



NATIONAL INSTITUTE OF AGRICULTURAL ECONOMICS



## ITALIAN AGRICULTURE IN FIGURES 2008



*INEA, established by Royal Decree no. 1418 of 10 May 1928 under Arrigo Serpieri, has its origins in the National Institute of Economy and Statistics founded in 1924, also by Serpieri.*

*INEA was revamped with the Legislative Decree no. 454 of 29 October 1999, which was later modified by Law no. 137 of 6 July 2002.*

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*nisational, administrative and financial autonomy, and is under the vigilance of the Ministry for Agricultural, Food and Forestry Policies (MIPAAF). The Institute engages in socio-economic research in the fields of agriculture, agri-industry, forestry and fishing, at national, Community and international levels. To meet its goals, the Institute promotes research in cooperation with universities and*

*scientific institutions, nationally and internationally. With the decree of the President of the Republic, no. 1708 of 30 December 1965, INEA was designated as a connecting body between the Italian State and the European Union, to set up and manage the Farm Accountancy Data Network. The Institute is part of the national statistical system (SISTAN) (Leg. Dec. 454/99, Art. 10).*

*Italian agriculture  
in figures 2008*

All statistical data contained in the text,  
unless otherwise indicated, come from ISTAT and INEA.  
For international comparisons,  
EUROSTAT figures have been used.

“Italian Agriculture in Figures” is also available on Internet,  
at <http://www.inea.it/pubbl/itaco/cfm>  
in Italian, English, French and Spanish versions.  
They may be quoted providing the source is acknowledged.

With 172 registered PDO and PGI products, Italy is the richest bread-basket in the European Union, alone making up 21% of the total. In organic farming, Italy was once again the leader in Europe for 2006, with over 1.1 million hectares (an increase of 7.6% over 2005) and more than 45,000 producing farms (24.9% of the European Union total). Italy ranked fifth worldwide, behind Australia, China, Argentina and the United States.

These are some of the data provided in the yearbook published by INEA (National Institute of Agricultural Economics), now in its 21<sup>st</sup> edition. These figures show that the path Italy has chosen, returning to production and rediscovering its agricultural mission, is the right road for a Europe

bent on stimulating an economy that has been continually hampered by bureaucratic constraints.

The INEA yearbook is a handy, up-to-date tool for understanding trends in Italy's agri-food system. The edition illustrates the role of the primary sector within the national economy; its relationships to the food industry and distribution; environmental sustainability in agriculture; quality products; and policy at various institutional levels (European, national and regional).

New features of this edition include an analysis of farms and their classification by type, based on the latest sample survey made by ISTAT in 2005 on farm structures and production. In consideration of climate changes and their influence on farming, major em-

phasis has been placed on analysing long-term phenomena and water availability in regions of Italy. The section "Natural Resources and Multi-Functionality" opens with a section on bio-diversity and agriculture, taking a close look at two indicators: birdlife and the richness of vertebrate species in Italy's agricultural areas.

To improve its value as a communications tool, this edition is once again offered in an English version, with an accompanying CD containing French and Spanish editions. The Italian and foreign language versions are available on the INEA website.

With this publication, INEA again affirms its commitment to supplying agricultural information, by providing an easy-to-use tool that combines quality and completeness of content.

Minister for Agricultural,  
Food and Forestry Policies  
**Luca Zaia**

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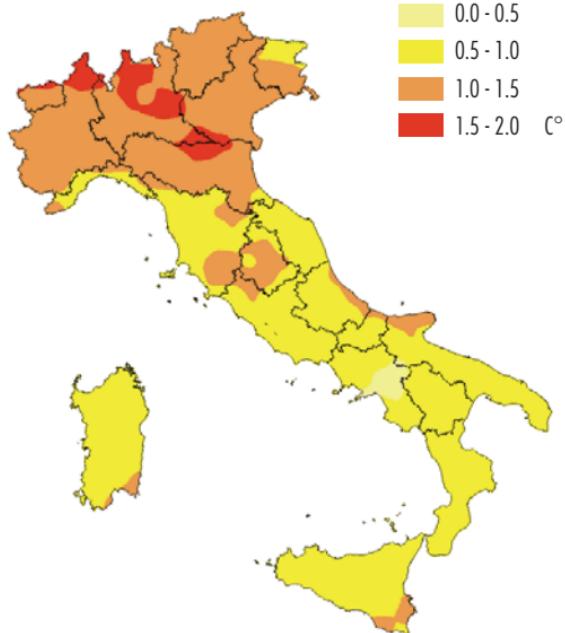
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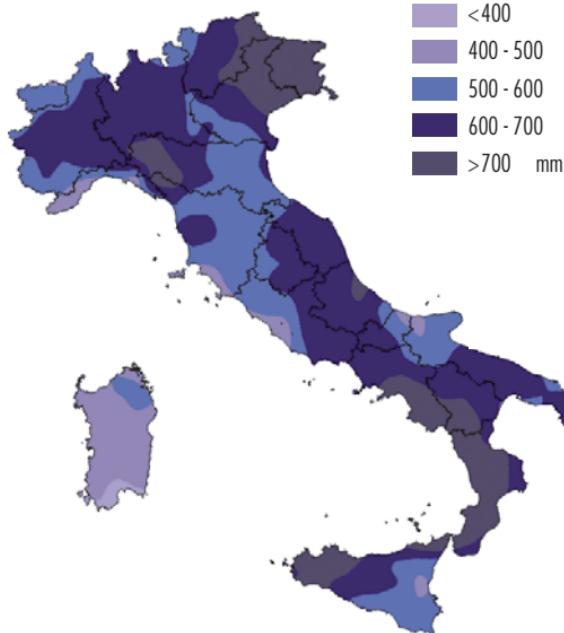
## LAND AND POPULATION

# Climate

*Average annual temperature: deviations compared to the norm - 2007*

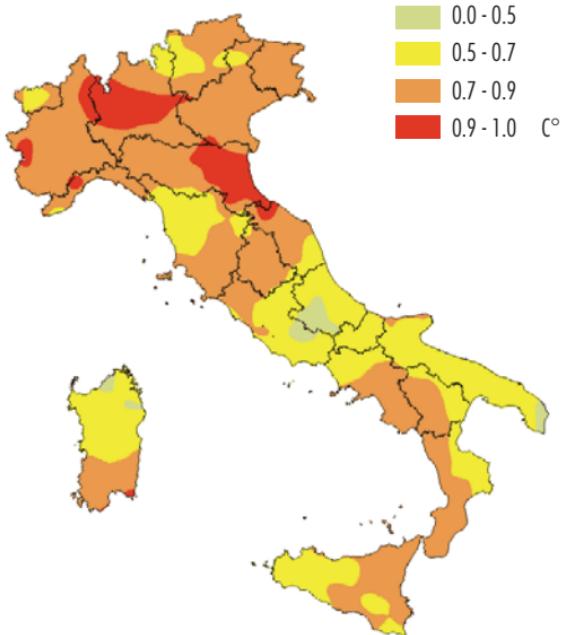


*Total annual rainfall - 2007*

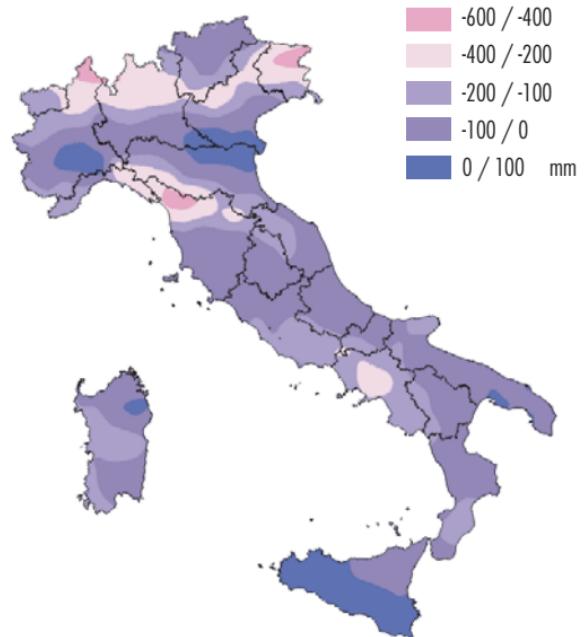


Source: UCEA.

Average annual temperature: deviations for 1988-2007 compared to 1961-90



Average annual rainfall: deviations for 1988-2007 compared to 1961-90



The map shows average annual temperature over the past twenty years (1988-2007) compared to the thirty-year period of weather reference 1961-90. Clearly, temperatures have risen throughout Italy in the last twenty years; the greatest increase, up to 1°C, was recorded particularly in some areas of Lombardy and Emilia-Romagna.

The map shows average annual rainfall over the past twenty years (1988-2007) compared to the thirty-year period of weather reference 1961-90. Note that in most parts of the country less rainfall was recorded compared to the period of reference, whereas more was recorded in some areas of the North and in Sicily.

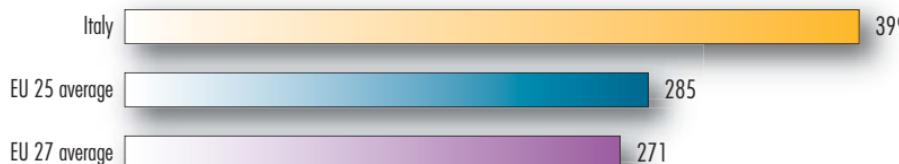
# Land and population

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 2007 increased by approximately 0.67% compared to 2006, approaching approximately 59.5 million inhabitants.

This growth is concentrated in North-Central Italy (+0.86%). A concentration of the population lives in lowland areas (47.7%) and hilly areas (39.3%), with only 13% of the population living in mountain areas.

UAA accounts for 38.2% of total land in regions of the North, 39.9% in the Centre and 47.1% in the South & Islands.

## Population/agricultural area (inhabitants/100 ha of UAA), 2006



## Land use, 2005 ('000 ha)

	Italy	EU 25	EU 27
Total area	30,132	397,324	432,263
Crops by (%)	14,710	162,796	182,103
Cereals and rice	27.2	32.0	32.7
Sugar beets	1.7	1.4	1.2
Oil-seeds	1.9	4.7	5.3
Tobacco	0.2	0.1	0.1
Potatoes	0.5	1.2	1.2
Dried legumes	0.5	1.2	1.1
Vegetables & fresh legumes	3.4	1.2	1.3
Fruits and citrus <sup>1</sup>	6.0	1.7	1.7
Olive trees	6.8	2.6	2.3
Grapevines	5.4	2.1	2.1
Flowers and ornamentals	0.1	0.04	0.04
Rotated grasslands and meadows	6.3	4.2	3.9
Fodder crops and other crops <sup>2</sup>	40.0	47.5	47.0
Crops/total area %	48.8	41.0	42.1

<sup>1</sup> Including dessert grapes, melons and watermelon.

<sup>2</sup> Permanent grasslands and pastures, seeds, fallow land, etc.

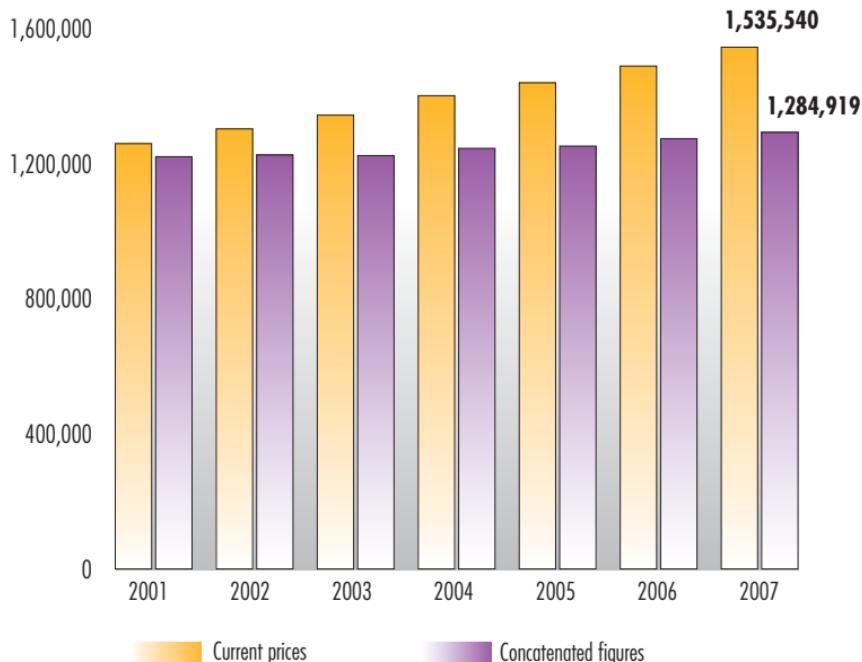
Source: EUROSTAT.



# AGRICULTURE AND THE ECONOMY

# Gross domestic product

Trend in GDP (million euro), 2001-2007



Trend in GDP per inhabitant (euro), 2001-2007

Year	GDP/Inhabitant (euro)	
	Current prices	Concatenated figures <sup>1</sup>
2001	21,914	21,285
2002	22,661	21,315
2003	23,181	21,146
2004	23,920	21,259
2005	24,372	21,219
2006	25,109	21,487
2007	25,886	21,661

<sup>1</sup> Concatenated figures express the real dynamic (in quantity) of the economic aggregate with reference to 2000.

Trend in GDP per work unit (euro), 2001-2007

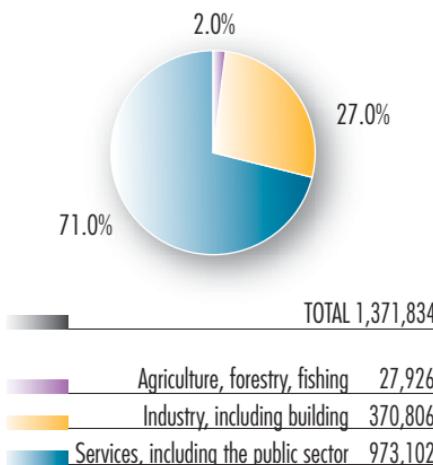
Year	GDP/WU	
	Current prices	Concatenated figures
2001	52,401	50,895
2002	53,672	50,485
2003	54,992	50,164
2004	57,093	50,743
2005	58,512	50,942
2006	59,615	51,014
2007	61,249	51,252

# Value added

In 2007, value added (VA) at basic prices in the primary sector, including forestry and fishing, remained stationary compared to 2006. Agriculture's contribution to total national VA was 2%. In terms of volume, agriculture's impact on the national total dropped from 2.8% to 2.5% in the past decade. In the same period, value added from industry in the narrow sense (energy products and industrial transformation) also declined, from 23.8% to 21.5%, while value added from civil service and other public services remained stable, at 20-21%. On the contrary, there was growth in the sectors of building, from 5% to 5.5%; in trade, transport and communications, from 23.4% to 24%; and in activities of financial services, information technology, research, etc, from 24.1% to 26.2%.

The contribution of agriculture

*VA at basic prices by sector (million euro), 2007*



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 1.6% of VA at basic prices and 3.9% of employ-

*Contribution (%) of agriculture to national economies, 2006*

Country	Value Added <sup>1</sup>
France	1.4
Germany	0.6
Italy	1.7
Netherlands	1.7
United Kingdom	0.4
Greece	3.1
Spain	2.3
Austria	1.0
Finland	0.5
Sweden	0.4
Poland	2.4
Hungary	2.5
EU 25	1.2
Bulgaria	6.2
Romania	7.2
EU 27	1.2
USA <sup>2</sup>	1.2
Japan <sup>2</sup>	1.5

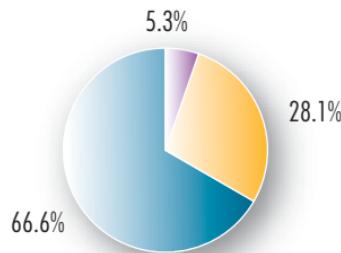
<sup>1</sup> Gross value added at basic prices.  
<sup>2</sup> World Bank, 2005.

ment (measured in work units), while in the South these figures rise to 3.6% and 9.1%, respectively.

# Employment

In 2007, the total labour force employed in Italy, measured in standard work units (WU), rose by 1%. In particular, there was an increase of 0.9% in industry (in the narrow sense), 2.4% in the building sector

**WU by sector ('000 units), 2007**



and 1.1% in services. As for women's participation in the labour market, there was greater growth in female labour (+1.5%) than male labour (+0.8%).

In agriculture, following growth of 1.2% in 2006, employment dropped by 2.9%. This affected mainly independent labour (-4.3%), while salaried labour remained nearly stable (-0.4%). The share of independent labour in agriculture of the total independent labour component was

11.6%, whereas paid labour accounted for 2.8%.

69.8% of farm labourers, in terms of individuals, were male. 49.4% of total agricultural labour was employed in the South, 37.4% in the North and 13.2% in the Centre.

The ratio between agricultural labour and population has continued to change over the past ten years. In 1997 there were 35 inhabitants per work unit in agricultural labour; in 2007, this figure rose to 45.

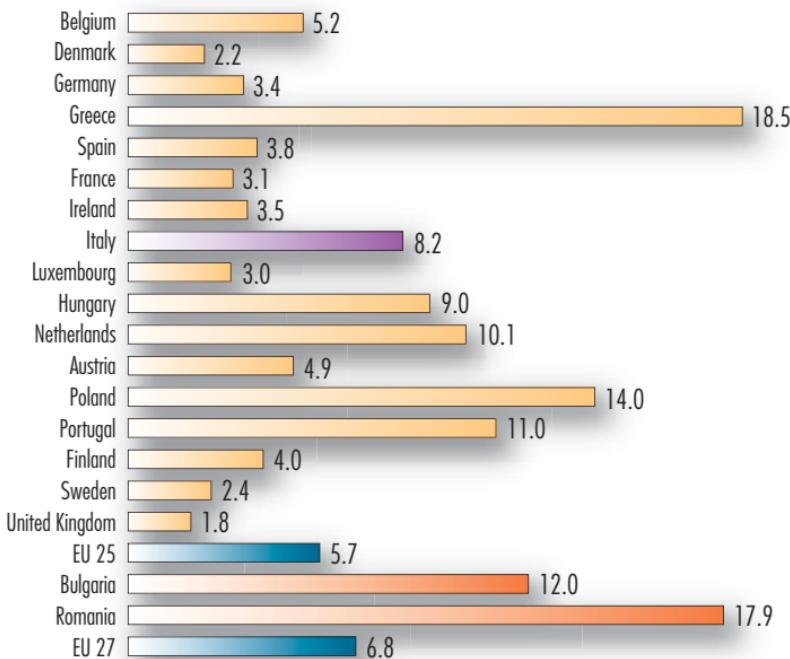
***Full-time and part-time agricultural labourers by gender and geographical area, 2007***

	TOTAL	25,070
Agriculture	1,322	
Industry	7,044	
Services <sup>1</sup>	16,704	

<sup>1</sup> Including the public sector and assimilating activities.

	Full-time labourers		Part-time labourers	
	000 units	% women	000 units	% women
North	302	22.5	43	65.4
Centre	103	30.1	19	63.1
South & Islands	417	27.6	39	66.7
ITALY	822	26.0	101	66.3

## Volume of employment in agriculture in the EU (AWU/100 hectares UAA), 2006



## Employment in agriculture\* as % of total economy, 2006

Country	Employment	
	total	women <sup>1</sup>
Germany	2.3	1.6
Greece	12.0	13.2
Spain	4.8	3.3
France	3.9	2.4
Italy	4.3	3.3
Hungary	4.8	2.7
Netherlands	3.3	2.1
Austria	5.5	5.7
Poland	15.8	15.0
Finland	4.7	2.8
Sweden	2.2	1.0
United Kingdom	1.4	0.7
EU 25	4.7	3.7
Bulgaria	8.1	6.1
Romania	30.6	31.4
UE 27	5.9	5.0
USA	0.7	-
Japan	3.8	-

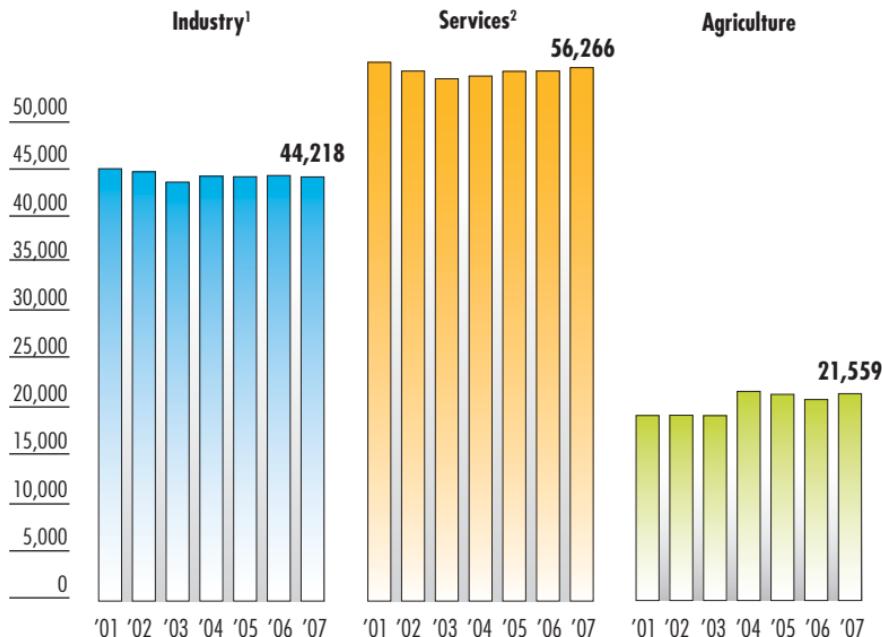
\* Including forestry, fishing and hunting.

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

Source: EUROSTAT.

# Productivity

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



\* Concatenated figures express the real dynamic (in volume) of the economic aggregate with reference to 2000.

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

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

In 2007, value added in agriculture at basic prices per work unit was 48.7% of the same figure for industry, 49.5% of that for the food industry, and 38.3% of the figure for services. Compared to 2006, productivity in agriculture rose by 2.9%, corresponding to a decline in the labour force and stability of value added. In other sectors, a slight increase was recorded for productivity in industry (+0.6%) while there was a drop for the food industry (-3.6%) and services (-0.3%). The latter two sectors had already shown signs of weakness in previous years.



# PRIMARY SECTOR

# Structures in agriculture

According to ISTAT figures in the most recent sample survey made on structures and production on farms (SPA), in 2005 there were 1,706,773 farms, which generated a total standard gross margin (SGM) of 22,196,287 European Size Units (ESU). Compared with the 2003 sample survey, the number of farms dropped by 12.2%, while SGM grew by 14.6%. In particular, specialised farms, which make up 86% of the national total, also showed the most marked drop (-14%) compared to 2003.

Among specialised farms, most plant permanent crops (48.9% of the national total). There were 16.5% fewer of these farms compared to 2003, but they had greater SGMs (+6.3%). As for livestock farms, the most numerous were those rearing herbivorous stock (9.3% of Italy's total), whereas only 0.5% specialise in granivorous ani-

mals, representing the largest drop in number of farms (-18.1%) and the greatest increase in SGM (+260%).

Among mixed farms, the most numerous were multi-crop farms (9.3%). Unlike farms with mixed livestock or a mixture of livestock

and plant crops, which increased respectively by 36.1% and 11.8%, multi-crop farms dropped in number by 5.4% and showed lower growth in SGM (+10.6%).

On the whole, the decline in number of farms from 2003 to 2005 can be attributed mainly to a drop in

*Farms and GSM by farm type, 2005*

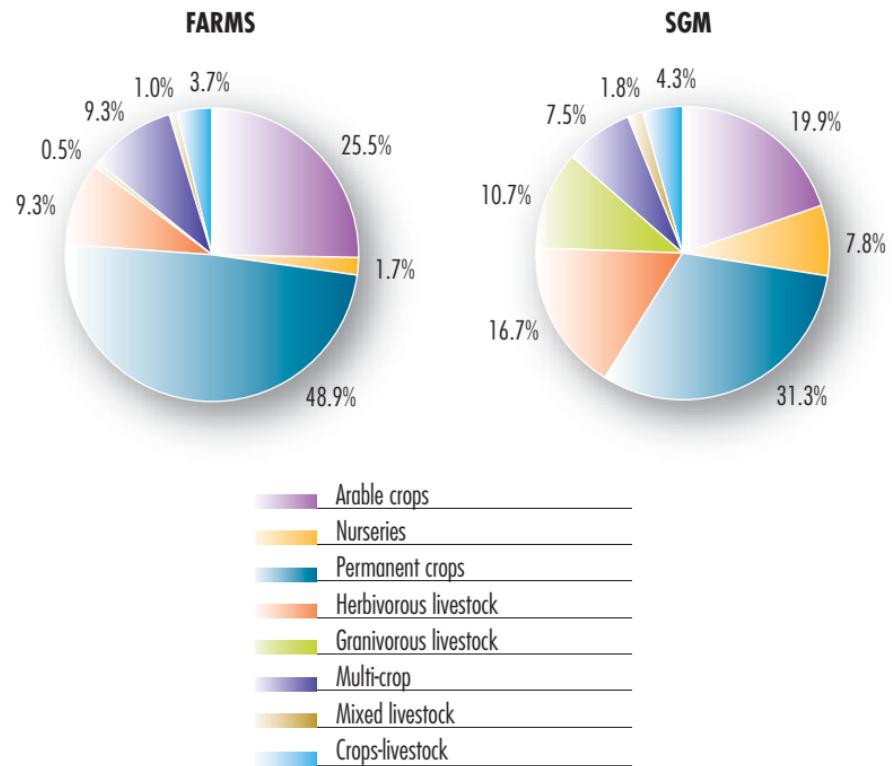
Farm type (FT)	2005		Change % 2005/2003	
	Farms (n.)	SGM (ESU)	Farms	SGM
Specialised farms	1,468,398	19,180,193.6	-14.0	14.3
Arable crops	436,038	4,411,169.9	-10.4	1.3
Nurseries	29,236	1,735,034.9	-10.9	4.1
Permanent crops	834,730	6,949,887.4	-16.5	6.3
Herbivorous livestock	159,530	3,703,553.9	-10.3	3.9
Granivorous livestock	8,864	2,380,547.5	-18.1	260.5
Mixed farms	238,375	3,016,092.9	0.9	16.8
Multi-crop	158,846	1,654,505.5	-5.4	10.6
Mixed livestock	17,050	404,892.8	36.1	58.4
Crops-livestock	62,479	956,694.6	11.8	15.2
<b>TOTAL</b>	<b>1,706,773</b>	<b>22,196,286.5</b>	<b>-12.2</b>	<b>14.6</b>

farms with SGM of less than 2 ESU (-28.4%) and, to a lesser degree, those with SGM of between 2 and 4 ESU (-7.7%) and 6 to 8 ESU (-4%). The greatest increase in number of farms (+14.9%) occurred in the 16-40 ESU class. The growth of SGM affected larger farms, especially in the category of 100 ESU and above (+38%).

