



ISTITUTO NAZIONALE DI ECONOMIA AGRARIA



## ITALIAN AGRICULTURE IN FIGURES 2005



*L'INEA, founded by Minister's Decree no. 1418 of 10 May 1928 by order of Arrigo Serpieri, traces its origins from the National Institute of Economics and Statistics founded in 1924, also by Serpieri.*

*Decree Law no. 454 of 29 October 1999, later modified by Law no. 137 of 6 July 2002, called for, among other things, a re-ordering of INEA, which has recently been completed.*

*INEA has scientific, statutory, organisational, administrative and financial autonomy, and is overseen by the Ministry of Agricultural and Forestry Policies. The Institute carries out activities of socio-economic research in the fields of agriculture, agri-industry, forestry and fishing, on national, European and international levels. To achieve its goals, the Institute promotes research in cooperation with universities and other national, European and international scientific institutions. The President of the Republic's Decree no. 1708 of 30 December 1965 designated INEA as a connecting organ between the Italian State and the European Union for setting up and managing the Farm Accountancy Data Network. Furthermore, the Institute forms a part of the National Statistical System (SISTAN) (D.L. 454/99, art. 10).*

*Italian agriculture  
in figures 2005*

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, French and Spanish versions of this publication  
may be consulted on Internet on the following website:  
<http://www.inea.it/pubbl/itaco.cfm>  
They may be quoted providing the source is acknowledged.

Italian agriculture is an increasingly complex system, in terms of its relationships with the sectors connected to it and the multitude of functions it serves, and attracts ever greater attention and interest on the part of society at large.

Such expansion in activity, not only in production but also in social, environmental and cultural spheres, is leading towards an important process of restructuring in the primary sector.

At the same time, there is increasing evidence of the indispensable link between agriculture and the land, as shown by the growing number of products of protected designation of origin, the constant increase in farms

that use production systems with reduced environmental impact, the continuing expansion of protected areas that include farms and farmland, and the increased capacity to provide added services, like agri-tourism.

This process of reorientation is certainly also associated with the goal-driven power of national agricultural policy. With the enactment of the most recent regulations, agricultural policy has helped guide the sector along the path of quality and genuineness of goods produced, as well as diversifying services rendered to the public.

INEA, ever mindful of developments regarding the nation's agriculture, has

grasped many of these recent phenomena, the major trends and effects of which are reported in this handy, informative volume.

“Italian Agriculture in Figures”, now in its 18<sup>th</sup> edition, has become an essential point of reference for those who, for reasons of study or professional interest, want to learn about Italy's agriculture system. This is also due in part to the success of versions in English, French and Spanish, which are available at the Institute's site at <http://www.inea.it/pubbl/itaco.cfm>.

I take great pleasure, then, in thanking INEA once again for providing this concise, easy-to-use tool of information.

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



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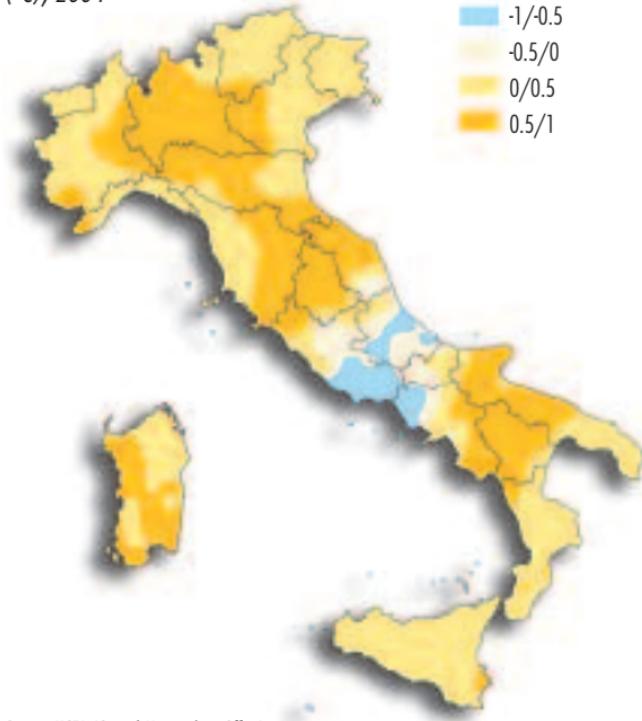




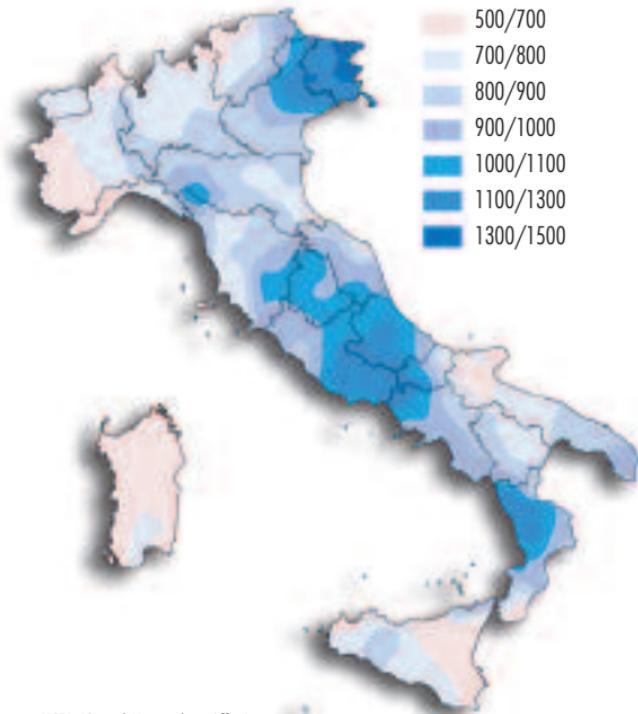
## **LAND AND POPULATION**

# Climate

Deviations in the lowest annual temperatures compared to the norm  
(°C), 2004



Total annual rainfall (mm), 2004



Source: UCEA (Central Meteorology Office).

Source: UCEA (Central Meteorology Office).

# 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. The resident population in 2004

increased by approximately 0.9% compared to 2003. This growth is concentrated in North-Central Italy (around +1.2%), due to increases in people moving into the area. A concentration of the population lives in lowland areas (47.4%) and hilly areas (39.3%), with only 13% of the population living in mountain areas.

## Land and Population, 2004

|                         | Total area of land<br>km <sup>2</sup> | UAA <sup>1</sup><br>% | Population <sup>2</sup><br>'000 | Density<br>inhab./km <sup>2</sup> | Labour Force <sup>3</sup><br>'000 units |
|-------------------------|---------------------------------------|-----------------------|---------------------------------|-----------------------------------|---|
| North                   | 119,931                               | 40.5                  | 26,431                          | 220                               | 11,944                                  |
| Centre                  | 58,380                                | 41.7                  | 11,249                          | 193                               | 4,854                                   |
| South & Islands         | 123,025                               | 48.0                  | 20,733                          | 169                               | 7,567                                   |
| <b>ITALY</b>            | <b>301,336</b>                        | <b>43.8</b>           | <b>58,413</b>                   | <b>194</b>                        | <b>24,365</b>                           |
| <b>EU</b>               | <b>3,973,200</b>                      | <b>41.1</b>           | <b>456,449</b>                  | <b>115</b>                        | <b>210,990</b>                          |
| <b>ITALY per EU (%)</b> | <b>7.6</b>                            | <b>-</b>              | <b>12.8</b>                     | <b>-</b>                          | <b>11.5</b>                             |

<sup>1</sup> Italy, 2000 Agriculture Census; EU, Eurostat estimate.

<sup>2</sup> Italy, ISTAT demographic balance estimate; EU, Eurostat estimate.

<sup>3</sup> EU, Eurostat estimate.

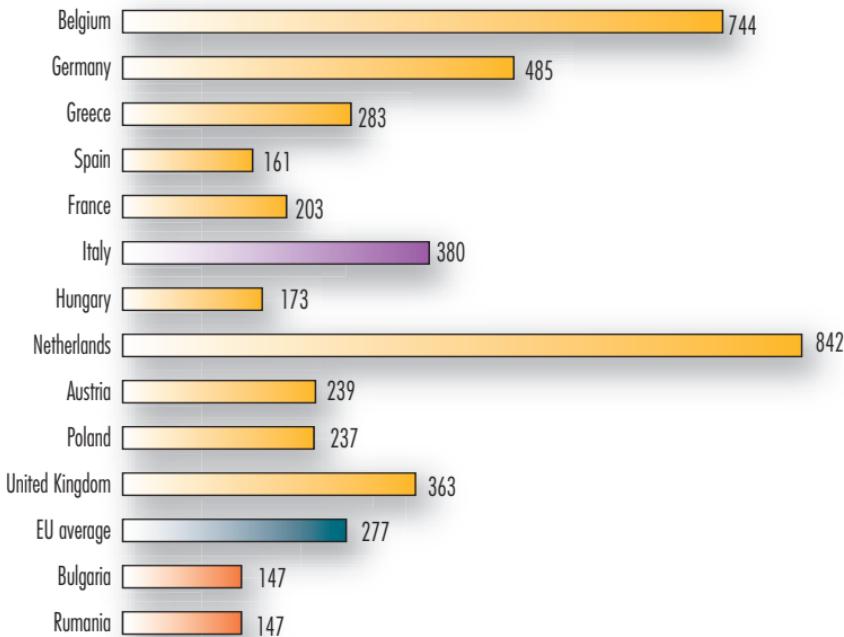
## Land use, 2002 ('000 ha)

|                                | Italy  | EU      | Bulgaria | Rumania |
|--------------------------------|--------|---------|----------|---------|
| Total area                     | 30,134 | 397,320 | 11,099   | 23,839  |
| Crops                          | 15,421 | 166,265 | 5,325    | 14,819  |
| by (%)                         |        |         |          |         |
| Cereals and rice               | 27.8   | 32      | 40.1     | 40.7    |
| Sugar beets                    | 1.6    | 1.4     | 0        | 0.3     |
| Oil-seeds                      | 2.1    | 4.4     | 9.1      | 7.3     |
| Tobacco                        | 0.2    | 0.1     | 0.7      | 0.1     |
| Potatoes                       | 0.5    | 1.4     | 1        | 1.9     |
| Dried legumes                  | 0.4    | 1.1     | 0.3      | 0.3     |
| Vegetables & fresh legumes     | 3.1    | 1.3     | 1.3      | 1.9     |
| Fruits and citrus <sup>1</sup> | 5.9    | 2.3     | 3.2      | 1.4     |
| Olive trees                    | 7.6    | 2.7     | -        | -       |
| Grapevines                     | 5.4    | 2.1     | 7.7      | 1.6     |
| Flowers and plants             | 0.1    | 0       | 0.1      | 0       |
| Fodder crops                   | 6.2    | 3.9     | 1.1      | 2.7     |
| Other crops                    | 39.1   | 47.3    | 35.4     | 41.8    |
| Total area %                   | 51.2   | 41.8    | 48       | 62.2    |

<sup>1</sup> Apples, pears, peaches, cherries, plums, nuts, citrus, dessert grapes, strawberries.

Source: EUROSTAT, 2001 Lucas pilot survey, preliminary results.

*Population/agricultural land ratios (inhabitants/100 ha of UAA), 2003*

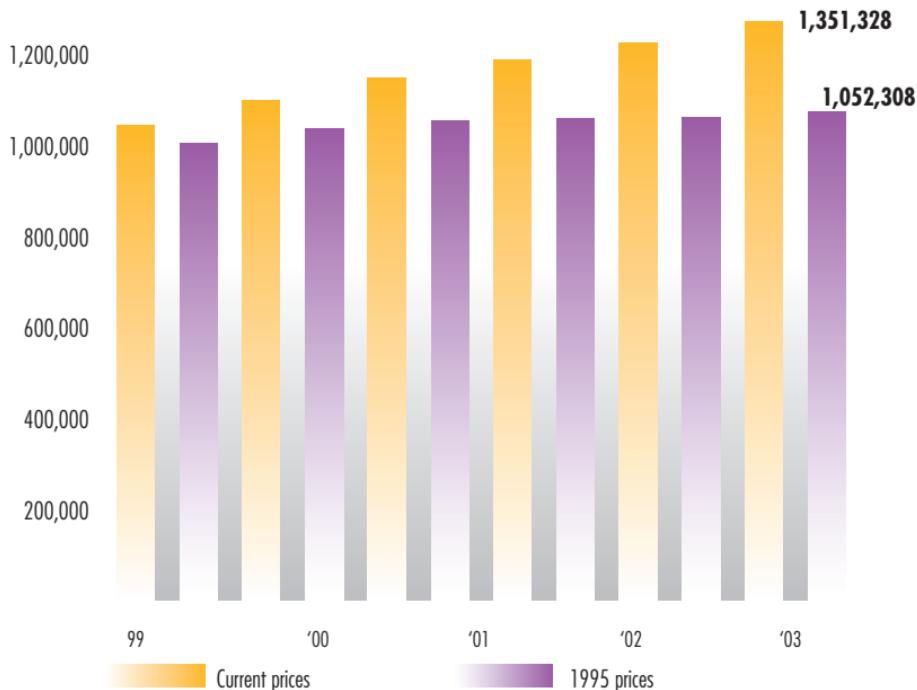




## **AGRICULTURE AND THE ECONOMY**

# Gross Domestic Product

Trend in GDP (million euro), 1999-2004\*



Trend in GDP per inhabitant (euro), 1999-2004\*

|      | GDP/Inhabitant (euro) |             |
|------|-----------------------|-------------|
|      | Current prices        | 1995 prices |
| 1999 | 19,209                | 17,081      |
| 2000 | 20,167                | 17,550      |
| 2001 | 21,030                | 17,827      |
| 2002 | 21,992                | 18,090      |
| 2003 | 22,473                | 17,958      |
| 2004 | 23,162                | 18,037      |

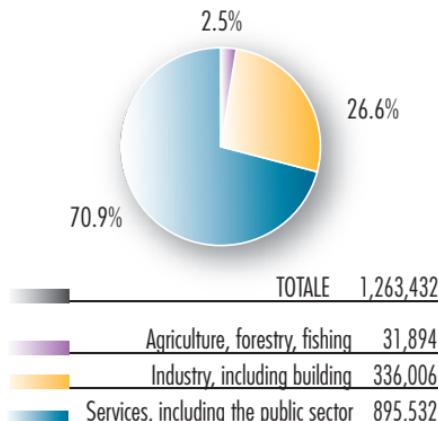
Trend in GDP per work unit (euro), 1999-2004\*

|      | GDP/WU (euro)  |             |
|------|----------------|-------------|
|      | Current prices | 1995 prices |
| 1999 | 48,071         | 42,746      |
| 2000 | 49,743         | 43,284      |
| 2001 | 51,120         | 43,336      |
| 2002 | 52,230         | 42,964      |
| 2003 | 53,672         | 42,890      |
| 2004 | 55,315         | 43,075      |

# Value Added

In 2004, value added (VA) at basic prices in the primary sector, including forestry and fishing, increased by approximately 3% in value compared to 2003 as the combined result of a 10.8% rise in the volume of output and a 7.1% drop in prices. Agriculture's contribution to total national VA was 2.5%. In "real" terms (according to 1995 prices), between 1994 and 2004, agriculture's VA contribution to the national total dropped from 3.3% to 3.0%. In the same period, the contribution of industry in the narrow sense sank from 24.4% to 22.7%, and the contribution of the civil service and other public services fell from 19.6% to 18.6%. The building industry rose from 5.1% to 5.3%, the contribution of commerce, transport and communications rose from 24.4% to 25.3%, and the contribution of financial services, information technology, research, professional services and business activities rose

*VA at basic prices by sector (million euro), 2004*



from 23.6% to 25.1%.

In the last few years, the contribution of agriculture to Italy's overall economy has approached the levels of other North-Central European countries. Nonetheless, strong territorial differences persist; in the Centre-North, agriculture accounts for 2.0% of VA at basic prices and 3.7% of

*Contribution (%) of agriculture to national economies, 2003*

| Country            | Value Added <sup>1</sup> |
|--------------------|--------------------------|
| Germany            | 0.7                      |
| Greece             | 5.4                      |
| Spain              | 3.6                      |
| France             | 2.0                      |
| Italy              | 2.2                      |
| Hungary            | 2.7                      |
| Netherlands        | 2.0                      |
| Austria            | 1.2                      |
| Poland             | 2.3                      |
| Finland            | 1.0                      |
| Sweden             | 0.7                      |
| United Kingdom     | 0.7                      |
| EU                 | 1.6                      |
| Bulgaria           | 8.7                      |
| Rumania            | 11.2                     |
| USA <sup>2</sup>   | 2.0                      |
| Japan <sup>2</sup> | 1.4                      |

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

<sup>2</sup> World Bank figures, 2001.

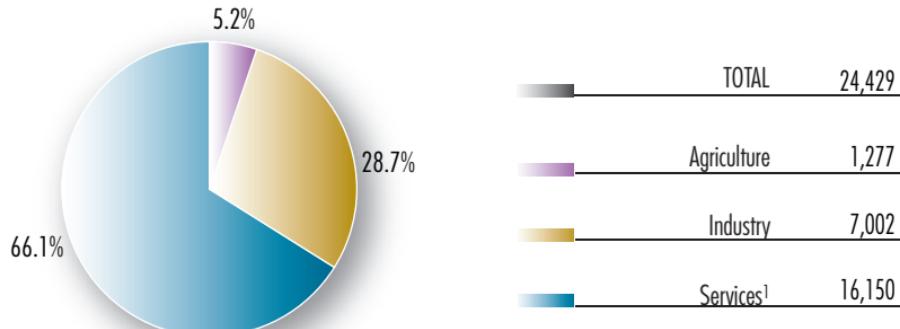
employment (measured in work units), while in the South these figures rise to 4.3% and 9.3%, respectively.

# Employment

In 2004, the total labour force in employment in Italy, measured by ISTAT in standard work units (WU), rose by 0.8% compared to 2003. In particular, there was an increase of 3.4% in the building industry and 3.2% in financial services and property and business activities, while manufacturing and mining showed a drop of 0.4%. Agriculture showed a counter-trend to its historic drop, with an increase in employment of 0.4%.

Contributing to this result was an increase of 2.6% in paid labour and a decline of 1.0% in entrepreneurial labour. Paid agricultural labour's contribution to paid labour overall was 3%, whereas entrepreneurial labour in agriculture stood at 10.5% of the total. On the whole, agriculture's share of total employment, not only in Italy but in almost all EU countries, is on a

*Work units by sector ('000 units), 2004*



<sup>1</sup> Includes the public sector and comparable activities.

*The agricultural labour force by sex and geographical area, 2004 averages*

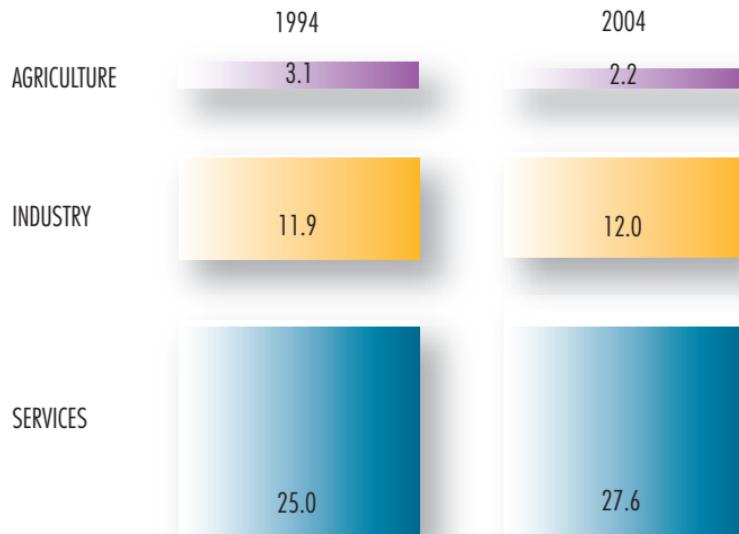
|                 | Total labour force |       | Women | Men  |
|-----------------|--------------------|-------|-------|------|
|                 | '000 units         | %     | %     | %    |
| North           | 374                | 37.8  | 27.0  | 73.0 |
| Centre          | 133                | 13.4  | 34.6  | 65.4 |
| South & Islands | 483                | 48.8  | 33.3  | 66.7 |
| ITALY           | 990                | 100.0 | 31.0  | 69.0 |

markedly downward trend, though with sharply differing variations.

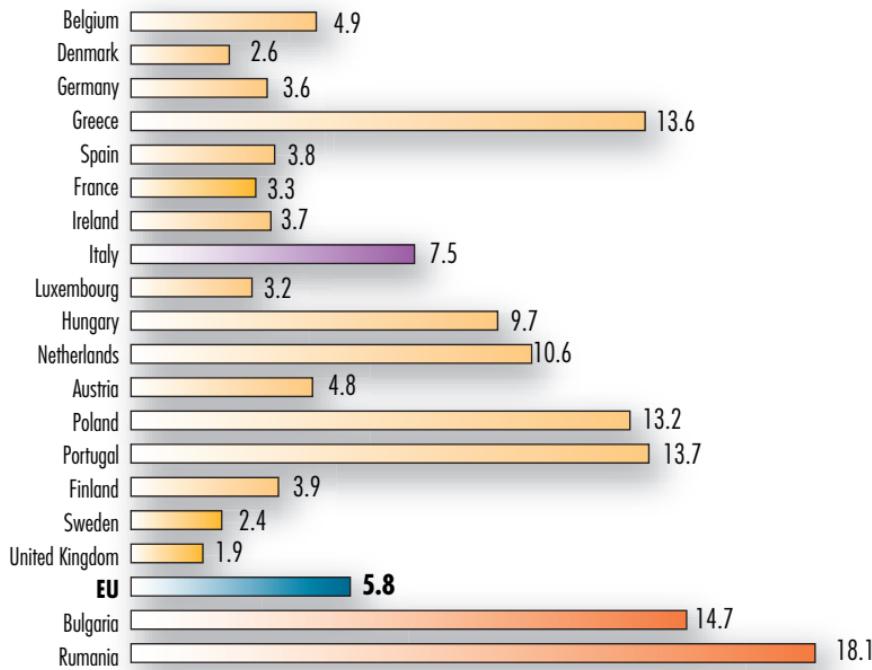
In 2004, 69% of the agricultural workforce, in terms of individuals, was male. Just under half of the agricultural workforce (49%) was to be found in the South of Italy, while the other half was divided between North (38%) and Centre (13%).

The ratio of agricultural labour to population has undergone rapid changes in the last ten years. In 1994, there were approximately 32 inhabitants for each agricultural work unit; in 2004 there were 46. In the industrial sector, this ratio changed much more slowly, as it did for the service industry, including the public sector.

