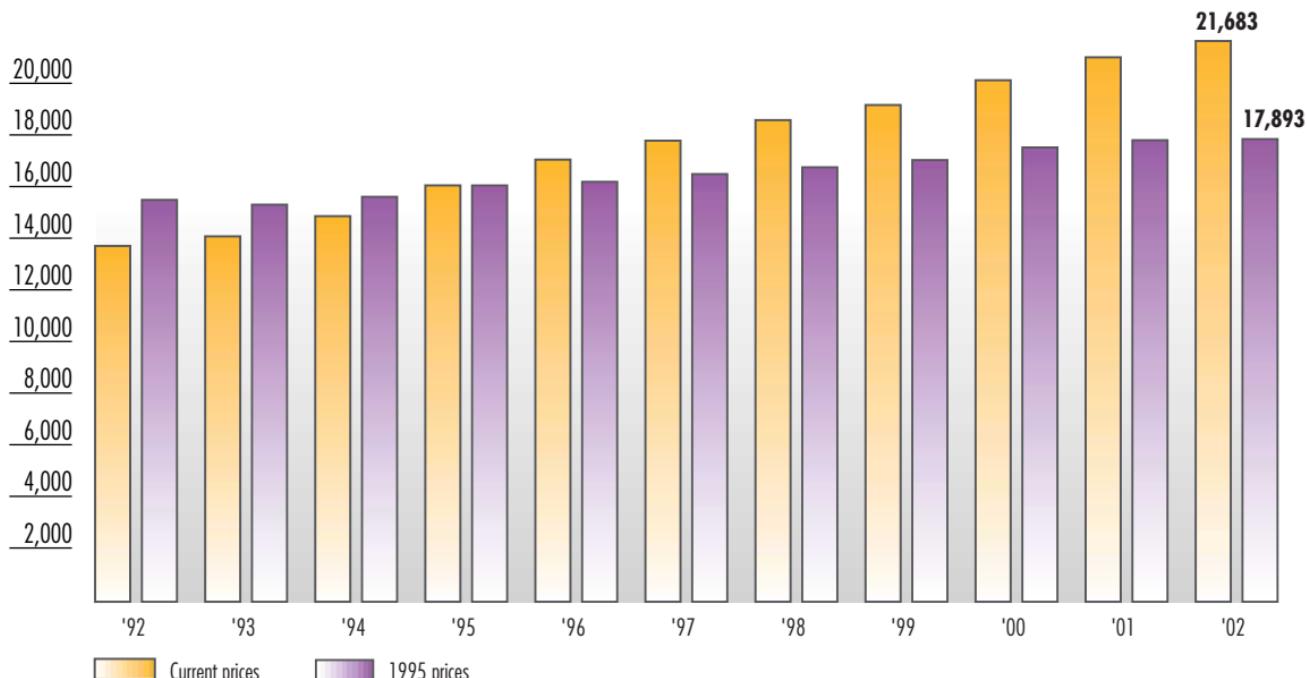
# Gross Domestic Product

Trend in GDP (million euro), 1992-2002\*



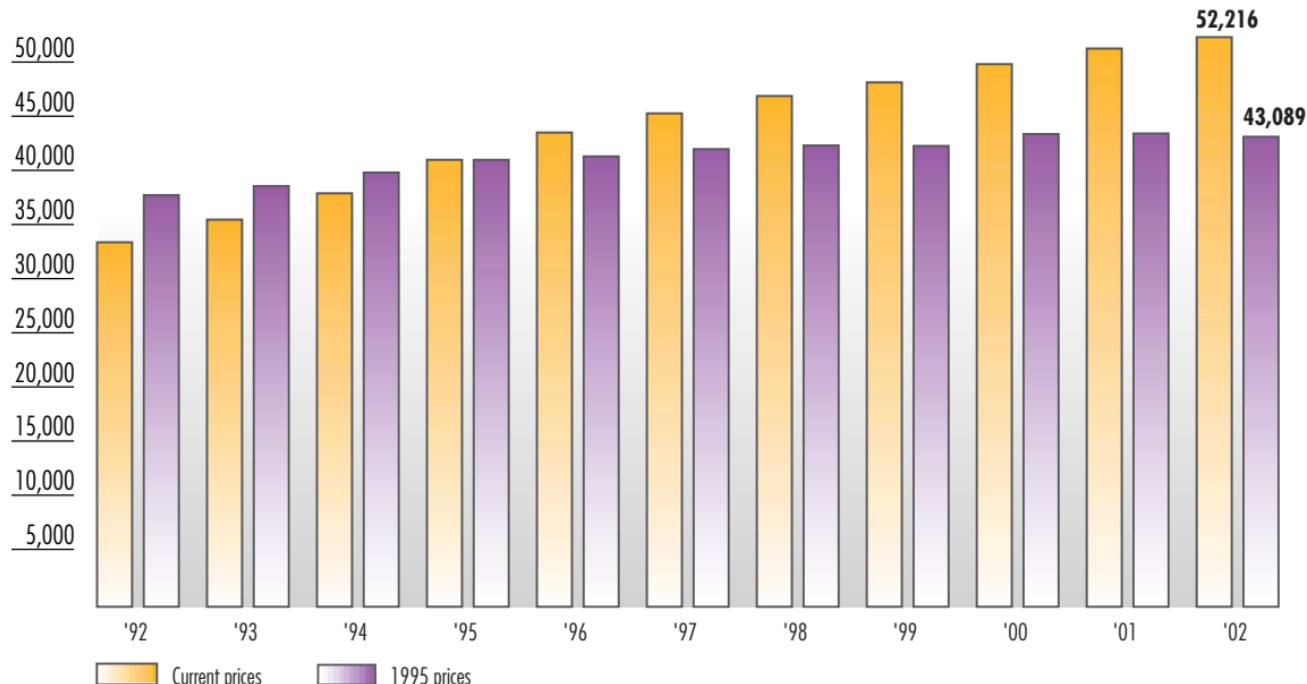
\* Figures are in euro from 1999 onwards and in euro lire for years before 1999.

*Trend in GDP per inhabitant (euro), 1992-2002\**



\* Figures are in euro from 1999 onwards and in euro lire for years before 1999.

## Trend in GDP per work unit (euro), 1992-2002\*

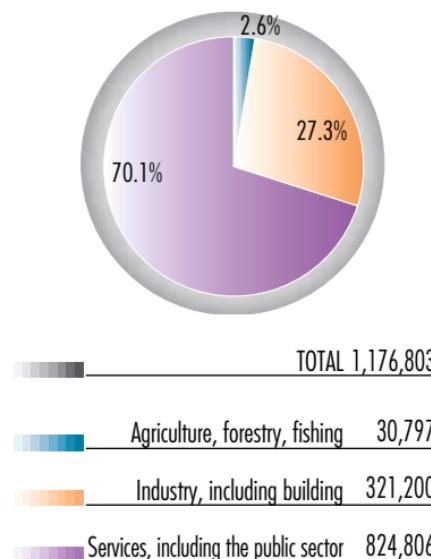


\* Figures are in euro from 1999 onwards and in euro lire for years before 1999.

# Value Added

In 2002, value added (VA) at basic prices in the primary sector, including forestry and fishing, decreased by 0.2% in value compared to 2001 as the combined result of a 2.6% drop in the volume of production and a 2.4% increase in prices. Agriculture's contribution to total national VA was 2.6%. Agriculture's contribution to total national VA at constant prices dropped from 3.3% to 3% between 1992 and 2002. Over the same period, the contribution of industry – in the narrow sense of the manufacturing and mining industries – fell from 24.3% to 23.6%, the contribution of the building industry fell from 5.9% to 5%, and the contribution of the civil service and other public services fell from 19.6% to 18.3%, whereas the contribution of commerce, transport and communications rose from 23.9% to 25.1% and the contribution of financial services, information technology, research, professional services and business activities rose from 22.9% to 25%.

*VA at basic prices by sector (million euro), 2002*



In the Centre-North, agriculture accounts for 2.1% of total VA at basic prices and 4% of employment (meas-

*Contribution (%) of agriculture to national economies, 2001*

Country	Value Added <sup>1</sup>
Italy	2.4
France	2.2
Spain	3.6
Greece	6.7
Germany	0.9
Netherlands	2.2
United Kingdom	0.6
Austria	1.3
Finland	0.9
Sweden	0.6
EU	1.7
EU candidate countries <sup>2</sup>	3.1
USA <sup>3</sup>	1.6
Japan <sup>3</sup>	1.4

<sup>1</sup> Gross value added at basic prices.

<sup>2</sup> Countries due to join the EU in 2004 further to the Laeken summit: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

<sup>3</sup> World Bank valuations, 2000.

ured in work units) while in the South these figures rise to 4.4% and 10.2% respectively.

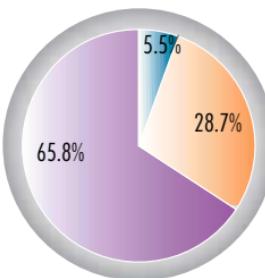
# Employment

The total labour force in employment in Italy, measured by ISTAT in standard work units (WU), rose by 1.1% in 2002, confirming the upward trend of the previous year. Compared to 2001, employment rose by 1.6% in the building industry and 1.5% in the service industry and remained practically stationary (+0.4%) in the manufacturing and energy industries, while it dropped by 2.2% in the agricultural sector. This result was due to a significant decrease in entrepreneurial labour (-3.2%), accompanied by a smaller decrease in paid labour (-0.8%).

Paid labour in agriculture represented 3.1% of total paid labour in Italy, whereas entrepreneurial labour in agriculture represented 11.2% of the national total. On the whole, agriculture's share of total employment, not only in Italy but in almost all EU countries, is on a markedly downward trend, especially if female labour is taken into account.

In 2002, 68.1% of the agricultural

*Work units by sector ('000 units), 2002*



<b>TOTAL</b>	<b>24,099</b>
Agriculture	1,325
Industry	6,905
Services <sup>1</sup>	15,869

<sup>1</sup> Includes the public sector.

*The agricultural labour force by sex and geographical area, 2002 averages*

	<b>Total labour force</b>		<b>Women</b>	<b>Men</b>
	<b>'000 units</b>	<b>%</b>	<b>%</b>	<b>%</b>
North	391	35.7	29.4	70.6
Centre	163	14.9	36.2	63.8
South & Islands	541	49.4	32.3	67.3
ITALY	1,095	100.0	31.9	68.1

workforce, in terms of individuals, was male.

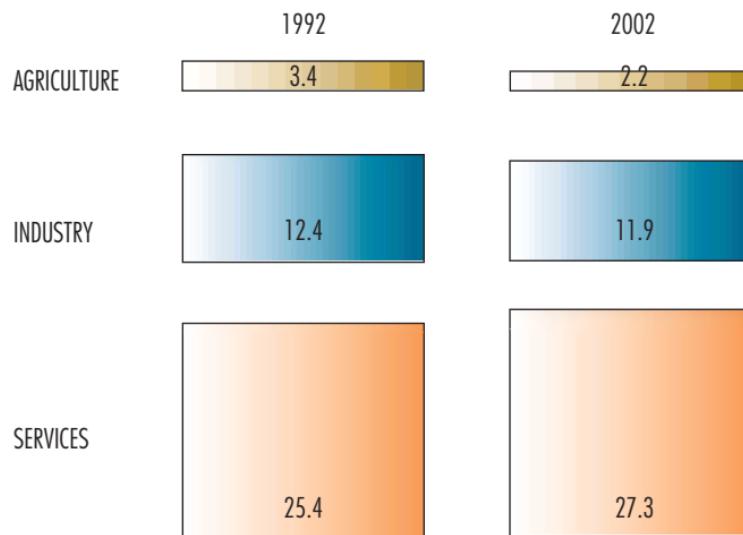
Just under half of the agricultural workforce was to be found in the South of Italy, while the other half was divided between the North (36%) and Centre (15%).

### ***Employment rates by sector***

Over the last ten years, the percentage of the population employed in the service industry (including the civil service) has increased (from 25.4% in 1992 to 27.3% in 2002) while it has fallen in industry (from 12.4% to 11.9%) and has become even more marginal in agriculture (dropping from 3.4% to 2.2%).

The ratio of the agricultural workforce to the population has changed rapidly: in 1992 there was approximately one work unit engaged in agricultural activities for every 29.5 inhabitants whereas in 2002 there was one in 43.8. This ratio has changed much more slowly over the same period in

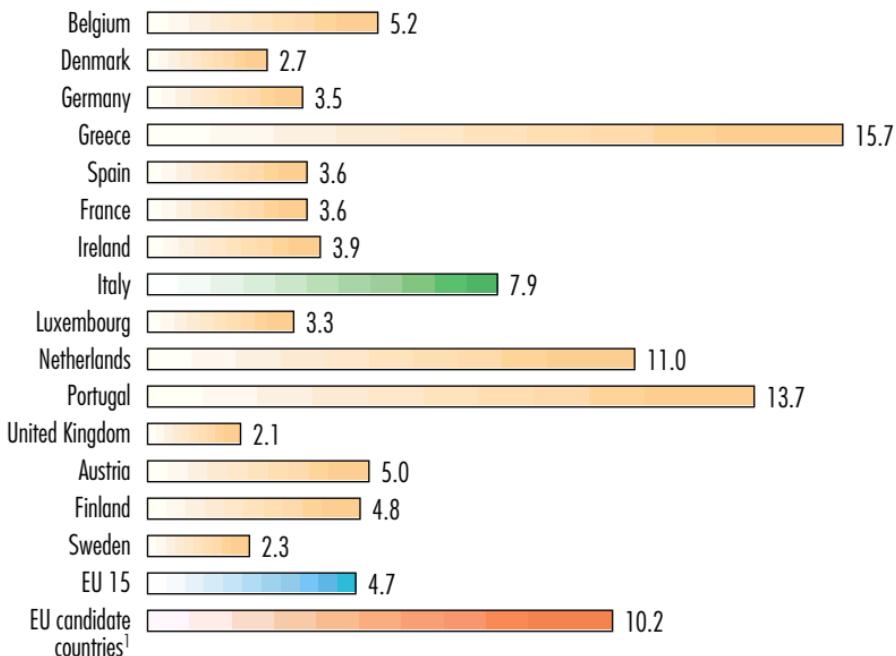
### ***Employment rates by sector (% of population)***



industry and in the service industry (including the civil service), dropping

in the latter from approximately one in 3.9 to one in 3.6.

## Volume of employment in agriculture in the EU (AWU/100 hectares UAA), 2001



<sup>1</sup> Countries due to join the EU in 2004 further to the Laeken summit: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

Source: EUROSTAT.

## Employment in agriculture \* as % of total employment in EU countries, 2001

Country	Employment	
	Total	Women <sup>1</sup>
Italy	5.2	4.4
France	4.1	2.8
Spain	6.5	4.5
Greece	16.0	17.7
Germany	2.6	2.1
Netherlands	3.1	2.4
United Kingdom	1.4	0.7
Austria	5.8	6.3
Finland	5.8	3.8
Sweden	2.6	1.4
EU 15	4.2	3.3
EU candidate countries <sup>2</sup>	13.2	12.3
USA	2.4	-
Japan	4.2	-

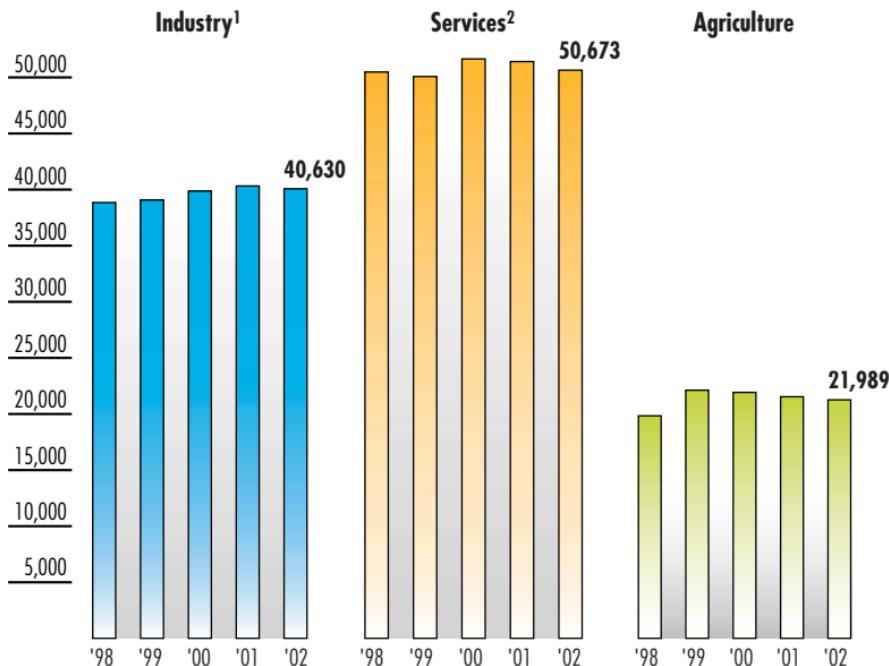
\* Includes forestry, fishing and hunting.

<sup>1</sup> Women employed in agriculture as % of women employed in the economy.

<sup>2</sup> Countries due to join the EU in 2004 further to the Laeken summit: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

# Productivity

VA at basic prices per WU by sector (euro)\*



\* At 1995 prices.

<sup>1</sup> Includes the building industry.

<sup>2</sup> Excludes the civil service, education, health and other public and social services.

Value added at basic prices per work unit in the agriculture sector is equivalent to approximately 54% of the same figure for industry (including the building sector) and to 43% of the figure for the service industry (commerce, transport, financial services, tourism and other professional services).

In the two years 2001-2002, there was a generalised decrease in VA per work unit, equivalent to -0.3% in agriculture, -0.6% in industry and -1.2% in the service industry.



# **AGRI-INDUSTRIAL SYSTEM**

# Composition

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

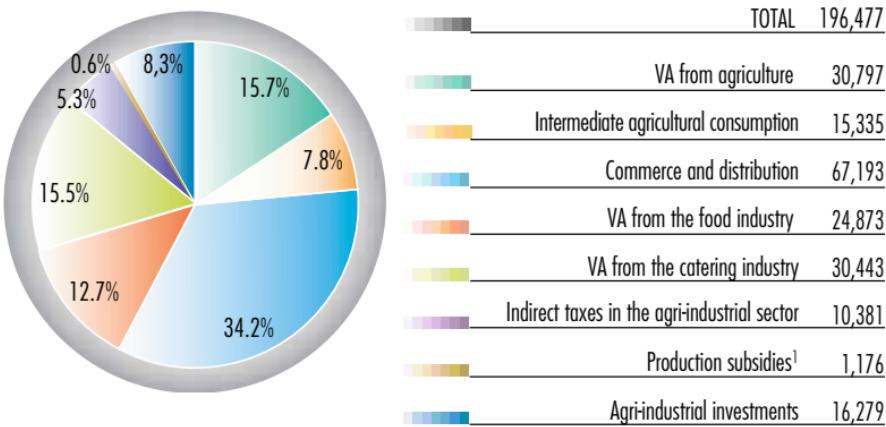
The agri-food sector is estimated to have been worth some 196 billion euro or 15.6% of GDP in 2002. The main contributions were: almost 31 billion from agricultural value added (VA), 15 billion from intermediate consumption in agriculture, 16 billion from agri-industrial investments, approximately 25 billion from VA in the food industry, 30 billion from VA in the catering industry and approximately 67 billion from commerce and distribution.

If values are calculated at market prices, VA from agriculture and VA from the food industry would be slightly more similar, amounting to 28 and 32 billion euro respectively, with an overall value of VA from the agri-industrial system of 201 billion euro; in this case, moreover, the sub-

sides for both agricultural and food industry production would emerge,

amounting respectively to 2.3% and 0.7% of the agri-industrial total.

*Main components of the agri-industrial system\* at basic prices (million euro), 2002*



\* Agriculture includes forestry and fishing; the food industry includes tobacco and drinks.

<sup>1</sup> Only "other subsidies" (interest, natural disasters, national and regional aid etc) and non-agricultural sector subsidies (tobacco, sugar beet, wine, processing of tomatoes etc).

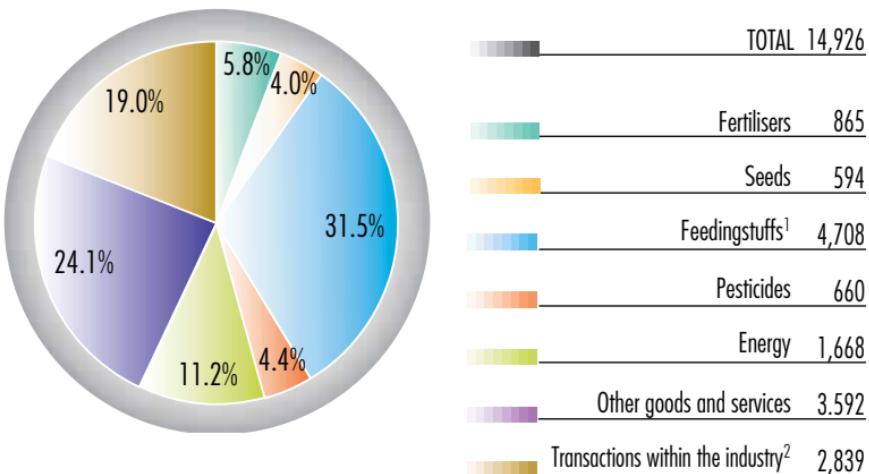
# Intermediate Consumption

Expenditure on intermediate consumption increased in value in 2002 by 1% over the previous year; there was a similar average increase in both the price and quantity of inputs used (+0.5%).

There was a further fall in spending on pesticides (-2.9%) after the decrease of the previous year, whereas there was a recovery in expenditure on fertilisers (+1.7%) and practically no change in feed and other livestock expenses. Consumption of motive energy rose (+3.4%) after a substantial decrease in 2001. There was again an increase in spending on seeds (+2.6%) and other goods and services such as maintenance work, the processing of farm produce, advertising etc (+1%).

Prices showed varying trends, with increases especially in the price of seeds (+4.7%) and other goods and services (+2.4%) and a drop in the price of motive energy (-3.5%).

*Main categories of intermediate consumption in agriculture (million euro), 2002*



<sup>1</sup> Includes other expenses for livestock.

<sup>2</sup> This category includes seeds sold by farms to other farms, directly marketed fodder products, products used as animal feed, hay from cereal crops etc.

# Credit for the Agriculture Sector

The figures for 2002 show a downturn over 2001 in short-term credit (-3.2%) and an upturn in medium/long-term credit (+4.8%). The latter kind of credit rose as a percentage of total credit from 63.7% in 2001 to 65.5% in 2002, partly as a result of an increase in non-subsidised, medium/long-term loans (+20.6%). There was an increase in disbursements of medium/long-term credit, especially for machinery and equipment (+19.3%), reflecting a particular increase in subsidised credit, which in fact rose to 34% of total capital account credit. The trend was different in the case of credit for property and rural buildings, which slackened, increasing by less than in 2001.

Disbursements of subsidised short-term credit dropped considerably, whereas the rate of total credit to agricultural output rose to 27.9%, as a result of the increase in medium/long-term loans and the lull in agricultural output.

## Credit for the agriculture sector\* (million euro)

Year	Medium and long term	Short term	Total	% of output <sup>1</sup>
1996	7,244	4,436	11,680	26.3
1997	7,233	5,053	12,286	27.7
1998	7,529	5,424	12,953	29.4
1999	8,434	4,734	13,168	29.6
2000	8,435	4,704	13,139	29.5
2001	8,041	4,578	12,619	27.4
2002	8,428	4,432	12,860	27.9

\* Operations at year end by residents in Italy; includes credit for fisheries.

<sup>1</sup> At basic prices.

Source: Bank of Italy.

## Disbursements of credit for the agriculture sector (million euro), 2002

Type of credit	Total	% change 2002/01	Subsidised loans as % of total
Medium & long term	3,280.7	17.5	24.4
machinery <sup>1</sup>	2,226.1	19.3	33.7
purchase of property <sup>2</sup>	409.1	-0.6	8.0
rural buildings	544.5	6.1	3.1
Short term <sup>3</sup>	190.3	-82.7	-

<sup>1</sup> Includes equipment, vehicles and various rural products.

<sup>3</sup> Only subsidised credit, cf. Bank of Italy, Statistics Bulletin.

<sup>2</sup> Rural.

Source: Bank of Italy.

In 2002 gross fixed investments in the Italian economy increased by just 0.5% at constant prices (+2.6% in 2001). In the agricultural sector they dropped for the second year running (-1.1% in 2002, -3.2% in 2001) and the contribution of the primary sector to total gross fixed investments in the economy dropped to 4.2%, compared to 4.3% in 2001 and 4.5% in 2000. The ratio of investments to agricultural value added rose slightly, but this was a result of an even larger decrease in the latter. Gross fixed investments per member of the agricultural workforce amounted, at constant values, to 6,900 euro, a slight increase over 2001 (+1.5%).

Net capital stock in the agricultural sector increased, at constant prices, by 1.1%, an even lower percentage than the modest result for the whole of the economy (+2.1%); net capital stock per member of the agricultural workforce amounted to about 93,900 euro. During the course of the years, the choice of investment goods has

changed considerably: machinery and equipment have become a driving force in the acquisition of fixed capital, accounting in 2000 for around 56% of total spending at constant prices on fixed assets. In 2002, according to UNACOMA valuations, farm machinery manufactured in Italy showed an overall increase of 1.4% in weight

(about 912,000 tonnes) and 2.6% in value (about 6,500 million euro). Trends in investments varied in different parts of the country: the South continued to show a downward trend in volume (-0.4%, after -3.2% in 2001) whereas the Centre-North confirmed the 2001 growth trend (+0.7%).

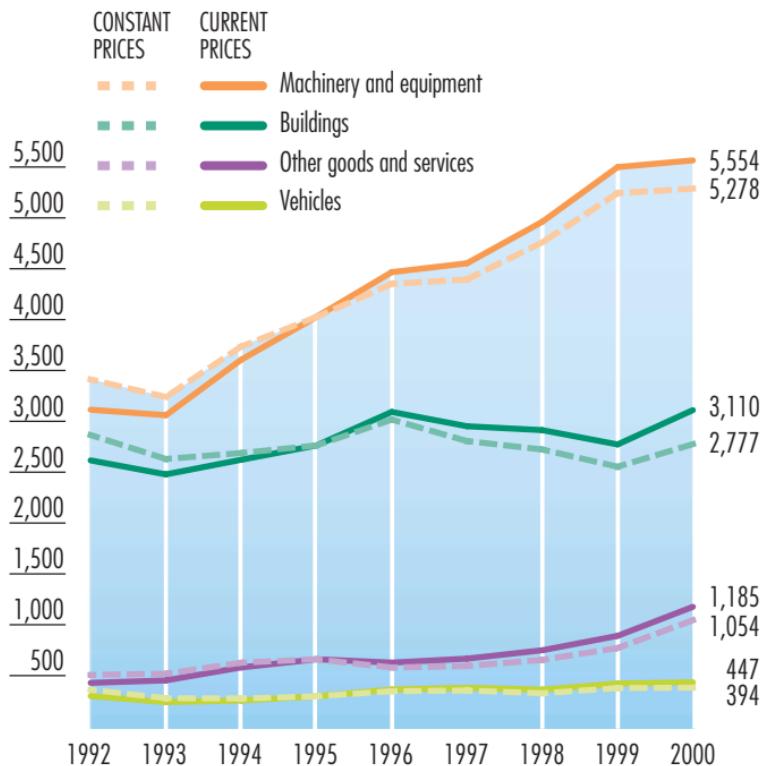
## *Trends in agricultural investments\**

	<b>Current values</b> million euro	<b>1995 price values</b> million euro	<b>% of<sup>†</sup></b>	
			<b>total investments</b>	<b>VA from agriculture</b>
1992	6,485	7,168	4.0	25.9
1993	6,260	6,692	4.2	24.3
1994	7,087	7,348	4.6	26.5
1995	7,767	7,767	4.6	27.6
1996	8,567	8,314	4.7	29.0
1997	8,570	8,169	4.6	28.2
1998	9,002	8,482	4.5	28.9
1999	9,598	8,959	4.6	28.9
2000	10,296	9,503	4.5	31.6
2001	10,147	9,195	4.3	30.8
2002	10,248	9,090	4.2	31.2

\* Includes forestry and fishing.

<sup>†</sup> At 1995 prices, VA from agriculture at basic prices.

## Machinery, buildings and other forms of investment (million euro)



## Investments: accumulation ratios, 2002

	Agriculture	Industry	Services
Gross fixed investments per member of the agricultural workforce			
'000 euro <sup>1</sup>	6,900	9,100	9,100
%	76.7	101.1	101.1
change 2002/01	1.5	-1.1	-1.1
Capital stock per member of the agricultural workforce			
'000 euro <sup>1</sup>	93,900	81,700	167,000
%	67.5	58.8	120.1
change 2002/01	3.4	1.9	0.5

<sup>1</sup> Constant values.

# Land Market

There was a further increase in prices in the Italian land market in 2001 compared to the previous year, with an average national increase of 4.5%. This overall increase, however, hides a divergence in price trends across the country, with a marked upward trend in land values in the North and a mainly stagnant situation in the South and on the two major islands. There is also a divergence in price trends for land at different altitudes: over the last six years the increase in the price of lowland has driven the whole market, accompanied by a not insignificant increase in the price of land in hilly areas too. Operators attribute the differences in price trends to both agricultural and non-agricultural factors. The success on the market of certain commodities and the existence of EU subsidies for certain products have encouraged a demand for land which is suitable for producing the most profitable commodities. The market has in fact mainly been driven by wine-growing land (+9%), encour-

aged by favourable commercial conditions for wine and the high value of replanting rights, and by arable land (+5%), for which there are direct aid payments. Among the non-agricultural factors affecting land prices, the difficult general economic situation and the tense international climate have led investors to be cautious.

On the whole, land values over the last ten years have increased in particular

on the Po plains and in the area between Tuscany and Marche, where favourable characteristics of the land (fertility and irrigation), satisfactory commercial trends and a lively local economy have contributed to making the land market more active.

The predominant characteristics of the rent market are: few new rent contracts, stability in rent levels and the prevalence of a demand for land for

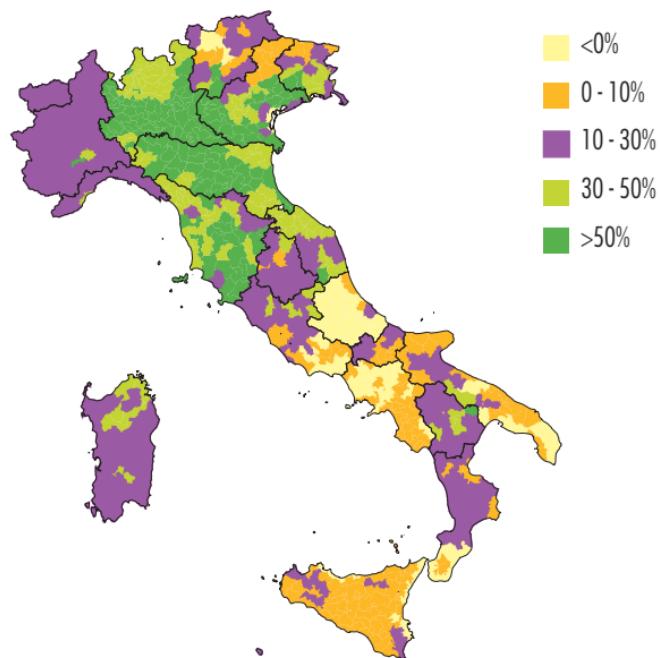
## *Average land values ('000 euro/hectare), 2001*

	Type of land (according to altitude)					total	% change 2001/00
	inland mountains	coastal mountains	inland hills	coastal hills	lowland		
North-West	5.3	13.4	16.0	34.1	27.3	18.8	5.2
North-East	16.6	-	23.7	20.0	30.8	25.8	8.8
Centre	6.7	10.7	10.4	15.0	18.9	11.2	3.0
South	6.1	9.9	9.5	14.6	13.7	10.4	0.5
Islands	5.5	9.3	6.8	8.7	11.8	7.9	0.3
ITALY	8.2	9.8	11.0	12.8	23.4	14.3	4.5

Source: INEA Land Values Data Bank.

specialist crops (fruit and vegetables) and for quality products (vineyards in specialised wine-growing areas). Rent contracts which are extended on expiry are becoming the most recurrent type of rent contract in existence and are spreading increasingly in regions in the South and on the two major islands. In mountain and marginal areas, verbal rent contracts still exist, especially for leases of limited duration, but this custom is disappearing due to the new procedures for access to public subsidies, which require proof of tenure of land.

*% change in the average value of land in Italy according to agricultural area, 1992 - 2001*



Source: INEA Land Values Data Bank.

# Production Levels

In 2002 the value of agricultural output at basic prices, including output from forestry and fishing, remained more or less static compared to 2001 (+0.2%). This was the result of the combination of a 1.6% decrease in volume of production and a 1.8% increase in prices. In 2001 there had been a greater growth in prices (+4.2%) together with a moderate drop in the volume of production (-0.6%).

The 2002 harvests were so strongly affected by drought and adverse weather conditions that several regions were forced to announce a state of emergency. In addition to the bad weather, there were also plant health problems, which affected the fruit and vegetable sector especially. There was a particular drop in the volume of production of tree crops (-8.3%) and fodder crops (-4.7%), whereas the volume of production of field crops remained broadly unchanged (+0.3%) after dropping sharply in 2001. Production in the

livestock sector increased by 1% but reflected the consequences of epidemics of blue tongue disease affecting sheep and avian influenza affecting poultry.

