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ISTITUTO NAZIONALE
DI ECONOMIA AGRARIA

ITALIAN AGRICULTURE IN FIGURES 2011

INEA 2011

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All statistical information contained in the text
is from ISTAT and INEA, except where otherwise indicated.
For international comparisons, EUROSTAT information is used.

Italian Agriculture in Figures is also available in English
at the INEA website: http://www.inea.it.

Now in its 24th edition, "Italian Agriculture in Figures", prepared by the National Institute of Agricultural Economics (INEA), is a valuable information tool about trends in Italy's agricultural system. Its special focus is providing an "accounting" of the status of agriculture and its inter-relationships to the rest of the economy, in a handy format for the user.

The figures in this edition show some signs of growth of main economic indicators within Italy's agri-food system, though the future does not look bright. The reality is that Italian agriculture is slowly changing, as shown by the latest figures from the 6th general agriculture census, and is finding new forms to survive in a changed panorama of economics and public support.

Farms are shrinking in number, but becoming more concentrated and larger in size. There is a growing share of non-traditional agricultural activities and diversification of agricultural practices. There is greater competition for use of agricultural lands, and interest is growing in the production of renewable energy from agricultural sources.

This year's edition includes the early census figures provisionally issued by ISTAT, which show a process of restructuring in agriculture: in one decade, nearly 800,000 farms have disappeared (-32%), while average farm size has grown from 5.5 ha to 7.9 ha, and the number of farms with less than one hectare of UAA has dropped by half.

New features of this edition include the introduction of a specific section on diversification, which explores the issue of renewable energy. This reflects the strong contribution of non-traditional renewable energy sources - wind, photovoltaic, waste and biomass - to meeting the nation's energy needs.

The same section also deals with another very important function farms increasingly perform: educational activities designed mainly for school-age children, a sign that agriculture can increase the public good as well as provide economic benefits, including conservation and passing on of a cultural legacy that may play a fundamental role in designing the agriculture of tomorrow.

The section on environment and natural resources examines the issue of land consumption, meaning the strong process of converting agricultural and natural areas to residential, commercial and infrastructural use. This phenomenon is drawing growing attention, especially as regards the need to assess its environmental, social and economic consequences.

2011 is the International Year of Forests, and for this reason more space and emphasis have been devoted to matters of environmental protection of Italy's forest patrimony, and to the need for improved management and sustainable economic development.

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ECONOMY AND AGRICULTURE

Italian land area amounts to 301,336 km^2. In all regions, a significant proportion of the land is mountainous, altogether covering 54.3% of the surface, and is home to less than a fifth of the population (UNCEM). Over half of Italian municipalities are classified as mountainous (51.9% of 8,101 in 2009).

ISTAT figures indicate that, as of December 31, 2010, the population resident in Italy increased by 0.5% over 2009, reaching about 60.6 million people, of which 7% are foreign. The growth is supported, as has been the case for several years, by the number of foreign immigrants. The South is still the country's most populous area, with 34.5% of the population, followed by the North-West with 26.6%. The South, in contrast to the past, recorded the lowest growth (+0.2%), while the Centre registered the highest average annual rate of growth (+0.7%).

With an average density of 200 inhabitants per km^2, Italy is among the most densely populated countries of the European Union (144 inhabitants per km^2 is the average for the EU 27). Only Malta, the Netherlands, Belgium, the United Kingdom and Germany have higher densities.

The total agricultural area in Italy amounted to 17.8 million hectares, of which 12.7 million are utilized agricultural area (UAA). Geographically, the South contributes 45.7% of national UAA, far outdistancing the North (36%) and the Centre (18.3%).

Population/agricultural area (inhabitants/100 ha of UAA*), 2010

* Population updated as of 31/12/2010, UAA updated in 2007.

Land use ('000 ha and %), 2010

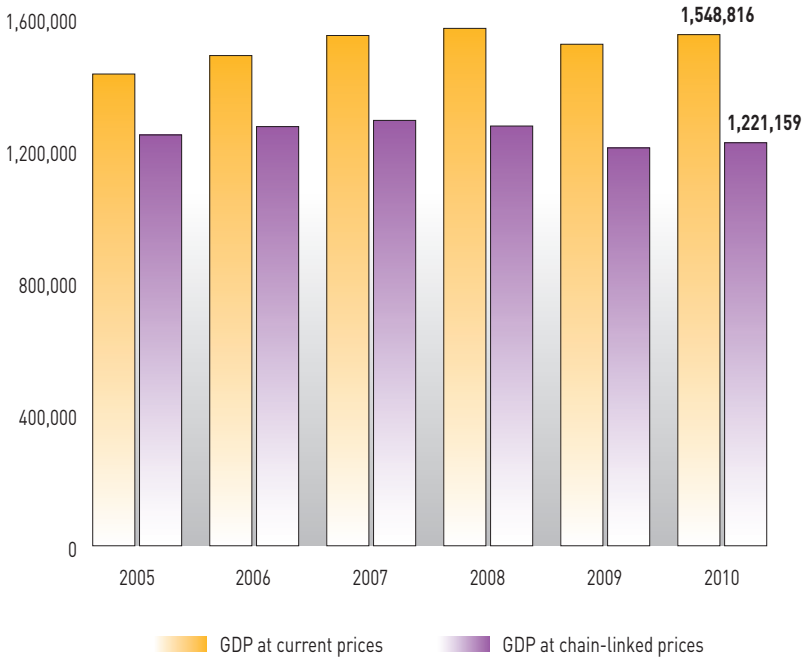
	Italy	EU 27
Total area	30,132	432,525
Utilised Agricultural Area	12,744	172,485
Arable crops	6,939	104,341
Cereals (%)	56.5	55.7
Dried legumes (%)	1.6	1.3
Potatoes, sugar beets and hoed fodder crops (%)	1.7	3.9
Industrial crops (%)	3.3	10.7
Fresh vegetables, melons and strawberries (%)	3.3	1.7
Flowers and ornamentals (%)	0.2	0.1
Total fodder crops (%)	25.9	18.0
Non-subsidised fallow land (%)	3.8	3.6
Permanent crops	2,323	10,963
Grapevines (%)	32.8	31.1
Olive trees (%)	43.9	39.9
Fruit-bearing plants and other crops (%)	23.4	28.9
Market gardens	30	390
Permanent grasslands and pastures	3,452	56,791
Wooded land	3,814	30,980
Set-asides and subsidised areas - total	423	8,157
Urbanised areas and other land	1,284	11,931

Source: Eurostat.

GROSS DOMESTIC PRODUCT

The general improvement of the economic situation that occurred in 2010 compared to 2009 was mixed in the different areas of the world. While advanced economies experienced only moderate levels of growth, emerging economies, particularly in Asia, have driven the global recovery.
After the sharp decline in 2008 and 2009, economic growth in the euro zone was again positive at the end of 2009 and increased in 2010. Italy showed the largest drop in GDP, together with Germany, but, in contrast to the latter, showed a very modest recovery (+1.3%).

Trend in GDP (million euro) from 2005 to 2010



Trend in GDP per inhabitant from 2005 to 2010 (euro)

Year	GDP/inhabitant	
	Values at current prices	Chain-linked values*
2005	24,391	21,239
2006	25,201	21,549
2007	26,041	21,709
2008	26,203	21,258
2009	25,247	20,028
2010	25,614	20,195

* Chain-linked figures express the real dynamic (in volume) of the economic aggregate with reference to the year 2000.

Trend in GDP in some major areas and countries (% change over previous year in real terms)

Country	% of World GDP	2006	2007	2008	2009	2010
Industrialised countries						
United States	19.7	2.7	1.9	0.4	-2.6	2.9
Japan	5.8	2.0	2.4	-1.2	-6.3	4.0
Euro zone	14.6	3.1	2.9	0.4	-4.1	1.8
United Kingdom	2.9	2.8	2.7	-0.1	-4.9	1.3
Canada	1.8	2.8	2.2	0.5	-2.5	3.1
Emerging and developing countries						
Brazil	2.9	4.0	6.0	5.2	-0.6	7.5
China	13.6	12.7	14.2	9.6	9.2	10.3
India	5.4	9.7	9.9	6.2	6.8	10.4
Russia	3.0	8.2	8.5	5.2	-7.8	4.0
Turkey	1.3	6.9	4.7	0.7	-4.8	8.9
Sub-Saharan Africa	2.4	6.4	7.2	5.6	2.8	5.0
Middle East and North Africa	5.0	5.8	6.2	5.1	1.8	3.8

Source: Bank of Italy.

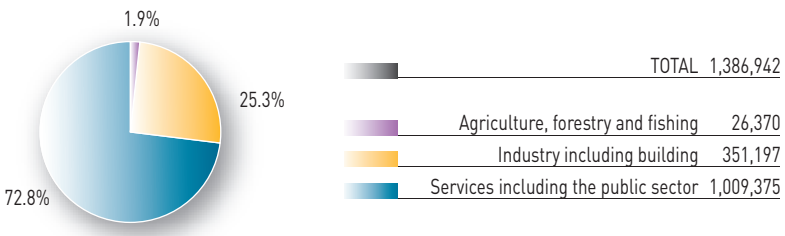
VALUE ADDED

In Italy, in 2010, the impact of agriculture, forestry and fishing on national value added remained broadly stable, standing at 1.9%, an increase of 1% compared to 2009. Geographically, the North-East and South are the regions where agriculture showed the best performance, with increases in value added of 1.5% and 1.4%, respectively. In the North-West there was also a slight positive change in VA (+0.9%), while the Centre recorded a drop of 0.5%.

The recovery in 2010 was widespread, except for the construction sector (-3.4%). The industrial sector showed the strongest rebound, with an increase of 4.8%; an increase was also shown in the food industry (+1.5%) and the service sector (+1.1%), particularly "trade, transport and communications", with an increase of 2.7%.

The contribution of Italy's agriculture to VA is in line with that of most European countries, where the percentage of agriculture to total value added is 1.7% on average.

Value added at basic prices by sector - values at current prices (million euro), 2010



% share of value added* in agriculture to total of all sectors, 2010

Country	Value added
Slovak Republic	3.8
Estonia	3.5
Greece	3.3
Finland	2.9
Spain	2.7
Portugal	2.4
Slovenia	2.4
Cyprus	2.3
Netherlands	1.9
Malta	1.9
Italy	1.9
France	1.7
Austria	1.5
Ireland	1.0
Germany	0.9
Belgium	0.7
Luxembourg	0.3
Euro zone 17	**1.7**
EU 27	**1.7**

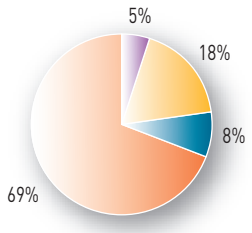
* Value added at basic prices - current values.

Source: Eurostat.

EMPLOYMENT

In 2010, total employment in the Italian economy, measured in AWU, was 0.7% less than last year. The decline particularly affected industry in the narrow sense (-3.5%) and construction (-1%), while employment in agriculture rose by 1.6%.
The number of people employed in agriculture reached 891,000 units (of which 28.7% are women), distributed at 38.9% in the North, 14.3% in the Centre and 46.8% in the South. Com-

Total work units ('000), 2010



TOTAL	24,047
Agriculture, forestry and fishing	1,281
Industry in the naorrow sense	4,378
Building	1,934
Services	16,454

Source: ISTAT, National accounts.

Occupation in agriculture by age and geographical area to the total economy (%), 2010

	15-24	25-34	35-44	45-54	55-64	15-64	65 and above	Total	Total employed ('000)
North									
Agriculture	5.4	16.3	24.8	27.3	16.9	90.6	9.4	100	347
Total economy	5.4	22.2	32.9	27.4	10.4	98.3	1.7	100	11,838
Centre									
Agriculture	4.4	18.0	24.2	27.0	18.1	91.8	8.2	100	127
Total economy	4.9	21.7	31.5	27.5	12.3	98.0	2.0	100	4,833
South									
Agriculture	3.6	17.2	28.9	30.9	17.2	97.8	2.2	100	417
Total economy	5.9	21.5	30.1	27.3	14.1	98.7	1.3	100	6,201
Italy									
Agriculture	4.4	16.9	26.6	29.0	17.2	94.1	5.9	100	891
Total economy	5.4	21.9	31.8	27.4	11.8	98.4	1.6	100	22,872

Source: ISTAT, Ongoing Survey on the Workforce.

pared to the previous year there was an increase of 1.9%, mainly due to the dynamic component of salaried labour (+3.3%). Self-employment in agriculture accounts for 8% of total self-employment, while the salaried labour component in agriculture accounts for 2.5% of the total.

Part-time employment in agriculture accounts for 10.8% of the total; this share is lower than that recorded for the economy as a whole (17.7%).
Employment of foreigners in agriculture continues to grow, along with their impact on the economy and in Italian society in general.

Foreign workers in agriculture by geographical area ('000)

	Average 2009	Average 2010
North	30	32
Centre	20	22
South	26	35
Italy	76	89
Foreign/total agriculture (%)	8.7	10.0

Source: ISTAT, Ongoing Survey on the Workforce.

Share of employed in agriculture to total employed (%), 2010

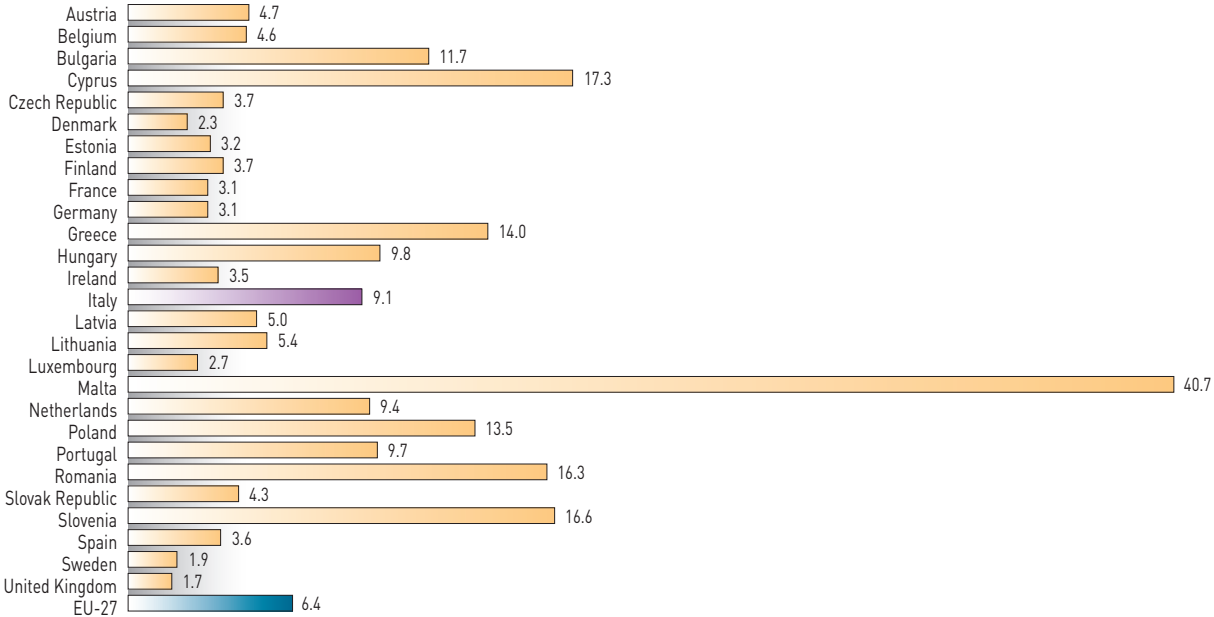
	Total	Women[1]
Austria	5.2	5.0
Finland	4.4	2.8
France	2.9	1.8
Germany	1.6	1.2
Greece	12.5	12.7
Italy	3.8	2.8
Netherlands	3.1	1.9
Poland	12.9	12.5
United Kingdom	1.2	0.6
Spain	4.3	2.5
Sweden	2.1	0.9
Hungary	4.5	2.3
Romania	30.1	31.4
Bulgaria[2]	6.8	5.2
EU 27	**5.2**	**4.3**

[1] To total women employed.

[2] The estimate is influenced by persons who produce for own consumption.

Source: Eurostat.

Agricultural workforce in EU countries (AWU/100 ha UAA), 2010

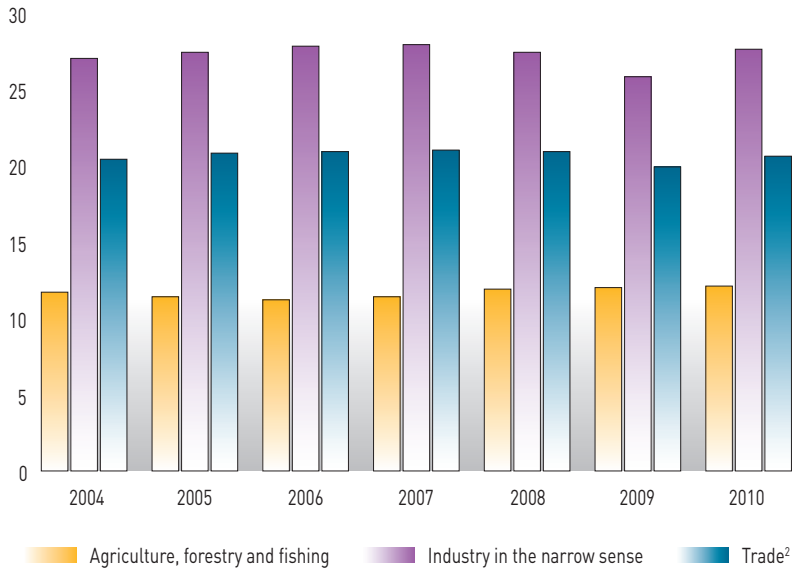


Source: Eurostat.

PRODUCTIVITY

The year 2010 was marked by a recovery in production and a reduction of labour that was even more contained than that of 2009: only in early 2011 did the phenomenon show the first sign of reversal. In particular, an increase of 1.3% in GDP corresponded to a slight reduction in paid work hours of only 0.4%, compared to the drop of 3.3% for 2009. These trends led to a recovery in labour productivity of 2%, with different dynamics by sector. Agriculture recorded a slight increase (+0.5% compared to 2009). Performance was good for productivity in industry in the narrow sense (+7.2%) and in trade, transport and communications (+3.3%); also note the positive percentage change recorded by the food industry (+5%). However, the values were negative for construction (-2.3%) and monetary and financial services (-0.8%).

VA at basic prices[1] per hour worked by sector (euro)



[1] Chain indexes, based on 2000.

[2] Trade, repairs, hotels and restaurants, transport and communications.

RECENT TRENDS IN THE SECTOR

In 2010, the average price of land was 18,400 euros per hectare, an increase of just under 1% over the previous year. The average change, however, conceals significant differences geographically: in the northern regions there was a recovery of growth in land values (+1.7%) after substantial stability recorded in 2009. An opposite situation occurred in the regions of central Italy (-1.2%) and the islands (-0.5%). The price increases are almost exclusively concentrated in lowland areas (+1.5%), where the land market is more dynamic. For the third consecutive year there has been a decrease in land capital in real terms (-0.8%), i.e. net of the increase in consumer prices.

The uncertain economic situation generally, the difficulties of access to credit and the crisis in some agricultural categories have made farmers less willing to invest, and the volume of trade has dropped as a result. Demand is mainly for lands with good fertility, equipped with infrastructures and, in general, for high-value crops. There is also significant demand for land for the installation of wind turbines and photovoltaic panels, and in some regions an increase in supply was observed as a result.

There is growing differentiation of land values between the northern and central-southern regions. In particular, the areas with values greater than 30,000 euros per hectare are concentrated mainly in the Po Valley. High prices are also found in small areas of the province of Cuneo, along the Adige Valley, on the Ligurian coast, around Pistoia, in the Lazio plain, around the metropolitan area of the Campania coast, and in some areas of Calabria. In general, the high prices in these areas are associated with intensive farm-

Average land values ('000 euro/ha), 2010

	Altitude						
	Inland mountains	Coastal mountains	Inland hills	Coastal hills	Lowlands	Total	Var. % 2010/09
North-West	5.0	26.0	21.2	77.0	34.9	24.3	1.7
North-East	19.7	-	39.5	29.6	44.2	37.3	1.7
Centre	7.6	10.3	11.3	16.8	19.9	12.3	-1.2
South	6.7	10.0	10.7	16.5	15.1	11.6	0.0
Islands	5.9	8.8	7.7	10.6	14.8	9.3	-0.5
Total	**9.2**	**9.8**	**13.6**	**15.3**	**31.3**	**18.4**	**0.8**

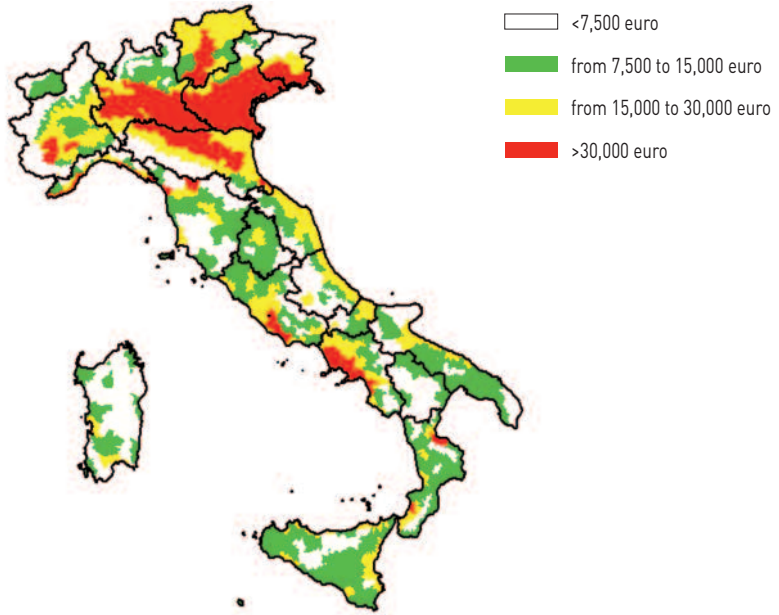
Figures presented in this table cannot be compared with those published in the previous volume of Italian Agriculture in Figures, as the land values data bank is currently being updated.