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



### Volume of employment in agriculture in the EU (AWU/100 hectares UAA), 2003



### Employment in agriculture\* as % of total economy, 2003

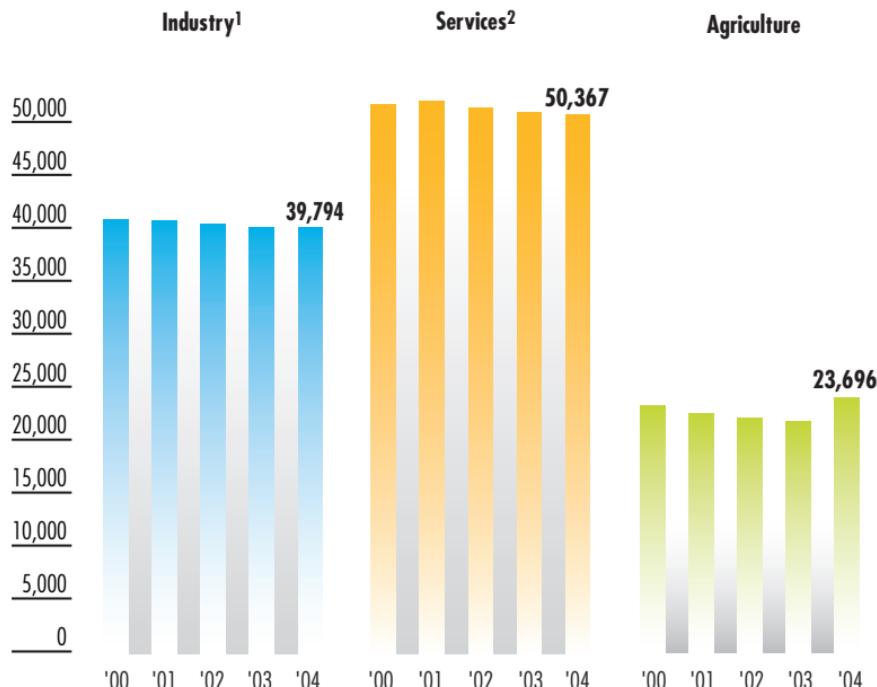
|                | Employment |                    |
|----------------|------------|--------------------|
|                | Total      | Women <sup>1</sup> |
| Germany        | 2.4        | 1.8                |
| Greece         | 16.3       | 18.4               |
| Spain          | 5.6        | 4                  |
| France         | 4.3        | 2.9                |
| Italy          | 4.7        | 4                  |
| Hungary        | 5.4        | 2.6                |
| Netherlands    | 2.7        | 2                  |
| Austria        | 5.5        | 5.8                |
| Poland         | 18.2       | 17.6               |
| Finland        | 5.3        | 3.3                |
| Sweden         | 2.5        | 1.1                |
| United Kingdom | 1.2        | 0.6                |
| EU             | 5.4        | 4.4                |
| Bulgaria       | 10.1       | 7.6                |
| Rumania        | 36         | 37.3               |
| USA            | 1.6        | -                  |
| Japan          | 4          | -                  |

\* Including forestry, fishing and hunting.

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

# 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.

In 2004, value added in agriculture at basic prices per work unit, in real terms, was 59.5% of the same figure for industry, including the building sector, and 47% of the figure for the service industry (commerce, transport, financial services, tourism and other professional services).

Between 2003 and 2004, there was a significant increase in the agriculture sector in value added per work unit (+10.4%), whereas for industry and services the indicator remained practically unchanged, rising slightly for the former (+0.2%) and dropping for the latter (-0.4%).

Of 1.8 million Italian farms that belong to the EU universe – which excludes very small farms – more than half are concentrated in hilly areas, with the greatest number of farms operated for own

consumption (9.7%) and as multi-functional farms (5.4%). The number of farms geared toward the market in the narrow sense is slightly under 600,000, concentrated in lowlands and hilly

areas. But the greater majority of farms are those for own consumption and the market, of which there are approximately 750,000 (40.7%), mostly located in hilly areas.

#### *Distribution of farms by altitude and type of activity\**

| Altitude            | Own consumption | Market     | Market and own consumption | Multi-functional | Total        |
|---------------------|-----------------|------------|----------------------------|------------------|--------------|
| Mountain areas %    | 4.5             | 3.9        | 6.3                        | 2.1              | 16.8         |
| Hilly areas %       | 9.7             | 14.9       | 22.3                       | 5.4              | 52.3         |
| Lowlands %          | 3.4             | 13.6       | 12.1                       | 1.8              | 30.9         |
| <b>TOTAL ('000)</b> | <b>323</b>      | <b>595</b> | <b>748</b>                 | <b>171</b>       | <b>1.837</b> |

\* As a % of Italian farms belonging to the EU universe.

Source: ISTAT, *Economic Results of Farms*, 2002.



# **PRIMARY SECTOR**

# Structures and Labour in Agriculture

In 2003, utilised agricultural area (UAA) of farms in Italy was 12.2 million hectares, without significant variations compared to area registered in the 2000 Census. But when viewed by geographical area, there was a reduction in UAA in the North (-2.3%) and the Centre (-1.0%), and a slight increase in the South & Islands (+4.4%). The regions with the greatest increase in UAA between 2000 and 2003 were Sardinia (+15%) and Trentino-Alto Adige (+12%), whereas those with the greatest decrease were Valle d'Aosta (-21.7%) and Liguria (-18.8%).

In the same period, the average area of farms grew significantly (+10.6%), from 5.6 ha to 6.2 ha. In percentage terms, the increase was greater in the North (+17.5%) and the Centre (+16.5%), and less in the South & Islands (+7.6%).

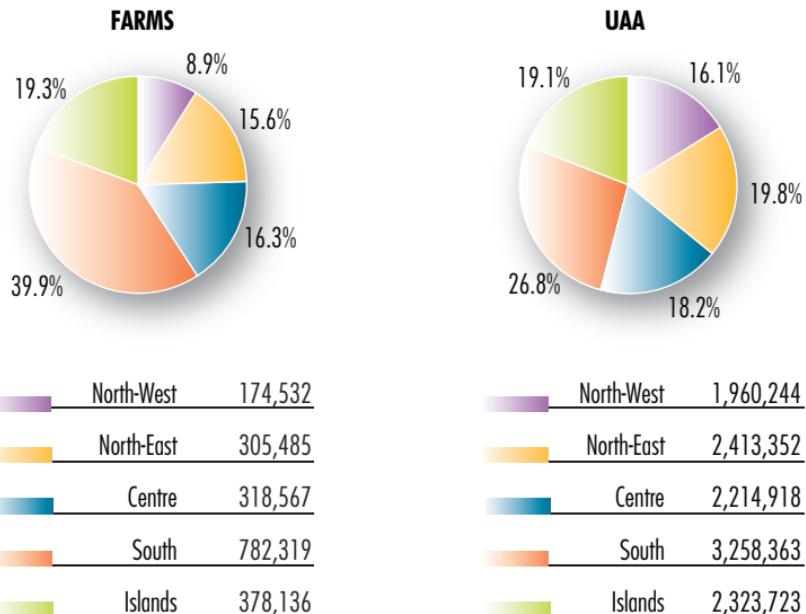
## *Farms and utilised agricultural area, 2003*

|                       | FARMS     |      | UAA        |      |                      |
|-----------------------|-----------|------|------------|------|----------------------|
|                       | number    | %    | total ha   | %    | UAA/average per farm |
| Piemonte              | 80,149    | 4.1  | 920,208    | 7.6  | 11.5                 |
| Valle d'Aosta         | 5,082     | 0.3  | 53,613     | 0.4  | 10.5                 |
| Lombardy              | 61,127    | 3.1  | 943,369    | 7.8  | 15.4                 |
| Trentino-Alto Adige   | 47,310    | 2.4  | 329,868    | 2.7  | 7.0                  |
| Veneto                | 145,672   | 7.4  | 801,423    | 6.6  | 5.5                  |
| Friuli-Venezia Giulia | 25,256    | 1.3  | 212,415    | 1.7  | 8.4                  |
| Liguria               | 28,174    | 1.4  | 43,054     | 0.4  | 1.5                  |
| Emilia-Romagna        | 87,247    | 4.5  | 1,069,645  | 8.8  | 12.3                 |
| Tuscany               | 89,723    | 4.6  | 791,169    | 6.5  | 8.8                  |
| Umbria                | 43,040    | 2.2  | 317,398    | 2.6  | 7.4                  |
| Marche                | 55,544    | 2.8  | 491,295    | 4.0  | 8.8                  |
| Lazio                 | 130,260   | 6.6  | 615,056    | 5.1  | 4.7                  |
| Abruzzo               | 62,129    | 3.2  | 291,480    | 2.4  | 4.7                  |
| Molise                | 27,290    | 1.4  | 199,907    | 1.6  | 7.3                  |
| Campania              | 171,898   | 8.8  | 493,273    | 4.1  | 2.9                  |
| Puglia                | 283,790   | 14.5 | 1,258,928  | 10.3 | 4.4                  |
| Basilicata            | 74,477    | 3.8  | 522,611    | 4.3  | 7.0                  |
| Calabria              | 162,735   | 8.3  | 492,164    | 4.0  | 3.0                  |
| Sicily                | 292,375   | 14.9 | 1,249,015  | 10.3 | 4.3                  |
| Sardinia              | 85,761    | 4.4  | 1,074,708  | 8.8  | 12.5                 |
| ITALY                 | 1,959,038 | 100  | 12,170,599 | 100  | 6.2                  |

The decline in number of farms between 2000 and 2003 was not uniformly distributed among classifications of UAA. Indeed, a substantial decrease in the number of farms with less than 20 hectares was accompanied by an increase in farms with greater area. The greatest reduction occurred among farms with less than 2 hectares of UAA, whereas the greatest increase was recorded for farms with 50 or more hectares. It appears further that the overall increase in ESU was due almost exclusively to the positive dynamism of farms with greater area (20 or more hectares of UAA), while smaller farms (up to 2 hectares of UAA) had a negative impact on the economy of farms in Italy as a whole.

Compared to the 2000 Census, there was no substantial variation in the distribution of farms, their

### *Distribution of farms and UAA by geographical area, 2003*



size and their economies, by type of farm operation; in general, there was a tendency toward greater

numbers of farms run directly by the farmer (from 94.3% in 2000 to 97.4% in 2003), and fewer farms

## Breakdown of area by main forms of use (ha), 2003

|            | UAA          |                                  |                 |            | Wooded lands | Arboriculture for wood | Non-utilised area and other land | Total area |
|------------|--------------|----------------------------------|-----------------|------------|--------------|------------------------|----------------------------------|------------|
|            | arable crops | permanent grasslands and pasture | permanent crops | total      |              |                        |                                  |            |
| North-West | 1,294,035    | 528,366                          | 137,843         | 1,960,244  | 191,211      | 31,273                 | 172,291                          | 2,355,019  |
| North-East | 1,557,083    | 520,885                          | 335,383         | 2,413,352  | 493,255      | 12,134                 | 294,642                          | 3,213,383  |
| Centre     | 1,532,823    | 295,618                          | 386,476         | 2,214,918  | 825,021      | 25,725                 | 246,367                          | 3,312,030  |
| South      | 1,781,223    | 366,913                          | 1,110,227       | 3,258,363  | 269,502      | 29,761                 | 217,959                          | 3,775,585  |
| Islands    | 1,095,602    | 759,199                          | 468,922         | 2,323,723  | 258,094      | 13,219                 | 211,450                          | 2,806,486  |
| ITALY      | 7,260,766    | 2,470,981                        | 2,438,852       | 12,170,599 | 2,037,082    | 112,112                | 1,142,709                        | 15,462,502 |

were operated by salaried workers (from 5.6% to 2.5%). Nationally, the total number of persons employed in agriculture remained basically stable (-0.6%). The most significant variations were in the reduced number of farmers and their spouses, because there were fewer farms and more family members (+35.0%) and relatives (+19.3%) involved in farm labour. This was probably a reflection of

the increase in the size of farms. There was also an increase (+1.3%) in salaried workers on fixed-term contracts.

Moving on to farm production, the crops to which increased area was devoted were durum wheat (+12.5%), grain legumes (+53.4%), rotating fodder crops (+10.9%) and feed corn (+3.7%).

The recovery in the cultivation of agricultural tree crops compared

with the last census is due to the increase in area planted to vines (+8.7%), olive trees (+6.5%) and citrus (+5.0%). But difficulties persist for fruit crops, with a 6.4% loss in UAA, mainly affecting apples (-10.1%), nectarines (-5.0%) and pears (-1.9%). Citrus crops made a significant comeback, especially clementines (+40.3%), to which more than 21,500 hectares of land were planted. This

*Utilised area by farm type (%), 2003*

|            | Arable crops (FT)          |                       |         |                  |               | Tree crops (FT) |        |             |        |
|------------|----------------------------|-----------------------|---------|------------------|---------------|-----------------|--------|-------------|--------|
|            | field vegetables and fruit | rotating fodder crops | cereals | industrial crops | dried legumes | vines           | olives | fruit trees | citrus |
| North-West | 1.8                        | 5.4                   | 80.4    | 4.3              | 0.7           | 57.8            | 7.7    | 30.1        | 0.0    |
| North-East | 4.0                        | 13.1                  | 58.7    | 10.6             | 0.5           | 52.5            | 1.8    | 43.0        | 0.0    |
| Centre     | 2.3                        | 18.0                  | 58.4    | 7.8              | 3.3           | 33.5            | 45.9   | 17.9        | 0.2    |
| South      | 5.6                        | 8.0                   | 73.8    | 3.0              | 1.2           | 22.2            | 59.3   | 12.8        | 5.2    |
| Islands    | 4.8                        | 11.7                  | 69.7    | 0.1              | 2.6           | 30.9            | 38.3   | 11.9        | 18.4   |
| ITALY      | 3.7                        | 11.4                  | 67.5    | 5.8              | 1.6           | 31.4            | 43.1   | 18.2        | 6.0    |

*Head of livestock by geographical area and type of breed, 2003*

|            | Cattle and buffalo | Pigs      | Sheep     | Goats   | Poultry     | Horses  | Ostriches | Rabbits   |
|------------|--------------------|-----------|-----------|---------|-------------|---------|-----------|-----------|
| North-West | 2,413,407          | 5,028,576 | 170,955   | 113,723 | 34,360,330  | 21,858  | 6,396     | 1,118,353 |
| North-East | 1,833,239          | 2,235,689 | 187,703   | 49,303  | 95,184,074  | 27,566  | 55,369    | 3,353,891 |
| Centre     | 532,425            | 585,833   | 1,564,372 | 41,313  | 22,094,345  | 25,065  | 25,044    | 1,239,426 |
| South      | 875,364            | 404,408   | 1,811,027 | 335,270 | 17,154,229  | 23,014  | 36,946    | 1,379,444 |
| Islands    | 596,764            | 323,252   | 4,425,969 | 357,476 | 4,185,752   | 21,007  | 3,098     | 285,220   |
| ITALY      | 6,251,198          | 8,577,757 | 8,160,026 | 897,086 | 172,978,730 | 118,510 | 126,855   | 7,376,331 |

### Farms classified by utilised agricultural area (%), 2003

|            | Class of farm area (ha) |      |      |       |             |
|------------|-------------------------|------|------|-------|-------------|
|            | Less than 1             | 1-5  | 5-20 | 20-50 | 50 and more |
| North-West | 27.6                    | 36.0 | 22.9 | 8.6   | 4.8         |
| North-East | 24.2                    | 44.0 | 24.2 | 5.5   | 2.1         |
| Centre     | 31.0                    | 44.5 | 17.2 | 4.9   | 2.4         |
| South      | 39.2                    | 43.7 | 13.2 | 2.9   | 0.9         |
| Islands    | 38.6                    | 40.2 | 14.4 | 4.4   | 2.4         |
| ITALY      | 34.4                    | 42.5 | 16.7 | 4.4   | 2.0         |

### Farms by form of agricultural enterprise and geographical area, 2003

|  | North-West     | North-East     | Centre         | South          | Islands        | ITALY            |
|--|----------------|----------------|----------------|----------------|----------------|------------------|
| One-man business                                 | 162,469        | 289,587        | 308,835        | 776,994        | 374,035        | 1,911,919        |
| Community or collective tenancy                  | 431            | 653            | 445            | 1,774          | 1,625          | 4,929            |
| Partnerships including ordinary partnerships     | 11,533         | 15,080         | 8,744          | 2,822          | 2,184          | 40,360           |
| Mutual companies (excluding social cooperatives) | 272            | 389            | 302            | 425            | 508            | 1,897            |
| Producers' consortiums                           | 5              | 1              | -              | 1              | 4              | 12               |
| Public bodies                                    | 1,107          | 572            | 789            | 806            | 228            | 3,501            |
| Other <sup>1</sup>                               | 99             | 306            | 377            | 385            | 34             | 1,198            |
| <b>TOTAL</b>                                     | <b>175,913</b> | <b>306,587</b> | <b>319,492</b> | <b>783,205</b> | <b>378,619</b> | <b>1,963,817</b> |

<sup>1</sup> Includes: social cooperatives, other recognised and non-recognised associations, other types of profit and non-profit enterprises.

compensated amply for losses in UAA for mandarins (-24.3%) and lemons (-16.4%).

Livestock results show a drop of 42.8% in the number of farms that raise animals (mostly because poultry farms were not included with other livestock farms, whereas they had been in the last census). At the national level, there were no significant differences in the number of head of cattle and pigs compared to the 2000 census, whereas there was a considerable increase in the number of head of sheep (+20.1%).

*Farmers who work exclusively or mainly on the farm, by economic sector, and those who work mainly off the farm, 2003*

| Exclusively<br>on the farm | Mainly on the farm |               |              |              |               | Total        | Mainly<br>off the farm | Total            |
|----------------------------|--------------------|---------------|--------------|--------------|---------------|--------------|------------------------|------------------|
|                            | agriculture        | industry      | commerce     | services     | public sector |              |                        |                  |
| North-West                 | 142,358            | 5,463         | 925          | 630          | 740           | 30           | 7,789                  | 22,995           |
| North-East                 | 233,036            | 4,316         | 1,625        | 1,640        | 1,949         | 578          | 10,106                 | 60,331           |
| Centre                     | 239,768            | 4,192         | 873          | 915          | 745           | 231          | 6,954                  | 68,666           |
| South                      | 540,833            | 28,295        | 1,446        | 1,801        | 1,649         | 1,652        | 34,843                 | 205,289          |
| Islands                    | 255,471            | 9,514         | 668          | 254          | 3,694         | 247          | 14,378                 | 107,472          |
| <b>ITALY</b>               | <b>1,411,466</b>   | <b>51,780</b> | <b>5,537</b> | <b>5,240</b> | <b>8,776</b>  | <b>2,736</b> | <b>74,070</b>          | <b>464,754</b>   |
|                            |                    |               |              |              |               |              |                        | <b>1,950,291</b> |

*Farms with activities connected to agriculture, by type and geographical area, 2003*

| Total farms<br>with activities<br>connected to agriculture<br>(%) | Type of activity connected to agriculture (%) |                     |                                    |                                 |                                   |              |            |
|---|---|---------------------|------------------------------------|---------------------------------|-----------------------------------|--------------|------------|
|   | agri-tourism                                  | artisan<br>activity | vegetable<br>product<br>processing | animal<br>product<br>processing | renewable<br>energy<br>production | aquaculture  |            |
| North-West  | 17.5  | 11.6                | 12.7                               | 14.5                            | 30.9                              | 3.9          | 47.0       |
| North-East  | 15.9  | 35.9                | 59.2                               | 11.4                            | 6.5                               | 32.1         | 33.1       |
| Centre  | 14.9  | 31.1                | 8.5                                | 12.7                            | 6.5                               | 0.0          | 13.6       |
| South   | 32.3  | 14.9                | 19.6                               | 39.2                            | 30.5                              | 7.3          | 0.0        |
| Islands   | 19.5  | 6.5                 | 0.0                                | 22.2                            | 25.6                              | 56.7         | 6.3        |
| <b>ITALY</b>  | <b>89,548</b>                                 | <b>12,531</b>       | <b>1,808</b>                       | <b>62,139</b>                   | <b>13,068</b>                     | <b>1,152</b> | <b>302</b> |

# Land Market

During 2003, growth in land prices continued, with an average increase of 3.3% and substantial differences among geographical areas and altitude zones. Price performance was more sustained in the regions of the North (+5%) and in lowland areas (+4.6%). There was significantly lower variation in the South (+0.8%) and in mountainous areas and coastal hills (+1%). The increase in land value at rates exceeding inflation has been continuous since 1997, creating a growth in land heritage in real terms as well. Nonetheless, prices in 2003 represented 94% of values realised in 1990, due to an erosion in nominal value that took place in the first half of the 1990s.

The differences in land price trends seem to be a result of a combination of structural factors, like the presence of natural resources,

*Average land values (million euro/hectare), 2003*

|              | ALTITUDE ZONE       |                      |                 |                  |             | total       | VAR. %<br>2003/02 |
|--------------|---------------------|----------------------|-----------------|------------------|-------------|-------------|-------------------|
|              | inland<br>mountains | coastal<br>mountains | inland<br>hills | coastal<br>hills | lowlands    |             |                   |
| North-West   | 5.4                 | 13.6                 | 17.2            | 34.9             | 30.5        | 20.6        | 4.9               |
| North-East   | 18.1                | -                    | 27.0            | 25.3             | 35.2        | 29.3        | 5.2               |
| Centre       | 6.8                 | 10.9                 | 10.7            | 15.3             | 19.6        | 11.5        | 1.5               |
| South        | 6.2                 | 9.9                  | 9.8             | 14.8             | 14.0        | 10.6        | 0.9               |
| Islands      | 5.7                 | 9.3                  | 7.2             | 9.1              | 12.4        | 8.3         | 0.6               |
| <b>TOTAL</b> | <b>8.6</b>          | <b>9.9</b>           | <b>11.6</b>     | <b>13.2</b>      | <b>25.9</b> | <b>15.4</b> | <b>3.3</b>        |

*Source: INEA, land values databank.*

adequate infrastructure networks to support agriculture, and local socio-economic development. Furthermore, a determining role was also played by public support for agricultural production and by economic trends in general. In the land market, demand for property generally prevailed over supply, and only in some marginal areas was an opposite situation created, or more

precisely, the absence of a market for lack of buyers. Fertile land, adequate infrastructure and easy access were the things that were most in demand. Since 1992, the greatest increases in land values have been concentrated in the central area of the Po plain, where the strong dynamics of the local economy, along with intensive, highly specialised agriculture

systems, have been conducive to high capitalisation of agricultural land. There were significant but more uneven increases in Tuscany – in the Chianti wine-growing region for example – and in areas devoted to floriculture. Finally, there was appreciable growth in some areas on the border between Basilicata and Puglia, but in this case the rise in prices seems mostly due to a renewed interest in marginal property with rather low land values. Falling land values were concentrated in the Abruzzo and in the area on the border between the Lazio and Campania regions. The basic stability of criteria and the prevalence of demand for specialised, high-value crops were the most distinguishing features of the rental market in 2003. Waiver agreements have by now become the prevalent type of contract, and these

are gradually spreading even in regions of southern Italy. Only in mountainous and marginal areas are forms of verbal contract still in use, and these are often in effect for a limited duration.

*Percentage variation in average land value by agricultural area in Italy from 1992 to 2003*



# Production Levels

In 2004, agricultural output at basic prices, including output from forestry and fishing, increased in value by 3.6% compared to 2003. This was the combined result of a significant increase in volume (+7.9%) and a considerable decline in prices (-4%). On the contrary, there was a reduction of 4.1% in volume in 2003, and of 2.1% in 2002. Thus 2004 can be viewed as a year of recovery from the standpoint of production, whereas it was worse from a commercial point of view.

In general, harvests benefited from favourable weather conditions. The increase in agricultural output applied mainly to plant products, with an increase of 13.9% for field crops and 15.4% for tree crops. Production also improved for fodder crops (+6.9%), whereas the livestock sector remained basically

stable (+0.2%).

As for field crop production, cereals improved significantly. Overall production grew by 27.3%, and durum wheat in particular showed a 49.2% increase. There was also an increase in production of grain legumes (+15.7%).