Among field crops, cereals recovered significantly after the drop in production in 2001. There were increases in the production of soft wheat (+18.5%),

durum wheat (+13.9%) and barley (+10.1%).

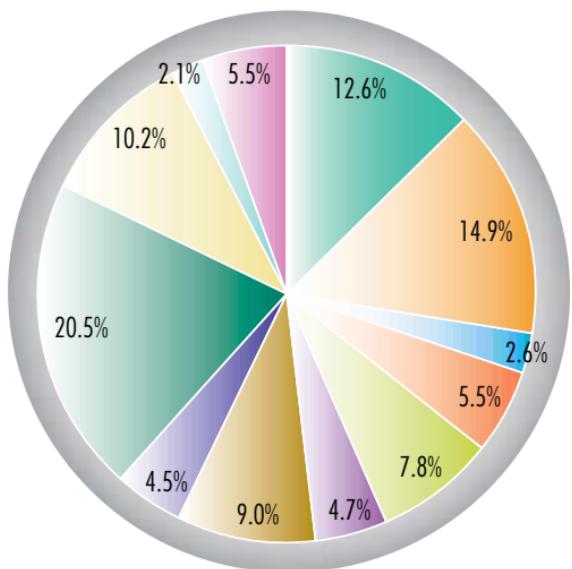
Among industrial crops, there was a noticeable decrease in land cultivated with oilseeds (-19% for sunflowers and -36% for soya) as a consequence of the steep drop in aid payments awarded on a hectare basis in the sector. The production of sugar beet rose

## *Output at basic prices by sector, 2002*

	Italy		% change 2002/01	
	million euro	%	volume	price
Field crops	14,871	32.2	0.3	4.3
Tree crops	10,380	22.5	-8.3	6.8
Fodder crops	1,994	4.3	-4.7	2.2
Livestock	14,520	31.5	1.0	-3.9
Connected services <sup>1</sup>	2,447	5.3	1.9	2.1
Forestry	399	0.9	-0.5	-
Fishing	1,521	3.3	-3.8	6.5
<b>TOTAL</b>	<b>46,132</b>	<b>100.0</b>	<b>-1.6</b>	<b>1.8</b>

<sup>1</sup> Includes active and passive agricultural contract work, packaging of agricultural produce, maintenance of parks and gardens, services connected to livestock farming, artificial insemination, new planting, etc.

## *Agricultural output at basic prices by main sector (million euro), 2002*



	TOTAL	44,212
Cereals and dried legumes <sup>1</sup>	5,566	
Vegetables <sup>2</sup>	6,605	
Industrial crops <sup>3</sup>	1,150	
Flowers and ornamentals	2,439	
Grapes	3,429	
Olives	2,072	
Fruit and citrus	3,990	
Fodder crops	1,994	
Meat	9,058	
Milk	4,522	
Eggs and other <sup>4</sup>	940	
Connected services <sup>5</sup>	2,447	

<sup>1</sup> Dried legumes account for 70 million euro.

<sup>2</sup> Includes potatoes (662 million euro) and fresh legumes (295 million euro).

<sup>3</sup> Sugar beet (426 million euro), tobacco (371 million euro), oilseeds, textile fibres and other industrial products (353 million euro).

<sup>4</sup> Includes honey (16 million euro) and wool (12 million euro).

<sup>5</sup> Includes hiring and supplying contract services, packaging of agricultural produce, maintenance of parks and gardens, new planting etc.

## Main crop production, 2002\*

	Volume		Value <sup>1</sup>	
	'000 tonnes	% change 2002/01	million euro	% change 2002/01
Soft wheat	3,298	18.5	813	11.8
Durum wheat	4,129	13.9	1,203	-5.5
Maize	10,824	2.5	2,075	15.1
Rice	1,352	6.2	474	-0.6
Sugar beet	12,728	28.4	426	0.2
Tobacco	126	-2.6	370	-1.3
Soya	592	-32.8	203	-33.1
Sunflowers	353	-14.2	121	-30.0
Potatoes	1,963	0.3	662	20.3
Tomatoes	5,535	-13.0	959	-3.3
Dessert grapes	1,139	-14.9	523	-0.6
Sold wine grapes	3,494	-12.7	951	-10.1
Wine <sup>2</sup> ('000 hl)	19,257	-15.4	1,937	-9.2
Sold olives	293	-9.5	159	-1.9
Oil <sup>2</sup>	468	-11.2	1,888	-5.6
Apples	2,249	-3.7	813	9.1
Pears	915	-5.8	445	-1.5
Peaches and nectarines	1,553	-9.1	633	-9.5
Oranges	1,716	-6.0	554	-3.5
Lemons	536	-6.3	245	2.2
Mandarins and clementines	590	-7.4	254	4.3
Kiwi	341	-0.7	240	9.0

\* Provisional data.

<sup>1</sup> At basic prices.

<sup>2</sup> According to the new methodology of ESA 95, only wine and oil made from the farm's own grapes and olives are counted as production from the agricultural sector; production from cooperatives and the food industry is not included.

(+28.4%) but the crop showed a significantly lower average sugar content than the previous year.

In the horticultural sector, there was a general decline in production (-3.6%), with higher decreases for strawberries (-16.3%), tomatoes (-13%), new potatoes (-10.4%), peppers (-6.3%) and artichokes (-4.8%). There was also a significant drop in the cultivation of flowers (-9.1%).

Tree crop results were affected by the decrease in vine products (-14.9% for dessert grapes, -15.4% for wine) and oil (-11.2%). The olive harvest not only suffered from it being the low-yield year of the production cycle but also from drought and olive-fly attacks, while the wine-growing sector was affected by flooding in the North and prolonged drought in the South. The production of fruit dropped too (-3.7%), especially peaches (-6.5%), and citrus fruit dropped by around 7%. The production of nursery plants, on the other hand, continued to rise (+11.6%),

## Main livestock production, 2002

	Volume <sup>1</sup>		Value <sup>2</sup>	
	'000 tonnes	% change 2002/01	million euro	% change 2002/01
Beef	1,641	-0.3	3,584	2.6
Pigmeat	1,832	3.2	2,410	-13.2
Sheepmeat & goatmeat	92	3.8	308	-9.5
Poultrymeat	1,461	1.9	1,927	-7.4
Rabbitmeat & game	407	0.4	779	-10.5
Eggs (millions)	12,856	-0.8	912	0.4
Cows' milk <sup>3</sup> ('000 hl)	107,306	0.8	4,000	2.5
Sheep & goats' milk ('000 hl)	7,478	0.4	522	5.4
Honey	74	-29.5	16	-18.9

<sup>1</sup> Liveweight for meat.

<sup>2</sup> At basic prices.

<sup>3</sup> Includes buffalo milk.

driven in part by demand from foreign markets.

Production in the livestock sector recovered, with increases in the quantity of pigmeat (+3.2%), sheepmeat and goatmeat (+3.8%) and poultrymeat and rabbitmeat (1.9%).

In the milk sector, there was an increase of 0.8% in cows' milk and

0.4% in sheep and goats' milk. The production of honey dropped steeply (-29.5%), due to bad weather conditions during the flowering season.

Production in the forestry sector was characterised by a decrease in tree felling (-0.6%).

Comparing different parts of Italy, there was a greater decrease in pro-

duction in the South (-3%) than in the Centre-North (-0.8%). Valued added from agriculture dropped considerably in the South (-4.4%) while it dropped less in the Centre-North (-1.5%).

In the European Union, the volume of agricultural production increased in 2002 by 0.7% over 2001. In the crop sector, there were significant increases in sugar beet (+12.9%) and cereals (+6.9%) but decreases in wine (-6.6%) and fruit (-3.3%). The livestock sector registered an increase of about 1% in the production of beef, pigmeat, sheepmeat and goatmeat. Among the EU countries, increases in agricultural production were recorded in Spain (+2.9%), the UK (+3.8%) and France (+2.8%), whereas Germany registered a decrease (-1.6%).

*Agricultural output at basic prices in EU countries, 2001*

	Output million euro	%	Intermediate consumption million euro	%	Intermediate consumption/output %
Belgium	7,359	2.5	4,495	3.3	61.1
Denmark	9,098	3.2	4,956	3.6	54.5
Germany	44,490	15.4	24,872	18.2	55.9
Greece	11,655	4.0	2,887	2.1	24.8
Spain	35,585	12.4	11,929	8.7	33.5
France	65,072	22.6	32,867	24.1	50.5
Ireland	5,879	2.0	3,056	2.2	52.0
Italy	43,388	15.1	14,219	10.4	32.8
Luxembourg	263	0.1	132	0.1	50.2
Netherlands	20,744	7.2	11,301	8.3	54.5
Austria	5,751	2.0	3,093	2.3	53.8
Portugal	5,944	2.1	2,958	2.2	49.8
Finland	3,976	1.4	2,687	2.0	67.6
Sweden	4,563	1.6	3,051	2.2	66.9
United Kingdom	24,119	8.4	14,002	10.3	58.1
EU	287,886	100.0	136,505	100.0	47.4
EU CANDIDATE COUNTRIES <sup>1</sup>	29,238	-	17,713	-	60.6

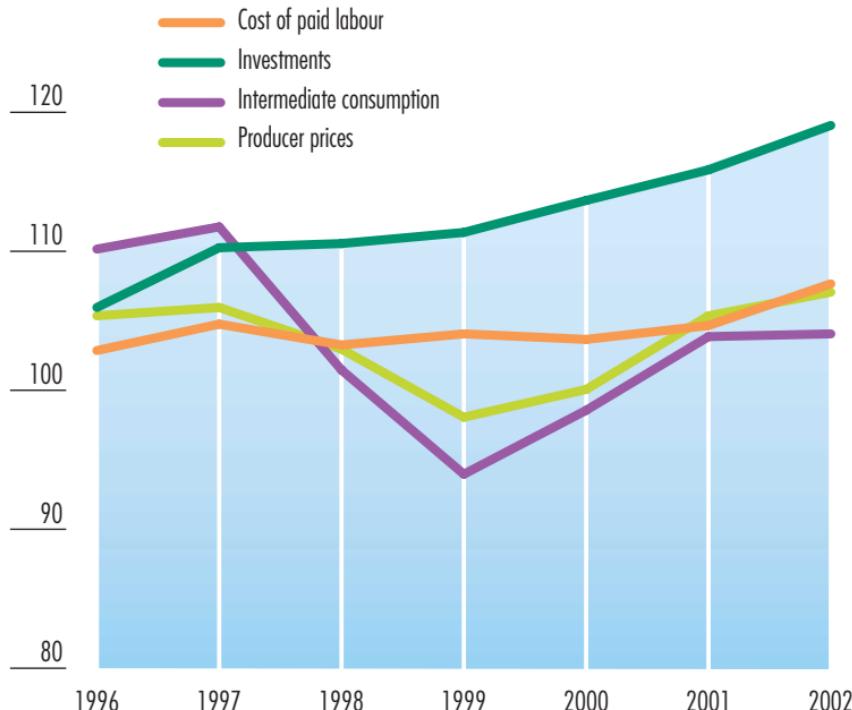
<sup>1</sup> Countries due to join the EU in 2004 further to the Laeken summit: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

# Prices and Costs

In 2002 the price of inputs purchased by farmers (intermediate consumption and investments) rose by an average of 1.1%. The highest price increases regarded investments (+2.8%), especially improvements to property (+5%) and farm buildings (+4.7%). As regards intermediate consumption goods, there was a substantial increase in the price of seeds (+4.6%) and a decrease in the price of fuel (-3.1%) and electricity (-2.1%). The price of services rose, especially repairs to buildings (+4.8%), general costs (+2.9%) and veterinary services (+1.7%). Paid labour costs rose by 2.8%, one of the largest increases recorded in all the sectors of the economy.

Producer prices for commodities sold by farmers presented an average increase of 1.6%, which was lower than the growth in the general consumer price index (+2.5%). Increases were registered above all for plant products (+4.7%), especially fresh fruit (+9.8%) and vegetables (+8.7%). Among vegetables, large increases were

*Index numbers (1995 = 100)*



Sources: ISTAT, new series of indices of producer prices and consumer prices; national accounts, income from paid labour.

seen in the prices of fennel (+22.7%), cauliflower (+10.7%) and courgettes (+14.5%). Cereal prices dropped on average by 2.2%, with a sharp fall in soft wheat (-7.8%). The price of industrial crops fell too, especially for sugar beet (-10.4%), because of low polarization and less sugar content. The price of grapevine products rose

by an average of 3.7%, with quality wine rising by 5.4%. The olive sector showed price increases of 3.5%. In the livestock sector there was an average drop in prices of 4%, with considerable decreases in certain sectors, in particular for pigmeat (-17.5%) and poultry (-7.4%), which was affected by over-production. In the dairy sector, the

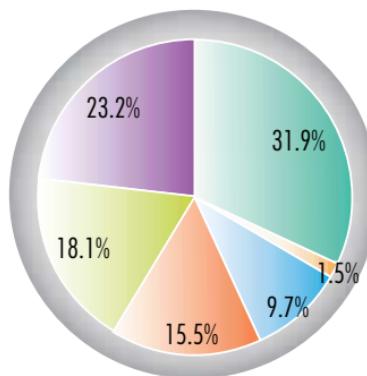
price of cows' milk rose by 1.4%, sheep and goats' milk by 3.8% and eggs by 3.7%.

The terms of trade for agriculture, measured by the ratio between the producer price index and the intermediate consumption goods index, improved compared to the previous year.

# Total Output and Income From Farming

In 2002, intermediate consumption (seeds, fertilisers, animal feed, energy, services etc) accounted for 31.9% of total agricultural output (including production-related subsidies and indirect taxes), paid labour for 15.5% and the income to entrepreneurial labour (growers, farmers and family helpers), capital and business before depreciation (18.1%) for 23%. Subsidies and grants from the State, Ministries, Regions and EU accounted for around 9.7%.

*Break-down of the income from farming (million euro), 2002\**



TOTAL	48,011
Intermediate consumption	15,335
Indirect taxes on production	739
Production subsidies	4,644
Paid labour earnings	7,442
Depreciation	8,694
Net income to self-employed labour, capital and business	11,157

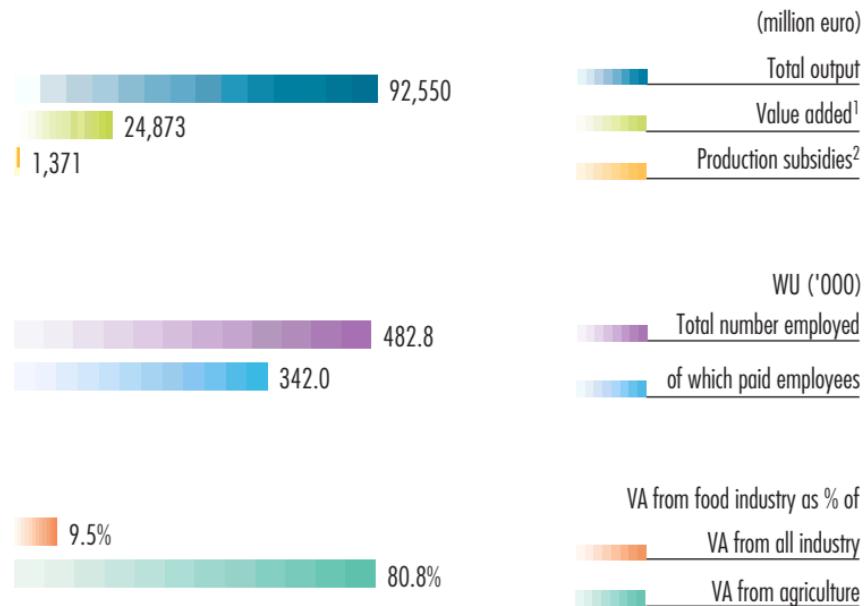
\* Includes forestry and fishing.

# Food Industry

In 2002, output in the food and drinks industry increased by 1.6% in volume over 2001, compared to a downturn in overall industrial output (-1.4%). The tobacco industry showed a decline of 17.9%. Total value added at basic prices amounted to almost 24,900 million euro, a 10% increase in value over 2001. VA from the food industry represented approximately 9.5% of VA from the whole of industry (considered in the narrow sense of the manufacturing and mining industries) and was equal to around 80.8% of VA from agriculture. The percentage of exported turnover rose to approximately 15%, an improvement over previous years but still lower than levels in other countries such as France and Germany (20%).

As far as single production sectors were concerned, the largest increases in volume of production were in processed and conserved fruit and vegetables (+4.2%), refined rice (+4%), biscuits and bread products (+2.9%), meat and meat products

## Food industry\*: main macroeconomic aggregates, 2002



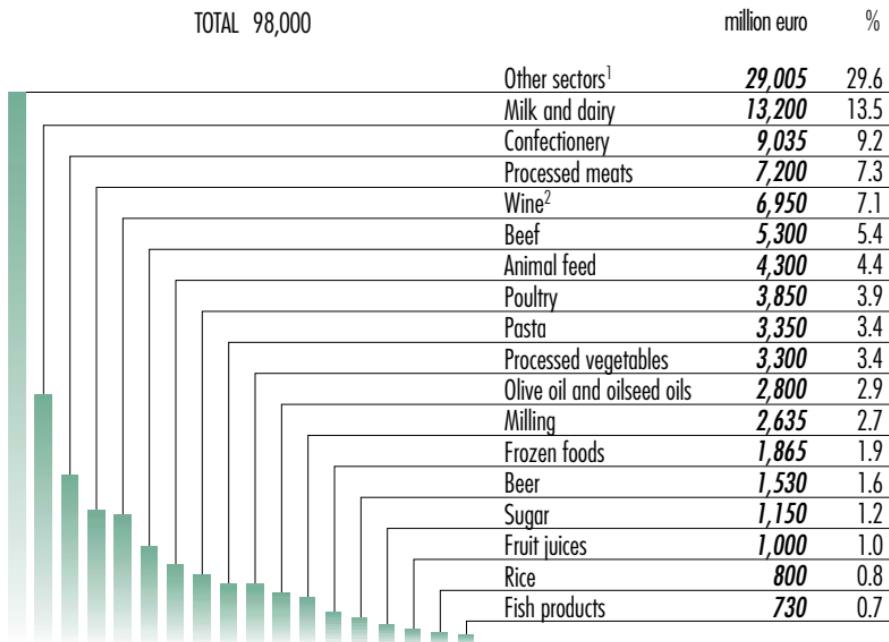
\* Includes drinks and tobacco.

<sup>1</sup> At basic prices.

<sup>2</sup> Total figure for all subsidies for products and production.

Source: valuations from ISTAT figures.

## Turnover in the food industry by sector (million euro), 2002



<sup>1</sup> Of which: baby and diet food (1,150 million euro), soft drinks (1,600 million euro), coffee (1,980 million euro) and mineral water (2,900 million euro).

<sup>2</sup> Includes cooperatives and short food chains (farmer-producer).

Source: Federalimentare and ISTAT valuations, June 2003.

(+2.6%), especially cooked meats (+4.9%), and grain products (+2.1%), especially bran from durum wheat (+6.7%). Among drinks, there was a considerable increase in wine (+5.5%).

According to Federalimentare valuations, there are around 36,900 food processing firms operating in Italy, of which 18% with over 9 employees, whereas according to valuations made by ISTAT before the 2001 census, which are based on different definition criteria, they number about 70,000. In 2002 the food industry employed approximately 483,000 work units, 6.3% more than 2001 and 9.2% of the total number of employees in industry (manufacturing and mining). There continues to be an uneven distribution of agri-food firms across the country and considerable structural and technological differences among them: 72% of all employees and 76% of value added at basic prices from the Italian food industry are concentrated in the Centre-North.

In the EU, the agri-food sector is one of the leading sectors as far as employment and value added are concerned. The most important sector is meat processing, with a turnover of 126 billion euro (20.3%), followed by milk and dairy with a turnover of 97 billion euro (15.6%), drinks with 95 billion (15.3%), animal feed with 40 billion (6.4%) and the processing and conser-

vation of fruit and vegetables with 32 billion (6%).

In the EU, output from the food and drinks industry increased by an average of about 6% in 2002 compared to the previous year, with large differences between the various Member States: +6.4% in Germany, +4.7% in Spain, +1.6% in the United Kingdom and +1.1% in France.

### *Food industry in the EU, 2001*

Country	Production		Employment	
	billion euro	%	'000 units	%
France	115	18.4	392	14.3
Germany	110	17.6	597	21.8
United Kingdom	98	15.6	506	18.5
Italy <sup>1</sup>	93	14.9	268	9.8
Spain	67	10.7	371	13.5
Netherlands	39	6.2	147	5.4
Belgium	24	3.8	62	2.3
Others	80	12.8	394	14.4
EU 15	626	100.0	2,737	100.0

<sup>1</sup> Firms with more than 9 employees.

Source: ISMEA - Federalimentare report, June 2003.

### *Production in Italy by sector (volume)*

	Change 2002/01 %
Milling <sup>1</sup>	2.1
Pasta-making	-0.1
Refined rice	4.0
Biscuit and bread-making	2.9
Processing of fruit and vegetables <sup>2</sup>	4.2
Vegetable and animal oils and fats	-0.7
Slaughter and processing of meat	2.6
Milk and dairy products <sup>3</sup>	1.8
Sugar production	0.1
Confectionery	1.0
Diet and other foods	0.3
Wine <sup>4</sup>	5.5
Beer	-1.5
Mineral water and soft drinks	-0.3
Animal feed	6.6
<b>TOTAL</b>	<b>1.6</b>

<sup>1</sup> Includes durum wheat flour and starch products.

<sup>2</sup> Includes vegetable and fruit juices (-8.6%).

<sup>3</sup> Includes production of ice-cream (-2.6%).

<sup>4</sup> From non home-produced grapes.

# Distribution

There were approximately 192,000 fixed retail outlets selling food as their main commercial activity at 31 December 2002, 0.5% fewer than the previous year.

Among the outlets specialising in single categories of merchandise, there was a decrease compared to 2001 in the number of outlets selling "meat and

meat-based products" (-2.3%) and "fruit and vegetables" (-2%) and "other" specialist shops (-6.2%). The decrease in this last kind of outlet was offset by the increase in outlets mostly selling food but not specialised in any one category (+2.5%), a generic category which not only includes large and medium-sized food retail areas but also

most new shops opening in the sector, which tend increasingly not to specialise in any one category of food, in part as a result of the abolition of restrictions on the categories of merchandise sold by shops.

Tendencies varied between the Centre-North, where the number of food outlets dropped by about 1.6%, and the

## Food retail outlets, 2002\*

	North		Centre		South & Islands		Italy	
	number	%	number	%	number	%	number	%
Fruit and vegetables	8,868	12.9	5,145	15.2	9,485	10.7	23,385	12.2
Meat and meat-based products	11,726	17.0	6,802	20.0	21,110	23.8	39,185	20.4
Fish and fish products	1,569	2.3	1,417	4.2	4,893	5.5	8,027	4.2
Bread and confectionery	6,258	9.0	2,051	6.0	5,105	5.8	13,265	6.9
Wine, oils and drinks	2,244	3.3	958	2.8	1,869	2.1	5,160	2.7
Other foods	8,451	12.3	3,689	10.9	12,287	13.9	23,588	12.3
Non-specialized foods	29,709	43.2	13,878	40.9	33,918	38.2	79,242	41.3
<b>TOTAL</b>	<b>68,825</b>	<b>100.0</b>	<b>33,940</b>	<b>100.0</b>	<b>88,667</b>	<b>100.0</b>	<b>191,852</b>	<b>100.0</b>
% of total outlets	23.9		24.2		29.8		26.0	
<b>DENSITY<sup>1</sup></b>	<b>372</b>		<b>321</b>		<b>231</b>		<b>297</b>	

\* Main premises and local outlets.

<sup>1</sup> Inhabitants/outlet.

Source: National Observatory of Commerce, Ministry of Productive Activities.

South, where it rose by 0.8%, mainly as a result of an increase in shops mostly selling food but not specialised in any one category (+4%).

In 2002, the value of fixed retail food trade rose by 4.1%, with a considerable difference between small food shops (+1.8%) and large-scale retail businesses (+4.7%).

### ***Large-scale retail trade***

At 1 January 2002, there were 6,804 supermarkets in Italy compared to 6,413 the year before (+6.1%). The increase, as in the previous year, was higher in the South (+8.7%). The total area used for retail increased to over 5.7 million m<sup>2</sup> (+5.5%) and the total

number of employees rose to over 121,000 (+6.1%). The number of hypermarkets also rose, to 359 (+2.9%), with a retail area of over 2.1 million m<sup>2</sup> (+2.6%) and some 63,400 employees (+0.8%). The increase was concentrated in the North-East and even more in the South, where the number rose by 22%, retail area

#### ***Large-scale retail food trade by geographical area, 2002\****

	Outlets		Sales area <sup>1</sup>		Employees <sup>1</sup>		No. of outlets per 100,000 inhabitants	Sales area m <sup>2</sup> /1,000 inhabitants
	number	% change 2002/01	m <sup>2</sup>	% change 2002/01	number	% change 2002/01		
North	3,786	3.9	4,537,911	2.2	112,451	1.9	14.8	177.4
Centre	1,485	7.4	1,586,159	5.5	39,073	4.0	13.6	145.4
South & Islands	1,892	9.0	1,733,317	10.9	33,219	12.8	9.2	84.5
<b>TOTAL</b>	<b>7,163</b>	<b>5.9</b>	<b>7,857,387</b>	<b>4.7</b>	<b>184,743</b>	<b>4.2</b>	<b>12.6</b>	<b>138.4</b>

\* Supermarkets, food departments in large stores and hypermarkets. At 1st January 2002.

<sup>1</sup> Figures for sales area and employees refer to all departments in stores, not only food departments.

Source: National Observatory of Commerce, Ministry of Productive Activities.

increased by 24% and employees increased by about 17%.

Compared to 2001, sales increased in value by 4.8% in supermarkets, by 4.2% in the food departments of hypermarkets and by 4.8% in discount stores, against a more modest 1.8% in traditional food shops with a small retail area.

As regards wholesale trade, at 31 December 2002 the National Observatory of Commerce counted 97 businesses specialised in primary agricultural commodities (cereals, animal feed etc) and live animals, plus 408 businesses specialised in wholesale food and drink. Commercial intermediaries also assumed greater importance, increasing to almost 40,000 in the food sector.

### *Street trade and alternative forms of selling food, 2002\**

<b>Form of sale</b>	<b>No.</b>	<b>%</b>	<b>% food sales of total sales</b>
Fixed street vendor	33,022	74.1	36.3
Mobile street vendor	6,529	14.7	18.1
Selling by correspondence	3,401	7.6	53.1
Door-to-door selling	549	1.2	11.3
Vending machines	1,049	2.4	53.3
<b>TOTAL<sup>1</sup></b>	<b>44,550</b>	<b>100.0</b>	<b>31.8</b>

\* Figures at 31/12/2002. Businesses and local units entered on the business register.

<sup>1</sup> Excludes sales activities not included on the business register.

Source: National Observatory of Commerce, Ministry of Productive Activities.

# Food Consumption

In 2002 household expenditure on food and drink in Italy amounted to about 116,000 million euro, a 3.7% increase in value over 2001. Overall consumption levels, at constant

prices, rose by 0.5%. There was an increase in the consumption of bread and cereal-based products (+2.5%), of milk and dairy produce and eggs (+1.3%), of oils and fats (+1.1%) and

of mineral water, fizzy drinks and juices (+2.4%), whereas meat consumption levels remained practically unchanged (+0.2%). There was lower consumption of sugar and confectionery (-4%) and fruit (-1.8%). Expenditure on food dropped to 15.3% of total household expenditure, compared to 19.6% in 1992.

According to ISTAT valuations, expenditure on eating out (in canteens, snack bars, restaurants etc) amounted to 55,600 million euro in 2002, with a 4% increase in value over 2001 due mainly to price increases. Between 1992 and 2002, the value of consumption from eating out rose from 34% to about 48% of the value of total food consumption, showing a significant change in consumers' eating habits.

The kinds of food Italians spent most on were meat (25,500 million euro), bread and cereal-based products (19,700 million euro) and milk and dairy produce and eggs (15,800 million euro).

## *Break-down of food consumption, 2002*

Product	% of total food expenditure	Average annual rate of change 2002/92 (%)	
		volume	price
Meat	21.9	-1.3	2.5
Bread and cereal products	17.0	0.8	2.4
Milk and dairy produce and eggs	13.6	-0.2	3.1
Vegetables and potatoes	11.5	0.8	3.0
Fish	7.1	0.8	2.7
Sugar and confectionery <sup>1</sup>	6.2	0.9	3.2
Fruit	6.6	0.1	1.9
Mineral water and soft drinks <sup>2</sup>	5.1	2.1	2.0
Wine and alcoholic drinks	4.6	-3.0	3.8
Fats and oils	4.7	-1.2	2.8
Coffee, tea and cocoa	1.4	-1.3	2.7
Other foods <sup>3</sup>	0.3	-0.2	2.3
<b>OVERALL</b>	<b>100.0</b>	<b>-0.2</b>	<b>2.7</b>

<sup>1</sup> Jam, honey, syrups, chocolate, cakes and biscuits etc.

<sup>2</sup> Fizzy drinks, fruit juices etc.

<sup>3</sup> Diet foods, spices, baby products etc.

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

Product	Italy	France	Spain	Greece	Germany	United Kingdom	Austria	EU
Cereals and cereal products <sup>1</sup>	122.6	87.7	75.7	161.6	76.1	88.4	80.2	89.3
Rice <sup>1</sup>	5.5	5.3	6.6	5.4	3.7	4.3	2.8	4.7
Potatoes	43.2	50.5	-	87.8	70.0	111.4	53.8	-
Vegetables <sup>2</sup>	218.5	-	193.6	310.6	92.5	-	100.4	-
Fresh fruit and citrus <sup>2</sup>	140.8	-	116.2	171.7	108.1	-	92.8	-
Milk <sup>3</sup>	-	98.0	-	-	91.0	129.0	95.0	-
Cheese	-	25.0	-	-	20.0	9.0	17.0	-
Eggs <sup>4</sup>	14.0	9.0	15.0	12.0	12.0	-	10.0	13.0
Butter	-	9.0	-	-	7.0	3.0	5.0	-
Total meat <sup>4</sup>	90.5	107.2	124.1	91.7	88.4	82.6	97.6	95.3
Beef <sup>4</sup>	22.7	25.2	14.5	18.6	10.3	18.6	18.3	19.0
Pigmeat <sup>4</sup>	37.9	36.7	65.4	32.6	53.8	25.1	56.4	42.8
Vegetable fats and oils <sup>5</sup>	25.9	14.8	35.7	45.6	21.9	-	10.8	-
Sugar <sup>6</sup>	24.2	33.1	29.6	35.5	35.3	35.5	40.0	32.7
Wine <sup>7</sup>	48.5	52.5	34.3	24.0	24.4	16.4	30.1	32.1

\* Figures for crop products and wine refer to the 2000/01 marketing year, figures for milk and dairy products, meat and eggs to 2001.

<sup>1</sup> Cereals and cereal products in flour equivalents. EU figure for rice - 2000.

<sup>2</sup> Italy and Spain - 1999/00. Greece - 1998/99.

<sup>3</sup> Includes other fresh products.

<sup>4</sup> France, Greece and EU figures for eggs - 2000. Greece, Spain and EU figures for meat - 2000.

<sup>5</sup> Germany - 2000.

<sup>6</sup> White sugar equivalent. Spain and EU - 2000.

<sup>7</sup> Litres per capita. EU - 2000/01.

Since 1992, there has been a decline in the share of total consumption represented by meat, milk and dairy produce, oils and fats, wine and other alcoholic drinks, while the share represented by bread and cereal-based products, fish, vegetables, fruit, mineral water and non-alcoholic drinks has risen.

Across the country, average monthly expenditure on food and drinks ranged in 2002 from 410 euro in the North (+1%) to 443 euro in the Centre (+7%) and 435 euro in the South (+4.8%). In the South, food represented 24% of total expenditure compared to around 17-18% in the Centre and North.

# Foreign Trade

In 2002 the trade balance in the agri-industrial sector, although it remained negative, continued to improve, falling to approximately -8,000 million euro. This result was due to a 5% increase in exports – equivalent to 900 million euro – and a substantially stable situation as regards imports, which increased by just 0.3%. The degree of trade cover improved further, rising from 66.7% in 2001 to 69.8% in 2002.

The EU remained Italy's principal trade area, followed by the United States and other (non-Mediterranean) European countries as customers and Central and South America as suppliers. Imports from Central and South America are becoming increasingly important: their share of total Italian agri-food imports rose by over 1% in 2002.

Italy's main customers were Germany, France and the United States, which together absorbed 45% of the country's agri-food exports. The United States represented the fastest growing of Italy's top ten customers with a 9%

## *The agri-industrial balance and the agri-industrial system\**

	1995	2001	2002
<b>MACROECONOMIC AGGREGATES</b>			
Total agri-industrial output <sup>1</sup>	54,805	68,834	71,005
Imports	23,703	26,854	26,925
Exports	13,527	17,901	18,791
Balance	-10,176	-8,953	-8,134
Volume of trade <sup>2</sup>	37,230	44,755	45,716
Apparent consumption <sup>3</sup>	64,981	77,787	79,139

## **INDICATORS (%)**

Degree of self-sufficiency <sup>4</sup>	84.3	88.5	89.7
Propensity to import <sup>5</sup>	36.5	34.5	34.0
Propensity to export <sup>6</sup>	24.7	26.0	26.5
Degree of trade cover <sup>7</sup>	57.1	66.7	69.8

\* Million euro at current prices; figures for output and trade include "cured tobacco".