Land use on farms overall is not a very significant indicator in explaining farm profitability. On the whole, there are over 17 million hectares, 71.4% of which is UAA. Only farms with fewer than 4 ESU have a somewhat different UAA than the national average (63.6%). Arable crops predominate, irrespective of economic size. The two least profitable farm classifications are involved in permanent crops. The most profitable category is permanent grasslands and pastures.

A determining factor in farm prof-

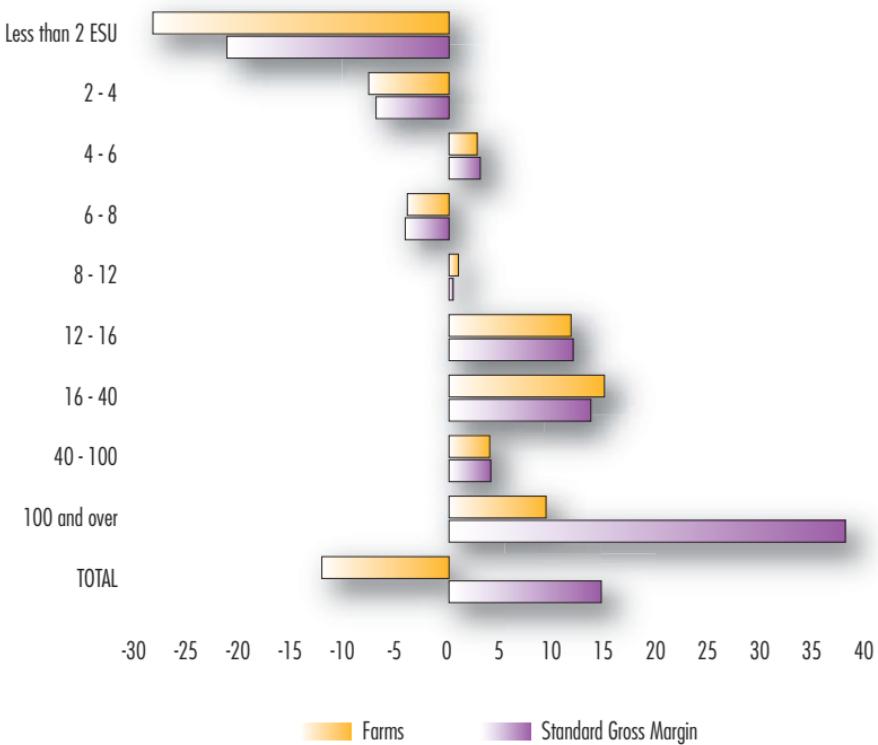
*Distribution % of farms and SGM by FT, 2005*



itability, rather, is the age of the farmer. Indeed, it appears that with older farmers, farms become less profitable. Farms with GSM of less than 4 ESU make up only 27.3% of farms operated by farmers between the ages of 16 and 24. But the percentage of farms with GSM of 4 to 16 ESU remains more or less stable as the age of the farmer rises. Younger farmers occupy a higher percentage where larger farms are concerned.

Though differences exist, specialised farms are prevalent in all regions of Italy, with the highest percentage to total from 66.8% in Molise to 95.5% in Trentino-Alto Adige. In relative terms, the greatest number of such farms is found in Puglia and Sicily (roughly 14%), followed by Emilia-Romagna (10%). These two regions also have the highest average farm profitability. Valle d'Aosta, on the other hand, has the lowest average GSM, of 4 ESU. Farms with less

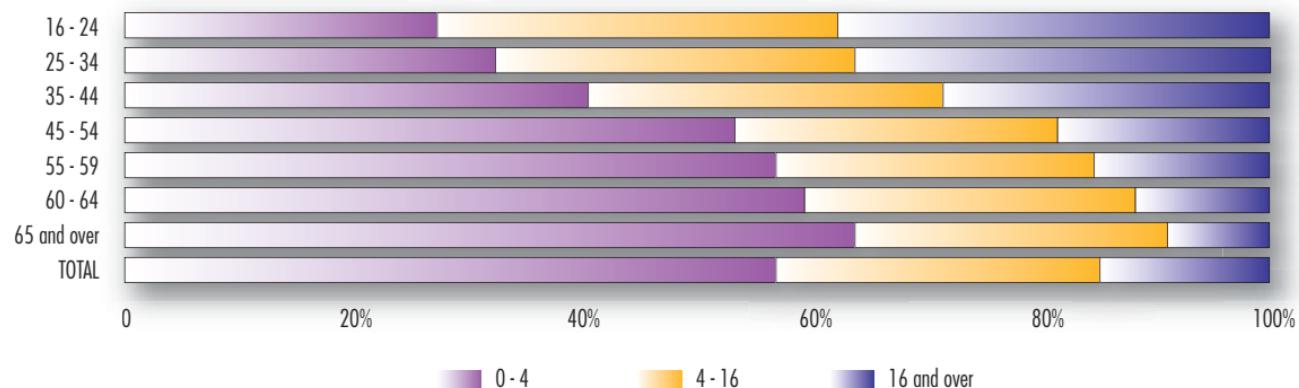
*Change % in number of farms and SGM by economic size, 2005-2003*



## *Distribution % of agricultural area by economic size, 2005*

Economic size	Utilised agricultural area			Wood arboriculture	Woodlands	Non-UAA and other areas	Total area (ha)	
	Arable crops	Permanent crops	Permanent grasslands and pastures					
Less than 4 ESU	31.5	17.1	15.0	63.6	1.1	24.6	10.7	2,414,398.64
4 - 16	39.9	17.2	16.7	73.8	0.5	18.4	7.3	4,143,825.87
16 and over	41.3	10.4	20.5	72.2	0.7	20.3	6.8	11,174,338.79
<b>TOTAL</b>	<b>39.7</b>	<b>12.9</b>	<b>18.9</b>	<b>71.4</b>	<b>0.7</b>	<b>20.5</b>	<b>7.4</b>	<b>17,732,563.31</b>

## *Distribution % of farms by economic size and age of farmer*



than 10 ESU are also found in the South, with the exception of Sardinia and Campania.

In examining the distribution by

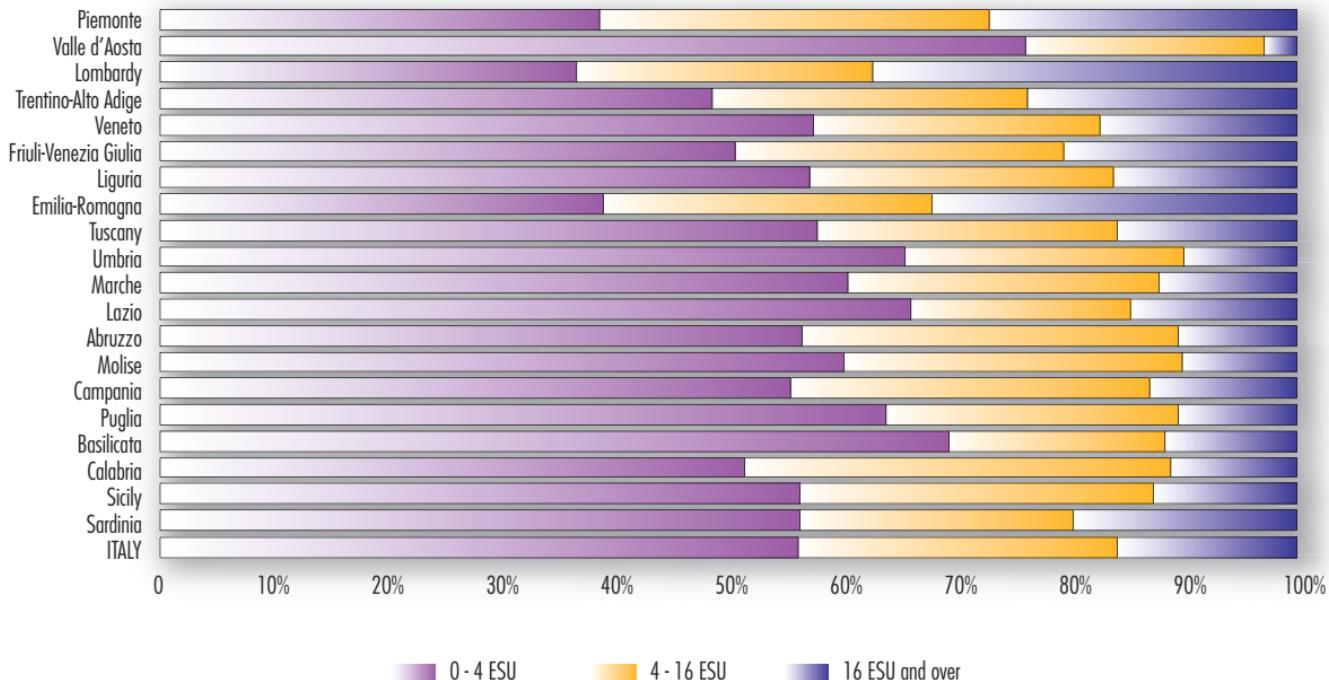
economic size, we see that in Lombardy and Emilia-Romagna farms are fairly evenly distributed among the various ESU categories. Howev-

er, in 11 regions over 50% of farms have SGM of less than 4 ESU, and in 5 more regions over 60% remain below this level.

*Distribution of farms and SGM by FT and region. 2005*

Region	Specialised farms		Mixed farms		Total				
	Farms	SGM	Farms	SGM	Farms	SGM	Average SGM per farm	Farms	SGM
	%				n.	ESU		%	
Piemonte	83.4	85.4	16.6	14.6	75,963	1,652,499.6	21.8	4.5	7.4
Valle d'Aosta	82.4	91.6	17.7	8.4	4,648	18,819.5	4.0	0.3	0.1
Lombardy	90.2	91.2	9.8	8.8	57,419	3,084,323.8	53.7	3.4	13.9
Trentino-Alto Adige	95.5	95.5	4.5	4.5	43,185	583,283.8	13.5	2.5	2.6
Veneto	87.5	88.4	12.5	11.6	142,467	2,199,149.5	15.4	8.3	9.9
Friuli-Venezia Giulia	84.3	78.9	15.7	21.1	23,704	417,349.0	17.6	1.4	1.9
Liguria	84.6	91.2	15.5	8.8	22,990	229,765.0	10.0	1.3	1.0
Emilia-Romagna	83.9	85.3	16.1	14.7	81,176	2,218,553.6	27.3	4.8	10.0
Tuscany	80.9	81.2	19.1	18.8	80,660	1,106,719.3	13.7	4.7	5.0
Umbria	71.4	79.6	28.6	20.4	38,779	391,268.3	10.1	2.3	1.8
Marche	75.0	79.1	25.0	20.9	52,683	506,587.4	9.6	3.1	2.3
Lazio	79.8	84.9	20.2	15.1	106,766	1,132,687.1	10.6	6.3	5.1
Abruzzo	73.9	78.6	26.1	21.4	60,481	517,262.1	8.6	3.5	2.3
Molise	66.8	72.5	33.2	27.5	24,688	181,728.2	7.4	1.4	0.8
Campania	85.6	83.6	14.4	16.4	156,350	1,622,172.9	10.4	9.2	7.3
Puglia	94.0	89.7	6.0	10.3	245,772	1,880,379.8	7.7	14.4	8.5
Basilicata	78.8	81.1	21.2	18.9	58,872	485,132.5	8.2	3.4	2.2
Calabria	87.4	85.6	12.6	14.4	121,696	1,095,877.0	9.0	7.1	4.9
Sicily	91.7	87.4	8.3	12.6	240,249	2,022,322.3	8.4	14.1	9.1
Sardinia	86.6	88.6	13.4	11.4	68,222	850,406.0	12.5	4.0	3.8
ITALY	86.0	86.4	14.0	13.6	1,706,773	22,196,286.5	13.0	100.0	100.0

*Percentage distribution of farms by economic size and region, 2005*



# Labour in agriculture

According to the SPA survey in 2005, the total workforce employed in agriculture, measured in workdays on Italian farms, was distributed with 37.5% in the North and 15% in the Centre, with the highest figures in the South, especially Sicily and Campania.

Compared to 2003, the total number of workdays dropped nationwide by 5.8%. This decline was unevenly distributed: the greatest drop was in the autonomous province of Trento (-20%), Puglia (-18.6%) and Sardinia (-17.9%). Workdays increased in Alto Adige (+16%), Marche (+10.1%), Abruzzo (+5%), Friuli Venezia Giulia (+4.5%), Piemonte (+4%) and Sicily (+3%). The overall average drop was accounted for mostly by workdays among family members (-8.8%), especially in the category of farmers' immediate family (-24.1%) and other relatives (-16.1%). But there

*Workdays by category of farm labour, 2005*

	<b>Farmer</b>	<b>Other family labour</b>	<b>Other farm labour</b>	<b>Total</b>	<b>% Change 2005/2003</b>
Piemonte	11,178,416	6,128,510	2,538,710	19,845,636	3.9
Valle d'Aosta	684,012	458,447	80,498	1,222,957	-9.5
Lombardy	7,632,201	3,875,092	6,992,276	18,499,569	-3.0
Trentino-Alto Adige	5,716,537	4,467,973	1,239,824	11,424,334	1.3
Veneto	11,472,900	6,512,743	3,688,675	21,674,318	-6.9
Friuli-Venezia Giulia	2,335,538	1,335,965	1,308,742	4,980,245	4.5
Liguria	3,002,005	1,727,288	509,567	5,238,860	-1.1
Emilia-Romagna	8,701,025	5,799,403	3,796,036	18,296,464	-13.9
Tuscany	7,220,614	4,517,487	4,127,225	15,865,326	-4.3
Umbria	2,309,344	1,117,723	1,218,697	4,645,764	-4.7
Marche	4,341,033	1,883,020	1,256,692	7,480,745	10.1
Lazio	7,393,730	3,635,102	1,652,813	12,681,645	-2.8
Abruzzo	4,802,302	2,951,111	926,025	8,679,438	4.9
Molise	1,786,262	893,161	221,738	2,901,161	-14.2
Campania	11,445,152	8,310,200	5,044,524	24,799,876	-9.5
Puglia	10,645,085	5,317,883	8,075,465	24,038,433	-18.6
Basilicata	4,218,983	2,754,732	1,521,097	8,494,812	0.8
Calabria	6,657,094	4,143,182	6,554,243	17,354,519	-11.6
Sicily	17,638,344	8,389,525	5,781,065	31,808,934	3.1
Sardinia	6,747,226	2,895,905	1,881,322	11,524,453	-17.9
<b>ITALY</b>	<b>135,927,802</b>	<b>77,114,448</b>	<b>58,415,234</b>	<b>271,457,484</b>	<b>-5.8</b>

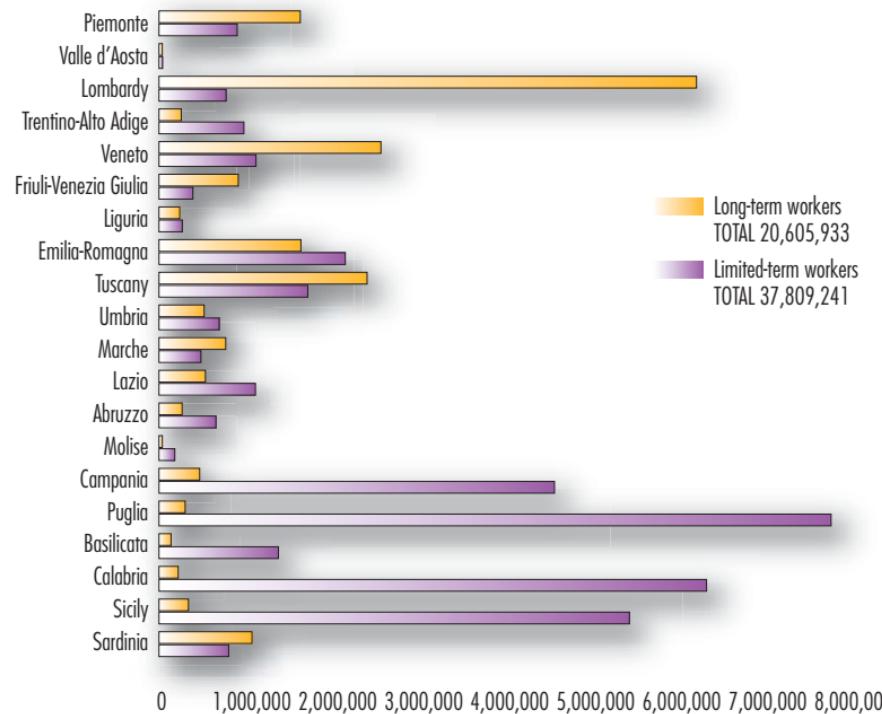
was an increase in workdays by full-time long-term labourers (+62%).

Workdays by family members made up 78.5% of the total, with the highest figures in Valle d'Aosta (93.4%) and the lowest in Lombardy and Calabria (62.2% in both regions).

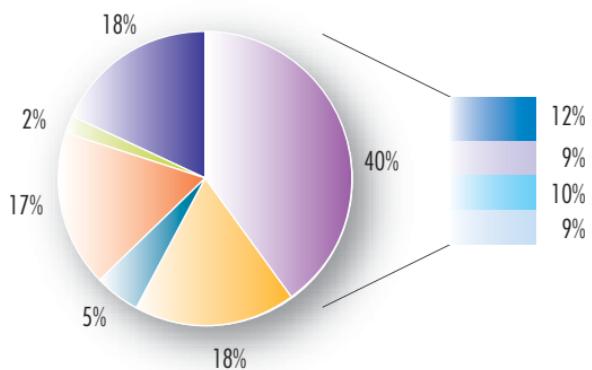
Roughly half of all workdays were provided by the farmer and just under 15% by the spouse, whose share of workdays varied significantly among regions, with 9.4% in Sicily and 22% in Valle d'Aosta, the highest figure.

As for salaried labour, over half of total workdays provided by this segment were in the South, where part-time labour predominates. In particular, in Calabria and Puglia, salaried workdays by occasional labourers were 36.5% and 32.3% of the regional totals, respectively. The North has a larger share of long-term workers, who in Lombardy ensure 36% of total workdays.

### *Salaried workdays in agriculture by type of employment, 2005*



## Workdays by farm type, 2005



Farms specialising in arable crops	49,129,132
Farms specialising in nursery plants	13,947,331
Farms specialising in herbivorous livestock	46,158,378
Farms specialising in granivorous livestock	5,169,069
Mixed farms	47,827,146
Farms specialising in permanent crops	271,077,847
Vines	33,541,238
Fruit and citrus	24,993,014
Olive trees	25,881,862
Other and/or combined permanent crops	24,430,677

# Land market

In 2006, the average price of land increased by a scant 0.8%, though with marked territorial differences. In regions of the North-East a modest drop was recorded (-0.3%), for the second year running, whereas growth was observed in southern regions, in an apparent counter-trend with the past (+2%). As for altitude zones, the greatest increases were concentrated in mountain areas and coastal hilly regions (+2/+3%), as compared with basically stable prices in low-lying areas. For the second year running, there was a decline in land values in real terms (-1.3%), meaning net of consumer price increases (+2.1%). Demand continues to be a major factor in the market, although the climate of uncertainty tends to favour balance with supply. Demand is prevalently for land with high fertility and infrastructure. By farming region, the highest land

*Average land values (thousand euro/hectare), 2006*

	Type of land (according to altitude)					Total	Var. % 2006/2005
	Inland mountains	Coastal mountains	Inland hills	Coastal hills	Lowlands		
North-West	5.6	14.4	18.4	37.2	32.7	22.1	1.6
North-East	18.5	-	27.1	25.1	35.7	29.7	-0.3
Centre	7.1	11.6	10.8	16.4	20.0	11.8	0.8
South	6.5	10.5	10.3	15.5	14.3	11.1	2.0
Islands	5.8	9.4	7.3	9.3	12.5	8.4	1.0
<b>TOTAL</b>	<b>8.8</b>	<b>10.2</b>	<b>11.9</b>	<b>13.8</b>	<b>26.8</b>	<b>15.9</b>	<b>0.8</b>

*Source: INEA land values data bank.*

values were concentrated in the Po Valley lowlands, the Adige Valley and the wine-growing areas around Cuneo. Land values were also high in outlying areas near Rome and the province of Naples, the Pistoia nursery areas and in some coastal zones.

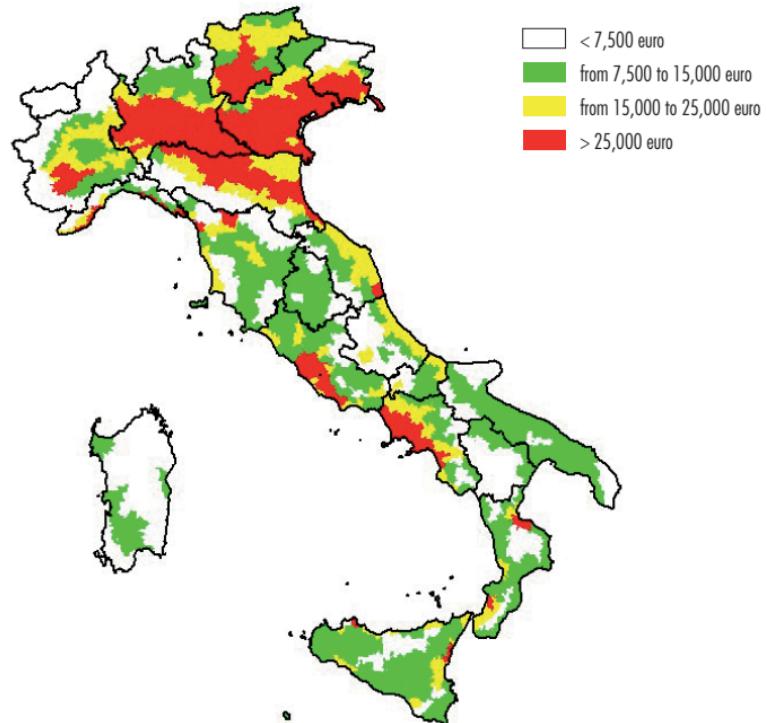
The influence of CAP reform seems most evident in the rental market, whereas with the land market a spread in prices is emerging which

depends on whether or not the land has aid entitlement. Slackening production and the crisis in certain categories have affected farms' profitability, by reducing financial resources available to farmers and constraining their activity in the land market as a result.

The latest ISTAT figures indicate that in 2005 rental land amounted to 3,271,000 hectares, down roughly 12% compared to 2003. In 2006,

there was modest activity of operators in the rental market, and rents remained basically unchanged, though the situation varied considerably across the country. With the new decoupling scheme, a parallel market has developed for lands with aid entitlement: these lands are worth 150 to 300 euro per hectare more, on average, than similar lands without entitlement.

#### *Average land values by farm region, 2006*



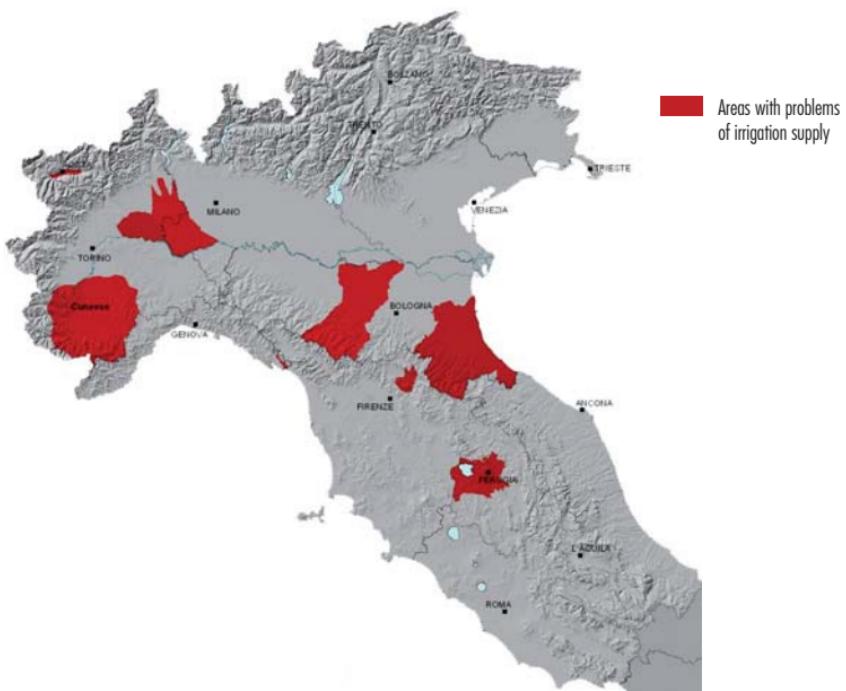
Source: INEA land market data bank.