Source: INEA land values data bank.

ing systems and high-value crops (e.g. DOC wines) and the scarcity of land suitable for this type of production, but often are also influenced by the economic dynamics of local production systems.

High land values and tight financing have encouraged more farmers to rent land. The rental market was more dynamic in the northern regions, where rents have shown an upward trend with larger increases for land allocated to energy crops. In the north-western regions demand far outstripped supply, whereas the situation in the centre-south showed more balance and stability of rents.

Average land value by farm region in 2010



Source: INEA land market data bank.

CREDIT FOR AGRICULTURE

Bank loans showed a recovery trend beginning in the last months of 2010. Total lending for the sector of agriculture, forestry and fishing reached a value of 40,825 million euros, with agricultural loans making up a 4.2% share of the total economy. The breakdown by geographical macro-area shows a growth rate of 6.2% in northern Italy, 3.4% in the Centre and 2.1% in the South.

The ratio of bank loans to agricultural production has risen to 84%, confirming the high exposure of the sector with respect to the banking system. Loans beyond the short term (over twelve months) have increased 2.3% compared to 2009. Investments have increased for machinery and equipment (+12.3%) and other rural buildings (+3.6%). Loans for non-residential buildings and farm buildings dropped (-3.3%).

Bank loans for agriculture, 2010[1]

	Agriculture[2] million euro	% of total loans	% of agricultural production[3]
North-West	11,208	3.2%	103.4
North-East	13,614	5.3%	103.4
Centre	8,117	3.1%	110.3
South	4,917	5.1%	45.1
Islands	2,968	6.9%	45.1
Total	**40,825**	**4.2%**	**83.6**

[1] Following the introduction in June 2010 of the new ATECO 2007 classification of economic activities, the historical series of loans cannot be reported, owing to lack of comparability of aggregates.

[2] Includes forestry and fishing.

[3] Production at basic prices in agriculture, forestry and fishing.

Loans beyond the short term in agriculture as of December, 2010[1]

Loans	Total (million euro)	2010/2009 (%)	Easy financing to total (%)
Machinery and equipment	4,909	12.3	4.8
Building and rural structures	8,126	-3.3	1.8
Other rural buildings	2,942	3.6	8.9
Total	**15,977**	**2.3**	**3.9**

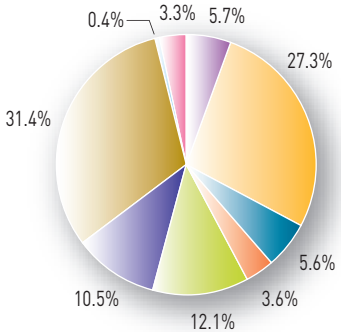
[1] Amount of loans with duration beyond 12 months, as of 31/12/2010.

Source: Bank of Italy.

INTERMEDIATE CONSUMPTION

In 2010, spending for intermediate consumption in agriculture, including forestry and fishing, increased in value by 2.2%, following a rise in prices (+2.9%) and a decline in used volume (-0.7%).The drop in volume affected most inputs, especially motive energy (-3.2%), seeds (-1.8%), feedingstuffs and various livestock expenses (-0.7%) and other goods and services (-0.2%). Small increases were recorded for redeployments (+0.8%), plant protection products (+0.5%) and fertilisers (+0.3%). Price increases affected redeployments (+7.9%), motive energy (+6.5%), feedingstuffs and various livestock expenses (+3.6%) and other goods and services (+2.6%). Prices decreased for fertilisers (-9.3%), seeds (-2.6%) and plant protection products (-0.3%). Intermediate consumption in forestry dropped in volume by 2.2%, registering an increase in prices of 4.4%; for fishing and aquaculture, volume dropped by 3%, while prices rose by 9.2%. In terms of volume, the share of intermediate consumption to agricultural production, including forestry and fishing, decreased slightly, from 38% in 2009 to 37% in 2010.

Intermediate consumption in agriculture, forestry and fishing (million euro), 2010



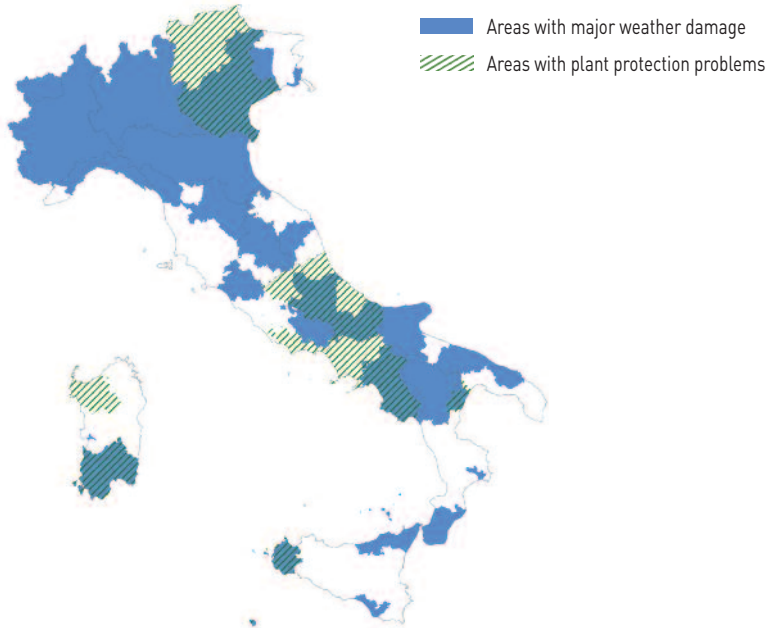
TOTAL	22,485
Seeds	1,280
Feedingstuffs and various livestock expenses	6,135
Fertilisers	1,265
Plant protection products	808
Motive energy	2,730
Redeployments[1]	2,365
Other goods and services[2]	7,055
Forestry	97
Fishing	751

[1] Farm product reused on the same farm or sold to another farm as a production input.

[2] General expenses, financial services, consulting, water, transport, co-op dues, maintenance, etc.

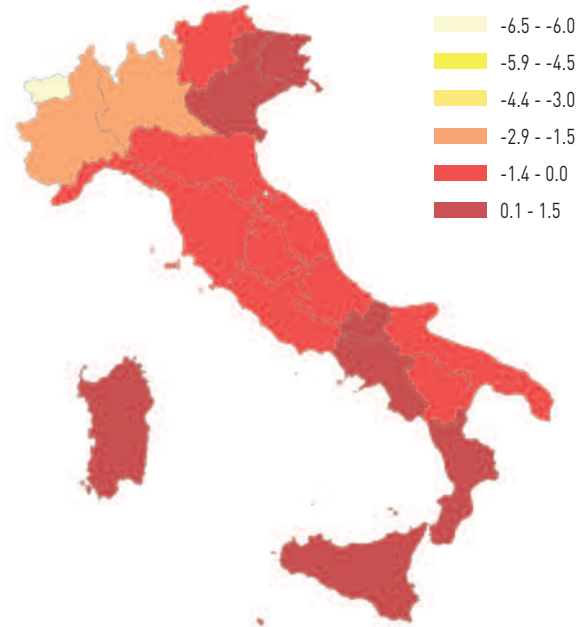
As has happened frequently in the last few years, there were again many implications in 2010 of climate trends' effect on agriculture, though these were manifested differently in different parts of the peninsula. Indeed, an observation of the most important meteorological parameters, like temperature and precipitation, showed anomalies that affected both the quantity and quality of agricultural output. In North Italy, the precipitation since the beginning of the year caused delays in planting and harvesting, owing to the impracticability of flooded fields, farms and crops. The consequences of this trend were also evident in the spring, when high temperatures caused problems of plant protection. Further episodes of storms and hail, often violent, in various areas of the country caused losses in quantity and quality of output, made worse by precarious conditions in the irrigation supply. Rivers and canals overflowed their banks in Veneto, Basilicata, Campania and

Agricultural areas with problems due to climate change 2010



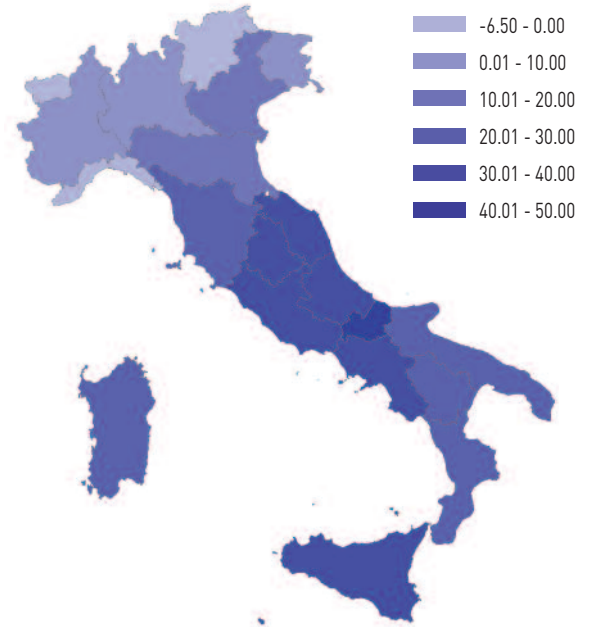
Source: INEA processing.

Maximum average regional temperatures - deviations from average in 2010 (in ºC)



Source: INEA processing of CRA-CMA figures.

Average regional precipitation - deviations from average in 2010 (in mm)



Source: INEA processing of CRA-CMA figures.

Calabria, causing the loss of field crops, flooded by water and mud, and the deaths of many head of livestock. The balance in the sector confirms the need to establish strategies that are better suited to varying environmental conditions, using strict, strong planning of the land system and agricultural practices.

In 2010, Italy's agricultural output remained basically stable in terms of volume (+0.2%) over the previous year, at the same time registering an increase in prices of 1.8%. As a consequence, the value of output in agriculture, forestry and fishing at basic prices, measured in current terms, increased by 2%, to 48.8 billion euro. Once again in 2010, various sectors contributed to production, with crops making up 51% and livestock accounting for around 30%.

Value of output and services at basic prices by main category, 2010

	Italy		Var. % 2010/09	
	million euro	%	volume	prices
Field crops	12,971	26.5	-0.2	1.8
Tree crops	10,439	21.4	0.0	4.1
Fodder crops	1,717	3.5	1.3	2.4
Livestock	14,890	30.5	0.2	-0.7
Connected services[1]	5,449	11.2	0.6	1.7
Secondary activities[2]	1,565	3.2	1.5	3.5
Forestry	477	1.0	1.4	1.6
Fishing	2,247	4.6	2.6	6.5
Total[3]	**48,855**	**100.0**	**0.2**	**1.8**

[1] Includes active and passive agricultural contract work, packaging of agricultural produce, maintenance of parks and gardens, services connected to livestock farming, artificial insemination, new sports facilities, etc.

[2] Agritourism, processing of milk, fruit, meat and other agricultural activities.

[3] Including secondary activities of an agricultural nature in other branches of the economy.

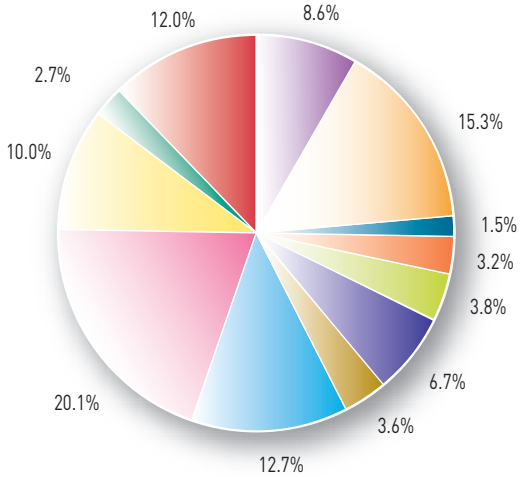
Source: ISTAT.

In analysing the trend by individual category, the production value of plants increased by 3% compared to 2009, with very good results for wood crops (+4.2%). There was a slight drop in value of livestock production (-0.4%) with different trends for meat (-1.1%), milk (nearly stable) and other livestock products, especially honey (+26.3%). Increases were shown for connected services, subcontracting and maintenance (+2.4%) and secondary activities (+5%), including farm stays and processing.

Within the vegetable category, production dropped slightly for herbaceous crops (-0.2%) following a decrease for potatoes and vegetables (-1.3%). Production increased for cereals (+2.2%), dried legumes (+9.6%) and industrial crops (+1.3%). The decline in fruit and vegetable crops especially affected potatoes (-10.1%), sweet peppers (-10%), carrots (-7.4%) and strawberries (-5.4%).

Tree crops remained stable on the whole, though production was down

Agricultural output at basic prices by main sector - values at current prices (million euro), 2010



TOTAL	45,465.9
Cereals and dried legumes[1]	3,897.5
Vegetables[2]	6,947.7
Industrial crops[3]	670.1
Flowers and ornamentals	1,455.7
Fodder crops	1,716.4
Grapes	3,033.4
Olives	1,652.6
Fruit and citrus	5,753.5
Meat	9,132.3
Milk	4,540.4
Eggs and other[4]	1,216.8
Connected services	5,449.4

[1] Dried legumes account for 86.8 million euro.

[2] Includes potatoes (682 million euro) and fresh beans (286 million euro).

[3] Sugar beets (147 million euro), tobacco (278 million euro), sunflowers (64 million euro) and soya (148 million euro).

[4] Includes honey (36.2 million euro).

Main vegetable output, 2010

	Volume		Value[1]	
	000 q	var. % 2010/09	million euro	var. % 2010/09
Wine[2] ('000 hl)	19,112	-0.73	1,803,256	-3.81
Hybrid maize	84,362	3.60	1,434,154	32.42
Olive oil[2]	5,016	7.25	1,398,428	7.04
Tomatoes	66,402	-3.46	909,939	-12.11
Durum wheat	38,243	6.07	863,929	-6.25
Oranges	24,799	2.43	778,937	-1.16
Apples	22,232	-4.41	762,780	-1.25
Potatoes	15,952	-10.07	682,614	-0.70
Sold wine grapes	34,892	-3.31	635,034	-0.24
Dessert grapes	14,030	5.05	584,069	28.37
Pears	8,457	-3.05	566,873	33.80
Soft wheat	29,526	0.80	532,354	23.89
Lettuce	5,088	1.82	493,155	3.03
Artichokes	4,800	-1.34	455,808	-18.33
Rice	15,164	-6.42	409,364	-21.44
Peaches	10,301	-3.47	356,106	8.03
Courgettes	4,926	-3.28	347,763	-5.77
Lemons	5,198	-4.54	324,043	5.39
Strawberries	1,488	-5.40	290,061	-0.27
Fresh beans	1,865	-3.02	286,742	18.65

[1] At basic prices.

[2] 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.

considerably for fruit and other wood crops (-2.3%). Negative trends were recorded for apples (-4.4%), pears (-3.0%), peaches (-3.5%), walnuts (-19.8%), kiwi (-4.1%) and wine and dessert grapes (-0.2%); there was a significant recovery for olives (+6.7%) after the disappointing levels of the previous year. Production value for the tree crop category as a whole increased over 2009, owing to an increase in prices (+4.1%).

Livestock showed a slight increase in the meat category overall (+0.3%), substantially the effect of an appreciable drop in volume of sheepmeat and goatmeat production (-3.9%), which was offset by good results in production of poultry meat (+5.4%). Production of milk dropped, compared to 2009, by 0.3%, with a slight decline in volume of cow's milk and buffalo milk (-0.2%) and for sheep and goat milk (-0.8%). In particular, sheep and goat milk dropped in price paid to producers, which caused a sharp decline in production value (-11.7%). Produc-

Main livestock output, 2010

	Volume[1]		Value[2]	
	000 t	var. % 2010/09	million euro	var. % 2010/09
Beef	1,409	-1.8	3,199	-1.5
Pigmeat	2,058	-1.1	2,459	-1.9
Sheepmeat and goatmeat	68	-3.9	215	-5.8
Poultry	1,645	5.4	2,229	2.3
Cow's milk and buffalo milk	11,200	-0.2	4,040	1.6
Sheep and goat milk	598	-0.8	501	-11.7
Eggs	1,343	1.4	1,169	2.8
Honey	12	9.9	36	26.3

[1] Live weight.

[2] At basic prices.

tion increased for eggs and honey, in both volume and value, with rises of 1.4% and 9.9%, respectively, compared to 2009.

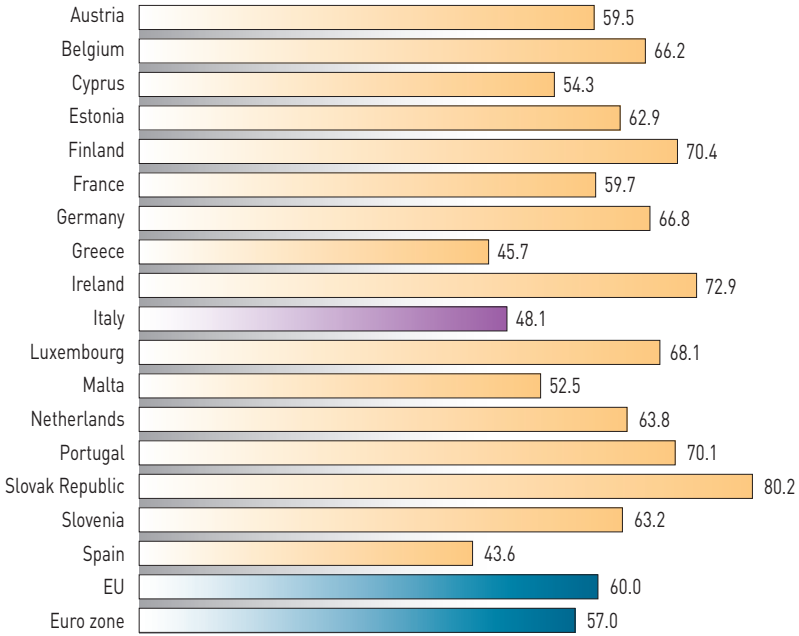
Production also increased for forestry (+1.4%) and fishing (+1.6%). The latter category also recorded a sustained growth in prices (+6.5%), caused by the increased cost of diesel fuel, which raised production costs by about 7%. A decrease was observed in catch volume (-26%) in the Ionian areas of Puglia, Calabria and eastern Sicily, and an increase in the Tyrrhenian area (+14%).

At the Community level, the 2010 farm year showed a decline in production volume (-1%) and a considerable increase in prices (+8%). The drop in production mainly affected potatoes (-7%), cereals (-6%), tree crops (-5%) and wine (-5%). Good results were recorded for the production of olive oil (+19%), whereas livestock production increased by 1%, with good results for poultry and pigs, which increased in production by 3% and 2%, respectively. Milk production remained stationary compared to 2009.

Agricultural output at basic prices and intermediate consumption in EU countries (% of EU total), 2010

	Output	Intermediate consumption
Austria	1.8	1.8
Belgium	2.2	2.4
Cyprus	0.2	0.2
Estonia	0.2	0.2
Finland	1.1	1.3
France	18.6	18.6
Germany	12.7	14.2
Greece	2.9	2.2
Ireland	1.6	1.9
Italy	12.5	10.1
Luxembourg	0.1	0.1
Malta	0.0	0.0
Netherlands	7.0	7.5
Portugal	2.0	2.3
Slovak Republic	0.5	0.7
Slovenia	0.3	0.3
Spain	11.0	8.0
Euro zone (million euro)	**264,190**	**151,854**
EU (million euro)	**354,558**	**211,752**

Share of intermediate consumption to output (%)

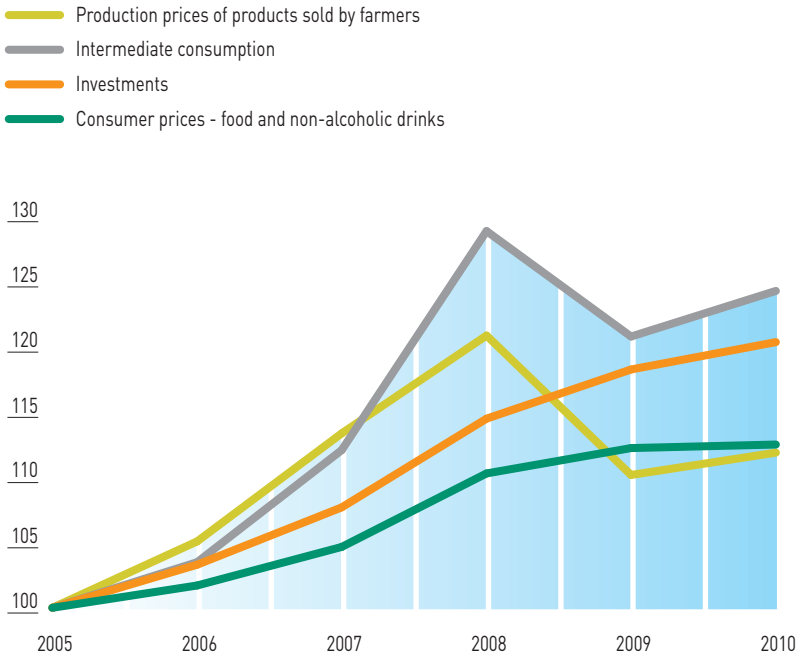


In 2010, the variation in terms of trade in agriculture, measured as the ratio between the production price index and that of prices of intermediate consumption, continued to be negative (-1.3%), though in absolute values it was less so than in 2009.