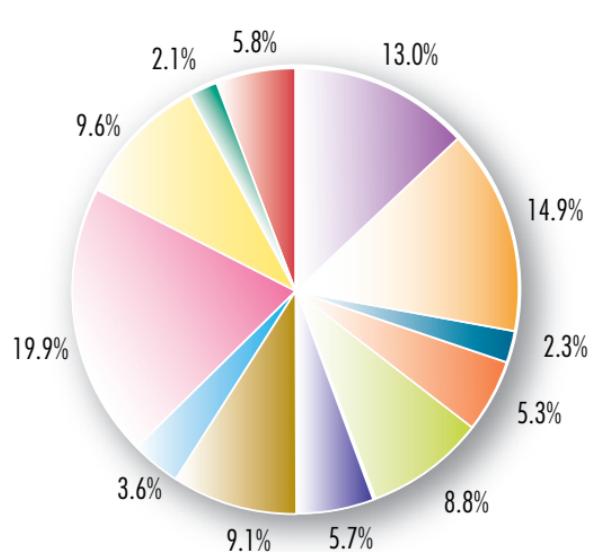
Industrial crops increased by 10.9%, especially soya (+26.6%). Growth was also recorded for sugar beets (+18.5%), where production recovery was affected by an improvement in polarimetric yields. There was, however, a downturn in flowers (-5.1%), which was partly

## ***Output at basic prices by sector, 2004***

|                                 | <b>Italy</b>        |            | <b>% change 2004/2003</b> |              |
|---------------------------------|---------------------|------------|---------------------------|--------------|
|                                 | <b>million euro</b> | <b>%</b>   | <b>volume</b>             | <b>price</b> |
| Field crops                     | 15.464              | 32         | 13,9                      | -8,3         |
| Tree crops                      | 11.806              | 24,4       | 15,4                      | -3,1         |
| Fodder crops                    | 1.683               | 3,5        | 6,9                       | -13,1        |
| Livestock                       | 14.566              | 30,2       | 0,2                       | -1,6         |
| Connected services <sup>1</sup> | 2.664               | 5,5        | 0,6                       | 3,6          |
| Forestry                        | 415                 | 0,9        | -10,4                     | -3,1         |
| Fishing                         | 1.706               | 3,5        | 2,0                       | 2,3          |
| <b>TOTAL</b>                    | <b>48.304</b>       | <b>100</b> | <b>7,9</b>                | <b>-4</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 production plants, etc.

## Agricultural output at basic prices by main sector (million euro), 2004



|  | TOTAL | 46,183 |
|--|-------|--------|
| Cereals and dried legumes <sup>1</sup> | 6,008 |        |
| Vegetables <sup>2</sup>                | 6,863 |        |
| Industrial crops <sup>3</sup>          | 1,078 |        |
| Flowers and ornamentals                | 2,430 |        |
| Grapes                                 | 4,049 |        |
| Olives                                 | 2,622 |        |
| Fruit and citrus                       | 4,220 |        |
| Fodder crops                           | 1,683 |        |
| Meat                                   | 9,203 |        |
| Milk                                   | 4,415 |        |
| Eggs and other <sup>4</sup>            | 948   |        |
| Connected services <sup>5</sup>        | 2,664 |        |

<sup>1</sup> Dried legumes account for 78 million euro.

<sup>2</sup> Includes potatoes (668 million euro) and fresh beans (218 million euro).

<sup>3</sup> Sugar beets (437 million euro), tobacco (355 million euro), sunflowers (87 million euro) and soya (178 million euro).

<sup>4</sup> Includes honey (23 million euro).

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

## Main crop production, 2004\*

|                             | Volume      |                  | Value <sup>1</sup> |                  |
|-----------------------------|-------------|------------------|--------------------|------------------|
|                             | '000 tonnes | % change 2004/03 | mio. euro          | % change 2004/03 |
| Soft wheat                  | 3,083       | 22.7             | 767                | 12.1             |
| Durum wheat                 | 5,546       | 49.2             | 1,383              | 23.5             |
| Maize                       | 10,986      | 26.1             | 2,262              | 25.6             |
| Rice                        | 1,450       | 3.4              | 551                | 22.5             |
| Sugar beets                 | 8,455       | 18.5             | 437                | 29.2             |
| Tobacco                     | 117         | -6.6             | 355                | -4               |
| Soya                        | 492         | 26.6             | 178                | 6.4              |
| Sunflowers                  | 274         | 15.5             | 87                 | 6.8              |
| Potatoes                    | 1,797       | 11.6             | 668                | 19.9             |
| Tomatoes                    | 7,228       | 8.7              | 1,117              | -6.8             |
| Dessert grapes              | 1,393       | 18.5             | 653                | 16.1             |
| Sold wine grapes            | 4,182       | 18.2             | 1,094              | 10               |
| Wine <sup>2</sup> ('000 hl) | 22,813      | 20.5             | 2,290              | 14.9             |
| Sold olives                 | 389         | 8.7              | 188                | -0.4             |
| Oil <sup>2</sup>            | 644         | 12.4             | 2,401              | 9.2              |
| Apples                      | 2,068       | 5.8              | 803                | 10.8             |
| Pears                       | 890         | 7.8              | 461                | 11.5             |
| Peaches and nectarines      | 1,672       | 42.2             | 640                | 15.7             |
| Oranges                     | 2,064       | 19               | 656                | 11.3             |
| Lemons                      | 565         | 8.6              | 283                | 7.9              |
| Mandarins and clementines   | 603         | 15.7             | 257                | 9.3              |
| Kiwi                        | 382         | 18.5             | 280                | 16.4             |

\* 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.

offset by an increase in nursery plants (+2.3%). As for the horticultural sector, there was an increase of 7.5%, which mainly affected tomatoes (+8.7%), artichokes (+24.9%), peas (+15.2%) and potatoes (+11.6%). Fodder crops experienced a slight comeback (+3.5%).

For tree crops, production increased for vines (+19.3%), olives (+11.8%), fruit trees (+19.6%) and citrus (+15.6%). Wine production grew by 20.5% and achieved a high level of quality, while production of olive oil grew by 12.4%. The fruit sector enjoyed a considerable recovery compared to 2003. Peaches and nectarines in particular showed a production increase of 42.2%.

In the livestock sector, there was growth in production of pigmeat (+2.4%) and poultry (2.5%), whereas production went down for

beef (-1.5%) and sheep and goats (-2%), the latter decline a result of “blue tongue” disease. There was a slight downturn in production of cow’s milk (-0.9%). Honey production, on the other hand, experienced strong growth (+38.6%).

Forestry showed only slight growth (+0.9%), owing to a decrease in the number of trees felled. As for services connected to agriculture and livestock, a modest growth was recorded (+0.6%).

In the EU, the volume of agricultural outputs grew in 2004

by over 7%, 12.5% of which was related to plant production and 0.4% to animal production. In the area of plant production, growth mainly affected cereals (+24%), wine (+21.1%), olive oil (+25.3%) and oilseeds (+25.4%). Thanks to good harvests, prices of plant products went down by 8% on average. In the new Member States, the EU 10, agricultural production overall increased by more than 10%, especially as regards production of cereals (+40.1%).

### ***Main livestock production, 2004***

|                                   | Volume <sup>1</sup> |                  | Value <sup>2</sup> |                  |
|-----------------------------------|---------------------|------------------|--------------------|------------------|
|                                   | '000 tonnes         | % change 2004/03 | million euro       | % change 2004/03 |
| Beef                              | 1,560               | -1.5             | 3,559              | -2.3             |
| Pigmeat                           | 1,959               | 2.4              | 2,390              | -1               |
| Sheepmeat & goatmeat              | 74                  | -2               | 310                | -23              |
| Poultrymeat                       | 1,410               | 2.5              | 1,994              | 3.4              |
| Rabbitmeat & game                 | 411                 | 1.3              | 894                | 3                |
| Eggs (millions)                   | 12,773              | -0.5             | 914                | -7.2             |
| Cows' milk <sup>3</sup> ('000 hl) | 105,070             | -0.9             | 3,925              | -1.3             |
| Sheep & goats' milk ('000 hl)     | 6,483               | -0.4             | 490                | 1.3              |
| Honey                             | 97                  | 38.6             | 23                 | 40.2             |

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

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

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

*Agricultural output at basic prices in EU countries, 2003*

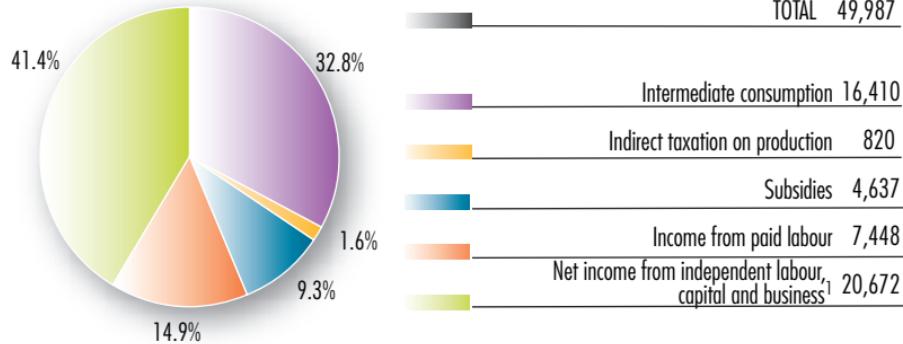
|                | Output       |      | Intermediate consumption |      | Intermediate consumption/output<br>% |
|----------------|--------------|------|--------------------------|------|--------------------------------------|
|                | million euro | %    | million euro             | %    |                                      |
| Belgium        | 6,809        | 2.2  | 4,129                    | 2.7  | 60.6                                 |
| Denmark        | 8,135        | 2.6  | 5,138                    | 3.3  | 63.1                                 |
| Germany        | 40,307       | 12.9 | 24,603                   | 15.9 | 61.0                                 |
| Greece         | 11,419       | 3.7  | 3,191                    | 2.1  | 27.9                                 |
| Spain          | 41,136       | 13.2 | 14,166                   | 9.1  | 34.4                                 |
| France         | 64,047       | 20.5 | 33,443                   | 21.6 | 52.2                                 |
| Ireland        | 6,006        | 1.9  | 3,409                    | 2.2  | 56.7                                 |
| Italy          | 43,815       | 14.0 | 14,723                   | 9.5  | 33.6                                 |
| Luxembourg     | 265          | 0.1  | 141                      | 0.1  | 53.2                                 |
| Hungary        | 5,586        | 1.8  | 3,633                    | 2.3  | 65.0                                 |
| Netherlands    | 20,053       | 6.4  | 10,888                   | 7.0  | 54.2                                 |
| Austria        | 5,671        | 1.8  | 2,949                    | 1.9  | 52.0                                 |
| Poland         | 11,771       | 3.8  | 7,652                    | 4.9  | 65.0                                 |
| Portugal       | 6,175        | 2.0  | 2,879                    | 1.8  | 46.6                                 |
| Finland        | 4,152        | 1.3  | 2,686                    | 1.7  | 64.7                                 |
| Sweden         | 4,794        | 1.5  | 3,215                    | 2.1  | 67.1                                 |
| United Kingdom | 23,635       | 7.6  | 12,368                   | 8.2  | 52.3                                 |
| EU             | 312,211      | 100  | 154,651                  | 100  | 49.5                                 |
| Bulgaria       | 3,266        | -    | 1,733                    | -    | 53.1                                 |
| Rumania        | 10,762       | -    | 5,653                    | -    | 52.5                                 |

# Gross Agricultural Income

In 2004, the breakdown of gross agricultural income, including production subsidies and indirect taxation, shows contributions of intermediate consumption (seeds, fertilisers, feedingstuffs, energy, services, etc.) of 32.8%. Income from paid labour accounted for 14.9%. Remuneration for independent labour (farmers, entrepreneurs and family workers), capital and business was 41.4% after capital depreciation.

Contributions and subsidies disbursed by the state, central administrations, the regions and the EU made up approximately 9.3%.

*Breakdown of agricultural income, 2004*



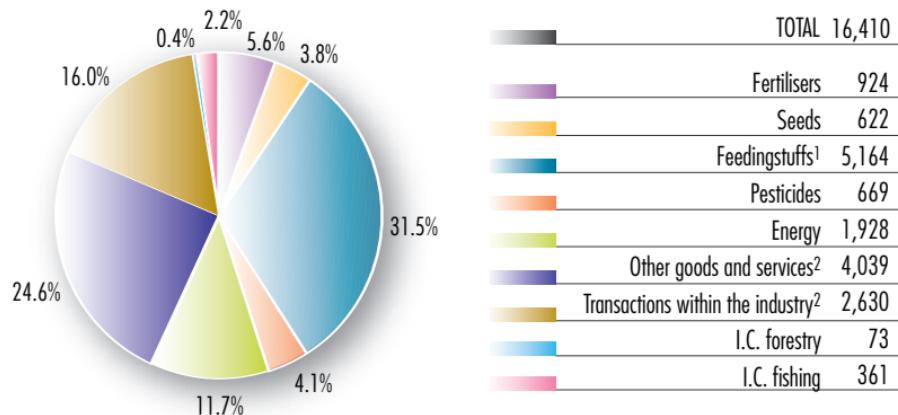
\* Including forestry and fishing.

<sup>1</sup> After capital depreciation.

# Intermediate Consumption

Expenditure on intermediate consumption, including forestry and fishing, increased in value in 2004 by 4.8%, with an average increase of 2.5% in prices and an increase of 2.2% in quantity of inputs used. The growth was concentrated in transactions within the industry, that is to say fodder crops and cereals used as feedingstuffs for animals (+11.4%), which was in recovery following a severe drop in 2003 (-15.7%). There was also growth in the area of other goods and services, such as maintenance and trials, processing of farm produce, advertising, etc. (+3.1%); in recent years this area has shown a rising trend that now represents over a fourth of overall expenditures on intermediate consumption. Among other technical means, growth was recorded for seeds (+2.2%) following major investments in cereal-growing land, whereas there

*Main categories of intermediate consumption in agriculture, forestry and fishing (million euro), 2004*



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

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

was a lowering trend for pesticides, with a further drop in 2004 (-0.5%), in line with positive climatic conditions. Following an increase in 2003 (+2.3%), fertilisers underwent a stationary phase (-0.2%), while feedingstuffs

dropped (-1.5%) after a recovery in 2003. Energy consumption also decreased.

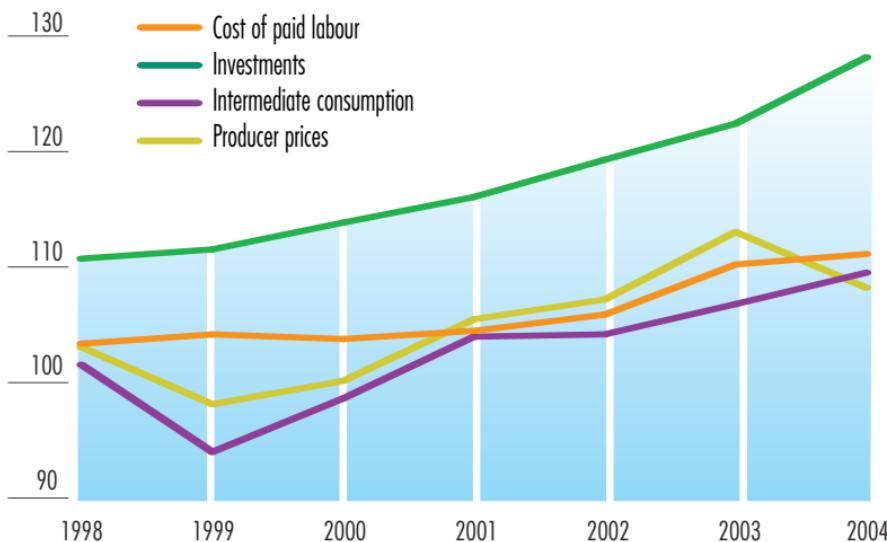
Intermediate consumption slackened for forestry activities (-4.5%), but increased for fishing and aquaculture (+1.6%).

# Prices and Costs

In 2003, the prices of production means, intermediate consumption and investments rose by 3.4%. The highest price increases regarded investments (+4.7%), especially improvements to property and farm buildings (+6.9%). Prices for intermediate consumption goods rose by 2.5%. The most dramatic increases were for feedingstuffs and animal expenses (+6.9%) and motive energy (+5.3%). Paid labour costs rose by 0.8%, while there was an increase in gross payments (+3.5%), due to a rise in paid labour input within the sector.

Farm production prices presented an average decrease of 4.2%, with particular emphasis on vegetable crops (-11.3%), especially spinach (-26%) and endive (-23%). There were declines in other areas, including meat (-1.8%) and eggs (-6.7%).

*Index numbers (1995 = 100)*



The terms of trade for agriculture, measured by the ratio between the producer price index and the

intermediate consumption goods index, deteriorated considerably compared to 2003 (-6.6%).

# Credit for the Agriculture Sector

In 2004, there was greater growth in credit for the agriculture sector than in 2003. The ratio of overall credit to agricultural output in fact rose by 0.7 percentage points, to 28.5%. These figures are evidence of an increase in short-term agricultural credit (+10.2%) and a more modest growth in medium to long-term credit (+4.4%). Non-subsidised loans increased, both in the short term (+10.5%) and in the medium to long-term (+10.3%), whereas subsidised loans continued to drop, shrinking to 15.3% of total credit in agriculture.

Medium and long-term investment loans were concentrated in the purchase of non-residential rural buildings, which determined an increase in disbursements of 79.3%. There were more modest increases in loans for rural buildings (+8%) and machinery and equipment (+1.2%).

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

| Year | Medium and long term | Short term | Total  | % of output <sup>1</sup> |
|------|----------------------|------------|--------|--------------------------|
| 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                     |
| 2003 | 8,780                | 4,156      | 12,941 | 27.8                     |
| 2004 | 9,169                | 4,579      | 13,748 | 28.5                     |

\* 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), 2004*

| Type of credit                          | Total   | % of change <sup>1</sup><br>2003/2002 | Subsidised loans<br>as % of total |
|---|---------|---------------------------------------|-----------------------------------|
| Medium & long term                      | 4*013.3 | 21.3                                  | 8.1                               |
| Machinery and equipment <sup>2</sup>    | 1*825.6 | 1.2                                   | 14.5                              |
| Purchase of rural property <sup>2</sup> | 772.8   | 8.0                                   | 6.3                               |
| Construction of rural buildings         | 1*414.9 | 79.3                                  | 1.0                               |
| Short term <sup>3</sup>                 | 180.0   | 6.2                                   | -                                 |

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

<sup>2</sup> Includes farm land.

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

Source: Bank of Italy.

In 2004, gross fixed investments in agriculture rose by 2.1%, recouping the losses of the previous year. The increase affected nearly all sectors of the national economy, though to differing degrees. Investments in agriculture represented 4.2% of total, with an increase compared to 2003 of 5.3%, roughly 3 percentage points higher than the average figure for the economy as a whole. The recovery in agricultural investments was especially strong in the area of farm machinery. According to UNACOMA valuations, approximately 927,000 tonnes of agricultural machinery was produced in 2004, including tractors, farm operating machinery, gardening machinery, incomplete tractors and tractor parts, with an increase of 4% compared to 2003. Total value of goods produced amounted to over 6,800 million euro, up 6.5% from 2003.

## *Trends in agricultural investments\**

|      | Current<br>values<br>million euro | 1995<br>price values<br>million euro | % of                              |                        |
|------|-----------------------------------|--------------------------------------|-----------------------------------|------------------------|
|      |                                   |                                      | total<br>investments <sup>1</sup> | VA from<br>agriculture |
| 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                            | 9,496                                | 4.5                               | 31.5                   |
| 2001 | 9,999                             | 9,058                                | 4.3                               | 30.2                   |
| 2002 | 10,343                            | 9,150                                | 4.2                               | 31.8                   |
| 2003 | 10,366                            | 9,003                                | 4.2                               | 33.0                   |
| 2004 | 10,912                            | 9,183                                | 4.2                               | 30.3                   |

\* Includes forestry and fishing.

<sup>1</sup> At 1995 prices, VA from agriculture at basic prices.

Source: SVIMEZ valuations based on ISTAT figures.

Absorption by the internal market, determined by purchases by farmers, was equal to around 473,000 tonnes of machinery (1.1%), 346,000 tonnes of which were produced in Italy (0.7%) and

127,000 tonnes of which came from abroad (2.1%). Demand for tractors, including incomplete machines and parts, dropped slightly compared to 2003, but this was offset by an approximately 2%

increase in demand for other farm machinery. When considered according to type, there was a continuing upward trend for four-wheel-drive tractors, which in 2004 accounted for about 87% of national production. There was also upgrading and improvement of technical features of all farm machinery and equipment, in order to meet the needs of agriculture and to conform to legislation, both national and European, regarding safety and antipollution measures.

#### Machinery for agriculture (tonnes), 2004

|                         | Tractors <sup>1</sup> | % change<br>2004/03 | Other<br>machinery <sup>2</sup> | % change<br>2004/03 | Total   | % change<br>2004/03 |
|-------------------------|-----------------------|---------------------|---------------------------------|---------------------|---------|---------------------|
| Production              | 300,408               | 4.9                 | 626,427                         | 3.6                 | 926,835 | 4                   |
| Sold to internal market | 80,550                | -2.1                | 266,000                         | 1.6                 | 346,550 | 0.7                 |
| Imports                 | 52,856                | 0.2                 | 73,738                          | 3.5                 | 126,594 | 2.1                 |
| Apparent demand         | 133,406               | -1.2                | 339,738                         | 2                   | 473,144 | 1.1                 |

<sup>1</sup> Including incomplete tractors and parts.

<sup>2</sup> Including gardening machinery.

# Economic Results According to the FADN

The 2003 sample for FADN (Farm Accountancy Data Network) was established differently than in the past. According to specific institutional agreements among the Ministry for Agricultural and Forestry Policies, ISTAT, the administrative regions and INEA aimed at integrating economic surveys in agriculture, the sample was taken following probability criteria starting from the universe

of farms registered in the agriculture census of 2000. The extensive renewal of the FADN sample, which required substantial changes in the organisational setup of the network, plus operational problems arising from the casual nature of this year's sample, indicate that caution should be used in making direct comparisons of the 2003 survey results with those of previous years.

For more detailed information about the integration project for economic surveys in agriculture, and about FADN methodology, consult the INEA website ([www.inea.it/RICA](http://www.inea.it/RICA)).

An in-depth analysis of the structural differences between the 2003 FADN sample and those of previous years is approached in a specific INEA project in the series dealing with FADN methods, now in the publication stage.

## *Average farm data by geographical area, 2003\**

| Farms<br>number               | UAA<br>ha     | WU           | VFO         | Variable costs | Fixed costs   | Net income    |
|-------------------------------|---------------|--------------|-------------|----------------|---------------|---------------|
|                               |               |              |             | euro           | euro          | euro          |
| North                         | 5,012         | 40.99        | 2.06        | 204,351        | 94,293        | 47,921        |
| Centre                        | 2,584         | 40.45        | 1.96        | 148,362        | 66,058        | 45,056        |
| South & Islands               | 6,592         | 28.73        | 1.50        | 85,949         | 35,246        | 14,404        |
| <b>TOTAL</b>                  | <b>14,188</b> | <b>35.20</b> | <b>1.78</b> | <b>139,142</b> | <b>61,716</b> | <b>31,827</b> |
| <i>* Provisional figures.</i> |               |              |             |                |               |               |

Source: FADN-INEA.

## *Italy: average farm data by ESU, 2003\**

|              | Farms<br>number | UAA<br>ha   | WU          | VFO            | Variable costs | Fixed costs<br>euro | Net income    |
|--------------|-----------------|-------------|-------------|----------------|----------------|---------------------|---------------|
| 4 - 8 ESU    | 2,294           | 6.45        | 0.89        | 13,924         | 5,184          | 5.232               | 4.421         |
| 8 - 16 ESU   | 3,564           | 11.46       | 1.17        | 26,070         | 9,578          | 8.131               | 9.994         |
| 16 - 40 ESU  | 4,310           | 24.17       | 1.54        | 55,781         | 21,526         | 14.594              | 23.442        |
| 40 - 100 ESU | 2,329           | 45.39       | 2.12        | 132,912        | 58,442         | 29.797              | 52.454        |
| Over 100 ESU | 1,691           | 138.31      | 4.42        | 768,378        | 355,240        | 164.565             | 287.377       |
| <b>TOTAL</b> | <b>14,188</b>   | <b>35.2</b> | <b>1.78</b> | <b>139,142</b> | <b>61,716</b>  | <b>31.827</b>       | <b>53.208</b> |

\*Provisional figures.

Source: FADN-INEA.