# Irrigation summary

Over the course of 2007, Italy experienced a severe water shortage, caused by low rainfall and snowfall. This situation was especially evident in northern and central regions of the country, where a state of water emergency was declared and a special commissioner was appointed. The situation had a negative effect on production levels for many crops. In general, the 2007 farm year showed an across-the-board drop in agricultural production (-4%). Harvests were reduced for wine grapes, olives for olive oil, fruit in general, citrus and wheat.

Analysis of available water in various basins of the Centre-North shows a substantial water shortage from the beginning of 2007. Rivers and reservoirs serving irrigated areas in the Po plain were affected by water shortages throughout the year, forcing consortiums to periodically suspend water supplies for irrigation and in-

## *Water availability in basins of the Centre-North, 2007*



*Source: INEA. Monitoring of irrigation systems in central and northern regions.*

dustry. The situation was particularly drastic in Piemonte, for supplying water to the Cavour Canal; in the Cuneo province, because of insufficient resources from the Gesso River; in Emilia-Romagna, especially the Panaro and Secchia river basins; in Liguria, due to reduced flow of the Magra River; and in Umbria, because of the critical level of Lake Trasimeno.

The South also experienced a significant drop in available volume in ma-

jor reservoirs in Sicily, Basilicata, Puglia and Sardinia. These results were higher than those recorded in the summer of 2002 (a particularly critical year for the South). The water shortage (from 20% to 80%) caused by low rainfall from October through December 2006 (except for Sicily, which had more than average accumulated rainfall) was partly made up for in all regions, thanks to rains in January and February of 2007. Over the summer, regions of

the South had very little rain and temperatures that were almost constantly above average for the period. This caused extreme heat waves, but, overall, water availability was greater or equal to the historic average. Some problems of water shortage affected Puglia, both for irrigation supplies (in the provinces of Lecce and Brindisi) and for drinking water. Problems associated with temperature affected Calabria, which experienced fairly serious crop damage.

# Production levels

In 2007, agricultural output at basic prices, including forestry and fishing, increased in value by 2.5% compared to 2006, as a result of stable output volume (-0.1%) and an increase in basic prices (+2.6%). By category, there were drops in output for field crops (-0.5%), fodder crops (-2.9%) and tree crops (-6.3%), while livestock output increased (+3.3%).

The cereal sector experienced a slight downturn in output volume (-0.3%), especially durum wheat (-1.9%), to which less land was planted following the introduction of the scheme of decoupled aid. Industrial production continued to shrink, in terms of land planted, with a drop in output for soya (-24.1%), sunflowers (-9.5%), tobacco (-6.7%) and sugarbeets (-5.5%). This last crop, however showed growth in amount of land planted (+16.5%).

The flowers and ornamentals sector

showed a significant drop (-3.4%), partly due to lower consumption. The vegetable sector overall showed a slight increase (+0.6%), reflecting different results for various crops: growth was shown for cauliflower (+7.4%), endive (+5.6%), lettuce (+5.2%), cabbage (+4.3%), sweet peppers (+2.3%); dropoffs were

recorded for cucumbers (-13.8%), watermelon (-9.9%), chicory (-8.7%), carrots (-8.4%), onions (-3.1%), strawberries (-3%). Output also increased for dried pulses (+1.7%).

Among tree crops, the downturn in output continued for olive oil (-14.3%). Fruit was also down (-1.6%), especially apricots (-4%),

## *Output and services at basic prices by sector, 2007*

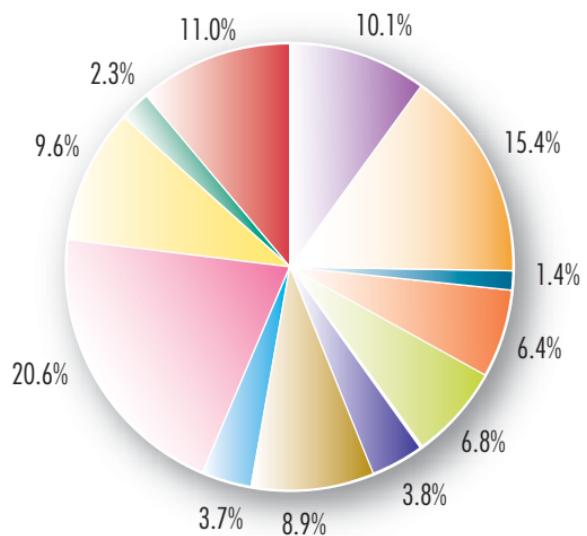
	Italy		% Variation 2007/06	
	million euro	%	volume	prices
Field crops	13,860	27.8	-0.5	6.5
Tree crops	10,183	20.5	-6.3	1.7
Fodder crops	1,674	3.4	-2.9	9.6
Livestock	14,868	29.9	3.3	0.3
Connected services <sup>1</sup>	5,009	10.1	1.1	3.1
Secondary activities <sup>2</sup>	1,269	2.5	2.8	2.3
Forestry	451	0.9	-6.7	-1.7
Fishing	2,452	4.9	4.7	-2.7
<b>TOTAL<sup>3</sup></b>	<b>49,766</b>	<b>100.0</b>	<b>-0.1</b>	<b>2.6</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.

<sup>2</sup> Agritourism, processing of milk, fruit, meat and other agricultural activities.

<sup>3</sup> Including secondary activities of an agricultural nature in other branches of the economy.

## Agricultural output at basic prices by main sector (million euro), 2007



	TOTAL	45,593
Cereals and dried legumes <sup>1</sup>	4,617	
Vegetables <sup>2</sup>	6,999	
Industrial crops <sup>3</sup>	657	
Flowers and ornamentals	2,913	
Grapes	3,087	
Olives	1,728	
Fruit and citrus	4,041	
Fodder crops	1,674	
Meat	9,404	
Milk	4,396	
Eggs and other <sup>4</sup>	1,068	
Connected services	5,009	

<sup>1</sup> Dried legumes account for 92 million euro.

<sup>2</sup> Includes potatoes (762 million euro) and fresh beans (270 million euro).

<sup>3</sup> Sugar beets (235 million euro), tobacco (251 million euro), sunflowers (61 million euro) and soya (88 million euro).

<sup>4</sup> Includes honey (28 million euro).

## Main vegetable output, 2007\*

	Volume		Value <sup>1</sup>	
	000 tonnes	var. % 2007/06	million euro	var. % 2007/06
Soft wheat	3,219	0.8	618	46.9
Durum wheat	3,911	-1.9	1,048	24.5
Hybrid maize	9,649	0.2	1,775	33.3
Rice	1,471	2.8	491	-0.4
Sugarbeets	5,050	-5.5	235	-8.7
Tobacco	90	-6.7	251	-9.6
Soya	414	-24.1	88	-5.2
Sunflowers	279	-9.5	61	-1.9
Potatoes	1,786	0.1	762	15.6
Tomatoes	6,233	-2.1	1,070	-4.4
Dessert grapes	1,355	-9.2	597	0.5
Sold wine grapes	3,392	-13.3	772	-4.0
Wine <sup>2</sup> ('000 hl)	18,741	-12.1	1,708	-4.0
Olive oil <sup>2</sup>	469	-14.3	1,516	-23.9
Apples	2,184	2.5	710	13.9
Pears	862	-5.3	450	1.5
Peaches and nectarines	1,631	-2.0	653	4.3
Oranges	2,126	-9.4	532	-11.3
Lemons	549	-4.2	270	-5.2
Mandarins and clementines	645	-11.3	180	-14.0
Kiwi fruit	454	4.6	284	0.0

\* Provisional figures.

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

<sup>2</sup> According to SEC95 methodology, agricultural output includes wine and olive oil produced from the farm's own grapes and olives, excluding those produced by coops and the food industry.

nectarines (-4.5%), pears (-5.3%) and hazelnuts (-11%). Output was higher for apples (+2.5%) and kiwi fruit (+4.6%).

In the wine-growing sector, a drop was recorded for wine grapes (-13.3%) and wine production (-12.1%), which however showed good results in terms of quality. There was a considerable decline in citrus (-8.1%), accompanied by lower prices (-2.3%). Growth continued for nursery crops (+5%).

The livestock sector showed good recovery in production levels, especially for poultry (+17.2%) and pigmeat (+3.2%), whereas results remained stable for sheep and goats (+0.8%). Cow's milk production dropped slightly (-1%), associated partly with a decline in prices paid to the producer (-1%). Honey dropped significantly (-5.3%), as a result of poor weather conditions, varroa mite infestations, and the

toxic effects of plant protection products.

Forestry output shrank by 6.7%, showing a drop for timber (-2.1%) and firewood (-10.6%). In fishing, growth continued for catch volume (+4.7%), which especially affected fishing in inland waters (+6.4%).

Connected services in agriculture and livestock showed modest growth (+1.1%), as did secondary and complementary activities performed by farms (+2.8%), especially farm stays (+4.5%).

In the EU 27, the 2007 farm year exhibited stable output volumes on the whole (-0.1%), with differentiated results for the main categories. Declines affected vegetables (-1.7%) and secondary activities (-2.3%),

### *Main livestock output, 2007\**

	Volume <sup>1</sup>		Value <sup>2</sup>	
	000 tonnes	var. % 2007/06	million euro	var. % 2007/06
Beef	1,491	2.9	3,310	-3.0
Pigmeat	1,994	3.2	2,379	-3.0
Sheepmeat and goatmeat	68	0.7	232	1.4
Poultry	1,471	17.2	2,363	40.9
Rabbitmeat and game	500	3.9	1,060	-3.2
Eggs (millions)	12,929	0.8	1,030	10.0
Cow's milk <sup>3</sup> ('000 hl.)	107,749	-1.0	3,928	-1.9
Sheep and goat's milk ('000 hl.)	5,715	0.3	467	7.1
Honey	13	-5.3	28	-8.1

\* Provisional figures.

<sup>1</sup> Live weight.

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

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

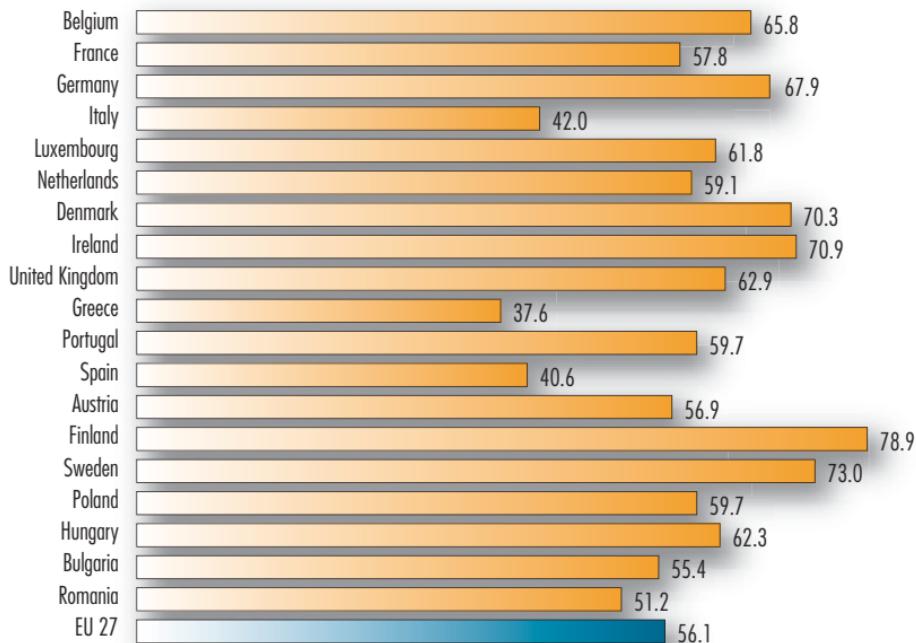
while growth was shown for animal products (+1.9%) and agricultural services (+0.4%). Among plant crops, output slackened for fruit (-5.7%), wine (-3.6%), cereals (-2.9%) and vegetables (-1.7%). Output improved

for sugarbeets (+1.7%), olive oil (+2.4%) and potatoes (+3.9%). For livestock, the greatest growth affected poultry (+3.8%) and pigs (+4.9%). Milk was stationary (-0.3%) and egg production dropped (-1%).

*Agricultural output at basic prices  
and intermediate consumption in  
EU countries, 2006 (%)*

	<b>Output</b>	<b>Intermediate consumption</b>
Belgium	2.1	2.5
France	18.6	19.1
Germany	12.3	14.9
Italy	13.2	9.9
Luxembourg	0.1	0.1
Netherlands	6.8	7.1
Denmark	2.5	3.1
Ireland	1.7	2.1
United Kingdom	6.6	7.4
Greece	3.2	2.1
Portugal	2.1	2.2
Spain	11.4	8.3
Austria	1.7	1.8
Finland	1.1	1.6
Sweden	1.3	1.7
Poland	4.9	5.3
Hungary	1.8	2.0
Bulgaria	1.1	1.0
Romania	4.4	4.0
EU 27 (million euro)	326,725	183,280

*Share of intermediate consumption to output (%)*



# Agricultural income

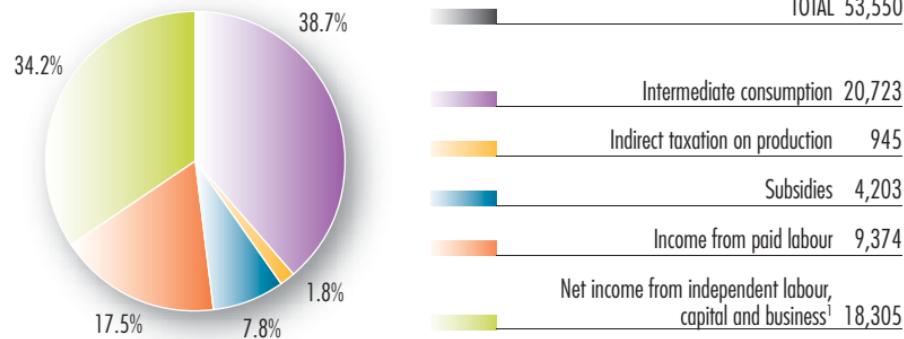
In 2007, the breakdown of gross agricultural production, including production subsidies and indirect taxation, shows contributions of intermediate consumption (seeds, fertilisers, feedingstuffs, energy, services, etc.) of 38.7%.

Income from paid labour accounted for 17.5%. Remuneration for independent labour (farmers, entrepreneurs, family workers, etc.), capital and business was 34.2% after capital depreciation.

Contributions and subsidies disbursed by the state, central administrations and the EU made up approximately 7.8%.

At the European Community level, according to Eurostat figures, real agricultural income per work unit\* increased by 5.4% in 2007, on average for the EU 27, with marked differences among Mem-

*Breakdown of value of agricultural production, 2007\**



\* Including forestry and fishing.

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

ber States. Lithuania enjoyed the greatest growth (+39.3%), followed by Estonia and the Czech Republic, with increases of over 20%. Sweden, in fourth place, is first among the 15 old members of

the EU, with growth of 16.5%. Romania placed last, with a 16.7% loss of income, whereas Italy ranked fourth from the bottom, with a decline in agricultural income estimated at 2%.

\* Corresponds to real net value added in agriculture, at cost to the farmer, per total work units for the year.

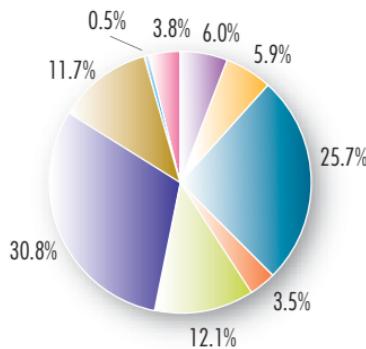
# Intermediate consumption

Expenditure on intermediate consumption, including forestry and fishing, increased in value in 2007 by 5.9%, following a slight decline in volume of inputs used (-0.2%) and a significant increase in prices (+6.1%).

With the exception of seeds (+1.1%), services and other goods connected with agriculture (+1.4%), the drop in volume used applied especially to the inputs industry. Declines were registered especially for motive energy (-2.4%), redeployments (-2.3%), fertilisers (-1.1%), and feedingstuffs and livestock expenses (-0.4%).

Steady growth continued in prices for plant protection products (+5.7%) and fertilisers (+8.7%); there was a strong rebound in prices of seeds (+9.7%) and feedingstuffs (+9.4%), following a stationary period in 2006, and a spike in prices was recorded for redeployments (+15.4%).

*Intermediate consumption in agriculture, forestry and fishing (million euro), 2007*



	TOTAL
Fertilisers	1,246
Seeds	1,216
Feedingstuffs <sup>1</sup>	5,324
Pesticides	732
Energy	2,513
Other goods and services <sup>2</sup>	6,392
Redeployments	2,420
Total forestry	96
Total fishing	784

<sup>1</sup> Including various expenditures for livestock.

<sup>2</sup> General expenditures, financial services, consulting, water, transport, association dues, maintenance, etc.

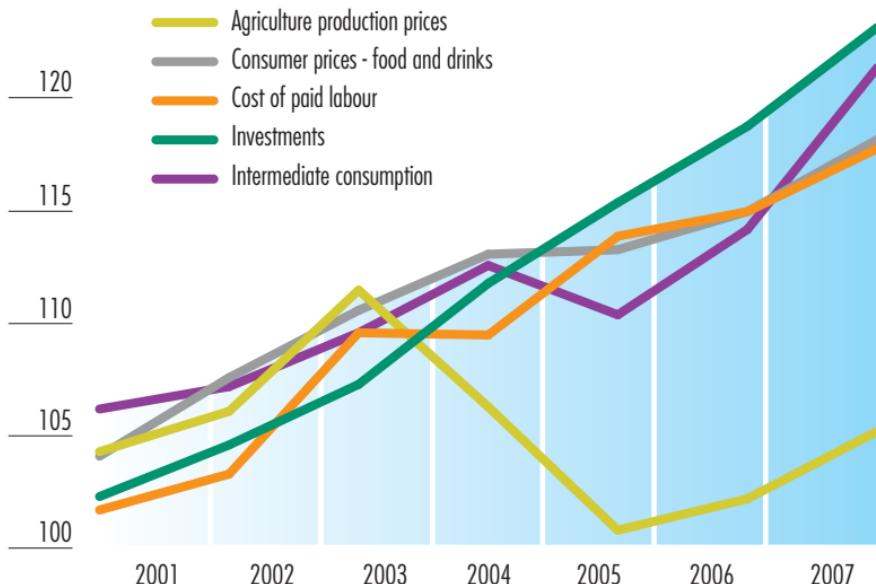
In conclusion, roughly one-third of expenditures for intermediate consumption in agriculture were for services and goods connected with farming, while over one-fourth went

for feedingstuffs and livestock expenses. Intermediate consumption in forestry dropped in volume (-7.4%), whereas that for fishing and aquaculture increased (+1.3%).

# Prices and costs

In 2007, the prices of intermediate consumption in agriculture, forestry and fishing rose on average by 6.1%, while the price of investments grew by 3.7%. The cost of paid labour increased by 2.3%. Prices in the agriculture sector rose by 2.9% on average, strengthening the recovery of 2006. Increases were recorded for field crops (+6.5%), especially cereals, topped by soft wheat (+45.8%) and durum wheat (+26.7%). Prices also rose significantly for fodder crops (+9.6%), while livestock prices remained nearly stationary (+0.3%). Price increases were moderate for tree crops (+1.7%). The development in agricultural trade, measured as the ratio of the production price index to that for intermediate consumption, deteriorated further (-3.2%), continuing the trend of 2006.

*Prices and Costs - Index numbers (basis 2000 = 100)*



Source: ISTAT.

# Credit for the agricultural sector

In 2007, there was a 5.6% growth in bank lending for agriculture compared to the previous year, less than was recorded for the economy as a whole (+11.5%). This growth affected geographical areas of Italy differently: higher in the North (+7.5%), less in the Centre (+3.9%) and even less in the South (+2.6%). The ratio between total lending and agricultural output rose from 71.9% to 74%, highlighting growing exposure in the sector. The process of re-organising the financial structure of farms toward longer-term funds stalled: middle- and long-term loans dropped to 69.3% of total lending, showing an increase of roughly 4.5%, as compared to a 7.7% increase in short-term loans. Disbursements for investments dropped by approximately 6%. Particularly hard hit were investments in machinery and equipment (-11.3%) and purchases of land and other ru-

## Bank lending for agriculture, forestry and fishing\*

	Total million euro	Short term %	Medium-to-long term %	% of Output <sup>1</sup> %
2003	27,726	32.8	67.2	56.3
2004	29,943	32.1	67.9	58.2
2005	31,831	31.0	69.0	67.1
2006	34,148	30.0	70.0	71.9
2007	36,002	30.7	69.3	74.0

\* Figures reflect overall amount of bank lending, not restricted to operations classified as "credit for the agriculture sector".

<sup>1</sup> Output at basic prices: agriculture, forestry, fishing.

Source: Observatory of Banking and Business - ABI.

## Lending beyond the short term for agriculture (disbursements in million euro), 2007

Lending	Total	% change 2007/06	Subsidised % of tot.
Machinery and equipment <sup>1</sup>	1,621	-11.3	16.4
Purchase of rural property <sup>2</sup>	575	-15.1	7.2
Structures and rural buildings	2,836	-0.3	0.5
OVERALL	5,349	-0.1	7.6

<sup>1</sup> Including transport vehicles and various rural products.

<sup>2</sup> Including agricultural land.

Source: Bank of Italy.

ral property (-15.1%), while investments for structures and rural

buildings remained practically stable (-0.3%).

# Investments

In 2007, gross fixed investments in agriculture, expressed in concatenated figures, showed a further decline (-1.1%), confirming the negative trend registered in 2006 (-0.8%) and 2005 (-1.6%). The share of agricultural investments to the total economy has shrunk somewhat, to 3.8% from 3.9% in 2006.

Net capital stock for agriculture, in real terms, grew by 0.3%, showing a slowdown compared to 2006 (0.5%) and 2005 (1.6%).

Expenditure for machinery and equipment accounted for around 54% of overall spending for investments in the sector. Agricultural investments in information and communications technology represented a somewhat reduced share (0.4%), yet still showed a trend of strength (+5%) though slowing compared to 2006.

## *Trends in gross fixed agricultural investments*

Year	Current values million euro	Concatenated values* million euro	% of <sup>1</sup>	
			tot. invest.	VA from agriculture
2001	9,657	9,408	3.8	32.4
2002	10,559	9,974	3.9	35.4
2003	11,144	10,373	4.1	38.8
2004	12,249	11,084	4.2	36.6
2005	12,124	10,686	4.1	37.0
2006	12,375	10,597	3.9	37.2
2007	12,645	10,477	3.8	36.7

\* Concatenated values express the real dynamic (in volume) of the economic aggregate for the year 2000.

<sup>1</sup> Share of concatenated values; VA from agriculture at basic prices.

## *Gross fixed investments: characteristic ratios by main sector, 2007\**

	Agriculture	Industry	Services	Total
<b>Investments per individual</b>				
euro	7,900	11,000	11,000	10,800
%	73.1	101.8	101.8	100.0
Var. % 2007/06	1.3	0.0	0.0	0.0
<b>Net capital stock per individual</b>				
000 euro	119.7	111.3	187.6	162.6
%	73.6	68.4	115.4	100.0
Var. % 2007/06	3.3	-0.3	0.7	0.6

\* Concatenated values, 2000. Services include home investments.

# Structures and income according to FADN

FADN figures show that, compared to the accounting year 2006, technical and economic aspects of Italian farms have changed significantly in recent years, determined by the latest European Community policy measures, as well as developments in agricultural markets. In particular, there has been a trend toward larger farms, physically and economically, and a corresponding increase, though more contained, in profitability of land and labour.

An examination of the figures shows that farms in the North-East, North-West and Centre of Italy are decidedly larger in structure than those in the South: both average farm size and workforce on farms in the South are lower than the national average. This discrepancy becomes even greater when referring to economic size expressed in terms of GSP, compared with which even central farms lie below the national average.