There were increases in prices of investments (+1.8%) and intermediate consumption (+2.9%) in agriculture, forestry and fishing. In particular, fuels (+18%), feedingstuffs (+11%), energy and lubricants (+6.6%) and fuels (+5.6%) cost more than in 2009. On the contrary, simple phosphate-based fertilisers (-13.5%), potassium-based ones (-24.4%) and complex ones (-8.9%) cost much less than in the previous year. The changes compared to 2009 in the price index for investments were positive, between 1% and 2%.

In 2010, there was a positive change in the price index for vegetable products sold by farmers (+3.1%), whereas livestock products showed a decline of 0.1%. The greatest increases

Index numbers (2005=100)

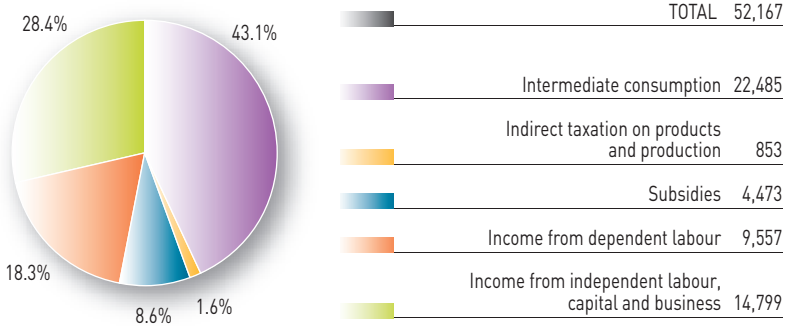


among vegetable products were for potatoes (+13.4%), fodder (+12.4%) and cereals (+7.7%), while decreases were recorded for wine (-3.8%) and fresh vegetables (-2.6%). Compared to 2009, the change was positive for livestock production, in rearing of sheep and goats (+3.7%) and for animal products (+0.5%). There was a modest change, compared to 2009, in the consumer price index for food and non-alcoholic drinks (+0.2%), in the face of appreciable increases in production prices (+1.5%) and intermediate consumption (+2.9%).

AGRICULTURAL INCOME

In 2010, the breakdown of agricultural production value, including production subsidies and direct taxation, shows a share of intermediate consumption of 43.1% (seeds, fertilisers, feedingstuffs, energy, services, etc.). Income from dependent labour accounts for 18.3%; remuneration for independent labour (farmers, family members, entrepreneurs, etc.), capital and business was 28.4% of production value, after depreciation.
Contributions and subsidies disbursed by the state and the EU made up approximately 8.6%, a considerable drop from 11.5% in 2009.
At the European Community level, according to Eurostat figures, real agricultural income per work unit[1] increased by 12.3% on average for the EU 27, a sign of recovery after the severe crisis of recent years. The increase, compared to 2009, dramatically affected Denmark (+56.5%), Estonia (+46.2%), the Netherlands (+38.9%) and France (+34.3%). On the contrary, a decrease in the indicator was recorded for the United Kingdom (-6.4%), Romania (-3.6%) and Italy (-2.8%).

Breakdown of value of agricultural production, 2010



[1] *Corresponds to net real value added from agriculture, at factor cost, per total annual work units.*

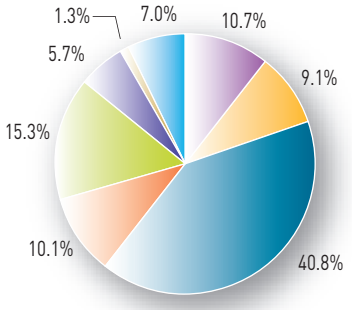
AGRI-INDUSTRIAL SYSTEM

COMPOSITION OF THE SYSTEM

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

The agri-food sector is estimated to have been worth some 246 billion euro, or 15.9% of GDP, in 2010. The main contributions were: approximately 26.4 billion from agricultural value added (VA), 22.5 billion from intermediate consumption in agriculture, 17.3 billion from agri-industrial investments, 24.8 billion from VA in the food industry, 37.7 billion from VA in the catering industry and 100 billion from marketing and distribution.

Main components of the agri-industrial system* at basic prices (million euro), 2010



TOTAL	246,031
VA from agriculture	26,370
Intermediate agricultural consumption	22,485
Marketing and distribution	100,144
VA from the food industry	24,834
VA from the catering industry	37,665
Indirect taxes in the agri-industrial sector	13,921
Production subsidies[1]	3,312
Agri-industrial investments[2]	17,300

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

[1] Refers to agricultural subsidies for "production and business activities"; the share of subsidies to "agricultural products", equal to 1,161 million euro, is included in VA from agriculture at basic prices.

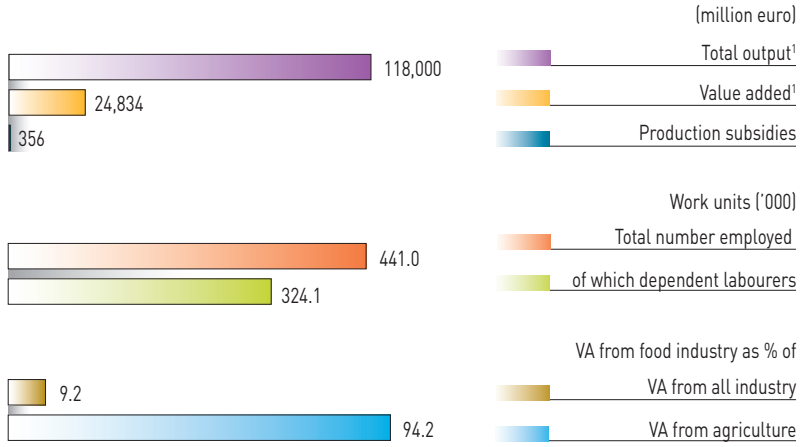
[2] Valuations from ISTAT figures.

FOOD INDUSTRY

The food industry, including drinks and tobacco, numbered around 58,000 businesses in 2009, down 4.2% from 2008[1]. In 2010, employment reached 441,000 work units, with a 10.1% share of employment in industry as a whole. 70% of labourers and approximately 77% of value added at basic prices in the sector were concentrated in the Centre-North.

In 2010, production in the food and drinks industry showed growth of around 2%, which allowed recovery from the slumps in 2009 and 2008, though remaining far below the increase in the industrial sector (+6.5%, not including building). Value added increased in volume (+1.6%) compared to 2009, but dropped in monetary terms (-3.5%). The impact on VA in industry in the narrow sense (mining and manufacturing) was 9.2% and was 94.2% of VA in agriculture. Compared to 2009, production levels

Food industry*: main macroeconomic aggregates, 2010



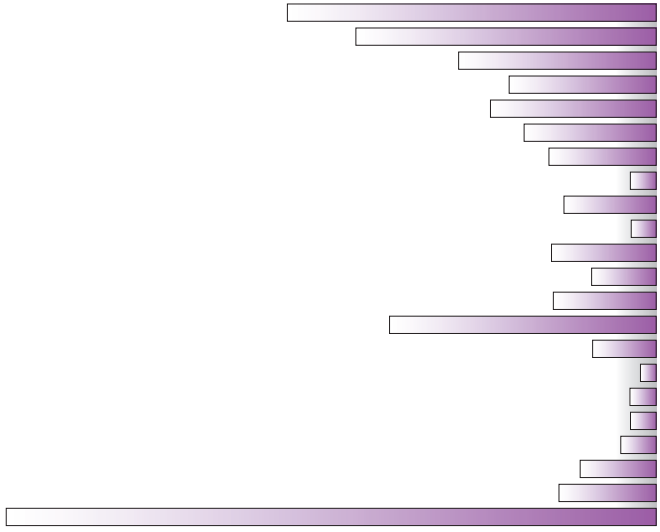
* Includes drinks and tobacco.

[1] At basic prices.

Source: valuations from ISTAT figures.

[1] *ISTAT - Structure and size of farms, 2009 - new classification of economic activities, Ateco 2007.*

Turnover in the food industry by sector (million euro), 2010



TOTAL 124,000	million euro	%
Milk and dairy	14,800	11.9
Confectionery	12,051	9.7
Prepared meats	7,928	6.4
Beef	5,900	4.8
Animal feed	6,650	5.4
Poultry	5,300	4.3
Pasta	4,303	3.5
Industrial bread and bread substitutes	1,035	0.8
Preserved vegetables	3,700	3.0
Prepared foods using fresh[1] or powdered ingredients	1,000	0.8
Olive oil and oilseed oils	4,200	3.4
Milling	2,590	2.1
Frozen foods	4,126	3.3
Wine	10,700	8.6
Beer	2,550	2.1
Sugar	630	0.5
Fruit juices	1,053	0.8
Rice	1,030	0.8
Fish products	1,420	1.1
Diet and baby foods and supplements	3,050	2.5
Mineral water and fizzy drinks	3,900	3.1
Other products[2]	26,084	21.1

[1] Preparations of fresh vegetables, cleaned of unusable parts, cut, washed, dried, packaged in plastic bags or trays and sold chilled.

[2] Of which coffee 2,440 euro, spirits and liqueurs 1,000 euro.

Source: Federalimentare.

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

	Var. 2010/09
Milling[1]	2.2
Bread and fresh pastries	2.5
Biscuits	2.0
Pasta	-0.7
Processing of fruit and vegetables[2]	-0.9
Vegetable and animal oils and fats	11.9
Slaughter and processing of meat	-1.1
Processed fish products	2.3
Milk and dairy products[3]	3.1
Sugar production	3.0
Confectionery	4.9
Condiments and spices	-5.1
Wine[4]	2.4
Beer	0.1
Mineral water and soft drinks	-2.6
Animal feed	3.7
Total	**2.0**

[1] Includes soft-wheat flour, durum wheat bran and starch products.

[2] Includes vegetable and fruit juices (var. -1.2%).

[3] Includes production of ice-cream (var. -1.5%).

[4] From non home-produced grapes.

Source: Federalimentare.

Production value in the food, drinks and tobacco industry in the EU 27, 2008

Country	Production	
	million euro	%
Belgium	35,929	3.8
Denmark	21,243	2.2
France	154,817	16.2
Germany	174,051	18.3
Ireland	22,083	2.3
Italy	115,065	12.1
Netherlands	64,756	6.8
Poland	48,380	5.1
United Kingdom	105,895	11.1
Spain	95,665	10.0
Sweden	14,736	1.5
Other EU countries	100,563	10.6
Total	**953,183**	**100.0**

Source: Eurostat.

increased for various sectors, especially oils and fats (+11.9%), sweets (+4.9%), milk and dairy (+3.1%), sugar production (+3%), bread and fresh baked goods (+2.5%) and wine (+2.4%). Production also increased for feedingstuffs (+3.7%). Production dropped, however, in other important categories, including condiments and spices (-5.1%), mineral water and fizzy drinks (-2.6%), meat slaughtering and processing (-1.1%) and processed and preserved fruits and vegetables (-0.9%).

In the EU-27, production in the food industry, including drinks and tobacco, increased in 2010 by around 1.4% compared to 2009. Total value of production (based on Eurostat figures for 2008) was roughly 953 billion euro, or 14.6% of industrial production value as a whole; there were 4.6 million employed, or 13.9% of those employed in the industrial sector in the EU.

Food, drinks and tobacco industry in the EU 27, 2008

	Production			Employment		
	million euro	% to total industry[1]	Italy as % of EU	000 units	% to total industry[1]	Italy as % of EU
Total EU 27	**953,183**	**14.6**	**12.1**	**4,602.9**	**13.9**	**9.7**
Meat	178,638	2.7	10.2	988.8	3.0	6.0
Fish products	20,085	0.3	9.8	123.1	0.4	4.8
Milk and dairy	129,171	2.0	12.9	368.8	1.1	11.6
Milling, processed starches	41,088	0.6	16.7	113.8	0.3	8.5
Processed fruit and vegetables	56,029	0.9	15.2	265.0	0.8	11.2
Vegetable and animal fats	41,072	0.6	13.8	53.9	0.2	20.0
Animal feed	60,000	0.9	9.5	124.3	0.4	6.8
Bread and pastries	72,605	1.1	9.9	1,344.90	4.0	9.8
Biscuits	22,123	0.3	16.6	156.2	0.5	11.9
Pasta	9,954	0.1	63.2	50.5	0.1	52.8
Sugar	14,489	0.2	3.8	33.5	0.1	5.2
Sweets	42,406	0.6	16.1	185.7	0.5	11.3
Other foods[2]	84,510	1.3	12.1	323.3	1.0	10.6
Drinks	138,143	2.1	9.0	418.8	1.3	9.3
Tobacco	42,870	0.7	10.7	52.3	0.2	9.4

[1] Manufacturing.

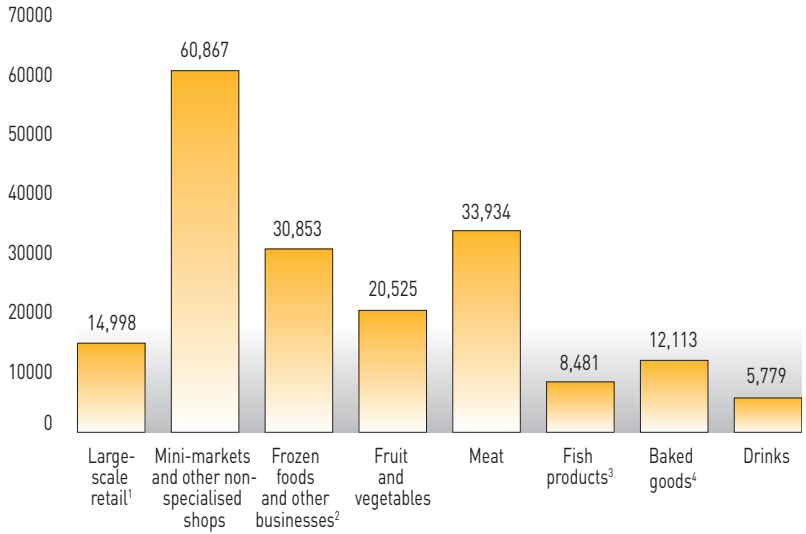
[2] Of which coffee 19,393 million euro; condiments and spices 13,382; diet and baby food 4,023; prepared foods 13,203.

Source: Eurostat.

In 2010, there were 187,550 fixed retail outlets in the food sector, a number relatively stable compared to 2009[1] (+0.1%). Non-specialised retailers, which include hyper-markets, supermarkets, mini-markets and other business with more advanced forms of marketing, increased their share, between 2000 and 2010, from about 38% to 51% of total businesses. There was a particularly large number of "mini-markets and other non-specialised businesses", with 60,867 units in 2010 (+0.5% over 2009), for a share of 32% of total food outlets. Specialised food outlets, using traditional sales methods, often located in smaller shops, reached 91,875 businesses (+0.6% over 2009). In this group, the largest number were butchers (33,934 units, -0.9% from 2009), followed by fruit and vegetable shops

[1] *Distribution network figures have been reorganised using the new ATECO 2007 code, obtaining greater detail in merchandising analysis.*

Fixed food retail outlets, 2010



[1] Hyper-markets, supermarkets and discount food shops.

[2] Milk and dairy, macrobiotic and diet products, coffee and other specialised and non-specialised businesses.

[3] Fish, shellfish and molluscs.

[4] Including resale of sweets and confectionery.

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

(20.525 units, +0.4%). Among other speciality shops, numbers increased for sellers of drinks (+3.3%), fish products (+1.1%) and bread (+2.4%), whereas there were fewer shops selling baked goods and sweets (-1.5%).
In value, sales trends showed differing results among the main types of merchandising: large-scale distribution increased by 0.4% over 2009, while small shops decreased by 1.4%.
Geographically, there was a more expansive retail network in the South, with approximately 4.2 businesses per 1,000 inhabitants, while in the North there were 2.4. Yet regions in the North accounted for 50% of sales value, while the South made up just less than 30%.
In the EU there are roughly 494,000 businesses specialising in retail of food and drinks. Of these, 15.6% sell fruit and vegetables, 25,2% sell meat and meat-based products, and 12.5% sell bread, baked goods and confectionery. Non-specialised businesses - approximately 420,000 units - are lesser in number than speciality shops; nonetheless, they are by far the most important commercial aggregate (hyper-markets, supermarkets, etc.), making up over 85% of total food retail in the EU[2].

Retail food trade and sales value by geographical area, 2008

	Food outlets		Sales value		Density
	number	%	million euro	%	n. businesses/ 1,000 inhabitants
North	65,750	35.0	61,873	49.3	2.4
Centre	35,004	18.7	26,748	21.3	2.9
South and Islands	86,796	46.3	36,945	29.4	4.2
Total	**187,550**	**100.0**	**125,566**	**100.0**	**3.1**

Source: processing of data from the National Observatory of Commerce.

Large-scale retail trade

The census of 31 December 2009 of main large-scale retail[3] confirmed the growth of modern distribution channels for food (supermarkets, hypermarkets, mini-markets). The increase particularly affected the South, up by around 8% in operating units and retail floorspace compared to 2008, with and increase of 9.8% of workers employed.

[2] *EU figures refer to 2008; see Eurostat "Food from farm to fork statistics" Ed. 2011.*

[3] *Annual survey of main GDO distribution formats, by the National Observatory of Commerce through the Chambers of Commerce.*

The sales network appears to be concentrated in regions of the North, which account for 50.2% of operating units, 55.4% of retail space and 59.2% of workers employed. In these areas, there are nearly 240 square metres of retail space per 1,000 inhabitants, much more than in the Centre (around 173 sq.m.) and in the South (roughly 155 sq.m.).

There were 9,481 registered supermarkets (+3.8% over 31 December 2008). The increase mainly occurred in the South (+9.1% in retail units). Total retail space also increased, to 8.4 million square metres (+4.2%), as did the workforce, to over 170,000 employed (+3.7%). Sales in 2010 were up 0.4% in value compared to 2009.

Hyper-markets increased, to 552 units (+3.3%), with total retail space for food of over 1.8 million square metres (+5.2%) and approximately

Trend in fixed food retail outlets

Main types	2000		2010		Var. %
	number	%	number	%	2010/2000
Large-scale retail and other non-specialised[1]	75,131	38.3	95,675	51.0	+27.3
Fruit and vegetables	24,502	12.5	20,525	10.9	-16.2
Meat	41,729	21.3	33,934	18.1	-18.7
Fish products	7,830	4.0	8,481	4.5	+8.3
Bread and baked goods	13,751	7.0	12,113	6.5	-11.9
Drinks[2]	5,134	2.6	5,779	3.1	+12.6
Other specialised[3]	27,851	14.2	11,043	5.9	-60.3
Total food outlets	**195,928**	**100.0**	**187,550**	**100.0**	**-4.3**

[1] Supermarkets, hyper-markets, discount food outlets, mini-markets and other non-specialised businesses.

[2] Wine, oils, beer and other drinks.

[3] Including resale of milk and dairy, macrobiotic and diet products and coffee.

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

84,500 employed (+0.6%). Growth was more marked in the South, with increases of 5.9% in number of units, 6.6% in space and 10.6% in workers employed. Sales dropped in value by 0.3%.

There was a more modest trend for mini-markets (+2.6% in number of units, +2.4% in retail space and +4.7% for workers employed), which indicates that the sector is reaching its physical limit of expansion.

In 2010, Italian families' expenditure for food and drink, including alcohol, was approximately 142 billion euro, at current values, an increase of 0.5 % over 2009. In real terms, the level of consumption remained practically stable (+0.3%).

Expenditure for eating out (canteens, restaurants, fast food, etc.) amounted to around 73 billion euro, an increase in value of 2.7%, mainly owing to higher prices (+2.2%). Between 2000 and 2010, the impact of this figure, in relationship to the value of families' food consumption, rose from 44.6% to 51.3%.

The most important categories in terms of expenditure are meat (31.5 billion euro), bread and cereal products (27 billion), milk and dairy products and eggs (18.4 billion) and vegetables and potatoes (15.4 billion).

Compared to 2009, increases in volume were recorded for some categories of food, including fruit (+3.5%), fish (+2.6%), alcoholic beverages (+2.3%) and bread and other cereal-based products (+1%); volume dropped for meat (-1.1%), sweets (-1.1%), vegetables (-0.8%) and non-alcoholic drinks (-0.6%).

Average family spending for food and drinks was higher than in 2009 by 1.2% (467 euro per month). The greatest increase in spending occurred

Break-down of food consumption, 2010

Product	% of total food expenditure	Average annual % of change 2010/2009	
		volume	price
Meat	22.1	-0.1	2.4
Bread and cereal-based products	18.9	0.1	2.7
Milk and dairy products and eggs	12.9	-0.5	2.3
Vegetables and potatoes	10.8	-0.1	2.8
Fruit	6.7	-0.1	2.4
Fish	6.5	-0.7	3.0
Sugar and confectionery[1]	6.4	-0.1	2.1
Wine and other alcoholic beverages	4.9	-0.4	2.4
Mineral water and other drinks[2]	5.1	-0.1	1.6
Oils and fats	4.1	-1.7	2.4
Coffee, tea and cocoa	1.4	-0.3	1.5
Other foods[3]	0.3	1.6	1.1
Total	**100.0**	**-0.3**	**2.4**

[1] Jam, honey, syrups, chocolate and cakes and biscuits.

[2] Fizzy drinks, fruit juices etc.

[3] Diet foods, spices, baby products etc.

in the South (471 euro monthly, +1.7%), where purchases of food and drinks accounted for 25% of total monthly outlays, as compared to the North (16.5%) and the Centre (18.6%).