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

<sup>2</sup> Sum of exports and imports.

<sup>3</sup> Agri-industrial output plus imports minus exports.

<sup>4</sup> Output-consumption ratio.

<sup>5</sup> Imports-consumption ratio.

<sup>6</sup> Exports-output ratio.

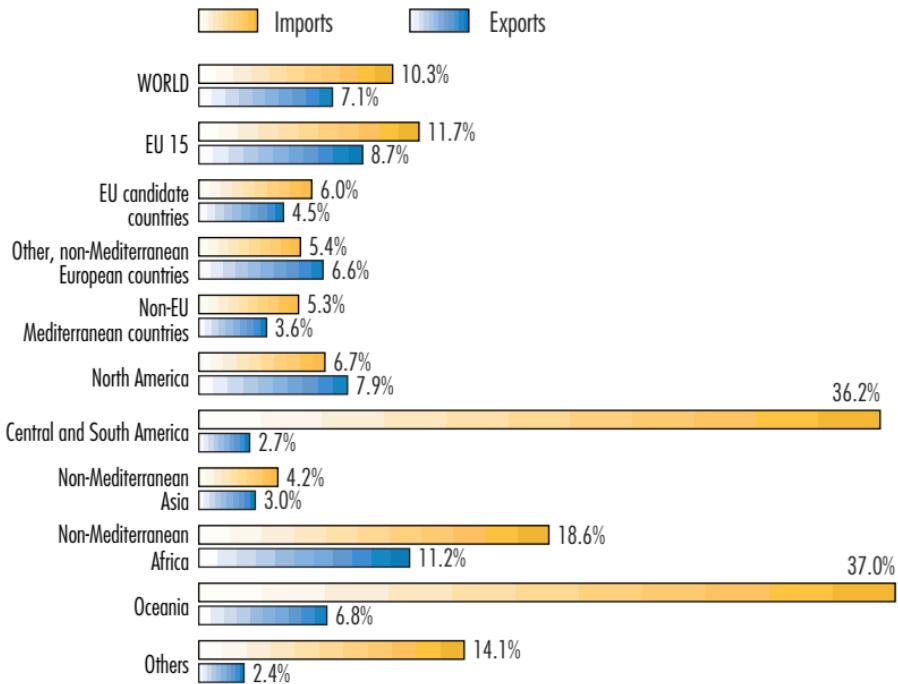
<sup>7</sup> Exports-imports ratio.

increase in imports between 2001 and 2002. Italy's most important suppliers continued to be France, Germany and Spain, which together supplied about 40% of its agri-food imports. Over the

last year, however, only Spain increased its exports to Italy, while agri-food exports from France and Germany slackened.

Primary sector products represented

## *The agri-food trade as a percentage of Italy's total trade with different geographical areas, 2002*



35% of agri-food imports and 22% of exports, demonstrating Italy's tendency to import agricultural raw materials and to export processed food.

It was products from the livestock sector – live animals, fresh and frozen meat, milk and dairy produce – which Italy imported most in 2002, whereas it was crop products and processed foods – fresh fruit, fresh and dried legumes and vegetables, cereal-based products, processed vegetables and wine – which it exported most.

Between 2001 and 2002 there was an increase in exports of apples (+36%), spirits and liqueurs (+15%) and preserved tomatoes (+13%) but a decrease in exports of dessert grapes (-29%); in the same period, there was a drop in imports of livestock by-products (-18%) and fresh or refrigerated semi-processed pigmeat (-19%) but an increase in imports of fresh or refrigerated semi-processed beef (+39%), breeding cattle (+22%) and virgin and extra-virgin olive oil (+21%).

Among the regions, Emilia-Romagna,

## Foreign trade by main agri-food sector (million euro), 2002

	Imports	Exports	Nb* %
Cereals	1,430	89	-88.3
of which from seed	62	22	-47.6
Fresh legumes and vegetables	582	817	16.8
of which from seed	149	50	-49.7
Dried legumes and vegetables	87	29	-50.4
Citrus	185	109	-25.7
Fresh fruit	868	1,753	33.8
Dried fruit and nuts	338	137	-42.3
Raw textile fibres	387	15	-92.5
Oilseeds and fruits	404	12	-94.2
of which from seed	7	3	-38.0
Cocoa, coffee, tea and spices	576	37	-88.0
Flowers and ornamental plants	397	479	9.3
Uncured tobacco	155	242	21.8
Live animals	1,377	41	-94.3
of which animals for breeding	105	20	-68.4
of which animals for rearing and slaughtering	1,247	14	-97.9
of which other live animals	25	7	-54.3
Other livestock products	486	29	-88.6
Forestry products	747	109	-74.6
of which wood	507	12	-95.3
Fish and game	785	158	-66.5
Other products	137	102	-14.6
<b>TOTAL PRIMARY SECTOR</b>	<b>8,940</b>	<b>4,156</b>	<b>-36.5</b>

	Imports	Exports	Nb* %
Cereal products	515	2,652	67.5
of which pasta	19	1,232	97.0
Sugar and confectionery	889	663	-14.6
Fresh and frozen meat	3,111	575	-68.8
Processed meat	165	658	60.0
Processed and preserved fish	2,322	294	-77.5
Processed vegetables	641	1,255	32.4
Processed fruit	390	723	29.9
Dairy products	2,562	1,218	-35.6
of which milk	615	2	-99.3
of which cheese	1,127	980	-7.0
Oils and fats	1,692	1,052	-23.3
Oilcake and oilseed flour	1,007	207	-65.9
Drinks	1,059	3,842	56.8
of which wine	204	2,729	86.1
Other food industry products	2,251	1,482	-20.6
<b>TOTAL FOOD INDUSTRY</b>	<b>16,605</b>	<b>14,621</b>	<b>-6.4</b>
<b>TOTAL AGRI-FOOD BALANCE</b>	<b>25,545</b>	<b>18,777</b>	<b>-15.3</b>
Cured tobacco	1,380	14	-98.0
<b>TOTAL AGRI-INDUSTRIAL BALANCE</b>	<b>26,925</b>	<b>18,791</b>	<b>-17.8</b>

\* Nb = normalized balance (see glossary).

## Foreign trade in the agri-food sector by region (million euro), 2002

	Primary sector		Food industry		Total		% change 2002/01	
	imports	exports	imports	exports	imports	exports	imports	exports
Piemonte	1,258	211	969	2,185	20,751	29,469	-7.6	6.4
Valle d'Aosta	10	0	16	13	270	367	3.7	51.7
Lombardy	1,638	307	4,347	2,646	94,932	74,827	-1.6	5.6
Trentino - Alto Adige	148	371	587	688	4,501	4,467	-1.0	12.6
Veneto	1,340	473	1,990	1,939	29,310	38,637	-5.0	1.7
Friuli - Venezia Giulia	283	106	277	397	4,550	9,022	-0.8	-2.0
Liguria	507	308	615	246	6,469	3,624	1.4	5.5
Emilia - Romagna	920	618	2,605	2,246	18,987	31,506	-0.7	1.5
Tuscany	321	233	1,439	1,102	15,664	21,466	-1.1	7.6
Umbria	150	73	234	199	1,790	2,468	25.2	17.3
Marche	172	34	169	120	3,734	8,306	-10.2	-4.0
Lazio	560	137	1,154	365	22,199	11,713	-1.7	7.6
Abruzzo	176	23	238	263	3,912	5,500	4.9	6.3
Molise	4	3	34	43	466	545	-20.9	12.6
Campania	509	282	857	1,465	7,595	7,889	-1.6	12.3
Puglia	398	496	510	318	4,896	5,829	1.5	-21.2
Basilicata	47	29	23	20	382	1,478	-5.2	-5.3
Calabria	65	37	120	46	474	285	-18.0	-14.6
Sicily	206	334	368	287	11,824	4,980	12.7	-1.4
Sardinia	116	7	111	162	3,913	2,114	1.3	-8.9
<b>ITALY</b>	<b>8,838</b>	<b>4,085</b>	<b>16,665</b>	<b>14,761</b>	<b>256,857</b>	<b>265,298</b>	<b>-1.8</b>	<b>3.5</b>

Veneto and Puglia exported most primary products whereas Lombardy exported most processed food, followed by Emilia-Romagna and Piemonte. As far as imports were concerned, Lombardy, Veneto and Piemonte were the regions to import most primary products, whereas Lombardy imported most processed commodities, followed by Emilia-Romagna and Tuscany.

# **STRUCTURE OF THE FARMING INDUSTRY**

# Farms and Farm Area

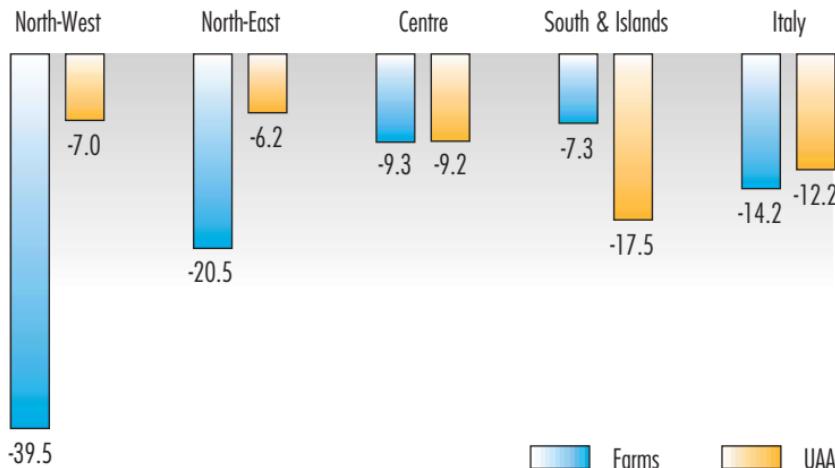
According to the results of the 5th General Agriculture Census (22 October 2000), in Italy there are 2,594,825 farms – including crop and livestock farms and forestry businesses – with a total land area of 19.6 million hectares, of which 13.2 million hectares are used agricultural area (UAA). Since the previous census carried out in 1990, the number of farms in Italy has dropped overall by 14.2%, while there has been a more limited decrease in total national farm area (-13.6% or -3.1 million hectares) and UAA (-12.2% or -1.8 million hectares). The fall in number of farms has been particularly steep in the North-West (-39.5%) and the North-East (-20.5%) and much less marked in the Centre (-9.3%) and South (-7.3%). On the contrary, the area of

farm land has fallen less in the North and to a greater degree in the Centre, in the South and on the two major islands (in terms of UAA, -7% in the North-West, -6.2% in the North-East, -9.2% in the Centre and -17.5% in

the South).

Average farm area has increased in the North while it has remained broadly unchanged in the Centre and has dropped in the South and on the two major islands.

*% change in farms and UAA by geographical area, 2000/1990*



## Farms and used agricultural area, 2000

	FARMS		UAA		AVERAGE SIZE <sup>1</sup>	
	number	% change 2000/90	hectares	% change 2000/90	hectares	% change 2000/90
Piemonte	120,796	-37.8	1,068,299	-4.6	8.8	53.2
Valle d'Aosta	6,595	-28.2	71,188	-26.3	10.8	2.6
Lombardy	74,501	-43.6	1,035,792	-6.2	13.9	989.6
Trentino-Alto Adige	61,253	-3.5	414,404	-1.9	6.8	1.7
Veneto	191,085	-15	852,744	-3.2	4.5	13.9
Friuli-Venezia Giulia	34,963	-39.6	238,807	-7	6.8	53.8
Liguria	43,739	-39.7	62,605	-32.3	1.4	-82.9
Emilia-Romagna	107,787	-28.5	1,114,288	-9.6	10.3	26.5
Tuscany	139,872	-6.6	857,699	-7.5	6.1	-1.0
Umbria	57,153	-2.4	367,141	-7.3	6.4	-5.1
Marche	66,283	-18	503,977	-8.2	7.6	11.9
Lazio	214,665	-9.9	724,325	-13.2	3.4	-3.6
Abruzzo	82,833	-22.4	428,802	-17.7	5.2	6.1
Molise	33,973	-18	214,941	-14.3	6.3	4.5
Campania	248,931	-9.4	599,954	-9.4	2.4	0.0
Puglia	352,510	0.5	1,258,934	-13.4	3.6	-13.9
Basilicata	81,922	-1.7	537,695	-13.8	6.6	-12.3
Calabria	196,191	-7.4	556,503	-16.1	2.8	-9.4
Sicily	365,346	-9.6	1,281,655	-19.8	3.5	-11.3
Sardinia	112,692	-4.4	1,022,901	-24.7	9.1	-21.2
ITALY	2,594,825	-14.2	13,206,297	-12.2	5.09	2.27

<sup>1</sup> Of UAA.

Source: ISTAT Census.

# Size of Farms

The downward trend in the number of farms and in UAA has particularly affected small farms (1-11 hectares of UAA), which represent 44.9% of all Italian farms. Since the previous census, farms in this size bracket have

decreased by 21.5% in number and their hectares of UAA have dropped by 22.3%. Average-sized farms (4.3% of farms in the census) show the next highest decreases with 16% fewer farms and 15.3% less UAA. Decreases

in the size brackets at the extreme ends of the spectrum have been more limited: very small farms have dropped by 6.1% in number and 7.8% in UAA and very large farms have dropped by 4.7% in number and 5.2% in UAA.

*Farms and used hectares by size bracket of agricultural area, 2000*

	SIZE BRACKET OF AGRICULTURAL AREA				
	0	< 1	1 - 11	11 - 21 <sup>1</sup>	> 21
Farms	41,371	1,164,219	1,164,159	112,618	112,458
% change 2000/1990	-13.5	-6.1	-21.5	-16.0	-4.7
Used hectares	-	516,844	3,846,768	1,686,508	7,156,177
% change 2000/1990	0.0	-7.8	-22.3	-15.3	-5.2

<sup>1</sup> Farms with 11 hectares are included in this size bracket.

Source: ISTAT Census.

## Use of Agricultural Land

The area used to grow arable crops, approximately 7.3 million hectares, has dropped since 1990 by 9.7% across the country and by as much as 16% in the South. Within the arable sector, the amount of land used to grow maize shows a different trend compared to the average for the arable sector and varies around the country, with an upward trend in the North-West and North-East and a downward trend in the Centre, South and major islands.

The area planted with permanent tree crops (vines, olives, fruit trees etc), the third major crop sector in terms of cul-

tivated area, shows a considerable downward trend (-11.8%), which again is more concentrated in the South, where there has also been the greatest drop in the area of permanent grass and pasture (-24.5%). Contrary to the overall decrease in the area planted with tree crops, the area planted with olive trees has increased in all parts of the country except for the North-West, where it has fallen slightly. Woodland and other land also show a downward trend all over Italy, probably as a result of these areas belonging to forestry enterprises owned by pub-

lic authorities, which have been taken out of the census because in fact they are nature reserves or protected areas. Since 1992 more land is being used for arboriculture for the production of wood; apart from a decrease in the North-West, it has increased substantially in the Centre, in the South and on the major islands.

Lastly it should be noted that a certain amount of farmland left unused from the agricultural point of view is used for recreational services, ranging from 1.5% to 2.8% of total unused farm land.

## Use of land and production sectors, 2000

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH & ISLANDS	
	ha	% change 2000/90 <sup>1</sup>						
Arable crops	1,316,003	-2.7	1,612,020	-5.1	1,515,594	-8.2	2,844,615	-16.0
of which maize (%)	35.3	6.5	30.4	11.3	5.4	-0.8	1.2	-0.6
of which potatoes and legumes (%)	0.6	-0.2	0.8	0.0	1.7	0.7	2.1	-0.3
of which field vegetables & fruit (%)	1.7	0.0	3.9	0.4	2.3	-0.5	4.9	-0.7
of which fodder crops (%)	17.8	-4.1	21.8	-6.2	23.1	-3.5	20.8	2.6
Tree crops	149,286	-4.8	328,149	-8.4	420,284	-1.6	1,561,223	-10.1
of which vines (%)	52.2	-7.6	50.4	0.0	29.0	-9.9	22.5	-5.8
of which olives for producing oil (%)	9.6	-1.5	2.0	0.9	50.8	5.6	53.0	7.2
of which fruit trees (%)	34.2	7.4	45.1	-2.0	17.0	4.1	14.6	-0.1
Household plots and permanent grass & pasture (%)	779,994	-11.6	680,483	-6.7	520,895	-12.9	1,477,752	-24.5
Total UAA	2,245,283	-7.0	2,620,652	-6.2	2,456,772	-9.2	5,883,590	-17.5
Woodland	623,717	-35.7	1,105,294	-9.9	1,269,817	-10.0	1,579,719	-16.9
Unused farm land	268,815	7.6	149,590	-19.7	164,608	-19.0	334,250	-9.0
of which used for recreational services (%)	1.9	-	2.8	-	2.5	-	1.5	-
Arboriculture for wood	61,543	-14.8	27,272	36.4	26,173	315.6	43,919	523.2
Other land	121,221	-40.8	266,363	-30.0	134,922	-22.5	221,998	-19.3
<b>TOTAL FARM LAND</b>	<b>3,320,580</b>	<b>-15.1</b>	<b>4,169,171</b>	<b>-9.5</b>	<b>4,052,292</b>	<b>-10.0</b>	<b>8,063,476</b>	<b>-16.7</b>

<sup>1</sup> The figures indicate the absolute difference between the percentage values for the two years.

Source: ISTAT Census.

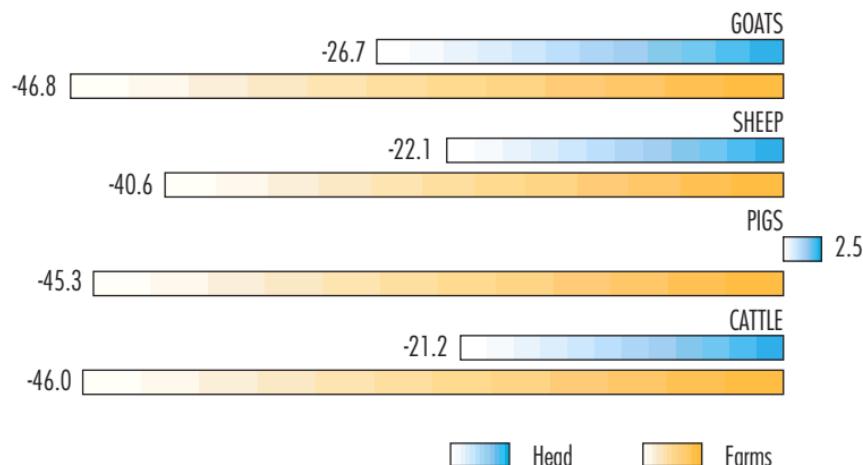
# Livestock Farming

The livestock sector underwent a significant decline in the ten years between 1990 and 2000. Since 1990, the number of livestock farms has dropped across the country by 35.2%, with even greater decreases in the North and in particular in the regions of Piemonte (-53.3%), Lombardy (-50.7%), Friuli-Venezia Giulia (-53.8%) and Liguria (-56.1%). The number of pig farms has fallen most, dropping across the country by between 51% and 56% except in the South, where the decline has been less sharp (-39.2%). The decrease in the number of pigs is less accentuated, ranging between -9.2% in the North-East and -22.7% in the South and offset by a 31% increase in the North-West, which is the result of a substantial increase in the pig population in Lombardy. The situation is very similar for cattle, with a drop in the number of farms of between 45% and 48% and a drop in the number of head ranging between -17.5% in the North-West and -30.1% in the

Centre. The number of sheep farms shows an overall national decrease of 40.6%, with the North-West showing the steepest loss (-45.5%), whereas the Centre and the South show the largest decreases in the number of

head. There is a similar trend for goats, which show a decline above all in the Centre (-47% in farms and -36% in head) and in the South (-50.4% in farms and -29% in head).

*% change in number of livestock farms by category of livestock, 2000*



*Geographical distribution of livestock farms by category of livestock, 2000*

	CATTLE		PIGS		SHEEP		GOATS	
	farms	head	farms	head	farms	head	farms	head
North-West	41,509	2,480,904	11,520	4,766,853	6,630	199,945	8,540	108,177
North-East	48,513	1,843,194	24,175	2,468,458	5,679	177,042	6,831	50,435
Centre	24,699	483,788	46,834	659,089	25,340	1,503,766	7,444	69,238
South & Islands	57,273	1,241,366	112,976	751,259	59,369	4,929,636	25,796	695,905
ITALY	171,853	6,046,506	195,325	8,614,016	96,939	6,808,900	48,561	923,402

**% changes 2000/1990**

North-West	-45.5	-17.5	-55.4	31.0	-45.5	-9.7	-46.4	-8.3
North-East	-46.3	-22.9	-51.7	-9.2	-19.2	-3.5	-26.2	-4.5
Centre	-48.4	-30.1	-51.1	-38.7	-42.2	-26.1	-47.0	-36.0
South & Islands	-44.9	-21.6	-39.2	-22.7	-40.7	-21.8	-50.4	-29.0
ITALY	-46	-21.2	-45.3	2.5	-40.6	-22.1	-46.8	-26.7

Source: ISTAT Censuses.

# Forms of Agricultural Enterprise

There are 2,541,998 one-man agricultural enterprises in Italy (98% of the total). Limited and unlimited companies represent a mere 1.5% of the total and are to be found mainly in regions in the North-East. Cooper-

atives, totalling 1,867, are on the increase and are most common in the North-East (29.7%). There are few producer associations: 63 in all, most of which are on the two major islands. Public companies, of which there are

5,394, show a general downward trend except in the South, where they are also most concentrated (25.9%). There are few consortia, only 124 overall, which are concentrated in regions in the North-East (over 55%).

*Agricultural businesses by form of enterprise, 2000*

Form of enterprise	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH & ISLANDS	
	number	% change 2000/90	number	% change 2000/90	number	% change 2000/90	number	% change 2000/90
One-man business	234,140	-41.7	376,933	-23.1	466,808	-10.4	1,464,117	-7.6
Community of property or collective tenancy	460	27.1	1,432	89.4	1,317	85.8	2,352	43.9
Limited/unlimited company	10,475	284.4	14,642	378.3	8,326	162.7	5,232	330.3
Cooperative	275	915.8	554	519.6	402	368.8	636	1,347.4
Producer association	7	-	8	-	3	-	45	-
Public company	1,029	-43.3	1,298	-16.0	1,074	-20.7	1,993	2.6
Other	307	-	322	-	324	-	314	-

Source: ISTAT Censuses.

# Forms of Farm Management

Most farm enterprises – 94.8% – continue to be run directly by the farmer, although less so than in 1990. Moreover, 81% of farms are run on family

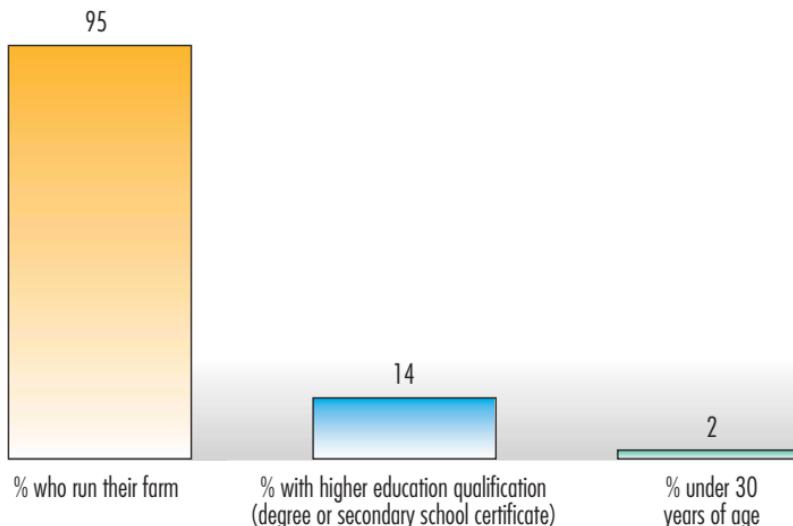
labour only and a fair number (10.2%) are run with family labour as their main source of manpower. Only 4% of farms use more labour from

outside the family than within. On 5% of farms, farmers limit themselves to managing their businesses and employ manpower on permanent or temporary contracts to do the manual work (farms run with wage-earning staff).

The number of farms run “on a time and materials basis”, i.e. those which employ wage-earning staff and those which resort exclusively to contractors, rose by 12.7% between 1990 and 2000. The farms run in this way represent 5.1% of the total.

Other forms of farm management, such as share-cropping agreements, are rare.

## *Characteristics of farmers, 2000*



## Farms by form of management, 2000

Form of management	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH & ISLANDS		ITALY	
	number	% change 2000/90	number	% change 2000/90	number	% change 2000/90	number	% change 2000/90	number	% change 2000/90
Run directly by farmer	234,235	-40.4	353,181	-24.0	460,153	-8.9	1,412,020	-7.7	2,459,589	-15.0
<i>only with family labour (%)</i>	95.3	2.1	92.9	1.3	94.3	3.8	79.6	8.7	85.8	5.1
<i>mainly with family labour (%)</i>	3.6	-1.5	5.8	-0.8	4.1	-2.2	14.4	-5.0	10.2	-2.9
<i>mainly with external labour (%)</i>	1.1	-0.6	1.3	-0.5	1.6	-1.5	6.0	-3.7	4.0	-2.1
Run with wage-earning staff	12,197	-15.1	41,668	38.8	17,565	2.2	61,574	9.1	133,004	12.7
Run under share-cropping agreement	67	-81.7	157	-91.4	340	-92.7	923	-57.1	1,487	-83.5
Other forms	194	169.4	183	31.7	196	-59.3	172	-93.0	745	-76.4
<b>TOTAL</b>	<b>246,693</b>	<b>-39.5</b>	<b>395,189</b>	<b>-20.5</b>	<b>478,254</b>	<b>-9.3</b>	<b>1,474,689</b>	<b>-7.3</b>	<b>2,594,825</b>	<b>-14.2</b>

Source: ISTAT Census.

# Farm Labour

Manpower engaged in the agricultural sector still consists for the most part in family labour. Only 1.3% of farms employ manpower from outside the family on a permanent contract and 14.6% employ external manpower on a temporary contract. Out of a total of 330 million days' labour worked in 1999/2000, the percentage worked by farmers and their families was

85.2%. The remaining 14.8% was worked by manpower from outside the family: 4% by workers employed on a permanent contract and 10.8% by workers employed on a temporary contract. The volume of work performed by manpower from outside the farmer's family (managers, white-collar workers and manual workers), measured in days, has fallen by

37.5% since 1990. The largest number of farms employing manpower from outside the family is concentrated in the South. The volume of work performed by the farmer continues to constitute the largest contribution by family labour (61.8%), with a 5% increase since 1990, while the volume of work from other categories of family labour has fallen.

## *Farm labour, 2000*

	DAYS OF WORK	
	number	% change
	2000/90 <sup>1</sup>	
Family labour	284,055,802	-25.5
farmer (%)	61.8	5.0
spouse (%)	18.9	-1.2
other members (%)	19.3	-3.9
Other labour	49,492,026	-37.5
on permanent contract (%)	26.9	-1.2
on temporary contract (%)	73.1	-3.9

<sup>1</sup> The figures indicate the absolute difference between the percentage values for the two years.

Source: ISTAT Census.

## *Characteristics of employment in agriculture (%), 2000*



# Mechanisation and Contract Work

Agricultural machinery (farm-owned, jointly-owned or hired from external sources) is used by 2.2 million Italian farms, or 86.5% of the total. Most of

the machinery used by farms is farm-owned or hired from external sources; only a small percentage of farms use jointly-owned machinery. These

national figures, however, hide a number of differences which emerge if the figures for different parts of Italy are considered. For example, the use

## Farms which use machinery, 2000

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH & ISLANDS		ITALY	
	number	% change 2000/90 <sup>1</sup>	number	% change 2000/90 <sup>1</sup>	number	% change 2000/90 <sup>1</sup>	number	% change 2000/90 <sup>1</sup>	number	% change 2000/90 <sup>1</sup>
Tractors	151,287	-32.3	309,029	-20.6	271,514	-17.5	823,463	-10.2	1,555,293	-16.3
farm-owned (%)	90.2	16.7	74.4	10.6	71.2	17.3	38.4	8.3	56.3	9.7
hired (%)	16.1	-19.6	46.2	-10.8	32.6	-15.9	62.3	-8.0	49.4	-10.0
Powered cultivators	139,184	-10.2	234,384	-25.9	224,179	-16.1	767,627	-5.5	1,365,374	-15.3
farm-owned (%)	96.1	7.4	90.0	5.5	89.0	6.4	73.4	5.4	81.1	4.7
hired (%)	4.7	-7.1	11.3	-4.8	11.2	-4.3	26.6	-5.3	19.2	-4.2
Combine harvesters	58,379	-50.3	168,551	-26.8	100,489	-41.2	259,476	-34.7	586,895	-35.9
farm-owned (%)	11.3	5.5	3.6	1.8	7.0	3.8	4.3	2.4	5.3	2.6
hired (%)	90.6	-3.5	96.8	-0.7	93.5	-2.3	95.9	-1.3	95.2	-1.4
Automatic harvesters	10,216	4.9	34,893	-24.7	14,288	-8.6	25,014	57.3	84,411	-3.6
farm-owned (%)	44.8	10.4	27.6	-7.6	30.8	14.7	36.0	12.5	32.7	3.1
hired (%)	57.5	-8.9	76.2	8.0	69.1	-10.1	64.3	-11.1	69.2	-2.0
Other machinery	132,134	-37.0	290,855	-24.6	153,702	-31.2	347,772	-44.8	924,463	-36.2
farm-owned (%)	87.5	16.4	70.2	8.9	77.2	19.4	60.0	10.8	70.0	13.1
hired (%)	20.2	-24.1	46.9	-21.5	27.3	-25.9	41.8	-15.9	37.9	-20.0

<sup>1</sup> The figures indicate the absolute difference between the percentage values for the two years.

Source: ISTAT Census.

of farm-owned tractors and powered cultivators is particularly high in the North-West and North-East while farm-owned automatic harvesters are particularly common in the North-West, in the South and on the two major islands.

The machinery most commonly owned by farms is machinery of a small size (42.7% of farms own at least a powered cultivator, a hoeing machine, a milling machine or a

mowing machine) and the tractor (33.8% of farms); the latter, however, is also often hired from external sources (about 34% of farms).

Less versatile and more costly pieces of machinery such as combine harvesters or automatic harvesters are mainly hired by farms from external sources. In the case of combine harvesters, 559,000 farms (36% of farms with arable crops) use hired machines. In the case of automatic harvesters,

58,000 farms (22.9% of farms with UAA) use hired machines, compared to 28,000 (10.8% of farms with UAA) which use their own.

In the years between the 1990 and the 2000 censuses, the use of farm-owned and hired machinery followed opposite trends: while there was an increase in the use of all types of farm-owned machinery, the contrary was true of the use of hired machinery.

# Inputs

Approximately 2.1 million Italian farms – just over 80% of the total – purchase inputs. More farms in the

North purchase inputs compared to farms in the South (84% of farms in the North-West and 90% in the

North-East, compared to 80% in the South). Nationally, over 80% of farms buy fertilisers among their inputs, with the largest percentage located in the South (85%).

Durable goods – i.e. goods consumed over more than one year – are purchased by 38% of national farms: among these, live animals are purchased by about 23% of livestock farms.

Since 1990 there has been a general decrease of 20.6% in the number of farms which purchase inputs; this result is due to a considerable decrease in farms buying goods consumed within one year (-45.7% for plant protection products and -23.1% for seeds and plants), which is only partly offset by the larger number of farms buying goods consumed over more than one year.

## Farms which purchase inputs, 2000

	TOTAL	DURABLE GOODS <sup>1</sup>	GOODS CONSUMED WITHIN ONE YEAR		
			Fertilisers	Plant protection products	Seeds & plants
North-West	207,603	110,666	149,049	110,373	132,515
North-East	351,166	165,810	275,421	222,960	239,477
Centre	379,077	152,707	295,448	172,925	201,030
South & Islands	1,146,704	358,452	975,179	515,206	452,231
ITALY	2,084,550	787,635	1,695,097	1,021,464	1,025,253
					159,307

## % changes 2000/1990

North-West	-39.0	79.6	-38.4	-51.7	-39.5	-38.1
North-East	-21.1	99.4	-25.8	-35.0	-23.9	-38.5
Centre	-19.0	71.1	-24.9	-47.8	-26.4	-42.7
South & Islands	-16.4	113.7	-21.2	-47.4	-14.0	-23.9
ITALY	-20.6	96.0	-24.4	-45.7	-23.1	-32.7

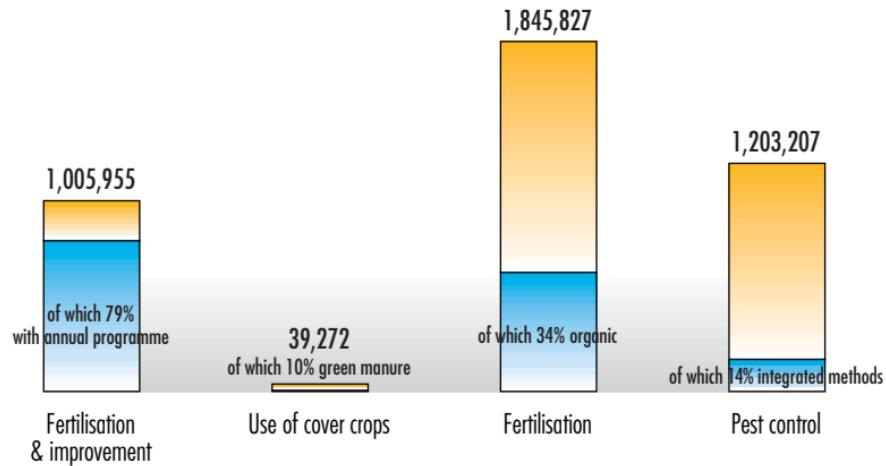
<sup>1</sup> Goods consumed over more than one year.