*Structural and economic indicators by geographical area, 2006*

	GSP/ha euro	NI/ha euro	GSP/WU euro	NI/FWU euro	NI/GSP %
North-West	4,454	2,380	61,373	27,381	42.7
North-East	4,366	2,436	47,602	17,387	32.4
Centre	2,663	1,540	33,844	12,989	34.6
South & Islands	2,358	1,567	28,243	15,470	42.1
ITALY	3,226	1,892	39,305	17,655	38.3

*Source: INEA-FADN 2006.*

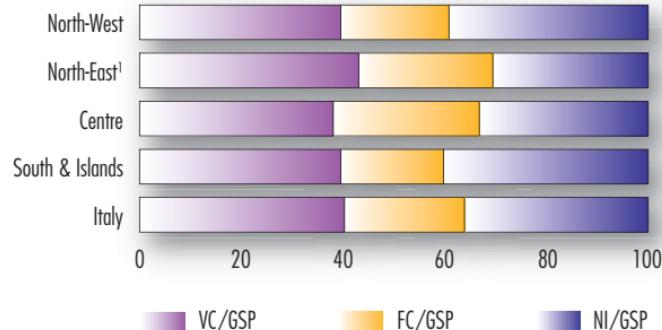
The better structural aspects of northern farms are responsible for higher production levels, which lie well above the national average: at over 92 thousand euro, the North-West realises the highest value of saleable farm production; the North-East placed a distant second with gross saleable production (GSP) of over 70 thousand euro. The other two geographical areas place below the national average, estimated at around 50 thousand euro, with a dif-

ference, however, that becomes significant only for southern farms (with nearly 20 thousand euro less in GSP).

The highest amount of fixed farm costs are on farms in the North; only on southern farms are costs lower, just less than 7 thousand euro per farm. Variable costs are closely connected to production methods, which are in turn related to geographical location. In this case as well, FADN figures indicate that

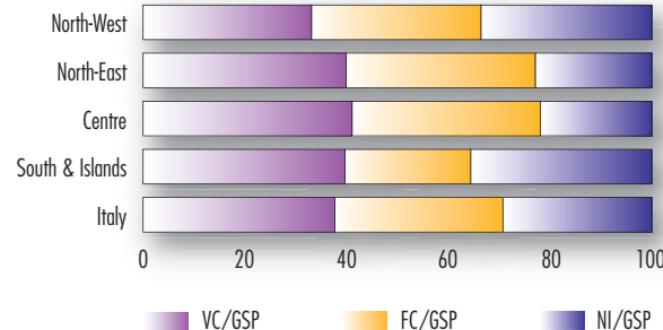
*Structural and economic figures by geographical area - farm averages, 2006*

	UAA ha	WU n.	FWU n.	GSM ESU	GSP euro	VC euro	FC euro	NI euro
North-West	20.8	1.5	1.4	41.2	92,615	39,934	21,507	39,576
North-East <sup>1</sup>	16.4	1.5	1.3	33.3	71,540	32,671	20,002	23,161
Centre	17.3	1.4	1.2	22.2	45,982	18,215	13,756	15,892
South & Islands	13.3	1.1	0.9	17.3	31,277	12,962	6,617	13,170
ITALY	15.7	1.3	1.1	24.8	50,661	21,646	12,692	19,417



*Structural and economic figures by geographical area - FT cereals, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	25.5	1.1	2,030.6	47,295.3	51,794.6	16,307.4
North-East	15.3	0.9	1,759.3	30,571.5	26,899.8	7,194.5
Centre	27.2	1.0	1,183.1	31,216.5	32,137.1	7,267.9
South & Islands	26.5	0.7	880.1	33,521.2	23,341.5	13,342.9
ITALY	23.4	0.9	1,382.6	35,890.6	32,394.0	11,094.4



<sup>1</sup> Provisional figures for Emilia-Romagna.

northern farms have considerably higher variable costs, as a combined effect of larger structural size and more intensive methods: 40 thousand euro for farms in the North-West and nearly 33 thousand euro for those in the North-East, as compared to the Italian average of around 22 thousand euro.

As for income, the amount of fixed and variable costs implies a reduction in farm profitability, especially in the North-East. Compared with the average share of net income (NI) to the value of production, estimated at 38% nationally, farms in the North-East show profitability of 32% of GSP, approximately the same as for the Centre, where NI

accounts for 35% of production value. Farms in the South, thanks to their smaller size (possibly also to less intensive methods), are able to achieve farm profitability of 42% of GSP, though it is lower in absolute terms (just 13 thousand euro annually). This is in line with the achievements of farms in the North-West (where NI is 43% of GSP). Only in this geographical area are satisfactory income levels achieved, both per farm (nearly 40 thousand euro) and per family work unit (just over 27 thousand euro on average).

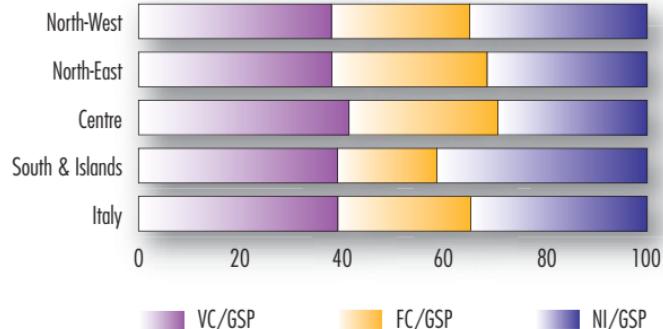
Average profitability of family labour, estimated nationally at around 17.6 thousand euro per

year, is sustained mainly by farms in the North-West, whereas the lowest values apply to the South, with 15.5 thousand euro, and the Centre, with nearly 13 thousand euro.

The adoption of more intensive methods in the North also affects productivity and profitability of land. Compared to average profitability of land, estimated at 3,226 euro per hectare, both the North-West and the North-East recorded decidedly greater productivity, of roughly 4,400 euro per hectare. On the contrary, in the Centre and South, productivity drops to 2,663 and 2,358 euro per hectare, respectively.

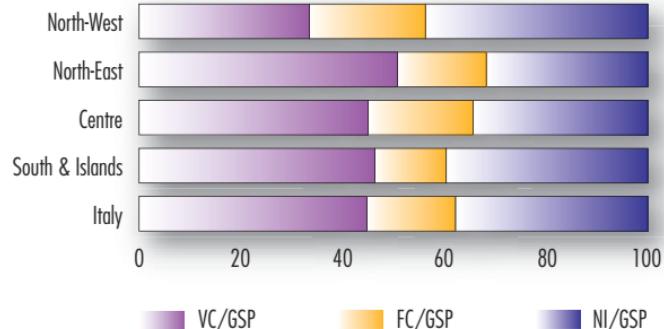
*Structural and economic figures by geographical area -  
FT other arable crops, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	21.4	1.6	3,744.1	50,246.0	80,159.3	20,177.8
North-East	28.3	1.5	2,730.3	52,928.3	77,260.0	20,146.3
Centre	21.4	1.3	2,255.3	36,987.1	48,356.3	12,183.5
South & Islands	14.8	1.3	2,522.0	28,798.4	37,341.7	15,766.3
<b>ITALY</b>	<b>19.7</b>	<b>1.4</b>	<b>2,636.6</b>	<b>38,208.0</b>	<b>51,965.7</b>	<b>16,213.8</b>



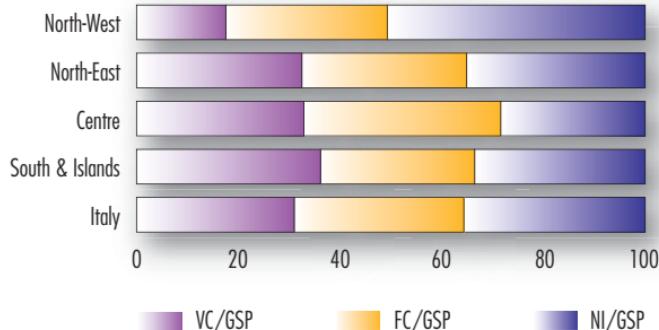
*Structural and economic figures by geographical area -  
FT nurseries, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	1.3	1.7	49,393.4	37,832.4	66,166.4	17,921.9
North-East	3.3	2.9	48,794.5	56,299.3	163,351.3	25,104.4
Centre	2.6	2.4	40,066.2	43,474.7	103,177.1	18,833.1
South & Islands	2.2	2.4	39,435.3	36,434.6	86,642.5	28,368.1
<b>ITALY</b>	<b>2.2</b>	<b>2.3</b>	<b>42,441.5</b>	<b>40,589.7</b>	<b>92,833.0</b>	<b>23,219.6</b>



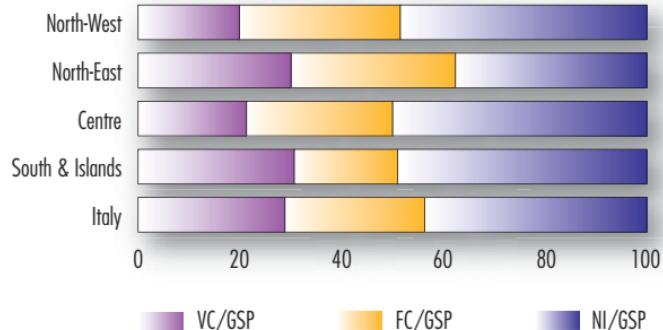
*Structural and economic figures by geographical area -  
FT grapes, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	5.1	1.2	6,844.0	29,388.6	34,864.1	15,499.6
North-East	5.5	1.4	9,009.8	35,878.8	49,905.5	14,171.4
Centre	9.0	1.6	6,299.4	35,758.5	56,954.5	12,049.2
South & Islands	5.7	0.9	3,837.9	24,408.1	22,030.3	11,122.6
<b>ITALY</b>	<b>6.1</b>	<b>1.2</b>	<b>6,043.7</b>	<b>31,116.0</b>	<b>36,919.6</b>	<b>13,148.2</b>



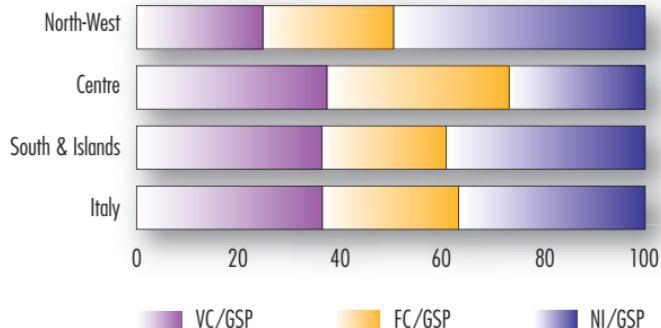
*Structural and economic figures by geographical area -  
FT fruit, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	5.7	1.3	5,713.8	25,739.2	32,509.5	12,945.7
North-East	6.0	1.5	8,839.5	35,228.6	52,634.4	16,708.6
Centre	5.5	0.9	5,208.2	31,709.2	28,779.7	17,458.7
South & Islands	4.9	1.0	5,013.0	23,646.3	24,429.5	15,418.6
<b>ITALY</b>	<b>5.3</b>	<b>1.2</b>	<b>6,392.4</b>	<b>28,788.3</b>	<b>34,032.8</b>	<b>15,790.0</b>



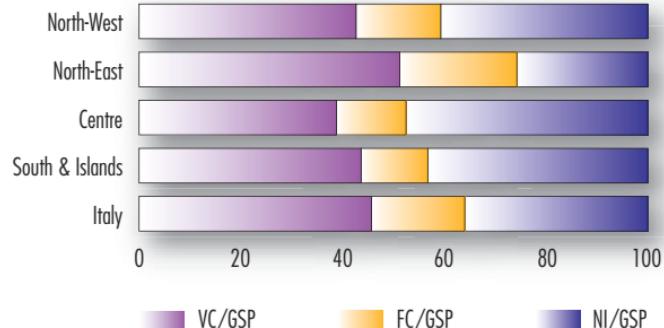
*Structural and economic figures by geographical area -  
FT olives, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	2.5	1.3	5,648.9	10,830.1	14,290.2	5,543.4
North-East*						
Centre	8.3	1.2	3,129.4	22,238.6	25,880.3	7,180.0
South & Islands	6.8	0.9	2,878.8	22,678.8	19,653.8	12,274.0
<b>ITALY</b>	<b>7.0</b>	<b>0.9</b>	<b>2,947.60</b>	<b>22,256.6</b>	<b>20,580.1</b>	<b>10,852.3</b>



*Structural and economic figures by geographical area -  
FT dairy cattle, 2006*

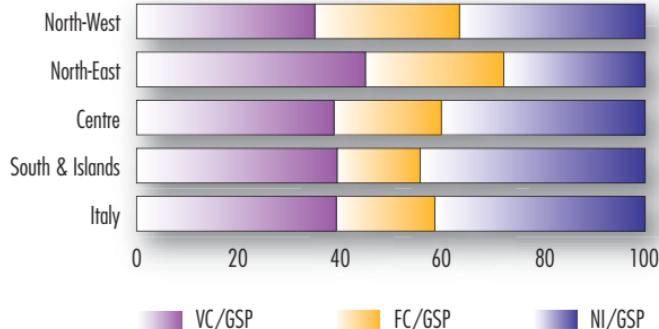
	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/FWU euro
North-West	41.5	2.3	5,507.8	98,411.3	228,401.4	49,102.4
North-East	29.6	2.1	4,563.3	63,011.0	135,060.2	19,579.4
Centre	22.4	1.9	4,253.0	49,623.7	95,110.7	28,903.5
South & Islands	20.0	1.8	5,342.1	59,046.9	106,888.7	34,921.8
<b>ITALY</b>	<b>30.8</b>	<b>2.1</b>	<b>5,028.7</b>	<b>73,273.4</b>	<b>155,082.9</b>	<b>32,671.9</b>



\* In this area the number of specialised farms in the sample is not representative.

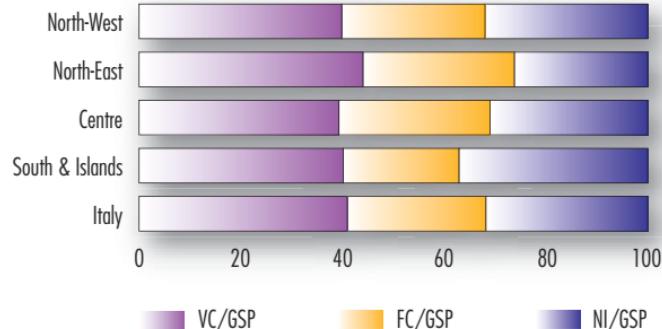
*Structural and economic figures by geographical area -  
FT sheep and goats, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/fwU euro
North-West	31.5	1.3	1,333.0	32,349.8	41,982.0	13,932.1
North-East	59.0	1.8	969.8	32,589.0	57,184.3	11,266.9
Centre	37.7	1.5	1,285.3	32,678.5	48,508.8	16,821.6
South & Islands	35.8	1.2	946.4	27,682.9	33,866.1	15,352.3
ITALY	36.9	1.3	1,042.5	29,482.8	38,484.5	15,285.0



*Structural and economic figures by geographical area -  
FT mixed, 2006*

	UAA ha	WU n.	GSP/ha euro	GSP/WU euro	NI per farm euro	NI/fwU euro
North-West	18.7	1.5	3,121.5	40,037.6	58,508.3	14,700.2
North-East	17.9	1.6	3,466.3	39,316.8	61,915.7	12,189.7
Centre	18.8	1.4	1,959.6	26,330.9	36,772.8	9,602.1
South & Islands	17.3	1.2	1,652.8	24,482.7	28,564.1	11,424.9
ITALY	17.9	1.3	2,251.7	30,278.4	40,405.3	11,607.2





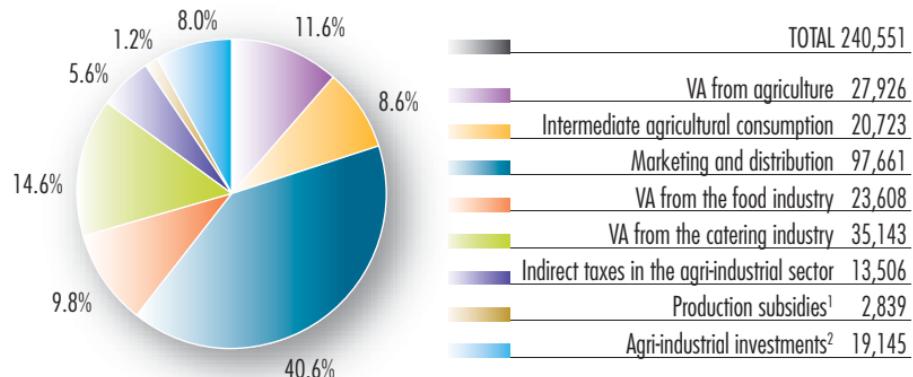
# AGRI-INDUSTRIAL SUPPLY CHAIN

# Composition of the agri-industrial system

The agri-industrial system is made up of a number of activities in which agriculture interacts with all the sectors connected to it: the inputs 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 240 billion euro, or 15.7% of GDP, in 2007. The main contributions were: approximately 27.9 billion from agricultural value added (VA), 20.7 billion from intermediate consumption in agriculture, 19.1 billion from agri-industrial investments, approximately 23.6 billion from VA in the food industry, 35.1 billion from VA in the catering industry and 97.7 billion from marketing and distribution.

*Main components of the agri-industrial system\* at basic prices (million euro), 2007*



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

<sup>1</sup> Refers to agricultural subsidies for "production and business activities"; the share of subsidies to "agricultural products", equal to 1,364 million euro, is included in VA from agriculture at basic prices.

<sup>2</sup> Valuations from ISTAT figures.

# Food industry

The food and drinks sector numbered around 71,000 businesses in 2007, only 6.2% of which employed at least 10 people (ISTAT - Structure and Competitiveness Business Survey - 2005). There were 476,500 work units in the sector, making up 9.4% of employment in industry as a whole. Marked imbalances persist geographically: 70% of workers and around 78% of value added at basic prices are concentrated in the Centre-North.

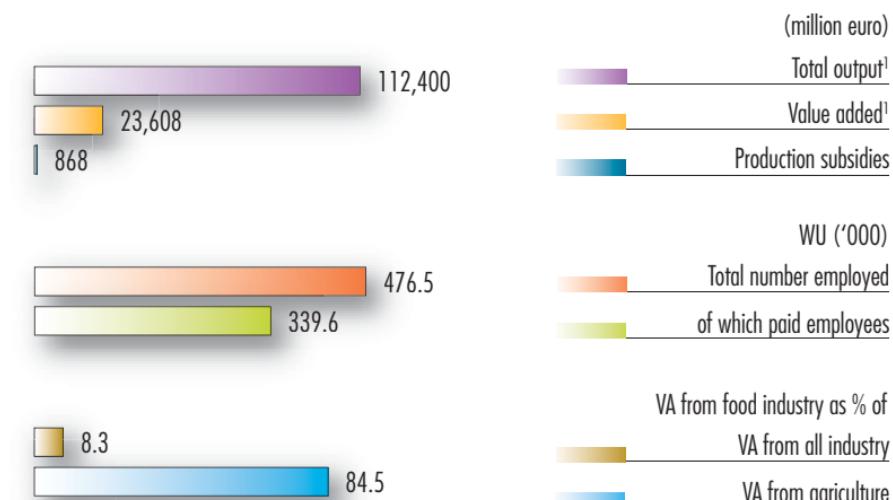
Production in the food and drinks industry dropped by 0.2%, in a countertrend with an increase of 0.5% for industry as a whole. The tobacco industry continued to decline, showing a drop of 8.6% as a result of reduced plantings.

Value added from the food industry remained stationary (+0.1%) compared to 2006; the share of value added from industry in the narrow sense (mining and manufacturing)

and agriculture amounted, respectively, to 8.3% and 84.5%. Compared to 2006, increases were recorded for production of biscuits, bread

and other baked goods (+1.3%), processed and preserved fruit and vegetables (+4.3%), sweets (+2.8%), condiments and spices (+18.2%) and

*Food industry\*: main macroeconomic aggregates, 2007*

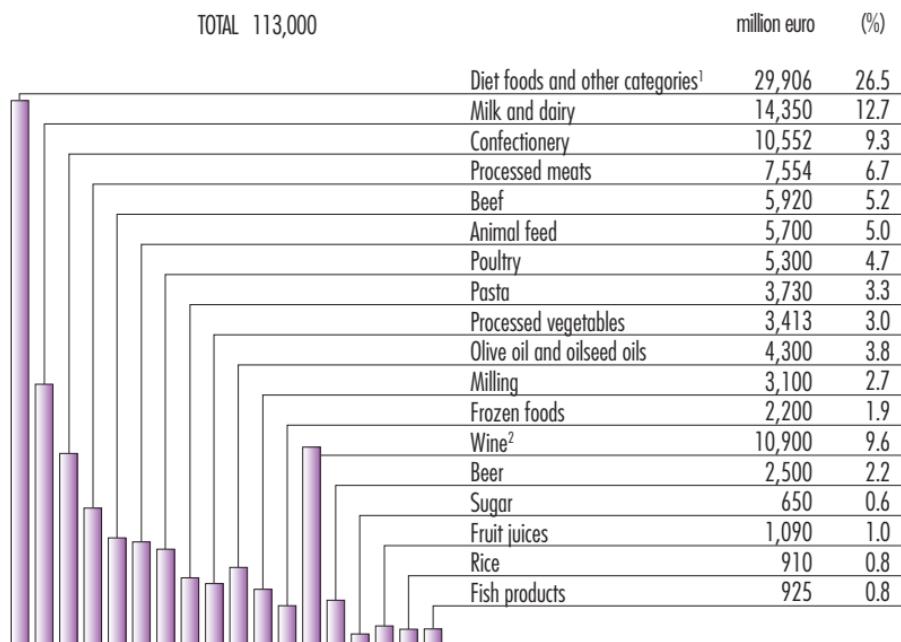


\* Includes drinks and tobacco.

<sup>†</sup> At basic prices.

Source: valuations from ISTAT figures.

## Turnover in the food industry by sector (million euro), 2007



<sup>1</sup> Of which: baby and diet food (2,690 million euro), soft drinks (1,780 million euro), coffee (2,200 million euro), mineral water (2,300 million euro) and other products (20,836 million euro).

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

Source: Federalimentare.

## Changes in volume of food industry production by category (%)

	Var. 2007/06
Milling <sup>1</sup>	-7.3
Pasta	-4.1
Milled rice	-6.9
Biscuits and bread-making	1.3
Processing of fruit and vegetables <sup>2</sup>	4.3
Vegetable and animal oils and fats	-9.9
Slaughter and processing of meat	0.8
Milk and dairy products <sup>3</sup>	-1.2
Sugar production	-0.7
Confectionery	2.8
Condiments and spices	18.2
Wine <sup>4</sup>	1.7
Beer	4.5
Mineral water and soft drinks	3.4
Animal feed	3.3
<b>TOTAL</b>	<b>-0.2</b>

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

<sup>2</sup> Includes vegetable and fruit juices (var. 3.4%).

<sup>3</sup> Includes production of ice-cream (var. -8.4%).

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

feedingstuffs (+3.3%). Growth was also observed for drinks, especially beer (+4.5%). Production declined for milling and flour (-7.3%), milled rice (-6.9%), pasta (-4.1%), refined

oils and fats (-9.9%) and milk and dairy products (-1.2%).

In the EU in 2004 (the latest year for which figures are available), the agri-food industry including tobacco

reached value added of around 200 billion euro and 4.8 million employed, equal to 11.1% of value added and 12.7% of employed, respectively, for the industry sector.

### *Food, drinks and tobacco industry in the EU 27\*, 2004*

	VA million euro	To VA for industry %	Employment 000 units	To employment in industry %
Total EU 27	199,630	11.1	4,772.1	12.7
Meat	31,260	1.7	1,039.0	2.8
Milk and dairy	18,095	1.0	400.0	1.1
Biscuits, bread, pasta and other <sup>1</sup>	71,527	4.0	2,043.1	5.4
Processed fruit, vegetables and other products <sup>2</sup>	29,000	1.6	600.0	1.6
Drinks	35,108	2.0	479.6	1.3
Fish products	3,790	0.2	128.7	0.3
Tobacco	10,850	0.6	66.9	0.2

<sup>1</sup> Sugar, confectionery, tea, coffee, diet foods and baby food, condiments, spices.

<sup>2</sup> Vegetable/animal fats and oils, flour, grain, feedingstuffs, etc.

Source: EUROSTAT.

### *Turnover in the food, drinks and tobacco industry in the EU 27, 2004*

Country	Turnover	
	million euro	%
Belgium	31,384	3.4
France	159,435	17.1
Germany	180,378	19.4
Italy	116,669	12.5
Netherlands	54,315	5.8
Denmark	20,839	2.2
Ireland	23,674	2.5
United Kingdom	122,346	13.2
Spain	83,981	9.0
Poland	32,109	3.5
Other EU	104,870	11.3
OVERALL	930,000	100.0

Source: EUROSTAT.

# Distribution

There were 191,928 fixed retail outlets selling food as their main commercial activity at the end of 2007, a decrease of 2,277 businesses over the previous year (-1.2%). This decline was the result of the closing of butchers (-2%), fruit vendors (-2.5%) and other specialised outlets (-3.3%). In contrast, businesses sell-

ing drinks continued to increase (+4.8%). Nationally, the number of food businesses dropped most in the North (-1.5%). The value of food sales in fixed retail outlets rose by 0.9%, with greater growth in large-scale retail (+1%) and less in small shops (+0.3%). Sales increased mainly in the North-West (+2%)

and decreased somewhat in the Centre (-0.2%).