Food consumption in some EU countries (kg per capita), 2009

Product	Bulgaria	France	Germany	Greece	Italy	Poland	Portugal	United Kingdom	Romania	Hungary
Cereals and cereal products	n.d.	111.4	112.7	198.8	160.0	137.5	129.0	115.2	n.d.	166.7
Refined rice	2.8	6.4	3.5	5.7	10.4	2.6	16.9	5.6	3.4	6.1
Potatoes	37.1	51.1	58.7	103.0	44.3	118.0	92.9	97.0	89.0	67.3
Fresh and processed tomatoes	22.3	30.4	23.5	82.1	72.2	21.3	18.4	16.2	34.1	19.7
Fresh fruit[1]	15.9	37.6	25.9	94.1	54.4	19.3	50.0	20.0	13.7	32.4
Citrus	12.6	nd	11.8	89.5	39.3	14.9	28.2	n.d.	14.3	7.0
Fresh milk[2]	25.9	89.9	86.0	79.0	70.0	115.8	115.9	128.6	103.6	88.9
Cheese	8.5	23.9	21.1	31.0	22.6	19.6	9.9	10.1	20.9	9.0
Eggs	9.3	14.8	13.0	9.6	10.9	11.0	8.6	11.0	12.4	14.7
Butter	0.1	7.9	5.6	0.8	2.9	5.0	1.4	2.6	0.7	0.7
Total meat	49.0	95.0	90.0	59.0	91.0	79.0	109.0	52.0	68.0	80.0
beef	5.0	26.0	13.0	6.0	23.0	7.0	19.0	18.0	7.0	3.0
pigmeat	24.0	34.0	54.0	8.0	38.0	48.0	46.0	20.0	33.0	44.0
Vegetable oils and fats	14.3	16.2	11.8	44.0	35.0	6.6	21.2	16.2	11.6	15.3
Sugar	26.0	34.7	37.4	23.9	43.6	32.8	36.7	23.7	23.0	28.3
Wine[3]	12.0	48.0	24.3	25.0	31.8	2.0	42.8	19.4	23.7	22.6

[1] Apples, pears, peaches, dessert grapes.

[2] Including other fresh products, except cream.

[3] Litres per capita.

2010 signalled a recovery in trade flows compared to the previous year, sustained by the positive performance of agri-industrial production (+2%). Exports grew by 11.5%, imports by 12%, generating a negative balance of trade that remained practically unchanged compared to 2009. The normalized balance was also stable, at -11.6%.

In contrast to 2009, propensity to export and import improved in value; propensity to export was up 9.3% and propensity to import increased by 8.7%. Degree of self-sufficiency and degree of trade cover were both down by 1% compared to 2009, however.

The share of the agri-food sector in 2010 was modestly lower compared to Italy's total trade: agri-food exporter's share was down 0.3% while imports were down by 1%.

70% of Italy's agri-food exports went to EU-27 countries, as in the previous year. Another 10% were destined for North America, mainly the US, and a further 7% were bought by other non-Mediterranean European countries. For agri-food imports as well, the balance among various countries remained basically unchanged since 2009, with 71% of purchases from the EU-27, 8% from South America, where Argentina overtook Brazil as our top supplier, and another 7%

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

		2000	2009	2010
MACROECONOMIC AGGREGATES				
Total agri-industrial output[1]	(O)	67,899	73,782	75,224
Imports	(I)	25,358	31,640	35,408
Exports	(E)	16,867	25,166	28,087
Balance	(E-I)	-8,491	-7,344	-7,321
Volume of trade[2]	(E+I)	42,225	56,806	63,495
Apparent consumption[3]	(C=O+I-E)	76,390	80,256	82,545
INDICATORS (%)				
Degree of self-sufficiency[4]	(O/C)	88.9	91.9	91.1
Propensity to import[5]	(I/C)	33.2	39.4	42.9
Propensity to export[6]	(E/O)	24.8	34.1	37.3
Degree of trade cover[7]	(E/I)	66.5	79.5	79.3

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

[1] Total output from agriculture, forestry and fishing plus VA from the food industry at basic prices.

[2] Sum of exports and imports.

[3] Agri-industrial output plus imports minus exports.

[4] Output-consumption ratio.

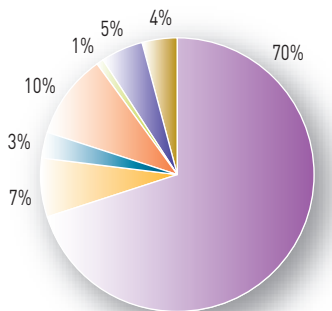
[5] Imports-consumption ratio.

[6] Exports-output ratio.

[7] Exports-imports ratio.

from non-Mediterranean Asian countries.
All of Italy's major suppliers belong to the European area, as in 2009, and are France, Germany, Spain, the Netherlands and Austria, with shares of between 16% and 3.5%. For exports as well, our most important buyers remained unchanged compared to the previous year and are: Germany, France, the UK, the US and Spain; individual shares ranged between 19.5% and 4%.
In the primary sector, there was an improvement in normalized balance of around 4%, driven by a more than 28% increase in exports, in the face of a 17% growth in imports. Nonetheless, compared to the food industry, the primary sector maintains a large distance. Indeed, for imports, the primary sector accounts for 32% as against 63% for the industry, and for exports the proportion is 20% as against 60%. The normalized balance of the food industry was slightly worse (-1.5%), following an increase in imports of 14.4% and in exports of 11%.
In 2010, Made in Italy was again a point of strength in our agri-food sector, based mainly on processed products, for which the normalized balance was 76%, slightly improved over 2009. For farm products, the normalized balance improved by over 8%, up to 63.4%, thanks to an increase in im-

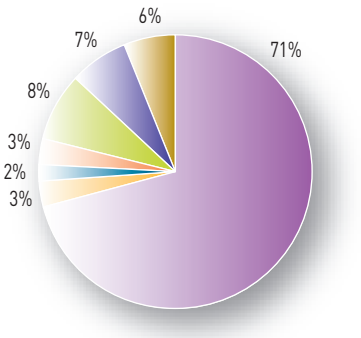
Destination for Italy's agri-food exports (million euro), 2010



TOTAL	28,087
EU 27	19,586
Germany	5,497
Other European countries (non-Med.)	2,000
Switzerland	1,163
Non-EU Mediterranean countries	721
Croatia	164
North America	2,824
United States of America	2,254
Central and South America	345
Asia (non-Mediterranean)	1,528
Japan	525
Other	1,083

ports of 22%. The balance in the food industry lost just under 2% (+51.7%). Products with the best performance are fresh vegetables (+29.7%) and fresh fruit (+21.8%) in the agricultural sector, and essences (+53.9%) and vinegar (+19.7%) for processed products. The most important sales values in 2010 were for fresh fruit, processed tomatoes and cheese.

Source of Italy's agri-food imports (million euro), 2010



TOTAL	35,408
EU 27	25,297
France	5,804
Other European countries (non-Med.)	946
Non-EU Mediterranean countries	786
Turkey	415
North America	955
United States of America	639
South America	2,796
Argentina	951
Asia (non-Mediterranean)	2,478
Indonesia	583
Other	2,150

Foreign trade by main agri-food category (million euro), 2010

	Import	Export	Nb (%)
Cereals	1,959	165	-84.5
of which from seed	80	33	-41.4
Fresh legumes and vegetables	875	1,215	16.3
of which from seed	160	86	-29.9
Dried legumes and vegetables	177	37	-65.2
Citrus	238	209	-6.6
Other fresh fruit	1,053	2,282	36.9
Dried fruit and nuts	664	257	-44.2
Raw textile fibres	98	10	-82.4
Oilseeds and fruits	720	76	-80.9
Cocoa, coffee, tea and spices	1,139	51	-91.5
Nursery products	504	644	12.2
Uncured tobacco	51	218	61.9
Live animals	1,458	55	-92.7
of which for breeding	118	28	-62.1
of which for rearing and slaughtering	1,317	16	-97.6
Other livestock products	359	91	-59.4
Forestry products	754	90	-78.7
Fish products	979	208	-65
Game products	72	12	-71.7
Total primary sector	**11,165**	**5,673**	**-32.6**
Cereal products	1,099	3,766	54.8
of which pasta	61	1,793	93.4
of which baked goods	638	1,260	32.8
Sugar and confectionery	1,429	1,230	-7.5
Fresh and frozen meat	4,349	1,017	-62.1
Prepared meats	330	1,073	52.9
Processed and preserved fish	3,022	321	-80.8
Processed vegetables	890	1,902	36.2
Processed fruit	484	891	29.6
Dairy products	3,588	2,151	-25
of which milk	842	11	-97.4
of which cheese	1,499	1,660	5.1
Oils and fats	2,837	1,591	-28.1
of which olive oil	1,201	1,166	-1.5
Oilcakes and feedingstuffs	1,598	437	-57.1
Other food industry products	1,500	2,175	18.4
Other food products	1,090	348	-51.6
Total food industry	**22,215**	**16,900**	**-13.6**
Wine	256	4,037	88.1
of which quality spumante	129	353	46.5
of which strong and aromatic wines	5	212	95.6
of which quality bottled wine	38	2,810	97.3
of which quality bulk wine	56	120	36.6
Other alcoholic drinks	901	712	-11.7
Non-alcoholic drinks	207	460	38
Total food and drinks industry	**23,583**	**22,106**	**-3.23**
Total agri-food balance	**35,408**	**28,087**	**-11.5**

Foreign trade in "Made in Italy" agri-food products

	2010 (million euro)			Change (%) 2010/2009	
	Import	Export	Nb (%)	Import	Export
Fresh fruit	408.70	2,197.20	68.6	-12.8	21.8
Fresh vegetables	250.20	857.40	54.8	-7.1	29.7
Nursery products	134.50	483.50	56.5	28.4	10.3
Made in Italy agricultural products	793.50	3,538.10	63.4	-5.9	21.9
Rice	58.70	497.30	78.9	-4.4	-7.3
Packaged wine	59.50	3,697.10	96.8	15.6	12.6
Wine in bulk	69.00	293.20	61.9	-11.2	-7.8
Processed tomatoes	122.60	1,442.40	84.3	-21.1	-0.5
Cheese	57.80	1,074.70	89.8	4.4	16.7
Prepared meats	179.20	944.30	68.1	-2.5	13.3
Fruit juices and cider	191.80	497.70	44.4	12.2	15.7
Prepared or preserved fruit and vegetables	473.50	732.20	21.5	12.6	8.9
Olive oil	104.00	283.10	46.3	11	9.4
Vinegar	12.60	196.00	87.9	0.7	19.7
Essences	37.40	74.60	33.2	58.3	53.9
Mineral water	5.60	300.60	96.3	1.2	17.5
Made in Italy processed products	1,371.70	10,033.30	75.9	4.6	9.4
Pasta	61.20	1,793.30	93.4	-4.5	-1.8
Coffee	131.90	698.70	68.3	22.9	11.2
Baked goods	638.10	1,259.80	32.8	13.5	10.6
Cocoa-based sweet products	607.70	1,008.50	24.8	14.3	13.8
Other cereal-based products	11.50	79.50	74.7	-5.5	3
Aquavites and liqueurs	202.50	475.30	40.2	15.7	12.8
Ice cream	112.70	223.10	32.9	11.3	5
Made in Italy food industry products	1,765.60	5,538.20	51.7	13.6	6.7
Total Made in Italy	**3,930.80**	**19,109.60**	**65.9**	**6**	**10.7**

FARM STRUCTURE

According to provisional data from the 6th general agriculture census, the structural framework has deeply changed compared to the 2000 census, as a result of a several-year process of concentration of farmland and livestock areas into a significantly reduced number of farms, which increasingly manage lands that are both owned and rented.

In a decade, the number of active crop and livestock farms has shrunk by 32.2%. There has been a much more contained drop in total farm surface (8%) and Utilised Agricultural Area (2.3%). There are 1,630,420 active farms, which manage nearly 13 million hectares of agricultural land.

Average UAA per farm is 7.9 hectares, an increase of 44.4% compared to 2000. TAA for farms has also increased on average, from 7.8 to 10.6 hectares. The increase in average size, for both UAA and TAA, affected all regions, though to differing degrees. The greatest increases were registered in Sicily, Sardinia and Lazio.

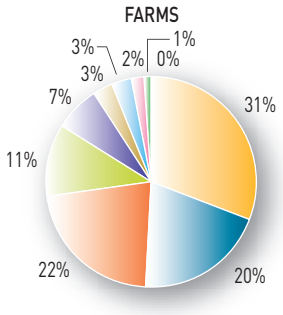
Farms and Utilised Agricultural Area, 2010

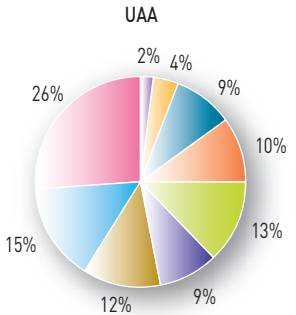
Regions	Farms		UAA (ha)		Total area (ha)	
	2010	var. % 2010/00	2010	var. % 2010/00	2010	var. % 2010/00
Piedmont	66,930	-37.4	1,048,350	-1.9	1,364,089	-6.5
Valle d'Aosta	3,520	-41.2	55,384	-22.1	119,140	-24.7
Lombardy	54,107	-24.2	984,871	-5.3	1,228,275	-9.1
Liguria	20,121	-46.1	43,033	-32.6	97,130	-39.9
Trentino-Alto Adige	36,666	-28.7	380,503	-8.1	897,826	-8.5
Veneto	120,735	-32.3	806,319	-5.3	1,021,969	-12.6
Friuli-Venezia Giulia	22,327	-33.0	219,910	-7.6	278,597	-29.0
Emilia-Romagna	73,441	-31.0	1,066,773	-5.5	1,364,699	-6.7
Tuscany	75,459	-38.4	755,295	-11.7	1,377,114	-11.6
Umbria	36,201	-30.4	327,868	-10.5	537,144	-14.4
Marche	46,373	-24.4	473,064	-4.0	632,231	-6.5
Lazio	98,026	-48.7	648,473	-10.1	925,046	-11.0
Abruzzo	66,854	-13.1	449,989	4.4	684,048	5.2
Molise	27,427	-13.4	196,528	-8.4	254,361	-10.7
Campania	136,867	-41.7	547,465	-6.6	723,215	-13.6
Puglia	275,633	-18.1	1,280,876	2.7	1,395,655	1.9
Basilicata	51,772	-31.9	512,281	-4.7	654,958	-6.5
Calabria	137,699	-21.2	551,405	-0.6	707,215	-16.1
Sicily	219,581	-37.1	1,384,043	8.2	1,545,977	6.2
Sardinia	60,681	-43.5	1,152,757	13.0	1,468,335	-8.2
Italy	**1,630,420**	**-32.2**	**12,885,186**	**-2.3**	**17,277,023**	**-8.0**

Source: ISTAT, 6th and 5th general agriculture censuses.

Smaller and medium-sized farms (less than 2 hectares of UAA), though they decreased by 43.7% compared to 2000, still account for 50.1% of the total, but only 5.7% of overall UAA. On the contrary, farms with over 30 hectares increased both in number and in size: from 3% in 2000, with 46% of UAA, to 5.3% in 2010, with 54.1% of national UAA.

% distribution of farms and UAA by class, 2010

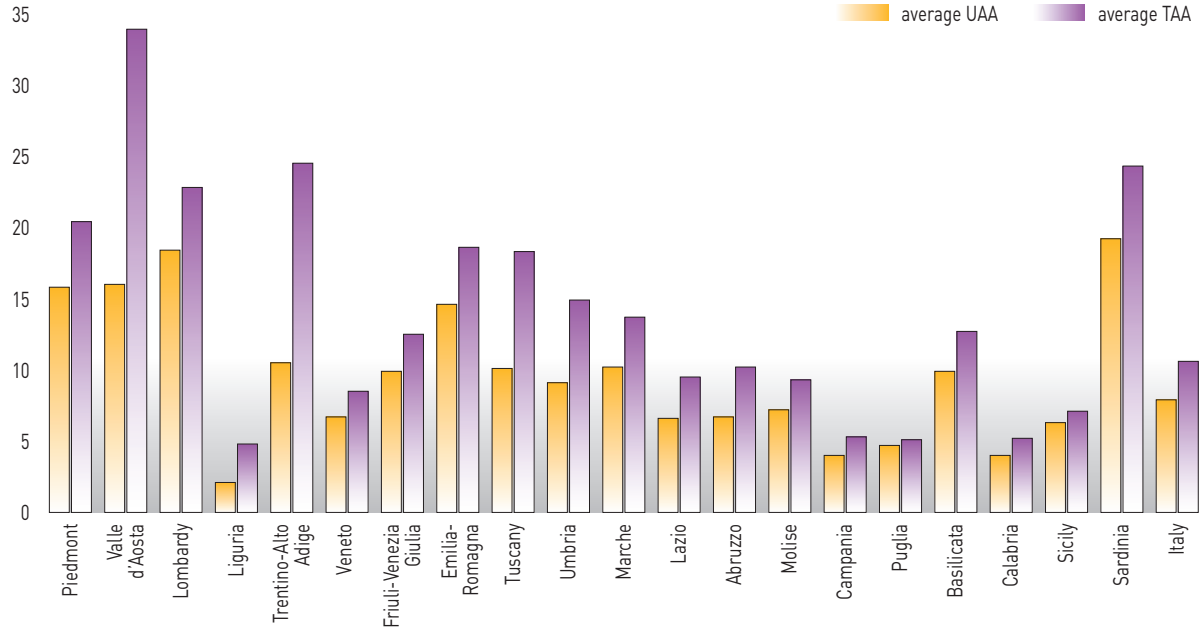




TOTAL	1,630,420
Without UAA	6,130
Less than 1 ha	504,609
1 - 2	326,078
2 - 5	356,366
5 - 10	185,323
10 - 20	119,737
20 - 30	46,594
30 - 50	40,853
50 - 100	29,221
100 ha and over	15,509

TOTAL	12,885,185.90
Less than 1 ha	278,001.86
1 - 2	451,263.74
2 - 5	1,114,861.74
5 - 10	1,289,292.15
10 - 20	1,658,284.40
20 - 30	1,126,645.27
30 - 50	1,554,545.59
50 - 100	1,994,084.52
100 ha and over	3,418,206.63

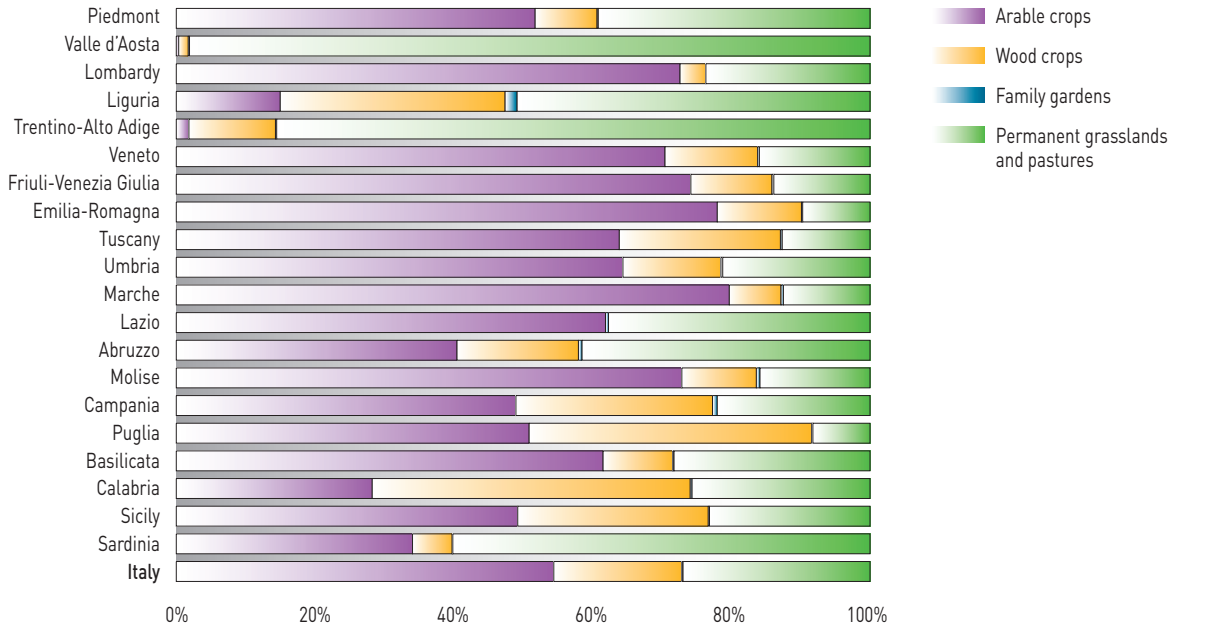
Average Utilised Agricultural Area and average Total Area by region (hectares), 2010



Source: ISTAT, 6th general agriculture census.

The distribution of UAA among main crop groups does not differ substantially from the census of 2000. Arable crops continue to have a predominant share, occupying over half of UAA (54.4%); next come permanent grasslands and pastures (26.9%) and wood arboriculture (18.4%).
The most commonly found crops are wood crops, which are grown on 70% of farms surveyed, but concentrated prevalently in regions of the South: Puglia has the greatest number of farms (248,000) and planted area (521,000 hectares). On a national level, the total area planted to wood crops has shrunk by 3% since 2000.
41% of national area planted to arable crops is concentrated in only four regions: Emilia-Romagna, Lombardy, Sicily and Puglia. There has also been a drop in total land planted to arable crops nationwide (-3.7% since 2000).
41% of area used for permanent grasslands and pastures is concentrated in only three regions - Sardinia, Piedmont and Sicily - and has increased by 1.6% since 2000.

Distribution of agricultural land according to main forms of use and by region (%), 2010



Source: ISTAT, 6th general agriculture census.