## *Italy: average farm data by type of farm, 2003*

|                       | Farms<br>number | UAA<br>ha   | WU          | VFO            | Variable costs | Fixed costs<br>euro | Net income    |
|-----------------------|-----------------|-------------|-------------|----------------|----------------|---------------------|---------------|
| Arable crops          | 3,491           | 51.32       | 1.43        | 105,184        | 41,822         | 29,539              | 34,986        |
| Horticulture          | 952             | 5.3         | 2.19        | 210,279        | 92,557         | 28,919              | 89,123        |
| Permanent tree crops  | 4,227           | 16.07       | 1.69        | 113,064        | 39,963         | 30,949              | 43,062        |
| Herbivorous livestock | 2,720           | 51.93       | 2.05        | 159,325        | 84,267         | 31,465              | 69,331        |
| Granivorous livestock | 314             | 22.17       | 2.84        | 551,509        | 282,821        | 71,501              | 209,521       |
| Mixed crops           | 1,361           | 32.67       | 1.68        | 108,558        | 44,304         | 30,833              | 35,820        |
| Mixed livestock       | 225             | 51.02       | 2.88        | 273,189        | 154,772        | 60,727              | 97,168        |
| Mixed crops/livestock | 898             | 48.01       | 1.83        | 125,,939       | 66,207         | 29,426              | 45,570        |
| <b>TOTAL</b>          | <b>14,188</b>   | <b>35.2</b> | <b>1.78</b> | <b>139,142</b> | <b>61,716</b>  | <b>31,827</b>       | <b>53,208</b> |

\* Provisional figures.

Source: FADN-INEA.



# AGRI-INDUSTRIAL SUPPLY CHAIN

# Composition

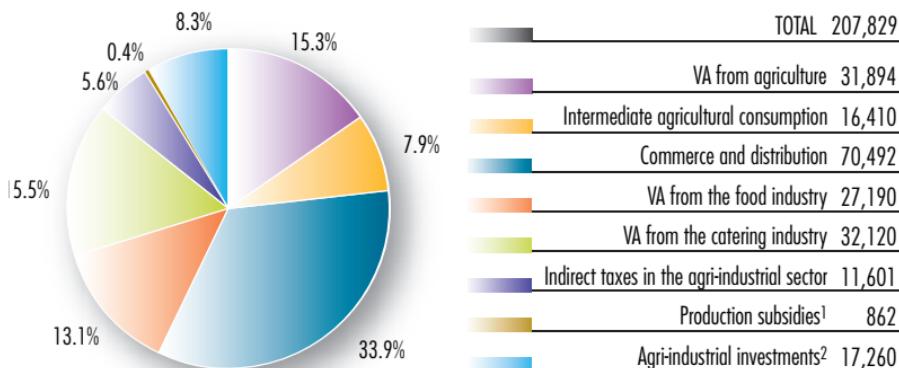
The agri-food system is made up of a number of activities in which agriculture interacts with all the sectors connected to it: the inputs industry (fertilisers, pesticides, animal feed, energy, etc.) and the food, distribution and catering industries. The agri-food sector is estimated to have been worth some 208 billion euro or 15.4% of GDP in 2004. The main contributions were: approximately 31.9 billion from agricultural value added (VA), 16.4 billion from intermediate consumption in agriculture, 17.3 billion from agri-industrial investments, approximately 27.2 billion from VA in the food industry, 32.1 billion from VA in the catering industry and 70.5 billion from marketing and distribution.

If values are calculated at market prices, VA from agriculture and VA from the food industry would be

quite dissimilar from basic price data, with values of 28.0 and 34.8 billion euro, respectively. Overall value of agri-food activity would be approximately 219 billion euro; in

this case, moreover, the subsidies for both agricultural and food industry production would emerge, amounting respectively to 2.1% and 0.4% of the agri-industrial total.

*Main components of the agri-industrial system\* at basic prices (million euro), 2003*



\* 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 subsidies.

<sup>2</sup> Valuations from ISTAT figures and Bank of Italy.

# Food Industry

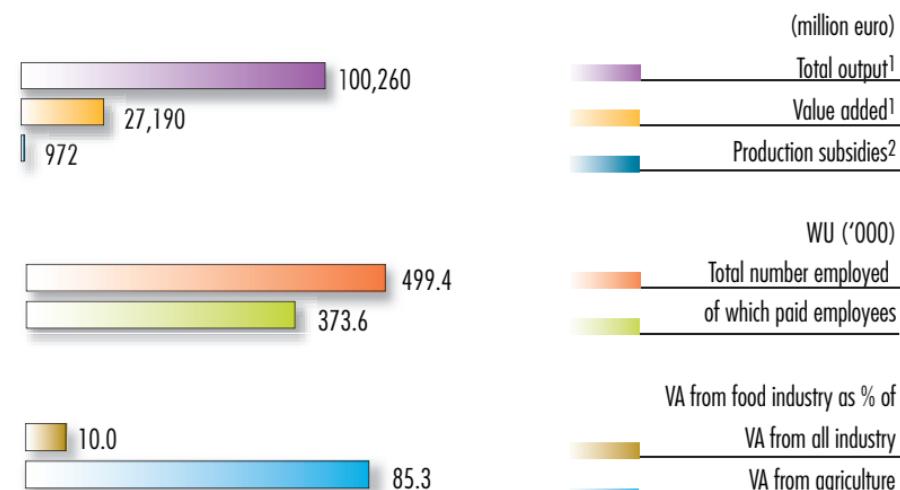
In 2003, the food and drinks industry, including tobacco, numbered 69,967 businesses, an increase of 1.3% over 2002, as compared with a decrease of 1.6% in the total of manufacturing industries. On average, there were 6.6 employees per enterprise, with a concentration of workers in businesses that employed 2 to 9 and 10 to 19 people. In 2004, there were 499,400 work units in the food industry, accounting for 9.6% of total workers in industry. Marked differences were observed by geographical area: there was a concentration in the Centre of 71% of workers and 74% of value added at basic prices, indicating that expansion of processing in the South becomes a strategic priority. In 2004, production in the food and drinks industry grew by 0.5%, slightly more than the average for

manufacturing (+0.4%). The tobacco industry showed a decline of 44.5%.

Value added for the food industry increased by 2.5% over 2003. The

contributions of VA from industry in the narrow sense (mining and manufacturing) and agriculture were 10% and 85.3%, respectively, in 2004. Compared to 2003,

*Food industry\*: main macroeconomic aggregates, 2004*



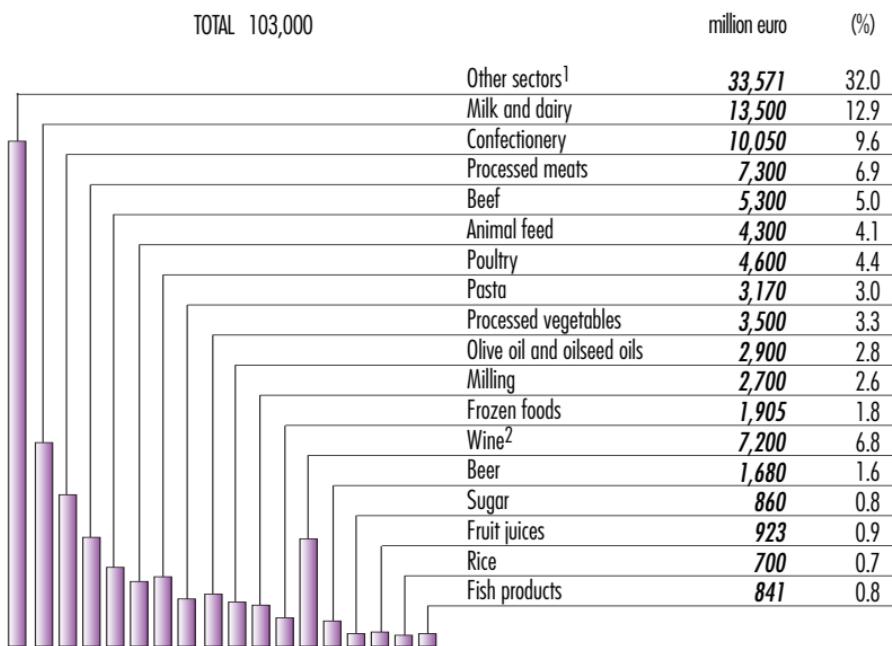
\* Includes drinks and tobacco.

<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), 2004



<sup>1</sup> Of which: baby and diet food (1,165 million euro), soft drinks (1,700 million euro), coffee (2,000 million euro) and mineral water (3,000 million euro).

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

Source: Federal alimentare valuations, May 2004.

increases were recorded for fruits and vegetables (+3.1%), production of oils and fats (+1.8%), slaughtering and meat processing (+1.2%), production of pasta and refined rice (+1.1%) and confectionery (+3.8%). Production of sugar rebounded (+12.9%) following a drop in 2003. There were drops in production of dairy products (-2.3%) and condiments and spices (-13.3%). For beverages, growth was recorded for wine (+0.9%), while production dropped for beer (-1.4%). There was a significant decline for mineral water and non-alcoholic drinks (-8.6%).

In the EU, the food industry was one of the healthiest sectors, with 12.1% of value added and 12.6% of employees in manufacturing. Germany held the lead (18.7%) in value added from the food

industry, including tobacco and drinks, followed by the United Kingdom (17.4%), France (15.4%), Italy (9.7%) and Spain (8.4%). In 2004, as compared to 2003, production in the food,

tobacco and drinks industry grew by 0.7% on average in the EU, with the greatest increases posted by Belgium (+4.6%), Poland (+5.2%) and the Baltic Republics (+4.4%).

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

|  | Output<br>million euro | Value added | Employment<br>'000 units | VA/EMPLOYEE<br>'000 euro |
|--|------------------------|-------------|--------------------------|--------------------------|
| Meat                                   | 149,206                | 30,860      | 973                      | 31.7                     |
| Milk and dairy                         | 107,192                | 17,090      | 388                      | 44.0                     |
| Fruit and vegetables                   | 42,360                 | 10,258      | 248                      | 41.4                     |
| Biscuits, pasta and other <sup>1</sup> | 187,641                | 63,894      | 1,851                    | 34.5                     |
| Fats                                   | 28,264                 | 3,740       | 57                       | 65.6                     |
| Drinks                                 | 105,457                | 29,788      | 433                      | 68.8                     |
| Fish products                          | 17,230                 | 3,687       | 130                      | 28.4                     |
| EU                                     | 637,350                | 159,317     | 4,080                    | 52.0                     |
| <br>Bulgaria                           | <br>1,431              | <br>244     | <br>86                   | <br>2.8                  |
| Romania                                | 4,245                  | 833         | 191                      | 4.4                      |

<sup>1</sup> The total excludes the tobacco industry, feedstuffs, milling and starch products.

<sup>2</sup> Sugar, confectionery, tea, coffee, diet foods and baby food, condiments, spices.

Source: EUROSTAT.

### Production in Italy by sector (volume)

% change 2004/03

|   |         |
|---|---------|
| Milling <sup>1</sup>                            | 0.1     |
| Pasta   | -1.1    |
| Refined rice                                    | 1.1     |
| Biscuit and bread-making                        | 0.8     |
| Processing of fruit and vegetables <sup>2</sup> | 3.1     |
| Vegetable and animal oils and fats              | 1.8     |
| Slaughter and processing of meat                | 1.2     |
| Milk and dairy products <sup>3</sup>            | -2.3    |
| Sugar production                                | 12.9    |
| Confectionery                                   | 3.8     |
| Condiments and spices                           | -13.3   |
| Wine <sup>4</sup>                               | 0.9     |
| Beer  | -1.4    |
| Mineral water and soft drinks                   | -8.6    |
| Animal feed                                     | 1.5     |
| <br>TOTAL                                       | <br>0.5 |

<sup>1</sup> Includes soft-wheat flour, durum wheat bran and starch products.

<sup>2</sup> Includes vegetable and fruit juices (var. -5.7%).

<sup>3</sup> Includes production of ice-cream (var. -14.3%).

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

# Distribution

There were 191,356 fixed retail outlets selling food as their main commercial activity in 2004, 0.4% more than the previous year. This result reflects changes in the system of codification (Atenco 2000) introduced on 1 January 2004 by the Business Registry, and combined

diverse trends among single categories of merchandise. Reclassification meant some businesses were declared “non-specialised”, and these included large and medium-sized food retail spaces, the majority of new outlets. For other special categories, there was a dip in outlets sel-

ling meat (-0.9%) and especially in those selling drinks (-12.2%). Fruit and vegetables outlets remained stationary, while increases were recorded for outlets selling fish (+2.2%) and bread (+1.9%). On the national level, different trends were observed, with the North

## Food retail outlets 2004\*

|                              | North         |            | Centre        |            | South & Islands |            | Italy          |            |
|------------------------------|---------------|------------|---------------|------------|-----------------|------------|----------------|------------|
|                              | number        | %          | number        | %          | number          | %          | number         | %          |
| Fruit and vegetables         | 8,558         | 12.6       | 4,697         | 14         | 1,587           | 1.8        | 23,042         | 12         |
| Meat and meat-based products | 11,209        | 16.5       | 6,297         | 18.8       | 4,929           | 5.5        | 38,050         | 19.9       |
| Fish and fish-based products | 1,537         | 2.3        | 1,411         | 4.2        | 5,272           | 5.8        | 8,220          | 4.3        |
| Bread and confectionery      | 6,186         | 9.1        | 2,113         | 6.3        | 9,787           | 10.9       | 13,228         | 6.9        |
| Wine, oils and drinks        | 2,044         | 3          | 999           | 3          | 10,802          | 12         | 4,630          | 2.4        |
| Other foods                  | 7,310         | 10.8       | 3,162         | 9.4        | 20,544          | 22.8       | 21,274         | 11.1       |
| Non-specialised foods        | 31,009        | 45.7       | 14,820        | 44.3       | 37,083          | 41.2       | 82,912         | 43.4       |
| <b>TOTAL</b>                 | <b>67,853</b> | <b>100</b> | <b>33,499</b> | <b>100</b> | <b>90,004</b>   | <b>100</b> | <b>191,356</b> | <b>100</b> |
| % of total outlets           | 23.4          |            | 22.9          |            | 28.3            |            | 25.4           |            |
| <b>DENSITY<sup>1</sup></b>   | <b>390</b>    |            | <b>336</b>    |            | <b>230</b>      |            | <b>305</b>     |            |

\* Main premises and local outlets.

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

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

remaining stationary and the Centre-South showing growth (+0.7%). In 2004, the total value of sales of foodstuffs from fixed retail outlets remained unchanged, with a slight increase for wholesale distribution (+0.5%) and a decline for small food shops (-1.9%).

### Large-scale retail trade

In 2004, 7,209 supermarkets were registered, as against 6,892 in

2003, for an increase of 4.6%. The major increase in sales outlets occurred in the North-West (+8.3%). Total sales space increased to over 6.2 million square metres (+6.5%), with a total of around 136,000 employees (+9.1%). The number of hypermarkets increased to 388 (+1.8%), with sales space of 2.3 million square metres (+5.2%) and 70,000 employees (+5.5%).

In the South there was greater growth in numbers (+5.5%) and sales space (+12.2%) for hypermarkets, whereas there was a larger increase in number of employees (+15.3%) in the Centre.

In 2004, sales from supermarkets remained stable in value compared to 2003. Sales from hypermarkets increased by 2.3%, and those from hard discount outlets increased by 2.9%.

### *Large-scale retail food trade by geographical area, 2004\**

|                 | Outlets      |            | Sales area <sup>1</sup><br>2004/03 |            | Employees <sup>1</sup><br>2004/03 |            | No. of outlets per<br>100,000<br>inhabitants | Sales area<br>m <sup>2</sup> /1,000<br>inhabitants |
|-----------------|--------------|------------|------------------------------------|------------|-----------------------------------|------------|--|--|
|                 | number       | % change   | m <sup>2</sup>                     | % change   | number                            | % change   |  |  |
| North           | 4,197        | 6.1        | 5,122,893                          | 6.2        | 128,142                           | 7.7        | 15.9   | 193.8  |
| Centre          | 1,489        | 1.8        | 1,627,880                          | 6.1        | 43,106                            | 10.8       | 13.2   | 144.7  |
| South & Islands | 1,911        | 3.1        | 1,816,039                          | 5.9        | 34,257                            | 4.9        | 9.2  | 87.6   |
| <b>TOTAL</b>    | <b>7,597</b> | <b>4.4</b> | <b>8,566,812</b>                   | <b>6.1</b> | <b>205,505</b>                    | <b>7.8</b> | <b>13.0</b>                                  | <b>146.7</b>                                       |

\* Supermarkets and hypermarkets. As of 1 January 2004.

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

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

# Food Consumption

In 2004, household expenditure on food and drink in Italy amounted to about 124,000 million euro, a 1.9% increase in value over 2003. Overall consumption levels, at constant prices, dropped by 0.4%. Compared to 1994, the share of food consump-

tion in total family expenditures declined from 18.6% to 15.4%. According to ISTAT valuations, spending for eating out (canteens, restaurants and fast-food) was approximately 59,200 million euro in 2004, an increase in value of

2.8%, due mainly to an increase in prices (+3.4%) and a decrease in volume (-0.6%). Between 1994 and 2004, the impact of this category of expenditure, in relationship to total food consumption, rose from 36.7% to about 47.6%, showing the gradual changes in consumers' eating habits.

The most significant categories, in terms of expenditure, were meat (26,800 million euro), bread and cereal-based products (21,900 million euro) and milk and dairy and eggs (16,900 million euro). Compared to 2003, spending was down for fruit (-4.1%), sugar and confectionery (-3.0%) and mineral water (-2.9%). Declines in spending were also recorded for meat (-0.7%), alcoholic beverages (-0.3%), vegetables (-0.2%), and coffee, tea and cocoa (-0.2%). On the contrary, there were increases in spending for fish (+1.9%), bread and cereal-

## *Break-down of food consumption, 2004*

| Product                                    | % of total food expenditure | Average annual rate of change 2004/94 (%) |       |
|--|-----------------------------|---|-------|
|  |                             | volume                                    | price |
| Meat                                       | 21.6                        | -0.7                                      | 2.2   |
| Bread and cereal-based products            | 17.6                        | 2.1                                       | 1.8   |
| Milk and dairy produce and eggs            | 13.6                        | 0.7                                       | 2.6   |
| Vegetables and potatoes                    | 11.2                        | 0   | 3.6   |
| Fish                                       | 7.2                         | 1.3                                       | 2.9   |
| Fruit                                      | 6.4                         | -1.3                                      | 3.8   |
| Sugar and confectionery <sup>1</sup>       | 6.3                         | 0.7                                       | 2.9   |
| Oils and fats                              | 4.9                         | -0.1                                      | 3.2   |
| Mineral water and soft drinks <sup>2</sup> | 4.8                         | 1.6                                       | 2.2   |
| Wine and alcoholic drinks                  | 4.7                         | -1.1                                      | 3.7   |
| Coffee, tea and cocoa                      | 1.4                         | -0.7                                      | 2.5   |
| Other foods <sup>3</sup>                   | 0.3                         | -0.1                                      | 2.1   |
| OVERALL                                    | 100                         | 0.3                                       | 2.6   |

<sup>1</sup> Jams, 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)\*

|  | Germany | Greece | Spain | France | Italy | Hungary | Poland | EU   |
|--|---------|--------|-------|--------|-------|---------|--------|------|
| Cereals and cereal products <sup>1</sup> | 88.0    | 166.0  | 83.0  | 81.0   | 115.0 | 105.0   | 112.0  | 92.0 |
| Refined rice <sup>2</sup>                | 3.0     | 5.0    | 6.0   | 5.0    | 8.0   | 6.0     | 2.0    | 5.0  |
| Potatoes                                 | 67.0    | 86.0   | 87.0  | 45.0   | 44.0  | 66.0    | 131.0  | 81.0 |
| Vegetables <sup>3</sup>                  | 92.5    | 310.6  | 193.6 | -      | 218.5 | -       | -      | -    |
| Fresh fruit and citrus <sup>2</sup>      | 108.1   | 171.7  | 116.2 | -      | 140.8 | -       | -      | -    |
| Milk <sup>3</sup>                        | 96.0    | 71.5   | 135.4 | 98.6   | 70.6  | -       | -      | -    |
| Cheese                                   | 20.2    | -      | 9.2   | 25.1   | 21.1  | -       | -      | -    |
| Eggs                                     | 13.1    | 10.9   | 18.6  | 15.1   | 12.3  | -       | -      | -    |
| Butter                                   | 6.6     | 2.3    | 1.0   | 8.0    | 3.0   | -       | -      | -    |
| Total meat                               | 90.9    | 82.3   | 135.6 | 104.6  | 94.9  | -       | -      | -    |
| beef                                     | 12.8    | 17.6   | 15.1  | 27.2   | 25.1  | -       | -      | -    |
| pigmeat                                  | 55.1    | 27.9   | 68.5  | 36.5   | 40.1  | -       | -      | -    |
| Oils and vegetable fats                  | 21.0    | 21.0   | 21.0  | 15.0   | 14.0  | -       | 6.0    | -    |
| Sugar <sup>4</sup>                       | 35.0    | 35.0   | 30.0  | 35.0   | 32.0  | 31.0    | 36.0   | 34.0 |
| Wine <sup>5</sup>                        | 24.0    | 27.0   | 34.0  | 50.0   | 51.0  | 38.0    | 1.0    | 28.0 |
| % food expenditure to total <sup>6</sup> | 16.1    | 20.5   | 19.0  | 17.9   | 17.1  | 27.4    | 26.5   | 16.9 |

\* Figures refer to the marketing year 2002/2003 for vegetable products; 2003 for milk and dairy, except cheese (2002); 2003 for eggs and meat, rice (Greece) and wine (Hungary); 2000/2001 for rice (France, EU), potatoes (EU), sugar (EU); 2001 for butter (Italy), meat (Greece) and beef (Greece).

<sup>1</sup> Cereals and cereal products in flour equivalents.

<sup>2</sup> 2001/2002; Italy and Spain - 1999/00. Greece - 1998/99.

<sup>3</sup> Includes other fresh products, excluding cream.

<sup>4</sup> White sugar equivalent.

<sup>5</sup> Litres per capita.

<sup>6</sup> Family food expenditure, including drinks and tobacco.

based products (+0.8%), milk and dairy and eggs (+0.6%) and oils and fats (+0.4%). Compared to 1994,

less was spent on meat, fruit, alcoholic beverages, coffee, tea and cocoa, while more was spent on

bread and cereal-based products, fish, vegetables, milk and dairy, sugar and confectionery, mineral water and non-alcoholic beverages.

For Italy as a whole, there were significant differences in average monthly family spending for food. Between 2002 and 2003, average monthly expenditure per family rose from 410 to 442 euro in the North (+7.8%), from 443 to 469 euro in the Centre (+5.9%) and from 435 to 454 euro in the South (+4.4%).

Levels of expenditure are affected by family size and spending habits: the portion of money spent for food, to total spending, is greater for families of five persons or more (22.1% of total). Indeed, in the regions of the South, the fact that families tend to be larger means that more of their total budget is spent on food and drink, and this rises to levels of 24% of total spending in Campania, Calabria and Sicily.

# Foreign Trade

The year 2004 showed a recovery in agri-industrial exports (+3.9%), which reversed a slight decline in the previous year, in the face of further growth in imports (+5.4%). The greater growth in purchases over sales further aggravated the agri-industrial balance deficit, which exceeded 10,000 million euro. As the effect of this trend, both the degree of trade cover and the degree of self-sufficiency worsened. Agri-food trade<sup>1</sup> was dominated by products from the food-processing industry, pointing up Italy's role as a processing country. This was further confirmed by the impact of agricultural products on imports (33%). Agri-food commerce for Italy is concentrated mainly within the European Union, with 69% of exports and 71% of imports. Overall, normalized balance was -41.5% for the

primary sector and -7.5% for the food industry.