## Large-scale retail trade

As of 1 January 2007, there were 8,569 registered supermarkets, as against 8,181 in 2006 (+4.7%). The number of sales points in-

### *Food retail outlets, 2007\**

	North		Centre		South & Islands		Italy	
	number	%	number	%	number	%	number	%
Fruit and vegetables	7,752	11.5	4,284	12.3	9,173	10.2	21,209	11.1
Meat and meat-based products	10,548	15.7	5,829	16.8	19,572	21.7	35,949	18.7
Fish and fish products	1,537	2.3	1,454	4.2	5,413	6.0	8,404	4.4
Bread and confectionery	5,893	8.8	2,104	6.1	4,612	5.1	12,609	6.6
Wine, oils and drinks	2,303	3.4	1,202	3.5	1,885	2.1	5,390	2.8
Other specialised foods	6,415	9.6	2,696	7.7	9,397	10.4	18,508	9.6
Other non-specialised foods	32,712	48.7	17,193	49.4	39,954	44.4	89,859	46.8
Total	67,160	100.0	34,762	100.0	90,006	100.0	191,928	100.0
% of total outlets	22.8		22.6		27.3		24.6	
DENSITY <sup>1</sup>	403		335		231		312	

\* Main premises and local outlets.

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

Source: National Observatory of Commerce, Ministry for Economic Development.

creased most in the South (+7.6%). The total area used for retail reached nearly 7.5 million square metres (+5.3%), and the workforce increased to a total of over 156,000 workers (+4.2%). Hypermarkets also increased in number, to 490

(+6.7%), with total retail space of 3 million square metres (+8.2%) and around 79,000 workers (+4.3%). The South in particular recorded the greatest growth, in numbers (+15.1%) and area (+19.4%), while the number of

workers grew more in the North-West (+7.3%).

In 2007, sales increased in value over 2006, by 1.1% for supermarkets, by 0.2% for hypermarkets in the food sector, and by 1.9% for hard discount stores.

#### *Large-scale retail food trade by geographical area, 2006\**

	Outlets		Sales area <sup>1</sup>		Employees <sup>1</sup>		Number of outlets per 100,000 inhabitants	Sales area sq.m./1,000 inhabitants
	number	var. % 2007/06	sq.m.	var. % 2007/06	number	var. % 2007/06		
North	4,869	3.7	6,009,292	4.7	143,757	3.7	18.0	222.1
Centre	1,724	3.8	1,911,459	4.2	47,134	2.1	14.8	164.1
South & Islands	2,466	7.9	2,488,652	11.4	44,667	8.5	11.8	119.5
<b>TOTAL</b>	<b>9,059</b>	<b>4.8</b>	<b>10,409,403</b>	<b>6.1</b>	<b>235,558</b>	<b>4.3</b>	<b>15.2</b>	<b>174.9</b>

\* Supermarkets and hypermarkets. At 1 January 2007.

<sup>1</sup> Area and employees refer to both food and non-food departments.

Source: National Observatory of Commerce, Ministry for Economic Development.

# Food consumption

In 2007, household expenditure in Italy on food and drink, including alcoholic beverages, was approximately 141 billion euro, an increase of 1.5%. Total consumption by volume remained nearly unchanged

(+0.3%). Compared to 1997, the share of food in families' total expenditure dropped from 17.4% to 15.6%. Expenditure for eating out (cafeterias, restaurants and fast food), according to ISTAT, amounted

to around 67.7 billion euro, with an increase in value of 4.1% over 2006, mainly owing to increases in prices (+2.9%) and volume (+1.1%). Between 1997 and 2007, the impact of this figure, in relationship to the value of food consumption, rose from 38.7% to 48%, showing a gradual change in people's eating habits.

The most important categories in terms of expenditure are meat (31.6 billion euro), bread and cereal products (25.8 billion) and milk and dairy products and eggs (18 billion). Compared to 2006, increases in volume were recorded especially for meat (+1%), coffee, tea and cocoa (+1.8%), diet foods and other food products (+2.3%), alcoholic beverages (+2.4%) and mineral water and fruit juices (+2.4%). Expenditures dropped for bread and cereal-based products (-1%), fish (-1%) and fruit (-1.8%).

Compared to 1997, families spent

## *Break-down of food consumption, 2007*

Product	% of total food expenditure	Average annual % of change 2007/97	
		volume	price
Meat	22.4	0.8	2.1
Bread and cereal-based products	18.3	1.7	1.8
Milk and dairy products and eggs	12.8	0.7	1.6
Vegetables and potatoes	10.5	0.3	2.9
Fruit	6.7	0.9	2.4
Fish	6.4	0.5	2.9
Sugar and confectionery <sup>1</sup>	6.4	1.1	1.9
Wine and other alcoholic beverages	5.1	0.9	2.3
Mineral water and other drinks <sup>2</sup>	5.3	1.9	1.4
Oils and fats	4.5	-0.5	1.8
Coffee, tea and cocoa	1.3	0.6	0.8
Other foods <sup>3</sup>	0.3	2.8	0.8
<b>TOTAL</b>	<b>100.0</b>	<b>0.9</b>	<b>2.0</b>

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

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

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

## Food consumption in some EU countries (kg per capita)\*, 2006

Product	Germany	Greece	Portugal	France	Italy	Hungary	Poland	United Kingdom	Bulgaria	Romania
Cereals and cereal products	112.7	199.4	126.4	109.8	169.2	167.4	151.3	103.4	nd	nd
Refined rice	4.4	4.8	nd	5.5	10.4	6.1	2.5	5.6	3.9	3.8
Potatoes	63.0	93.7	93.1	47.0	43.1	65.4	126.3	101.4	38.3	85.6
Fresh tomatoes	22.5	46.8	nd	29.6	73.8	17.8	17.0	16.0	22.3	28.4
Fresh fruit <sup>1</sup>	28.3	82.5	54.9	39.7	72.9	32.7	16.2	20.3	15.0	20.4
Citrus	46.5	78.1	30.6	116.6	60.9	15.6	17.8	5.1	10.2	13.7
Milk <sup>2</sup>	65.7	65.0	nd	74.0	63.8	nd	nd	115.6	nd	nd
Cheese	20.3	25.7	nd	24.6	21.7	nd	nd	9.2	nd	nd
Eggs	13.0	10.3	nd	15.5	12.0	nd	nd	13.5	nd	nd
Butter	6.5	0.9	nd	7.9	2.9	nd	nd	3.3	nd	nd
Total meat	87.1	83.3	104.8	101.1	90.6	nd	nd	83.8	nd	nd
beef	12.7	15.3	18.4	26.8	25.0	nd	nd	21.1	nd	nd
pigmeat	53.8	28.7	44.2	34.4	39.0	nd	nd	21.5	nd	nd
Oils and vegetable fats	nd	48.6	nd	15.5	22.5	14.0	6.3	24.3	nd	15.2
Sugar	37.4	28.6	30.8	36.4	43.5	31.1	37.8	23.7	26.0	28.4
Wine <sup>3</sup>	24.5	31.9	46.6	53.9	46.5	34.3	1.7	19.7	nd	12.0

<sup>1</sup> Apples, pears, peaches, dessert grapes.

<sup>2</sup> Including other fresh products, except cream.

<sup>3</sup> Litres per capita.

less on meat, milk and dairy and eggs, sugar and confectionery, oils and fats, and alcoholic beverages, whereas they spent more for bread and cereal-based products, vegetables, fruit, fish, diet foods, mineral

water and drinks.

Average family spending for food and drinks in 2007 showed levels similar to those of the previous year (466 euro per month as against 467), with higher expenditures in

the Centre (485 euro per month) and the South & Islands (480 euro), compared to the North (449 euro). Average family spending for food and drinks accounted for 18.8% of total monthly outlays.

# Foreign trade

Again in 2007, Italy's position continued to improve in terms of results for agri-industry and trade transactions. Agri-industrial production showed an increase of 1.7%, slightly higher than that recorded for 2006; exports held the trend of growth of the previous year (+6.3%), whereas imports increased by 2.1%, though the results were less dynamic than in 2006. The effect on balance of trade was positive, with improvement of 8.7% in value.

Both extent of supply and propensity to import showed slight variations compared to 2006, though neither exceeded one percentage point. Results for propensity to export were greater, with an increase of 1.4%, and extent of trade cover, with an increase of nearly 3 percentage points, indicating an improvement in Italy's competitiveness on foreign markets.

Compared with Italy's total interna-

tional trade, agri-food's share in 2007 remained practically unchanged, making up 8.7% of imports and 6.7% of exports.

Italy's trade share with the EU 27 shows the two flows in line with each

other, as both imports and exports amount to 70% of the total. Compared to 2006, import value remained unchanged, while Italy's exports increased by 1.7%. The top 5 countries of supply for Italy were

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

	2000	2006	2007	
<b>MACROECONOMIC AGGREGATES</b>				
Total agri-industrial output <sup>1</sup>	(O)	67,899	71,047	72,257
Imports	(I)	25,134	31,393	32,067
Exports	(E)	16,778	22,741	24,168
Balance	(E-I)	-8,356	-8,652	-7,899
Volume of trade <sup>2</sup>	(E+I)	41,912	54,134	56,234
Apparent consumption <sup>3</sup>	(C = O+I-E)	76,255	79,699	80,156

## **INDICATORS (%)**

Degree of self-sufficiency <sup>4</sup>	(O/C)	89.0	89.1	90.1
Propensity to import <sup>5</sup>	(I/C)	33.0	39.4	40.0
Propensity to export <sup>6</sup>	(E/O)	24.7	32.0	33.4
Degree of trade cover <sup>7</sup>	(E/I)	66.8	72.4	75.4

\* 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.

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

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

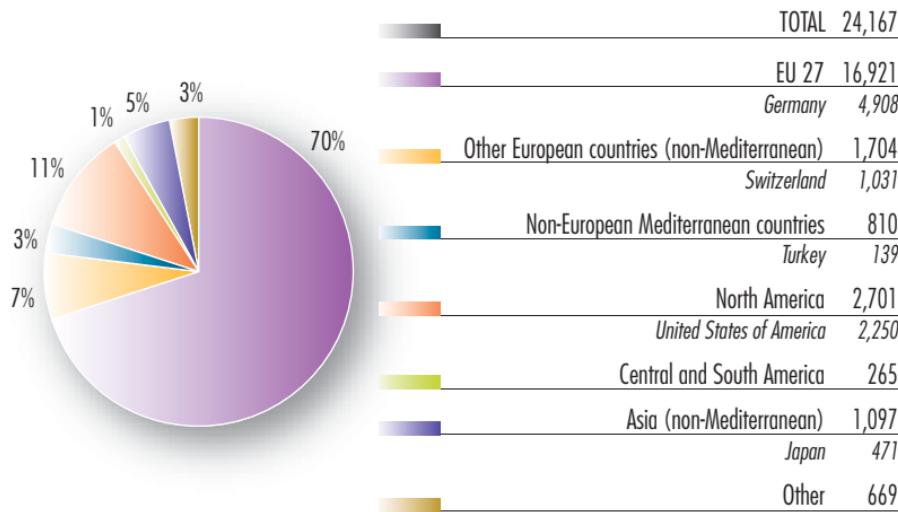
<sup>4</sup> Output-consumption ratio.

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

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

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

## *Destination for Italy's agri-food exports (million euro), 2007*



France, Germany, Spain, the Netherlands and Austria, while the most important importer of Italy's products, after Germany and France, was the United Kingdom, overtaking the United States and Spain.

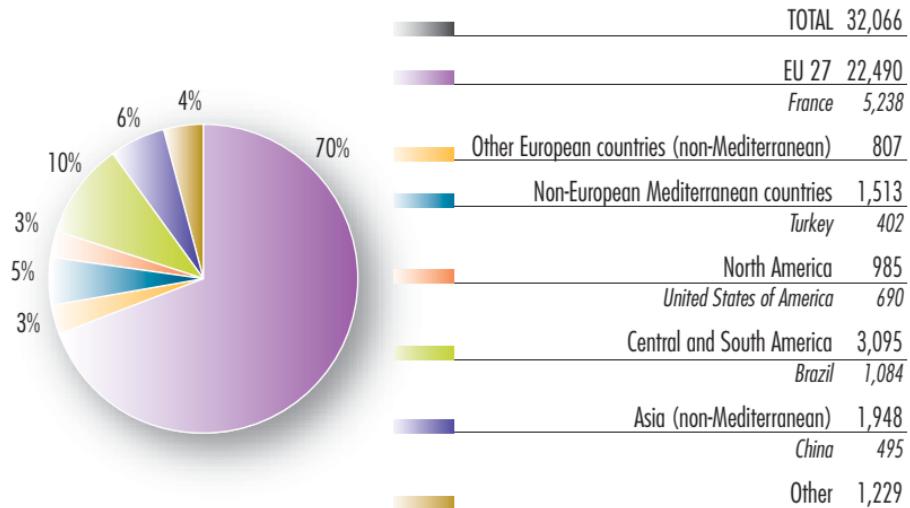
The different pace of growth in exports and imports is particularly evident within the primary sector; here, exports grew by nearly 10%, roughly 4 percentage points more than in 2006, and imports showed

an increase of 2.4%, losing around 3.5 points over the previous year. The trend was similar for the food industry, with a 5.5% increase in exports and a 2.6% rise in imports. The effect on normalized balance is more accentuated for the primary sector, with an improvement of about 3 percentage points, from -38% to -35.1%, while the balance for the food industry was -5.7% (+1.3% over 2006).

Exports were concentrated within traditional Made in Italy products: the top 5 foreign export products were red and rosé VQPRD wines, pasta, tinned tomatoes, cocoa-based sweet products and virgin and extra-virgin olive oil. The trend in 2007 was favourable for all products, with increases oscillating between 6% and 38%, except for olive oil, which dropped by 16.6%. With imports, Italy's dependence on foreign supply was confirmed in some

sectors, such as livestock and fish. The largest imports were beef and pigmeat, and the category of oil-cakes, flour and feedingstuffs, followed by frozen shellfish and mollusks and virgin and extra-virgin olive oil. Negative changes from 2006 to 2007 reflect the general decline in imports: the only exception was oil-cakes, flour and feedingstuffs, with an increase of 17%.

### *Source of Italy's agri-food imports (million euro), 2007*



## Foreign trade by main agri-food category (million euro), 2007

	Import	Export	Nb* (%)		Import	Export	Nb* (%)
Cereals	1,987	124	-88.3				
of which from seed	74	19	-59.3	Cereal products	923	3,077	53.9
Fresh legumes and vegetables	731	899	10.3	of which pasta	45	1,542	94.4
of which from seed	185	59	-51.4	Sugar and confectionery	1,258	1,122	-5.7
Dried legumes and vegetables	101	25	-60.2	Fresh and frozen meat	4,005	780	-67.4
Citrus	213	135	-22.3	Processed meat	261	906	55.2
Fresh fruit	957	2,088	37.2	Processed and preserved fish	2,838	326	-79.4
Dried fruit and nuts	541	227	-41.0	Processed vegetables	776	1,381	28.0
Raw textile fibres	157	6	-93.0	Processed fruit	490	857	27.2
Oilseeds and fruits	551	33	-88.6	Dairy products	3,216	1,740	-29.8
of which from seed	9	5	-26.3	of which milk	714	12	-96.7
Cocoa, coffee, tea and spices	919	47	-90.3	of which cheese	1,361	1,319	-1.6
Flowers and ornamental plants	396	537	15.0	Oils and fats	2,284	1,391	-24.3
Uncured tobacco	39	228	70.5	Oilcake and oilseed flour	1,063	219	-65.9
Live animals	1,302	47	-93.0	Drinks	1,420	4,650	53.2
of which animals for breeding	110	25	-63.0	of which wine	345	3,459	81.9
of which animals for rearing and slaughtering	1,172	15	-97.4	Other food industry products	2,334	2,185	-3.3
of which other live animals	20	7	-49.1	<b>TOTAL FOOD INDUSTRY</b>	<b>20,868</b>	<b>18,633</b>	<b>-5.7</b>
Other livestock products	447	38	-84.3				
Forestry products	894	131	-74.4	<b>TOTAL AGRI-FOOD BALANCE</b>	<b>31,158</b>	<b>23,577</b>	<b>-13.9</b>
of which wood	494	9	-96.3				
Fish products	842	220	-58.5	<b>Cured tobacco</b>	<b>2,045</b>	<b>9</b>	<b>-99.1</b>
Other products	212	158	-14.6	<b>TOTAL AGRI-INDUSTRIAL BALANCE</b>	<b>33,203</b>	<b>23,585</b>	<b>-16.9</b>
<b>TOTAL PRIMARY SECTOR</b>	<b>10,290</b>	<b>4,943</b>	<b>-35.1</b>				

\* Nb = normalized balance.



## **NATURAL RESOURCES AND MULTI-FUNCTIONALITY**

# Biodiversity and agriculture

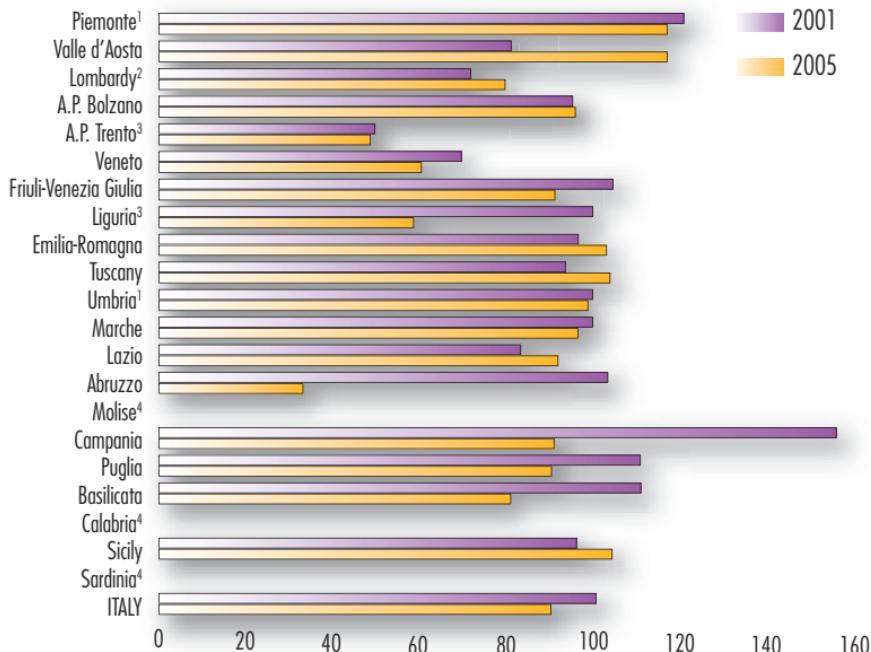
## Birdlife in agricultural areas

Birds are an excellent indicator of the health of the environment, and especially of biodiversity. In particular, the trend in bird populations linked to agricultural environments (birdlife index in agricultural areas) provides useful indications as to the quality of agricultural habitats.

From 2001 to 2005, the birdlife index in Italy fell by 10.4%. Nevertheless, this figure conceals differentiated trends at the regional level. In some regions, in fact, values rose, though in over half of cases declines were confirmed.

Most species of birdlife in decline are associated with open environments like fields, pastures, fallow land and extensive arable crop plantings, as well as unplanted tracts of the agricultural landscape.

## *Birdlife in agricultural areas (2000=100)*



<sup>1</sup> Regional calculations.

<sup>2</sup> The index is adapted to regional bird species.

Source: INEA calculations from LIPU/Fauna Viva figures; Lombardy Region; Umbria Region.

<sup>3</sup> Meaningfulness of data is reduced due to survey limits.

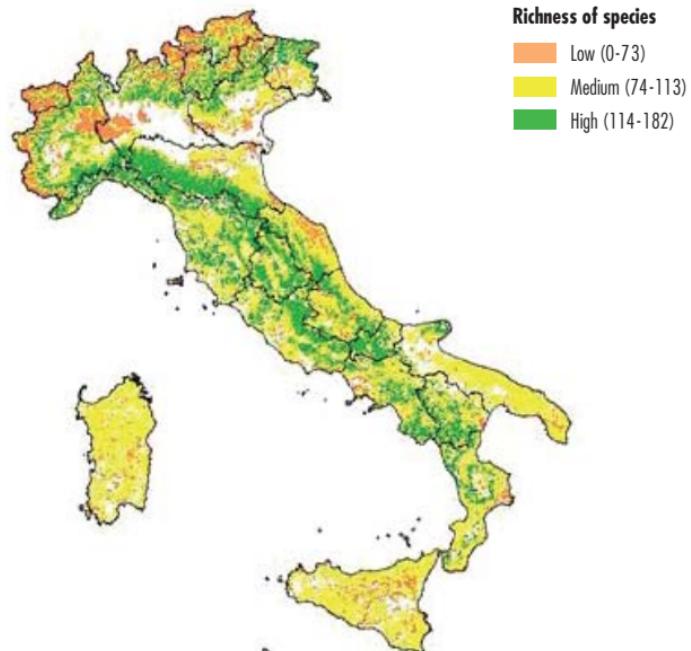
<sup>4</sup> Survey unavailable.

## High Nature Value farmland

Agricultural areas with potentially high nature value (HNV) are identified as those where “agriculture represents the principal use of the soil, and maintains or is associated with the presence of a large number of species and habitats”.

Following an approach based on soil-use data (Corine Land Cover), potentially HNV agricultural land in Italy exceeds 9 million hectares, approximately 31% of total national area. Over 44% of such land is concentrated in the South & Islands, especially in high hills and mountainous zones, where there is greater richness of vertebrate species thanks to the fundamental role of the ecological corridor along the Apennine ridge.

## *High nature value farmland according to richness of vertebrate species*

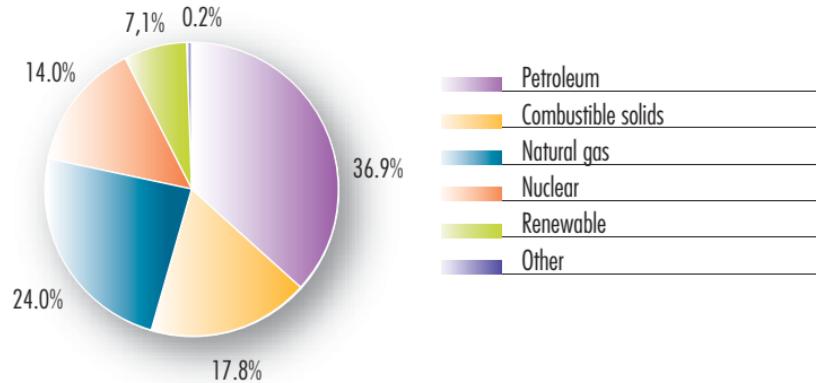


*Source: INEA calculations based on CORINE Land Cover 2000 figures and Boitani et al (2002), National Ecological Network. An approach to Conservation of Italy's Vertebrates, Ministry of the Environment and Territory.*

In 2006, the EU was again the world leader in production and consumption of bio-diesel, respectively 4.9 million and 3.8 million tonnes (EEB and EurObserv'ER figures), devoting roughly 2/3 of rape plantings to this bio-fuel. According to the latest Biodiesel Producers' Union figures, Italy placed second, behind Germany, producing 470,000 tonnes in 2007 (+5.1% compared to EEB figures for 2006). Nonetheless, 80% of bio-diesel comes from imported rape and sunflower oil, while only 45,000 hectares were planted to sunflowers, rape and soia as part of the national framework contract for bio-diesel, involving 5,009 farms in 2006.

As for bio-ethanol, the EU uses only 1% of its cereal crop production (just over 1 million tonnes in 2006, with more than 73% produced by Spain, Germany and France). Bio-

*Energy production by source in the EU 27, 2006*



*Source: EUROSTAT.*

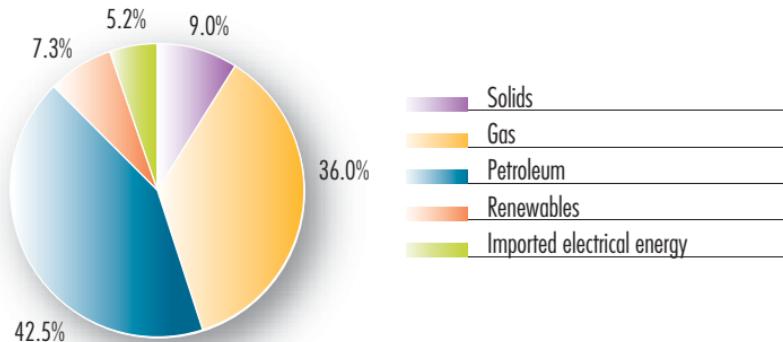
ethanol production in Italy was negligible, just over 100,000 tonnes in 2007.

The use of agri-forest biomass for electrical energy production rose in 2006, an increase of 12% of Gwh produced in the EU and 9.7% in Italy. Nonetheless, of total electrical

energy produced from renewable sources, the impact of biomass was only 18.4% in the EU and 12.6% in Italy, where hydroelectricity continues to supply three-fourths of energy from renewable sources. EU production of biogas from animal excrement and waste was esti-

mated at 5.3 million tonnes in 2006 (+13.6%), two-thirds of which was used for electrical energy production and one-third for thermal energy production, while only a slight amount was transformed into motive fuel. Italy produces only 6.6% of the EU total (353,000 tonnes), though this increased by 13.8% over 2005.

### *Italy's energy production by source, 2007*



*Source: Ministry for Production Activities.*

# Forests

According to the National Inventory of Forests and Forestry Carbon Reserves, forested area is estimated at 10.5 million hectares, or 34.7% of national territory.

68% of wooded areas are prevalently broad-leaved forest, with only 13.3% prevalently coniferous (especially Valle d'Aosta and Trentino Alto Adige, where European spruce is predominant, covering 586,082 hectares). Arboriculture is practised on 122,252 hectares, 84% of which are planted exclusively to broad-leaved species (artificial stands of poplar occupy 66,269 hectares). 58% of other wooded areas are covered by shrubs, prevalently Mediterranean scrub.