Source: ISTAT Census.

# Crop Farming Practices

77.6% of Italian farms fertilise and improve their land, plant cover crops, use organic fertilisers and carry out pest control measures. About 92% of these farms use fertilisers, over a third of them organic; 79% of the farms which fertilise and improve their land do so on the basis of an annual programme. Pest control measures are carried out by a fairly wide number of farms: 1.2 million (approximately 60%), of which 169,052 use integrated methods. Cover crops, on the other hand, are used by an insignificant number of farms (2%), of which just 10% use green manure.

*Farms using crop farming practices, 2000*

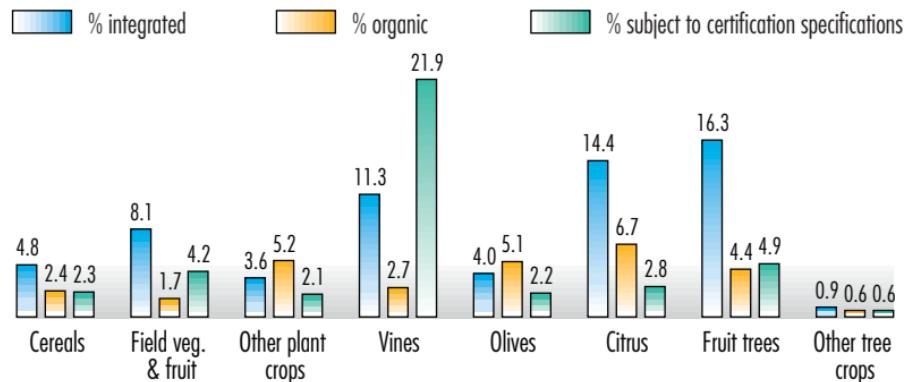


# Quality Production

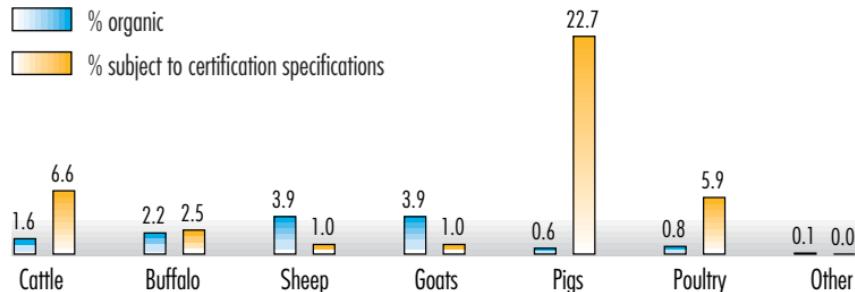
Among crops, the grape stands out for its quality production: 21.9% of the total area planted with vines is subject to DOCG, DOC or IGT regulations or to voluntary certification. Organic methods are used to grow some cereals (2.4% of land planted with cereals is farmed organically) and a fair percentage of olives (5.1% of land planted with olive trees is treated organically). Integrated methods, on the other hand, are especially used for growing fruit (used on 16.3% of land used for growing fruit).

In the livestock sector, 0.8% of poultry production is carried out with organic methods and 5.9% is subject to certification specifications. Organic methods are used for a good proportion of sheep production (3.9%) while 22.7% of pig production complies with the specifications for registered products (PDO and PGI).

*Quality crop production: % of total crop area by type of production, 2000*



*Quality livestock production: % of total number of head by type of production, 2000*



# Tenure of Land

The most common form of tenure of land is ownership (80%). Of the remaining 20%, 15.9% is rented and the other 4% is used free of charge. Comparing the different parts of Italy, farmers who own their land are the vast majority in regions in the South (87%), especially in Puglia (88.1%) and Calabria (88.8%) and are also very common in the Centre (82.3%), especially in Umbria (83.2%) and Lazio (87.9%). The picture changes in the North-West, where only 67% of farmers own their land, with particularly low percentages in Valle d'Aosta (46.1%) and Lombardy (62.4%). Rented land is common in this part of Italy, with peaks of 50.2% in Valle d'Aosta and 34% in Lombardy, whereas it is at its lowest in the South (8.2%). The highest number of farmers using land free of charge is found in the South (29.8%).

*Farms by form of tenure of land (%), 2000\**

	<b>Ownership</b>	<b>Rent</b>	<b>Use free of charge</b>
Piemonte	6.9	12.8	5.3
Valle d'Aosta	0.6	3.1	0.9
Lombardy	5.6	15.5	6.6
Trentino-Alto Adige	6.5	1.0	3.0
Veneto	6.1	6.8	4.3
Friuli-Venezia Giulia	2.1	2.1	2.9
Liguria	1.0	0.4	1.2
Emilia-Romagna	6.7	12.3	4.0
Tuscany	8.3	7.3	11.6
Umbria	3.4	2.9	2.4
Marche	3.5	4.5	2.6
Lazio	6.0	3.1	4.1
Abruzzo	3.7	1.7	4.8
Molise	1.5	1.3	1.9
Campania	4.8	2.7	5.1
Puglia	7.7	3.3	7.9
Basilicata	4.0	2.1	4.2
Calabria	5.2	1.8	6.1
Sicily	8.3	4.1	8.5
Sardinia	8.0	11.3	12.8
<b>ITALY</b>	<b>15,715,566</b>	<b>3,111,655</b>	<b>778,298</b>

\* Different forms of tenure of land can coexist on the same farm.

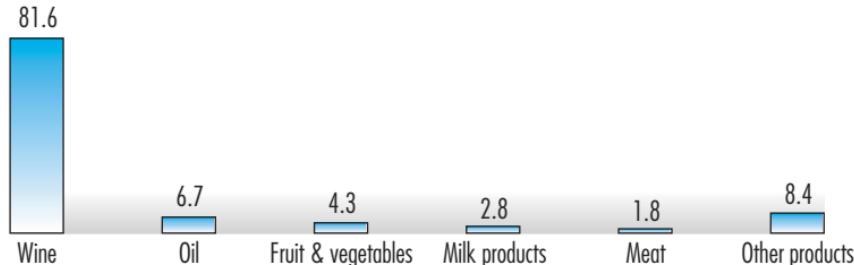
Source: ISTAT Census.

# Marketing of Commodities

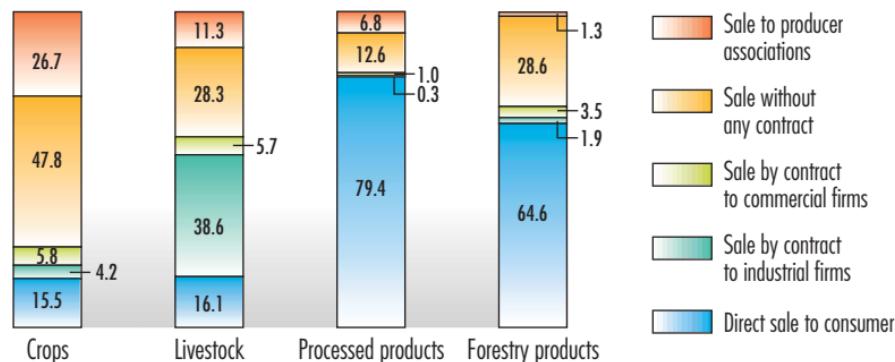
Very few Italian farms are furnished with equipment for processing and packaging their produce: just 44,778 overall (1.7% of the farms in the census). Most of the equipment (81.6%) is for making wine. Almost 7% of farms own equipment for producing oil, while the number of farms equipped for processing meat is almost negligible (just 811).

The ways in which farms market their commodities vary from product to product. Crops are mostly sold without any contractual obligations or to producer associations. Most processed products (79.4%) and forestry products (64.6%) are sold directly to the consumer. All modes of sale are used to sell livestock, but sale by contract to industrial firms is the most common.

*Farms with processing and packaging equipment (%), 2000*



*Comparative importance (%) of different modes of sale by product sector, 2000*





**ECONOMIC RESULTS  
ACCORDING TO THE FADN**

# Incomes in 2001

The Farm Accountancy Data Network (FADN) was set up in 1965 under Council Reg. (EEC) 79/65 in order to gather business data on farms throughout the European Community using the same methodology in all Member States, for the purpose of calculating farm income and analysing farm management.

The FADN sample currently includes approximately 60,000 farms throughout the EU, representing around 4 million farms which cultivate 90% of Europe's UAA and are responsible for over 90% of Europe's agricultural production. In Italy, the sample fluctuates currently between 14,000 and 16,000 farms. As from 2001 the sam-

ple only includes farms of an economic size over 4 ESU (therefore a comparison between 2001 and 2000 cannot be made).

The FADN field of survey only includes "commercial" farms, i.e. market-oriented farms which are able to guarantee the farmer a sufficient income.

*Average farm data according to altitude of territory; 2001\**

Farms number	UAA ha	WU	VFO	Variable costs	Fixed costs	Net income
				euro	euro	euro
Mountain areas	3,249	32.80	1.63	52,171	22,565	12,629
Hill areas	7,701	22.45	1.56	57,243	21,458	13,385
Lowland	4,133	22.17	1.80	86,705	36,218	20,535
<b>TOTAL</b>	<b>15,083</b>	<b>24.60</b>	<b>1.64</b>	<b>64,224</b>	<b>25,741</b>	<b>15,182</b>
						<b>27,859</b>

\* Provisional figures; the figures for Emilia-Romagna are missing.

Source: FADN.

For every farm, around 2,000 variables are recorded regarding size and structure as well as economic and accounting characteristics, including details of any access to and use of CAP measures. The data which is collected is also used to classify each

farm by its produce (Farm Type - FT) and by its economic size (European Size Unit - ESU). These parameters are also used to classify farms during censuses; this makes it possible to compare data from the sample with the universe to which it refers.

In Italy, farm data is verified, processed and fed into a national data bank, and then published in specialist publications. More detailed information is available from INEA offices.

#### *Average farm data by geographical area, 2001\**

Farms number	UAA ha	WU	VFO	Variable costs	Fixed costs	Net income
				euro	euro	euro
North	4,546	25.33	1.95	91,779	38,529	23,484
Centre	3,346	27.11	1.58	67,261	25,016	18,389
South & Islands	7,191	22.97	1.47	45,391	17,994	8,441
<b>TOTAL</b>	<b>15,083</b>	<b>24.60</b>	<b>1.64</b>	<b>64,224</b>	<b>25,741</b>	<b>15,182</b>
						<b>27,859</b>

\* Provisional figures; the figures for Emilia-Romagna are missing.

Source: FADN.

## Average farm data by ESU, 2001\*

	Farms number	UAA ha	WU	VFO	Variable costs	Fixed costs	Net income
					euro		
4 - 8 ESU	1,923	7.13	0.96	14,242	4,730	4,693	5,773
8 - 16 ESU	4,221	13.02	1.17	24,917	8,806	6,720	11,241
16 - 40 ESU	5,598	23.30	1.58	50,876	19,259	12,263	22,986
40 - 100 ESU	2,632	42.64	2.29	114,026	47,565	25,271	49,775
Over 100 ESU	709	84.21	4.42	354,306	153,710	79,595	143,823
<b>TOTAL</b>	<b>15,083</b>	<b>24.60</b>	<b>1.64</b>	<b>64,224</b>	<b>25,741</b>	<b>15,182</b>	<b>27,859</b>

\* Provisional figures; the figures for Emilia-Romagna are missing.

Source: FADN.

## Average farm data by type of farm, 2001\*

	Farms number	UAA ha	WU	VFO	Variable costs	Fixed costs	Net income
					euro		
Arable crops	4,056	30.24	1.37	52,325	19,821	14,332	18,969
Horticulture	874	2.18	2.07	66,102	23,709	12,475	29,958
Permanent tree crops	4,065	10.89	1.66	61,862	17,580	15,109	29,279
Herbivorous livestock	3,210	40.26	1.84	84,886	43,272	18,134	38,745
Granivorous livestock	61	13.37	1.88	276,999	142,399	30,332	109,361
Mixed crops	1,468	18.67	1.60	47,126	16,589	12,074	19,648
Mixed livestock	256	24.44	1.81	60,592	29,910	14,101	25,675
Mixed crops/livestock	1,093	35.19	1.69	66,919	33,006	15,681	28,914
<b>TOTAL</b>	<b>1,349</b>	<b>24.60</b>	<b>1.64</b>	<b>64,224</b>	<b>25,741</b>	<b>15,182</b>	<b>27,859</b>

\* Provisional figures; the figures for Emilia-Romagna are missing.

Source: FADN.

# Profitability of Crops

Figures are provided below for the costs and revenues involved in growing different types of crops. They have been obtained from figures from INEA's FADN data bank, using simple calculations to obtain the average values for "specific" costs and revenues and using valuations to calculate "imputed" costs, i.e. the part of those costs incurred by the farm as a whole (such as the use of farm machinery, maintenance and fixed expenses for improving farm land, general and administrative expenses and the consumption of fixed capital) which are attributed to each crop on a pro rata basis.

Results are given for each crop sector and then for each main crop product.

**Cereals** - This sector showed an overall fall in the value of production (approximately -4.5%), which was mainly due to lower yields. The crops which contributed most to this overall result were durum wheat, soft wheat and to a smaller extent maize. Rice,

on the contrary, gave a higher yield than the previous year.

**Industrial crops** - The crops in this sector showed extremely varying trends. Soya showed an increase in profitability (around 10%) as a result of increases of a similar size in both yield and selling price. Sunflowers, on the other hand, gave a lower yield (about -6%) while the selling price remained practically unchanged. The potato yield was very similar to the previous year but the selling price rose by about 20%.

**Field vegetables and fruit** - This sector showed a significant fall in yields (about -8%), which was not always offset by an adequate increase in selling prices. In the case of tomatoes, prices were extremely variable according to how they were established (through inter-sectorial agreements or free negotiation between the contracting parties). There was, on the other hand, a high increase in the selling price of strawberries.

**Treecrops** - This sector showed an overall increase in yield of about 5% but this increase was the result of very different trends among the various crops. Kiwis and oranges, for example, showed lower yields (-5% and -7.5% respectively) while the yields of apples, peaches and dessert grapes showed increases of between 3% and 5%. Selling prices showed varying trends too, with lower prices for kiwis (-8%) and peaches (-4%) and higher prices for oranges and apples (around +8%) and dessert grapes (+5%).

The terms used in the following tables are defined below to help the reader interpret the data correctly.

- **Crop:** only crops grown in the open are taken into consideration; crops grown in industrial nurseries or glasshouses are not included.
- **Yield:** quantity of main product harvested in the year.
- **Selling price:** average selling price of the main product sold in the year; this can also be applied to

- production from previous years (left-over stock).
- **Gross output:** value of production of the main crop and of secondary products, not including public subsidies and premiums. Gross output does not equate to “yield” x “selling price” in that these refer to the main crop only; the selling price can also differ from the average value of the product in the year if there is a time lag between production and sale or if products are not sold but used differently (e.g. transactions within the industry, own consumption etc).
- **Premiums and subsidies:** public aid payments disbursed during the year for crops and/or crop products; excludes generic subsidies and payments for other processes.
- **Specific costs:** expenditure on raw

materials (purchase/use of farm-produced seeds and plants, purchase/use of farm-produced fertilisers, pesticides and herbicides, irrigation water and other specific expenses) and on machinery, energy and services, i.e. specific fuel and electricity, specific insurance premiums, mechanisation costs (hire charges, specific machinery-related costs such as fuel, lubricants, maintenance and insurance, and depreciation of machinery) and is estimated for each crop on a pro rata basis. The cost of casual labour is not included.

- **Gross margin** = Total revenue - specific costs.
- **Imputed costs:** are broken down into:
  - land capital (rents, ordinary maintenance, depreciation of improvements to property and

interest calculated at 1% of the value of land capital), estimated on a pro rata basis for each crop;

- working capital (interest calculated at 2.5% on the value of capital paid out in advance and at 2% on the value of machinery and tools), estimated on a pro rata basis for each crop;
- other fixed costs (general and administrative expenses, taxes and duties; does not include the cost of family or paid labour), estimated on a pro rata basis for each crop.

- **Total cost** (excluding labour) = Specific costs + imputed costs.

- **Income from activity** = Gross output from crop + premiums and subsidies - total cost (excluding labour). Equivalent to sum available for remuneration of business activity and labour.

*Profitability of crops in Italy (euro/ha), 2001*

	Yield q/ha	Selling price euro/q	Revenue			specific	Costs imputed	total	Income from labour and business
			gross output	premiums and subsidies	total				
<b>CEREALS</b>									
Durum wheat	28	17.93	543	527	1,070	435	248	683	387
Soft wheat	42	15.60	722	282	1,004	475	269	744	260
Maize	98	12.48	1,199	473	1,672	818	526	1,344	327
Rice	53	30.23	1,581	395	1,977	956	551	1,507	470
<b>INDUSTRIAL CROPS</b>									
Soya	36	20.98	765	603	1,368	538	432	970	398
Potatoes	308	20.67	5,933	47	5,979	2,601	1,349	3,950	2,029
Sunflowers	19	20.86	404	479	883	354	208	562	320
<b>FIELD VEGETABLES AND FRUIT</b>									
Strawberries	121	204.98	23,890	3	23,893	7,009	4,792	11,801	12,092
Melons	265	39.84							
Tomatoes	619	9.82	5,490	368	5,858	2,376	979	3,354	2,504
Courgettes	277	43.76	10,686	37	10,723	2,668	1,610	4,278	6,444
Green beans	76	67.31	4,643	27	4,670	1,340	869	2,209	2,461

continued...

Source: FADN.

*Profitability of crops in Italy (euro/ha), 2001*

	Yield q/ha	Selling price euro/q	Revenue			specific	Costs imputed	total	Income from labour and business
			gross output	premiums and subsidies	total				
<b>TREE CROPS</b>									
Kiwi	177	50.68	9,064	271	9,336	1,949	1,621	3,570	5,765
Oranges	186	23.85	4,331	114	4,445	964	595	1,559	2,886
Apples	283	29.40	7,921	258	8,179	2,457	1,421	3,878	4,300
Peaches	150	50.46	7,331	147	7,478	1,565	1,067	2,631	4,847
Dessert grapes	231	45.56	10,273	136	10,409	2,884	1,631	4,515	5,893
Grapes for quality wine	112	59.90	6,155	350	6,505	1,667	1,434	3,101	3,404
Grapes for ordinary wine	148	30.84	4,428	148	4,576	1,239	980	2,219	2,357
Olives for eating	51	83.68	4,163	177	4,339	651	611	1,262	3,077

Source: FADN.

*Profitability of single crops by area (euro/hectare), 2001*

	Durum wheat		Soft wheat			Maize			
	Centre	South & Islands	North-West	Centre	South & Islands	North-West	North-East	Centre	South & Islands
Yield (q/ha)	32	26	50	40	29	104	105	67	56
Selling price (euro/q)	18.31	17.71	15.05	15.59	17.24	12.79	11.49	14.42	17.20
Total revenue	1,225	978	1,202	928	734	1,816	1,656	1,477	1,240
of which gross output	625	494	861	659	576	1,327	1,193	954	914
of which premiums and subsidies	601	484	342	269	158	490	462	523	325
Specific costs	537	375	539	461	347	915	801	712	543
of which raw materials	227	161	236	196	135	441	431	317	239
of which machinery, energy & services	310	215	303	265	213	475	369	395	304
GROSS MARGIN	688	603	663	467	386	901	855	765	696
Imputed costs	331	198	335	251	148	506	588	400	251
of which land capital	188	114	207	143	86	313	310	227	145
of which working capital	68	43	65	51	32	99	56	82	55
of which other general costs	76	41	63	57	31	95	221	91	52
Total cost <sup>1</sup>	869	574	874	712	496	1,422	1,388	1,111	794
per quintal (euro)	27	22	17	18	18	14	13	17	14
INCOME FROM LABOUR AND BUSINESS	357	404	328	216	238	395	267	366	445

<sup>1</sup> Excludes labour.

Source: FADN.

## Profitability of single crops by area (euro/hectare), 2001

	Rice North-West	Soya North-East	Potatoes			
			Nord-West	North-East	Centre	South & Islands
Yield (q/ha)	53	36	249	343	216	309
Selling price (euro/q)	30.23	20.98	26.64	21.39	24.76	19.00
Total revenue	1,977	1,368	5,358	7,259	5,218	5,455
of which gross output	1,581	765	5,240	7,193	5,204	5,424
of which premiums and subsidies	395	603	118	67	15	31
Specific costs	956	538	2,180	3,254	1,975	2,378
of which raw materials	473	238	938	2,049	1,049	1,540
of which machinery, energy & services	483	300	1,242	1,206	927	838
GROSS MARGIN	1,022	830	3,178	4,005	3,244	3,077
Imputed costs	551	432	1,583	2,294	1,207	820
of which land capital	341	236	880	1,253	679	440
of which working capital	107	39	329	204	235	194
of which other general costs	103	158	375	837	293	186
Total cost <sup>1</sup>	1,507	970	3,764	5,549	3,182	3,197
per quintal (euro)	29	27	19	16	16	11
INCOME FROM LABOUR AND BUSINESS	470	398	1,594	1,711	2,036	2,257

<sup>1</sup> Excludes labour.

Source: FADN.

*Profitability of single crops by area (euro/hectare), 2001*

	Sunflowers				Strawberries		Melons		
	North-West	North-East	Centre	South & Islands	North-West	North-East	North-East	Centre	South & Islands
Yield (q/ha)	24	25	19	14	102	124	337	297	180
Selling price (euro/q)	19.51	21.17	21.16	19.56	256.65	197.26	47.40	32.83	38.27
Total revenue	1,033	959	885	762	24,976	23,732	16,427	9,909	6,610
of which gross output	466	529	405	273	24,965	23,730	15,957	9,856	6,593
of which premiums and subsidies	567	430	480	489	12	2	469	53	17
Specific costs	449	385	367	238	9,860	6,584	4,238	4,037	2,105
of which raw materials	155	153	144	81	5,735	3,263	2,256	2,579	1,347
of which machinery, energy & services	294	232	223	158	4,126	3,320	1,981	1,459	757
GROSS MARGIN	584	574	518	524	15,115	17,149	12,189	5,872	4,505
Imputed costs	305	303	205	115	4,750	4,799	3,321	1,646	884
of which land capital	170	166	115	62	2,736	2,284	1,581	825	463
of which working capital	63	26	40	27	1,034	431	298	330	190
of which other general costs	72	111	50	26	981	2,083	1,442	491	231
Total cost <sup>1</sup>	754	688	572	353	14,610	11,382	7,558	5,683	2,989
per quintal (euro)	33	28	30	33	150	94	23	19	17
INCOME FROM LABOUR AND BUSINESS	279	271	313	409	10,366	12,350	8,867	4,226	3,621

<sup>1</sup> Excludes labour.

Source: FADN.

## Profitability of single crops by area (euro/hectare), 2001

	Tomatoes				Courgettes			
	North-West	North-East	Centre	South & Islands	North-West	North-East	Centre	South & Islands
Yield (q/ha)	566	658	649	561	159	234	161	361
Selling price (euro/q)	10.97	6.85	10.17	13.72	48.71	65.73	66.68	33.40
Total revenue	5,387	4,660	6,458	7,413	7,943	13,277	8,774	12,261
of which gross output	5,336	4,481	6,421	6,616	7,868	13,269	8,682	12,253
of which premiums and subsidies	51	179	36	797	75	8	92	7
Specific costs	1,982	2,125	2,681	2,683	2,409	3,819	2,341	2,810
of which raw materials	901	1,271	1,582	1,574	1,246	2,250	1,196	1,393
of which machinery, energy & services	1,081	854	1,099	1,109	1,164	1,568	1,145	1,417
GROSS MARGIN	3,404	2,536	3,777	4,730	5,533	9,458	6,432	9,450
Imputed costs	1,024	943	1,072	991	1,510	2,685	1,457	1,640
of which land capital	590	448	538	519	870	1,278	731	858
of which working capital	223	85	214	213	329	241	292	352
of which other general costs	211	409	320	259	312	1,165	435	429
Total cost <sup>1</sup>	3,006	3,067	3,753	3,674	3,919	6,503	3,798	4,450
per quintal (euro)	7	5	6	7	25	30	28	12
INCOME FROM LABOUR AND BUSINESS	2,381	1,593	2,705	3,738	4,023	6,774	4,976	7,811

<sup>1</sup> Excludes labour.

Source: FADN.

*Profitability of single crops by area (euro/hectare), 2001*

	Green beans			Kiwi			Oranges
	North-West	North-East	South & Islands	North-West	North-East	South & Islands	South & Islands
Yield (q/ha)	69	75	94	184	178	149	186
Selling price (euro/q)	93.44	54.52	75.25	59.19	48.28	46.08	23.85
Total revenue	6,464	3,668	5,744	11,417	8,896	7,261	4,445
of which gross output	6,411	3,645	5,744	10,969	8,691	6,978	4,331
of which premiums and subsidies	54	23	0	448	205	283	114
Specific costs	1,794	1,162	1,289	2,103	1,956	1,545	964
of which raw materials	826	614	557	372	923	566	447
of which machinery, energy & services	969	548	731	1,731	1,033	979	517
GROSS MARGIN	4,670	2,506	4,455	9,314	6,940	5,716	3,482
Imputed costs	1,229	742	768	1,973	1,594	972	595
of which land capital	708	353	402	951	797	488	299
of which working capital	267	67	165	463	172	187	114
of which other general costs	253	322	201	560	625	297	182
Total cost <sup>1</sup>	3,023	1,904	2,057	4,076	3,550	2,517	1,559
per quintal (euro)	44	29	26	22	20	16	9
INCOME FROM LABOUR AND BUSINESS	3,441	1,764	3,687	7,341	5,345	4,744	2,886

<sup>1</sup> Excludes labour.

Source: FADN.

*Profitability of single crops by area (euro/hectare), 2001*

	Apples				Peaches			Dessert grapes
	North-West	North-East	Centre	South & Islands	North-West	Centre	South & Islands	South & Islands
Yield (q/ha)	245	332	181	142	190	113	150	231
Selling price (euro/q)	29.57	25.14	43.64	43.82	37.55	62.55	50.44	45.56
Total revenue	7,617	8,594	8,145	6,081	7,216	7,237	7,575	10,409
of which gross output	7,167	8,445	7,773	5,740	6,774	7,064	7,488	10,273
of which premiums and subsidies	449	149	372	341	443	172	87	136
Specific costs	2,309	2,654	2,147	1,614	1,752	1,517	1,539	2,884
of which raw materials	1,120	1,536	1,019	881	652	641	700	1,254
of which machinery, energy & services	1,189	1,119	1,127	733	1,099	876	839	1,630
GROSS MARGIN	5,308	5,940	5,999	4,467	5,465	5,719	6,036	7,525
Imputed costs	1,316	1,540	1,304	814	1,247	1,159	1,014	1,631
of which land capital	634	769	727	409	601	645	510	725
of which working capital	309	166	266	156	292	236	195	357
of which other general costs	373	605	312	248	354	277	310	551
Total cost <sup>1</sup>	3,625	4,194	3,452	2,428	2,999	2,676	2,553	4,515
per quintal (euro)	15	13	20	19	16	24	17	20
INCOME FROM LABOUR AND BUSINESS	3,991	4,400	4,693	3,653	4,218	4,560	5,022	5,893

<sup>1</sup> Excludes labour.

Source: FADN.

*Profitability of single crops by area (euro/hectare), 2001*

	Grapes for quality wine				Grapes for ordinary wine				Olives for eating
	North-West	North-East	Centre	South & Islands	North-West	North-East	Centre	South & Islands	South & Islands
Yield (q/ha)	96	130	93	125	91	162	116	147	51
Selling price (euro/q)	69.64	52.75	71.83	47.78	55.20	32.20	34.59	28.19	83.68
Total revenue	6,986	7,108	6,084	5,938	5,274	5,345	3,986	4,163	4,339
of which gross output	6,574	6,815	5,648	5,664	4,958	5,196	3,821	4,026	4,163
of which premiums and subsidies	412	294	436	274	317	150	165	137	177
Specific costs	1,728	1,984	1,474	1,476	1,406	1,650	1,002	1,009	651
of which raw materials	510	750	483	580	527	750	407	379	207
of which machinery, energy & services	1,219	1,234	990	895	879	900	594	630	444
GROSS MARGIN	5,258	5,124	4,611	4,463	3,868	3,695	2,984	3,154	3,689
Imputed costs	1,289	1,986	1,362	974	974	1,475	868	674	611
of which land capital	571	910	695	433	431	676	443	300	281
of which working capital	299	255	250	213	226	189	160	147	92
of which other general costs	419	821	416	329	317	609	265	227	238
Total cost <sup>1</sup>	3,017	3,970	2,835	2,449	2,380	3,125	1,870	1,683	1,262
per quintal (euro)	32	31	36	20	26	20	17	12	36
INCOME FROM LABOUR AND BUSINESS	3,969	3,139	3,249	3,489	2,894	2,220	2,116	2,480	3,077

<sup>1</sup> Excludes labour.

Source: FADN.

# Profitability of Farms in Europe

## Introduction

EU methodology guarantees the consistency of data collected from Member States for the FADN data bank, making it possible to carry out valid comparisons between the performances of farms belonging to the various EU nations. In the following pages a first overview is presented of average farm results achieved by Italian and European farms specialising in three important sectors of Italian agriculture: arable crops (cereals, oilseeds and protein crops), wine and olives. The countries selected for the comparison of results were chosen on the basis of the volume of output; the countries with the highest output in each sector were selected.

The data used to calculate the figures quoted in this chapter come from the public data bank belonging to the European FADN.

**Gross output:** value of output from crops, livestock and other farm products; includes sales, transactions with-

in the industry, own consumption, variations in live stocks and in stocks of crop/livestock products. Gross output (GO) includes production subsidies for crops and livestock and therefore measures the sum actually received by farmers for their produce, in accordance with the principle of basic prices used in the European System of National Accounts (ESA 95).

**Intermediate consumption:** the sum of specific costs (including transactions within the industry) and general production costs (not specifically attributable to any single production) incurred in the year concerned.

**Value added:** equivalent to gross output minus intermediate consumption.

**Depreciation:** calculated for plantations (including forestry), buildings, fixtures, land improvements, machinery and tools on the basis of their replacement value.

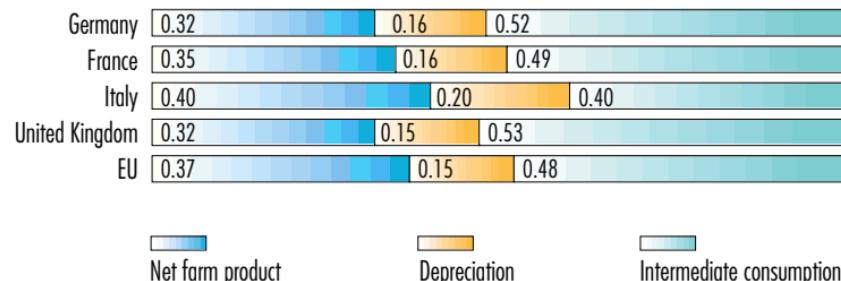
**Net farm product:** equivalent to value added minus depreciation. Represents remuneration of fixed production factors, independently of whether they belong to the family or are from outside the family.

A last point to note is that the figures in the tables refer to the farm considered in its entirety so in addition to the crops in which a farm specialises on the basis of the European farm type classification, other crops and/or livestock may have contributed to the results presented here.

## *Cereals, oilseeds and protein crops*

The average results of Italian farms which specialise in growing cereals, oilseeds and protein crops diverge distinctly from those of British, French and German farms and also from the EU average. The divergence, which is already noticeable in terms of the break-down of gross output, becomes even greater in terms of area and

**Farms which specialise in arable crops (cereals, oilseeds and protein crops):  
% breakdown of gross output (1998/1999/2000 average)**



Source: calculations using data from EU-FADN, European Commission, DG-Agriculture.

**Farms which specialise in arable crops (cereals, oilseeds and protein crops):  
average farm results, in euro (1998/1999/2000 average)**

	GO/WU	VA/WU	GO/ha	VA/ha
Germany	80,391	38,389	1,303	622
France	89,241	45,147	1,267	641
Italy	24,703	14,796	1,358	814
United Kingdom	99,974	47,420	1,265	600
EU	52,659	27,418	1,065	554

Source: calculations using data from EU-FADN, European Commission, DG-Agriculture.

especially labour productivity.

Intermediate consumption on Italian farms represents a much smaller proportion of gross output than the European average whereas the percentage of depreciation is slightly higher than the EU average; as a result, the net product of Italian farms represents 40% of gross output compared to the EU average of 37%.

As far as labour and area productivity is concerned, Italian farms show contrasting results which differ substantially from both the EU average and the other three countries considered. On Italian farms gross output and value added per work unit are considerably lower, mainly because of the smaller average size of farms: just over 16 hectares compared to an EU average of over 54 hectares, with peaks of 146 in the UK and 119 in Germany. Moreover, on Italian farms the use of labour per hectare is approximately two and a half times higher than the EU average and as much as four and a half times the

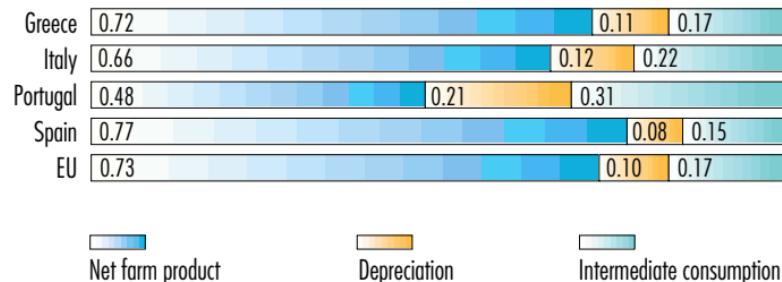
British figure. Area productivity, however, is decidedly positive and substantially higher than the European average.