There were 209,996 active livestock farms in 2010, nearly 13% of total farms. The share of the livestock sector to agriculture varies significantly among the regions: higher in the regions of the North (48.3% in Alto Adige, 40% in Lombardy and 38.6% in Valle d'Aosta) and lower in the South (2.2% in Puglia, 6.8% in Sicily and 7.2% in Calabria), with the exception of Sardinia, which has 33.4%.

As with crops, the provisional figures from the 6th census indicate a concentration of livestock rearing on a smaller number of farms, with an increase in average size.

Farms raising cattle continue to predominate (124,000). Though their number has decreased by 27.7% over the decade, they account for 59.2% of total livestock farms. There were 5.7 million head raised (-6.1% compared to 2000) with an average per farm of 45.7 head (35.2 in 2000). Over half of cattle farms are in the North (50.2%), especially in Lombardy, Veneto and

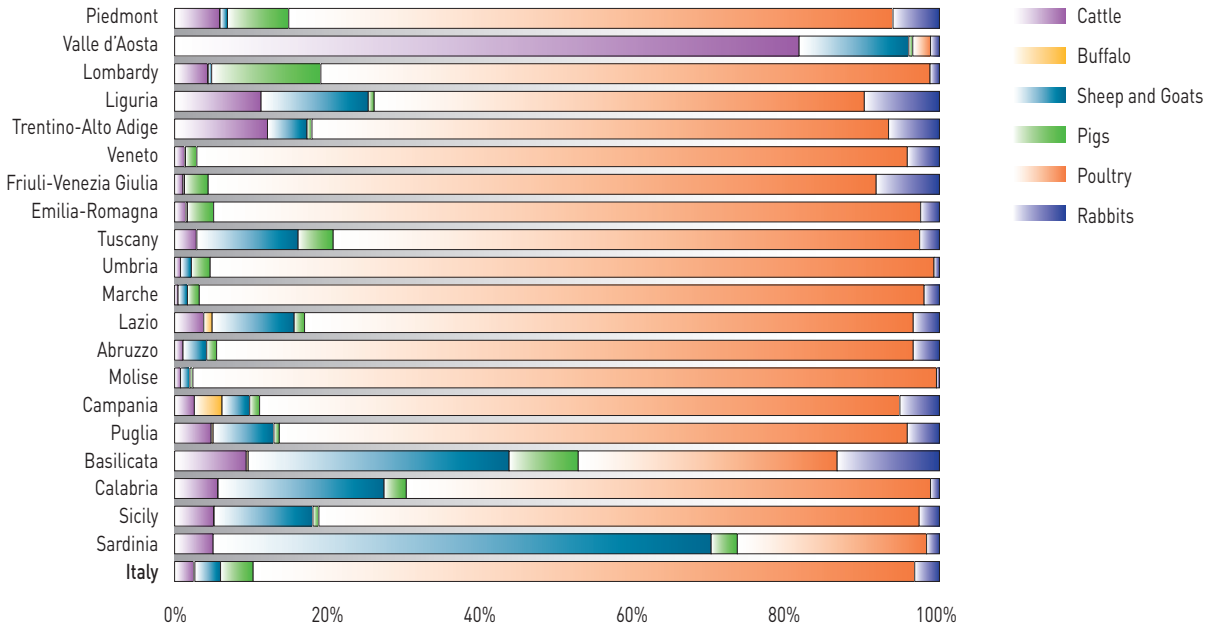
Number of farms according to main type of animal by region, 2010

Region	Livestock	Cattle	Buffalo	Sheep and Goats	Pigs	Poultry	Rabbits
Piedmont	18,883	13,228	37	3,736	1,200	1,716	844
Valle d'Aosta	1,357	1,176	-	353	27	29	25
Lombardy	21,476	14,700	86	3,865	2,639	2,393	1,058
Liguria	2,386	1,094	5	775	131	482	262
Trentino-Alto Adige	12,004	9,719	8	3,169	543	736	234
Veneto	20,138	13,131	50	1,003	1,765	2,976	862
Friuli-Venezia Giulia	3,160	2,050	16	269	588	393	153
Emilia-Romagna	12,299	7,359	25	1,543	1,217	1,059	394
Tuscany	9,888	3,486	29	3,182	1,287	1,671	736
Umbria	4,903	2,684	14	1,715	759	556	215
Marche	6,560	3,173	39	1,613	1,707	1,511	882
Lazio	14,171	8,664	590	3,848	896	1,411	580
Abruzzo	7,609	3,986	11	3,809	1,962	1,482	658
Molise	4,052	2,529	23	1,757	575	587	125
Campania	14,386	9,336	1,406	4,609	1,844	1,560	690
Puglia	5,958	3,519	57	3,009	704	1,417	478
Basilicata	5,746	2,645	16	5,485	479	384	143
Calabria	9,885	4,877	18	6,888	2,197	2,257	643
Sicily	14,881	9,151	21	7,698	742	586	129
Sardinia	20,254	7,834	11	15,247	4,852	789	143
Italy	**209,996**	**124,341**	**2,462**	**73,573**	**26,114**	**23,995**	**9,254**

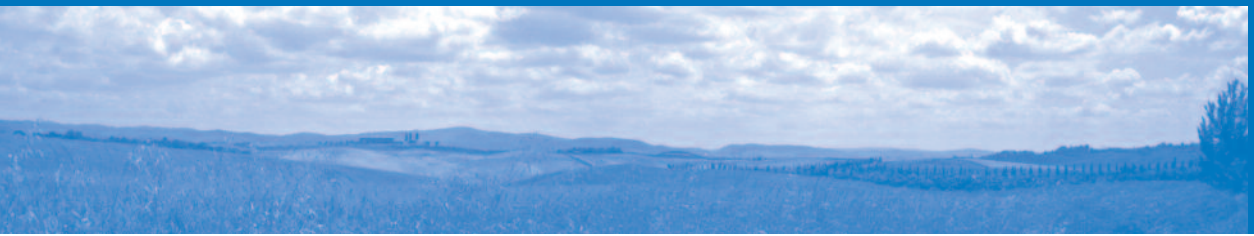
Source: ISTAT, 6th general agriculture census.

Piedmont, which have 70.4% of the nation's cattle.
Sheep and goats are concentrated in the South and Islands, Sardinia in particular, where over 3,000 head are raised, 43% of the national total.
Nearly 85% of the nation's 9.7 million head of pigs are raised in Lombardy, Emilia-Romagna, Piedmont and Veneto. These are generally large herds of the industrial type: the average number of head per farm is 1,840 in Lombardy, 1,055 in Emilia-Romagna, 924 in Piedmont and 527 in Veneto.
There is a concentration among the 195 million head of poultry in Veneto (58.1 million), Emilia-Romagna (34.9 million) and Lombardy (27.2 million). Poultry rearing is also intensive, as indicated by the average number of head per farm (33,000 in Emilia-Romagna, 20,000 in Veneto and 18,000 in Friuli-Venezia Giulia.

Distribution of head raised according to main type of animal by region, 2010 (percentage values)



Source: ISTAT, 6th general agriculture census.



ECONOMIC RESULTS OF FARMS

Results from the FADN[1] for 2009 show average turnover of nearly 52,300 euro per farm; from that figure[2], in compensation for all factors brought in by the farmer and the farmer's family, net income is calculated at around 21,800 euro, or slightly less than 42% of production value.

Analysis of the figures shows better production performance among farms in the North, especially the North-West, where productivity was well above the national average, in absolute terms, per hectare and per work unit. This result can be explained by the adoption of more intensive techniques and by larger farm size: farms in this area have an average of 24.2 hectares of UAA, as compared to the national average of 16.3

Structural data and main economic results by geographical area, farm averages 2009

	UAA	AWU	FWU	Turnover	Current costs	Long-term costs	Distributed income	Extra-charact. management	Net income
	ha	n.		euro					
North-West	24.2	1.4	1.2	90,641	34,977	8,438	9,042	5,338	43,523
North-East	15.9	1.2	1.0	69,570	32,402	5,291	9,050	2,275	25,101
Centre	19.0	1.2	1.0	50,720	19,380	6,100	8,344	626	17,523
South & Islands	13.5	1.1	0.8	33,907	10,109	2,737	6,594	1,051	15,517
Italy	**16.3**	**1.2**	**0.9**	**52,270**	**19,945**	**4,599**	**7,746**	**1,854**	**21,834**

[1] *For information on the FADN survey, see www.rica.inea.it.*

[2] *Turnover includes, in addition to proceeds from sale of products, those for activities connected with agriculture, as well as CAP Pillar 1 payments. Subtract current costs (consumption; other expenses and third-party services), repeat costs (depreciation and earmarked funds), distributed income (salaries, welfare contributions and passive rents) to arrive at operational income; add non-farm management (financial and extraordinary management together with public capital transfers and state rural development payments) to arrive at net income.*

hectares. In terms of income as well, in absolute terms, by hectare and per work unit, areas in the North showed higher values than the national average.

Going beyond the differing production potential and aptitudes across the nation, the South & Islands, though they showed lower productivity and income figures, registered the largest share of net income to turnover (46%), markedly higher than the national average (41.8%), mainly because of their lower share of current costs. Current costs are the highest item that farms must bear: at the national level, they account for around 38% of turnover, whereas multi-yearly costs account for 9% and expenditures on salaries, social security and rents make up 15%.

Structural and economic indicators by geographical area, 2009

	Turnover/ ha	Turnover/ AWU	NI/ FWU	NI/Turnover (%)	NI/ HA
North-West	3,749	66,284	35,698	48.0	1,800
North-East	4,367	58,756	25,199	36.1	1,576
Centre	2,674	41,434	17,442	34.5	924
South & Islands	2,509	31,192	19,850	45.8	1,148
Italy	**3,199**	**44,754**	**23,642**	**41.8**	**1,336**

An analysis of economic performance of farm types in Italian agriculture shows that all geographical areas have excellent production and income in the area of horticultural crops, which show the highest values in absolute terms, per hectare and per work unit. Fruit farms and vineyards have the highest rate of net income to turnover. Cereal farms have the largest utilised agricultural area: on average, around 23 hectares, as opposed to an average of 2.6 hectares for horticulture farms. As for costs sustained for farming, horticulture farms, which have the highest use of structures and require a larger workforce to complete the production cycle, have higher overall costs. By comparing costs to turnover, cereal farms register the highest share of current costs to production results: nearly 43%, whereas olive growers have a higher share of labour costs to production value (25.6%).

By comparing economic results geo-

Structural and economic indicators by FT, 2009

	Turnover/ ha	Turnover/ AWU	NI// FWU	NI/ Turnover (%)	NI/ UAA
Cereals	1,405	40,825	13,363	30.7	431
Horticulture	46,134	51,399	34,232	37.1	17,093
Fruit	6,429	34,502	23,610	51.9	3,336
Vineyards	6,413	35,239	20,854	45.3	2,906
Olives	2,837	24,228	14,377	41.8	1,186

Structural figures and main economic results by FT, farm averages 2009

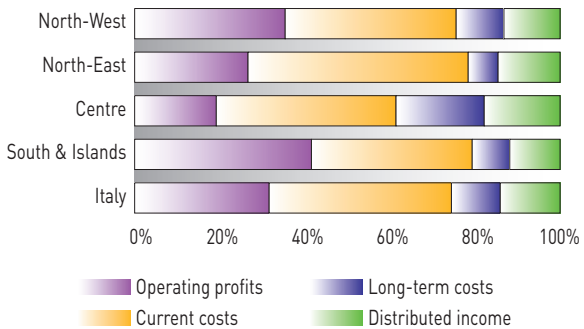
	UAA	AWU	FWU	Turnover	Current costs	Long-term costs	Distributed income	Extra-charact. management	Net income
	ha	n.		euro					
Cereals	23.2	0.8	0.7	32,562	13,970	3,721	4,585	-283	10,002
Horticulture	2.6	2.3	1.3	119,276	45,020	6,965	21,506	-1,593	44,192
Fruit	5.6	1.0	0.8	35,856	8,843	3,146	6,581	1,319	18,605
Vineyards	5.9	1.1	0.8	37,903	10,892	4,038	7,144	1,345	17,174
Olives	7.4	0.9	0.6	21,088	5,179	1,724	5,402	36	8,819

graphically, in terms of turnover and operating income, we see the highest profile for cereal farms in the North-West of Italy, fruit and horticulture farms in the North-East and wine growers in the Centre.

Structural and economic figures by geographical area, FT cereals, 2009

	UAA	AWU	Turnover/ ha	Turnover/ AWU	NI/ FWU
	ha	n.	euro		
North-West	29.7	1.1	1,954	51,384	18,773
North-East	16.4	0.6	1,629	41,281	9,223
Centre	26.9	1.0	1,184	33,251	6,879
South & Islands	23.1	0.6	919	34,157	16,716

Farms specialising in cereals: % breakdown of turnover, 2009



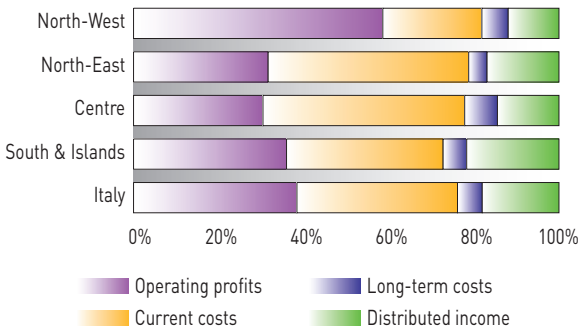
Structural and economic figures by geographical area, FT horticulture 2009

	UAA	AWU	Turnover/ ha	Turnover/ AWU	NI/ FWU
	ha	n.	euro		
North-West	2.5	1.6	35,641	54,016	39,886
North-East	3.5	2.6	49,454	67,115	35,234
Centre	2.5	2.1	48,397	57,079	23,378
South & Islands	2.5	2.7	49,445	45,859	35,335

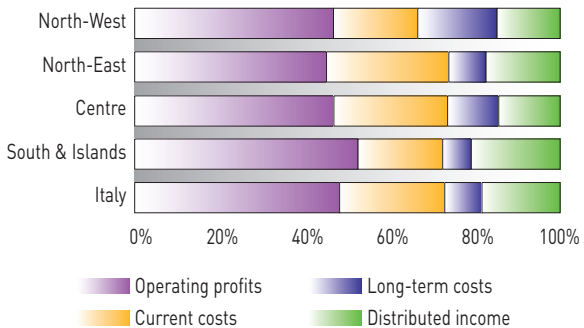
Structural and economic figures by geographical area, FT fruit 2009

	UAA	AWU	Turnover/ ha	Turnover/ AWU	NI/ FWU
	ha	n.	euro		
North-West	6.9	1.2	6,129	36,117	23,903
North-East	6.2	1.3	8,124	39,739	22,155
Centre	5.5	0.8	4,060	27,556	13,981
South & Islands	5.0	0.9	5,541	30,409	27,001

Farms specialising in horticulture: % breakdown of turnover, 2009



Farms specialising in fruit: % breakdown of turnover, 2009



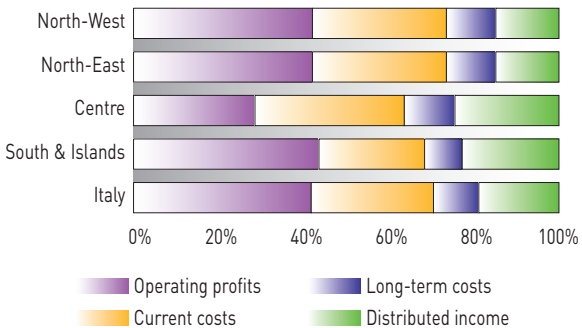
Structural and economic figures by geographical area, FT vineyards 2009

	UAA	AWU	Turnover/ ha	Turnover/ AWU	NI/ FWU
	ha	n.	euro		
North-West	4.9	1.1	8,897	39,598	23,248
North-East	5.5	1.1	6,922	35,885	21,692
Centre	12.8	1.7	7,238	54,549	24,400
South & Islands	5.5	1.0	5,117	28,362	18,274

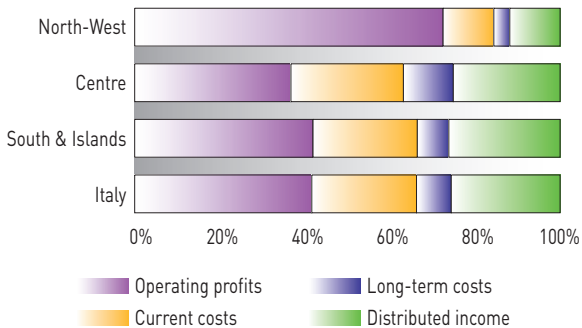
Structural and economic figures by geographical area, FT olives 2009

	UAA	AWU	Turnover/ ha	Turnover/ AWU	NI/ FWU
	ha	n.	euro		
North-West	2.6	1.0	9,365	25,192	19,275
Centre	9.3	1.1	3,043	25,859	11,872
South & Islands	7.2	0.8	2,739	23,848	14,822

Farms specialising in vineyards: % breakdown of turnover, 2009



Farms specialising in olives: % breakdown of turnover, 2009



Production and economic performance in main farm types common in the EU, according to FADN data[1], show varying trends among EU 27 countries.

The main accounting components of cost, subtracted from total output, reveal the residual variable of net family income, a summary expression of farms' performance, showing the peculiar characteristics of farms in the various Member States. Net family income[2] indeed shows quite different values within individual categories.

Italian horticulture farms have higher productivity per hectare than the EU average, but lower than the group of the Netherlands, Finland, Belgium and Germany. Italy stands out in terms of productivity of land and labour. While the EU average is just less than 5,400 euro of net income per hectare of land planted to horticultural production, Italian farms average over 18,000 euro. This is largely due to intermediate consumption, which has a lower impact on production value (36% as opposed to the European average of 52%), as well as to lower available agricultural area (2.9 ha as opposed to 5 hectares on average). Farms in the Netherlands showed the best results in terms of productivity of both land and labour, but these were not matched in terms of profitability. This depends on a larger average land area (8.5 ha) and use of labour (0.9 AWU/ha), also above average but heavily counterbalanced by salaried labour (78% of total AWU, as against 56% on average and 44% in Italy). As for other Mediterranean countries, farms in Spain and Greece had decidedly lower productivity than the average, offset by good profitability of labour in Spain and profitability of land in Greece.

In comparing the two strongest wine-growing countries, France and Italy, Italian farms have lower productivity indexes than those in France, but they make up the difference with profitability per family worker and have higher productivity per hectare. This has to do with situations that are different structurally: French wine growing farms are large on average (20.5 ha as opposed to 8.7 ha in Italy and 14 ha on average in the EU), with a higher impact from salaried labour (approximately 47% as against 30% in Italy), and a labour force in line with the Community average (0.12 AWU/ha as opposed to 0.17 AWU/ha in Italy). This reflects on costs, given that external factors (salaries, rents

[1] *For information about the FADN of the Community, see the site http://ec.europa.eu/agriculture/rica.*

[2] *Compensation to the farmer from production factors, as wells as business risk, is calculated by subtacting all costs, intermediate consumption and depreciation, plus external factories like salaries, rents and passive interests, from production value, also taking into account the amount of taxes paid and subsisidies received.*

and passive interest) paid out by French farms exceed 44,000 euro, while those for Italian farms are much lower (8,700 euro).

Specialisation in olive growing affects only 5 of the EU 27 countries, and farm performance differs considerably. Yet in all five, family labour is common, and the highest among the farm types considered. On farms in Greece and Cyprus, over 90% of labour is performed by family members; in Italy and Spain, 77%; in Portugal 74%. Italian olive growers, on average, have 7.2 hectares of UAA and 1.3 AWU/ha, and achieve the best results in productivity and profitability, while farms in Greece have the highest figures for income per hectare. Fruit growers[3] vary widely, some showing below-subsistence income (Cyprus, Slovenia, Hungary and the United Kingdom), and others with indexes of productivity and profitability that are far above average (Netherlands, Belgium). Among Mediterranean countries, Italy had the most satisfactory results in terms of productivity and profitability of land and labour. Structurally, these were smaller farms (5.6 ha as opposed to the EU average of 8.3 ha), with average labour force (0.2 AWU/ha) but higher family labour (77% of total as compared to an average of 66%) and better management efficiency (only 24% of TO is employed to cover intermediate consumption).

For arable crops (cereal crops, oilseeds and protein crops), the highest productivity was achieved by farms in Denmark, Germany, the U.K. and France. Denmark, however, shows a high impact of external costs, which take up 23% of TO.

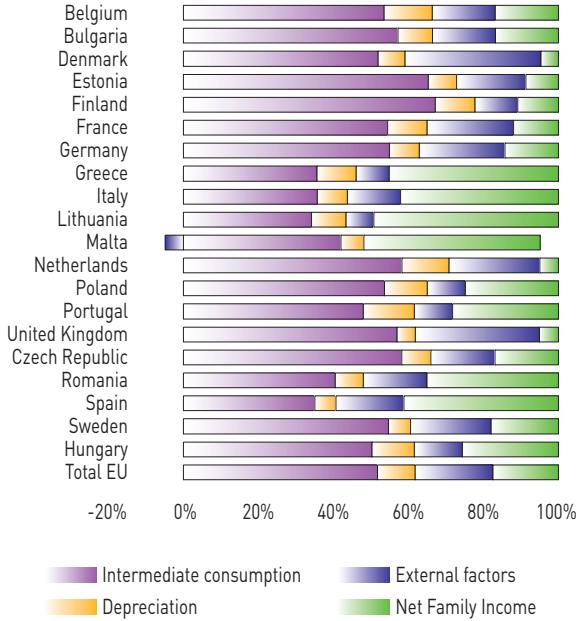
The high indexes of productivity and profitability per hectare of Italian farms should be read in light of small land size (26 ha as compared to the EU average of 73 ha), higher use of family labour (89% as opposed to 71% in the EU) and a slightly larger workforce than the EU average (0.03 AWU/ha as compared to 0.01).