Considering the impact of the regions on trade in 2004, a major role was played by Piemonte, Lom-

bardy, Veneto and Emilia Romagna, which made significant contributions to exports of food industry products. This is a natural result, when one considers that these areas

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

|   |             | 1995    | 2003   | 2004   |
|---|-------------|---------|--------|--------|
| <b>MACROECONOMIC AGGREGATES</b>           |             |         |        |        |
| Total agri-industrial output <sup>1</sup> | (P)         | 54,805  | 73,143 | 75,494 |
| Imports                                   | (I)         | 24,027  | 28,021 | 29,533 |
| Exports                                   | (E)         | 13,699  | 18,955 | 19,688 |
| Balance                                   | (E-I)       | -10,328 | -9,066 | -9,845 |
| Volume of trade <sup>2</sup>              | (E+I)       | 37,726  | 46,976 | 49,221 |
| Apparent consumption <sup>3</sup>         | (C = P+I-E) | 65,133  | 82,209 | 85,339 |
| <b>INDICATORS (%)</b>                     |             |         |        |        |
| Degree of self-sufficiency <sup>4</sup>   | (P/C)       | 84.1    | 89     | 88.5   |
| Propensity to import <sup>5</sup>         | (I/C)       | 36.9    | 34.1   | 34.6   |
| Propensity to export <sup>6</sup>         | (E/P)       | 25      | 25.9   | 26.1   |
| Degree of trade cover <sup>7</sup>        | (E/I)       | 57      | 67.6   | 66.7   |

\* 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.

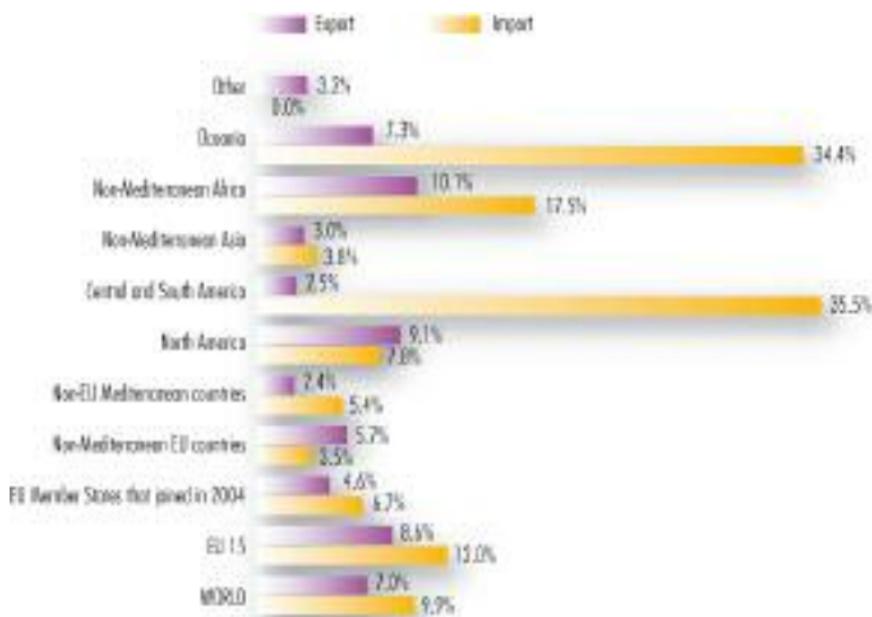
<sup>5</sup> Imports-consumption ratio.

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

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

<sup>1</sup> Agri-industry, net of tobacco.

## *The agri-food trade as a percentage of Italy's total trade with different geographical areas, 2004*



have the highest number of employees in the food industry (51% of the total). In the South, Campania was responsible for 5% of imports and 9% of exports. Besides the four regions mentioned above for their part in processed food products, Lazio and Campania should be mentioned for imports within the primary sector. As for exports, the greatest contribution from a region of the South came from Puglia, which moved over 11% of trade.

## Foreign trade by main agri-food sector (million euro), 2004

|   | Imports    | Exports    | Nb*<br>(%) |
|---|------------|------------|------------|
| Cereals                                       | 1,543      | 80         | -90        |
| of which from seed                            | 69         | 15         | -64        |
| Fresh legumes and vegetables                  | 647        | 682        | 3          |
| of which from seed                            | 163        | 48         | -54        |
| Dried legumes and vegetables                  | 92         | 27         | -54        |
| Citrus  | 236        | 96         | -42        |
| Fresh fruit                                   | 934        | 1,541      | 25         |
| Dried fruit and nuts                          | 396        | 195        | -34        |
| Raw textile fibres                            | 291        | 12         | -92        |
| Oilseeds and fruits                           | 534        | 18         | -93        |
| of which from seed                            | 6          | 5          | -7         |
| Cocoa, coffee, tea and spices                 | 562        | 38         | -87        |
| Flowers and ornamental plants                 | 365        | 466        | 12         |
| Uncured tobacco                               | 84         | 206        | 42         |
| Live animals                                  | 1,346      | 42         | -94        |
| of which animals for breeding                 | 86         | 16         | -69        |
| of which animals for rearing and slaughtering | 1,238      | 21         | -97        |
| of which other live animals                   | 22         | 5          | -65        |
| Other livestock products                      | 452        | 27         | -89        |
| Forestry products                             | 800        | 107        | -76        |
| of which wood                                 | 500        | 9          | -96        |
| Fish and game                                 | 842        | 171        | -66        |
| Other products                                | 773        | 165        | -65        |
| <b>TOTAL PRIMARY SECTOR</b>                   | <b>145</b> | <b>124</b> | <b>-8</b>  |

|                                      | Imports       | Exports       | Nb,<br>(%)   |
|--------------------------------------|---------------|---------------|--------------|
| Cereal products                      | 641           | 2,707         | 61.7         |
| of which pasta                       | 30            | 1,248         | 95.3         |
| Sugar and confectionery              | 1,199         | 678           | -27.8        |
| Fresh and frozen meat                | 3,398         | 682           | -66.6        |
| Processed meat                       | 201           | 762           | 58.3         |
| Processed and preserved fish         | 2,326         | 261           | -79.9        |
| Processed vegetables                 | 690           | 1,177         | 26.1         |
| Processed fruit                      | 425           | 697           | 24.2         |
| Dairy products                       | 2,868         | 1,418         | -33.8        |
| of which milk                        | 708           | 4             | -98.8        |
| of which cheese                      | 1,205         | 1,141         | -2.7         |
| Oils and fats                        | 1,999         | 1,211         | -24.5        |
| Oilcake and oilseed flour            | 1,006         | 153           | -73.6        |
| Drinks                               | 1,179         | 3,942         | 54           |
| of which wine                        | 248           | 2,822         | 83.9         |
| Other food industry products         | 1,907         | 1,652         | -7.2         |
| <b>TOTAL FOOD INDUSTRY</b>           | <b>17,838</b> | <b>15,340</b> | <b>-7.5</b>  |
| <b>TOTAL AGRI-FOOD BALANCE</b>       | <b>28,008</b> | <b>19,681</b> | <b>-17.5</b> |
| Cured tobacco                        | 1,525         | 7             | -99.1        |
| <b>TOTAL AGRI-INDUSTRIAL BALANCE</b> | <b>29,533</b> | <b>19,688</b> | <b>-20</b>   |

\* Nb = normalized balance (see glossary).



## **AGRICULTURAL MULTI-FUNCTIONALITY**

# Environmental Policy

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

With the 2003/87/EC directive, the EU established a system, in force as of 1 January 2005, for inter-country exchange of limits on greenhouse gas emissions. The proposed mechanisms of the Kyoto Protocol were put in force as of 16 February 2005, with the goal of reducing greenhouse gas levels by 8% by 2012 (6.5% in Italy) below 1990 levels. These mechanisms were defined in the 2004/101/EC directive, which allowed EU Member States to convert credits obtained from anti-pollution projects carried out anywhere in the world into emission quotas, and then to sell them. To strengthen cooperation and international dialogue on environmental stewardship, a memorandum of intent was signed in September 2004, between the EU and UNEP, the environmental programme of the UN. With EU regulation no.

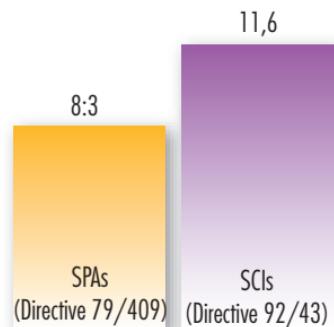
1682/04, the LIFE programme was extended to 2006. LIFE, the financial support instrument for EU environmental policy, is divided into three project areas: Nature, Environment and Third Countries. Italy is the country that benefited from the greatest number of projects financed for 2004, 12 for LIFE-Nature (10.8 million euro) and 28 for LIFE-Environment (20.1 million euro), which apply to lagoons, forests, mountain habitats and urban areas.

As for Natura 2000, the European ecological network, over 900,000 square kilometres of land in the EU 25 are proposed as specially protected areas (SPAs) and sites of community importance (SCIs).

## *National policy in favour of the environment*

With law no. 316/04, Italy launched the EU scheme of “emissions trading”

## *Implementation of the Natura 2000 Network\* in the EU (% of area\*\*)*



\* 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.

\*\* % of land total of SPAs or SCIs to national territory (including sea surface areas).

Source: *Nature Barometer*, published by the Environment DG of the European Commission, March 2005.

for the reduction of greenhouse gases, and, based on the national plan for assigning quotas approved by the EU Commission in May 2005, 1,240 Ital-

ian plants participating in the quota exchange programme are authorised to emit 232.5 million tonnes of greenhouse gases per year until 2007. In April 2005, Minister's Decrees were issued to finance pilot programmes, both in Italy and abroad, for the reduction of greenhouse gas emissions, and the use of forest plantations to absorb carbon. In a parallel move, Italy ratified the amendment to the Montreal Protocol of 1999 regarding substances damaging to the ozone layer.

In 2004 the national mountain fund was increased by 6.7 million euro, and national financing of 1.2 million euro was given to safeguard Natura 2000 sites managed by the State Forestry Service under the aegis of LIFE.

Law no. 308/04 delegated the Italian government with reordering environmental policy by 11 July 2006. In the area of operations, a commission of experts was named and the Economic

### *Implementation of the Natura 2000 Network in Italy*

|                       | SPAs<br>no. of sites | SCIs<br>no. of sites | Natura 2000 sites* |      |
|-----------------------|----------------------|----------------------|--------------------|------|
|                       |                      |                      | land (ha)          | %    |
| Piemonte              | 37                   | 124                  | 270,980            | 10.7 |
| Valle d'Aosta         | 5                    | 26                   | 109,493            | 33.6 |
| Lombardy              | 22                   | 175                  | 259,080            | 10.9 |
| A.P. Bolzano          | 16                   | 41                   | 147,413            | 19.9 |
| A.P. Trento           | 14                   | 152                  | 151,626            | 24.4 |
| Veneto                | 70                   | 98                   | 375,850            | 20.4 |
| Friuli-Venezia Giulia | 7                    | 62                   | 126,227            | 16.1 |
| Liguria               | 7                    | 124                  | 142,835            | 26.4 |
| Emilia-Romagna        | 61                   | 113                  | 236,546            | 10.7 |
| Tuscany               | 60                   | 120                  | 292,511            | 12.7 |
| Umbria                | 7                    | 99                   | 120,291            | 14.2 |
| Marche                | 29                   | 80                   | 144,957            | 14.9 |
| Lazio                 | 42                   | 183                  | 298,109            | 17.3 |
| Abruzzo               | 4                    | 52                   | 386,598            | 35.7 |
| Molise                | 2                    | 88                   | 101,756            | 22.8 |
| Campania              | 27                   | 106                  | 387,216            | 28.3 |
| Puglia                | 16                   | 77                   | 465,848            | 23.4 |
| Basilicata            | 17                   | 47                   | 54,503             | 5.4  |
| Calabria              | 4                    | 179                  | 103,544            | 6.8  |
| Sicily                | 47                   | 218                  | 384,889            | 14.9 |
| Sardinia              | 9                    | 92                   | 427,093            | 17.7 |
| ITALY                 | 503                  | 2,256                | 4,987,365          | 16.5 |

\* The total extent of Natura 2000 sites by region was calculated excluding overlapping SPAs and SCIs. Land calculation was made by attributing to each region that part of the site that lies on its own territory.

Source: Environment Ministry, Department of Nature Protection, March 2005.

and Social Council for Environmental Policy (CESPA) established. On the legal front, Decree-Law no. 59/05 simplifies the system of authorisations required for all sources of pollution, and assigns competency to the State for granting Integrated Environmental Authorisation (AIA).

### ***Protected Areas***

Italy has nearly 3.5 million hectares of protected areas, or 11.6% of total area; 192,000 hectares of protected sea surface areas represent 2.8% of the nation's coastal waters. The Italian system of protected areas includes almost 3,000 municipalities, on land that holds the majority of over 57,000 animal species, 362 of which are in danger of extinction, and 6,000 species of plants. For number of species and ecosystems, Italy has more biodiversity than any other country in Europe. The amount earmarked in 2004 for protect-

ed areas and nature protection initiatives was 58.6 million euro, with an increase over 2003 of 5% for national parks and 6.8% for State nature reserves. Through the National Ecological Network (REN), which is part of the European Natura 2000 network, specific accords were financed for programmes promoted by the Ministry for the Environment for the Apennine Park of Europe (APE), minor islands in the Mediterranean (ITACA), the Po River basin (PADUS) and protected Italian coastlines (CIP), to promote territorial development and to protect and safeguard areas with the greatest concentration of urban settlements. In April 2005 a technical study team for protected areas was set up. This is a coordinated institutional and planning effort among ministries, Federparchi, the National Association of Italian Municipalities (ANCI), the Union of Italian Provinces (UPI) and the Nation-

al Union of Mountain Municipalities and Bodies (UNCEM). Its goal is nature preservation and local development, through a re-launching of policies and system programming.

In August 2004, as part of the European initiative Interreg III, a project called "Network of the Parks" in the Mediterranean was approved, with EU financing of 1.3 million euro.

(The list of Established National Parks can be found at: [www.minambiente.it/Sito/settori\\_azione/settori.asp](http://www.minambiente.it/Sito/settori_azione/settori.asp)).

### ***Agriculture and protected areas***

There are over 230,000 farms on national parks, or 9% of the national total, with average area of 5.3 hectares. UAA on these farms is 9% of the national total, and 50% of that is grasslands and pastures (as opposed to a 26% average for Italy), whereas 34% of that farmland is wooded (as opposed to 23% for the national average). Live-

stock on such farms is extensive, with an index of 0.7 LU per hectare of UAA, as against a national average of 2.1 LU/UAA. These farms produce 554 typical products, 41% of which have PDO (protected designation of origin) and PGI (protected geographical indication) status.

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

- Isole Ciclopi protected marine area (Sicily)
- Plemmirio protected marine area (Sicily)
- Colle del Lys nature park (Piemonte)
- Monte San Giorgio nature park (Piemonte)
- Monte Tre Denti-Freidour nature

park (Piemonte)

- Adda Nord nature park (Lombardy)
- Conca Cialancia nature park (Piemonte)
- Grigna Settentrionale Regional Park (Lombardy)
- Vena del Gesso Romagnolo Regional Park (Emilia-Romagna)
- Sacro Monte di Oropa special nature reserve (Piemonte)
- Stagno di Oulx special nature reserve (Piemonte)

### ***Geographical distribution of protected marine surface areas (%)***



Source: 5<sup>th</sup> Official List of Protected Natural Areas, 2003; Environment Minister's Decree dated 15/9/04.

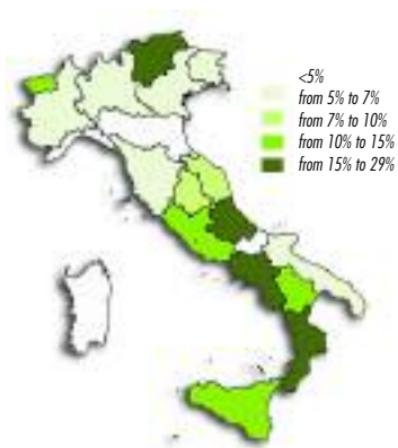
### ***National parks in process of being established***

- Costa Teatina
- Val d'Agri and Lagonegrese

### ***Protected marine areas in process of being established***

- Santa Maria di Castellabate (Campania)
- Costa degli Infreschi and Massetta (Campania)

## Percentage of protected land to total land in Italy



Source: Environment Ministry, Department of Nature Protection, EUAP, 2005, based on figures of the 5<sup>th</sup> updating of the Official List of Protected Natural Areas.

### Protected area land surface divided by region and type\* (%)

| Region                | National Park | State Nature Park | Nature reserve <sup>†</sup> | Other protected areas | Total ('000 ha)  | % of national total |
|-----------------------|---------------|-------------------|-----------------------------|-----------------------|------------------|---------------------|
| Piemonte              | 26.3          | 55.5              | 10.3                        | 7.8                   | 170,633          | 5.7                 |
| Valle d'Aosta         | 85.4          | 13.4              | 1.2                         | 0                     | 43,001           | 1.5                 |
| Lombardy              | 45.9          | 46.7              | 6.9                         | 0.5                   | 130,297          | 4.5                 |
| Trentino-Alto Adige   | 26            | 72.7              | 0.8                         | 0.6                   | 283,335          | 9.7                 |
| Veneto                | 16.2          | 60.7              | 23.1                        | 0                     | 93,377           | 3.2                 |
| Friuli-Venezia Giulia | 0             | 86.2              | 13.8                        | 0                     | 53,794           | 1.8                 |
| Liguria               | 15.1          | 84.6              | 0.2                         | 0.1                   | 25,511           | 0.9                 |
| Emilia-Romagna        | 35.9          | 52.9              | 11.1                        | 0.2                   | 89,391           | 3.1                 |
| Tuscany               | 24.3          | 32.5              | 26.4                        | 16.7                  | 158,551          | 5.4                 |
| Umbria                | 28.4          | 64.5              | 0                           | 7.2                   | 63,386           | 2.2                 |
| Marche                | 68.6          | 24.2              | 7.2                         | 0                     | 88,917           | 3.1                 |
| Lazio                 | 12.4          | 53.3              | 32.4                        | 1.9                   | 213,218          | 7.3                 |
| Abruzzo               | 72.4          | 18.6              | 8.7                         | 0.4                   | 303,706          | 10.4                |
| Molise                | 62.2          | 0                 | 19.5                        | 18.3                  | 6,347            | 0.2                 |
| Campania              | 57            | 39.2              | 3.7                         | 0.1                   | 325,240          | 11.2                |
| Puglia                | 91.8          | 0.1               | 7.7                         | 0.5                   | 128,766          | 4.4                 |
| Basilicata            | 69.3          | 28                | 2.6                         | 0                     | 120,062          | 4.1                 |
| Calabria              | 93.4          | 0                 | 6.6                         | 0                     | 254,543          | 8.7                 |
| Sicily                | 0             | 68.5              | 31.5                        | 0                     | 270,720          | 9.3                 |
| Sardinia              | 91.1          | 5.6               | 0                           | 3.3                   | 92,456           | 3.2                 |
| <b>ITALY</b>          | <b>46.1</b>   | <b>40.4</b>       | <b>11.6</b>                 | <b>2</b>              | <b>2,911,868</b> | <b>100</b>          |

\* Figures from the 5<sup>th</sup> updating of the Official List of Protected Natural Areas.

<sup>†</sup> Both regional and national.

Source: Environment Ministry, Department of Nature Protection, EUAP, 2005.

# Use of Chemicals

With the ratification on 18 November 2004 of the UN Stockholm Convention on Persistent Organic Pollutants (POPs), the EU established the most important global effort towards banning the use of noxious chemicals linked to industrial production of lubricants, pesticides and electronic components. In March 2005, EU Regulation no. 396/05 was issued. This disciplines maximum residue levels (MRLs) of pesticides in food products and vegetable- and animal-based feedingstuffs, and defines the role of Member States, the European Commission and the European Food Safety Authority (EFSA) regarding inspections and applications of MRLs. At the national level, EU guidelines were acknowledged concerning phrases used on labels and packaging to avoid particular risks, and precautions to be taken in marketing plant protection products.

In the last fifteen years, the plant pro-

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

|                  | 2000           | 2001           | 2002           | 2003           | 2004           |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Nitrogen         | 871.6          | 876            | 873.4          | 858.2          | 864.6          |
| Phosphorous      | 491            | 491            | 485.6          | 497.7          | 475.2          |
| Potassium        | 387.5          | 383.6          | 384.0          | 387.1          | 379.6          |
| <b>TOTAL USE</b> | <b>1,750.1</b> | <b>1,750.6</b> | <b>1,743.0</b> | <b>1,743.0</b> | <b>1,719.4</b> |

*Source: Assofertilizzanti.*

tection products sector in Italy has grown in terms of value (+6.8% in 2004) in the use of low-dosage products, but with higher than average unit prices. As far as inputs are concerned, the adoption of new crop protection strategies and the introduction of new technologies have led to a gradual decline in the use of pesticides. But in 2004 there was an overall increase of 7% over the previous year, especially in the use of fungicides (+10.9%) used against seasonal fungins in grapevines, fruit, cereal crops and beets. The regions of the

North used more plant protection products (52.4%) than the regions of the South (33.8%).

Based on figures for 2003 of the national programme of official inspections for plant protection product residues, using a sample of 6,782 fruit and vegetable products, 1.8% of these revealed residues that were above legal limits, but in lower doses than would be health-endangering. The percentage of irregularities in fruit and vegetable crops dropped progressively over the last decade, and this can be attributed to tighter

Health Ministry restrictions on some allowed uses, to official inspections, and to farmers' greater care in using plant protection products.

In the past fifteen years, Italy has remained stable in its use of fertilisers based on nitrogen, phosphorus and potassium. In 2004, a total of 1.7 million tonnes of fertilisers were used, with a slight increase in the use of nitrogen (+0.7%), due to an increase

in spring fertiliser and a decrease in the use of phosphorus (-4.5%) and potassium (-2%). These changes followed CAP revisions that limited planting of cereals, especially durum wheat.

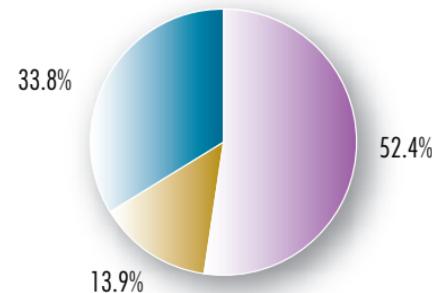
A register of fertilisers for organic production, set up in 2001 by the Experimental Institute for Plant Nutrition and updated on 18 May 2005, lists 2,283 registered products.

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

| Type                         | 2000       | 2001         | 2002        | 2003        | 2004        |
|------------------------------|------------|--------------|-------------|-------------|-------------|
| Herbicides                   | 20.6       | 20.8         | 21.2        | 19.7        | 20.9        |
| Insecticides & acaricides    | 27.3       | 26.7         | 23.6        | 22.7        | 22          |
| Fumigants & nematocides      | 5.4        | 4.6          | 4.7         | 5.7         | 5.7         |
| Fungicides                   | 47.7       | 46.9         | 41.4        | 39.8        | 44.2        |
| Others                       | 4          | 3.6          | 3.5         | 3.6         | 5.1         |
| <b>TOTAL NATIONAL MARKET</b> | <b>105</b> | <b>102.6</b> | <b>94.4</b> | <b>91.5</b> | <b>97.9</b> |

Source: Agrofarma.

#### *Use of plant protection products by geographical area (tonnes), 2004*



|                 |               |
|-----------------|---------------|
| <b>TOTAL</b>    | <b>90,022</b> |
| North           | 47,138        |
| Centre          | 12,493        |
| South & Islands | 30,391        |

# Organic Farming

The method of organic farming is disciplined by EEC Regulation no. 2092/91, with subsequent additions and changes. In the European Action Plan on organic farming and organic products (EAP), emphasis is placed on the dual role of organic agriculture: on the one hand, it responds to new needs expressed by consumers, and on the other, it allows for farming practices that protect soil fertility. The new EU strategy approved by the Council in October 2004 calls for 21 measures geared toward market development, consumer information, efficient public aid, and improvement and reinforcement of production standards, imports and inspections.