These results confirm the comparative disadvantage of Italian farms specialising in arable crops – which are traditionally extensive crops – as a result of their agricultural heritage: a limited endowment of area together with an over-endowment of labour.

## Olives

The picture of European specialist olive farms that emerges from the European FADN data bank is an extremely varied one in terms of economic performance. Each country appears to be a case in itself, differing in the use and productivity of factors. Greek farms faithfully reflect the EU average as regards both the breakdown of gross output and the specialisation of UAA. On Italian farms, on the other hand, intermediate consumption and depreciation account

### *Farms which specialise in olive production: % breakdown of gross output (1998/1999/2000 average)*



Source: calculations using data from EU-FADN, European Commission, DG-Agriculture.

### *Farms which specialise in olive production: average farm results, in euro (1998/1999/2000 average)*

	GO/WU	VA/WU	GO/ha	VA/ha
Greece	8,967	7,493	3,290	2,749
Italy	15,613	12,212	2,680	2,096
Portugal	5,942	4,118	296	205
Spain	18,522	15,817	2,154	1,839
EU	13,492	11,205	2,429	2,017

Source: calculations using data from EU-FADN, European Commission, DG-Agriculture.

for a slightly higher share of gross output than the EU average, with the result that the net farm product is lower. The degree of specialisation is high in Italy: the area on which farms grow olives represents 78% of their UAA (slightly lower than the EU average) and olive production represents 84% of the gross output of farms (in line with the EU average). Spain and Portugal, although they are neighbouring countries, show opposite results: Spanish farms are very efficient in their production process, with intermediate consumption and depreciation accounting for very low shares of their gross output, whereas in Portugal these are very high. As a consequence, Spanish farms show the highest net farm product and Portugal the lowest. One reason for this particularly noticeable disparity in results is the difference in the degree of specialisation: despite an almost identical area of olive trees (10.3 hectares in Spanish farms and 9.9 hectares in Portuguese farms), on Spanish farms olive pro-

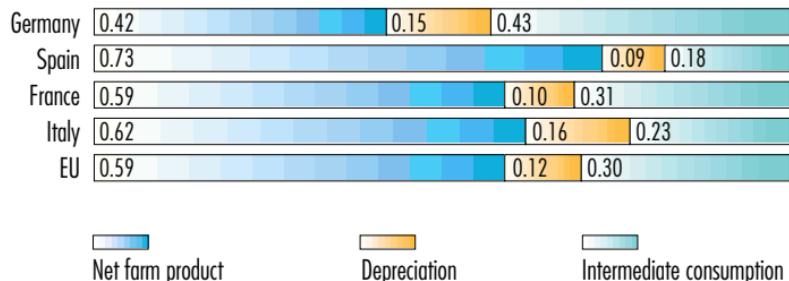
duction represents 96% of total farm gross output whereas on Portuguese farms it represents only 51% of the total value of farm output.

In terms of area and labour productivity, Italian farms show good results on all indices consistently above the EU average. Portuguese farms, on the other hand, show noticeably low values on all indices, as a result of a low degree of specialisation. Greek and Spanish farms show opposite results: the former compensate for low labour productivity with the highest area productivity, whereas the latter show the highest labour productivity but a lower area productivity. These performances are partly explained by factor endowment: Spanish farms have an average area of around 11.7 hectares whereas Greek and Italian farms are far smaller with 4 and 4.7 hectares respectively. As far as the contribution of labour per hectare is concerned, Greek farms employ 0.39 WU/ha compared to 0.12 WU/ha on Spanish farms and 0.17 WU/ha on Italian farms.

## ***Wine***

The picture of European specialist wine farms that emerges from the European FADN data bank is a variegated one; the economic results indicate the existence of two groups, one made up of France and Germany and the other made up of Italy and Spain. As regards the break-down of gross output, compared to the European average Italian and Spanish farms show a smaller percentage of intermediate consumption and a larger percentage of net farm product. French farms fully reflect the European averages whereas German farms show a considerable percentage of intermediate consumption with a consequently lower net farm product: 42% compared to the EU average of 59%. Productivity also varies considerably both among the different countries and between labour and area productivity. French and Spanish farms show opposite results: French farms show far higher productivity on all

## *Farms which specialise in wine production: % breakdown of gross output (1998/1999/2000 average)*



Source: calculations using data from EU-FADN, European Commission, DG-Agriculture.

## *Farms which specialise in wine production: average farm results, in euro (1998/1999/2000 average)*

	GO/WU	VA/WU	GO/ha	VA/ha
Germany	39,000	22,415	10,597	6,091
Spain	22,874	18,741	1,886	1,545
France	71,441	49,019	8,317	5,706
Italy	25,895	20,067	5,462	4,232
EU	40,060	28,232	5,894	4,154

Source: calculations using data from EU-FADN, European Commission, DG-Agriculture.

indices compared to the EU average, with the highest labour productivity in all the EU, while Spanish farms show considerably lower results than the EU average on all indices.

Italian farms, while showing a mediocre performance, show different results for the two kinds of productivity: their labour productivity is substantially lower than the EU average whereas their area productivity is broadly the same as the EU average. German farms, on the other hand, stand out for their high area productivity, which is even higher than for French farms, but their labour productivity is not remarkable.

In terms of factor endowment the four countries show different results: in this case France and Spain are very similar, with low values for labour per hectare (0.12 WU/ha on French farms and 0.08 WU/ha on Spanish farms) and a high average area planted with vines (14.1 and 13.3 ha respectively). Germany and Italy, on the other hand, show a low average area planted with

vines (6.1 ha on German farms and 4.1 ha on Italian farms) and more labour per hectare (0.27 and 0.21 WU/ha respectively). The level of land and labour endowment does not, therefore, appear to be the main reason

for the different economic performances of specialist wine farms. The reason perhaps lies in the different evaluation of grape and wine production by the market in the four wine-producing countries. It is worth remembering, in

fact, that in France and Germany the percentage of wines of certified origin (VQPRD) is far higher than in Spain and Italy, despite the continuing increase in certified wines in the two Mediterranean countries.



# **AGRICULTURE AND THE ENVIRONMENT**

# Environmental Policy

## *European Union actions in favour of the environment*

The Sixth EU Environment Action Programme, approved with Decision 2002/1600/EC and valid for the next ten years, lays the emphasis on the importance of country planning and on action at regional and local level centred on four priority areas: climate change; nature and biodiversity; environment, health and quality of life; natural resources and waste. Furthermore, in order to intensify efforts to give citizens a say in decision-making on environmental issues, with Directive 2003/4/EC the EU set up a general framework for information on the environment in accordance with the 1998 Aarhus Convention.

On the international front, in the documents approved at the world summit on sustainable development held at Johannesburg in September 2002, the EU and 190 other countries committed themselves to fighting climate

change processes, to preserving the world's ecosystem and biodiversity in particular, and to impeding environmental degradation, pollution, desertification and excessive exploitation of the sea and oceans.

For ten years LIFE has been the financial instrument for the EU's environmental policy. Now in its third phase (2000-04), it has resources amounting to 640 million euro. It is divided into three project areas: Environment (allotted 47% of the total resources), Nature (47%) and Third Countries (6%). LIFE-Environment finances demonstration projects for developing innovative techniques and methods for land planning, water management, the impact of economic activities, waste management and an integrated product policy. LIFE-Nature focuses on the management and conservation of wildlife and the most precious habitats in the EU and contributes to the creation of the European Natura 2000 network. In 2002 Italy was granted financing for 7

LIFE-Nature projects (3.1 million euro) and 16 LIFE-Environment projects (7.5 million euro).

All Member States of the European Union contribute to the creation of the Natura 2000 network, which is made up of special areas (SPAs), designated according to the 1979 "Birds" Directive for the protection of wild birds, and sites of community importance (SCIs), designated according to the 1992 "Habitats" Directive for the conservation of natural habitats and species of wild fauna and flora.

## *The environment and agricultural policy*

Further to the Agenda 2000 reforms, the environmental element of the CAP has been considerably reinforced and the agri-environment and forestry measures adopted for the 2000-2006 planning period have been incorporated into the wider framework of rural development measures.

## Implementation of the Natura 2000 Network\*

Member State	Directive 79/409			Directive 92/43		
	number of SPAs	total area (km <sup>2</sup> )	% of national land area	number of SCIs	total proposed area (km <sup>2</sup> )	% of national land area
Belgium	36	4,313	14.1	270	3,178	10.4
Denmark	111	9,601	22.3	194	10,259	23.8
Germany	457	28,857	8.1	3,535	32,143	9.0
Greece	110	8,111	6.1	236	27,641	20.9
Spain	384	74,178	17.8	1,276	118,496	23.5
France	117	8,989	1.6	1,174	40,632	7.4
Ireland	109	2,236	3.2	364	9,953	14.2
Italy	338	21,400	7.1	2,369	41,266	13.7
Luxembourg	13	160	6.2	38	352	13.7
Netherlands	79	10,000	24.1	76	7,330	17.7
Austria	95	12,353	14.7	160	8,896	10.6
Portugal	47	8,471	9.4	94	16,500	17.9
Finland	451	27,500	8.1	1,671	60,090	17.8
Sweden	436	23,306	5.2	3,420	57,476	12.8
United Kingdom	239	14,164	5.8	567	24,064	9.9
EU	3,402	235,819	-	15,453	458,276	-

\* Some of the sites may have been presented, fully or partially, for both directives so the figures for the SPAs and SCIs cannot be summed together.  
 Situation at 28 March 2003.

Source: *Nature Newsletter* published by the Environment DG of the European Commission, May 2003.

As far as the common organizations of the market are concerned, Member States have been given the power to subject the payment of direct subsidies guaranteed by the CAP to fulfilment of minimum environmental requirements.

### *National policy in favour of the environment*

The Environmental Action Strategy for Sustainable Development in Italy for the period 2002-2010 confirms that protection and enhancement of the environment must be taken into account in all policy areas and in the planning and projects for each policy area. The field of action covered by the Strategy involves a number of issues: climate, biodiversity, the sustainable use of natural resources, waste management and quality of the environment and of life in urban environments. The Strategy is financed by the Sustainable Development Fund,

which allotted it over 150 million euro for 2001-2002, of which 30% were allocated to the South.

In 2002, 13 million euro were made available for promoting the adoption of the “local Agenda 21” plans for sustainable development and 58 million euro were allocated to schemes benefiting mountain areas. Numerous schemes were also initiated on behalf of the environment through structural policy programmes and negotiated planning measures: these range from environmentally-friendly infrastructure schemes to the ecological conversion of certain production sectors and

the enhancement of the environmental heritage through the promotion of historical towns, the arts and wine and food specialities.

As regards new laws, law n. 179/02 set out new procedures for reclamation and sanitary waste and provided for the creation of a Marine Environment Division in the Harbour Offices Corps and the implementation of an environmental communication programme for the two-year period 2002-03. Legislative decree n. 287/02 redefined the responsibilities and duties of the Ministry of the Environment. In October 2002, the

National Agency for the Protection of the Environment (ANPA) and the national geological, hydrographic and marigraphic agencies merged to form the Agency for the Protection of the Environment and Technical Services (APAT). At the end of 2002, a national action plan was approved for the reduction in greenhouse gas emissions in accordance with law n. 120/02, which ratified the Kyoto Protocol, and decrees were issued with the technical directives for regions to follow in order to evaluate the quality of the air and adopt measures to protect the ozone layer.

# Protected Areas

Three million hectares – approximately 11% – of Italian territory are protected. There are approximately a thousand separate protected areas, divided into 22 national parks, 20 State marine reserves, 145 State nature reserves, 99 regional nature parks, 332 regional nature reserves and hundreds of other areas protected by legislative provisions governing Italy's cultural and environmental heritage. As much as 85% of the total area of national and regional parks is mountainous (mountainous terrain constitutes 54% of Italian territory). Campania, Abruzzo and Trentino-Alto Adige are the regions with most protected area. In the last few years, the national system of protected areas has been enriched by sites of community importance (SCI), which form part of the national ecological network, itself part of the European Natura 2000 network. In June 2002 Italy signed the El Teide Declaration, which gave a new boost to the management of the Natura 2000 network, and in a minis-

terial decree dated 3 September 2002 guidelines were issued for managing Natura 2000 sites. Legislation was also passed (presidential decree 120/03) to amend the implementation decree for the "Habitats" Directive 92/43/EEC regarding the identification of sites of community importance. Thanks to the Ramsar Convention on wetlands of international importance, 46 sites in Italy have been recognised since 1976 as habitats of aquatic birds and ecosystems with a very high degree of biodiversity.

To encourage sustainable development in protected areas, several planning agreements have been promoted by the Ministry for the Environment, including: APE (Apennine Park of Europe), ITACA (minor islands in the Mediterranean) and CIP (protected Italian coastlines). A fund for the conservation of the environment and economic and social development on the minor islands has also been set up (through law n. 448/01); over 51 million euro were allocated for 2002.

## *Established national parks (\*)*

- Abruzzo, Lazio e Molise 49,680 hectares
- Appennino Tosco-Emiliano 22,792 hectares
- Arcipelago della Maddalena 5,100 hectares of land and 15,046 hectares of sea
- Arcipelago Toscano 16,996 hectares of land and 56,766 hectares of sea
- Asinara 5,170 hectares of land and 21,790 hectares of sea
- Aspromonte 76,053 hectares
- Cilento e Valle di Diano 178,172 hectares
- Cinque Terre 3,860 hectares
- Circeo 5,616 hectares
- Dolomiti Bellunesi 15,132 hectares
- Foreste Casentinesi, Monte Falterona e Campigna 31,038 hectares
- Gargano 118,144 hectares
- Golfo di Orosei e del Gennargentu 73,935 hectares
- Gran Paradiso 70,318 hectares
- Gran Sasso e Monti della Laga 141,341 hectares

- Maiella 62,838 hectares
- Monti Sibillini 69,722 hectares
- Pollino 171,132 hectares
- Sila 11,803 hectares
- Stelvio 133,325 hectares
- Val Grande 11,340 hectares
- Vesuvio 7,259 hectares

(\*) Source: 4<sup>th</sup> update of the Official List of Protected Natural Areas (Official Gazette n. 214 of 12/09/02).

### **Recently-established protected areas**

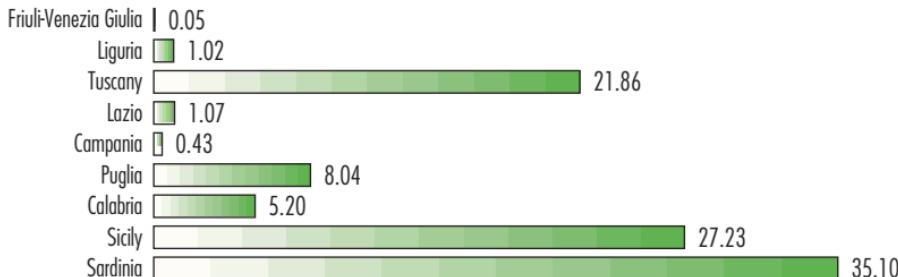
- “Capo Gallo - Isole delle Femmine” protected marine area, Environment Ministry decree dated 24/07/02
- Gaiola submerged archeological park, Environment Ministry decree dated 07/08/02
- Baia submerged archeological park, Environment Ministry decree dated 07/08/02
- “Isola dell’Asinara” protected marine area, Environment Ministry decree dated 13/08/02

### **Distribution of protected land areas by type and region (%)**

Region	National park	State nature reserve	Regional nature park	Regional nature reserve	Other protected areas
Piemonte	26.9	2.0	56.7	6.5	8.0
Valle d’Aosta	90.1	0.0	8.6	1.3	0.0
Lombardy	86.0	0.4	0.0	12.6	1.0
Trentino-Alto Adige	26.0	0.0	72.7	0.8	0.6
Veneto	16.2	20.8	60.7	2.3	0.0
Friuli-Venezia Giulia	0.0	0.7	86.2	13.1	0.0
Liguria	15.1	0.1	84.6	0.1	0.1
Emilia-Romagna	35.9	9.2	52.9	1.9	0.2
Tuscany	24.6	7.0	32.6	19.5	16.3
Umbria	28.4	0.0	64.5	0.0	7.2
Marche	68.9	6.8	24.3	0.0	0.0
Lazio	12.4	12.1	53.4	20.2	1.9
Abruzzo	72.4	5.9	18.6	2.8	0.4
Molise	62.7	18.9	0.0	0.0	18.4
Campania	56.6	0.6	39.6	3.1	0.1
Puglia	91.8	7.7	0.1	0.0	0.5
Basilicata	69.3	0.8	28.0	1.8	0.0
Calabria	91.2	8.4	0.0	0.4	0.0
Sicily	0.0	0.0	68.5	31.5	0.0
Sardinia	91.1	0.0	5.6	0.0	3.3
<b>ITALY</b>	<b>45.9</b>	<b>4.4</b>	<b>40.0</b>	<b>7.7</b>	<b>2.0</b>

Source: Environment Ministry, Nature Conservation Service, EUAP, 2002.

## Geographical distribution of protected marine areas (%)



Source: Environment Ministry, 2002.

- “Capo Caccia - Isola Piana” protected marine area, Environment Ministry decree dated 20/09/02
- “Isole Pelagie” protected marine area, Environment Ministry decree dated 21/10/02
- Monte Barro nature park, Lombardy Region law n. 28 dated 29/11/02
- Lombardy nature park of the Valle del Ticino, Lombardy Region law n. 31 dated 12/02/02
- “Boschi di S. Teresa e dei Lucci” regional nature reserve, Puglia

- Region law n. 23 dated 23/12/02
- Regional nature reserves of the east Taranto coast, Puglia Region law n. 24 dated 23/12/02
- “Bosco e paludi di Rauccio” regional nature park, Puglia Region law n. 25 dated 23/12/02
- “Bosco di Cerano” regional nature reserve, Puglia Region law n. 26 dated 23/12/02
- “Bosco delle Pianelle” regional nature reserve, Puglia Region law n. 27 dated 23/12/02

## Wetlands of international importance

Region	No. sites	Area (ha)
Lombardy	6	3,930
Veneto	2	599
Trentino-Alto Adige	1	37
Friuli-Venezia Giulia	2	1,643
Emilia-Romagna	10	23,112
Tuscany	4	4,315
Umbria	1	157
Lazio	5	2,457
Abruzzo	1	303
Puglia	3	5,431
Calabria	1	875
Sicily	2	1,706
Sardinia	8	12,572
<b>TOTAL</b>	<b>46</b>	<b>57,137</b>

Source: The Ramsar Convention Bureau, March 2003.

- “Salina di Punta della Contessa” regional nature park, Puglia Region law n. 28 dated 23/12/02
- “Ripa Bianca di Jesi” regional nature reserve, Marche Region decree n. 85 dated 22/01/03

# Use of Chemicals

In line with the UN Environment Programme for the progressive elimination of persistent organic pollutants (POP), the Sixth EU Environment Action Programme set out the requirement for a strategy to be drawn up for the sustainable use of pesticides. With its COM (2002) 349 document, the Commission took an important step forward towards reducing the impact of these substances on human health and on the environment, while ensuring the necessary protection of crops. The regulations now require the use of POPs in plant protection products to be authorized before the products are put on the market and they also establish the maximum residue levels of POPs in food and animal feed; to ensure these rules are respected, the European Commission arranges annual inspection programmes with the collaboration of Member States. CAP rules and agri-environment measures offering incentives to farmers adopting integrated and organic farming methods have led European

*Evolution in the use of fertilisers ('000 tonnes)*

	1998	1999	2000	2001	2002
Nitrogen	876.1	863.0	871.6	876.0	873.4
Phosphorus	506.9	491.7	491.0	491.0	485.6
Potassium	393.5	385.6	387.5	383.6	384.0
<b>TOTAL USE</b>	<b>1,776.5</b>	<b>1,740.3</b>	<b>1,750.1</b>	<b>1,750.6</b>	<b>1,743.0</b>

*Source: Assofertilizzanti.*

countries to reduce the use of chemicals in agriculture. According to the European Commission, however, 320,000 tonnes of pesticides are sold every year in the EU, with herbicides sold especially in countries in the Centre-North of Europe and insecticides and fungicides in countries in the South-West. The largest quantities of plant protection products are used in growing vines, cereals and vegetables. In Italy, the adoption of increasingly targeted defence systems and the introduction of new, low-dosage products have reduced the overall consumption of plant protection products

over the last five years. In 2002 climatic conditions led to extremely limited treatment for many crops and this led to a significant drop in both the quantities (-6%) and value (-3%) of products used, with the sole exception of fumigants and nematocides (+6%). The highest quantities of plant protection products were used in the North (54.2%), followed by the South (31.5%).

As far as inspections were concerned, 1.7% of fresh fruit and vegetable samples showed chemical residues over the legal limits in 2002, but these did not constitute a health risk. In 1,254

### *Evolution in the use of plant protection products ('000 tonnes)*

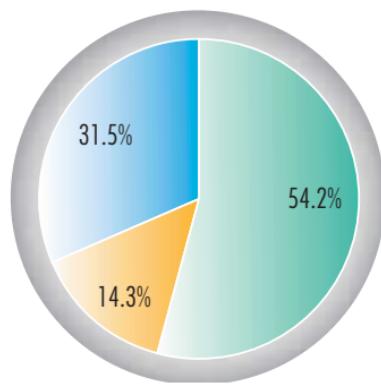
Type	1998	1999	2000	2001	2002
Herbicides	23.1	20.6	20.8	21.8	21.2
Insecticides & acaricides	29.0	27.3	26.7	28.0	23.6
Fumigants & nematocides	6.0	5.4	4.6	4.0	4.7
Fungicides	47.6	47.7	46.9	42.3	41.4
Others	3.9	4.0	3.6	3.5	3.5
<b>TOTAL NATIONAL MARKET</b>	<b>109.6</b>	<b>105.0</b>	<b>102.6</b>	<b>99.6</b>	<b>94.4</b>

Source: Agrofarma.

inspections carried out on plant protection products by the NAS, the branch of the Carabinieri police corps which deals with the adulteration of foodstuffs, 489 breaches of the regulations were discovered (39% of the inspections), over 200 tonnes of goods were confiscated, 27 establishments were closed and 360 individuals were reported to the judicial authorities.

The use of fertilisers based on nitrogen, phosphorus and potassium has remained practically unchanged over the last three years. Over 1,700,000 tonnes of fertilisers were used in 2002, half of which contained nitrogen. As from 2001, a register of fertilisers for organic production is kept at the Experimental Institute for Plant Nutrition.

### *Use of plant protection products by geographical area (tonnes), 2002*



ITALY	93,374
North	50,630
Centre	13,316
South	29,428

Source: Agrofarma.

# Irrigation

The current state of water resources in Italy is strongly affected by the climate changes taking place in the country. The alternation of intense

rainfall concentrated in certain periods of the year with prolonged periods of drought is affecting the availability of water and creating prob-

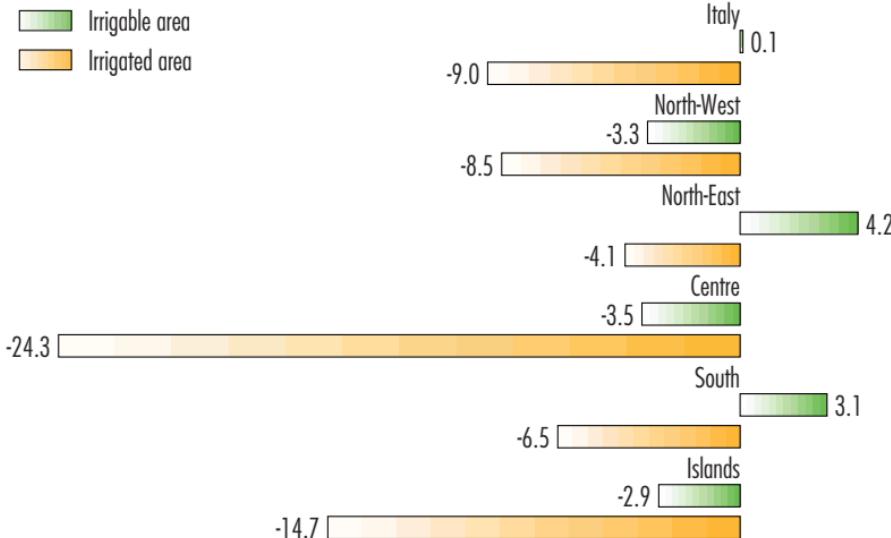
lems connected with the hydrogeological protection and control of Italian territory.

On the question of water management, both EU and national legislation point to the need for integrated planning of the use of water and actions to save this resource.

According to the figures in the General Agriculture Census carried out in 2000, there is an irrigable area of 3,887,000 hectares in Italy, equivalent to 29% of total national UAA. Regions in the North of the country, endowed with significantly more water resources than regions in the Centre and South, could potentially irrigate approximately half of their UAA. A comparison with the 1990 Census shows that irrigable area has remained broadly the same but varies considerably from region to region.

The irrigated area in Italy is equivalent to 63% of the total irrigable area (approximately 2.5 million hectares). In fact only 19% of UAA was actually irrigated in 2000, with substantial

*Change in irrigated and irrigable area between 1990 and 2000*



differences between regions in the North, where an average of one third of cultivated land was irrigated, and regions in the Centre and South, where between 5% and 15% of UAA was irrigated. Since 1990 there has been a 9% decrease in the total area of irrigated land, which is generalised in almost all regions.

The number of farms using more efficient irrigation systems is increasing. According to ISTAT data, in regions in the South, where there is scarce availability of water, irrigation is carried out mainly by sprinkler systems (43.7%), drip systems (30%) and micro-irrigation systems (7.2%), whereas it is mainly carried out in the North-West through the lateral ditch method (58.6%) and flooding (20.6%) and in the North-East through sprinkler systems (62.8%) and the lateral ditch method (23.2%).

*Methods of irrigation in agriculture (%), 2000*

	Sprinkler systems	Drip systems	Micro-irrigation	Lateral ditches	Flooding	Other systems
North-West	19.0	0.8	0.3	58.6	20.6	0.8
North-East	62.8	6.7	2.3	23.2	2.0	3.0
Centre	74.0	12.1	3.1	8.9	0.3	1.5
South	40.6	32.6	6.1	16.9	0.1	3.8
Islands	50.7	24.5	9.7	11.7	1.2	2.3
ITALY	41.3	11.5	3.0	33.5	8.6	2.1

*Source: Calculations using ISTAT figures. General Agriculture Census, 2000.*

# Organic Farming

Organic farming is a system of managing the production of both crops and livestock in which the environment itself is used to combat parasites

and diseases in animals and plants, thereby contributing to the sustainability of the ecosystem. To this end it forbids the use of synthetic plant pro-

tection products and fertilisers, herbicides, plant regulators, genetically modified organisms and, in animal husbandry, the use of antibiotics for

## *Organic farming in the EU, 2001*

	Farms number	% total national farms	% total EU farms	% change 2001/00	Area ha	% total national area	% total EU area	% change 2001/00
Belgium	694	1.0	0.5	10.5	22,410	1.6	0.5	10.6
Denmark	3,525	5.6	2.5	1.7	174,600	6.5	3.9	5.7
Germany	14,703	3.4	10.4	15.5	632,165	3.7	14.2	15.8
Greece	5,270	0.6	3.7	0.0	24,800	0.5	0.6	0.0
Spain	15,607	1.3	11.1	16.3	485,079	1.7	10.9	27.4
France	10,400	1.5	7.4	12.3	420,000	1.4	9.5	13.5
Ireland	1,014	0.7	0.7	0.0	32,355	0.7	0.7	0.0
Italy	56,440	2.4	40.0	13.4	1,230,000	7.9	27.7	18.2
Luxembourg	51	1.7	0.0	0.0	1,030	0.8	0.0	0.0
Netherlands	1,510	1.4	1.1	8.6	38,000	1.9	0.9	36.6
Austria	18,292	9.3	13.0	-3.9	285,500	11.3	6.4	5.0
Portugal	917	0.2	0.7	20.2	70,857	1.8	1.6	41.7
Finland	4,983	6.4	3.5	-4.6	147,943	6.6	3.3	0.4
Sweden	3,589	4.0	2.5	7.8	193,611	6.3	4.4	12.8
United Kingdom	3,981	1.7	2.8	11.7	679,631	4.0	15.3	28.9
EU	140,976	2.0	100.0	9.3	4,437,981	3.2	100.0	17.5

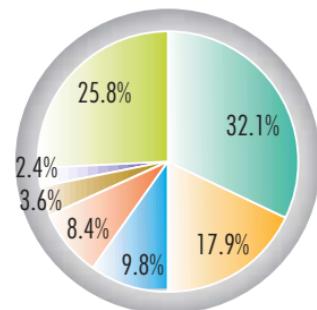
Source: Söl-Stiftung Ökologie & Landbau, updated to 31/12/2001.

## Organic enterprises in Italy, 2001

Production	Processing	Importation	Total		
			number	%	% change 2001/00
Piemonte	3,250	312	12	3,574	5.9
Valle d'Aosta	18	2	0	20	0.0
Lombardy	1,023	379	23	1,425	2.4
Trentino-Alto Adige	551	97	2	650	1.1
Veneto	1,257	392	19	1,668	2.8
Friuli-Venezia Giulia	243	58	1	302	0.5
Liguria	314	65	4	383	0.6
Emilia-Romagna	4,535	531	39	5,105	8.4
Tuscany	1,923	318	7	2,248	3.7
Umbria	948	81	4	1,033	1.7
Marche	1,807	129	2	1,938	3.2
Lazio	2,415	225	0	2,640	4.4
Abruzzo	942	113	2	1,057	1.7
Molise	476	34	0	510	0.8
Campania	1,782	174	4	1,960	3.2
Puglia	6,470	361	3	6,834	11.3
Basilicata	656	33	0	689	1.1
Calabria	7,807	131	0	7,938	13.1
Sicily	12,225	424	0	12,649	20.9
Sardinia	7,798	88	0	7,886	-4.8
<b>ITALY</b>	<b>56,440</b>	<b>3,947</b>	<b>122</b>	<b>60,509</b>	<b>100.0</b>
					<b>12.0</b>

Source: Ministry for Agricultural and Forestry Policies, from data supplied by inspection bodies updated to 31/12/2001.

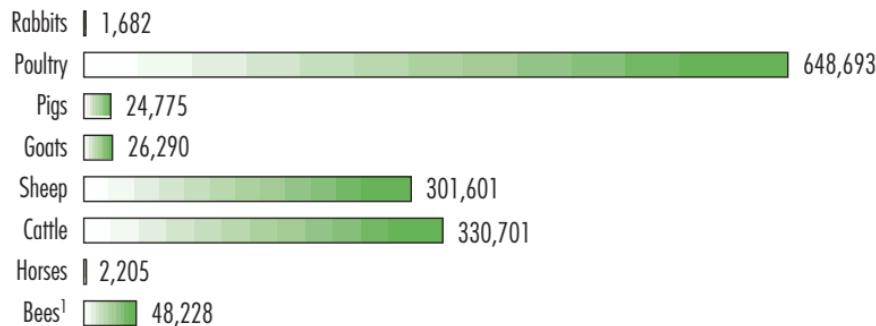
## Organic farm land and land under organic conversion by type of production (ha), 2001



<b>TOTAL</b>	<b>1,237,639</b>
Fodder crops	397,878
Cereals	221,436
Olives	121,363
Fruit & vegetables	104,263
Vines	44,175
Industrial crops	29,300
Other crops	319,224

Source: Ministry for Agricultural and Forestry Policies from data supplied by inspection bodies updated to 31/12/2001.

## *Organic production (including production undergoing conversion) in Italy by category of livestock, 2001\**



\* Number of head.

<sup>1</sup> Number of beehives.

Source: Ministry for Agricultural and Forestry Policies, from figures supplied by inspection bodies for organic agriculture, updated to 31/12/2001.

preventive treatment and hormones. The criteria and rules which must be observed for crop and livestock products to be recognized as organic by the EU are set out in Regulations (EEC) 2092/91 and (EC) 1804/99 respectively. Organic production is subject to inspection by private bodies which are accredited on the basis of EN 45011

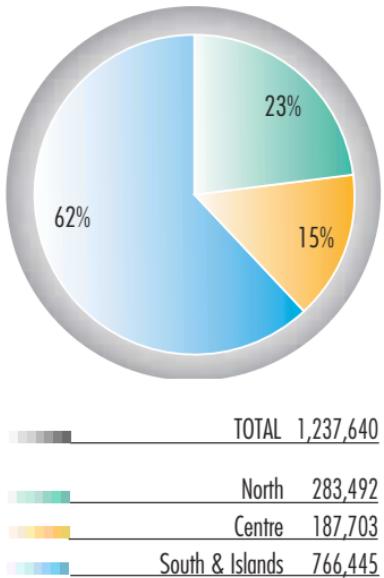
certification regulations; these bodies are in turn authorised and supervised by institutional bodies. In Italy, there are fifteen inspection bodies recognized by the Ministry for Agricultural and Forestry Policies, eleven of which have been authorised to operate on the whole of national territory and four in the Autonomous Province of Bolzano.