[3] *Including fruit trees, citrus, nuts and small fruits except for strawberries.*

Farms specialising in horticulture: average farm results in euro (2006-2008 three-year period)

	TO/HA	TO/AWU	NI/HA	NI/FWU
Belgium	48,972	79,526	8,249	27,854
Bulgaria	12,197	7,497	2,049	2,787
Denmark	39,645	104,194	1,844	30,254
Estonia	4,713	29,840	410	7,282
Finland	66,986	60,962	7,258	15,805
France	36,752	58,132	4,401	19,142
Germany	46,807	58,944	6,680	26,811
Greece	18,898	24,548	8,524	15,980
Italy	**43,974**	**47,818**	**18,505**	**35,829**
Lithuania	3,144	14,313	1,548	14,932
Malta	12,811	20,822	6,673	13,646
Netherlands	122,255	129,612	6,071	29,492
Poland	15,370	20,492	3,816	9,315
Portugal	7,747	15,395	2,187	5,519
United Kingdom	28,118	61,856	1,418	22,019
Czech Republic	8,800	39,825	1,488	18,026
Romania	9,958	7,575	3,492	4,521
Spain	12,107	31,006	4,988	27,182
Sweden	35,972	98,395	6,448	42,801
Hungary	6,618	23,021	1,695	14,598
Total	**30,907**	**48,980**	**5,395**	**19,402**

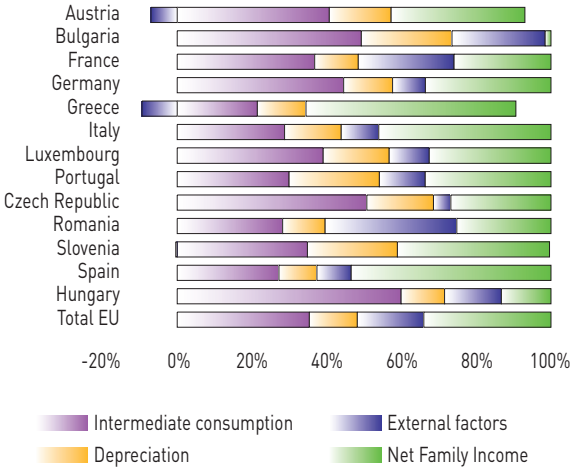
Farms specialising in horticulture: % breakdown of TO, 2006-2008



Farms specialising in grapes and wine: average farm results in euro (2006-2008 three-year period)

	TO/HA	TO/AWU	NI/HA	NI/FWU
Austria	3,258	38,909	1,355	19,205
Bulgaria	1,530	6,490	23	596
France	8,119	66,334	2,106	32,631
Germany	11,034	53,881	3,706	25,486
Greece	5,037	15,757	3,482	13,137
Italy	**6,620**	**38,765**	**3,050**	**25,589**
Luxembourg	12,653	58,467	4,121	32,605
Portugal	2,044	10,565	687	5,105
Czech Republic	2,814	18,732	753	12,487
Romania	3,063	11,733	772	25,502
Slovenia	4,868	12,613	1,996	5,663
Spain	1,468	21,502	784	14,804
Hungary	6,708	19,549	888	8,307
Total	**5,048**	**40,430**	**1,717**	**22,009**

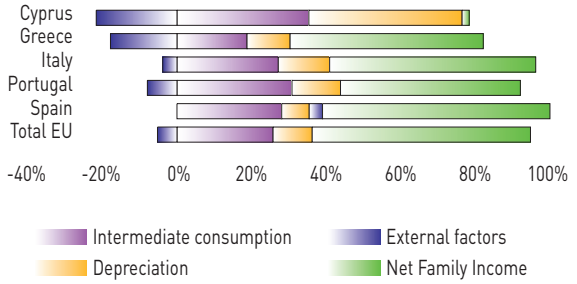
Farms specialising in grapes and wine: % breakdown of TO, 2006-2008



Farms specialising in olives: average farm results in euro (2006-2008 three-year period)

	TO/HA	TO/AWU	NI/HA	NI/FWU
Cyprus	1,239	5,722	41	210
Greece	2,301	9,234	1,855	8,129
Italy	**2,176**	**16,881**	**1,302**	**12,956**
Portugal	592	16,218	339	12,411
Spain	1,579	15,017	963	11,863
Total	**1,777**	**13,295**	**1,162**	**10,533**

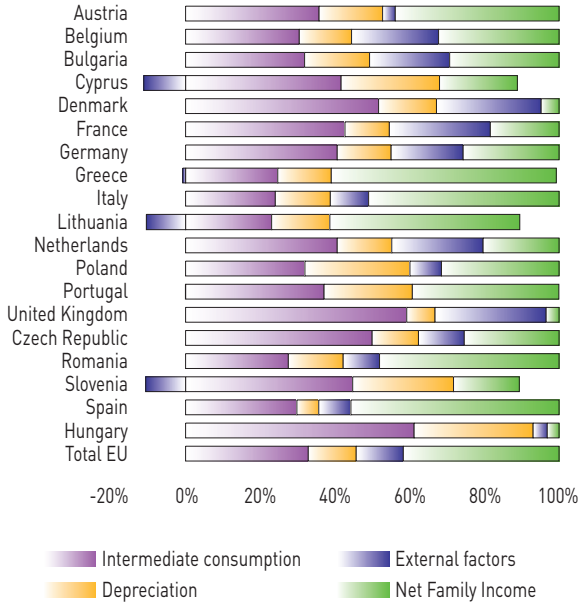
Farms specialising in olives: % breakdown of TO, 2006-2008



Farms specialising in fruit: average farm results in euro (2006-2008 three-year period)

	TO/HA	TO/AWU	NI/HA	NI/FWU
Austria	7,070	37,725	3,099	27,903
Belgium	16,993	65,160	5,481	67,784
Bulgaria	2,338	5,428	684	4,558
Cyprus	3,092	7,385	829	2,134
Denmark	3,910	79,477	187	5,230
France	7,432	44,707	1,366	26,960
Germany	8,577	50,272	2,200	33,472
Greece	5,796	19,428	3,543	14,669
Italy	**6,531**	**30,637**	**3,330**	**20,266**
Lithuania	978	11,286	629	13,368
Netherlands	20,475	79,528	4,164	43,873
Poland	3,157	11,365	994	5,561
Portugal	1,767	10,177	694	4,903
United Kingdom	6,978	53,893	240	8,025
Czech Republic	2,962	28,054	751	17,059
Romania	3,057	12,461	1,469	10,706
Slovenia	2,284	8,317	511	2,099
Spain	3,382	23,475	1,884	17,071
Hungary	1,530	15,888	48	1,450
Total	**4,607**	**24,892**	**1,920**	**15,568**

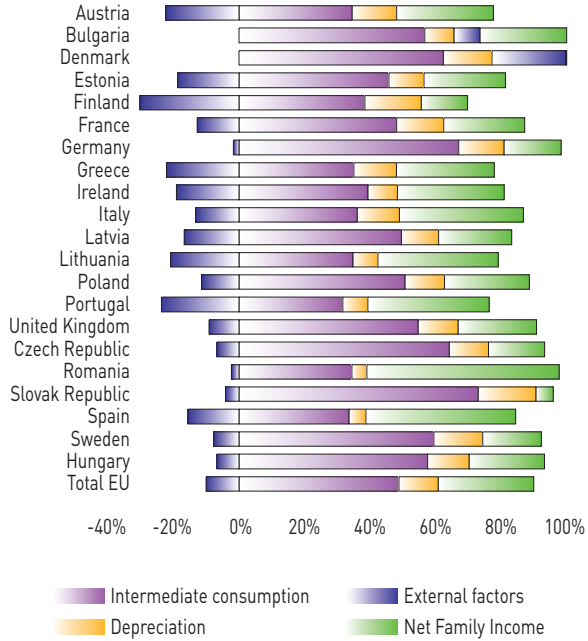
Farms specialising in fruit: % breakdown of TO, 2006-2008



Farms specialising in cereals: average farm results in euro (2006-2008 three-year period)

	TO/HA	TO/AWU	NI/HA	NI/FWU
Austria	1,026	59,186	548	33,069
Bulgaria	455	18,666	120	42,475
Denmark	2,003	137,468	4	405
Estonia	401	40,519	159	26,341
Finland	624	57,198	223	21,874
France	1,051	82,432	349	30,808
Germany	1,146	104,256	206	32,348
Greece	911	21,682	487	12,203
Ireland	1,047	69,201	551	39,113
Italy	**1,396**	**37,886**	**718**	**21,889**
Latvia	504	33,245	169	23,515
Lithuania	481	26,613	304	22,318
Poland	741	22,951	249	9,311
Portugal	549	19,340	386	15,169
United Kingdom	1,108	110,484	325	51,168
Czech Republic	828	47,284	164	20,497
Romania	1,020	28,512	627	30,497
Slovak Republic	638	35,615	36	10,490
Spain	524	40,269	348	29,286
Sweden	896	106,457	190	25,725
Hungary	756	44,310	201	25,675
Total	**895**	**49,971**	**326**	**25,555**

Farms specialising in cereals: % breakdown of TO, 2006-2008



ENVIRONMENT AND NATURAL RESOURCES

AGRICULTURE AND GREENHOUSE GAS EMISSIONS

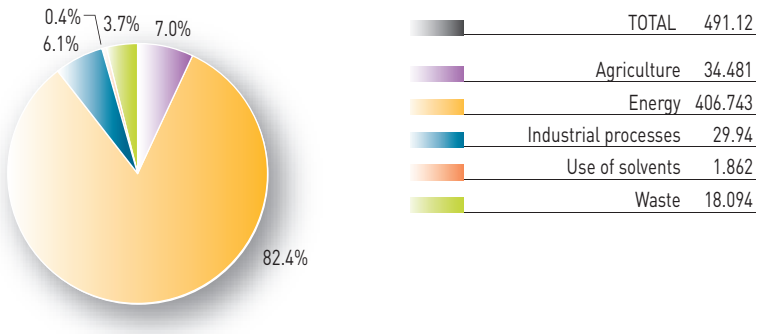
The year 2009 in Italy was considerably warmer than normal, with an average deviation of +1.19 ºC compared to the 1961-1990 thirty-year period (ISPRA 2010). The average increase in temperature in our country was higher than the average increase for global landmass (+0.76%).

According to the IPCC *(Intergovernmental Panel on Climate Change)*, to limit the negative effects from increases of more than 2 ºC, emissions must be halved by 2050, and agri-forest systems increased. As natural carbon reservoirs, these systems play an important role in mitigating climate change.

In Italy, based on the latest ISPRA report, total greenhouse gas emissions in 2009, not including absorption and removal in the LULUCF sector *(Land Use, Land Use Change and Forestry)*, amounted to 491 million tonnes of CO_2eq[1], or 5.4% less than in 1990. 2009 was the second reporting year for the Kyoto Protocol, for which Italy's conformance goal is to reduce emissions by 6.5% of 1990 levels. The reduction of emissions is thus a positive sign, though ISPRA points out that this is more a result of economic recession than of a real commitment to lowering emissions levels.

The agriculture sector, with 7% of emissions, is the second largest source of emissions nationally, following the energy sector (83%). Agriculture is responsible for two greenhouse gases:

Percentage of emissions by source, 2009

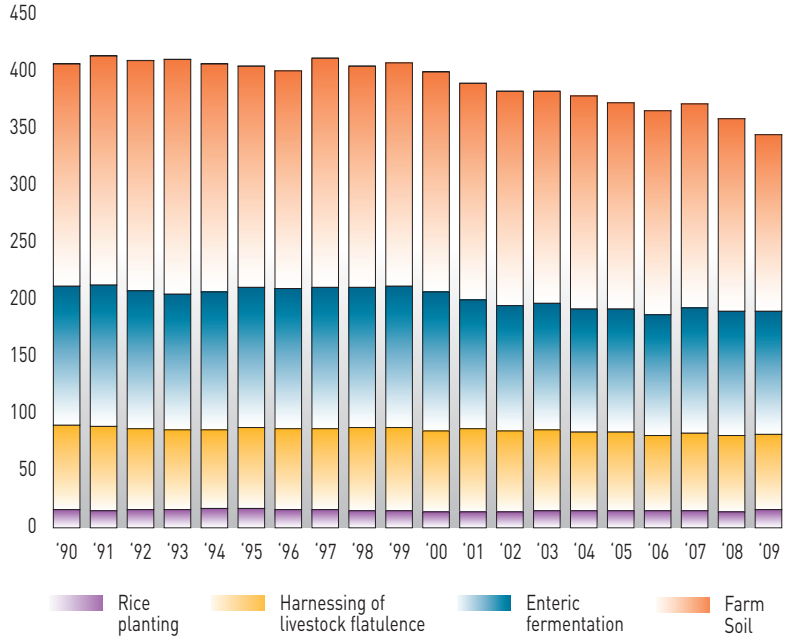


Source: ISPRA.

[1] *To sum up various greenhouse gases, emissions are expressed in CO_2 equivalents, using the potential for global warming.*

methane (CH_4) and nitrous oxide (N_2O), emitting 41% and 69% on a national level, respectively.
In the years from 1990 to 2009, the sector reduced emissions by 15%, especially emissions of N_2O (by 17.9%) and CH_4 (by 11.4%).
The main reason for reduced emissions is rationalisation of fertiliser use and a significant drop in livestock herd size. The gradual process of decoupling of CAP farm payments has also contributed to lower emissions in the sector, as has some environmental legislation (Nitrates directive and IPPC directive). Moreover, for livestock emissions, there is an increasing harnessing of biogas from animal flatulence, thanks to a national system of incentives.
Within the LULUCF sector, estimates are made of the absorption of CO_2 and greenhouse gas emissions by forests, cultivated land, grasslands and pastures, wetlands and urban settlements.
Between 1990 and 2009, absorption

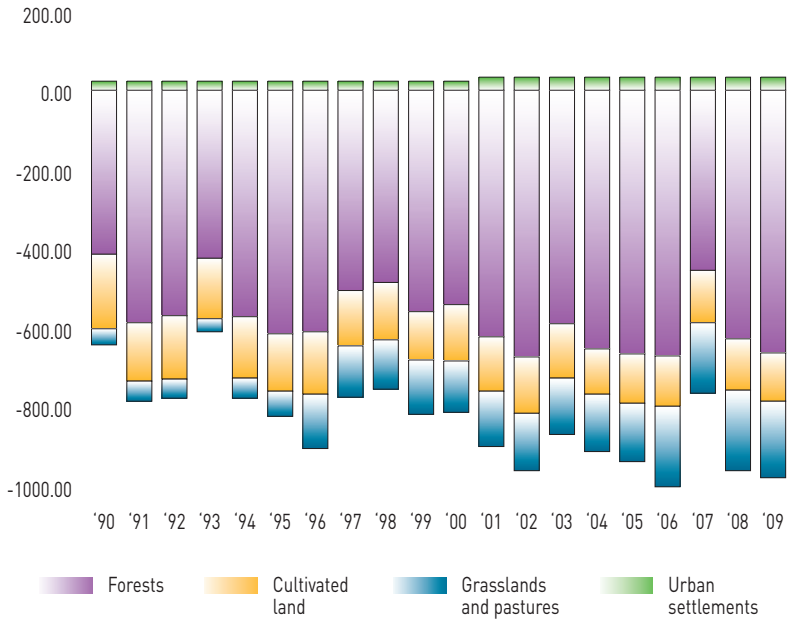
Evolution of agricultural emissions by source (Mt CO_2 eq)



Source: ISPRA.

increased by 53.2%. The major increases can be attributed to forested areas, especially because of colonisation of marginal areas and abandoned farmland, and, to a lesser degree, to the increase in carbon stocks in grasslands and pastures.

Evolution of emissions and absorption of greenhouse gases in the LULUCF sector by source (Mt CO_2 eq)



Source: ISPRA.

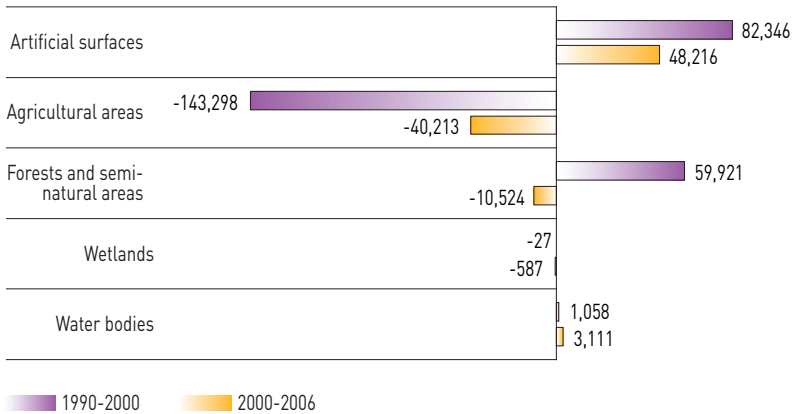
LAND CONSUMPTION

In the last decade, Italian territory has undergone important transformations, including extensive re-conversion of agricultural and rural areas to residential, commercial and infrastructure use. This phenomenon, commonly known as "land consumption", is drawing growing attention, especially concerning the need to quantify conversion of farmland to other activities, so as to assess the environmental, social and economic consequences.

Official figures on changes in use of available land at the national level are analysed and published by ISPRA (Superior Institute for Environmental Protection and Research) as part of the European *Corine Land Cover* project. According to this data bank, in the 2000-2006 period, Italy witnessed an expansion of 48,000 hectares of artificial surface, mainly at the expense of agricultural areas, and to a lesser degree of natural and semi-natural environments. During this time period, there has been substantial loss of UAA in Veneto (7,800 hectares), Tuscany (3,868 ha), Emilia-Romagna (3,858 ha), Lombardy (3,566 ha), Lazio (3,354 ha) and Puglia (3,002 ha). Moreover, comparisons with other sources that gather data in a more capillary way show that these figures are vastly underestimated.

The figures confirm the basic trends recorded during the previous period of observation (1990-2000), which,

Changes in land use in Italy (ha), 1990-2000 and 2000-2006



Source: Corine Land Cover.

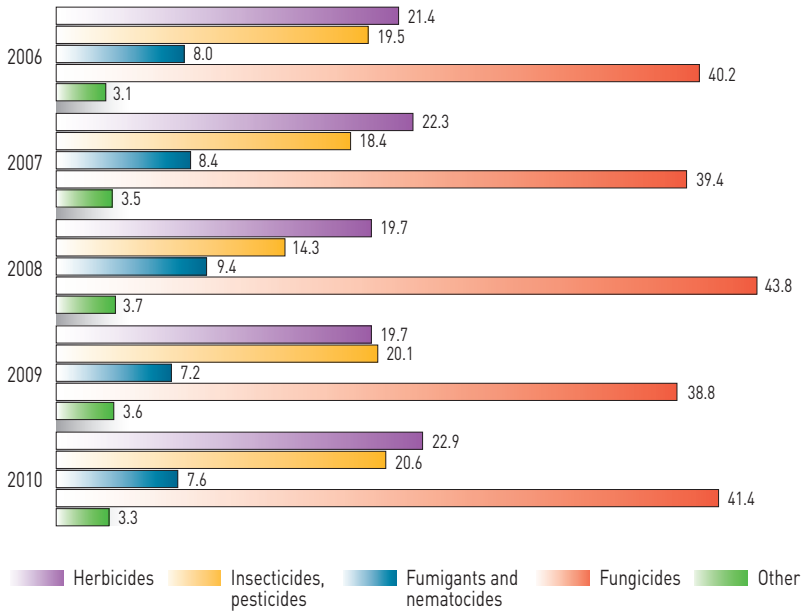
in addition to reduced agricultural surface, indicate internal conversion as well, a reduction of pastures and semi-natural surfaces and an increase in forested areas. These changes in land use are correlated to the geomorphological characteristics of various areas. Many lowland areas, traditionally used predominantly as farmland, are under strong pressure because they are also the most suitable areas for urban, production and commercial development. On the contrary, in mountain areas, where there is less land suitable for building, the reduction in farmland does not usually reflect urbanisation, but a process of re-naturalisation.

USE OF CHEMICAL PRODUCTS

In 2010, the total use of plant protection products amounted to 95,842 tonnes, a significant increase (+7.2% compared to 2009). This was especially due to an increase in the use of weed killers (+16.3%), in the face of an increase in area planted to maize, and a greater use of fungicides (+6.7%), as the effect of a wet summer which encouraged the attack of major spores on vines and fruit trees. The suspension of sealing agents for maize seeds also led to an increase in the use of fumigants and nematocides (+5.7%). There was a more contained increase in the use of insecticides (+2.3%), which were used largely to combat infestations of Western corn rootworm *(diabrotica virgifera)* in maize crops.

Though volume increased, the market value of plant protection products dropped slightly (-0.1%) for a total of 807 million euro. The economic value of pesticides has remained nearly stable over the past five years; indeed, the introduction of new active princi-

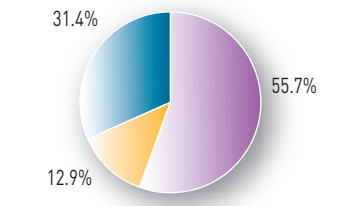
Evolution in the use of plant protection products ('000 t)



Source: Agrofarma, data refer to member farms.

ples and the development in European environmental policies have led to a mix of agri-pharmaceuticals with higher-than-average unit prices, but used in lower doses.
Inspections by the Health Ministry to ascertain chemical residues in vegetable products confirm a reduction in the abuse of these substances in 2010: in 7,246 samples of fruit, vegetables, cereals, olive oil, wine and baby food, 99.3% of products were within legal limits (last year it was 98.5%), and 62.3% were residue-free (65.8% in 2009).
2010 marked a slight increase in the total use of fertilisers (+2.6%), over 1.2 million tonnes, in the face of a wider use of phosphorus-based fertilisers (+24.8% compared to 2009). This was strongly conditioned by climate trends and heavy rains in the autumn.