Over 70% of forests lie at an altitude below 1,000 metres above sea level, and only 8.5% lie above 1,500 metres.

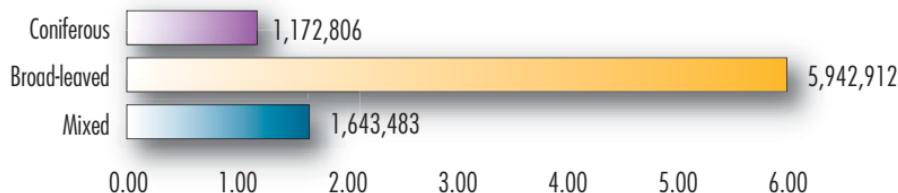
More than 50% of woodlands are covered with coppice and mixed

## *Forested area by macro-category*

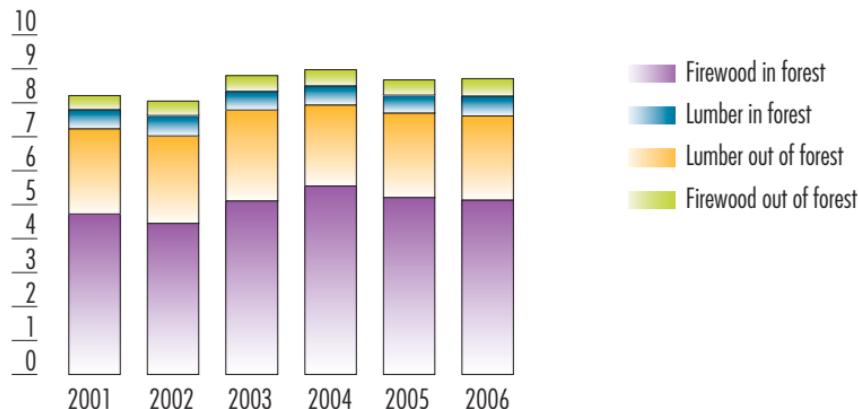
	Woods (ha)	Other wooded lands (ha)	Forested area (ha)	Forested area as % of total
Piemonte	870,594	69,522	940,116	37.0
Valle d'Aosta	98,439	7,489	105,928	32.5
Lombardy	606,045	59,657	665,703	27.9
Trentino-Alto Adige	712,091	67,614	779,705	58.0
Veneto	397,889	48,967	446,856	24.3
Friuli-Venezia Giulia	323,832	33,392	357,224	45.5
Liguria	339,107	36,027	375,134	69.2
Emilia-Romagna	563,263	45,555	608,818	27.5
Tuscany	1,015,728	135,811	1,151,539	50.1
Umbria	371,574	18,681	390,255	46.2
Marche	291,394	16,682	308,076	31.8
Lazio	543,884	61,974	605,859	35.2
Abruzzo	391,492	47,099	438,590	40.6
Molise	132,562	16,079	148,641	33.5
Campania	384,395	60,879	445,274	32.8
Puglia	145,889	33,151	179,040	9.3
Basilicata	263,098	93,329	356,426	35.7
Calabria	468,151	144,781	612,931	40.6
Sicily	256,303	81,868	338,171	13.2
Sardinia	583,472	629,778	1,213,250	50.4
ITALY	8,759,200	1,708,333	10,467,533	
%	83.7	16.3		34.7

*Source: National Inventory of Forests and Carbon, 2005.*

### *Extension by composition of Italy's wooded lands (million hectares)*



### *Wood use in Italy (million cubic metres)*



coppice, which predominate in central Italy, most of which are due for rotation or mature (89% of coppiced area). Coppiced woods extend over 36.1% of Italy's total woodlands (3,157,965 hectares) and the most productive, especially coniferous, are located in regions of the North-East.

Overall, 63.5% of forests are private property, with levels above 82.3% in Liguria, Emilia-Romagna and Tuscany. Trentino has the highest percentage of public property forests (72.2%), as against the national average of 32.4%.

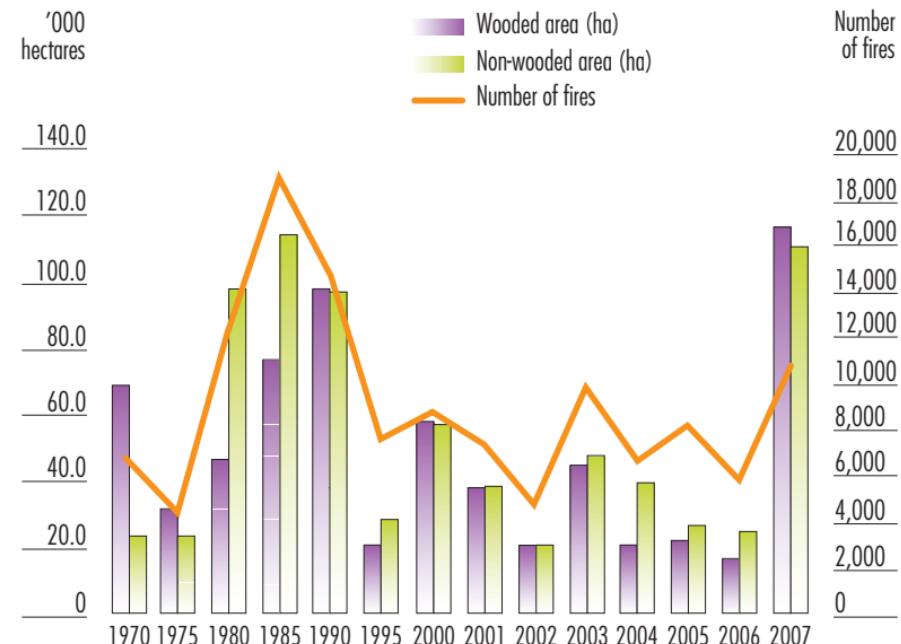
Roughly 81% of national forested area (8,510,104 hectares) is available for wood felling, with a harvest that does not exceed 9 million cubic metres annually. In 2006, just over 89,000 felling licences were granted (95,171 hectares), 79,000 of which were for private property where

felling involved less than one hectare on average.

In the past 10 years, the national network for control of forest ecosystems has recorded a worsening trend in the health of wooded lands, with 9% affected by pathologies and attacks of parasites, 5.6% by weather events or intense climate conditions, and 3.2% by grazing or game, with 33% of trees severely defoliated.

The most obvious threat to national forests is still fire. Due to a prolonged drought and extreme weather conditions, 2007 was the worst year in the past thirty years, with 10,639 forest fires and burned area of 227,729 hectares, nearly half of which were wooded. Hardest hit were regions of the South, especially coppice areas.

### *Area affected by fire and number of fires*

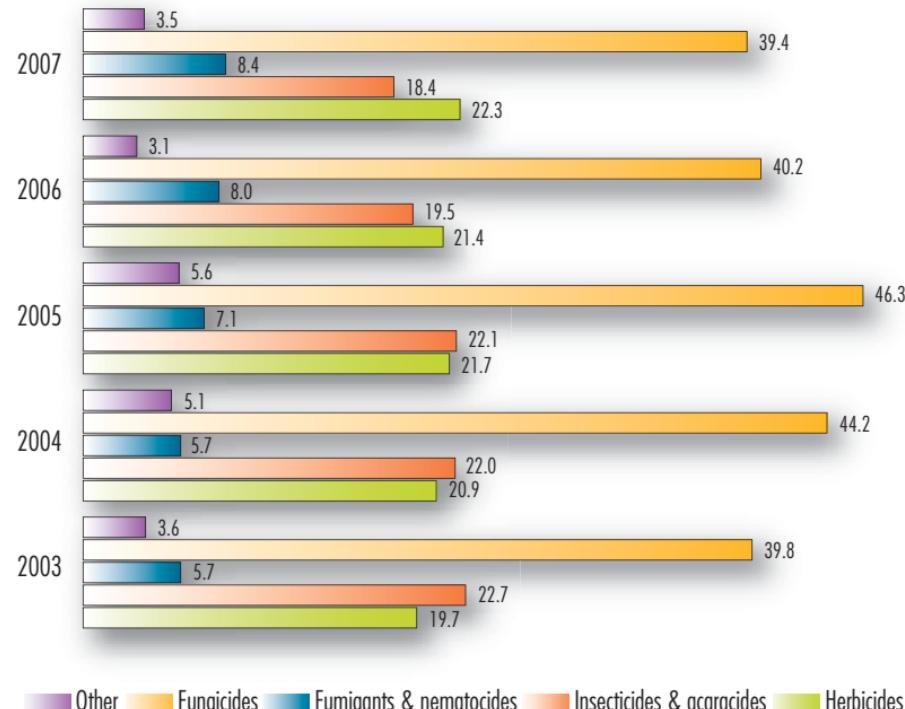


# Use of chemical products

The adoption of new crop protection strategies, the introduction of products with innovative molecules at low doses, and the training and increased awareness of farmers have led to a gradual decline in the use of pesticides in agriculture. In 2006, pesticide use was down 10.8% from 1997 (ISTAT). In 2007, according to Agrofarma, 93,444 tonnes of active substances were used, down 0.3% from the year before. This was a result of lowered use of insecticides (-5.9%) and fungicides (-2.1%), in the face of a growing trend toward sustainable production, like organic and integrated farming. Figures show the greatest use of plant protection products in regions of the North (54%) and the trend in increased market value, which rose by 4.1% in 2007.

Again in 2007, the percentage of irregularities in agri-food products re-

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

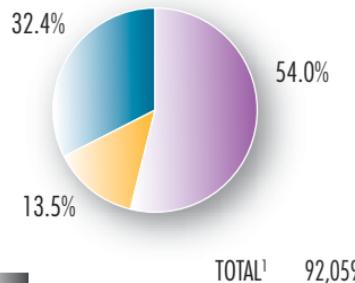


Source: Agrofarma, from figures supplied by member farms.

mained low. In over 200,000 tests made by the National Residue Observatory on samples of fruit and vegetables, 59.6% proved free of plant protection product residues, 34% within legal limits and 6.4% with non-toxic irregularities. Checks made by the Health Ministry were very encouraging: of 8,801 samples of fruit, vegetables, cereals, olive oil and wine, 99.1% tested within legal limits and 71.4% were free of residue.

Total domestic consumption of nitrogen-, phosphorus- and potassium-based fertilisers dropped by 3.1% compared to 2006, for a total of 1.47 million tonnes employed. This confirms greater rationalisation of amounts used and the move toward inputs with high nutritive elements, such as micro-elements, used for high-yield crops.

*Use of plant protection products by geographical area (tonnes), 2007*

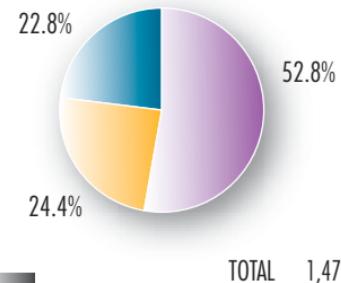


	TOTAL <sup>1</sup>	92,059
North	49,735	
Centre	12,468	
South & Islands	29,856	

<sup>1</sup> Figures refer to 99.1% of member farms.

Source: Agrofarma.

*Composition of fertilisers used ('000 tonnes), 2007*



	TOTAL	1,476.7
Nitrogen	779.6	
Phosphorus	360.8	
Potassium	336.3	

Source: Assofertilizzanti.

# Organic farming

## Production

Again in 2006, Italy was the European leader, with over 1.1 million hectares (+7.6% compared to 2005) and more than 45,000 producing farms (24.9% of the EU total), and placed fifth worldwide, behind Australia (12 million hectares), China (4 million), Argentina (3 million) and the USA (1.6 million). 70% of national organic farming area is devoted to fodder crops, grasslands and pastures, and cereals. Among other categories, growth was shown for fruit (+54.7%), driven by large increases in horticultural area (+154%), and grapes (+11.2%). Sector operators increased by 2.4%. 62.5% of organic producers were concentrated in the South of Italy, whereas 48% of processors and importers were in the North. The growing supply of national organic foods is flanked by an increase in

## *Organic farms in Italy; 2006*

	Production	Transformation	Import	Other	Total	
					number	var. % 2006/05
Piemonte	2,087	333	20	82	2,522	-7.5
Valle d'Aosta	68	7	0	2	77	-2.5
Lombardy	823	435	30	49	1,337	-0.1
Trentino-Alto Adige	776	159	7	4	946	9.8
Veneto	974	456	34	62	1,526	-1.6
Friuli-Venezia Giulia	279	90	4	5	378	-5
Liguria	324	68	10	14	416	-7.3
Emilia-Romagna	3,053	679	38	128	3,898	-3.7
Tuscany	2,249	422	19	175	2,865	0.1
Umbria	1,377	112	7	21	1,517	2.4
Marche	2,490	171	2	37	2,700	-2.2
Lazio	2,436	278	3	44	2,761	-2
Abruzzo	1,247	141	3	43	1,434	-4.3
Molise	215	35	0	10	260	-11.3
Campania	1,277	201	4	46	1,528	6.6
Puglia	5,211	395	7	51	5,664	-7.3
Basilicata	4,817	62	0	19	4,898	-0.8
Calabria	6,566	165	0	80	6,811	63
Sicily	7,512	467	5	126	8,110	-4
Sardinia	1,334	63	1	19	1,417	-11.5
ITALY	45,115	4,739	194	1,017	51,065	2.4

Source: SINAB.

imported products, as evidenced by the growing number of importers (+5%) and the number of licences to import from non-European Union countries (235 at the end of 2007). Organic livestock is also expanding, with the recovery of poultry (+60.7%) and the significant growth in beehives (+18.3%) and sheep and goats (+14.2%).

## Market

The world market for organic agriculture is estimated at around 30 billion euro. Europe is the area of greatest consumption, with over 15 billion euro; business volume in Italy is calculated at roughly 2.6 billion euro, of which at least 800 million comes from exports (IFOAM). 2007 was marked by an expansion in volume of activity of organic farms, and the recovery of domestic consumption of these products; ac-

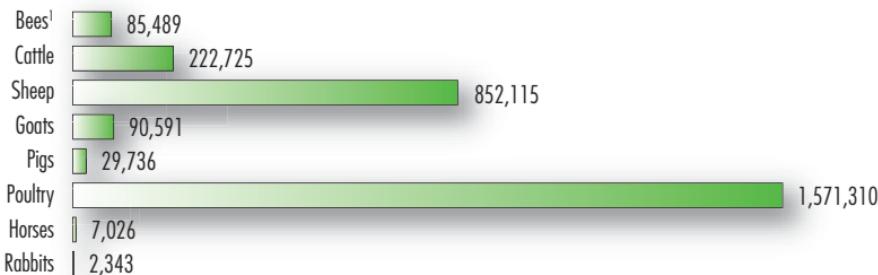
### *Organic farming in the EU, 2006*

	Number of farms	Var. % 2006/05	Area (ha)	Var. % 2006/05
Belgium	783	13.0	33,057	43.8
Czech Republic	1,318	59.0	312,890	22.7
Denmark	2,794	-3.4	138,079	-5.2
Germany	18,057	6.1	873,010	8.1
Estonia	1,173	15.8	72,886	21.8
Ireland	1,104	12.9	39,947	13.3
Greece	23,900	63.5	302,256	4.9
Spain	18,226	16.1	988,323	22.4
France	11,640	2.1	552,824	-1.4
Italy	45,115	0.9	1,148,162	7.6
Cyprus	305	0.0	1,979	16.5
Latvia	4,095	42.5	175,109	47.6
Lithuania	2,855	57.6	125,457	80.7
Luxembourg	72	0.0	3,630	11.9
Hungary	1,553	0.0	122,765	-0.7
Malta	10	66.7	20	42.9
Netherlands	1,465	6.4	47,019	-3.6
Austria	20,200	-0.5	371,000	2.8
Poland	11,887	65.5	285,878	70.4
Portugal	1,696	7.5	269,374	15.4
Slovenia	1,953	13.7	26,831	14.2
Slovak Republic	279	42.3	122,589	33.0
Finland	3,966	-7.7	149,346	1.2
Sweden	2,380	-19.3	225,385	12.7
United Kingdom	4,485	4.7	604,571	-2.5
EU 25	181,311	13.1	6,992,387	11.7

Source: FiBL

## Number of head raised by organic methods, 2006

TOTAL 2,861,335



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

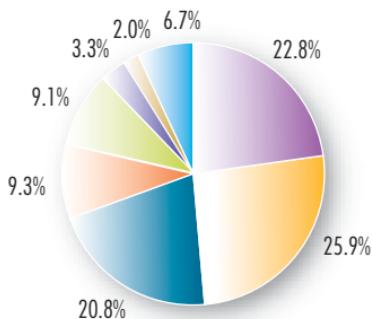
Source: SINAB.

cording to findings by Ismea/AC-Nielsen, domestic purchase of packaged products increased by 10% over 2006, with positive data regarding large-scale distribution sales. Significant rises in sales were recorded for baby foods (+32%), fruit and vegetables (+25%) and

prepared and processed meats (+20%).

According to BioBank, the three-year period 2005-2007 showed a notable increase in short supply chain sales channels. There was also a significant increase in specialised sales points, up by 1,106 (+9%).

## Organic farmland and land under organic conversion, by crop, 2006 (ha)



	TOTAL	1,148,162
Grassland and pasture	261,252	
Fodder crops	297,441	
Cereals	239,092	
Olives	107,233	
Fruit & Vegetables	104,917	
Vines	37,693	
Industrial crops	23,362	
Other crops	77,172	

Source: SINAB.

# Agriculture and water resources

According to the latest ISTAT figures regarding the SPA 2005 survey, 52% of irrigated farms in Italy are concentrated in the South & Islands, while 35% are located in the North. In particular, over one-third of the country's irrigated farms (35.6%) are in Campania, Puglia and Sicily. Just over one-fourth of the national total are in Piemonte, Lombardy, Veneto and Emilia-Romagna. But as far as area is concerned, the North-South balance shifts: in Lombardy, nearly half of the region's UAA (47.7%) is irrigated, and there are also important percentages in Piemonte (27.6%), Veneto (25.1%) and Emilia-Romagna (20.5%), whereas Puglia has 18%, Sicily 13% and Campania 12%.

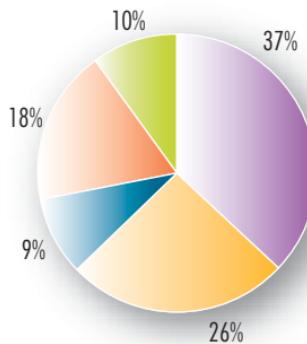
As regards irrigation methods, northern Italy, with its greater supply of water, mainly uses high water consumption systems, such as

flooding and lateral seepage, which are practised on 42% of irrigated surface. The situation is the reverse in the South, where micro-irrigation is used on 54% of irrigated surface, while flooding and lateral seepage are used on only 11% of irrigated UAA.

## *Farms using irrigation, 2005*

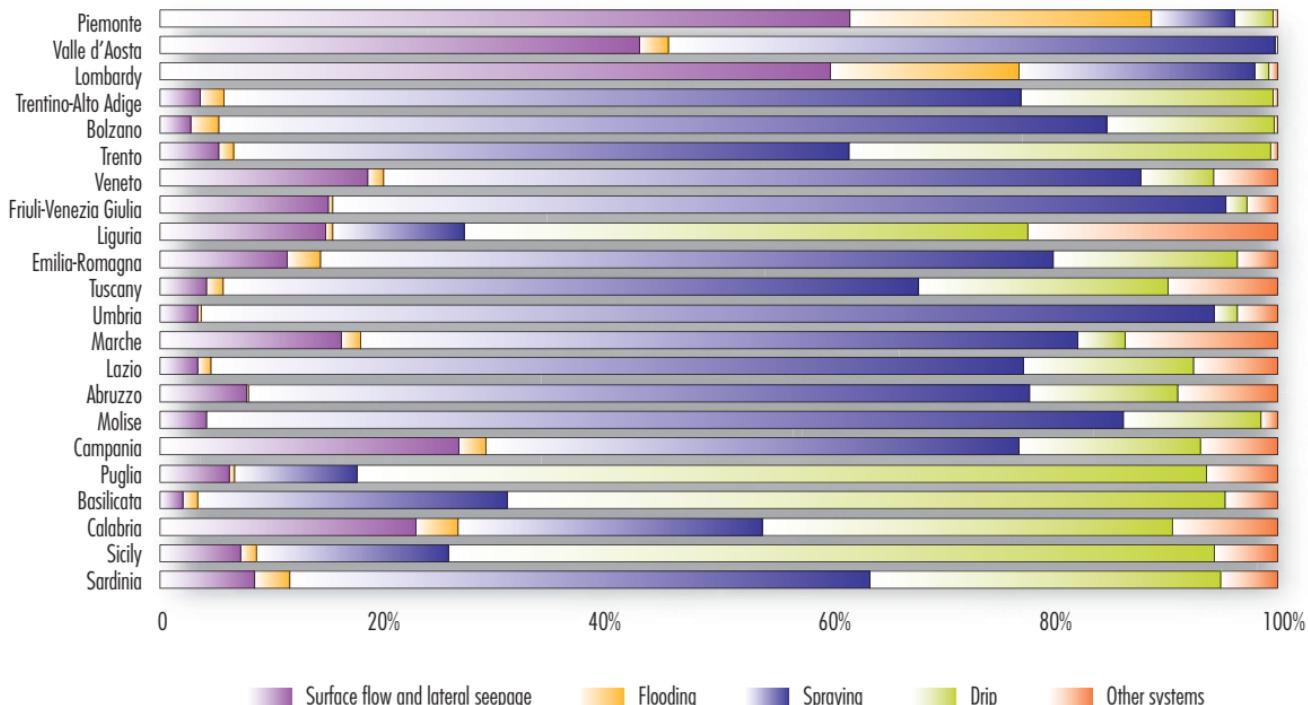
Area of the Country	Irrigated farms (number)
North-West	69,699
North-East	108,016
Centre	64,679
South	172,515
Islands	88,551
<b>ITALY</b>	<b>503,460</b>

## *Distribution of irrigated surface by geographical area, 2005 (% of national total)*



ITALY	2,613,419
North-West	989,151
North-East	670,833
Centre	230,721
South	470,994
Islands	251,719

*Percentage share of irrigation systems to regional irrigated surface, 2005*

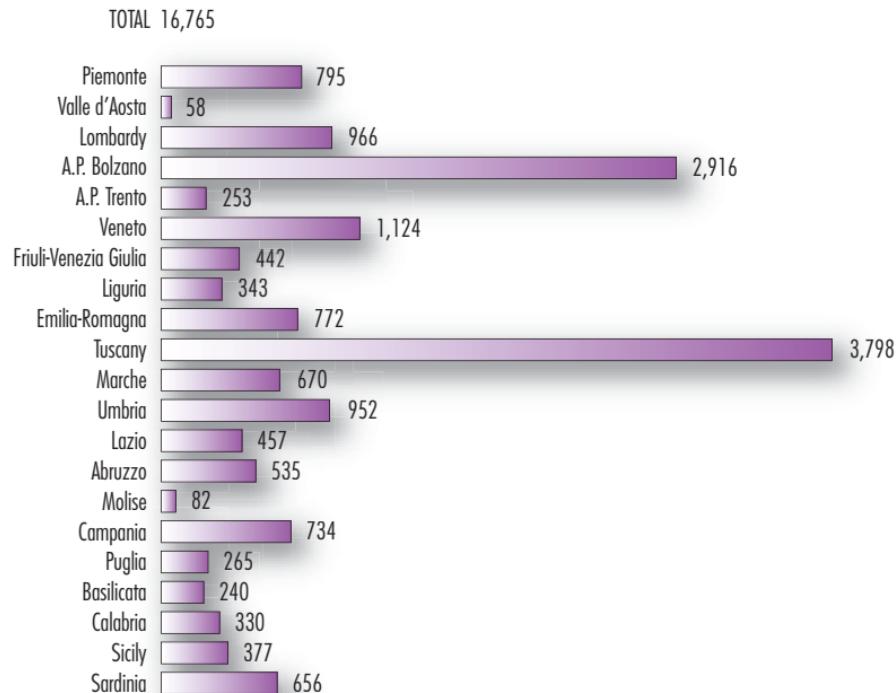


# Farm stays

In 2006, agritourism farms increased by 9.4% over 2005, with peak growth of over 32% in the Marche and nearly 38% in Campania (ISTAT). The continuing growth of the sector (+72.5% since 1998) with improvements in the quality of accommodations has created, with time, a niche phenomenon that is purely Italian.

Common mainly in hilly areas (50.4%) and mountainous zones (35.6%), the 16,765 farm stay sites are concentrated by 45.7% in regions of the North and 35.1% in the Centre, with a dense network historically rooted in Tuscany and Trentino Alto Adige, whereas 19.2% are located in the South of Italy. Alongside traditional activities of lodgings (offered on 82.6% of total farm stay sites) and food (47.1%), which increased overall by 9.5% over the previous year, 15.9% of sites offer tastings of their products (+4.8%

*Agritourism farms by region, 2006*

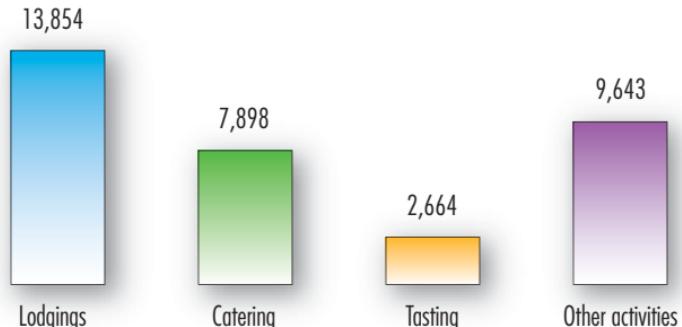


Source: ISTAT.

over 2005), while 57.5% (up more than 10% compared to 2005) offer a range of activities that include cooking courses, excursions and nature observation trips, horseback riding and sports. There are 167,087 beds with an average of 12 per farm, and agri-camping grounds increased to 6,935. These represent increases of 10.8% and 19%, respectively, compared to 2005.