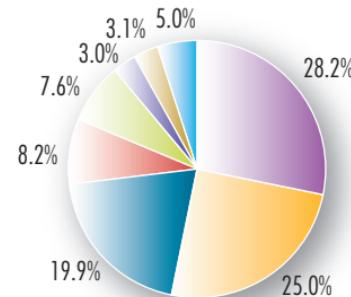
In April 2005, the Ministry for Agricultural and Forestry Policies presented the National Council for Organic and Eco-compatible Farming with a national plan of action for the sector. Following guidelines approved in late 2004, this plan sets forth actions to be

taken with regard to the market, organisation of the supply chain, institutional communications, and reinforcement of the institutional and service system. For 2005, Law no. 311/04 provided 5 million euro in financing. In October 2004, a three-year EU project was launched, known as Core Organic, which promotes a trans-national "network" with participation from the Ministry for Agricultural and Forestry Policies and 10 other Member States, with the goal of improving the quality, impact and efficiency of the European research group on organic farming. In early 2005, Law n. 5 was launched to ensure the coexistence of transgenic, conventional and organic forms of agriculture, pending regionally devised plans that prevent different crop types from being mixed.

## Production

In 2003, UAA of organic farms and those undergoing conversion in the EU

*Organic farmland and land under organic conversion in Italy; by type of production (ha), 2003*



|                       | TOTAL   | 1,052,002 |
|-----------------------|---------|-----------|
| Fodder crops          | 296,997 |           |
| Grassland and pasture | 263,003 |           |
| Cereals               | 209,376 |           |
| Olives                | 86,201  |           |
| Fruit & Vegetables    | 80,317  |           |
| Vines                 | 31,709  |           |
| Industrial crops      | 32,313  |           |
| Other crops           | 52,086  |           |

Source: SINAB, 2005. Figures from Inspection Board, updated 31/12/2003.

## Organic farming in the EU, 2003

|                     | Number of farms | % of total national farms | % of total EU organic farms | % change 2003/2002 | Area (ha) | % of total national farm area | % of total EU organic area | % change 2003/2002 |
|---------------------|-----------------|---------------------------|-----------------------------|--------------------|-----------|-------------------------------|----------------------------|--------------------|
| Belgium             | 688             | 1.1                       | 0.5                         | -3.1               | 24,163    | 1.7                           | 0.4                        |                    |
| Denmark             | 3,510           | 6.1                       | 2.5                         | -5.5               | 165,148   | 6.1                           | 2.9                        |                    |
| Germany             | 16,476          | 4                         | 11.6                        | 5.4                | 734,027   | 4.3                           | 12.9                       |                    |
| Greece              | 6,028           | 0.7                       | 4.2                         | -0.3               | 244,455   | 6.2                           | 4.3                        |                    |
| Spain               | 17,028          | 1.3                       | 12                          | 3.1                | 725,254   | 2.8                           | 12.8                       |                    |
| France              | 11,377          | 1.7                       | 8                           | 0.8                | 550,000   | 1.9                           | 9.7                        |                    |
| Ireland             | 889             | 0.6                       | 0.6                         | -3.7               | 28,514    | 0.7                           | 0.5                        |                    |
| Italy               | 44,034          | 2                         | 30.9                        | -14.3              | 1,052,002 | 6.9                           | 18.5                       |                    |
| Luxembourg          | 59              | 2                         | 0                           | 22.9               | 3,002     | 2                             | 0.1                        |                    |
| Netherlands         | 1,522           | 1.5                       | 1.1                         | -2.4               | 41,865    | 2.2                           | 0.7                        |                    |
| Austria             | 19,056          | 9.5                       | 13.4                        | 2.6                | 328,803   | 12.9                          | 5.8                        |                    |
| Portugal            | 1,196           | 0.3                       | 0.8                         | 12.9               | 120,729   | 3.2                           | 2.1                        |                    |
| Finland             | 4,983           | 6.6                       | 3.5                         | -1.7               | 159,987   | 7.2                           | 2.8                        |                    |
| Sweden              | 3,562           | 6.5                       | 2.5                         | -32.4              | 225,776   | 6.8                           | 4                          |                    |
| United Kingdom      | 4,017           | 1.7                       | 2.8                         | -1                 | 695,619   | 4.4                           | 12.2                       |                    |
| EU 15               | 134,425         | 1.6                       | 94.4                        | -5.2               | 5,099,344 | 2.8                           | 89.7                       |                    |
| Cyprus <sup>1</sup> | 45              | 0.1                       | 0                           | -                  | 166       | 0.1                           | 0                          |                    |
| Czech Republic      | 810             | 2.1                       | 0.6                         | 13                 | 254,995   | 6                             | 4.5                        |                    |
| Estonia             | 746             | 1.9                       | 0.5                         | 28                 | 40,890    | 4.6                           | 0.7                        |                    |
| Hungary             | 1,255           | 3.2                       | 0.9                         | 26.1               | 113,816   | 1.9                           | 2                          |                    |
| Latvia              | 550             | n.d.                      | 0.4                         | 56.3               | 24,480    | 1                             | 0.4                        |                    |
| Lithuania           | 700             | 1                         | 0.5                         | 17.8               | 23,289    | 0.7                           | 0.4                        |                    |
| Malta               | 20              | n.d.                      | 0                           | -                  | 14        | n.d.                          | 0                          |                    |
| Poland              | 2,304           | 0.1                       | 1.6                         | 16.5               | 49,928    | 0.3                           | 0.9                        |                    |
| Slovakia            | 100             | 1.3                       | 0.1                         | 13.6               | 54,478    | 2.4                           | 1                          |                    |
| Slovenia            | 1,429           | 1.7                       | 1                           | 24.3               | 21,017    | 4.2                           | 0.4                        |                    |
| EU 25               | 142,384         | 1.7                       | 100                         | -4                 | 5,682,417 | 3.2                           | 100                        |                    |

Source: FiBL Survey, February 2005. Figures updated as of 31/12/2005.

<sup>1</sup>Figures for 2002.

## Organic farms in Italy, 2003

|                       | Production | Processing | Importation | Total  |      |                     |
|-----------------------|------------|------------|-------------|--------|------|---------------------|
|                       |            |            |             | number | %    | % change<br>2003/02 |
| Piemonte              | 2,688      | 321        | 15          | 3,024  | 6.2  | -15.8               |
| Valle d'Aosta         | 66         | 3          | 0           | 69     | 0.1  | 245                 |
| Lombardy              | 1,099      | 397        | 32          | 1,528  | 3.2  | 0.4                 |
| Trentino-Alto Adige   | 655        | 118        | 4           | 777    | 1.6  | 7.5                 |
| Veneto                | 1,261      | 416        | 28          | 1,705  | 3.5  | -3.9                |
| Friuli-Venezia Giulia | 305        | 66         | 6           | 377    | 0.8  | 3.3                 |
| Liguria               | 391        | 69         | 11          | 471    | 1    | 3.7                 |
| Emilia-Romagna        | 4,056      | 623        | 40          | 4,719  | 9.7  | -5.4                |
| Tuscany               | 2,340      | 383        | 13          | 2,736  | 5.6  | 5.3                 |
| Marche                | 1,681      | 128        | 4           | 1,813  | 3.7  | -5.5                |
| Umbria                | 1,252      | 92         | 6           | 1,350  | 2.8  | -1.2                |
| Lazio                 | 2,526      | 247        | 3           | 2,776  | 5.7  | 5.2                 |
| Abruzzo               | 1,008      | 113        | 2           | 1,123  | 2.3  | 0.5                 |
| Molise                | 383        | 39         | 0           | 422    | 0.9  | -5.6                |
| Campania              | 1,537      | 188        | 5           | 1,730  | 3.6  | -14.7               |
| Puglia                | 4,267      | 352        | 2           | 4,621  | 9.5  | -21.5               |
| Basilicata            | 1,630      | 48         | 0           | 1,678  | 3.5  | 4.8                 |
| Calabria              | 4,220      | 162        | 0           | 4,382  | 9    | -31.1               |
| Sicily                | 8,003      | 403        | 4           | 8,410  | 17.3 | -14.5               |
| Sardinia              | 4,666      | 96         | 0           | 4,762  | 9.8  | -28.6               |
|                       |            |            |             | 0      |      |                     |
| ITALY                 | 44,034     | 4,264      | 175         | 48,473 | 100  | -13.3               |

Source: SINAB, 2005. Figures from Inspection Board, updated 31/12/2003.

15 remained stable, at 5 million hectares, compared with 2002 (+0.2%), whereas the number of farms dropped slightly, to 138,864 (-0.4%). When new Member States were included, UAA of organic farms and those undergoing conversion rose to 5.6 million hectares, and the number of farms climbed to 146,823.

Italy was confirmed a leader in Europe for the number of farms employing organic methods (30.9% of the EU 15 total) and the amount of land used, at 1,052,002 hectares or 18.5% of organic UAA in the EU 15. Organic farming continued to be a healthy sector of Italian agriculture, though the number of organic farms declined from 51,401 in 2002 to 48,473 in 2003. The amount of land for organic use dropped slightly (-0.1%), but still accounts for 6.9% of national UAA. The negative trend in the last decade is symptomatic of the abandonment of organic production

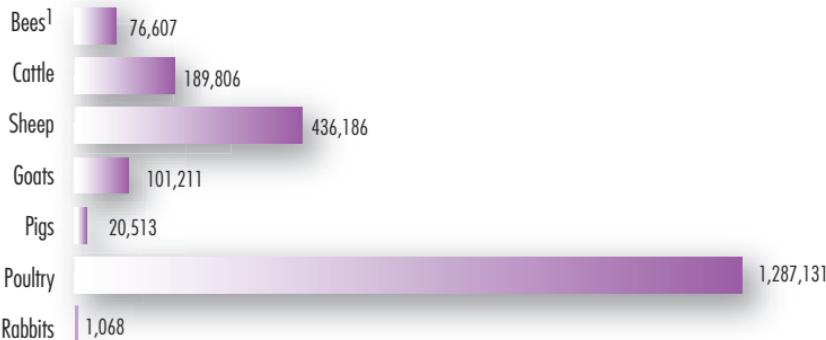
that occurred as a result of lower available financing for agri-environmental measures, especially in Objective I regions.

Land reduction for organic farming mainly affected industrial crops (-25.8%) and cereals (-8.5%). Cereal

crops, fodder, grasslands and pastures account for 73.1% of organic UAA, while olives and vines are the tree crops that take up the most UAA (8.2% and 3% respectively).

Organic production farms are concentrated mostly in the South and Islands

### *Organic production (including production undergoing conversion) in Italy by category of livestock\*, 2003*

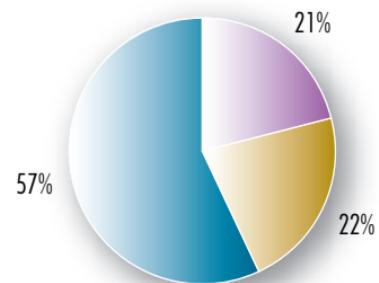


\*Number of head.

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

Source: SINAB, 2005. Figures from Inspection Board, updated 31/12/2003.

### Organic land by geographical area



Source: Ministry for Agricultural and Forestry Policies, from figures supplied by inspection bodies for organic agriculture, updated to 31/12/2002.

(58.3%), whereas processing and importation of organic products occur mainly in the North. This confirms that the South continues to be the most important production area, but lacks an efficient system of production and distribution. On the whole, compared to 2002 figures, there were fewer producers (-14.3%) and processors (-1.9%), but more importers (+12.9%).

### **Market**

In 2003, the volume of the organic market in the EU 15 amounted to 10.1 billion euro, according to IFOAM valuations, or 50% of the world market volume. Germany was in first place, with 3.1 billion euro, followed by the United Kingdom (1.75 billion) and Italy (1.4 billion). Also in 2003, according to Databank, turnover in Italy from organic food products was 1,493 million euro, up

8.5% from 2002, with a market share of 1.6% of the food sector. It is estimated that spending on organic products in Italy makes up 1.7% of total expenditures for food, and this works out to be 80 euro per family per year on average (Coldiretti/Ispo). Organic fruit and vegetables are the most important segment (28.4%), followed by milk, yogurt and derivatives (21.1%), fruit juices and preserves (13.6%), biscuits and dry products (20.1%), and pasta, rice and cereals (11.8%). The organic share in the GDO, Italy's major sales channel, is 1.2%, at 1,700 large-scale sales points, as compared with 5% distributed among direct sales, buying groups and other channels. According to Bio Bank's annual census, specialised retail remained stable in 2004, with 1,030 sales points (there were 1,026 in 2003) mainly located in central and northern Italy. In 2004,

growth continued for all types of direct sales. Among the most common, there were 1,956 agri-tourism sites with direct sales, nearly double the number for 2003 (+95%). There were 146 buying groups (+54%) and 174 small markets (+13%). Growth was also noted among less visible types of direct sales. These include sales on order and home delivery, membership shopping with weekly delivery, sales by correspondence and Internet, and organised producers' groups. As regards channels of extra-domestic consumption, 45% of commercial food service was accounted for by restaurants, with 251 registered in 2004 (65%), 23% by certified organic farms that offer food service, and 32% by carry-outs, fast food, wine bars, pizzerias and catering. There were 608 school canteens in 2004 that used at least 80% organic ingredients, up 8.4%.

# Irrigation Farming

The nature of the land in Italy, the uneven distribution of rainfall, the irregularity of surface-flow and the infrastructure conditions of distribution networks make it impossible to use potentially available resources to the fullest. Further difficulties in supplying water arise from the increasingly frequent periods of drought that have affected vast areas of Italy in recent years.

In this situation it becomes strategic, considering as well the present trends in EU policy as set out in both the recent CAP reforms and the proposed directive on water (Dir. 60/2000/EC), to promote actions for rationalising the use of water in all sectors, including irrigation. This will require constant updating on the major variables that govern the extent of irrigation in Italy, in terms of irrigated area and the availability, requirements and use of water

*Irrigable and irrigated UAA (hectares)*

| Region     | UAA        | Irrigable area <sup>1</sup> | %    | Irrigated area | %    | Farms with irrigated UAA no. |
|------------|------------|-----------------------------|------|----------------|------|------------------------------|
|            |            |                             |      |                |      |                              |
| (1)        | (2)        | (2/1)                       | (3)  | (3/2)          |      |                              |
| North-West | 2,160,443  | 1,193,603                   | 55.2 | 983,263        | 82.4 | 93,429                       |
| North-East | 2,552,909  | 1,189,229                   | 46.6 | 757,568        | 63.7 | 122,200                      |
| Centre     | 2,407,843  | 368,849                     | 15.3 | 194,785        | 52.8 | 62,342                       |
| South      | 3,572,898  | 809,607                     | 22.7 | 574,896        | 71.0 | 224,840                      |
| Islands    | 2,421,718  | 415,919                     | 17.2 | 252,998        | 60.8 | 119,732                      |
| Italy      | 13,115,811 | 3,977,206                   | 30.3 | 2,763,510      | 69.5 | 622,543                      |

<sup>1</sup> The maximum area that can be irrigated in a farming year, based on the potential of technical installations and the amount of water normally available on the farm.

Source: ISTAT, Survey on the Structure and Production of Farms (2003).

resources for irrigation purposes. As regards the extent of irrigated area and the number of farms that use irrigation in Italy, the latest ISTAT figures show that 622,543 farms irrigate, and that they use one-fifth of UAA for irrigated crops (2,763,510 hectares). Of these farms, 55% are in the South and

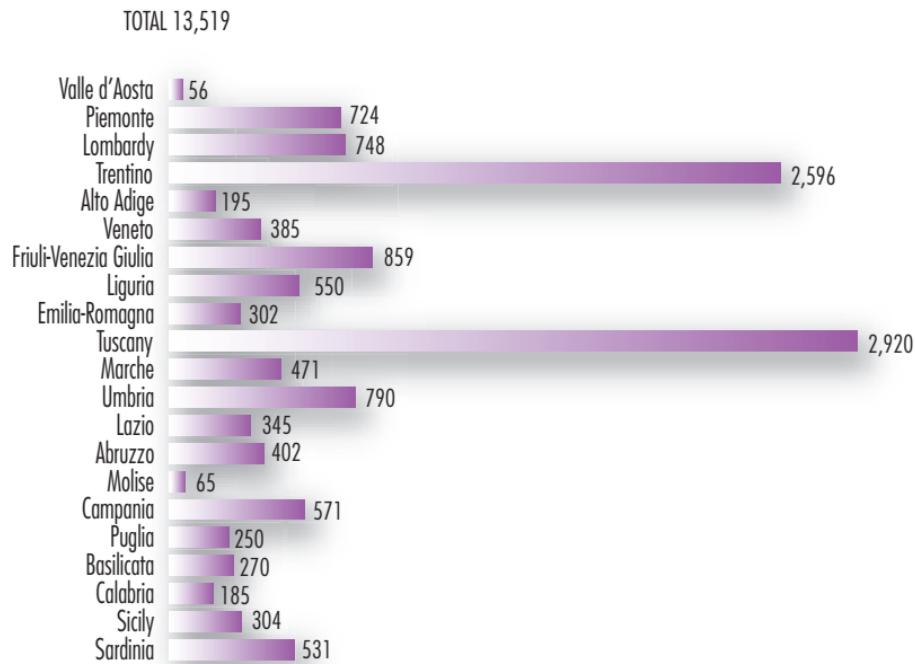
Islands, with irrigated area of approximately 827,894 hectares, or 68% of irrigable surface area, whereas 35% are in the North and 10% in the Centre, respectively, and in these areas nearly 1,835,616 hectares total have been irrigated, representing 70% of irrigable surface area.

# Agri-tourism

A decline in visits to agri-tourism sites is the combined result of an unfavourable economic situation and a trend among Italian tourists to shorten their stays (4 days on average) and to take more holidays during the space of a year. In 2004, such visits dropped by 3.4% from the previous year, according to Agriturist figures. But there was an increase in agri-tourism guests among foreigners (+9.5%), who could guarantee stays of a full week.

Despite a reduction of 3% in average proceeds per farm, the sector recorded 810 million euro in turnover (+3.8%), a consequence of the growth in number of farms to 13,519 (+7.1%). Agri-tourism sites were concentrated in the North (47.5%), especially in Veneto and the province of Bolzano, with a national total of 139,000 beds (+7.7%). 61% of agri-tourism farms have food service

*Farms offering tourist services by region, 2004*



*Source: Agriturist, February 2005.*

offering farm produce, even for guests who don't stay overnight, and 25% lay on wine and food tastings; 10% of agri-tourism sites feature horseback riding and nearly 7% are set up for agri-camping. There are 417 agri-tourism facilities that belong to Agriturist and are managed by certified organic farms, representing 26% of the total, and over one-fourth of these are located in Tuscany.

In 2004, growth continued in the number of educational farms. These facilities offer stays and trips for students, mainly from elementary schools (42% of total), with the purpose of rediscovering agriculture and

its traditions. According to Agriturist, there are approximately 1,500 such sites (+150% from 2003), set up throughout the country in local networks ("Open Farms" in Emilia-Romagna) or as national projects ("School on the Farm", "Learning about our friend the countryside"). A Group of Italian Educational Farms has also been established, with 80 member farms nationwide. Visits to educational farms are usually half-day outings (60%), with lesser incidence of overnight stays (2%). Another initiative, "Panda Farms", a cooperative effort of Federparchi and WWF, tries to promote agri-tourism

farms located near protected areas. A WWF census estimates there are around a thousand such sites.

Furthermore, 300 farms with food service participate in the PDO/PGI information campaign, promoted by Agriturist with cooperation from the Ministry for Agricultural and Forestry Policies, and their menus include PDO and PGI products. In order to provide an attractive product in terms of fine food and wine and ecological and cultural benefits, Agriturist has also awarded "Agriturist Quality" status to nearly 50 member farms that meet specific requirements.

# Quality Products

## Designation of origin

In Italy, the system of Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) continues to thrive, in the number of recognitions and in production and market performance as well. Indeed, Italy leads the European Union classifications as the country with the highest number of registered products. There are currently 149 PDO and PGI products, with fruit and vegetables topping the list, followed by extra virgin olive oil (for an updated list of PDOs and PGIs, see the website [http://www.europa.eu.int/comm/agriculture/foodqual/quali1\\_it.htm](http://www.europa.eu.int/comm/agriculture/foodqual/quali1_it.htm)). In the past year, Italy has added no fewer than 13 recognitions. These include: the olive oils Tergeste (Friuli-Venezia Giulia), Lucca (Tuscany), Cartoceto (Marche), Terre Tarantine (Puglia), Valdemone (Sicily) and Valle del Belice (Sicily); Latina Kiwi fruit (Lazio);

## Number of PDO and PGI products by Region

| Region                | Fruit and vegetables and cereals | Olive oil | Cheese | Processed meats | Other products <sup>1</sup> | Total |
|-----------------------|----------------------------------|-----------|--------|-----------------|-----------------------------|-------|
| Piemonte              | 1                                | -         | 9      | 3               | -                           | 12    |
| Valle d'Aosta         | -                                | -         | 2      | 2               | -                           | 4     |
| Lombardy              | 1                                | 2         | 8      | 7               | -                           | 17    |
| Liguria               | -                                | 1         | -      | -               | -                           | 1     |
| Trentino-Alto Adige   | 1                                | -         | 4      | 2               | -                           | 7     |
| Veneto                | 7                                | 2         | 6      | 6               | -                           | 20    |
| Friuli-Venezia Giulia | -                                | 1         | 1      | 2               | -                           | 3     |
| Emilia-Romagna        | 6                                | 2         | 2      | 10              | 4                           | 22    |
| Tuscany               | 6                                | 4         | 1      | 4               | 3                           | 16    |
| Umbria                | 1                                | 1         | 1      | 2               | 1                           | 4     |
| Marche                | -                                | 1         | 1      | 2               | 1                           | 4     |
| Lazio                 | 2                                | 2         | 3      | 2               | 3                           | 9     |
| Abruzzo               | -                                | 3         | -      | 1               | 2                           | 4     |
| Molise                | -                                | 1         | 1      | 1               | 1                           | 2     |
| Campania              | 6                                | 3         | 2      | -               | 1                           | 11    |
| Puglia                | 2                                | 5         | 2      | -               | 1                           | 10    |
| Basilicata            | 2                                | -         | 1      | -               | -                           | 3     |
| Calabria              | 1                                | 3         | 1      | 4               | 1                           | 10    |
| Sicily                | 7                                | 6         | 2      | -               | -                           | 15    |
| Sardinia              | -                                | -         | 3      | -               | 1                           | 4     |
| ITALY <sup>2</sup>    | 42                               | 36        | 31     | 28              | 12                          | 149   |

\* Updated as of 13 May 2005.

<sup>1</sup> Includes: bread, honey, spices, vinegar, meat and non-food products.

<sup>2</sup> Some products are inter-regional.

Mortara salami (Piemonte); Colonnata lard (Tuscany); Lunigiana honey (Tuscany); San Gimignano saffron (Tuscany); Roman ricotta (Lazio); and L'Aquila saffron (Abbruzzo).

According to ISMEA, products certified as PDO and PGI are showing slow but steady growth. In 2003, production increased by 2% over 2002. Total value of production was estimated at 4,478 million euro, and total value of consumption at 8,491 million euro. In quantity, production amounted to 632,363 tonnes. The value of PDO-PGI production directly attributable to agriculture represents over 6% of the total value of agricultural production at basic prices. Exports of PDO-PGI products, up 6% compared to 2002 in terms of volume and over 7% in monetary terms, amounted to 111,000 tonnes, for a value of 1.22 billion euro. Cheeses and processed meats were peak categories.

On a normative level, Decree-Law no. 297 of 19 November 2004 calls for sanctions against anyone who uses protected designations improperly.

#### ***DOC wines***

Law no. 164/92 disciplines designation of origin and indication of geographical origin for wines, distinguishing among controlled and guaranteed designation of origin (DOCG), controlled designation of origin (DOC) and indication of geographical origin (IGT).