Use of plant protection products by geographical area (t), 2010

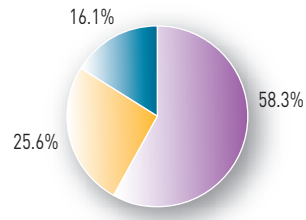


TOTAL*	95,842
North	53,406
Centre	12,333
South & Islands	30,103

* Figures refer to 99.1% of member farms.

Source: Agrofarma.

Composition of fertilisers used ('000 t), 2010



TOTAL	1,220.1
Nitrogen	711.7
Phosphorus	312
Potassium	196.4

Source: Assofertilizzanti.

The United Nations International Year of Forests aimed at raising awareness and promoting global action for management, conservation and sustainable development of all types of forests.

Characteristics of Italy's forests

The national inventory of forests and forested carbon reservoirs (INFC, 2005) estimates that there are 10,673,589 hectares of forested surface nationally, or 34.7% of the entire Italian territory. 83.7% of this value belongs to the macrocategory "Forest" (8,759,200 ha), and the remaining 16.3% (1,708,333 ha) belong to the macrocategory "Other wooded land" according to FAO classifications. The most densely wooded regions are Liguria and Trentino Alto Adige, with tree cover of 62.6% and 60.5%, respectively, while the least wooded are Puglia (7.5%) and Sicily (10%).

From 1920 to the present, national forested surface has nearly tripled, recovering abandoned farmland and

pastures. Most woodland in Italy originally came about through semi-natural processes (69.2%), as a result of forestry practices. The breakdown into classes of origin of woodland by region shows very different values. The largest percent of woodland of natural origin is in Sicily (36.6%), Abruzzo (32.3%), Valle d'Aosta (32.0%) and Puglia (31.9%). Artificial forests are mainly found in Sicily (28.4%), Calabria (15.9%), Puglia (12.8%) and Sardinia (12.8%).

With 3,663,143 hectares, coppice stools make up 41.8% of Italian woodlands, in which the most common species are chestnut *(Castanea sativa)*, hornbeam *(Carpinus betulus, Ostrya carpinifolia)*, and oaks (species of *Quercus*) in wooded hills, while in both the Alps and the Apennines, mountain woodlands are dominated by beech *(Fagus sylvatica)*.

Coppice woods extend over a total area of 3,157,965 hectares, or 36.1% of all Italian woodland. Coppice is almost 50% pure stands of conifers, especially Norway spruce *(Picea abies)*, European silver fir *(Abies alba)*, European larch *(Larix decidua)* and mountain and Mediterranean pines. The most productive coppice forests, especially conifers, are in regions of the North-East (Veneto, Trentino Alto Adige and Friuli Venezia Giulia), while coppice stools predominate in Central Italy.

Wooded surface and mass available for felling in Italian regions

Region	Wooded surface available for felling (ha)	Mass available for felling cubic metres
Piedmont	798,410	3,672,686
Valle d'Aosta	65,085	195,225
Lombardy	535,618	2,785,214
Trentino-Alto Adige	566,526	3,285,851
Veneto	362,365	2,029,244
Friuli-Venezia Giulia	195,630	1,095,528
Liguria	319,071	1,499,634
Emilia-Romagna	508,484	2,237,330
Tuscany	968,009	3,968,837
Umbria	360,589	793,296
Marche	285,820	771,714
Lazio	484,307	1,404,490
Abruzzo	316,440	1,075,896
Molise	128,142	410,054
Campania	295,594	1,211,935
Puglia	141,596	396,469
Basilicata	249,675	699,090
Calabria	396,869	2,143,093
Sicily	234,318	702,954
Sardinia	528,628	1,057,256
Italy	**7,741,176**	**31,435,796**

Source: processing of INFC data, 2005.

Specialised tree crops (fruit-bearing chestnuts, walnuts, cork) are the least extensive, and grow on only 1.3% of Italian wooded lands.

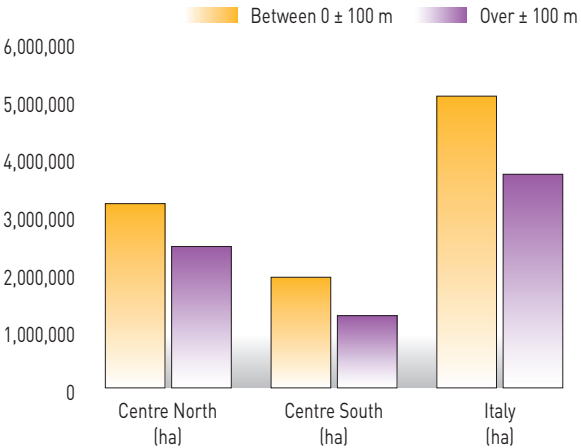
Wood production

According to FAO classifications, 7,741,146 hectares in Italy are available for felling, or 88.4% of wooded land (8.5 million ha, INFC 2005). Though there is abundant usable surface, the amount used for timber annually is 25% of the 31 million hectares available. According to ISTAT, from 1997 to 2006 national felling amounted to 7.8 million cubic metres, of which 60% was for firewood. Use of wood crops outside the forest account for a fifth of national use annually. Because of difficult terrain, lack of road access and low quality of sorting, the cost for access and woodcutting in the forest exceeds sale value in many cases. Our processing industries thus find it more economical to use supplies from abroad, and approximately 14 million cubic

metres of raw wood are imported each year.
With sustainable forestry and the streamlining of restrictions currently in force, it is reasonably possible to at least double present felling levels, still conforming to the application requirements of the Kyoto protocol.

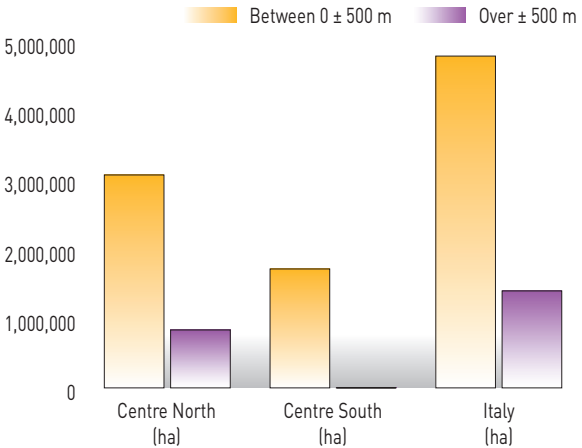
The wood-energy sector
Based on the 2009/28/EC directive, Italy's goal is to produce 17% of its energy needs from renewable sources

Forest accessibility as a function of difference in altitude between sampling point and ordinary or forest road access



Source: processing of INFC data, 2005.

Forest accessibility as a function of horizontal distance between sampling point and ordinary or forest road access



Source: processing of INFC data, 2005.

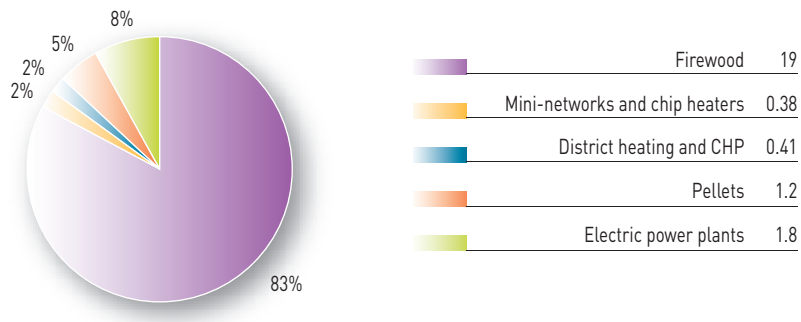
by 2020. Currently it produces 10.7% from such sources. Wood fuels - firewood, wood chips and pellets - are the third primary energy source among renewables.
In 2009, 19 million tonnes of firewood were consumed in over 4 million Italian households, with an average of 4 tonnes/year each, for an equivalent of nearly 2 billion euro (AIEL). The Italian pellet market is the third largest in Europe, with over 1.2 million tonnes consumed annually, of which 60% are produced domestically, for an equivalent of 250 million euro.
Wood chips have three markets:

- Large electric power plants (450 plants, 450 MWe), which consume 1.8 million tonnes a year, 1 of which is imported;
- District heating (86 plants, 400 MWt), in some cases with co-generant applications (18 plants, 13.5 MWe), with an annual demand for 0.41 million tonnes;
- Mini-networks and home heaters in 5 regions where they are most widely used (Trentino Alto Adige, Friuli Venezia Giulia, Tuscany and Piedmont consume nearly 0.4 million tonnes a year).

The state of health of forests

The national network for monitoring of forest ecosystems shows a trend of worsening health status of forests in recent years, with a significant increase in diseases and pests, and damage from intense weather events or climate. The most obvious threat to national forests is fire. In 2010 there were 4,884 forest fires in the country, for a total area of 46,537 hectares, of which 19,357 were in wooded areas

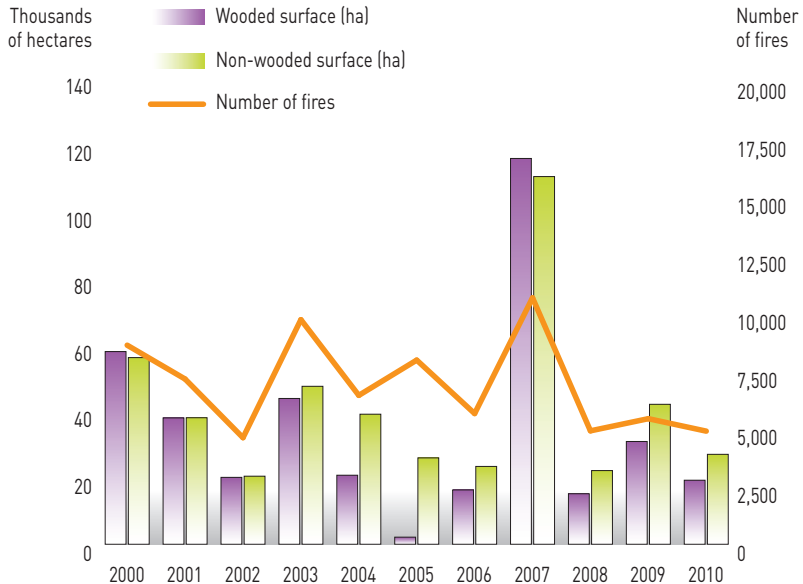
Consumption of wood fuels in Italy, 2009



Source: AIEL.

and 27,180 in non-wooded areas. Compared to 2009, partly thanks to a particularly humid climate, with frequent rains especially during the hot season, the total number of forest fires decreased by 10% and the total areas affected by fire were reduced by 37%. With 1,159 fires and 7,242 hectares burned, Sicily is the region worst affected.

Surface affected by fire and number of fires



Source: National Forestry Service.

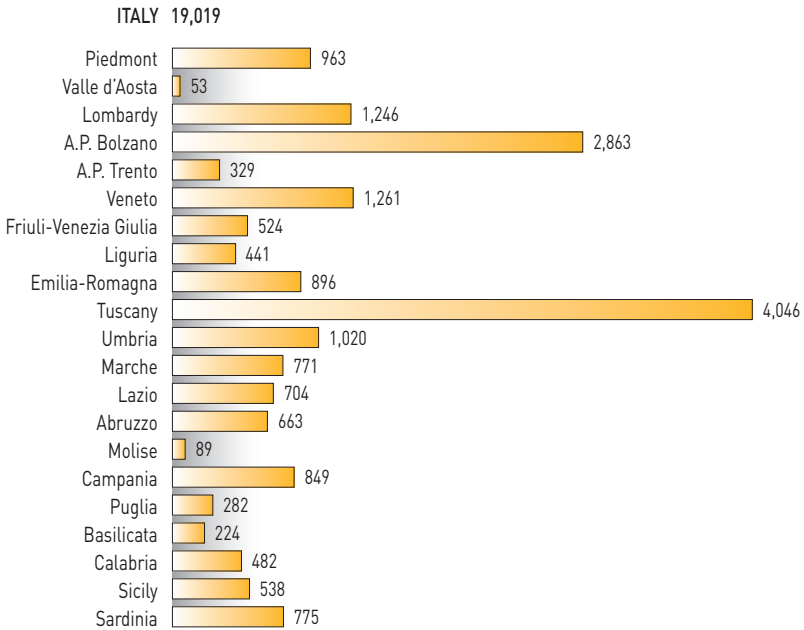
DIVERSIFICATION

AGRI-TOURISM (FARM STAYS)

The number of farms offering farm stays continues to grow, increasing to 19,019 in 2009, 3% more than in 2008. Though agri-tourism sites are concentrated mainly in regions of the North (45.1%) and the Centre (34.4%), with Alto Adige and Tuscany at the top of the list, the largest increases were in the South and Islands (+6%), with 81 new sites in Sicily alone (+17.7%).

Agri-tourism farms are mostly in hilly areas (51.8%), and over a third are in the mountains (33.5%), and they contribute to the diversification of agriculture and development in those areas. Women as heads of these farms increased compared to 2008 (+4.1%), and make up a 35.3% share nationally. A quarter of farm stay sites are licensed only for lodging. There were more sites licensed for food service (+4.6%), and more that offer tasting of their own products (+2.9%), representing 49.1% and 17.9%, respectively, of total sites. More than half of farm stay sites (55.6%) also offer

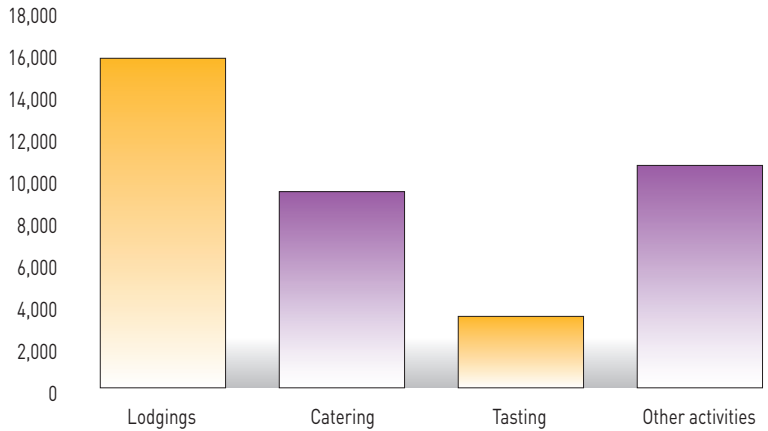
Agri-tourism farms (farm stays) by region, 2009



Source: ISTAT.

sports, recreation and cultural activities. The total number of 193,480 beds (+2.4%) indicates an average of 10 per site, like last year.
In the face of availability of structures and services, however, average length of stays dropped, to 4.6 days in 2009 as compared to 4.7 in 2008, with the most marked drop in the case of foreign tourists (-2.4%).

Agri-tourism farms by type of service*, 2009



* A farm may be licensed for more than one type of agri-tourism activity.

Source: ISTAT.

In 2010, turnover in the sector, 1,025 million euro according to Agriturist, was down by 4% compared to 2009, owing to a drop of over 7% in the use of lodgings. This resulted in a marked loss in average annual proceeds per farm (-6.3%), or 52,591 euro. Indeed, presences declined by 2.1%, in the face of a significant drop in the percentage of foreign tourists (-5.5%) and the further decrease in average length of stay (-1.3%).

Italy's energy system is heavily dependent on imports: the percentage of imported energy is 85% as compared to the EU-27 average of around 53%. Gross domestic consumption, of 180 MTEP (million tonnes of petroleum equivalent), is 83% supplied by fossil fuels, and the rest from renewable sources and imports of electrical energy (10.7% and 5.4%, respectively).
Gross production from renewable sources has grown steadily over the last decade (+48%), especially from non-traditional sources such as wind, photovoltaic, waste and biomass, which went from 15% of renewables in 2000 to 32% in 2009. The growth in renewable sources has been encouraged by several incentive schemes, which are assessed as being among the most advantageous in Europe. Production is divided between plants that produce electrical energy exclusively (69%) and co-generation plants. Of biomass used to produce electricity, solids predominate, including biodegradable urban solid waste (over 60% in 2009), but there has also been significant growth in the use of biogas and bio-liquids. Production of electrical energy at plants fuelled with biomass reached 7.5 TWh in 2009, with 59.7% in the North, 11% in the Centre and 12.8% in the South. For photovoltaic energy, the share of installed power on farmland reached 9% of the total, with 22% in the Marches and 19% in Trentino Alto Adige.

Energy from renewable sources in Italy ('000 TOE)

Source	2000	2005	2009	Var. % 2000/2009
Hydroelectric[1]	9,725	7,935	10,810	11.2
Wind	124	515	1,439	1,060.5
Photovoltaic	7	11	222	3,065.7
Solar	11	21	81	636.4
Geothermal	1,248	1,384	1,388	11.2
Waste	230	751	926	302.6
Wood[2]	2,344	3,153	4,098	74.8
Bio-fuels	95	172	1,178	1,140.0
Biogas	162	343	499	208.0
Totale	**13,943**	**14,283**	**20,674**	**48.3**
of which non-traditional[3]	**1,816**	**3,805**	**6,591**	**262.9**

[1] Only electricity from natural sources, estimated at 2200 kcal/kWh.

[2] Does not include results of ENEA survey of household firewood consumption.

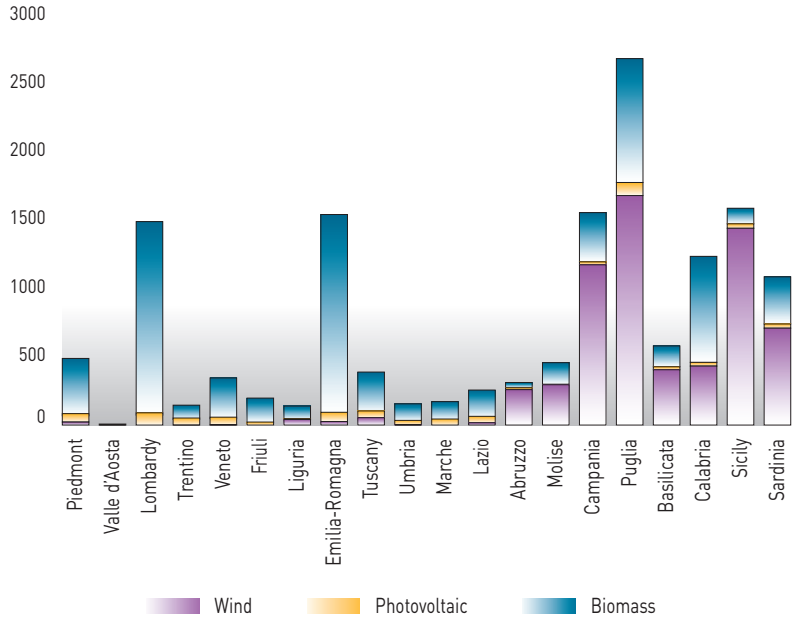
[3] Wind, solar, waste, wood (not including firewood), bio-fuels, biogas.

Source: ENEA processing of data from various sources.

Production of biogas in 2009 was estimated at 443 Ktep (5.1 Twh), of which over 81% came from urban waste. According to the CRPA census in March of 2010, of a total of 619 plants, 273 were fuelled by biomass generated from agriculture and livestock (199 in operation and 74 under construction) and 32 used refluents from agri-industry.

Italy is the third largest producer of bio-diesel in Europe, after Germany and France. In 2010, production of bio-fuels amounted to 46.5 thousand tonnes of ethanol and 731.8 thousand tonnes of bio-diesel. Installed capacity is broken down into 19 plants (4 of which are under construction), with production potential of approximately 2.5 million tonnes of bio-fuels per year. The highest concentration of plants is in Lombardy, with total production capacity of 670,000 tonnes/year, or 33% of the total.

Electrical energy from non-traditional renewable sources by region (2009, values in GWh)

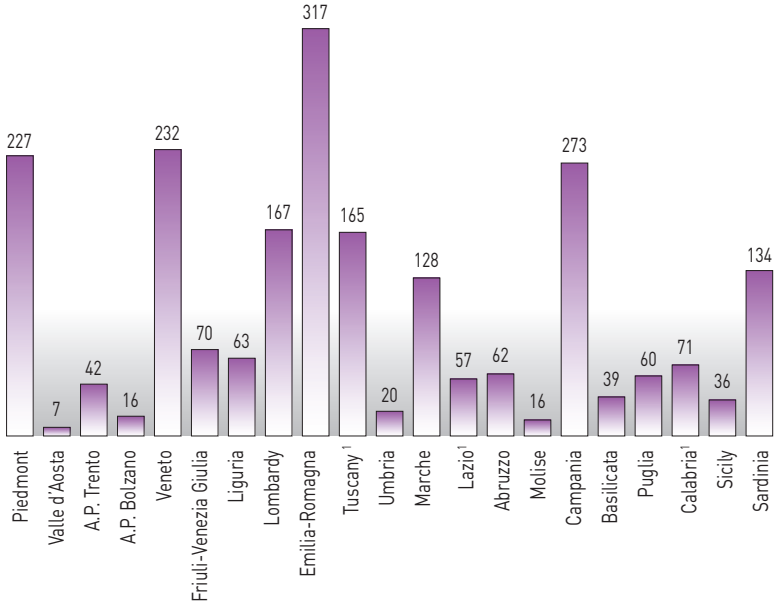


Source: Terna.