Incentives for organic farming are included in the agri-environment measures set out in Regulation (EC) 1257/99 on support for rural development, consisting in national co-financed schemes included in the Rural Development Programmes (RDPs). In order to promote and encourage organic and eco-compatible farming, a special advisory committee has been set up in the Agriculture Ministry, and at the same time a Fund for the development of organic and quality farming finances specific initiatives. In February 2003 a National Observatory of Italian Parks was set up to promote the development of organic farming inside protected areas.

## **Production**

In 2001, 140,976 farms in Europe, with over 4.4 million hectares of land, were certified as organic or undergoing conversion. The “green” trend in Italian agriculture continued, with an

## *Organic land by geographical area, 2001*



*Source: Ministry for Agricultural and Forestry Policies, from figures supplied by inspection bodies for organic agriculture, updated to 31/12/2001.*

increase compared to 2000 both in the number of organic farms (+13.4%) and in organically cultivated land (+18.2%). With 56,440 organic farms, Italy had the highest number of organic farms in the EU and with over 1.2 million hectares of UAA (about 8.2% of the national total) farmed organically or undergoing conversion, Italy's organic farm land represented 27.7% of the EU total.

Among Italy's organic products, cereals were cultivated on 17.9% of organic UAA while among tree crops, the olive and the vine stood out, cultivated on 9.8% and 3.6% of organic UAA respectively. Farms under conversion increased by 40%, reaching almost 4,000, while authorised importers, 122, almost doubled in number (+82%). As regards the distribution of organic enterprises around the country, 65% of operators in the organic sector were found in the South, 13% in the Centre and 22% in the North. While organic farms were found mainly in the South (68%), most processing enter-

prises and importers were found in the North (47% and 82% respectively).

## **Market**

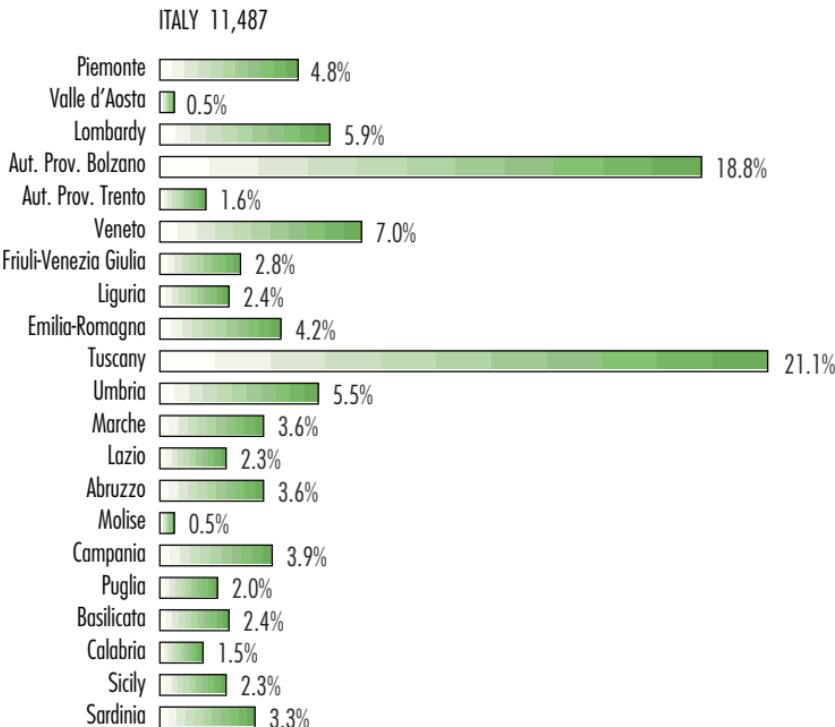
According to Bio Bank, the organic market reached a value of 1,177 million euro (+38%) in 2001, or 1.5% of the total food market. Sales of organic produce in supermarkets and hypermarkets amounted to 266.8 million euro (+26.1%) in 2002 according to Iri-Infoscans statistics. Fruit and vegetables represented the most important sector, followed by milk, yoghurt and dairy produce. Organic produce represented 1.2% of large-scale retail trade. An analysis by Bio Bank of other sale channels in 2002 showed a 10% increase in sales through specialist retail, with 1,117 shops. There was also an increase in direct sales (+13%) and in buying groups (+30%), while 176 restaurants used at least 50% organic ingredients and 522 school canteens (9.5% of the total) used at least 70% organic ingredients (+55%).

# Tourist and Recreational Services on Farms

In 2002, according to Agritourist figures, 2.2 million people (+7.3% compared to 2001) stayed on "agriturismi" (farms offering tourist services), for an average of 5 days; a quarter of them came from abroad. The number of farms offering tourist services rose by 7.5% from 2001, reaching a total of 11,500, with the majority located in the North and Centre, and the largest number of all in Tuscany. The sector is expanding continuously, with turnover in 2002 rising to 710 million euro (+3.9%), confirming the increasing demand by consumers for an alternative to traditional cultural and recreational services. About 63% of these farms offer meals, with food and drinks deriving mainly from the farm's own produce, or they provide tastings of regional wines and food specialities. About 8% offer camping facilities and 13% horse riding. There are 118,000 beds available on Italian farms (+6.3%), an average of 13 per farm.

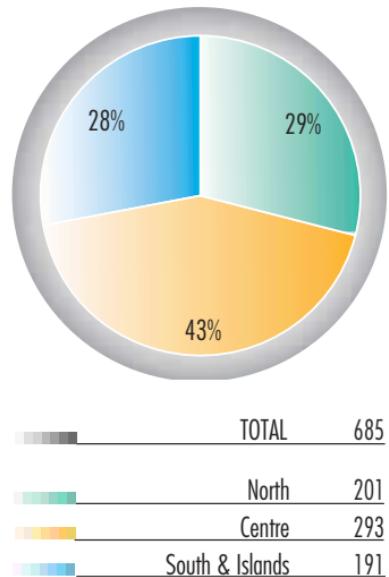
An interesting development is the ris-

*Farms offering tourist services by region, 2002*



*Source: Agritourist, December 2002.*

## *Certified organic farms offering tourist services, 2002*



*Source: Bio Bank, April 2003.*

ing number of organic farms, certified as such by the appropriate inspection bodies, which offer meals, overnight accommodation and camping facilities. According to Bio Bank, these farms increased from 488 in 1999 to 686 in 2002 (+40%) and represent 6% of the total of farms offering tourist services. They are concentrated above all in Central Italy (43%), with Tuscany containing the largest number of all (169).

Educational farms – farms offering courses on agriculture and rural traditions for teachers, students and families – are also rising in number. The world of bees, the role of hedgerows, life in the soil, keeping an orchard, wine-making, pond life, bread-making and local recipes are some of the subjects offered in the lessons and laboratories of the over 440 educational farms counted by Bio Bank. Educational farms tend to organize the supply of their services through local networks such as the “Open Farms” initiative in Emilia-

Romagna or through national projects such as “School on the farm” or “Learning about our friend the countryside”.



**QUALITY PRODUCTS**

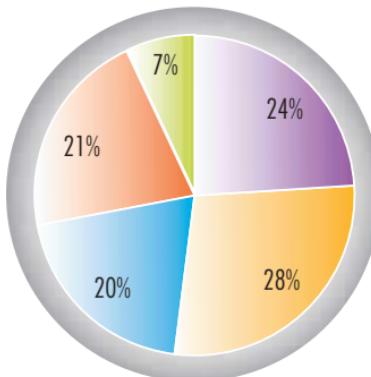
# Designation of Origin

Protected designations of origin (PDO) and protected geographical indications (PGI) of agricultural products were defined by Regulation (EEC) 2081/92, the purpose of which was to recognize and protect commodities with a specific character deriving from the geographical environment in which they were produced and in which both natural and human factors play a role.

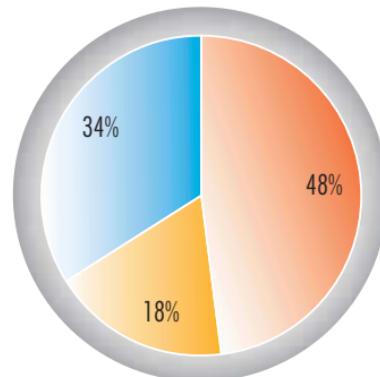
At present, 123 Italian products are registered with a PDO or PGI. Of these products, 33 are fruit or vegetables, 30 are cheeses, 26 are processed meats (hams, salamis, etc) and 25 are olive oils. Over the last year, a PDO was granted to "sopressa" (a kind of salami) from Vicenza and a PGI was awarded to a number of fruit and vegetables: green asparagus from Altedo, the Roman artichoke from Lazio, the Pachino tomato and the Mazzarrone grape. Mozzarella made from cows' milk remains the only Italian product registered as a traditional speciality guaranteed (TSG – Regulation (EEC)

*Registered Italian commodities (PDO or PGI) by commodity sector and geographical area*

Commodity sector



Geographical area



	TOTAL	123
Fruit & vegetables	33	
Cheese	30	
Processed meats	26	
Olive oil	25	
Others	9	

	TOTAL	123
North	61	
Centre	23	
South & Islands	44	

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

### Cheeses

#### PDO

- Asiago (Veneto and Trentino)
- Bitto (Lombardy)
- Bra (Piemonte)
- Caciocavallo Silano (Puglia, Calabria, Campania, Basilicata, Molise)
- Canestrato Pugliese (Puglia)
- Casciotta d'Urbino (Marche)
- Castelmagno (Piemonte)
- Fiore Sardo (Sardinia)
- Fontina (Val d'Aosta)
- Formai de Mut dell'alta Valle Brembana (Lombardy)
- Gorgonzola (Lombardy, Piemonte)
- Grana Padano (Lombardy, Piemonte, Veneto, Trentino, Emilia-Romagna)
- Montasio (Veneto e Friuli-V.G.)
- Monte Veronese (Veneto)
- Mozzarella di Bufala Campana (Lazio, Campania)
- Murazzano (Piemonte)
- Parmigiano Reggiano (Emilia-Romagna)
- Pecorino Romano (Lazio, Sardinia)
- Pecorino Sardo (Sardinia)
- Pecorino Siciliano (Sicily)
- Pecorino Toscano (Tuscany, Umbria, Lazio)
- Provolone Valpadana (Veneto, Trentino, Lombardy)

### Quartiolo Lombardo (Lombardy)

- Ragusano (Sicily)
- Raschera (Piemonte)
- Robiola di Roccaverano (Piemonte)
- Taleggio (Piemonte, Lombardy, Veneto)
- Toma Piemontese (Piemonte)
- Valle d'Aosta Fromadzo (Valle d'Aosta)
- Valtellina Casera (Lombardy)

### Fruit, vegetables and cereals

#### PDO

- "Nocellara" olive from Belice (Sicily)
- "La Bella" olive from Daunia (Puglia)
- San Marzano tomatoes from Agro Sarnese-Nocerino (Campania)
- PGI
- Sicilian blood oranges (Sicily)
- White asparagus from Cimadolmo (Veneto)
- Green asparagus from Alredo (Emilia Romagna)
- Pantelleria capers (Sicily)
- Roman artichokes from Lazio (Lazio)
- Monte Amiata chestnuts (Tuscany)
- Montella chestnuts (Campania)
- Marostica cherries (Veneto)
- Calabrian clementines (Calabria)
- Vallata Bellunese Lamon beans (Veneto)
- Sarconi beans (Basilicata)

### Sorana beans (Tuscany)

- Garfagnana spelt (Tuscany)
- Borgotaro mushrooms (Tuscany, Emilia-Romagna)
- Castelluccio di Norcia lentils (Umbria)
- Costa d'Amalfi lemons (Campania)
- Sorrento lemons (Campania)
- Castel del Rio chestnuts (Emilia-Romagna)
- Mugello chestnuts (Tuscany)
- Giffoni hazelnuts (Campania)
- Piemonte hazelnuts (Piemonte)
- Senise peppers (Basilicata)
- Emilia-Romagna pears (Emilia-Romagna)
- Mantua pears (Lombardy)
- Romagna nectarines and peaches (Emilia-Romagna)
- Pachino tomatoes (Sicily)
- Red "radicchio" (kind of chicory) from Treviso (Veneto)
- Variegated "radicchio" from Castelfranco (Veneto)
- Nano Vialone Veronese rice (Veneto)
- Romagna shallots (Emilia-Romagna)
- Canicatti grapes (Sicily)
- Mazzarrone grapes (Sicily)

### Bakery products

#### PGI

- Ferrara "coppia" (Emilia-Romagna)
- Genzano home-made bread (Lazio)

## Vinegars

### PDO

Traditional balsamic vinegar from Modena (Emilia-Romagna)

Traditional balsamic vinegar from Reggio Emilia (Emilia-Romagna)

## Non-food products

### PDO

Bergamot from Reggio Calabria - Essential oil (Calabria)

## Olive oils

### PDO

Aprutino Pescarese (Abruzzo)

Brisighella (Emilia-Romagna)

Bruzio (Calabria)

Canino (Lazio)

Chianti Classico (Tuscany)

Cilento (Campania)

Collina di Brindisi (Puglia)

Colline Salernitane (Campania)

Colline Teatine (Abruzzo)

Dauno (Puglia)

Garda (Lombardy, Veneto)

Laghi Lombardi (Lombardy)

Lametia (Calabria)

Monti Iblei (Sicily)

Penisola Sorrentina (Campania)

Riviera Ligure (Liguria)

Sabina (Lazio)

Terra di Bari (Puglia)

Terra d'Otranto (Puglia)

Terre di Siena (Tuscany)

Umbria (Umbria)

Valle di Mazara (Sicily)

Valli Trapanesi (Sicily)

Veneto Valpolicella, Euganei e Berici, del Grappa (Veneto)

PGI

Toscana (Tuscany)

San Daniele ham (Friuli-V.G.)

Tuscan ham (Tuscany)

Veneto Berico-Euganeo ham (Veneto)

Brianza salami (Lombardy)

Piacenza salami (Emilia-Romagna)

Varzi salami (Lombardy)

Calabrian sausage (Calabria)

Calabrian "soppressata" (kind of salami) (Calabria)

Vicenza "sopressa" (Veneto)

Valle d'Aosta "Jambon de Bosses" (Valle d'Aosta)

Valle d'Aosta "Lord d'Arnad" (Valle d'Aosta)

PGI

Valtelline "bresaola" (cured beef) (Lombardy)

Modena "cotechino" (kind of porkmeat sausage)

Emilia-Romagna, Lombardy, Veneto)

Bologna "mortadella" (Emilia-Romagna, Piemonte, Lombardy, Veneto, Trentino, Marche, Lazio, Tuscany)

Nocria ham (Umbria)

Alto Adige "speck" (Trentino-Alto Adige)

Modena "zampone" (Emilia-Romagna, Lombardy, Veneto)

## Processed meats

### PDO

Calabrian "capocollo" (kind of salami) (Calabria)

Piacenza "coppa" (cured neck of pork) (Emilia-Romagna)

Zibello "culatello" (kind of ham) (Emilia-Romagna)

Calabrian bacon (Calabria)

Piacenza bacon (Emilia-Romagna)

Carpegna ham (Marche)

Modena ham (Emilia-Romagna)

Parma ham (Emilia-Romagna)

## Fresh meats

### PGI

Sardinian lamb (Sardinia)

Young white bovine meat from the Central Apennines

\* Situation updated to Reg. (EC) 865 dated 19 May 2003.

2082/92); in all the EU only 14 products are registered as TSG.

The contribution of foods with a registered name to Italy's agri-food economy is far from marginal. Almost 8% of total agricultural output, in terms of value, becomes a registered commodity (Ismea 2001), with a turnover of around 4,000 million euro at production (+14% over 2000) and of 6,600 million euro at

consumption (+6%). Cheeses and processed meats take first place among registered products as regards both the number of enterprises involved in producing and processing them and in the value of output. The fruit and vegetables sector and the oil sector, despite the large number of registered products and high potential in both sectors, suffer the consequences of an inadequate organiza-

tion of the supply chain and poor quality management.

About a half of the total of products with a registered name, including the most important ones as regards value of output and turnover, come from North Italy. The most recently registered products – especially fruit and vegetables – are often only important at a local level and have a limited production potential.

# Traditional Agri-Food Products

Products with a protected designation of origin or geographical indication represent only a very small part of Italy's traditional foods: the national register of traditional agri-food products published by the Ministry for Agricultural and Forestry Policies, updated in 2002, lists as many as 3,558 commodities. The most common categories, from North to South, are "pasta, bread, biscuits, pastries and confectionery" and "natural and processed crop products". Only Liguria and Sicily have registered certain speciality dishes as "traditional".

## *Traditional agri-food products\**

	Pasta & bakery products	Natural & processed vegetable products	Meat & processed meats <sup>1</sup>	Cheeses	Spirits & liqueurs	Fish & molluscs	Speciality dishes	Oils, fats and condiments
Piemonte	100	109	78	55	17	4	-	6
Valle d'Aosta	-	-	8	9	2	-	-	4
Lombardy	60	19	56	50	-	4	-	1
Alto Adige	57	16	25	17	11	-	-	-
Trentino	21	14	35	18	1	2	-	-
Veneto	70	100	117	30	10	19	-	1
Friuli-Venezia Giulia	12	13	39	14	6	2	-	4
Liguria	48	66	21	17	5	5	35	11
Emilia-Romagna	45	29	34	7	2	2	-	2
Tuscany	87	165	76	28	5	8	-	3
Umbria	31	13	13	5	-	6	-	2
Marche	44	43	33	12	6	1	-	11
Lazio	100	55	28	11	5	-	-	2
Abruzzo	14	23	20	15	2	-	-	2
Molise	59	28	33	12	5	10	-	-
Campania	63	101	46	30	16	6	-	4
Puglia	35	41	14	18	11	3	-	1
Basilicata	11	5	9	16	-	-	-	-
Calabria	54	70	29	29	10	11	-	4
Sicily	57	62	9	29	4	2	28	3
Sardinia	62	21	28	12	7	13	-	3
ITALY	1,030	993	751	434	125	98	63	64

\* Products for which processing, preservation and ageing methods have been consolidated over time (at least 25 years).

<sup>1</sup> Also includes products of animal origin.

Source: Processing of data from the National List of Traditional Agri-Food Products produced by the Ministry of Agricultural and Forestry Policies, updated by Ministerial Decree dated 14 June 2002 and corrections.

Law n. 164 dated 10/02/1992 lays down the criteria and regulations for the designation of origin of wines. The term "designation of origin" refers to the use of the geographical name of a particularly specialised wine-growing area to indicate a well-known quality product possessing characteristics related to the natural and human environment in which it is produced.

Wines may be classified as follows:

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

The latest classifications involving Italian wines regard Sforzato di Valtellina and Montepulciano d'Abruzzo-Colline teramane, which have been upgraded to DOCG, and Cisterna d'Asti, Alta Langa and Nettuno wines, which have been registered as DOC.

According to the 2000 ISTAT census, over 34% of the land planted with vines is used for producing DOC and

DOCG wines, 20% more than emerged in the 1990 census. The number of farms which grow grapes for the production of DOC and DOCG wines number 109,000 out of a total of 770,000 wine grape farms.

According to AREV (the Assembly of European Wine-producing Regions), there are 98 wine trails in Italy; these are governed by national law n. 268/99, which promotes the development of quality wine-growing areas. Fifteen regions have approved specific regulations for wine trails; others, such as Sardinia, have prepared draft regulations; in other regions, such as Alto Adige, although there are no regulations, a number of wine routes have existed for some time.

## DOCG, DOC and IGT wines by region\*

	DOCG	DOC	IGT
Piemonte	7	45	-
Valle d'Aosta	-	1	-
Lombardy	3	15	12
Trentino - Alto Adige	-	7	4
Veneto	3	20	10
Friuli - Venezia Giulia	1	9	3
Liguria	-	7	1
Emilia - Romagna	1	20	10
Tuscany	6	34	5
Umbria	2	11	6
Marche	-	12	1
Lazio	-	27	4
Abruzzo	1	3	9
Molise	-	3	2
Campania	1	19	8
Puglia	-	25	6
Basilicata	-	1	2
Calabria	-	12	13
Sicily	-	20	7
Sardinia	1	19	15
<b>ITALY</b>	<b>26</b>	<b>303</b>	<b>114</b>

\* At 30 June 2003.

N.B. The national totals for DOC and IGT wines are lower than the sum of the regional totals because some of the wines are inter-regional.



# **COMMON AGRICULTURAL POLICY**

# Market Policies

## *Application of the CAP*

**Arable crops** - In 2001/02, the second marketing year in which the changes made by Agenda 2000 were applied, the arable area for which claims for aid were made in Italy amounted to 4.5 million hectares (+2% compared to the previous year) and so again remained below the national base area of 5.8 million hectares. The changes in aid schemes brought about by Agenda 2000, however, led growers to replace oilseeds with durum wheat, and this led to the maximum guaranteed area for this crop being overshot: in traditional production areas, claims were made for 1.8 million hectares against a maximum guaranteed area of 1.6 million hectares and in semi-traditional areas, claims were made for 20,718 hectares against a maximum of 4,000 hectares. For the third year running, the separate base area for maize was overshot, resulting in a 1.1% decrease in area payments.

Arable land was used as follows: 82% to grow cereals, just below 12% to grow oilseeds and 5% was set-aside. The area planted with cereals, 3.7 million hectares, increased slightly (+2%) over the previous year and amounted to 10% of the EU total. In contrast with the rest of the EU, where just below two thirds of cereal area were cultivated under the main scheme, in Italy the simplified scheme was predominant, constituting 63% of the area for which claims were made. The area planted with oilseeds also showed a slight increase (+2%), rising to 531,000 hectares of which 62% was cultivated under the main scheme. After the substantial switch of oilseed production to the simplified scheme in the previous year, the distribution between the two schemes appears to have stabilised.

**Olive oil** - Italy submitted claims for subsidies for 711,000 tonnes of oil in the 2001/02 marketing year, 32% more than the previous year. At EU

## *Arable crops - areas for which aid was paid (2001/02 marketing year)*

	Italy	
	'000 ha	%
<b>TOTAL BASE AREA</b>	5,801	
- maize	1,200	
<b>TOTAL AREA</b>	4,524	100.0
Fodder area	12	0.3
Set-aside	233	5.2
Cultivated area	4,291	94.8
cereals and ensiled crops	3,695	81.7
- maize	1,249	
oilseeds	531	11.7
SMALL GROWERS	2,573	100.0
cereals and ensiled crops	2,315	90.0
- maize	534	
oilseeds	204	7.9
PROFESSIONAL GROWERS	1,951	100.0
Set-aside	223	11.4
Cultivated area	1,728	
cereals and ensiled crops	1,380	70.7
- maize	715	
oilseeds	327	16.8
<b>DURUM WHEAT - TRADITIONAL AREAS</b>	1,639	
<b>DURUM WHEAT - SEMI-TRADITIONAL AREAS</b>	11	

*Source: calculations using EU Commission data.*

level, production exceeded 2.7 million tonnes (+28%), thanks in particular to a further massive increase in Spanish production (+45%), which rose to over 1.5 million tonnes. In 2002, prices for extra virgin olive oil increased by 9% in Italy compared to the previous year, while lamp oil, which was more affected by competition with oil from Spain, rose by an average of 3%.

**Fruit and vegetables** - EU market intervention in the 2001/02 marketing year showed an overall decrease of 46% in quantities withdrawn from the market, which was the same for nearly all products. The only exceptions were tomatoes, of which similar quantities to the previous year were withdrawn, and dessert grapes, of which larger quantities were withdrawn. In Italy, the fall in quantities of withdrawn produce (-54%) was above the EU average as a result of fewer intervention operations for oranges, peaches, pears and nectarines. Provisional figures for 2002/03 show a further reduction in

*Application of the CAP in the arable sector in EU countries ('000 hectares),  
2001/2002 marketing year*

Base area	Set-aside	Arable area <sup>1</sup>		
		simplified scheme	%	main scheme
Belgium	490	27	238	51.0
France	13,582	1,576	1,587	11.6
Germany	10,159	1,156	1,395	13.8
Italy	5,801	233	2,573	56.9
Luxembourg	43	2	15	37.5
Netherlands	442	23	259	61.8
Denmark	2,019	218	228	11.2
Ireland	346	36	79	23.6
United Kingdom	4,461	848	170	3.9
Greece	1,492	46	1,304	93.4
Portugal	1,008	99	315	43.3
Spain	9,220	1,611	2,405	27.9
Austria	1,204	104	408	36.9
Finland	1,592	198	816	50.2
Sweden	1,737	269	353	20.4
EU	53,596	6,446	12,145	23.7
				39,129
				76.3

<sup>1</sup> Excludes fodder area.

Source: European Commission, DG Agriculture.

EU withdrawal intervention (-44%) and an estimated reduction in Italian withdrawals of 42%, driven in particular by lower withdrawals of oranges, peaches and nectarines, while there would appear to be an increase in withdrawals of melons and water melons.

As far as processed fruit and vegetables were concerned, the aid regimes for tomatoes, peaches and pears sent for processing were completely modified by Regulation 2699/2000, which became effective as from the 2001/02 marketing year. For citrus fruit, the amendments were more limited as they did not involve the support mechanism but only the increase in the limits on processing and the distribution of national quotas among Member States. As regards tomatoes, during the 2002/03 marketing year only Spain exceeded the limit established by Regulation 2699/2000 in quantities sent for processing; in fact the quantity of tomatoes (excluding peeled tomatoes) for which aid was claimed – just over

one million tonnes – overshot the fixed limit by 37%. Italy, on the other hand, after exceeding the limit the previous year, in 2002/03 remained below the limit thanks to a reduction of about 10% in the quantities it sent to the processing industry. As regards pears, peaches and citrus fruit, according to the new rules the limit is fixed each year on the basis of the average of the quantities processed with the benefit of aid in the three preceding years. In the case of pears, the limit was overshot by France (+7%), Greece (+57%) and Italy (+29%). In the case of citrus fruit, Italy overshot the limit for lemons (+18%), oranges (+21%), grapefruit (+28%) and small citrus fruit (+52%), and producers consequently received less aid. Other countries which were penalized included Greece (for oranges and grapefruit), Spain (for grapefruit) and France (for grapefruit and small citrus fruit). Only in the case of peaches did all countries keep below the processing ceilings.

**Wine** - 2001/02 was the second marketing year in which the new rules introduced by Agenda 2000 were applied. The main intervention measures for controlling and managing production potential were those providing aid for restructuring and converting land planted with vines. As in the first year in which the new rules were applied, the available funds benefited the three main wine-producing countries: Spain, Italy and France. Italy was allocated 27.6% of the total funds – over 116 million euro – for intervention on approximately 16,000 hectares. At the end of the year Italy had spent just under 104 million euro between subsidies and compensation for lost income; because it had not managed to spend the whole of its allocation it did not benefit from the additional allocation, which for the second year running went to Spain. Within Italy, the land subjected to conversion and restructuring was concentrated in the South (47%) and in the North (34%). The region with most

land involved was Sicily (22%), followed by Puglia (12%), Tuscany and Piemonte (10% each). Despite the fact Italy was not fully successful in spending the funds it was allocated during 2001/02, when funds were allotted for 2002/03 its quota was not modified. Italy was in fact allotted 124 million euro (28% of the total), for measures to be carried out on 17,500 hectares of wine-growing land.

As regards market support measures for wine, in 2001/02 the withdrawal of a total of 12 million hectolitres of wine into storage was authorised in the EU overall; in view of the minimum withdrawal price, this quantity was compatible with the financial resources made available for this kind of intervention. As far as crisis distillation was concerned, at the end of the year just under 7 million hectolitres had been distilled in the whole of the EU: Italy and Portugal used the full quotas allowed them while France remained below its ceiling. The payment of additional national aid was

authorised again during the year, for Italy and France. The first results for 2002/03 do not show any extraordinary distillation measures, thanks to the reduction in surpluses resulting from the massive withdrawals carried out in the previous year and lower production. In the case of distillation for obtaining alcohol for use in food, the reduction in surpluses and the changes in the application of the regime led to intervention measures keeping well below the limits.

**Tobacco** - There were no particular problems in the management of the common organization of the market in tobacco during the year. The main innovation was a substantial increase in the value of buy-back quotas in order to encourage more growers to leave the sector or to switch varieties. The tobacco regime includes a quota buy-back scheme to help growers intending to abandon tobacco production to convert to other crops. Only applicable in certain areas, the

buy-back programme cannot exceed 25% of the guarantee thresholds of each Member State and leads to a corresponding reduction in the EU's overall guarantee threshold. Another innovation in the tobacco sector in 2002 was that the national reserve of quotas for young farmers was changed from being obligatory to being optional.

**Milk** - The application of the milk quota regime in the 2001/02 marketing year led to Italy's overshooting its production quota by 435,000 tonnes, despite receiving in the year the second tranche of the increase in the quota granted by Agenda 2000 (216,000 tonnes, to be added to the 384,000 tonnes of the previous year). This led to a fairly substantial levy (155 million euro). Of the nearly 20,000 producers who exceeded their individual limits, 12,000 came under the compensation mechanism while the others will have to pay the levy placed on them. Estimates for 2002/03 show a

further increase in milk production in Italy (+3%) which offsets the reduction in production in many other European countries. The net effect is a tendency to stabilisation of Community production.

**Beef** - The beef sector continued to be affected in 2002 by the BSE epidemic with the discovery of new cases, half of which appeared in the United Kingdom. Consequently the measures introduced to fight the disease continued to be applied; some, like the "compensation scheme", were limited to the United Kingdom while others were extended to the whole of the EU, such as the removal of certain parts of slaughtered animals considered at risk and the obligation to test livestock over thirty months old for the disease. A "special purchase scheme" was also set up to replace the "disposal scheme" for meat from animals over thirty months old. As from 2002, the obligatory labelling system requires fur-

ther information on each animal to be given, including the place of birth of the animal and the place where it was fattened. In Italy there has been much delay in setting up the cattle register due to problems connected with the regionalization of the data bank. These problems have had repercussions on the implementation of the 1999 reform, such as underutilization of the ceilings established for the number of head entitled to the premium.

Compared to 2001, there was a considerable decrease in intervention stocks at Community level (-23% for carcasses, -4% for boned meat). At the same time, prices of both meat and livestock recovered to a certain degree in 2002. In Italy there was an increase in slaughterings of both adult animals and calves (+18% compared to 2001).

**Goatmeat and sheepmeat** - In 2002 the sector again suffered the consequences of the diseases that had

affected 2001, and this had a negative effect on both production and prices. In the main producer countries slaughterings slackened. In 2002, moreover, the first possible case of BSE in a goat was registered. This led to the livestock that had been in contact with the infected animal being slaughtered and tests being carried out on other livestock.

#### ***EAGGF-Guarantee Section expenditure***

In 2002 expenditure in Italy by the Guarantee Section of the EAGGF amounted to nearly 5.7 billion euro, showing a similar trend to the overall EU trend but increasing at a much higher rate (+6.5%) than the EU average. This led to a slight increase in the proportion of the EU total spent in Italy, to over 13%.

The increase in expenditure was above all attributable to crop products, which alone accounted for over three quarters

of total spending. Among these products, payments rose especially for arable crops, fruit and vegetables, wine and, to a lesser degree, rice, whereas payments for olive oil dropped as a result of it being the low-yield year of the production cycle. Among livestock products, there was an increase in payments for milk and dairy produce and beef in particular; in the latter case, the increase was due to the new subsidies introduced by the 1999 reform progressively coming into effect.

Spending on the accompanying measures continued to slow down, but there was a slight increase in expenditure on the other rural development measures, which began to be applied as part of the Rural Development Programmes. The percentage of Guarantee Section expenditure allocated to rural development overall remained fairly substantial (11.5%).

A comparison between the contributions made by the different commodities towards national agricultural output and their share of funding under

the EAGGF Guarantee Section reveals a general overall tendency for commodities supported through direct payments to win much higher portions of the funding than their comparative volume of production. This was the case for arable crops, which absorbed a percentage of funding around three times higher than their contribution to national output, and also for rice, for olive oil, for goats and sheep and especially for tobacco, which accounted for less than 1% of national output but absorbed over 6% of EU expenditure in Italy. The contrary was true, on the other hand, for fruit and vegetables and grapevine products, which were decidedly penalised by the direct payments arrangements, while there was an improvement for beef which, thanks to the Agenda 2000 reform, began to receive a share of the funding which was more proportionate to its volume of production.