There are 335 designation-of-origin wines, 31 of which are DOCG. The latest recognitions awarded were for Roero (Piemonte), Conero and Vernaccia di Serrapetrona (Marche), which were elevated to DOCG status. Newly registered as DOC wines were Corti Benedettine from the Padua area and Riviera from Brenta (Veneto), I Terreni di Sanseverino (Marche), Erice (which

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

|                       | <b>DOCG</b> | <b>DOC</b> | <b>IGT</b> |
|-----------------------|-------------|------------|------------|
| Piemonte              | 8           | 44         | -          |
| Valle d'Aosta         | -           | 1          | -          |
| Lombardy              | 3           | 15         | 13         |
| Trentino-Alto Adige   | -           | 7          | 4          |
| Veneto                | 3           | 22         | 10         |
| Friuli-Venezia Giulia | 1           | 9          | 3          |
| Liguria               | -           | 7          | 1          |
| Emilia-Romagna        | 1           | 20         | 10         |
| Tuscany               | 6           | 34         | 5          |
| Umbria                | 2           | 11         | 6          |
| Marche                | 2           | 11         | 1          |
| Lazio                 | -           | 26         | 5          |
| Abruzzo               | 1           | 3          | 9          |
| Molise                | -           | 3          | 2          |
| Campania              | 3           | 17         | 9          |
| Puglia                | -           | 25         | 6          |
| Basilicata            | -           | 2          | 2          |
| Calabria              | -           | 12         | 13         |
| Sicily                | -           | 22         | 6          |
| Sardinia              | 1           | 19         | 15         |
| <b>ITALY</b>          | <b>31</b>   | <b>304</b> | <b>115</b> |

\* As of 31 December 2004.

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.

replaced the IGT wine Colli Ericini) and Mamertino di Milazzo (both from Sicily). IGT recognition was given to Campania.

In the grape harvest of 2004, according to ISTAT's provisional estimates, production of DOC and DOCG wines totalled 16.7 million hectolitres, nearly 33% of the total of wines produced in Italy. The North continued to produce the greatest quantities of designation-of-origin wines in the country, 9.6 million hectolitres, or 57.7% of the national total.

According to a survey conducted by Assoenologi, there are currently seven DOC wines that did not produce at all, 28 DOC wines operating at only 20% of production potential, and 14 DOC wines operating at only 5% of capacity.

### *Certification of quality*

### *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         | -                       | -                                      | 9                                   | 9       | 2                  | -               | -                 | 4                         |
| Lombardy              | 60                      | 19                                     | 56                                  | 50      | -                  | 4               | -                 | 1                         |
| A.P. Bolzano          | 35                      | 18                                     | 16                                  | 14      | 6                  | -               | -                 | 1                         |
| A.P. Trento           | 23                      | 17                                     | 36                                  | 18      | 10                 | 2               | -                 | -                         |
| Veneto                | 71                      | 102                                    | 117                                 | 31      | 10                 | 19              | -                 | 1                         |
| Friuli-Venezia Giulia | 13                      | 16                                     | 49                                  | 14      | 6                  | 3               | -                 | 4                         |
| Liguria               | 56                      | 81                                     | 26                                  | 18      | 7                  | 7               | 35                | 13                        |
| Emilia-Romagna        | 67                      | 38                                     | 34                                  | 7       | 2                  | 2               | 33                | 2                         |
| Tuscany               | 103                     | 183                                    | 86                                  | 32      | 7                  | 9               | -                 | 4                         |
| Umbria                | 31                      | 13                                     | 13                                  | 5       | -                  | 6               | -                 | 2                         |
| Marche                | 44                      | 43                                     | 33                                  | 12      | 6                  | 1               | -                 | 11                        |
| Lazio                 | 128                     | 67                                     | 46                                  | 45      | 6                  | 2               | -                 | 6                         |
| Abruzzo               | 14                      | 24                                     | 19                                  | 15      | 4                  | 1               | -                 | 2                         |
| Molise                | 69                      | 30                                     | 33                                  | 12      | 5                  | 10              | -                 | -                         |
| Campania              | 71                      | 127                                    | 49                                  | 32      | 16                 | 6               | -                 | 4                         |
| Puglia                | 42                      | 47                                     | 14                                  | 29      | 11                 | 3               | -                 | 1                         |
| Basilicata            | 11                      | 5                                      | 9                                   | 16      | -                  | -               | -                 | -                         |
| Calabria              | 85                      | 75                                     | 34                                  | 29      | 10                 | 21              | 12                | 5                         |
| Sicily                | 97                      | 71                                     | 13                                  | 33      | 4                  | 4               | 28                | 3                         |
| Sardinia              | 62                      | 27                                     | 30                                  | 12      | 7                  | 13              | -                 | 3                         |
| ITALY                 | 1182                    | 1112                                   | 800                                 | 488     | 136                | 117             | 108               | 73                        |

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

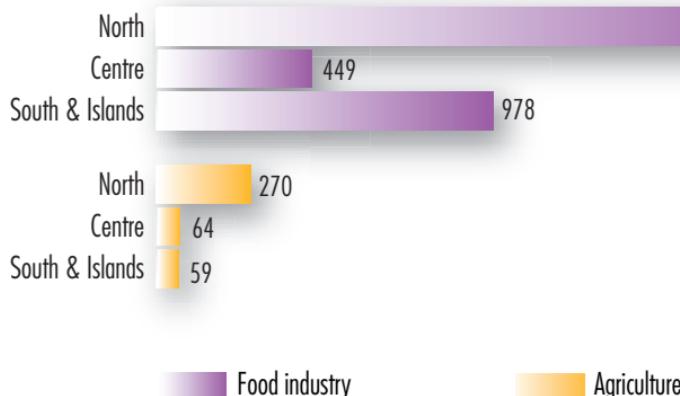
<sup>1</sup> Also includes products of animal origin.

Source: Processing of data from the National List of Traditional Agri-Food Products, Ministry for Agricultural and Forestry Policies, updated 2004.

According to Sincert, 393 farms and fisheries in Italy hold certification for quality systems of management (ISO 9001 and 9002). Divided by geographical area, 69% of certified farms and fisheries are located in the North, 16% in the Centre and the remainder in the South. The organisations that

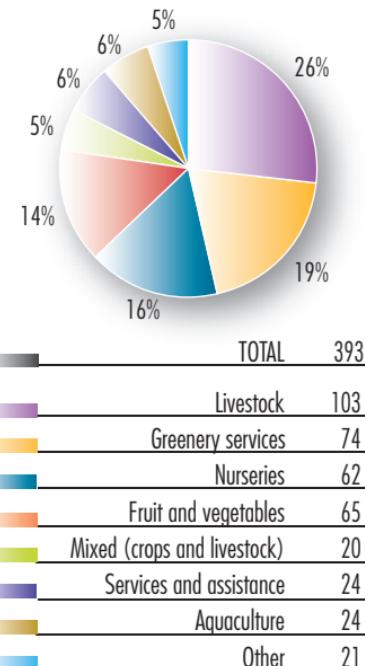
presently benefit most from this certification are largely those that specialise in livestock breeding and raising, care and maintenance of areas of greenery, and nurseries. There are 370 certified organisations in the food, tobacco and drinks industry.

#### *Certified organisations by geographical area*



Source: calculations based on SINCERT data bank; updated April 2005.

#### *Farms with quality certification by production specialisation*



Source: calculations based on SINCERT data bank; updated April 2005.



# AGRICULTURAL POLICY

# CAP in Italy: Pillar 1

The flexibility resulting from the Fischler reform regarding application of the single payment scheme allowed each country to adapt certain aspects of the new CAP to its own needs and characteristics.

With Minister's Decree no. 1787 of 5 August 2004, Italy decided to launch the single payment scheme beginning in 2005, with the exception of premiums and payments on milk and dairy products, which will go into effect in 2006. Decoupling is based on the criterion of farms' history; no financial plafond is to be distributed regionally, nor is any forfeit payment to be applied. At the same time, Italy excluded single payments for seeds, in order to guarantee a level of national supply, ensure quality and protect food safety. Italy also excluded any

type of partial decoupling of aid for arable crops, beef cattle and sheep and goats, while it assumed the right granted in Article 69 to make withholdings on sector plafonds to support specific types of agriculture and quality production. This calls for withholding of 8% for arable crops, 7% for beef cattle and 5% for sheep and goats.

Supplemental payment is allowed for arable crops, durum wheat, soft wheat and maize, as well as for beef cattle and sheep and goats, if certain conditions are met.

Minister's Decree no. 1787 also sanctions provisions in the matter of management of the national reserve, and management of amounts deriving from changes, conditions and admissibility to the scheme of single payments, and granting of entitlements.

For granting of entitlements, Italy

has moved toward "preventive recognition". AGEA (Agency for Agricultural Allocations) proceeded with preliminary selection of farmers who have rights to single payments, and provisional definition of entitlements, so as to correct potential errors a priori, redress anomalies and record changes in farms over the three-year period. National provisions for implementing "other aid schemes" define the following: conditions of eligibility for specific aid for durum wheat and rice, and dividing national areas into sub-areas; aid regulations for energy crops; a plan for regionalising protein crops; provisions for production of hemp and for removing arable crops from production.

Aid provisions for land planted to nut crops call for national aid of 120.75 euro/ha, whereas EU aid

## *EAGGF-Guarantee Section expenditure by country, 2004*

|                | million euro | %    | % change<br>2004/03 |                | million euro     | %          | % change<br>2004/03 |
|----------------|--------------|------|---------------------|----------------|------------------|------------|---------------------|
| Belgium        | 1,072.80     | 2.4  | 5.5                 | Hungary        | 0.5              | 0          | -                   |
| Czech Republic | 4.7          | 0    | -                   | Malta          | -                | -          | -                   |
| Denmark        | 1,217.20     | 2.7  | -0.2                | Netherlands    | 1,261.90         | 2.8        | -7.2                |
| Germany        | 6,033.60     | 13.5 | 3.3                 | Austria        | 1,141.80         | 2.6        | 1.5                 |
| Estonia        | 0.5          | 0    | -                   | Poland         | 10.8             | 0          | -                   |
| Greece         | 2,777.60     | 6.2  | 0.7                 | Portugal       | 823.2            | 1.8        | -3.1                |
| Spain          | 6,319.20     | 14.2 | -2.2                | Slovenia       | 0.1              | 0          | -                   |
| France         | 9,389.10     | 21.1 | -9.9                | Slovakia       | 1.4              | 0          | -                   |
| Ireland        | 1,829.70     | 4.1  | -5.9                | Finland        | 868.9            | 1.9        | -0.6                |
| Italy          | 5,022.60     | 11.3 | -6.5                | Sweden         | 849              | 1.9        | -1.9                |
| Cyprus         | -            | -    | -                   | United Kingdom | 3,986.60         | 8.9        | 0.4                 |
| Latvia         | 0            | 0    | -                   | EU             | 1,927.70         | 4.3        | 468                 |
| Lithuania      | 0.5          | 0    | -                   | <b>TOTAL</b>   | <b>44,577.20</b> | <b>100</b> | <b>0.3</b>          |
| Luxembourg     | 37.8         | 0.1  | -12.7               |                |                  |            |                     |

*Source: EU Commission.*

was fixed at 241.50 euro/ha, based on an area subject to demand, estimated at 50% of national guaranteed area.

### ***EAGGF-Guarantee***

EAGGF-Guarantee expenditure in Italy showed a marked decline in 2004 (-6.5%), which combined

with the sharp drop recorded for the previous year, against substantial solidity in average expenditure within the EU, which underwent a slight increase (+0.3). The sum effect of the two trends led to a significant decrease in the amount for Italy compared to total spending, just over 11%, which brought the country close to the modest figures of the 1990s.

The trend in EAGGF-Guarantee disbursements in Italy was especially influenced by results recorded for the livestock sectors, which underwent a general drop, especially marked as it affected milk and dairy products, which actually constituted an “expense” item for the country.

As for the kinds of measures of support from the Agriculture Guarantee Fund section, emphasis should be made of the now

consolidated prevalence of support disbursed in the form of direct payments, which account for just under two-thirds of total spending. At the same time, substantial stability can be observed in measures of rural development, which are the second most important item of expenditure.

Finally, it appears that the entry of the ten new Member States into the EU did not produce a significant impact on agricultural spending in 2004. France, Germany and Spain continued to be the major beneficiaries of agricultural spending, though France received slightly less.

*EAGGF-Guarantee expenditures in Italy by sector, 2004*

|                       | million euro | %    |
|-----------------------|--------------|------|
| Arable crops          | 1,877.60     | 37.4 |
| Olive oil             | 745.6        | 14.8 |
| Rural development     | 635.3        | 12.6 |
| Beef                  | 539.8        | 10.7 |
| Fruit & vegetables    | 445.9        | 8.9  |
| Tobacco               | 319.9        | 6.4  |
| Grapes & wine         | 313.3        | 6.2  |
| Sheepmeat & goatmeat  | 125.5        | 2.5  |
| Rice                  | 119.2        | 2.4  |
| Sugar                 | 63.4         | 1.3  |
| Pigmeat               | 9.2          | 0.2  |
| Eggs & poultry        | 1.1          | 0    |
| Other measures        | 34.8         | 0.7  |
| Milk & dairy          | -208.1       | -4.1 |
| EAGGF-Guarantee total | 5,022.60     | 100  |

Source: EU Commission.

*EAGGF-Guarantee expenditures in Italy by category of measure, 2004*

|   | million euro    | %          |
|---|-----------------|------------|
| Export refunds and other export amounts | 174.9           | 3.5        |
| Storage                                 | 80.7            | 1.6        |
| Direct aid                              | 3,626.10        | 72.2       |
| Rural development                       | 635.3           | 12.6       |
| Other measures                          | 505.6           | 10.1       |
| <b>TOTAL</b>                            | <b>5,022.60</b> | <b>100</b> |

Source: EU Commission.

## CAP in Italy: Pillar 2

In 2004, implementation of rural development policy meant intense effort on several fronts for the administrations involved. In the first place, they were deeply committed to respecting the spending levels necessary to avoid curtailing of available resources, based on EAGGF-Guarantee mechanisms regarding Rural Development Programmes (RDPs), and the EAGGF Guidance section with reference to Regional Operational Programmes (ROPs).

Financing for rural development, in fact, happens based on several years of programming, under the Guidance or Guarantee sections of EAGGF, according to an area's location, the type of programme to be adopted and the kinds of measures involved. In Objective 1 regions, EAGGF-Guarantee finances only the old measures of decoupling, compensatory payments for less-

*EAGGF Guarantee Section funds for rural development measures by region and progress in spending 2000-2004 (million euro)*

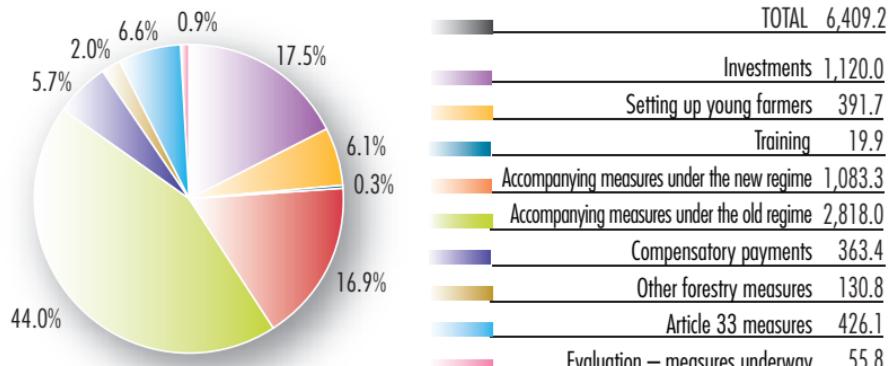
| Region                | Public expenditure<br>2004 | Public expenditure<br>2000-2004 | Appropriation<br>2000-2006 | Progress<br>% |
|-----------------------|----------------------------|---------------------------------|----------------------------|---------------|
| Piemonte              | 131.5                      | 622.1                           | 863.9                      | 72.0          |
| Valle d'Aosta         | 13.8                       | 75.1                            | 119.1                      | 63.1          |
| Lombardy              | 145.4                      | 572.2                           | 804.7                      | 71.1          |
| Aut. Prov. Bolzano    | 52.3                       | 206.2                           | 266.3                      | 77.5          |
| Aut. Prov. Trento     | 31.0                       | 138.0                           | 210.6                      | 65.5          |
| Veneto                | 112.2                      | 484.7                           | 660.3                      | 73.4          |
| Friuli-Venezia-Giulia | 39.9                       | 142.7                           | 209.7                      | 68.1          |
| Liguria               | 36.3                       | 166.7                           | 213.5                      | 78.1          |
| Emilia-Romagna        | 113.9                      | 615.7                           | 836.7                      | 73.6          |
| Tuscany               | 118.9                      | 510.0                           | 721.6                      | 70.7          |
| Umbria                | 79.1                       | 328.2                           | 395.2                      | 83.1          |
| Marche                | 87.6                       | 302.8                           | 455.6                      | 66.5          |
| Lazio                 | 103.9                      | 409.3                           | 587.2                      | 69.7          |
| Abruzzo               | 39.7                       | 175.9                           | 290.4                      | 60.6          |
| Molise                | 8.9                        | 31.7                            | 45.2                       | 70.0          |
| Campania              | 13.7                       | 103.9                           | 201.7                      | 51.5          |
| Puglia                | 42.8                       | 314.6                           | 389.4                      | 80.8          |
| Basilicata            | 37.2                       | 181.8                           | 244.3                      | 74.4          |
| Calabria              | 32.5                       | 281.4                           | 299.2                      | 94.1          |
| Sicily                | 81.1                       | 444.4                           | 560.8                      | 79.2          |
| Sardinia              | 28.4                       | 301.5                           | 403.7                      | 74.7          |
| <b>TOTAL</b>          | <b>1,350.10</b>            | <b>6,409.20</b>                 | <b>8,778.90</b>            | <b>73.0</b>   |

*Source: AGEA-Ministry for Agricultural and Forestry Policies updated to October 2004.*

favoured areas and areas subject to environmental restrictions, as well as support measures for food quality and respect for rules. The remaining measures for rural development are financed by the Guidance Section, planned through Regional Operational Programmes (ROPs) and integrated with planning by other Structural Funds according to priority. In regions outside the objective scheme, EAGGF-Guarantee finances all rural development measures called for in EC Reg. no. 1257/99, including those for rural areas that fall under Objective 2.

In 2004, financing made it possible to achieve all fixed spending goals and to avoid cutbacks (except for the Leader+ Program), disbursing public funds of approximately 2 billion euro to benefit agriculture and rural development. Revisions

### *EAGGF Guarantee Section funds by category of measure (million euro), 2000-2004*



Source: AGEA-Ministry for Agricultural and Forestry Policies updated to October 2004.

had to be made in programmes, based on their capacity to achieve fixed goals, changes in context and modifications introduced by the Mid-Term Reform. As for the ROPs, the re-programming process ended in late 2004, with the approval of

the new versions of the ROPs and their Programme Complements (PCs). On the other hand, administrations responsible for implementing RDPs, because of the scarce availability of uncommitted resources, did not in most cases

proceed with revising the programmes, nor did they acknowledge the new features of the reform. Nonetheless, further funds will become available, if only as of 2006, thanks to these changes and the potential for using resources not spent by other Member States.

Also in 2004, all the Administrations were involved in debate over the proposed new regulation on support for rural development from 2007 through 2013.

As regards the measures financed by EAGGF-Guarantee, public spending in the period from 16 October 2003 to 15 October 2004 was approximately 1,350 million euro. This, added to what was spent in the previous four years of programming, brought the total of disbursed resources to over 6,400 million euro, or 73% of appropriations for the whole 2000-2006 period.

*EAGGF Guidance Section expenditure by region as of 31 December 2004 (million euro)*

|              | Expenditures as of 31 December 2004 |                 | Programmed 2000-2006 |                 | EAGGF-Guidance funds to be accounted for 31.12.04 |
|--------------|-------------------------------------|-----------------|----------------------|-----------------|---|
|              | Total cost                          | EAGGF-Guidance  | Total cost           | EAGGF-Guidance  |   |
| Molise       | 36.2                                | 13.3            | 100.3                | 43.3            | 13.2  |
| Campania     | 366.3                               | 261.3           | 1,066.70             | 764.1           | 215   |
| Puglia       | 228                                 | 167.9           | 814                  | 587.6           | 163.7   |
| Basilicata   | 101.4                               | 56.9            | 386.5                | 193.3           | 56.6  |
| Calabria     | 276                                 | 138             | 852.9                | 426.5           | 135.6   |
| Sicily       | 437.9                               | 262             | 1,515.90             | 859             | 260.1   |
| Sardinia     | 269.7                               | 134.9           | 837.2                | 418.6           | 134.2   |
| <b>TOTAL</b> | <b>1,715.50</b>                     | <b>1,034.30</b> | <b>5,573.60</b>      | <b>3,292.30</b> | <b>978.3</b>                                      |

*Source: Ministry for Agricultural and Forestry Policies.*

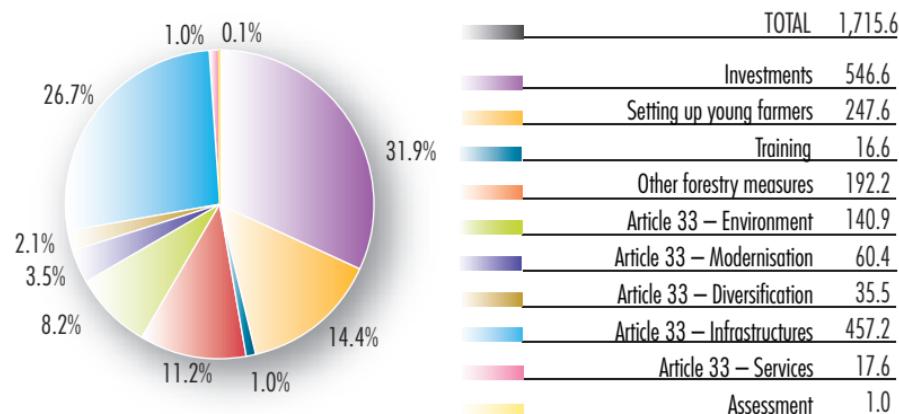
The breakdown of EAGGF-Guarantee expenditure by region shows that Calabria received the largest percentage increase in financing (+94%), the result of the significant amount of resources it used in 2000, mainly to pay off its previous obligations under EC Reg.

no. 2078/92. In general, the Objective 1 regions show a greater spending capacity than those outside the objective scheme. This is due, in addition to high initial spending, to fewer measures provided for within the RDPs. The annual trend in expenditures for these regions is

therefore generally decreasing, except for Campania, where the amount of past obligations was significantly less. For non-Objective 1 regions, spending capacity was lower than for regions of the South; only Umbria, Liguria and the Province of Bolzano were in line with the South.

Looking at the distribution of EAGGF-Guarantee expenditures by category of intervention, it is clear that the old accompanying measures had a strong impact, accounting for 44% of total disbursements. Still, there was a clear drop in 2004, because of failure to meet obligations, but this was compensated for by increases in measures during the current programming period. Specifically, a large increase in expenditures was recorded in both 2003 and 2004 for measures listed as “investments in

### *EAGGF Guidance Section expenditure by category of measure (million euro), 2000-2004*



*Source: AGEA-Ministry for Agricultural and Forestry Policies, updated October 2004*

farms” and “processing and marketing of farm products” (investments) and “agri-environmental” and “afforestation of agricultural land” (accompanying measures under the new scheme). Greater resources were also

disbursed for measures set forth in Article 33 of Reg. no. 1257/99, which includes national measures, than in the early years of the programming period. This was true both in absolute and percentage terms. Finally, payments remained

modest for other forestry measures and for training.

To avoid cutbacks in resources based on the scheme of “automatic decommitment”, applied to programmes financed by structural funds (ERFD, ESF, EAGGF-Guidance and FIFG), the regions in Objective 1 had to provide statements by the end of 2004 to account for programmed expenditures for 2000, 2001 and 2002 on their respective ROPs, in the amount of approximately 980 million euro, a sum that was actually surpassed.