Turnover for the sector was estimated by Agriturist at 1 billion euro in 2007 (+4.4% over 2006), with average turnover per farm of over 56,000 euro. Request in 2007 underwent a recovery among foreign guests (+8%) as opposed to a decline in Italian visitors (-2%), for a total of 12.4 million guests.

### *Agritourism farms by type of service\*, 2006*



\* A farm may be licensed for more than one type of agritourism activity.  
Source: ISTAT.

# Quality products

## Protected designation of origin

With 172 registered PDO and PGI products, Italy has the richest basket in the EU (more than 21% of total). Most of Italy's PDO and PGI recognitions are concentrated among vegetable products (32.5%), extra-virgin olive oil (22.4%), cheeses (19.5%) and prepared meats (17%).

The latest recognitions went to: Calabrian red Tropea Onions (PDO), Pianalto di Poirino Golden Humped Tench (PDO), Mar Ligure Anchovies (PGI), Trevigiana Casatella (PDO) and Noverino Onions (PDO).

In 2006, PDO-PGI certifications numbered 119,202, mostly for farms (95% of total certifications) rather than processors. Olive oil and cheese are the sectors that involve the most farms (38.2% and 33%, respectively), followed by fruit and vegetables (18.6%).

## Number of PDO and PGI products by region\*

Region	Fruit, vegetables and cereals	Olive oil	Cheese	Processed meats	Other products <sup>2</sup>	Total
Piemonte	3	-	9	3	1	16
Valle d'Aosta	-	-	2	2	-	4
Lombardy	1	2	8	8	-	19
Liguria	1	1	-	-	1	3
Trentino Alto Adige	2	-	5	2	-	9
Veneto	8	2	7	6	-	23
Friuli-Venezia Giulia	-	1	1	2	-	4
Emilia-Romagna	6	2	2	10	4	24
Tuscany	6	4	1	4	3	18
Umbria	1	1	1	2	1	6
Marche	1	1	1	2	1	6
Lazio	2	3	3	2	3	13
Abruzzo	1	3	-	1	2	7
Molise	-	1	1	1	1	4
Campania	10	3	2	-	1	16
Puglia	4	5	2	-	1	12
Basilicata	2	-	1	-	1	4
Calabria	2	3	1	4	1	11
Sicily	7	6	2	-	-	15
Sardinia	-	1	3	-	1	5
ITALY <sup>1</sup>	56	38	34	29	15	172

\* As of August 2008 (reg. (EC) n. 776/08.

<sup>1</sup> Some products are inter-regional.

<sup>2</sup> Includes: baked goods, honey, spices, vinegar, meat, fish and non-food products.

As for production, Qualvita figures for 2006 reveal important growth over the previous year (+28%), mainly owing to the trend in the fruit and vegetable sector, especially the certified volume of Alto Adige Apples. The shares dropped for cheeses and meat-based products, which respectively account for 41% and 18% of all PDO production, and olive oil, whose share of certified production dropped by 0.7%. Production value of PDO and PGI, which also rose compared to the previous year, hovered around 4.9 billion euro. Consumption value was roughly 9.2 billion euro: cheeses and prepared meats continue to make up the largest part of both values (93%). Fruit and vegetables accounted for 6.4% of production value and 5.3% of consumption, and olive oil made up 1.5% and 1.1% of the respective values. Roughly 64% of production

value came from only 4 products: Grana Padano cheese, Parma Ham, Parmiggiano Reggiano, and San Daniele Ham.

Exports of PDO and PGI products also showed growth of 14% and a turnover of 996 million euro. The cheese sector alone accounted for 58% of the total foreign market. The regions that benefit most from the PDO system, in terms of certified production value, number of recognised products, and economic share of certified products on production territories, are Emilia-Romagna, Friuli Venezia Giulia, Lombardy, Trentino Alto Adige. The only exception in the Centre-South is Campania, thanks to the share held by Buffalo Mozzarella.

## DOC Wines

Italy boasts a wide selection of wine brands and a high standard of pro-

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

	<b>DOCG</b>	<b>DOC</b>	<b>IGT</b>
Piemonte	11	44	-
Valle d'Aosta	-	1	-
Lombardy	4	15	15
Trentino Alto Adige	-	8	4
Veneto	4	25	10
Friuli-Venezia Giulia	2	9	3
Liguria	-	8	3
Emilia-Romagna	1	20	10
Tuscany	7	36	6
Umbria	2	11	6
Marche	2	15	1
Lazio	1	26	4
Abruzzo	1	4	10
Molise	-	3	2
Campania	3	17	9
Puglia	-	26	6
Basilicata	-	3	2
Calabria	-	12	13
Sicily	1	22	6
Sardinia	1	19	15
<b>ITALY</b>	<b>40</b>	<b>316</b>	<b>120</b>

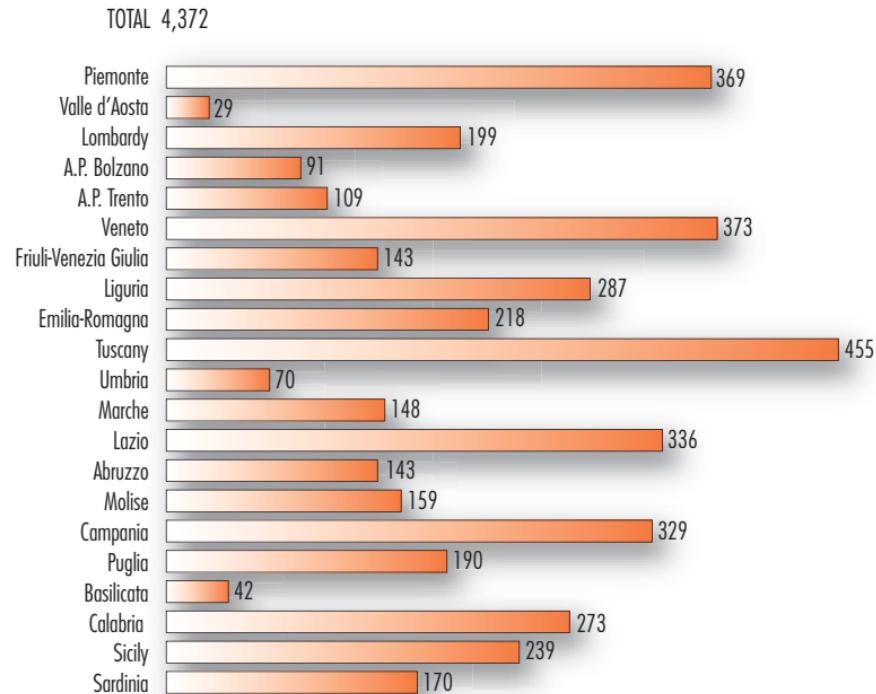
\* As of august 2008.

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 interregional.

duction quality. There are 356 DOC wines, 40 of which are classified DOCG. The latest recognitions went to the following wines: Oltrepò Pavese, Barbera d'Asti, Cesanese del Piglio (DOCG).

In the 2007 harvest, production of DOC and DOCG wines accounted for 34.8% of total wines produced in Italy, registering around 14.2 million hectolitres. Compared to 2006, production of DOC wines dropped in absolute terms (-3.7%), mainly in the South, but improved its position in total wines produced in Italy, due to a steep decline in table wines. The North continued to produce the highest volume of quality wines: 8.5 million hectolitres, or 59% of the nation's DOC production. Wines of designated origin (especially reds) again held first place in the list of Italy's agri-food exports, for a total value of 1,516 million euro.

### *Number of traditional agri-food products by region, 2007*



Source: Processing of data from the National List of Traditional Agri-Food Products, Ministry for Agricultural and Forestry Policies, seventh revision (2007).

## Traditional products

With the MIPAAF decree of 9 April 2008, traditional agri-food products became an expression of Italy's cultural heritage. The list, established under Law Decree 173/98, is overseen by MIPAAF and updated annually by the regions.

As of the seventh revision, there were 4,372 traditional products (+3% compared to 2006). Specialities were divided as follows: 1,301 types of

bread and baked goods, 1,229 vegetable products, 730 meats and prepared meats, 455 cheeses, 147 drinks, distillates and liquors, 148 products of animal origin, 139 prepared fish, shellfish and mollusks, 142 recipes, 47 fats and 34 condiments.

## Certification

The certifications that most involve agri-food are the system of quality

management (regulated by ISO 9001:2000) and the system of environmental management (regulated by ISO 14001). There is a growing, though still hesitant, interest among farm operators in both systems. Figures are decidedly higher for the food, drinks and tobacco sector. The agriculture sector still has no certifications for management of workers' health and safety (OHSAS 18001 regulations).

### *Number of farms and food businesses with certified management systems\**

Regulation	Agriculture	Food industry	Total
ISO 9001	389	3,882	117,668
ISO 14001	82	805	12,740
OHSAS 18001	-	11	1,203
<b>TOTAL CERTIFICATIONS</b>	<b>471</b>	<b>4,698</b>	<b>133,725</b>

\* Figures as of 31/5/2008.

Source: processing of data from Sincert.



# AGRICULTURAL POLICY

# CAP in Italy: pillar I

2007 was marked by intense debate accompanying reforms of the Common Market Organisations (CMO) for fruit and wine, with new support schemes going into effect in 2008.

As regards application to the single payment scheme (SPS), the ceiling assigned to Italy in 2007 was 3.6 billion euro, to which were added financial caps made available by the enactment of Art. 69 in the sectors of arable crops, beef, sheepmeat and goatmeat, and sugar, and for aid to production in the seeds sector.

Again in 2007, producers flocked en masse to take advantage of Art. 69 of regulation (EC) n. 1782/2003.

The broad conditions of admissibility for aid allowed widespread participation, once again setting single flat-rate payments significantly lower than foreseen theoretical levels.

The national application of the aid scheme to the sugar CMO was somewhat difficult. Italy indeed decided

to give up over 50% of its production quota, from 1,557,443 tonnes in 2005/06 to 753,846 tonnes in 2007/08. For the next farming year, Italy has already announced its intention to reduce its quota by a further 245,466 tonnes. This has led to an intense process of rationalisation of production, which involved the closing of 15 of the 19 sugar refineries operating in Italy.

As for the application of the Fischler Reform to the tobacco sector, MI-

PAAF (Ministry for Agricultural, Food and Forestry Policy) established the definitive amount of aid to production by category for 2007. For the second year running, an increase was recorded for the amount awarded to producers, compared to aid estimates set at the beginning of the farm year (+13%), as the amounts of tobacco consigned were less than estimated. Besides the cut resulting from the change (-5% from 2007), these amounts were subject

## *Budgetary ceiling for implementation of the single payment scheme, 2007 ('000 euro)*

- Ceiling for the single payment scheme	3,612,988
- Art. 69 arable crops	141,712
- Art. 69 beef	28,674
- Art. 69 sheepmeat and goatmeat	8,665
- Art. 69 sugar	8,160
- Art. 71 exclusion of seeds	13,321
<b>NATIONAL CEILING</b>	<b>3,813,520</b>
<b>Funding ceiling for olive oil programmes</b>	<b>35,991</b>

Source: Regulation (EC) No. 552/2007.

## *Application of Art. 69 of Regulation (EC) No. 1782/2003 in Italy; 2007*

<b>Sector</b>	<b>Deduction</b>	<b>Maximum sum (theoretical)</b>	<b>Surface/ head allowable for aid</b>	<b>Sum liquidated</b>	<b>Difference between sum liquidated and theoretical maximum</b>
Arable crops	8%	180 €/ha	2,795,150 ha	50.70 €/ha	-71.8%
Beef	7%	180 €/head	1,082,423 head	26.49 €/head	-85.3%
Sheepmeat and goatmeat	5%	15 €/head	6,000,658 head	1.44 €/head	-90.4%
Sugar	8%	180 €/ha	68,719 ha	118.74 €/ha	-34.0%

*Source: processing of AGEA figures.*

to a 5% deduction to fund information measures, as part of the Community Tobacco Fund.

In the 2007/08 farming year, the application in Italy of the scheme of milk quotas again resulted in a situation of surpluses. Indeed, based on the summary of amended monthly consignments, 10,806,016 tonnes were produced, down slightly (-2%) from the previous year, but still above the assigned quota of 10,271,286 tonnes. On the whole, the Commission estimates a national

production surplus of some 550,000 tonnes above the quota, which should entail a fine estimated at 153 million euro. The quota increase (+2%) anticipated for the 2008/09 farming year could contribute to correct the ongoing condition of surplus among Italian milk producers.

### **EAOGF**

An analysis of spending in 2007 for CAP Pillar I is based on EAOGF (European Agriculture Orientation and Guarantee Fund), which as of

2007 replaced EAGGF-Guarantee in funding measures of market regulation and direct aid. The EAOGF budget is presented in a thoroughly overhauled guise. Indeed, following the reform of most of the aid schemes, and the establishment of the single CMO, the fund is organised around certain broad expenditure headings, the most important of which are “interventions on agricultural markets” and “direct aid”, whereas rural development only involves what remains from the 2000-06 programming period, as funding for rural development measures in the 2007-2013 programming period are entirely handled under the second agricultural fund (EARDF - European Agricultural Rural Development Fund).

By examining the distribution of EAOGF spending by country, we see that the 15 countries of the “old” EU

received significantly less funding compared to 2006, especially as a result of the exclusion of rural development from measure funding. New Member States, which are gradually being phased in for direct aid, re-

ceived lower reductions in aid than the Community average, or even increases compared to 2006. Spending for Italy in 2007 was 4,607 million euro, just under 16% less than the year before. On the whole, Italy's po-

sition relative to the other countries has not changed, though its share of total spending for the EU 27 increased, to 11.5%.

Spending by type of measure confirms the pre-eminence of direct aid as the major budget item. In 2007, spending in Italy for de-coupled direct aid (single payment) was just over 3.2 million euro, or 70% of the EAOGF total assigned to our country, and 11% of Community spending for this item. Still important, though in decline, was spending for aid linked directly or indirectly to production. These included both leftover spending for aid per hectare or per head from the "old" CAP, and specific aid provided by the Fischler Reform. The share continues to drop for spending categories associated with classic market intervention measures: storage and export refunds. In Italy, the first category accounts for less than 1% of total

### *EAOGF spending by country, 2007*

	million euro	%	Var. %	2007/06
Belgium	736.2	1.8	-22.0	
Bulgaria	0.2	0.0	-	
Czech Republic	310.6	0.8	-2.9	
Denmark	1,040.1	2.6	-10.5	
Germany	5,259.3	13.1	-19.6	
Estonia	37.9	0.1	15.2	
Ireland	1,387.8	3.5	-19.5	
Greece	2,374.1	5.9	-22.7	
Spain	5,693.0	14.2	-14.4	
France	8,859.7	22.0	-11.8	
Italy	4,607.2	11.5	-15.6	
Cyprus	26.9	0.1	13.5	
Latvia	49.6	0.1	20.1	
Lithuania	159.3	0.4	-5.2	
Luxembourg	35.6	0.1	-20.4	

	million euro	%	Var. %	2007/06
Hungary	435.4	1.1	-28.3	
Malta	2	0.0	42.9	
Netherlands	1,014.3	2.5	-16.1	
Austria	691.0	1.7	-45.7	
Poland	1,010.2	2.5	2.0	
Portugal	717.2	1.8	-24.2	
Romania	6.9	0.0	-	
Slovenia	45.6	0.1	13.7	
Slovak Republic	139.7	0.3	-6.6	
Finland	577.8	1.4	-29.3	
Sweden	743.0	1.8	-19.6	
United Kingdom	3,927.0	9.8	-8.4	
EU	295.6	0.7	-87.5	
<b>TOTAL</b>	<b>40,183.2</b>	<b>100.0</b>	<b>-19.4</b>	

Source: EU Commission.

EAOGF spending; at the European Community level it is actually negative. Spending on export refunds was nearly halved compared to 2006, both nationally and at the European level. Significant resources are still earmarked for other farm market support measures (distillation, restructuring and re-conversion, aid for must, aid for fruit and vegetable processing, financing for operations funds, etc.), as well as the sugar restructuring fund. These headings together make up 25% of the national total, compared with a European average of 10%. Finally, spending for rural development in the last programming period was completely used up, both in Italy and the rest of the EU.

### *EAOGF spending by category of measure, 2007*

	Italy		EU		Italy/EU
	million euro	%	million euro	%	%
Agricultural market measures	1,219.5	26.5	5,417.2	13.5	22.5
- Export refunds	59.6	1.3	1,444.5	3.6	4.1
- Storage	18.5	0.4	-88.2	-0.2	-21.0
- Other	1,141.4	24.8	4,060.9	10.1	28.1
Direct aid	3,820.4	82.9	37,045.8	92.2	10.3
- Decoupled direct aid	3,214.6	69.8	30,369.1	75.6	10.6
- Other direct aid	550.3	11.9	6,260.8	15.6	8.8
- Modulation refund	73.1	1.6	434.0	1.1	16.8
- Other	-17.5	-0.4	-18.1	0.0	96.9
Other measures	-432.8	-9.4	-2,279.9	-5.7	-
<b>TOTAL</b>	<b>4,607.2</b>	<b>100.0</b>	<b>40,183.2</b>	<b>100.0</b>	<b>11.5</b>

*Source: EU Commission.*

# CAP in Italy: pillar II

The 2007-2013 programming period calls for a series of new and modified policies for rural development. These involve redefinition of funds, as mentioned in the preceding section, and the discipline of measures for rural development contained in Regulation (EC) 1698/2005. New features of this regulation are first of all the introduction of a “strategic approach” concept for policy implementation, identifying a limited number of objectives closely linked to policy priorities set by the EU (economic development, job growth and environmental sustainability), and the need for closer connection among European, national and local strategy. The regulation makes it obligatory for every Member State to present a National Strategic Plan (NSP), which on one hand reprises the contents and objectives set forth in the Community Strategic Guidelines,

applying them nationally, and on the other hand furnishes a frame of reference for all regional Rural Development Programmes (RDPs). It should be emphasised that the 2007-2013 RDPs will be the sole programming instrument for rural development. This should allow for significant simplification of measures, compared to the 2000-2006 period, when rural development programming was divided among several instruments and had different connotations between Objective 1 and non-Objective 1 regions. But this simplification has not been sufficient to gain approval of the individual RDPs earlier than the second half of 2007, partly because of delays on the part of the Commission in issuing rules for application and the need to define the NSP with the agreement of all the regions and other stakeholders.

As noted, Italy calls for a regional

*Spending for rural development programmes ('000 euro), 2007-2013*

	Planned public spending 2007-2013	Public spending
	EARDF	
Piemonte	394,500	896,591
Valle d'Aosta	52,221	118,684
Lombardy	395,949	899,757
A.P. Bolzano	137,575	312,670
A.P. Trento	100,652	256,153
Veneto	402,457	914,675
Friuli-Venezia Giulia	108,773	247,211
Liguria	106,047	276,562
Emilia-Romagna	411,251	934,661
Tuscany	369,210	839,114
Umbria	334,430	760,068
Marche	202,320	459,818
Lazio	288,384	655,418
Abruzzo	168,911	383,889
Molise	85,790	194,977
Campania	1,082,349	1,882,346
Puglia	851,327	1,480,569
Basilicata	372,650	648,087
Calabria	623,341	1,084,071
Sicily	1,211,163	2,106,312
Sardinia	551,250	1,252,841
<b>TOTAL</b>	<b>8,250,550</b>	<b>16,604,475</b>

*Source: MIAAF calculations.*

programming system based on 22 RDPs: one for each region, plus a National Rural RPD Network, which includes measures to connect with a similar structure, established at the European Community level (European Rural Network), to identify and share good practices, experiences, training programmes and, in general, to promote awareness and share results of rural development policy.

Italy's first programme to be approved, in June 2007, was the National Rural Network, which will receive public funding of roughly 83 million euro to meet its objectives, 50% to be made available from EARDF.

Negotiations for approval of regional RDPs have, however, been complex, and with quite different time frames, from the first programmes approved in July 2007 to the last, which had to wait until February

2008. The implementation of many programmes started approximately a year late, but all the regions are working to publish enactment notice of some measures as soon as possible, and before the end of 2008.

Regulation (EC) 1698/2005 divides measures for rural development into 4 Axes corresponding to priority objectives to be achieved: improving the competitiveness of the agricultural and forestry sector (Axis I); improving the environment and the countryside (Axis II); improving the quality of life in rural areas and promoting diversification of the rural economy (Axis III).

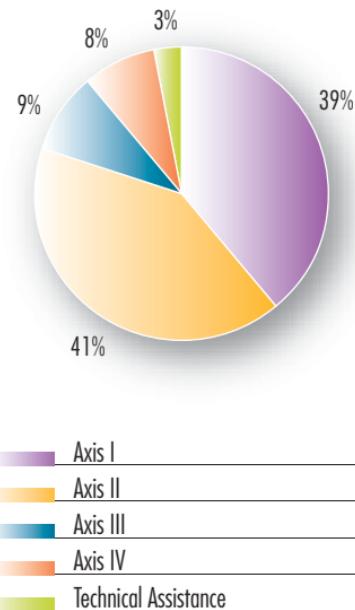
Axis IV (called the Leader Axis) contributes to achieving the first three objectives by applying the "Leader approach". This aspect contributes another considerable innovation compared to the previous programming, in which Leader was a separate, new programme.

### *Date of EU approval of regional RDPs for 2007-2013*

	<b>EU approval date</b>
Piemonte	20-11-2007
Valle d'Aosta	23-01-2008
Lombardy	19-09-2007
A.P. Bolzano	24-07-2007
A.P. Trento	19-12-2007
Veneto	19-09-2007
Friuli-Venezia Giulia	24-10-2007
Liguria	24-10-2007
Emilia-Romagna	25-07-2007
Tuscany	19-09-2007
Umbria	20-11-2007
Marche	19-12-2007
Lazio	19-12-2007
Abruzzo	19-12-2007
Molise	20-02-2008
Campania	24-10-2007
Puglia	23-01-2008
Basilicata	23-01-2008
Calabria	20-11-2007
Sicily	23-01-2008
Sardinia	20-11-2007
<b>TOTAL</b>	<b>20-06-2007</b>

*Source: MIPAAF calculations.*

## *Programmed spending by Axis (% of public spending)*



To guarantee balanced implementation of policies, the regulation imposed minimum percentages of resources for each of the Axes, including 5% of resources reserved for Leader, percentages the RDPs must respect fully.

The sharing out of total resources gives a slight preference to environmental measures included in Axis II (around 42% of the total), compared to farm competitiveness measures (Axis I - 39%). Lesser amounts are earmarked for Axes III and IV, but it should be emphasised that resources provided for Axis IV also contribute to achieving the other objectives, particularly those of Axis III.

At the level of individual regional RDPs, the choices in sharing out resources among the various Axes appear fairly homogeneous and in line with the national average. An understandable exception is Valle d'Aosta, which, as in the past, has chosen to concentrate resources on only a few measures in Axis II, and then to devote other added state aid to attaining other objectives.

Within the Axes, regions have called for sharing estimates for individual measures, based on which resources are concentrated on agri-environmental measures and farm modernisation.

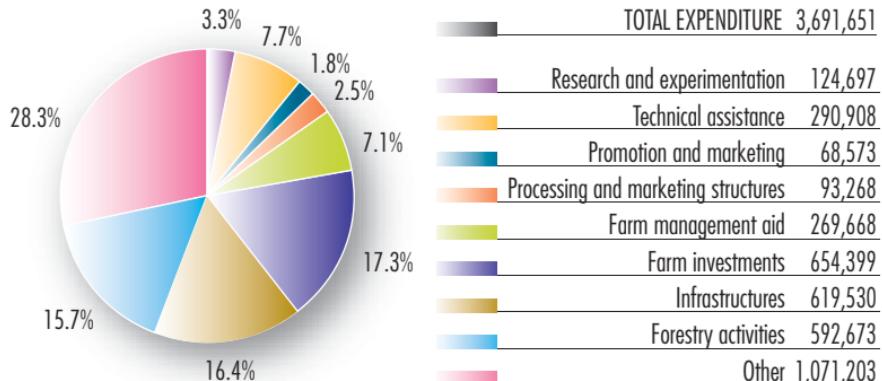
*Source: MIPAAF calculations.*

# Regional expenditure

In 2005, spending for the agriculture sector in the regions generated measures totalling 3,691 million euro, an increase of 126 million euro over 2004, or just over 3.2%.

An analysis of spending distribution by economic-functional destination shows, in comparison with 2004, a partial recovery of support to services: quotas improved, on the national level, for technical assistance and research and experimentation. If we discount “other” categories, the greater part of regional expenditure in 2005 was devoted to farm investments, over 17%, followed by infrastructure and forestry activities, each with 16%.

*Regional expenditure for agriculture by main function, 2005*



# National legislation

## Regulatory framework

In 2007, policies for competitive development in agriculture and agri-food provided operators with new instruments and funding, especially through the Finance Act of 2008 (FA) and the implementation of measures set forth in the previous Finance Act.