It is clear that the successive reforms of the CAP have led to a progressive concentration of the support system on a

restricted number of kinds of support. In Italy, in fact, over 85% of total EAGGF Guarantee Section expenditure now goes on aid for processing, production and other intervention. On

#### *EAGGF Guarantee Section expenditure in Italy by commodity sector, 2002*

	million euro	%
Arable crops	2,264.3	39.9
Rice	109.8	1.9
Olive oil	723.5	12.8
Fruit & vegetables	440.3	7.8
Sugar	118.1	2.1
Grapes & wine	435.5	7.7
Tobacco	330.5	5.8
Milk & dairy products	126.9	2.2
Beef	323.6	5.7
Sheepmeat & goatmeat	85.1	1.5
Pigmeat	6.9	0.1
Eggs and poultry	0.2	0.0
Rural development	652.6	11.5
Other measures	54.8	1.0
<b>TOTAL EAGGF Guarantee Section</b>	<b>5,672.1</b>	<b>100.0</b>

*Source: calculations using EU Commission data.*

## *EAGGF Guarantee Section expenditure by country, 2002*

	<b>million euro</b>	<b>%</b>	<b>% change 2002/01</b>
EU direct payments	195.5	0.5	346.3
Belgium	942.0	2.2	0.8
Denmark	1,220.8	2.8	9.8
Germany	6,784.4	15.7	15.8
Greece	2,633.8	6.1	0.8
Spain	5,933.1	13.7	-3.9
France	9,752.2	22.6	5.8
Ireland	1,709.3	4.0	7.9
Italy	5,671.9	13.1	6.5
Luxembourg	36.9	0.1	25.9
Netherlands	1,132.6	2.6	2.6
Austria	1,090.1	2.5	3.6
Portugal	753.6	1.7	-13.8
Finland	838.0	1.9	2.8
Sweden	816.7	1.9	4.7
United Kingdom	3,642.5	8.4	-8.9
EU	43,153.4	100.0	3.9

*Source: calculations using EU Commission data.*

the other hand, expenditure on export refunds and on public storage and management of intervention stocks –

classic instruments of price policy – is decidedly lower than in the past. The unbalance in spending, which is con-

centrated on just a few production sectors, has been brought about by the gradual prevalence of certain forms of market support over others that have become less important over time. There is also an unbalance in the distribution of Guarantee Section resources among the member nations of the EU; this unbalance does not only lie in the concentration of spending in a handful of countries but especially in the fact that it does not reflect the real weight of each country in the agricultural economy of the EU. From this point of view, the most disadvantaged countries are the Netherlands and Italy while the countries which benefit most include Greece, Ireland and Spain. It is worth noting that two of these are Mediterranean countries and therefore have a fairly similar agricultural production to Italy, but they show a greater ability to “capture” the funding of the Guarantee Section.

The considerable disparity in the allocation of funding for agriculture among the single Member States is also

## **Italy: contribution of each commodity sector to VFO and share of EAGGF Guarantee Section expenditure, 2001**

	<b>% VFO</b>	<b>% expenditure</b>
Arable crops <sup>1</sup>	10.7	35.1
Rice	1.1	1.9
Sugar	1.0	2.6
Olive oil <sup>2</sup>	4.9	15.5
Fruit & vegetables	22.3	6.4
Grapes & wine	9.8	6.9
Tobacco	0.8	6.2
Milk & dairy products <sup>3</sup>	10.1	1.7
Beef	8.1	5.4
Sheepmeat & goatmeat	0.8	2.6
Pigmeat	6.5	0.1
Eggs & poultry	6.4	0.0

<sup>1</sup> Protein crops are not included in the contribution to VFO but are included in the share of expenditure.

<sup>2</sup> Two-yearly averages.

<sup>3</sup> For the contribution to VFO, only milk has been considered as it is the only figure available.

Source: calculations using EU Commission data.

revealed by the indicators in the table on p. 133, obtained by calculating the ratios of Guarantee Section spending to “objective” parameters such as agricultural VFO, the number of work units in agriculture (measured in AWU) and hectares of UAA.

The indicators vary considerably not only between one country and another but also and especially over time. In fact, from the beginning of the 1990s onwards the indicators have registered wide variations which only in a few cases indicate a regular pattern of evolution and in the majority of cases reveal an extremely fluctuating trend. Generally, the tendency has been for an increase in the expenditure/work unit ratio, due to work units increasingly leaving the agricultural sector, and for an evening out of the differences among the single countries as regards the expenditure/hectare ratio and the expenditure/VFO ratio, as the result of a slight shortening of the distance between the two ends of the scale. The relative positions of the single countries

have not changed substantially over the last ten years. From this point of view Italy is one of the most indicative cases, appearing among the countries with the lowest results for all indicators both at the beginning and the end of the ten-year period.

*Italy: EAGGF Guarantee Section expenditure by type of intervention/aid, 2002*

	million euro	%	% change 2002/01	million euro	%	% change 2002/01	
<b>Export refunds</b>	263.1	4.5	10.6				
cereals & cereal products	19.8	0.3	-20.2	<b>Processing subsidies</b>	445.1	7.7	29.6
milk & milk products	21.5	0.4	-3.6	wine & grape products	90.0	1.6	6.8
beef	41.0	0.7	41.4	fruit & vegetables	314.6	11.3	41.7
				milk & dairy products	36.6	0.6	18.4
<b>Intervention purchases and storage</b>	329.2	5.7	-1.9	<b>Production subsidies</b>	3,731.2	64.4	5.8
cereals & cereal products	4.9	-0.1	308.3	arable crops	2,160.0	37.3	18.8
wine & grape products	236.7	4.1	33.1	olive oil	715.8	12.4	-15.1
milk & dairy products	61.4	1.1	48.7	tobacco	330.8	5.7	-2.2
beef	10.3	0.2	-79.3	fruit & vegetables	99.8	1.7	20.0
				beef	199.3	3.4	17.1
<b>Reduction in production potential</b>	181.6	3.1	50.0	sheepmeat & goatmeat	85.1	1.5	-40.6
withdrawals	87.1	1.5	18.8				
<b>Consumption aid</b>	7.3	0.1	-11.0	<b>Other aid</b>	837.5	14.5	-6.2
olive oil	0.0	0.0	-100.0	rural development and compensatory payments	652.6	11.3	-0.9
milk & dairy products	7.3	0.1	-8.8				
				<b>TOTAL EXPENDITURE ON AGRICULTURE</b>	5,795.0	100.0	6.0

*Source: calculations using EU Commission data.*

*EACGF Guarantee Section expenditure in relation to VFO, AWU and UAA by country, 2001*

	<b>Expenditure/VFO<sup>1</sup></b> %	<b>Expenditure/AWU<sup>2</sup></b> '000 euro	<b>Expenditure/UAA<sup>3</sup></b> euro
Belgium	12.8	13.0	669.4
Denmark	12.2	15.1	420.6
Germany	13.2	9.7	343.3
Greece	23.4	4.7	666.9
Spain	17.8	6.6	243.1
France	14.5	9.3	310.1
Ireland	26.9	9.0	358.6
Italy	12.5	4.4	344.0
Luxembourg	11.4	7.0	217.0
Netherlands	5.3	5.2	560.7
Austria	19.6	6.2	311.3
Portugal	14.7	1.7	224.3
Finland	21.2	7.7	369.1
Sweden	17.7	11.1	262.2
United Kingdom	17.2	12.0	254.2
EU	14.7	6.9	318.5

<sup>1</sup> In 2001, VFO was calculated on basic prices in accordance with the new European System of Accounts (ESA95) adopted by EU Member Nations.

<sup>2</sup> Annual work units.

<sup>3</sup> Calculated on UAA values in 2000.

Source: calculations using EU Commission data.

# Rural Development Policies

The regulations for planning rural development measures for the 2000-06 period are set out in Reg. (EC) 1257/1999 while the application provisions are set out in Reg. (EC) 445/2002.

Reg. (EC) 1257/1999 allows the Regions to carry out twenty-two different measures, introducing in article 33 (measures from j to v) a series of schemes for “promoting the adaptation and development of rural areas”. Financing for rural development measures comes from both the Guidance and Guarantee Sections of the EAGGF. The financing comes from one or the other Section according to the geographical area in which the measure is implemented and the type of measure concerned.

Only measures in Objective 1 regions are financed by both Sections of the Fund whereas financing for rural development in other regions comes exclusively from the Guidance Section. In Objective 1 regions, the measures formerly called “accompanying meas-

## *List of measures set out in Regulation 1257/1999*

- a. Investments on farms
- b. Setting up young farmers
- c. Training
- d. Early retirement
- e. Less favoured areas and areas with environmental restrictions
- f. Agri-environment measures
- g. Improvement of processing and marketing conditions for agricultural products
- h. Afforestation of agricultural land
- i. Other forestry measures
- j. Improvements to farm property
- k. Recomposition of farm holdings
- l. Commencement of farm management assistance and replacement services
- m. Marketing of quality agricultural products
- n. Essential services for the rural population and economy
- o. Restoration/improvement of villages and conservation of rural heritage
- p. Diversification of activities in the agricultural sector in order to develop multiple activities and alternative sources of income
- q. Management of water resources in agriculture
- r. Development and improvement of rural infrastructure connected with the development of agriculture
- s. Incentives for tourist and handicraft activities
- t. Protection of the environment in agriculture and forestry, conservation of natural resources and animal welfare
- u. Rebuilding of agricultural potential damaged by natural disasters and introduction of adequate preventive measures
- v. Financial engineering

*EAGGF Guarantee Section funds for rural development measures by region and progress in spending, 2000-2002 (million euro)*

Region	Public expenditure 2000	Public expenditure 2001	Public expenditure 2002	Public expenditure 2000-2002	Appropriation 2000-2006	Progress %
Piemonte	94.5	119.7	135.8	349.9	863.9	40.5
Valle d'Aosta	5.6	24.4	16.1	46.2	119.1	38.8
Lombardy	112.9	77.9	106.8	297.5	804.3	37.0
Aut. Prov. Bolzano	33.4	29.8	40.1	103.3	265.9	38.9
Aut. Prov. Trento	12.3	27.0	33.0	72.3	210.2	34.4
Veneto	50.5	101.1	108.2	259.8	661.8	39.3
Friuli-Venezia Giulia	12.5	20.6	33.2	66.4	209.7	31.7
Liguria	11.3	43.8	41.7	96.8	210.7	46.0
Emilia-Romagna	111.7	114.4	128.0	354.1	852.2	41.5
Tuscany	126.2	91.4	61.0	278.5	721.6	38.6
Umbria	58.7	49.0	59.4	167.1	400.3	41.7
Marche	54.1	48.9	55.0	158.0	450.8	35.0
Lazio	57.7	58.0	95.7	211.4	587.2	36.0
Abruzzo	27.9	43.9	34.7	106.4	290.4	36.7
Molise	4.4	5.3	5.4	15.1	45.2	33.4
Campania	20.3	37.3	16.5	74.1	201.7	36.7
Puglia	83.5	58.4	49.0	190.9	389.4	49.0
Basilicata	43.5	42.7	35.5	121.8	244.3	49.9
Calabria	122.1	54.0	50.9	227.0	299.2	75.9
Sicily	119.0	81.2	91.7	291.8	560.8	52.0
Sardinia	102.3	73.7	62.0	238.1	403.7	59.0
ITALY	1,264.3	1,202.5	1,259.7	3,726.6	8,792.4	42.4

Source: calculations by INEA using figures from the Ministry for Agricultural and Forestry Policies.

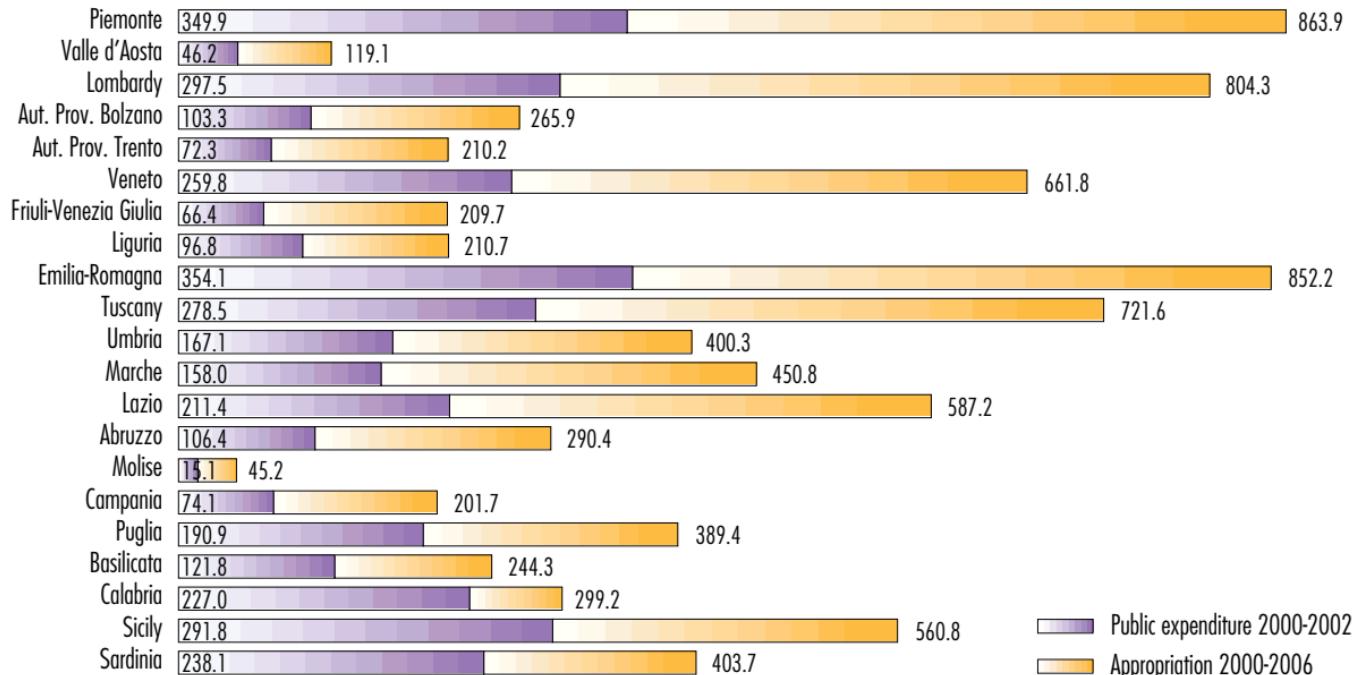
ures" (early retirement, agri-environment measures, afforestation of agricultural land) and compensatory payments for less favoured areas and areas subjected to environmental restrictions are financed by the Guarantee Section and are planned through the Rural Development Programmes (RDPs).

The remaining measures for rural development are financed by the Guidance Section and are planned in the Regional Operational Programmes (ROPs).

In non-Objective 1 regions, on the other hand, all rural development measures, including the measures for rural areas in Objective 2, are incorporated in the RDPs as they are all financed by the Guarantee Section.

As far as the measures financed by the Guarantee Section in Italy are concerned, in 2002 public spending amounted to approximately 1,260 million euro. This sum, added to the sums for the previous two years of the planning period, brings the total spent

*EACGF Guarantee Section funds for rural development measures by region and progress in spending  
2000-2002 (million euro)*



on measures to 3,700 million euro, 42% of the total allocated to Italy for the whole planning period 2000-06. Among the regions, Calabria shows the greatest progress in spending, having carried out measures worth 75% of its total allocation. This is due to the considerable sum spent by the

region during 2000, mainly to pay for previous commitments under Reg. (EC) 2078/92. In general, Objective 1 regions show higher percentages of progress in their spending, as a result of the fact that their RDPs only include the former accompanying measures and compensatory pay-

ments. Among the non-Objective 1 regions, Liguria has spent the largest percentage of its resources, registering actual expenditure for 46% of its total allocation.

Looking at spending on the different measures, it emerges that a large proportion of resources has been spent on

#### *EAGGF Guarantee Section expenditure by category of measure (million euro)*

	2000		2001		2002		2000-2002	
	Public expenditure	% of total						
Investments	22.6	1.8	153.6	12.8	222.6	17.7	398.8	10.7
Setting up young farmers	75.7	6.0	85.6	7.1	94.7	7.5	256.0	6.9
Training	0.5	0.0	7.0	0.6	2.7	0.2	10.2	0.3
Accompanying measures	1,122.2	88.8	804.3	66.9	725.9	57.6	2,652.4	71.2
under the new regime	28.9	2.3	131.4	10.9	186.2	14.8	346.5	9.3
under the old regime	1,093.4	86.5	672.8	56.0	539.7	42.8	2,305.9	61.9
Compensatory payments	23.7	1.9	80.9	6.7	74.2	5.9	178.8	4.8
Other forestry measures	2.5	0.2	15.2	1.3	31.5	2.5	49.2	1.3
Article 33 measures	8.0	0.6	47.5	4.0	90.2	7.2	145.6	3.9
Evaluation - measures under way	9.1	0.7	8.4	0.7	18.0	1.4	35.5	1.0
<b>TOTAL</b>	<b>1,264.2</b>	<b>100.0</b>	<b>1,202.5</b>	<b>100.0</b>	<b>1,259.7</b>	<b>100.0</b>	<b>3,726.5</b>	<b>100.0</b>

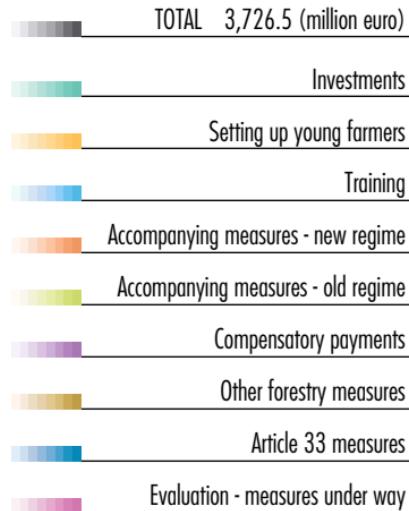
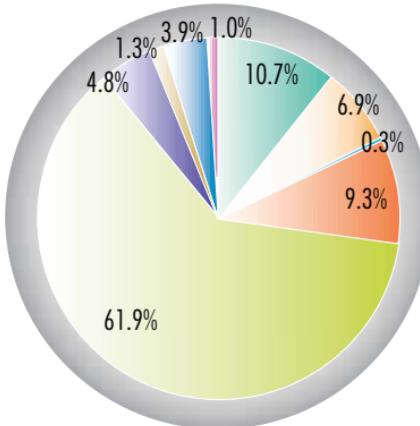
Source: calculations by INEA using figures from the Ministry for Agricultural and Forestry Policies.

the accompanying measures belonging to the old regime (Regs (EC) 2078/92, 2079/92 and 2080/92); public spending on these measures amounts to 62% of total disbursements. Spending on the accompanying measures carried out under the 2000-06 regime amounts to 9% of the total; consequently, the sum of payments disbursed under the old and the new regimes amounts to over 70% of total disbursements.

Among the other measures, it is investments, including "investments in farms" and "processing and marketing agricultural commodities", which have received the greatest percentage of spending (over 10%).

The measures for helping young people set up farm businesses have received around 7% of the total, while measures contained in art. 33 of Reg. (EC) 1257/99 have received 4%. Over half of the funds for these latter measures, which represent the most innovative part of the current planning round, have gone on diversification of

### *EAGGF Guarantee Section expenditure by category of measure, 2000-2002*



agricultural activities, management of water resources and rural infrastructure. Only very small sums have been spent on other forestry measures and training measures.

For Objective 1 regions, 31 December 2002 was the date for the first application of the mechanism of automatic decommitment, which was avoidable by ensuring sums related to the 2000

allocation were actually spent by the end of 2002. The total budgeted cost for Objective 1 regions in 2000 amounted to approximately 925 million euro, of which 380 million euro were payable from the EAGGF. Deducting the sum paid in advance, the EAGGF funding which had to be registered as actually spent amounted to around 172 million euro. The total sum actually spent at 31 December 2002 was 506 million euro, of which 278 million euro from the EAGGF, so the decommitment of funding was avoided.

At regional level, nearly all the regions succeeded in spending more than the sums required to avoid decommitment but did not succeed in spending the whole sums allocated to them for 2002. Only Basilicata and Campania were exceptions to this general trend, disbursing payments with an EAGGF quota exceeding the total amount of the first year's allocation.

*EAGGF Guidance Section expenditure at 31 December 2002 by region (million euro)*

	Appropriation for 2000		7% EAGGF paid in advance	EAGGF-Guid. to be registered as spent by 31.12.02	Sums spent at 31.12.02	
	Total cost	EAGGF-Guid.			Total cost	EAGGF-Guid.
Molise	13.70	5.21	2.65	2.56	15.55	3.84
Campania	163.49	84.73	45.52	39.21	136.82	88.12
Puglia	119.47	59.79	36.62	23.17	35.51	26.63
Basilicata	51.33	22.29	11.98	10.32	60.87	22.37
Calabria	164.58	53.46	28.72	24.74	84.15	42.08
Sicily	245.10	102.45	54.88	47.57	105.06	61.85
Sardinia	167.49	52.89	28.43	24.47	68.56	33.13
<b>TOTAL</b>	<b>925.16</b>	<b>380.82</b>	<b>208.78</b>	<b>172.04</b>	<b>506.53</b>	<b>278.02</b>

*Source: calculations by INEA using figures from the Ministry for Agricultural and Forestry Policies.*

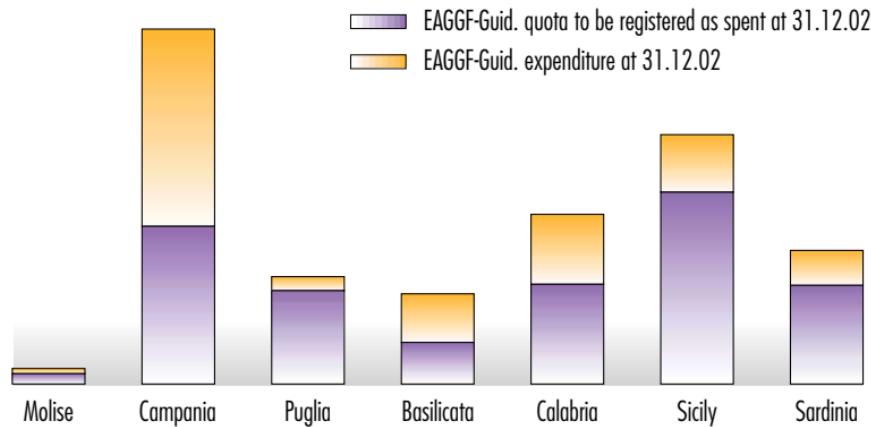
### ***The LEADER+ Community Initiative***

For the 2000-06 planning period, a portion of the Structural Funds (5%) has been allocated to four Community Initiative Programmes: LEADER+, INTERREG, URBAN and EQUAL. LEADER schemes are co-financed by the EAGGF Guidance Section; Italy

has been allotted 284.17 million euro for the 2000-06 period.

The objective of the LEADER+ programme is to develop resources in rural areas through integrated and innovative schemes which particularly promote cooperation among all the players in the areas concerned, thereby improving the organizational capabilities of rural communities.

*EAGGF Guidance Section expenditure at 31 December 2002 by region  
(million euro)*



Schemes are planned through Regional LEADER Programmes (RLPs) and the related Programme Complements. By January 2002 the European Commission had approved all the RLPs and in almost all regions the Supervisory Committees have approved the Pro-

gramme Complements, although some of these are being amended. Notices have been published for the selection of Local Development Plans in as many as 20 regions and in 10 of these a list of Plans has already been drawn up.

*Distribution of LEADER+ funds by region (million euro)*

	EAGGF-Guid. funds	% EAGGF-Guid. funds	National funds	Total
Piemonte	11.32	3.98	11.32	22.64
Valle d'Aosta	2.14	0.75	2.14	4.28
Lombardy	7.22	2.54	7.22	14.44
Aut. Prov. Bolzano	7.75	2.73	7.74	15.49
Aut. Prov. Trento	3.69	1.30	3.69	7.38
Veneto	13.74	4.84	13.74	27.48
Friuli-Venezia Giulia	5.65	1.99	5.65	11.30
Liguria	5.30	1.87	6.62	11.92
Emilia-Romagna	9.78	3.44	14.07	23.85
Tuscany	13.34	4.69	17.66	31.00
Umbria	7.57	2.66	7.57	15.14
Marche	7.86	2.77	7.86	15.72
Lazio	13.55	4.77	13.55	27.10
Abruzzo	17.67	6.22	17.67	35.34
Molise	8.24	2.90	2.75	10.99
Campania	23.63	8.32	7.88	31.51
Puglia	25.76	9.06	8.59	34.35
Basilicata	17.03	5.99	5.68	22.71
Calabria	21.23	7.47	7.08	28.31
Sicily	29.31	10.31	9.77	39.08
Sardinia	26.89	9.46	17.03	43.92
<b>TOTAL</b>	<b>278.67</b>	<b>98.06</b>	<b>195.26</b>	<b>473.93</b>
Network	5.50	1.94	5.50	11.00
<b>TOTAL</b>	<b>284.17</b>	<b>100.00</b>	<b>200.76</b>	<b>484.93</b>

Source: calculations by INEA using RLP figures.



## **NATIONAL AND REGIONAL POLICIES**

# National Legislation

## Main policies and strategies for the sector

The main national policy objectives for the agri-food system, which are to be achieved through the implementation of support measures for the sector, are:

- to increase the competitiveness of farms and agri-industrial businesses;
- to make the best possible use of agri-food traditions and specialities;
- to promote quality, the multiplication of farm activities and consumer protection;
- to reform public administration.

These objectives were reinforced by the Government's *Economic and Financial Planning Document (DPEF) 2003-2006*, which focused on the reorganization of expenditure and on structural investments in order to consolidate the functioning of markets, the quality of products and the protection of consumers.

With the *Finance Act for 2003 (law n. 289 dated 27 December 2002)* con-

taining "Provisions for the State's annual and multiannual budgets", a concrete start was made to implement strategies to:

- ease tax pressure on businesses by reducing IRPEF (income tax), IRPEG (corporation tax) and the tax base for IRAP (regional tax on productive activities) and by a further extension of special VAT rates;
- increase the competitiveness of the

Italian agri-food system by introducing tax credit for the agriculture sector, creating food chain contracts and setting up an aid system for access to the capital market.

*Enabling Act n. 38 dated 7 March 2003* – "Provisions regarding agriculture" – indicated the issues on which the Government had to issue decrees for ratification by Parliament within the year. These included laws promot-

## *Finance Act for 2003: appropriations for the agricultural sector in 2003 and comparison with 2002 (thousand euro)*

Appropriations	2002	2003
Special fund in current account (set aside in current account for draft laws to be approved during the year) - Ministry Agricultural & Forestry Policies	1,368.00	517,058.00
Special fund in capital account (set aside in capital account for draft laws to be approved during the year) - Ministry Agricultural & Forestry Policies	56,475.00	7,388.00
Appropriations authorized by legislative provisions	235,831.00	240,578.00
Funding of laws supporting the economy	160,103.00	200,000.00
Multiannual expenditure laws, total amount	735,018.00	569,386.00
Appropriations in the Finance Act in addition to tables		58,041.00
<b>TOTAL</b>	<b>1,028,692.00</b>	<b>1,392,451.00</b>

ing and completing the process of modernization of the agricultural, food, forestry, fishing and aquaculture sectors through reorganization of the legislation for these sectors, with particular reference to traceability, the economic organization of producers, joint-stock companies, setting up young people in business and reviewing the regulations for organic production in agriculture and the agri-food sector. The institution of a system of permanent cooperation between the State, Regions and Autonomous Provinces was also planned.

## Tax concessions

### *IRAP (regional tax on productive activities)*

The *Finance Act for 2003* (art. 5) provided for a reduction in the tax base for IRAP in the agricultural sector, equivalent to 2,000 euro for each employee. For operators in the agri-

cultural sector and small fish cooperatives the IRAP rates for 2002 were cut from 3.1% to 1.9% (art. 19). For the tax period beginning 1 January 2003, the rate was fixed at 3.8%.

### *VAT (special rates)*

The *Finance Act for 2003* (art. 19) provided for a further extension, for 2003, of the special VAT rates for producers with a turnover of over 20,658 euro in the agricultural sector. The application of the ordinary rates was therefore postponed till 1 January 2004.

### *Tax amnesties*

One of the principal tax amnesties introduced by the *Finance Act for 2003* was the “mass agreement” (art. 7), by which previous years’ incomes from business and self-employed labour on which tax had been evaded would be determined automatically further to payment by those concerned of the taxes due. It was applicable to growers whose only income was from agriculture and to livestock

farmers under the terms of the Consolidated Act on Income Tax (TUIR). The agreement only regarded VAT and IRAP.

### *Extensions*

The *Finance Act for 2003* (art. 19) extended to 31 December 2003 the deductibility from income tax (IRPEF) of expenditure on measures carried out for the maintenance and protection of woodland under art. 9 of law n. 448/02. It also extended the exemption from duty on diesel oil used for growing glasshouse crops to 2003.

## Environment and territory

*Law n. 179 dated 31 July 2002 – “Provisions for the environment” –* promoted programmes to control the emission of pollutants and contained measures regarding chemicals and genetically modified organisms.

*Law n. 166 dated 1 August 2002 – “Provisions for infrastructure and transport” –* set out provisions to

update the general transport plan and regulations on easement and expropriation.

*CIPE resolution n. 123 dated 19 December 2002* approved the National Action Programme for the reduction of greenhouse gas emissions through woodland planting and replanting, forestry management measures, agricultural soil and pasture management measures and replanting of vegetation.

## Natural disasters and health emergencies

### Drought

*Law n. 178 dated 8 August 2002*, setting out provisions for emergencies caused by drought, introduced measures to help farms by compensating damages and reducing costs. Aid was made available in the form of grants and credit through the National Solidarity Fund (cf. law n. 185 dated 14 February 1992), to compensate farm

businesses damaged by drought in the period 2000-2002.

In order to reduce the running costs of farm businesses and to guarantee flexibility in the face of commitments taken on by farms under the Regional Operational Programmes and Regional Development Programmes, provision was also made for supplementary measures to help farms to recover economically and to resume production; these included ten-year loans with low interest rates, exemption from the payment of contributions for irrigation management and a 50% reduction in taxes payable by consortia.

In order to retrieve water resources, steps were taken for the immediate implementation of the "National Programme for the provision of water in agriculture and the development of irrigation" laid down in *CIPE resolution n. 41 dated 14 June 2002*.

*CIPE resolution n. 133 dated 19 December 2002* approved the plan for the utilization of available funds and

set out instructions for coordinating schemes and guaranteeing maintenance for irrigation systems.

The *decree by the Ministry for Agricultural and Forestry Policies dated 6 September 2002* distributed the first tranche of 9 million euro (law n. 178/02) among the regions hit by drought during the period 2000-02. The appropriation was allotted to set up ten-year funding schemes to consolidate agricultural credit operations for the benefit of farms hit by drought.

### Adverse weather

The terms of the National Solidarity Fund (cf. law n. 185/92) for compensation in case of adverse weather were amended by *law n. 256 dated 13 November 2002*, which extended aid measures to livestock and bee farms. Damage to production is compensated either through a non-repayable grant of up to 80% of the damage ascertained by the region or, alternatively, through a five-year loan with special

interest rates. The cost of running a damaged farm is compensated through a five-year loan with special interest rates. Structural damage is compensated with a non-repayable grant amounting to 80% of the cost of repairing the damage. The *Finance Act for 2003 (art. 69)* made further amendments to the terms of the National Solidarity Fund set out in law n. 185/92, entitling farmers to aid from the Fund in the case of damage to livestock production. Previously, farms rearing livestock were only entitled to the benefits in law n. 185/92 for damage to their crops but now they can also apply for aid from the Fund for losses in livestock.

### ***Earthquakes***

*Law n. 286 dated 27 December 2002* set out urgent measures in favour of the population hit by natural disasters in the Molise, Sicily and Puglia regions and laid down further provisions regarding civil defence.

### ***Health emergencies***

The *Finance Act for 2003 (art. 68 and 69)* allocated funds to help the livestock sector deal with viral infections from swine vesicular disease and the consequences of scrapie in sheep. An amendment was made to law n. 388/2000 so that the funds allocated to fight avian influenza could be used for compensation as well as for structural and preventive measures.

### ***Agri-food supply chain***

In an effort to complete the supply chain of the agri-food system and strengthen the agri-food sector in underutilized areas, the *Finance Act for 2003 (art. 66)* promoted food chain contracts on a national scale. Provision was also made for an aid system giving businesses in the agricultural and agri-food sectors access to the capital market.

### ***Measures financed by the Fund for Underutilized Areas***

The *Finance Act for 2003 (art. 61)* created a Fund for Underutilized Areas which brought together the resources of the Fund for Depressed Areas (used to finance special measures for the South and ordinary measures for depressed areas), the resources of the Fund for Young Entrepreneurs and the resources budgeted for tax credits for investments (extra-agricultural sectors) and for the recruitment of new employees. The territory in underutilized areas corresponds to the territory in depressed areas, as set out in law n. 208 dated 30 June 1998. Resources may be transferred from one sector to another. *CIPE resolution n. 16 dated 9 May 2003* allocated approximately 14.5 million euro for the three-year period 2003-05, which can be spent on: tax credit or bonuses for increasing employment (1,800 million euro), aid for individuals setting themselves

up in business or in employment (1,050 million euro), programme contracts (560 million euro), agri-food chain contracts (100 million euro), territorial pacts and other local development instruments (120 million euro).

## Employment and labour

### **Full-time farmers**

The *Finance Act for 2003* (art. 45), making an exception to current social security regulations, authorized full-time farmers to employ relatives, including students, up to the second grade of kinship, on a seasonal basis to help with harvesting, but for no more than a total of 90 days during the course of the year.

### **Tax credit for increasing employment**

The *Finance Act for 2003* (art. 63) amended the provisions on tax credit laid down in law n. 388/2000 (art. 7) for increasing employment and extended them to 2006. The amend-

ments affect a varied range of situations and conditions as regards concessions and benefits, procedures and methods.

### **Illegal labour**

*Law n. 222 dated 9 October 2002* introduced provisions for legalizing illegal labour by non-EU immigrants. At the same time, in order to make efforts to increase employment more effective, *Law n. 266 dated 22 November 2002* was passed amending the rules for the emergence of black labour, extending the application of the law (n. 383/2001) to all farms.

### **Negotiated planning**

The *Finance Act for 2003* (art. 69) made a number of amendments to the system of negotiated planning in agriculture. It extended the aid established by Decision 2002/220/EC on tax credit in agriculture to territorial pacts and to programme contracts agreed between institutional bodies

and private parties in the agriculture sector. In 2002 eight programme contracts were approved by the CIPE for measures in the agricultural sector, with investments amounting to 624 million euro.