An analysis by type of spending for ROP measures is sharply different than for RDPs. In the spending breakdown, along with investments (around a third of expenditures for 2000-2004), the most money was

allotted for infrastructure measures contained in Article 33 of EC Reg. no. 1257/99 (26%). More than 10% of expenditures went for “setting up young farmers” and “other forestry measures”, whereas resources disbursed for measures of training, diversification of farm activities and services to rural populations remained modest.

### **Leader+ Program**

The implementation of the Leader+ Program was hindered by some difficulties, though in 2004 considerable progress in spending was recorded in many regions.

In addition to making measures in Axis 1 concretely operational, many regions in fact launched inter-regional and/or trans-national cooperation projects set forth in

Axis 2.

As for Axis 3 and the National Network, 2004 showed significant percentages of spending. Activities accelerated sharply, making it possible to avoid automatic decommitment for nearly all Leader+ Programmes, and to disburse public resources of over 100 million euro (23% of the programmed total). Only the Leader programmes in Molise, Puglia, Calabria and Sicily could not document enough resources to avoid decommitment, risking the loss of more than 6 million euro, 5.3 million in Puglia alone. The cutting back of these resources is in any case contingent on the European Commission’s decision regarding derogation requests filed by the four regions.

# Regional Expenditure

With the reforms of administrative federalism, many tasks relating to “economic development and production activities” have been shifted to the regional and local levels. Before fiscal federalism, regional funding was supplied by transferring earmarked state funds, which were approved annually or revised, and parcelled out among the various administrations. Thus, Regions receiving transferred funds made direct disbursements to beneficiaries, yet had limited autonomy. In this context, during the 1990s EU socio-structural policy assumed increasing importance, and imposed on Regions different ways of programming and assessing sector measures.

“Fiscal federalism” was first introduced with the finance reform of 1996, which put an end to

earmarked financing to sectors, including agriculture. The law definitively regulating fiscal federalism was Decree-Law no. 56/00, which decoupled the system of fund transfers from any kind of sector earmarking. The law basically abolished a part of revenue transfers, established cost-sharing in substitution for large revenue taxes, and redistributed funds based on criteria like population, fiscal capacity, health needs and geographical size, moving gradually over a 13-year period from historical patterns of expenditure to a “horizontal” system based on objective criteria. Inter-regional compensatory payments became the domain of a National Fund supplied by the same kind of cost-sharing, and “vertical” funding from the State came to an end.

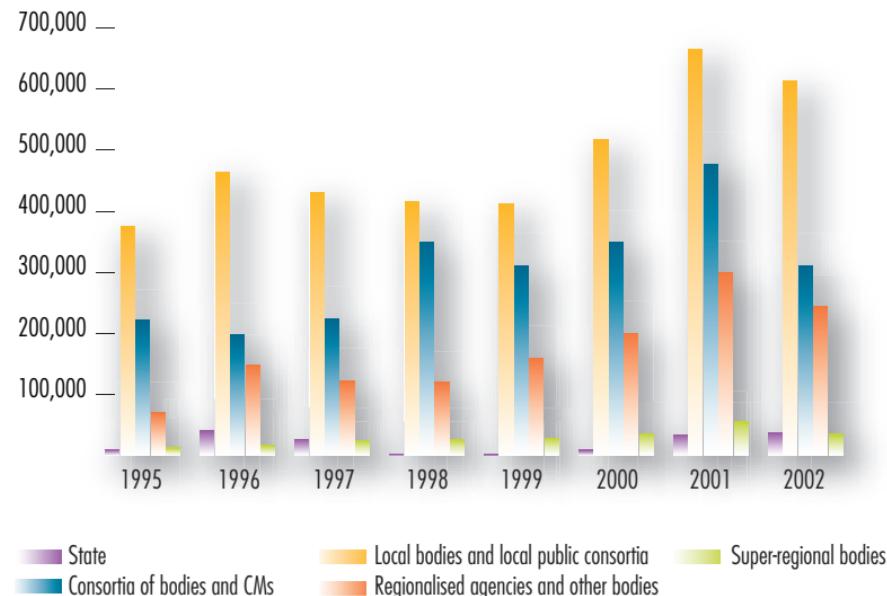
More specifically, beginning in 2001, special funds were abolished that had provided compensations for wear and tear on farm machinery and equipment, reduction of overtaxing on diesel fuel, ARIET site closures, and the national health. New measures were introduced, including additional IRPEF (personal income tax), excise tax on petrol, and greater cost-sharing in IVA. Other regional taxes were added, including IRAP (Regional Tax on Production), automobile tax, and tax on own resources.

Delays in State disbursements to the Regions were caused by a complex mechanism set forth in 56/00, which was structured in various stages: the agreement between the State and the Regions, subsequent CIPE (Interdepartmental Committee for Economic Planning) deliber-

ation, DCPM approval, and, no less important, the prerogative system, which proved inadequate to adapt to the needs of Regions with lower IVA yield.

Though from a normative point of view the process of putting fiscal federalism into effect can be considered complete, regional funding remains in a state of deep uncertainty, without the necessary frame of reference for local bodies to plan their activities. One contribution could come from the High Commission Study on fiscal federalism (Law no. 289/02), which might shed light on allocation of funding to local governments, using the definition of a new Article no. 119 to the Constitution.

*Balance transfers to the Regions from 1995 to 2002 ('000 euro)*



# National Legislation

## Main policies and strategies for the sector

The financial manoeuvre of 2005, Law no. 311 of 30 December 2004 (F.A. 2005), proposed effective deficit limits and confirmed a 2% ceiling for all expenditure categories. That law was not the full extent of the manoeuvre: on 11 March 2005, the Government approved a plan of action for economic, social and territorial development, and immediately afterward approved Law no. 80/05, which contained provisions for the agriculture sector.

## Tax and fiscal concessions

### Excises

For the excise on mineral oils, comma 520 of F.A. 2005 modifies Law no. 388/2000, setting 1 January 2005 as the launching date for the experimental three-year

“bio-ethanol” project, to apply reduced excise rates in order to increase the use of energy sources with low environmental impact. For the excise on bio-diesel, comma 521 of F.A. 2005 modifies the Amalgamated Act concerning taxes on production and consumption (Decree-Law no. 504/95), by providing, within a specific programme, for an excise exemption on pure bio-diesel or

bio-diesel mixed with mineral oils, through 31 December 2010, with an annual contingent limit of 200,000 tonnes. Comma 511 of F.A. 2005 extends through 2005 the exemption from excise on diesel oil used for glasshouse crops introduced by Law. no. 354/00. Law no. 80/05, in addition to raising excise on beer, intermediate alcoholic products and ethyl alcohol, calls for fixing a new rate

### *Finance Act for 2005: appropriations for the agriculture sector and comparisons with 2004 (thousand euro)*

| Appropriation   | 2004           | 2005           |
|---|----------------|----------------|
| Special fund in current account   | 41,087         | 5,387          |
| Special fund in capital account   | 1,500          | 0              |
| Appropriations authorised by legislative provisions                       | 305,801        | 334,578        |
| Refinancing of laws containing measures in support of the economy         | 302,000        | 3000           |
| Multiannual expenditure laws (net of sums already part of the line above) | 541,443        | 477,308        |
| Appropriations in the Finance Act in addition to tables                   |                | 100,000        |
| <b>TOTAL</b>  | <b>889,831</b> | <b>917,273</b> |

with provisions from the director of customs, and new percentages of compensation for IVA on agricultural products, to be established by special decree.

#### ***IRAP***

F.A. 2005, comma 509, confirms application of regional tax on production (IRAP) at the rate of 1.9%. The reduced rate applies to production values realised from farming activities that potentially figure in a farm's income according to rules stated in article 32 of TUIR (Amalgamated Income Tax Act). The ordinary rate applies for activities that exceed the limits of farm income (like agri-tourism, raising of surplus livestock, and connected activities taxed on a lump-sum basis according to Article 56 bis of TUIR).

#### ***IVA***

F.A. 2005, comma 506, extends

throughout 2005 the application of the flat-rate deduction scheme for farms that had turnover during the previous year of over 20,658.28 euro, extending to 1 January 2006 the application of the ordinary scheme for those businesses. The law furthermore extends through 2005 application of IVA on movement of farm and fish products as in Decree-Law no. 313/97, at current rates for individual products, with deductions made based on compensation percentages.

Law no. 26/05 allows farms with more than one activity to apply taxation separately for 2005.

New measures introduced in Law no. 80/05 include: changes in the definition of agricultural producer for IVA purposes, with extension of benefits to processing cooperatives; the application of the special IVA

scheme, irrespective of turnover; the application of flat-rate deduction of IVA on certain types of movement of agricultural products; the separate application of IVA for different activities on the same farm; and new ways of exercising the option for the special IVA scheme.

#### ***Extensions***

Law no. 306/04 extends to 31 December 2005 the time limit for suspension of provisional business activity, subject to Minister's authorisation of production activities to carry on said business. For livestock farming, the law extended the possibility of using forced feeding methods (ducks and geese) and the obligation to register wells. Furthermore, for mink farming, the law extends to 31 December 2010 the time limit for adapting some types of cages, and

to 1 January 2013 the obligation to raise stock on land. According to provisions of F.A. 2005, extension is made through 2005 for rate remissions provided for training and for increasing the size of a family farm to ensure adequate income, consisting of the exemption of stamp duty and the reduction of mortgage tax and cadastral duty (comma 571) and the time limit for taking advantage of the IRPEF deduction for measures of maintenance and safeguarding of wooded land, including urgent measures to protect the soil from the risk of severe water and soil erosion (comma 508).

#### ***Environment and territory***

With Law no. 308/04, the Government is delegated with adopting decree-laws for the reorganisation, coordination and integration of legislative provisions

about waste management and reclamation of contaminated sites; protection of water from pollution and management of water resources; protection of soil and combating desertification; management of protected areas; conservation and sustainable use of protected species of flora and fauna; protection against environmental damage under penalty to pay compensation; procedures for environmental impact assessment (EIA), strategic environmental assessment (SEA) and for integrated environmental authorisation; and air protection and reduction of emissions into the atmosphere. Law no. 5/05 contains urgent provisions for ensuring the coexistence among transgenic, conventional and organic forms of agriculture, subject to the establishment of regional

programmes that avoid mixing different crops. Should Regions or Provinces fail to establish coexistence plans by 31 December 2005, the Government may exercise substitutive power. Furthermore, the law provides that anyone responsible for polluting is liable for damages.

#### ***Market crises, natural disasters and health emergencies***

Law no. 71/05 provides that the ad acta commissioner (formerly Agensud) may implement, including by way of specific agreements with AGEA (Agency for Agricultural Allocations), support measures for farms hit by recession. These may involve pulling products off the agricultural market in order to reabsorb temporary production overcapacity. Such measures may also be taken in various areas of the South, as long as those areas are

classified as less-favoured. The law furthermore suspends until 31 December 2005 payment of social security and welfare contributions of farmers and salaried workers in areas that experienced a 30% reduction in income for 2004 compared with the previous three-year period. Businesses that opt for phasing may take out long-term mortgages, with subsidies from the National Solidarity Fund, or alternately receive cash subsidies of up to 3,000 euro per farm. Farms hit by acts of God were given an extension of up to 40 trimesters to pay social security contributions. Moreover, phasing time limits were also reintroduced for farms hit by natural disasters occurring before 31 March 2005. The Cassa Depositi e Prestiti Ltd (deposit and loan bank) is authorised to offer credit to the Regions and Autonomous

Provinces, both for jump-starting production on farms hit by severe health emergencies and for measures in areas hit by natural disasters and severe weather conditions. Law no. 80/05 suspends from May to August the time limits for fulfilling residual debt obligations (calculating interest and sanctions) and for procedures of collecting social security and welfare contributions of employers and independent and salaried workers in agriculture. The latest date for collection is 20 December 2005. The law further sets higher temporary quotas for entry of non-EU seasonal workers in agriculture and tourism than had been established for 2004.

#### **Agri-food supply chain and negotiated planning**

Law no. 204/04 provided urgent

measures for labelling of some agri-food products and for other agricultural and fishing matters. These included: establishing an expiration date six days after heat treatment for pasteurised and high-quality milk; provisions for mandatory indication of origin in labelling of food products; indication of place of cultivation and pressing for olive oil; extension to 2005 for provisions dealing with measures to aid jump-starting production following damage due to natural disasters, as set forth in Decree-Law no. 102/04. Law 62/05 (EU Law 2004) furthermore delegated the Government with acknowledging Directive 2003/89/EC, which introduces clearer labelling of ingredients and allergens contained in food products according to the criteria of the "positive list". The Government

must observe certain principles and criteria regarding threshold levels of these substances, above which it becomes mandatory to indicate the presence of potentially toxic ingredients on the label. Law no. 80/05 introduces a new negotiated planning instrument for agriculture, the district contract, as an addition to Art. 66 of the Finance Act of 2003, which disciplines supply chain contracts. The Istituto per lo Sviluppo Agroalimentare Ltd (Institute for Agri-food Development) takes on a specific role of assessment, admission and management of supply chain contracts and planning contracts that provide for initiatives within the agriculture and agri-food sectors.

## **Sectors**

### ***Beekeeping***

Law no. 313/04 contains

application methods for regulations in the beekeeping sector, which will be subject to subsequent Minister's decrees.

### ***Truffles***

The Finance Act of 2005, comma 109, requires self-invoicing for those who buy truffles from amateur or occasional harvesters without IVA self-employment tax status.

### **Fund for the development of organic farming**

The Finance Act of 2005, comma 87, establishes a special chapter within the Fund for the Development of Organic and Quality Farming, to set up a national plan of action for organic farming and organic products, with initial funding of 5 million euro for 2005.

### ***National sugar beet fund***

The Finance Act of 2005, comma

479, calls for the transfer of 10 million euro in 2005 to the Italian Sugar Beet and Sugar Producers' Association (ABSI).

### ***Horses***

Law no. 71/05 assigns UNIRE (the National Union for Increasing Equine Breeds) a contribution of 23.79 million euro for the year 2005, and 22 million euro each year for 2006 and 2007, 600,000 euro of which is earmarked for planning to improve and safeguard Italian breeds of horses.

### ***Mountain agriculture***

Law no. 309/04 called for an increase of 6,750,000 euro for the National Mountain Fund for 2004.

## **Fiscal, financial and insurance instruments**

### ***Credit and insurance supports***

The Finance Act of 2005, commas 83-86, by adopting provisions

contained in Decree-Law no. 102/04, promotes the insurance system for damages in agriculture caused by disastrous factors, transferring 50 million euro to the National Solidarity Fund (FSN) for each of the two years 2005 and 2006, raised from compensatory measures and the reestablishment of incentives for stipulating insurance contracts, bringing the state's contribution to 150 million euro. The law further adds 50 million euro for 2005 to the Fund for Risk Reinsurance (for weather insurance), and to the Fund for Venture Capital Investment (for access to the capital market).

## **Business development**

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

Law 306/04 confirms provisions offering tax credits for young farmers, and sets total expenditure

limits of approximately 9.9 million euro for 2004. Law 80/05, Article 8, comma 7, modifies Decree-Law no. 185 of 21 April 2000, by extending measures for creating new business opportunities for farmers under 40 years of age. Furthermore, loans at preferential rates are granted for up to 15 years, including the period before depreciation.

### ***Modernisation of primary activities***

Based on Decree-Law no. 100/05 regarding modernisation of the fishing and aquaculture sectors and improved vigilance and inspections of marine fishing, fishery entrepreneurs gain the same status as agricultural entrepreneurs, and fisheries have the same status as farms. The decree further establishes the National Solidarity Fund for Fishing and Aquaculture

(FSNPA) within the Ministry for Agricultural and Forestry Policies, for preventive measures against damage to production and structures caused by natural disasters, adverse weather and sea conditions, and fluctuations in the price of raw materials.

Decree-Law no. 101/05 concerning modernisation of agriculture and forestry integrates the rules about professional agricultural entrepreneurs (IAP) contained in Decree-Law no. 99/04, by providing that the activity of company partners and cooperatives qualifies them for IAP status. The same holds true for the activities of administrators of joint-stock companies, whereas cooperatives with only one IAP member may obtain IAP status, as long that member is also the administrator. Access to IAP benefits, including

reductions in registration taxes for land purchases, is also permitted even if applicants do not yet have regional certification, as long as they can prove that such certification has been applied for, and that all prerequisites are met within 24 months. As for benefits, furthermore, companies made up of tenant farmers are given equal status with IAPs.

### ***Market regulations***

Decree-Law no. 102/05 regarding market regulation provides new instruments, including supply chain agreements and contracts of exchange and cooperation. Based on the decree, functions assigned to producers' organisations (OP) deal not only with the signing of agreements, but also indicate a more incisive role in the market,

including pulling of products in cases where difficulties arise. Emphasis should be placed on the extension of OP recognitions already in force, and the lowering of criteria for obtaining them. Producers' organisations must have 5 producers and 3 million euro in volume of conferred and directly marketed output in order to qualify.



# Glossario

## **Amount**

This term is used to indicate investments of the banking system, that is to say, the amount of financing which is still to be drawn from banks, with residual debt on financing which banks have distributed to their clientele.

## **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.

## **Disbursement**

This term is used to indicate the amount of credit flow from the granting of new credit in a certain time period.

## **ESU**

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

It is a multiple of the ecu 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. European Community farm types were set out in the European Commission Decision 85/377, modified from the decision of 16 May 2003.

## **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.

## **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.

### ***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.

### ***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 produc-

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

### ***WU***

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

This is a national accounts term used

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.

# FADN Glossary

## *FADN in Italy*

**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 main crop product and secondary products, net of premiums and public subsidies. This value does not correspond to the product between "yield" and "selling price", as these two figures refer only to main product; moreover, the selling price may differ from the average unit value of a farm's product, as an effect of the time lag between

production and sale, or as an effect of differing utilisation of the sale (transactions within the sector, 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**, 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.

## FADN in Europe

**Gross output**: value of output from crops, livestock and other farm products; includes sales, transactions within 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 sector) and general production costs (not specifically attributable to any single production: ordinary maintenance of buildings and machinery, energy, contract services for water, production insurance, consumption rates, etc.) incurred in the year.

**Value added**: equivalent to (gross output – intermediate consumption + balance of subsidies and current taxes). The latter figure refers to subsidies and tax deriving from production activity during the accounting year concerned, and is equivalent to: (farm subsidies + IVA balance on current operations – taxes).

**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 livestock 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.

# 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)

### Autonomous Province of Trento

Località Melta, 112 - Trento  
0461/495111  
[www.provincia.trento.it](http://www.provincia.trento.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 Caribaldi, 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)

**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 BODIES AND RESEARCH INSTITUTES****AGEA**

**Agenzia per le Erogazioni in Agricoltura**  
(Agency for Agricultural Disbursements)  
[www.agea.gov.it](http://www.agea.gov.it)

**APAT**

**Agenzia per la Protezione dell'Ambiente e per i Servizi Tecnici**  
(Agency for Environmental Protection and Technical Services)  
[www.apat.gov.it](http://www.apat.gov.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)

**CRA**

**Consiglio per la Ricerca e la Sperimentazione in Agricoltura**  
(Council for Research and Experimentation in Agriculture)  
[www.entepra.it](http://www.entepra.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)

**ENSE Ente nazionale sementi elette**

(National Agency for Select Seeds)  
[www.ense.it](http://www.ense.it)

**ENTERISI**

**Ente nazionale risi**  
(National Rice Agency)  
[www.enterisi.it](http://www.enterisi.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)

**IREPA**  
**Istituto ricerche economiche per la pesca e l'acquacoltura**  
(Institute for Economic Research for

Fishing and Aquaculture)  
[www.irepa.org](http://www.irepa.org)

**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)

**ISAE**  
**Istituto di studi e analisi economica**  
(Institute for Economic Studies and Analysis)  
[www.isae.it](http://www.isae.it)

**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)

**ICRAM**  
**Istituto Centrale per la Ricerca Scientifica e Tecnologica Applicata al Mare**  
(Central Institute for Scientific and Technological Marine Research)  
[www.icram.org](http://www.icram.org)

**UCEA**  
**Ufficio Centrale di Ecologia Agraria**  
(Central Office of Agricultural Ecology)  
Via del Caravita, 7/a - Roma  
[www.ucea.it](http://www.ucea.it)

## NATIONAL, EUROPEAN AND INTERNATIONAL INSTITUTIONS

### Ministry of the Environment

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

### Senate of the Italian Republic

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

### Chamber of Deputies

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

### Corpo forestale dello Stato

(State Forestry Service)

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

### European Union

[www.europa.eu.int](http://www.europa.eu.int)

### European Commission

[www.europa.eu.int/comm](http://www.europa.eu.int/comm)

### Eurostat

[www.europa.eu.int/comm/eurostat](http://www.europa.eu.int/comm/eurostat)

### DG VI - Agriculture

[www.europa.eu.int/comm/agriculture/index\\_it.htm](http://www.europa.eu.int/comm/agriculture/index_it.htm)

### COI Chiffres du marché mondial

### des huiles d'olive

(International Olive Oil Council)

<http://www.internationaloliveoil.org/economics2.asp>

### FAO Food and Agriculture Organisation of the United Nations

[www.fao.org](http://www.fao.org)

### INRA Institut national de la recherche agronomique

(National Institute for Agronomic Research – France)

[www.inra.fr](http://www.inra.fr)

### IFAD International Fund for Agricultural Development

[www.ifad.org](http://www.ifad.org)

### WTO World Trade Organisation

[www.wto.org](http://www.wto.org)

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James Varah

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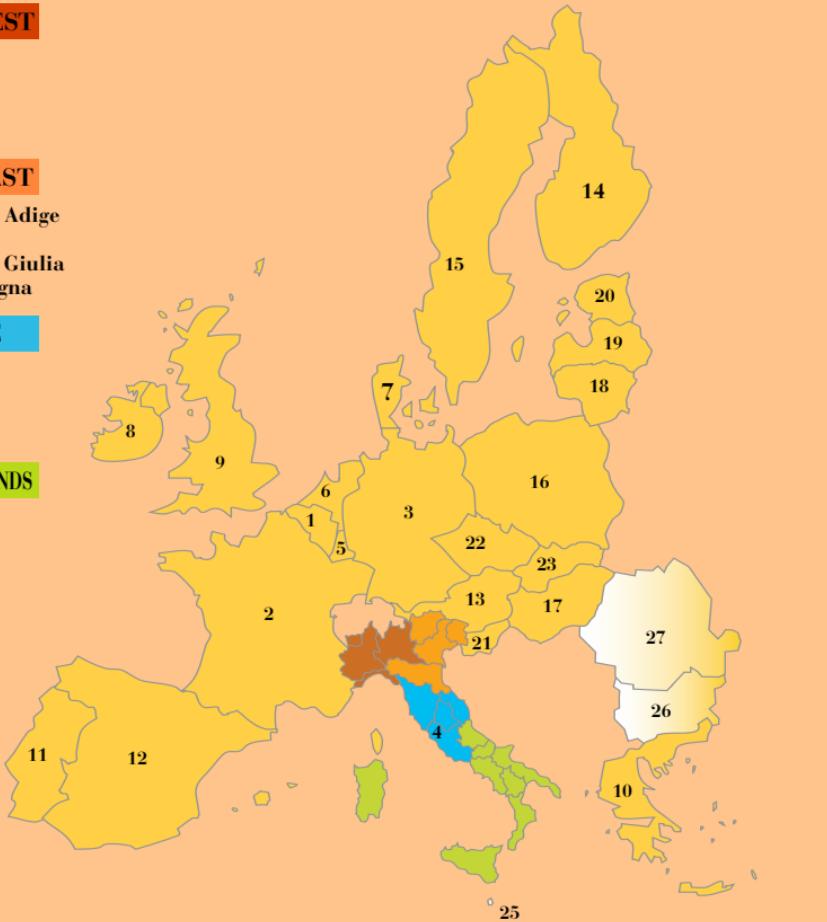
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