## Main provisions

### Tax and contribution relief

#### *IRAP (regional tax on production) and other contributions*

The FA applies the lowered IRAP bracket to service cooperatives in the forestry sector (Art. 1, comma 238) and establishes more favourable fiscal treatment for “planting for third

parties” (nurseries), considering them as producers of agricultural income (Art. 1, comma 176).

## Natural disasters, health emergencies and market crises

Law no. 222/07 increased funding to Agecontrol, to set up quality controls in the fruit and vegetable sec-

## Main guideline provisions 2007/2008

Regulation	Content
Law of 3 August 2007, n. 127	Urgent financial provision, so-called “tesoretto law” (increase in government income from economic improvement and crackdowns on tax evasion).
Law of 6 November 2007, n. 211	Allocated 118 million euro to agriculture for the market crises of 2005 (payment of “ <i>de minimis</i> ” and bird flu measures) and additional funds for fighting forest fires and for administrative efficiency.
Law of 29 November 2007, n. 222	Perfected fiscal guidelines for rural buildings, green certificates and bio-fuels, and granted additional funding for insurance in agriculture and support for the Fruit and Vegetable CMO reform.
Law of 24 December 2007, n. 244	Finance Act of 2008, which strengthened measures for tax relief, agri-energy policies and natural disaster insurance.
Law of 24 December 2007, n. 247	Implements the Protocol of 23 July 2007 on social security, labour and competitiveness, to promote equity and regulate the agricultural labour market.
Law of 28 February 2008, n. 31	“Extension of time limits”, which introduced further regulations in support of the sector and administrative efficiency.
Law of 25 February 2008, n. 34	Community Law of 2007, which contains, among other provisions, changes regarding food control and fraud, and provisions for marketing of eggs and classification of beef carcasses.

tor, and transferred 30 million euro from the Market Crisis Fund to the National Solidarity Fund – insurance incentives for 2007 – to integrate farm supports.

Legislative Decree no. 82 of 18 April 2008 modified regulations to the National Solidarity Fund in agriculture. The new provision adapts financial support measures to farms to Community provisions regarding state aid in agriculture. It integrates the regulation on compensatory measures, by granting the extension to cooperatives in the phase of agricultural production.

## Environment and territory

The FA:

- Set up a fund of 50 million euro per year at the Environment Ministry, from 2008 through 2010, for forestation and re-forestation to reduce carbon dioxide emis-

sions, establish green areas in urban and outlying areas, and improve air quality in municipalities in environmental crisis (Art. 2, commas 335 and 336).

- Re-launched funding for the national irrigation plan, by calling for a reserve of funds for the 2008-

2010 three-year period of 5 million euro for planning expense and new contributions of 100 million per year for the next fifteen years (Art. 2, comma 133).

- Established the Wildlife Fund at the Environment Ministry, with 1 million euro per year for the 2008-

### *Finance Act of 2008: allocations for agriculture and comparisons with 2007 (million euro)*

Allocations	2007	2008
Special current account fund (A)	0.05	0.36
Special capital account fund (B)	0.40	0.20
Allocations authorised through legal provisions (C) (AGEA, Fisheries Plan, CRA, various Public Bodies)	370.83	369.10
Re-financing of economic support measures (D) (national solidarity fund, single investment fund, etc.)	475.80	70.00
Long-term spending laws (F) (including re-financing in item D)	425.60	340.00
Other allocations (F) (irrigation plan, internationalisation, tax credits, forestry plan, etc.)	180.30	280.00
<b>TOTAL<sup>1</sup></b>	<b>977.18</b>	<b>1,039.70</b>

<sup>1</sup> Not including sums reported in table F.

Source: MIPAAF.

2010 three-year period, and the Animal Protection Fund at MIPAAF (Art. 2, commas 389, 390).

- Authorised spending of 50 million euro per year for the 2008-2010 three-year period to finance the Mountain Fund (Art. 2, comma 40).

Law no. 211/07 allocated 11 million euro to fight forest fires and 30 million euro to fund the National Agriculture Information System.

## **Labour market and social security**

Law no. 247/07 made operative the Welfare Protocol and the Labour Market Reform in Agriculture, disciplining among other things the reform of how unemployment is treated in agriculture, access to overtime pay in agriculture, and incentives to set up work contracts.

The FA provides labour incentives in regions of the South for the 2008-

2010 three-year period, through tax credits of 333 euro per month for each worker hired on an open-ended basis. For women who fit the definition of “disadvantaged worker”, the tax credit increases to 416 euro (Art. 2, commas 539 to 548).

## **Agri-food supply chain and forestry development**

The FA:

- Set up a fund at the MIPAAF for promoting the agricultural production supply chain uncontaminated by genetically modified organisms, by funding 2 million euro for 2008 (Art. 2, commas 177 and 178).
- Refinanced, with 50 million euro for 2008, the Fund for Rationalisation and Re-conversion of sugar and sugar beet production (Art. 2, commas 122 and 123).
- Authorised spending of 2 million

euro to the beekeeping sector for each of the years 2008 and 2009, to implement tax relief (Art. 2, comma 125).

- Extended to the fish sector the fund to encourage young people to carry on in family agriculture enterprises and to develop businesses operated by young people (Art. 2, comma 120).

Law no. 31/2008 transferred 150 million euro from the National Agency to attract investments and develop businesses (formerly Sviluppo Italia) to the ISA (Institute for Agricultural Development), to support the agri-food supply chain (Art. 28).

The MIPAAF decree of 22 November 2007 adopted new measures for supply chain contracts, including the agri-energy and district supply chains, granting admissibility to aid, within investment amounts of between 5 and 50 million euro.

The CIPE (Inter-Ministerial Economic Planning Committee) decision of 2 April 2008 approved the National Implementation Programme “Competitiveness of Agricultural and Rural Systems”, with funds of 875 million euro, of which 725 million went to the South and 150 million to the Centre-North.

### **Promotion and use of bio-fuels and bio-energy**

Law no. 222/07 established a new discipline of incentives to electrical energy production from renewable sources from agriculture, livestock and forestry, replacing provisions of the 2007 FA:

- The new system of incentives only involves facilities that use raw materials obtained within supply chain agreements or framework contracts (Arts. 9 and 10 of Legislative Decree no. 102/2005).

- The incentive is also awarded for using agricultural products obtained within a radius of 70 km, that is, from short supply chains.
- To encourage the use of raw materials for plants with more than 1MW of electrical power, green certificates will be issued for a period of 15 years.
- For plants with less than 1MW of electrical power, incentives will be provided by issuing green certificates for a period of 15 years, or, alternatively, upon request by the producer, using a fixed rate of 0.30 euro per KWh, for a period of 15 years.

The FA:

- Granted incentives to promote renewable sources for electrical energy production (Art. 2, commas 136 to 140).
- Promoted using automotive bio-fuels, calling for the minimum quota put on the market be raised in 2009 to 3% of all fuels, petrol and diesel, put on the market in the preceding calendar year (Art. 2, comma 139).
- Provided incentives, as of 1 January 2008, for electrical energy production by plants supplied from renewable sources (green certificates, Art. 2, commas 143 to 157).
- Facilitated widespread use of renewable energy sources, by modifying the discipline of authorisation procedures for plants supplied from renewable sources, and established a Savings and Energy Efficiency Fund, with 1 million euro to finance information campaigns. (Art. 2, commas 158 to 163).
- Disciplined the connection of plants, purchase and transmission of electricity from renewable energy sources (Art. 2, commas 164 to

172) and photovoltaic plants (Art. 2, commas 173 and 174).

## **Financial instruments and business development**

The FA set up a Fund to Promote Research and Advanced Training in

biotechnology, at the Ministry of Universities and Research, with funding of 3 million euro (Art. 2, comma 178).

The MIPAAF Decree of 20 September 2007 launched actions called for in the Action Plan to set up

young farmers.

The MIPAAF Decree of 20 November 2007 defined guidelines for setting up direct-sales farmers' markets, including cooperatives, to be implemented by the FA of 2007.

## **APPENDIX**

# Glossary

## **AWU - annual work unit**

According to the Community definition for structural surveys, the AWU is equivalent to at least 2,200 hours/year for family labourers and 1,800 hours/year for full-time paid labour.

## **Capital stock**

Capital stock for a given year is the value of capital goods still in use in the economic system or in a certain sector, valued as though they were new capital goods. Capital stock is defined as "gross" if the age of capital goods and their condition are not taken into account; it is defined as "net" if depreciation of such goods over time is figured in.

## **Concatenated figures**

The concatenation technique introduced by ISTAT in national economic accounts beginning in 2005

replaces the fixed-base system used for evaluating production and prices in real terms. The chain index introduces an indicator of price or volume variations, which takes into account not only the values of variables at two specific times – the current year and the base year – but also incorporates the overall trend during the intervening period.

## **Connected services**

Operation for third parties and rental of tools and farm machinery with staff; harvest, preliminary processing (not including transformation), packaging of agricultural produce and other services connected to agriculture performed for third parties; maintenance of parks, gardens and flowerbeds; services connected to livestock rearing, excluding veterinary services.

## **Contract services**

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

## **Family labour force**

Persons aged 15 and over who belong to the farmer's family and perform farm labour.

## **GDP - Gross domestic product**

GDP is the total value of goods and services produced within a country, during a determined period of time (usually one calendar year). Does not include the value of intermediate goods and services.

## **Intermediate consumption**

The ESA95 brought important innovations for this aggregate in farms' current expenses (seeds, fertilisers,

pesticides, feedingstuffs, energy, irrigation water and various services). Alongside traditional consumption, calculation was made of various components, such as: maintenance and repairs of farm machinery and implements, veterinary costs, processing and bottling, inspections and technical analysis, advertising costs, market studies and research services, association dues, insurance, banking and finance, and legal and accounts consulting. To these items were added redeployments, which include both products re-used on farms and transactions within the sector.

### **Large-scale retail**

A business with sales points that operate in the form of supermarkets, hypermarkets, discount outlets, large warehouses, or other specialised businesses with large space.

### **NB - Normalized balance**

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.

### **Non-family labour force**

Open-ended contract labourers, special categories, employees, managers, fixed-term contract labourers and sharecroppers.

### **Output at basic prices**

With ESA 95, outputs include redeployments and transactions between farms, as well as services connected with agriculture. Valorisation of output is effected at basic prices, that

is, the price received by the producer per unit of product, minus taxes on products and including all product-related subsidies. Does not include subsidies not directly related to products.

### **Production subsidies**

When CAP reforms went into effect in 2005 and the single payment per farm was introduced, the classification of aid at basic prices was revised. Now aid is classified as: product subsidies, production subsidies and subsidies for other economic activities. Only the “product subsidies” category involves valuation at basic prices.

### **Redeployments**

These include farm products re-used on the same farm or traded among farms as production inputs. The ESA 95 assessment excludes the following

products: grapes for wine production on farms, since their value is included in the processing of wine; olives for making olive oil directly by farms; milk for feeding calves and foals on the same farm; permanent grassland not sold or purchased between farms; by-products with no economic value; and seeds re-used on the same farm. Included as redeployments are: seeds with economic value sold to other farms; products also used as livestock feed; and directly marketable fodder outputs (hay, ensiled maize, etc.).

## Secondary activities

This aggregate includes both agricultural activities (farm stays, processing of milk, fruit and meat on farms, aquaculture, direct sales) and activities in other economic areas, especially trade and processing, for the production of agricultural goods.

## Taxes and duties

Taxes and social security contributions imposed by the government. These are of two types: direct taxes periodically collected on income and property; indirect taxes on production and importation of goods and services, labour utilisation, property, and utilisation of land, buildings or other goods employed in production.

## Turnover

The amount of all invoices issued in the period of reference for domestic and foreign market sales. Turnover is net of VAT invoiced to customers, price increases and discounts, and gross of expenses (transport, packaging, etc.) and other taxes and duties charged to customers (e.g. processing tax). Turnover also includes sales of products not processed by the farm, and invoices for services and processing performed for third par-

ties using raw materials provided by them. Sales of a farm's fixed capital are not included.

## UAA - Utilised agricultural area

UAA comprises all arable land, permanent grassland and pasture, tree crop land, household plots and land planted with (edible) chestnuts.

## VA - Value added

The difference between outputs and intermediate consumption, where outputs are valued at basic prices, excluding taxes on products and including product subsidies. Production valued at basic prices differs from production valued at factor costs: the latter is net of all taxes (both those on products and other production taxes) and gross of all subsidies (both subsidies measured by value of goods produced and other production subsidies).

## **WU - Standard work units**

Analysis unit that uniformly measures the volume of work performed by those who participate, in various

ways and time intensity, in the production process within a country's economic territory, irrespective of their place of residence. The total

work units are obtained as the sum of full-time work positions and part-time positions (principal and secondary), transformed into full-time units.

# FADN glossary

Established by Regulation (EEC) no. 79/65, FADN (Farm Accountancy Data Network) was created in response to the need to determine income and analyse the operation and management results for farms, by providing all Member States with uniform criteria for carrying out surveys, attributing values and establishing representative samples. There are a total of some 81,000 FADN farms in the EU 25, chosen from professional farms, or those with market orientation and a certain economic size; roughly 16,000 of these farms make up the Italian sample. On each farm, figures are recorded for roughly 1,000 physical, structural, economic and accountancy variables; information is also gathered regarding access and use of CAP measures. The information gathered also allows each farm to be classified by production type and economic

size (FT and ESU), parameters which are also useful for classifying surveyed farms during censuses. This makes it possible to compare sample data with the sample universe. In Italy, the FADN survey has been integrated with REA since the 2003 farming year. This has led to radical renewal of the FADN sample, which is now drawn according to probability criteria from a universe of farms defined by the general agriculture census of 2000.

## Depreciation

Calculated for plantations (including forestry), buildings, permanent facilities, land improvements, machinery and tools, on the basis of their replacement value.

## ESU - European size unit

This is the farm's SGM divided by 1,200.

## External and State factors

This entry represents costs sustained by farms for salaries and social security contributions, passive rents, passive interests and taxes and VAT (for both current operations and investments).

## Fixed costs

Include burdens sustained for use of production factors (depreciation, wages, social contributions, shares for severance pay, passive land rents, capital loan interest, other miscellaneous and land expenses, and passive VAT contributions) that are employed for more than one year in the production process, as well as physical contingencies (deriving from credit, holdings and debt).

## FT - Farm type

The classification of farms into types is based on the various agri-

cultural 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. Since 2001 the typology used is that set forth in Reg. 1555/01.

#### **FWU - Family work unit**

Family members who work on a

farm and who do not receive a salary or stipend, but are remunerated through income from agriculture that the family keeps.

#### **GP - Gross production**

Value of crops, livestock and other farm products, including sales, redeployments, own consumption, variations in live stock and stored farm products. To this value is added the amount of subsidies received by each farm; the variable thus obtained measures the effective amount received by the farmer for his products, according the "basic price" criteria indicated in ESA95 methodology.

#### **GSP - Gross saleable production**

The value of sold farm output, own consumption, wages, locking up of capital, and variations in leftover stock in storage. For livestock farm-

ing, gross profit including sales and purchases takes into account increases in recorded values for head of livestock destined for fattening and head for raising that are too old for slaughter. Saleable production also includes non-operating income (from credit, holdings and debt) and other farm income, including agritourism, active rents and renting and leasing of farm machinery (periodic). It also includes public subsidies received by the farm for natural disasters, outlays, land rents and active VAT contributions.

#### **Intermediate consumption**

The sum of specific costs (including redeployments) 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.

### **Net family income**

Calculated as (GP - (intermediate consumption + depreciation + external and State factors). It represents remuneration of fixed production factors of the farmer and his family (land, family labour and capital.

### **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 is calculated on average values over a three-year period and in relation to the altitude zone of the region. SGMs are expressed in euro and updated by INEA during

structural surveys and ISTAT agricultural censuses. The sum of SGMs of all the activities of a farm equate to its economic size, which is expressed in ESU.

### **Variable costs**

Include all outlays, including redeployment of farm products, totally exhaustible inputs, meaning those that are not useful for more than one farming year (seeds, fertilisers, feedingstuffs, energy, etc.), and the employment of temporary labour.

# Useful addresses and websites

**Ministero delle politiche agricole  
alimentari e forestali  
(Ministry for Agricultural, Food  
and Forestry Policies - MIPAAF)**  
06/46651  
[www.politicheagricole.it](http://www.politicheagricole.it)

## REGIONAL DEPARTMENTS OF AGRICULTURE

**Abruzzo**  
085/7672977  
[www.regione.abruzzo.it/agricoltura](http://www.regione.abruzzo.it/agricoltura)

**Basilicata**  
0971/448710  
[www.regione.basilicata.it/dipagricoltura](http://www.regione.basilicata.it/dipagricoltura)

**Calabria**  
0961/858458  
[www.assagri.regione.calabria.it](http://www.assagri.regione.calabria.it)

**Campania**  
081/7533510  
[www.sito.regione.campania.it/agricoltura](http://www.sito.regione.campania.it/agricoltura)

**Emilia-Romagna**  
051/284658  
[www.ermesagricoltura.it](http://www.ermesagricoltura.it)

**Friuli-Venezia Giulia**  
0432/555111  
[www.agricoltura.regione.fvg.it](http://www.agricoltura.regione.fvg.it)

**Lazio**  
06/5168130  
[www.agricoltura.regione.lazio.it](http://www.agricoltura.regione.lazio.it)

**Liguria**  
010/54851  
[www.agriligurianet.it](http://www.agriligurianet.it)

**Lombardy**  
02/67652505  
[www.agricoltura.regione.lombardia.it](http://www.agricoltura.regione.lombardia.it)

**Marche**  
071/8063661  
[www.agri.marche.it](http://www.agri.marche.it)

**Molise**  
0874/4291  
[www.siar.molise.it](http://www.siar.molise.it)

**Piemonte**  
011/4321680  
[www.regione.piemonte.it/agri](http://www.regione.piemonte.it/agri)

**Puglia**  
080/5405202  
[www.regione.puglia.it](http://www.regione.puglia.it)

**Sardinia**  
070/302977  
[www.regione.sardegna.it/agricoltura](http://www.regione.sardegna.it/agricoltura)

**Sicily**  
091/6966066  
[www.regione.sicilia.it](http://www.regione.sicilia.it)

**Tuscany**  
055/4383777  
[www.regione.toscana.it](http://www.regione.toscana.it)

**Autonomous Province of Trento**  
0461/496531  
[www.trentinoagricoltura.it](http://www.trentinoagricoltura.it)

**Autonomous Province of Bolzano**  
0471/415100  
[www.provinz.bz.it/agricoltura](http://www.provinz.bz.it/agricoltura)

**Umbria**  
075/5045130  
[www.agriforeste.regione.umbria.it](http://www.agriforeste.regione.umbria.it)

**Valle d'Aosta**  
0165/275411  
[www.regione.vda.it/agricoltura](http://www.regione.vda.it/agricoltura)

**Veneto**  
041/2792832  
[www.regione.veneto.it/agricoltura](http://www.regione.veneto.it/agricoltura)

## NATIONAL RESEARCH BODIES

**AGEA**  
**Agenzia per le Erogazioni in Agricoltura**  
(Agency for Disbursements in Agriculture)  
[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)  
[www.apre.it](http://www.apre.it)

**CNR**  
**Consiglio Nazionale delle Ricerche**  
(National Research Council)  
[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)  
[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)

## Federalimentare

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

## INFS

**Istituto Nazionale per la Fauna Selvatica**

## (National Wildlife Institute)

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

## INRAN

**Istituto Nazionale di Ricerca per gli Alimenti e la Nutrizione**  
(National Research Institute for Food and Nutrition)  
[www.inran.it](http://www.inran.it)

## IREPA

**Istituto Ricerche Economiche per la Pesca e l'Acquacoltura**  
(Economic Research Institute 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)  
[www.ismea.it](http://www.ismea.it)

## ISTAT

**Istituto Nazionale di Statistica**  
(National Statistics Institute)  
[www.istat.it](http://www.istat.it)

**ISAE**  
**Istituto di Studi e Analisi**  
**economica**  
**(Institute for Studies and**  
**Economic Analysis)**  
*www.isae.it*

**Istituto Superiore di Sanità**  
**(Higher Health Institute)**  
*www.iss.it*

**NOMISMA**  
*www.nomisma.it*

**Istituto Agronomico per**  
**l'Oltremare**  
**(Overseas Agronomic Institute)**  
*www.iao.florence.it*

**ICRAM**  
**Istituto Centrale per la Ricerca**  
**Scientifica e Tecnologica**  
**Applicata al Mare**  
**(Central Institute for Scientific**  
**and Technological Research**  
**Applied to the Sea)**  
*www.icram.org*

**NATIONAL, EUROPEAN AND**  
**INTERNATIONAL INSTITUTIONS**

**Ministero dell'Ambiente e della**  
**Tutela del Territorio e del Mare**  
**(Ministry for the Environment and**  
**Protection of Land and Sea)**  
*www.minambiente.it*

**Senate of the Italian Republic**  
*www.senato.it*

**Chamber of Deputies**  
*www.camera.it*

**National Forestry Service**  
*www.corpoforestale.it*

**Eurostat**  
*www.epp.eurostat.ec.europa.eu*

**European Union**  
*www.europa.eu/index\_it.htm*

**European Commission**  
*www.ec.europa.eu/index-\_it.htm*

**Commission for Agriculture**  
**and Rural Development**  
*www.ec.europa.eu/agriculture/index*  
*\_it.htm*

**FAO**  
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*www.ifad.org*

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*www.wto.org*

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## NORTH-EAST

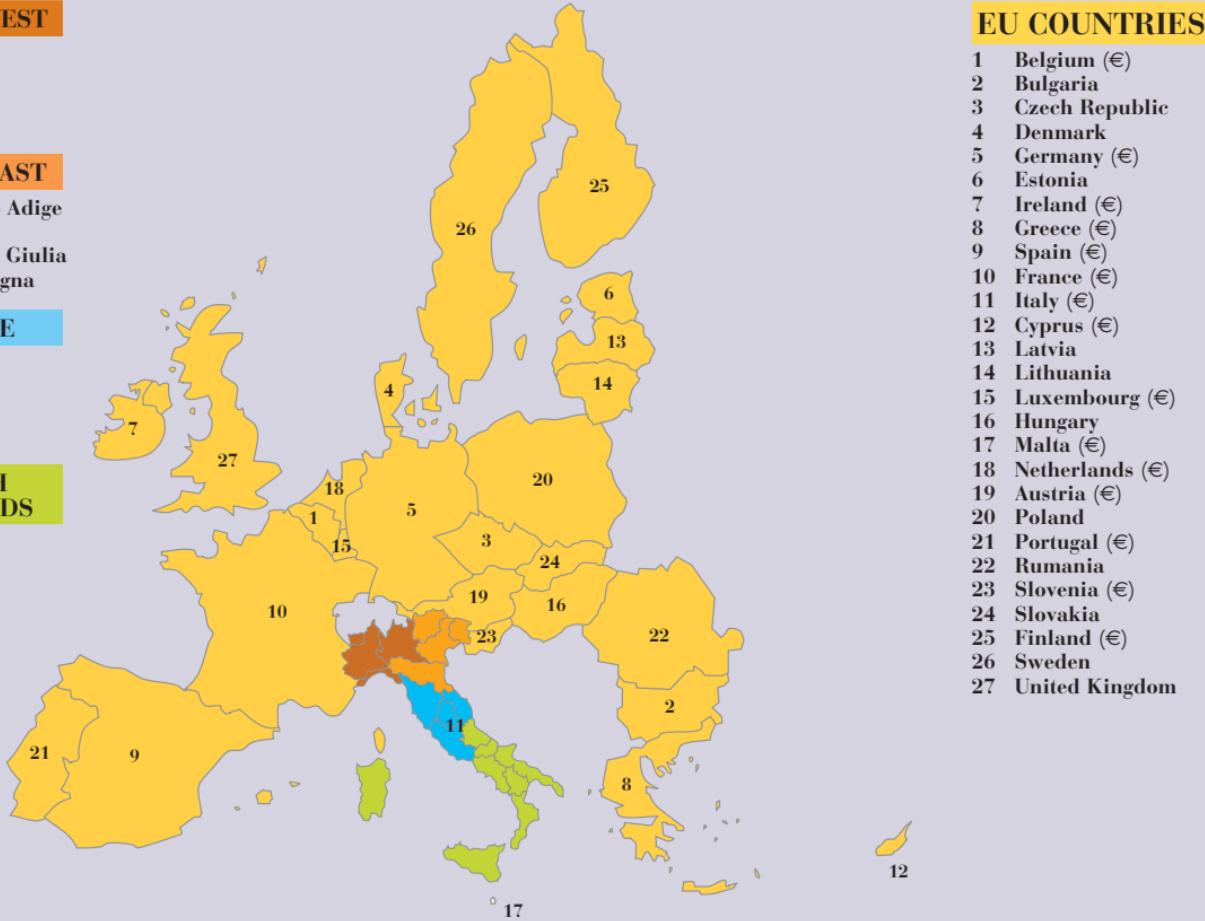
Trentino-Alto Adige  
Veneto  
Fiuli-Venezia Giulia  
Emilia-Romagna

## CENTRE

Tuscany  
Umbria  
Marche  
Lazio

## SOUTH & ISLANDS

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Molise  
Campania  
Puglia  
Basilicata  
Calabria  
Sicily  
Sardinia



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- 4 Denmark
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- 11 Italy (€)
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