With *CIPE resolution n. 88 dated 24 October 2002*, regions and autonomous provinces were allotted more funds, through planning agreements, to support productive activities given aid through negotiated planning instruments and/or other instruments providing aid for specific geographical areas.

## Sectors

### **Production of food commodities**

The *Finance Act for 2003* (art. 69) provided 10 million euro for the sugar beet sector for 2003.

*Law n. 292 dated 27 December 2002*  
– “Urgent measures for the protection of the Italian Mediterranean buffalo”  
– provided incentives for the develop-

ment and improvement of the buffalo herd through special regional schemes.

*Law n. 119 dated 30 May 2003*, reforming the regulations governing the application of the additional levy in the milk and dairy sector, reorganized the application of the EU milk quota regime through the following measures:

- the payment in instalments of fines for the marketing years between 1995/96 and 2001/02, subject to EU approval and excluding producers who have not paid their fines for years after 2001/02;
- the possibility of transferring quotas among regions, with reserves for mountain areas and islands;
- the annulment of quotas for producers who do not use at least 70% of their quota, except in cases in which the regions recognize there are circumstances beyond producers' control;
- a plan for producers to abandon milk and dairy production with the

support of an aid scheme;

- the redistribution of recovered quotas, giving the priority to producers who have sustained a cut in the "B" quota and to young farmers;
- the introduction of a monthly levy system to be implemented through first buyers;
- the possibility of nominating a government commissioner to monitor and check the application of the law.

#### ***Production of non-food commodities***

The *Finance Act for 2003 (art. 19)* deferred the beginning of the three-year experimental "bioethanol" project to 1 January 2003. The aim of the project is to increase the use of energy sources with a low environmental impact by applying reduced excise duty rates.

#### ***Agriculture in mountain areas***

The *Finance Act for 2003 (art. 85)* set up a register of mountain products at the Ministry for Agricultural and Forestry Policies in order to protect

speciality foods as set out in Reg. (EEC) 2081/92. Products may be entered on the register if they have been granted a designation of origin or indication of geographical origin and come from mountain towns and villages in which all stages of production and processing of raw materials have taken place.

The *Finance Act for 2003 (art. 67)* extended the incentives set out in law n. 44 dated 28 February 1986 for the promotion and development of businesses run by young people in the South of Italy to mountain villages with under 5,000 inhabitants.

The *decree by the Ministry for Agricultural and Forestry Policies dated 27 February 2003* reinstated the original amount in the Mountain Fund (art. 2, law 97/94) thanks to a supplement of approximately 22.4 million euro, for financing policies benefiting regions and autonomous provinces. The overall amount available in the Fund for 2002 was about 58.4 million euro.

## **Tax, social security and insurance instruments**

### ***Tax credit on investments***

*Law n. 178 dated 8 August 2002* revised the rules for the application of tax credit. In agriculture (cf. art. 11), this aid was extended to all farms anywhere in the country making new investments in the production, marketing or processing of agricultural commodities, as laid down in Appendix I of the European Community Treaty. The *decree by the Ministry for Agricultural and Forestry Policies dated 2 August 2002* set out the kinds of investments in the agricultural sector for which tax credit is granted. These include investments for which an application is made under the Regional Development Programmes and Regional Operational Programmes. The application must be considered acceptable by the competent authority and the tax credit is accumulable with other forms of aid. The *Revenue Agency circular n. 68/E*

*dated 13 August 2002* set out the regulations for the application of the tax credit. The *Finance Act for 2003 (art. 69)* extended the cases in which tax credit is granted to include the applications made under national aid programmes approved by the European Commission. The *decree by the Ministry for Agricultural and Forestry Policies dated 5 March 2003* fixed the amount of funds allocated to investments in less favoured areas (cf. art. 87, para. 3, letters a and c of the EC Treaty) at 105 million euro or 60% of the overall appropriation allocated for 2003 (175 million euro).

### ***Tax and social security system***

*Law n. 80 dated 7 April 2003* – “Reorganization of the State tax system” – set out guidelines for the overall reform of the system, providing for just two rates of IRPEF (personal income tax) and the gradual abolition of IRAP (regional tax on productive activities).

### ***Financial and insurance instruments***

The *Finance Act for 2003 (art. 69)* laid down that any monies left in the Fund for the development of mechanisation in agriculture at 31 December 2002 should be transferred into the Risk Insurance Fund (cf. law n. 388/00, art. 127), in order to encourage farms to take out multi-risk insurance.

## **Business development**

### ***Businesses run by women***

The *decree by the Ministry for Productive Activities dated 22 November 2002* established the terms for access to the 5<sup>th</sup> round of incentives set out in law n. 215/92. The total sum made available was approximately 155 million euro. The *Ministry for Productive Activities circular n. 1151489 dated 22 November 2002* set out the rules for the submission of applications and the granting of aid. Agricultural proj-

ects must be for sectors for which aid is payable and for the kinds of investment set out in the Regional Operational Programmes and Regional Development Programmes.

### ***Businesses run by young people***

*CIPE resolution n. 62 dated 2 August 2002* committed “Sviluppo Italia” to allocate 85 million euro to incentives benefiting agricultural enterprises run by young people, as set out in legislative decree n. 185/2000. This aid,

which was authorized by an EC decision on 13 February 2003 (State Aid n. 336/2001), regards the production, processing and marketing of agricultural commodities. Incentives are provided for new enterprises producing goods or services, for young people taking over existing businesses and for farm cooperatives. The enterprises must be located in regions in the South or other underutilized areas of Italy.

### ***The consolidation of farm holdings***

*The Finance Act for 2003 (art. 69)* laid down the implementation procedures for funding aimed at guaranteeing the consolidation and improvement of farm holdings (cf. law n. 448/01, art. 47). For this purpose, the Cassa Depositi e Prestiti (the Savings and Loans Institute) was authorized to grant ISMEA twenty-year loans for incentives for the development of farm holdings (law n. 817/71).

# Regional Expenditure

The development of the financial and political autonomy of the Italian regions with respect to the State has doubtlessly been one of the major factors affecting public intervention in the agriculture sector in the course of the last few years. There has been a gradual change from a system based on derivative funding with high sectorialization of funding sources to a system which is less dependent on the Government's annual budget choices; as a result of this change and other measures, no funds are tied to specific sectors any more. In the provisions set out in legislative decree n. 56/2000 on fiscal federalism, the financial autonomy of the regions was sanctioned and inter-regional solidarity was reinforced through a national fund financed by the sharing of VAT based on parameters respecting regional differences (resident population, fiscal capacity, including the ability to fight tax evasion, geographical size). The new system will come

fully into effect in the current year and regions must be able to forecast their requirements and the final destination of resources acquired through their new tax revenue. The institutional framework was also profoundly changed by the amendment to the Constitution (law n. 3/2001), which introduced the principle of the centrality of the regions' regulatory and legislative powers with respect to those of the State and created a new balance in relations between the Regions, the State and the EU. With the so-called "La Loggia Law" (n. 131/2003), the constitutional reform was confirmed as being operative; for the agriculture sector this was important in that it confirmed the contents of the constitutional reform and therefore the extension of jurisdictional powers to all the regions, including those with an ordinary statute. The regional budgets have consequently become a key instrument for the implementation of public

intervention throughout the country. Now it is through the regional budgets which not only the regions' own resources deriving from their greater financial autonomy are channelled, but also the residual sums from national intervention funds and emergent sums for EU agricultural policies.

Law n. 94/1997, together with legislative decree n. 76 dated 28 March 2000 and the regional implementation laws, set out the principles and new structures of regional accounts. The new accounting system is much more oriented towards objectives and related action areas so that an economic and financial assessment of revenue and expenditure can be made in relation to more general objectives of efficacy and efficiency. The aim is to provide the regions with new organizational and operating rules, together with appropriate accounting tools, so that they can make the best possible use of public resources.

## Financial support for agriculture by destination (million euro)

	Technical assistance and services <sup>1</sup>		Investment & management aid		Infrastructure		Forestry activities		Other		Total payments	
	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
Piemonte	15	15	74	74	24	40	27	26	33	44	173	200
Valle d'Aosta	4	3	40	44	1	2	3	4	25	20	73	74
Lombardy	30	86	121	141	14	22	6	26	23	8	195	282
Aut. Prov. Trento	18	8	29	42	30	28	21	13	44	19	142	111
Aut. Prov. Bolzano	26	23	74	83	4	7	15	14	27	22	145	149
Veneto	32	33	110	144	22	22	3	5	30	40	197	244
Friuli-Venezia Giulia	8	6	28	31	47	37	5	6	14	10	101	90
Liguria	15	9	31	3	2	3	15	11	10	39	72	65
Emilia-Romagna	25	23	121	91	19	28	11	9	6	7	182	159
Tuscany	12	9	70	54	8	17	28	28	58	72	176	181
Umbria	12	14	19	23	4	6	10	6	8	14	53	63
Marche	21	8	69	61	10	9	4	5	8	7	112	91
Lazio	34	61	47	51	11	19	1	0	69	100	162	232
Abruzzo	6	1	59	62	11	13	14	16	16	18	106	110
Molise	2	1	48	9	5	6	2	2	10	6	67	25
Campania	8	-	23	-	12	-	3	-	5	-	122	-
Puglia	29	12	20	51	76	115	5	5	45	59	175	242
Basilicata	13	13	71	79	11	19	33	26	37	14	165	151
Calabria	5	11	42	98	4	7	206	162	110	66	366	343
Sicily	28	12	174	182	107	115	82	281	127	91	518	680
Sardinia	55	22	61	70	5	9	116	130	175	163	412	394
<b>TOTAL</b>	<b>399</b>	<b>373</b>	<b>1,331</b>	<b>1,394</b>	<b>426</b>	<b>523</b>	<b>609</b>	<b>776</b>	<b>883</b>	<b>819</b>	<b>3,719</b>	<b>3,885</b>

<sup>1</sup> "Technical assistance & services" includes schemes classified elsewhere under "Technical assistance" and "Research & experimentation".

Source: INEA, databank on regional spending on agriculture.



## **APPENDIX**

# Glossary

## ***AWU***

### ***Annual Work Unit***

According to the EU definition, in structural surveys one AWU is equivalent to the labour input of at least 2,200 hours a year for a family worker and of 1,800 hours a year for a paid worker.

## ***Contract services***

The supply of machinery to farms, mainly by firms and contractors specialised in agricultural operations (ploughing, sowing, harvesting etc.).

## ***ESU***

### ***European Size Unit***

It is a multiple of the euro and is used to measure the standard gross margins (SGM) attributed to farms. Since 2001 FADN has adopted the 1996 SGM, according to which 1 ESU = approximately 1,200 euro; for years previous to 1996, it was 912 euro.

## ***FT***

### ***Farm Type***

The classification of farms into types is based on the financial potential of the various agricultural activities of the farm and the combination of these activities.

In order to classify a farm, 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 incurred for using long-term factors of production – depreciation, interest, land rent, wages for permanent hired labour – or, in other words, all those costs which do not vary, in the short term, according to production.

## ***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 operating on the economic territory of the country. It equates to the sum of the value of goods and services produced on 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***

ESA 95 led to important changes in the calculation of total expenditure by farms on inputs (seeds, fertilisers, pesticides, feed, energy, irrigation water and various services). Thanks to the availability of FADN data, alongside traditional inputs it has been possible to identify previously excluded inputs and to calculate the cost of others in a more complete manner. These include: servicing and repairing farm machinery and tools; veterinary services; processing and bottling commodities; trials and technical tests; advertising, market studies and research services; membership of producer associations, insurance, banking and financial services; legal and accountancy services. The cost of transactions within the agricultural industry – i.e. the use by farms of their own products and the sale of products between farms – has also been added.

## ***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 commercial performance of aggregates of different products and of products of different absolute value.

## ***Tenure of UAA***

The relationship between a farm business and land capital (ownership or tenancy).

## ***Output at basic prices***

With ESA 95, in the agricultural account the concept of a “local kind-of-activity unit” (KAU) is adopted in order to describe production processes

and the revenue obtained from them and to compare enterprises as regards their economic results and types of production. The “national farm” concept, which was used previously, has been superseded, replaced by the sum of all KAU operating in the agricultural sector, classified according to their main productive activity. These units together constitute the “agricultural industry”, which includes not only agricultural activities in the strict sense but also correlated secondary activities such as the processing of agricultural products by farms, the provision of certain services and other productive activities (forestry etc).

Related to the concept of the KAU is the concept of “output” which according to ESA 95 methodology does not only include products destined for the market at an economically significant price (saleable production) but also those used by producers as final consumption or investment (production for own final use). The new system therefore supersedes the old concept of

“final output” by including in the concept of output not only production sold on the market or kept as stock or consumed on the farm, but also the part of production used as an intermediate input in the same year by the unit which produced it.

Another fundamental innovation concerns prices and the value given to output. According to ESA 95, all output – whether destined for sale or for other uses – must be valued at basic prices, which include production-related subsidies and therefore measure the sum actually received by the producer; subsidies which are not directly related to production but are of a more general nature (eg accompanying measures, set-aside, national and regional aid), are, however, excluded.

### ***Production-related subsidies***

Premiums and supplements paid out by public bodies in support of the agricultural sector.

### ***SGM***

#### ***Standard Gross Margin***

The SGM is a financial measure established for each of a farm's agricultural activities by subtracting the sum of certain specific costs (seeds, fertilisers, pesticides, feed, fodder etc but not labour and machinery) from the value of saleable output. The gross margins calculated in this way are said to be “standard” in that the value of output and costs are calculated on average values over a three-year period and in relation to the altitude zone of the region. SGMs are expressed in ecu and are updated by INEA during structural surveys and ISTAT agricultural censuses.

The sum of the SGMs of all the activities of a farm equate to its economic size, which is expressed in ESU.

### ***Total Farm Area***

For structural surveys of farms, total farm area includes UAA, cultivated woodland (woods and poplar groves),

unused agricultural land and any other land within the farm perimeter. It differs therefore from the definition used in current agricultural statistics, which also includes other unintended areas of land not belonging to any farm.

### ***UAA***

#### ***Used Agricultural Area***

UAA comprises all arable land, permanent 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 sector and the value of the intermediate goods and services consumed in producing them. It is equivalent to the sum of income and depreciation in each sector.

With ESA 95, estimates of value added and output are no longer presented at

factor cost because of the introduction of the concept of basic prices. Basic prices include all subsidies directly related to the value of products – but do not include, for example, compensatory aid not directly related to quantities produced – 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 other production subsidies.

Output less intermediate consumption gives value added at basic prices.

### ***Variable costs***

Costs incurred for factors of production which are subject to total consumption – energy, hire of machinery, casual labour – or, in other words, all those costs which vary according to production.

to measure the total volume of work used for productive activities in the country, expressed in standard amounts of working time. The volume of labour expressed in work units (or “employee equivalents”) includes labour by illegal workers, undeclared employees, non-resident foreigners and workers with a second job.

### ***WU*** ***Standard Work Unit***

This is a national accounts term used

# Useful Addresses and Websites

## Ministero delle Politiche agricole e forestali

(Ministry for Agricultural and Forestry Policies)

Via XX Settembre, 20 - Roma

[www.politicheagricole.it](http://www.politicheagricole.it)

## REGIONAL DEPARTMENTS OF AGRICULTURE

### Abruzzo

#### II Dipartimento

Via Catullo, 17 - Pescara  
085/7672977  
[www.regione.abruzzo.it](http://www.regione.abruzzo.it)

### Basilicata

Via Anzio, 44 - Potenza  
0971/448710  
[www.regione.basilicata.it](http://www.regione.basilicata.it)

### Autonomous Province of Bolzano

Via Brennero, 6 - Bolzano  
0471/992111  
[www.provinz.bz.it](http://www.provinz.bz.it)

### Calabria

Via S. Nicola, 5 - Catanzaro  
0961/744359  
[www.regione.calabria.it](http://www.regione.calabria.it)

### Campania

Centro direzionale isola A/6 - Napoli  
081/7533510  
[www.regione.campania.it](http://www.regione.campania.it)

### Emilia-Romagna

Viale Silvani, 6 - Bologna  
051/284516  
[www.regione.emilia-romagna.it](http://www.regione.emilia-romagna.it)

### Friuli-Venezia Giulia

Via Caccia, 17 - Udine  
0432/555111  
[www.regione.fvg.it](http://www.regione.fvg.it)

### Lazio

Via Rosa Raimondi Garibaldi, 7  
- Roma  
06/5168130  
[www.regione.lazio.it](http://www.regione.lazio.it)

### Liguria

Via D'Annunzio, 113 - Genova  
010/5485722  
[www.regione.liguria.it](http://www.regione.liguria.it)

### Lombardy

Piazza IV Novembre, 5 - Milano  
02/67652505  
[www.regione.lombardia.it](http://www.regione.lombardia.it)

### Marche

Via Tiziano, 44 - Ancona  
071/8063661  
[www.agri.marche.it](http://www.agri.marche.it)

### Molise

Via Nazario Sauro, 1 - Campobasso  
0874/4291  
[www.siar.molise.it](http://www.siar.molise.it)

### Piemonte

CORSO STATI UNITI, 21 - TORINO  
011/4321680  
[www.regione.piemonte.it](http://www.regione.piemonte.it)

### Puglia

Lungomare N. Sauro, 45 - Bari  
080/5405202  
[www.agripuglia.it](http://www.agripuglia.it)

### Sardinia

Via Pessagno, 4 - Cagliari  
070/302977  
[www.regione.sardegna.it](http://www.regione.sardegna.it)

### Sicily

Viale Regione Siciliana, 2675  
ang. Via Leonardo da Vinci - Palermo  
091/6966066  
[www.regione.sicilia.it](http://www.regione.sicilia.it)

**Autonomous Province of Trento**

Località Melta, 112 - Trento

0461/495111

[www.provincia.trento.it](http://www.provincia.trento.it)

**Tuscany**

Via di Novoli, 26 - Firenze

055/4383777

[www.rete.toscana.it](http://www.rete.toscana.it)

**Umbria**

Centro direzionale Fontivegge

- Perugia

075/5045130

[www.regione.umbria.it](http://www.regione.umbria.it)

**Valle d'Aosta**

Quart - loc. Amerique, 127/a - Aosta

0165/275411

[www.regione.vda.it](http://www.regione.vda.it)

**Veneto**

Palazzo Balbi - Dorsoduro 3901

- Mestre

041/2792832

[www.regione.veneto.it](http://www.regione.veneto.it)

**NATIONAL RESEARCH BODIES****ANPA****Agenzia Nazionale per la Protezione dell'Ambiente**

(National Agency for the Protection of the Environment)

Via Vitaliano Brancati, 48 - Roma

[www.sinanet.anpa.it](http://www.sinanet.anpa.it)

**APRE****Agenzia per la Promozione della Ricerca Europea**

(Agency for the Promotion of European Research)

P.zza G. Marconi, 25 - Roma

[www.apre.it](http://www.apre.it)

**CNR****Consiglio Nazionale delle Ricerche**

(National Research Council)

Piazzale Aldo Moro, 1 - Roma

[www.cnr.it](http://www.cnr.it)

**ENEA****Ente per le nuove tecnologie, l'energia e l'ambiente**

(Agency for New Technology, Energy and the Environment)

Strada Prov. Anguillarese, 301

Santa Maria di Galeria (RM)

[www.enea.it](http://www.enea.it)

**INEA****Istituto Nazionale di Economia Agraria**

(National Institute of Agricultural Economics)

Via Barberini, 36 - Roma

[www.inea.it](http://www.inea.it)

**INFS****Istituto Nazionale per la Fauna Selvatica**

(National Institute for Wild Fauna)

Via Cà Fornacetta, 9

Ozzano dell'Emilia - Bologna

**INN****Istituto Nazionale della Nutrizione**

(National Institute of Nutrition)

Via Ardeatina, 546 - Roma

[www.inn.ingrm.it](http://www.inn.ingrm.it)

**ISMEA****Istituto di Servizi per Mercato Agricolo Alimentare**

(Institute of Services for the Agricultural and Food Market)

Via C. Celso, 6 - Roma

[www.ismea.it](http://www.ismea.it)

**ISTAT****Istituto Nazionale di Statistica**

(National Statistics Institute)

Via Cesare Balbo, 16 - Roma

[www.istat.it](http://www.istat.it)

**Istituto Guglielmo Tagliacarne**

(Guglielmo Tagliacarne Institute)

Via Appia Pignatelli, 62 - Roma

[www.tagliacarne.it](http://www.tagliacarne.it)

**Istituto Nazionale di Apicoltura**

(National Institute of Apiculture)

Via di Saliceto, 80 - Bologna

[www.inapicoltura.org](http://www.inapicoltura.org)

**Istituto Superiore di Sanità**

(Higher Health Institute)

Viale Regina Margherita, 299 - Roma

[www.iss.it](http://www.iss.it)

**NOMISMA**

Strada Maggiore, 44 - Bologna

[www.nomisma.it](http://www.nomisma.it)

**UCEA****Ufficio Centrale di Ecologia Agraria**

(Central Office of Agricultural Ecology)

Via del Caravita, 7/a - Roma

[www.ucea.it](http://www.ucea.it)

**INSTITUTES FOR  
AGRICULTURAL RESEARCH AND  
EXPERIMENTATION****Istituto Agronomico****per l'Oltremare**

(Overseas Agronomy Institute)

Via Cocchi, 4 - Firenze

[www.iao.florence.it](http://www.iao.florence.it)

**Istituto Centrale per la Ricerca  
Scientifica e Tecnologica Applicata  
al Mare**

(Central Institute for Scientific and  
Technological Research Applied to  
the Sea)

Via di Casalotti, 300 - Roma

[www.icram.org](http://www.icram.org)

**Ist. Sper. Agronomico**

(Experimental Institute of Agronomy)

Via Celso Ulpiani, 5 - Bari

[www.inea.it/isa/isa.html](http://www.inea.it/isa/isa.html)

**Ist. Sper. Lattiero Caseario**

(Experimental Institute for Dairy  
Produce)

Via A. Lombardo, 11 - Lodi (MI)

[www.ilclodi.it](http://www.ilclodi.it)

**Ist. Sper. per l'Agrumicoltura**

(Experimental Institute for the  
Cultivation of Citrus Fruit)

CORSO SAVOIA, 190 - ACIREALE (CT)  
[www.gte.it/piante](http://www.gte.it/piante)

**Ist. Sper. per l'Assestamento  
Forestale e l'Apicoltura**

(Experimental Institute for Forest  
Settlement and Apiculture)

P.ZZA NICOLINI, 6 - TRENTO (VILLAZZANO)  
[www.isafa.it](http://www.isafa.it)

**Ist. Sper. per la Cerealicoltura**

(Experimental Institute for the  
Cultivation of Cereals)

VIA CASSIA, 176 - ROMA

[www.cerealicoltura.it](http://www.cerealicoltura.it)

**Ist. Sper. per le Colture Foraggere**

(Experimental Institute for Fodder  
Crops)

VIALE PIACENZA, 29 - LODI (MI)

<http://www.isnp.it/irsa/ISCF.htm>

**Ist. Sper. per le Colture Industriali**

(Experimental Institute for Industrial  
Crops)

VIA DI CORTICELLA, 133 - BOLOGNA

<http://www.sipeaa.it/isci2/home2.htm>

**Ist. Sper. per la Elaiotecnica**  
(Experimental Institute for Olive Oil Production)  
Via Cesare Battisti, 198 - Pescara  
[www.inea.it/udi/Ricerca/Elaio](http://www.inea.it/udi/Ricerca/Elaio)

**Ist. Sper. per l'Enologia**  
(Experimental Institute for Wine Production)  
Via Pietro Micca, 35 - Asti  
<http://www.isnp.it/irsa/ISEnol.htm>

**Ist. Sper. per la Floricoltura**  
(Experimental Institute for Floriculture)  
Corso degli Inglesi, 508  
Sanremo (IM)  
[www.inea.it/istflo/istinfo.htm](http://www.inea.it/istflo/istinfo.htm)

**Ist. Sper. per la Frutticoltura**  
(Experimental Institute for the Cultivation of Fruit)  
Via Fioranello, 52 - Roma (Ciampino)  
[www.inea.it/isff/Institute/italy.html](http://www.inea.it/isff/Institute/italy.html)

**Ist. Sper. per la Meccanizzazione Agricola**  
(Experimental Institute for Mechanisation in Agriculture)  
Via della Pascolare, 16 (Via Salaria,

km. 29,200) - Monterotondo (Roma)  
[www.inea.it/udi/Collab/ISMA/Index.html](http://www.inea.it/udi/Collab/ISMA/Index.html)

**Ist. Sper. per la Nutrizione delle Piante**  
(Experimental Institute for Plant Nutrition)  
Via della Navicella, 2 - Roma  
[www.isnp.it](http://www.isnp.it)

**Ist. Sper. per l'Orticoltura**  
(Experimental Institute for the Cultivation of Vegetables)  
Via dei Cavalleggeri, 25  
Pontecagnano (SA)  
[www.inea.it/udi/Ricerca/ISOR](http://www.inea.it/udi/Ricerca/ISOR)

**Ist. Sper. per la Patologia Vegetale**  
(Experimental Institute for Crop Diseases)  
Via Carlo G. Bertero, 22 - Roma  
[www.ispave.it](http://www.ispave.it)

**Ist. Sper. per la Selvicoltura**  
(Experimental Institute for Forestry)  
Viale Santa Margherita, 80 - Arezzo  
[www.selvicoltura.org](http://www.selvicoltura.org)

**Ist. Sper. per lo Studio e la Difesa del Suolo**  
(Experimental Institute for the Study and Defence of the Soil)  
Piazza M. D'Azelio, 30 - Firenze  
[www.inea.it/issds/index.htm](http://www.inea.it/issds/index.htm)

**Ist. Sper. per il Tabacco**  
(Experimental Institute for Tobacco)  
Via P. Vitiello, 66 - Scafati (SA)  
[www.inea.it/ist/home.htm](http://www.inea.it/ist/home.htm)

**Ist. Sper. per la Viticoltura**  
(Experimental Institute for the Cultivation of Grapes)  
Via 28 Aprile, 26 - Conegliano (TV)  
[www.inea.it/isv/isv.html](http://www.inea.it/isv/isv.html)

**Ist. Sper. per la Zoologia Agraria**  
(Experimental Institute for the Study of Livestock)  
Via Lanciola, 12a - Firenze  
[www.isza.it](http://www.isza.it)

**Ist. Sper. per la Zootecnia**  
(Experimental Institute for Animal Husbandry)  
Via O. Panvinio, 11 - Roma  
[www.isz.it](http://www.isz.it)

## ITALIAN INSTITUTIONS

### Ministry of the Environment

*www.minambiente.it*

### Senate of the Italian Republic

*www.senato.it*

### Chamber of Deputies

*www.camera.it*

### Agriculture Committee, Chamber of Deputies

*www.camera.it/attivita/lavori/02.com  
missioni/13.agricoltura.asp*

## EUROPEAN UNION

### European Union

*www.europa.eu.int*

### European Commission

*www.europa.eu.int/comm*

### DG VI - Agriculture

*www.europa.eu.int/comm/agriculture  
/index\_it.htm*

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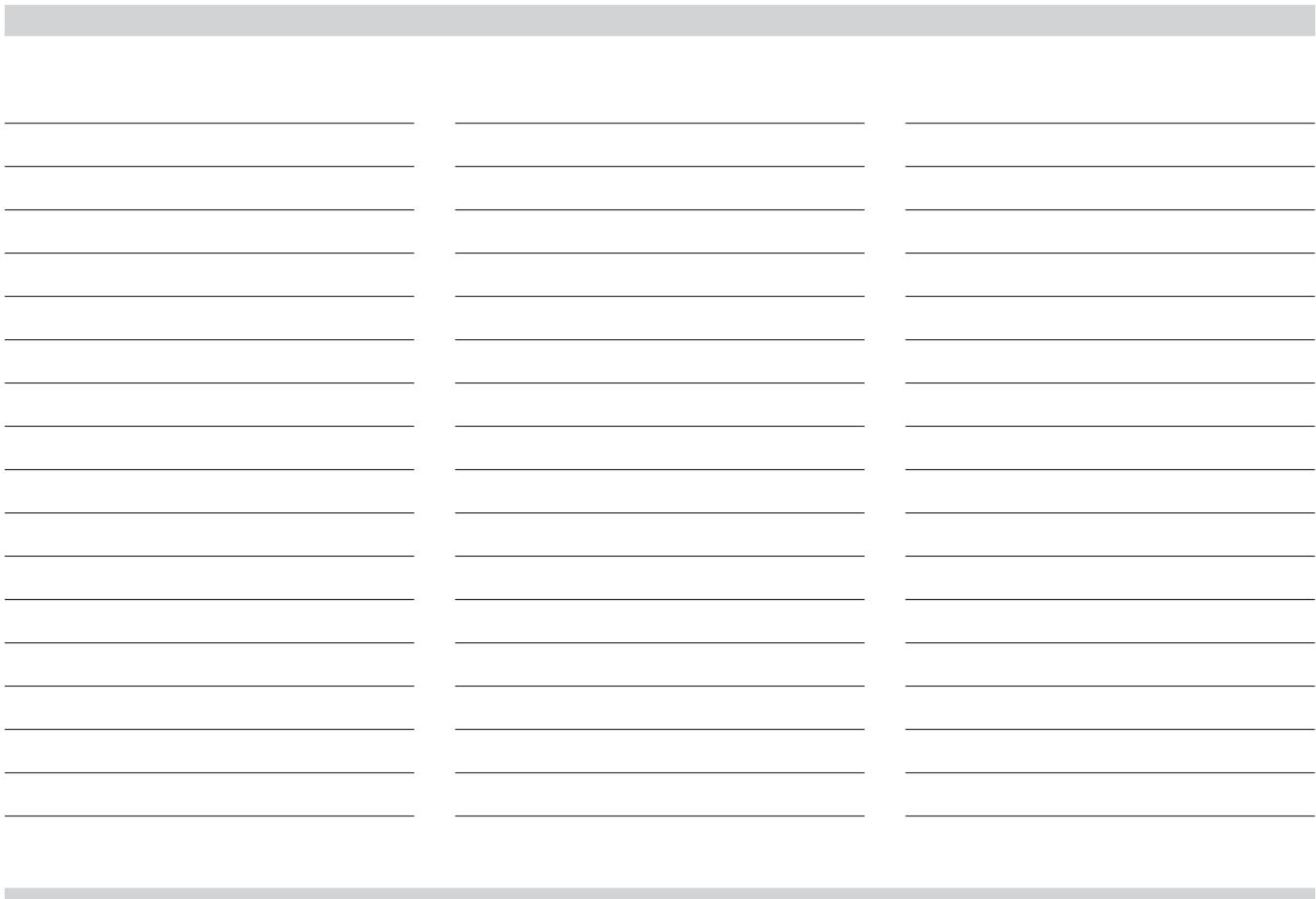
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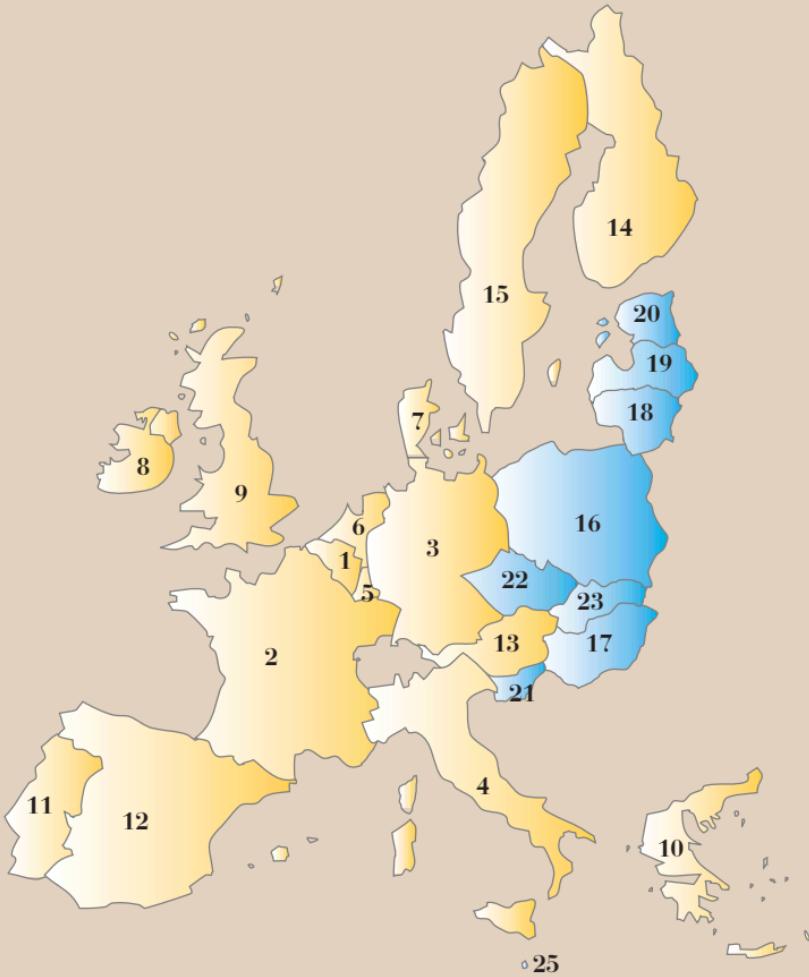
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- 14 Finland (€)
- 15 Sweden

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- 18 Lithuania
- 19 Latvia
- 20 Estonia
- 21 Slovenia
- 22 Czech Republic
- 23 Slovakia
- 24 Cyprus
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