EDUCATIONAL FARMS

Educational farms are those that provide didactic-educational services about agriculture-related topics, the environment and natural resources. These are for public school children, and include theory and practice activities that teach them about plants and animals, the origins of foods, the cycle of seasons, phases of agricultural production and processing of products.
At the national level, educational farms in Italy are disciplined by agritourism laws (Law Decree 228/2011; l. 57/2011 - art. 7; l. 96/2006). Locally, except for four regions (Calabria, Friuli, Puglia and Umbria) which have issued specific laws on the matter, regulations are generally regional council resolutions or articles within rules governing farm stay sites. Except for Calabria, Lazio and Tuscany, all the regions of Italy publish regional or provincial lists of accredited educational farms, meaning those that adhere to disciplining regulations. There were 1,909 accredited educational farms in Italy in 2010.

Number of educational farms in Italy, 2010



[1] Source: Agri@tour.

Source: INEA processing of regional and provincial figures.

Add to that the unofficial figures for the three regions mentioned above, considering the farms presented at the 2009 *Agri@tour* (National Agritourism Fair), and the total of educational farms in Italy is 2,202. The region with the greatest number of accredited educational farms is Emilia-Romagna, followed by Campania.

The total number of farms offering educational services has increased considerably: in 2002 there were only 444 (according to the census of educational farms promoted by the Environment Ministry). In Campania, the number has risen from 4 to no fewer than 273. In the Marches, over 120 units were added in the same time period.

Educational farms are supported by Community policy for rural development. In the 2007-2013 programming period, measure 311 "Diversification in non-agricultural activities" applied, especially "social agriculture" measures. All regions in Italy, except for the Autonomous Province of Bolzano, provide funding for actions in this area. Though very articulated, most of these actions have to do with creating or renovating buildings and outdoor areas for real activities, generally associated with other actions of a welfare or social-health nature. Support is also available through the Leader initiative, with funding from Measure 413 (Improvement in quality of life and diversification of economic activities).

QUALITY PRODUCTS

PRODUCTS OF DESIGNATED ORIGIN

Growth continued for Italian products of designated origin, to 229 PDO and PGI registered products. Most are fruit and vegetables and cereals (nearly 40%), cheese (nearly 18%), extra-virgin olive oil (17.5%) and prepared meats (around 15%).

In 2009, according to ISTAT, there were 82,120 enterprises with certified PDO and PGI production, 92.6% of which are farms and 5.7% are processing facilities. Over 42% of farms belong solely to the milk-and-dairy category, 24% to olive oil and over 20% to fruit and vegetables. Land used for certified production amounts to 138,900 hectares (+5% compared to 2008), and there are 47,291 livestock farms (+2.2% compared to 2008).

ISMEA production figures for 2009 show a particularly sharp decline in production of fruit and vegetables (-21%), because of poor harvests of Val di Non and Alto Adige apples due to hail damage. There was also a negative trend for fresh meat (-9.4%)

Number of PDO and PGI products by region*

Region	Fruit, vegetables and cereals	Olive oil	Cheese	Prepared meats	Other products[2]	Total
Piedmont	5	-	8	4	1	18
Valle d'Aosta	-	-	2	2	-	4
Lombardy	2	2	9	8	-	21
Liguria	1	1	-	-	1	3
Alto Adige	1	-	1	1	-	3
Trentino	1	1	4	1	-	7
Veneto	16	2	7	7	1	33
Friuli-Venezia Giulia	-	1	1	3	-	5
Emilia-Romagna	10	2	3	11	4	30
Tuscany	7	4	2	4	4	21
Umbria	2	1	1	2	1	7
Marche	2	1	2	4	1	10
Lazio	7	4	3	4	6	24
Abruzzo	2	3	-	1	2	8
Molise	-	1	1	2	2	6
Campania	11	4	3	-	2	20
Puglia	4	5	3	-	2	14
Basilicata	4	-	3	-	1	8
Calabria	4	3	1	4	1	13
Sicily	13	6	4	1	1	25
Sardinia	1	1	3	-	2	7
Italy[1]	**91**	**40**	**41**	**34**	**23**	**229**

* As of July 2011.

[1] Some products are inter-regional, so the sum of PDO/PGI by region does not correspond to the total for Italy.

[2] Includes: baked goods, honey, ricotta, spices, vinegar, meat, fish and non-food products.

DOCG, DOC and IGT wines by region*

	DOCG	DOC	IGT
Piedmont	16	41	-
Valle d'Aosta	-	1	-
Lombardy	5	21	15
Alto Adige	-	3	2
Trentino	-	6	3
Veneto	11	27	10
Friuli-Venezia Giulia	3	10	3
Liguria	-	8	4
Emilia-Romagna	2	22	9
Tuscany	8	37	7
Umbria	2	13	6
Marche	5	15	1
Lazio	1	26	5
Abruzzo	1	8	8
Molise	-	4	2
Campania	3	17	9
Puglia	1	26	6
Basilicata	1	4	1
Calabria	-	12	13
Sicily	1	22	6
Sardinia	1	19	15
Italy	**60**	**332**	**119**

* As of July 2011.

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

Source: MIPAAF.

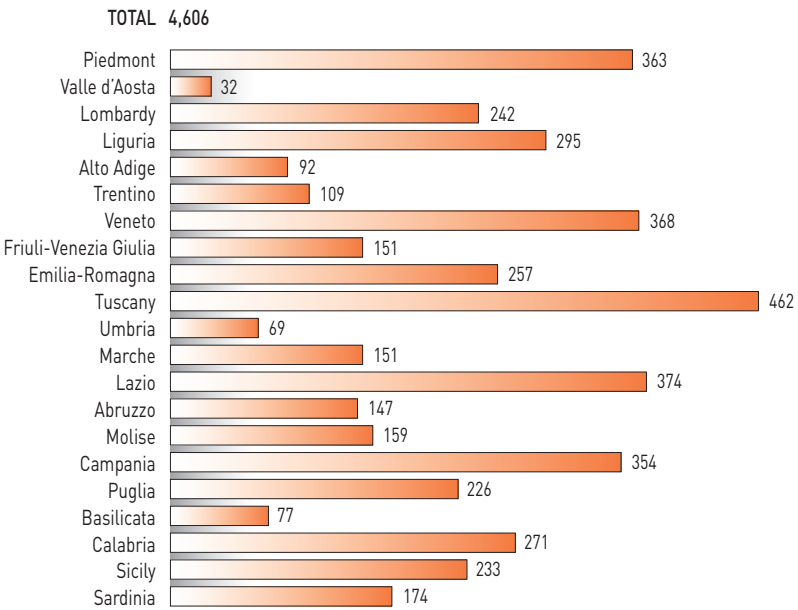
and cheese (-1.7%). Production of prepared meats was stable, and production increased for olive oil (+21.7%) and vinegar, thanks to introduction of Modena balsamic vinegar onto the market in 2009. PDO-PGI production value showed growth of 3% compared to 2008, hovering near 5.3 billion euro; consumer market value dropped, however, by 2.8%, estimated at 9.4 billion euro. The economic crisis slowed national consumption: there was stagnation in household purchases (-0.1% in volume and -1.3% in value). Sales abroad increased by 15%, for a total value of 1.3 billion euro.

Quality wines

Italy's quality wine sector continues to receive new recognitions and improvements in excellence: there are 392 DOC wines, 60 of which are DOCG. In the last year in particular, DOCG recognitions increased, including Alta Langa, Lison, Offida and natural sweet Primitivo di Manduria. New DOC wines are Spoleto, Terre di Colleoni, Tintilia del Molise, Val d'Arno di Sopra, Venezia and Villamagna.

In the 2010 harvest, DOC-DOCG production of 15.7 million hectolitres (+3.3% over 2009) accounts for over 35% of Italy's total wine production. The North again leads in quality production: 9.9 million hectolitres, or nearly 63% of national DOC production. The greatest increase over 2009 was in the South and Islands (+9%). Quality wines (especially reds) are among the most widely sold Italian products abroad, for a total value of nearly 1.8 billion euro.

Number of traditional agri-food products by region, 2010



Source: National List of Traditional Agri-food Products, MIPAAF, 11th revision 17 June 2010.

Production

In 2009, the world's organic farmers increased to 1.8 million (+28.6%), affecting a total area of 37.2 million hectares (+6%). Oceania holds 33% of land used for organic farming, followed by Europe (25%), with over 8.2 million hectares, or 12% of the world's organic farms, an increase of 12%. The top countries for organic farming were again Australia, with 12 million hectares, followed by Argentina (4.4), the USA (1.9) and China (1.8).

Italy remains one of the top ten producers in the world, and the leader in Europe, along with Spain. In 2010, Italy showed a slight increase in organic surface (0.6%), for a total of 1,113,742 hectares planted (3% of the world total), and a decrease of 1.7% in the number of operators, to 47,663, but this is still the highest number among EU countries.

According to figures from the 6th ISTAT general agriculture census, organic farmland has assumed a grow-

Organic farming as share of UAA, by region, 2010

	Organic UAA (ha)		
	2010	var. % 2010/09	% to total
Piedmont	32,000	6.4	1.8
Valle d'Aosta	1,931	24.2	0.1
Lombardy	15,869	8.3	0.9
Trentino-Alto Adige	9,782	-4.9	0.5
Veneto	15,130	-3.5	0.8
Friuli-Venezia Giulia	3,569	-1	0.2
Liguria	3,407	-6.3	0.2
Emilia-Romagna	76,781	-1.3	4.3
Tuscany	95,219	0.4	5.3
Marche	52,731	-7.6	2.9
Umbria	31,141	-1	1.7
Lazio	84,713	6.3	4.7
Abruzzo	31,939	-0.7	1.8
Molise	3,284	5	0.2
Campania	23,170	20.1	1.3
Puglia	137,721	-1.8	7.7
Basilicata	50,922	-54.7	2.8
Calabria	101,083	11.1	5.6
Sicily	225,693	9.3	12.5
Sardinia	117,657	43.7	6.5
Italy	**1,113,742**	**0.6**	**100**

Source: SINAB.

Operators in the organic sector, by region, 2010

	Production	Processing	Imports	Other	Total	
					number	var. % 2010/09
Piedmont	1,548	376	8	14	1,946	-13
Valle d'Aosta	69	12	0	0	81	2.5
Lombardy	775	543	4	31	1,353	7.2
Trentino-Alto Adige	1,107	248	4	5	1,364	11.8
Veneto	1,075	549	8	33	1,665	7.2
Friuli-Venezia Giulia	292	94	1	3	390	4
Liguria	279	104	5	8	396	-2
Emilia-Romagna	2,709	772	10	49	3,540	2.6
Tuscany	2,749	479	2	22	3,252	9.5
Umbria	1,199	116	0	6	1,321	-1.9
Marche	1,904	187	1	5	2,097	-8.3
Lazio	2,644	320	1	4	2,969	-0.1
Abruzzo	1,401	176	0	3	1,580	3.7
Molise	152	38	0	2	192	18.5
Campania	1,470	272	0	9	1,751	2
Puglia	4,857	454	0	8	5,319	-15.3
Basilicata	1,319	82	0	1	1,402	-58.2
Calabria	6,523	222	0	4	6,749	3
Sicily	7,816	482	0	13	8,311	12.1
Sardinia	1,919	66	0	0	1,985	46.9
Italy	**41,807**	**5,592**	**44**	**220**	**47,663**	**-1.7**

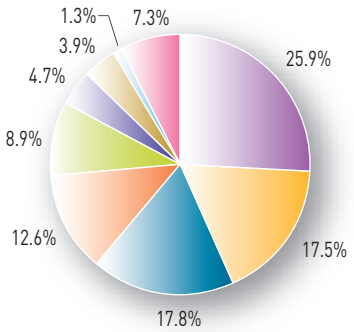
Source: SINAB.

ing share in Italian agriculture in the last decade, from 7.9% of UAA in 2000 to 8.6% in 2010. The number of organic farms accounts for 2.6% of total in 2010, as compared to 2.1% ten years earlier.

Over half of organic hectares are planted to cereals, fodder crops, grasslands and pastures; in 2010 these farm types represented 61.2% of total organic surface, while olives account for 12.6%. In the face of a drop in area planted to cereals (-22%), there was a significant increase in land planted to organic fruits and vegetables (+10.6%) and vineyards (+19.9%).

Sicily, with 225,693 hectares organically cultivated (12.5% of Italy's total), and Puglia, with 137,721 hectares (7.7%), continue to be the regions most involved in this method of production. There were significant increases in share to national total in Sardinia (+43.7%) and Campania (+20.1%). Organic farmland was practically halved in Basi-

Organic farmland and land under organic conversion, by crop, 2010 (ha)



TOTAL	1,113,742
Grassland and pasture	288,562
Cereals	194,974
Fodder crops	197,774
Olives	140,748
Fruit & Vegetables	99,159
Vines	52,273
Fallow land	43,904
Industrial crops	14,864
Other crops	81,484

Source: SINAB.

licata (-54.7%), in the face of reallocation of funds among support measures for rural development. As in 2009, producers are mostly concentrated in the South (60.9%), led by Sicily, while processing of organic products is most widespread in the North (48.2%), with the greatest share in Emilia-Romagna.

In 2010, organic livestock was marked by developments in beekeeping (+10.4%), increases in number of head, especially pigs (+13.3%) and cattle (+11.6%), and development of other species, such as buffalo, for a total of nearly 800,000 more animals, as compared to 3,000 in 2009.

Market

The world organic market, according to IFOAM (International Federation of Organic Agriculture Movements), was worth 54.9 billion dollars in 2009 (+7.8% compared to 2008), 48% of which is realised in Europe and another 48% in North America.

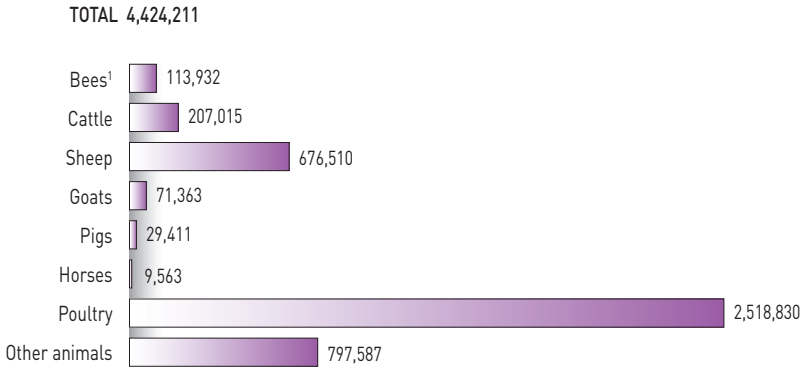
In Europe, sales of organic products confirm the growth of the last few years, with an increase of 4.5% and a value of approximately 18.4 billion euro. Italy, where organic food products represent 3% of the market, is in fourth place in Europe in terms of proceeds, behind Germany, France and the United Kingdom.

According to ISMEA, household purchases of fresh and unpackaged organic fruit and vegetables and packaged organic products in Italy increased, in monetary terms, by 6.3% and 11.6%, respectively. For pack-

aged organic products, this was the largest growth in the past eight years, with increases in almost all product categories. Purchases of packaged organic products continue to increase in value in all geographical areas, especially in the North-East (+20.5%) and the South (+21%), though still with modest market value.

Sales of organic products outside the channels of the GDO (Large Organised Retail) are growing. In the 2008-2010 three-year period, according to Bio Bank, the number of specialised sales points increased (+4%) and so did activities associated with short supply chains, especially purchasing groups (+55%) and farms with direct sales (+25%). In the three-year period, there were significant increases in extra-domestic channels, especially catering (+24%), agri-tourism sites (+11%) and school canteens (+10%).

Number of head raised by organic methods, 2010



[1] Number of hives.

Source: SINAB.

AGRICULTURAL POLICY

In November of 2010, a public Communication was issued by the European Commission on the CAP, looking toward 2020, which sets forth guidelines of the Europe 2020 Strategy. It identifies three challenges for European agriculture: safe food supply; environment and climate change; territorial balance in the EU. As regards Pillar 1, the goal is to guarantee a more equitable distribution of direct payments to Member States and among farms, and to restrict a part of aid to farm practices that favour the environment and climate change (the so-called greening of CAP).

2010 was the first year for applying the changes made to CAP Pillar 1 by the Health Check, the process of refining the Fischler Reform adopted by the EU to steer agriculture policy toward the post-2013 reform.

In Italy, following the new measures contained in the Health Check, there has been a process of recalculating the value and number of entitlements. This reassessment was needed, in the first place, to keep track of the new deductions withheld to fund specific support measures called for in art. 68 of Regulation (EC) n. 73/2009, which replaced those called for in art. 69 of Regulation (EC) n. 1782/2003. Funding in art. 68 was obtained by making a 3.8% across-the-board cut of the budget ceiling in all sectors except for sugar and tobacco, which were cut by 10%. Another increase in funds came from refunding amounts deducted to fund art. 69 of Regulation (EC) n. 1782/2003, now replaced by art. 68 of Regulation 73/2009. Another change was integrating aid to the quality of durum wheat into the single payment scheme, and an increase from 40% to 50% of the aid quota for tobacco, which moves into the scheme of decoupled aid (for Puglia, the percent-

Budgetary ceiling for implementation of the single payment scheme, 2010 ('000 euro)

- Ceiling for the single payment scheme	3,924,520
- Art. 54 reg. 73/2009 - tomatoes	91,984
- Art. 54 reg. 73/2009 - pears, peaches, plums	9,700
-Art. 68 reg. 73/2009 - decoupled aid	316,250
-Art. 68 reg. 73/2009 - coupled aid	147,250
- Art. 69 reg. 73/2009 - unused funds available from art. 68	144,900
- Art. 87 reg. 73/2009 - aid for seeds	13,321
NATIONAL CEILINGS (VIII reg. 73/2009)	**4,210,875**
National ceilings net of modulation (IV reg. 73/2009)	**4,151,600**

Source: Regulations (EC) n. 745/2010 and n. 73/2009.

age dropped from 100% to 50%). Lastly, another new feature was the granting of entitlements to those who applied the measure for grubbing up of vineyards, as part of the national support program for the wine sector. The value of direct aid received as part of CAP Pillar 1 was cut in 2010 by 8% for aid between 5,000 and

Application of art. 68 of Regulation (EC) n. 73/2009 in Italy

Payments coupled to production	Plafond (euro)	Annual supplementary payment
Improvement to quality of beef	24,000,000	From 60 to 200 €/calf
	27,250,000	From 50 to 90€/head
Improvement to quality of sheepmeat and goatmeat	10,000,000	From 10 to 300 €/head
Improvement to quality of olive oil	9,000,000	1 €/kg of certified extra-virgin olive oil
Improvement to quality of milk	40,000,000	15 €/t of milk
Improvement to quality of tobacco	20,500,000 (grades 01, 02, 04, 03)	2 €/kg of consigned tobacco
	1,000,000 (Kentucky and Nostrano del Brenta)	4 €/kg of consigned tobacco
Improvement to quality of sugar	14,000,000 (2010)	300 €/ha
	14,700,000 (2011)	300 €/ha
	19,700,000 (from 2012)	400 €/ha
Improvement to quality of Danae racemosa	1,500,000	15,000 €/ha (max 10,000 €/producer)

Decoupled payments	Plafond (euro)	Annual supplementary payment
Agricultural activities that produce added environmental benefits	99,000,000	100 €/ha
Funding for payment of insurance premiums on harvests, livestock and plants	70,000,000	Funding of not more than 65% of insurance premium costs

Source: Law Decree of 29 July 2009.

300,000 euro, and a further cut of 4% was made for the share of aid above 300,000 euro.
Funding for Italy in 2010 for the direct payment scheme was 4,210 million euro. Amounts in the single payment scheme were increased by 2.2%, because of changes made by the Health Check, in the amount of 3,924 million euro.
At the same time, ceilings were set for coupled and decoupled measures in art. 68 of Regulation (EC) n. 73/2009 and for unused funds available to cover measures in art. 68, and the national ceiling, net of the changes, cannot be exceeded. Beginning in 2010, indeed, there is no longer any instrument for refunding the cut made on the first 5,000 euro of aid, but for each Member State, a "net" ceiling is set.
For national application of art. 68, full aid payment is recorded for the measure of biennial crop rotation (100 euro/ha), for which funds were underused. The savings obtained were used to augment the funds earmarked for the support measure for farmers who take out insurance policies. The foreseen share of national co-financing and the Finance Act of 2010 ensured the maximum subsidy for expenses borne by farmers (65%). Definitive aid remains to be set for other products affected by Art. 68.
For transitory aid to the fruit and vegetable sector, final amounts for 2010 were again significantly higher than estimates set at the beginning of the year. For tomatoes, the final amount was 1,182 euro/ha (+18% compared to theoretical aid); for pears, aid was 3,658.8 euro/ha (+66%); for peaches, it went from 800 euro/ha to 2,373.9 euro/ha (+196%); for plums, aid was 2,956.7 euro, an increase of 47%. 2010 was the last year to apply transitory aid for tomatoes, pears and peaches, while aid for plums will drop by 25% in 2011. National ceilings will be transferred to the single payment scheme and added to the value of entitlements. As a result, estimated aid for 2011 was set only for plums, and taking into consideration a foreseen stability in planted surface, it was set at 1,500 euro/ha (75% of the estimated aid for 2010).
For the wine CMO, insurance measures went into effect in 2010 for green crops and harvests, two new features in the framework of measures for the sector, which join the CMO's classic measures. Of 298 million euro funded for the year, 31.5% went for restructuring and conversion of vineyards, 21.8% for grape must enrichment, 12.8% for distillation of alcohol for food use, and the rest divided between promotion on markets outside the EU (8.5%), distillation of by-products (7.1%), green harvesting and crop insurance (just under 7% each) and crisis distillation (5.1%).
As for the application of the milk quota scheme, in the 2009/10 farm year, EU production overall stayed 7% below the total of national quotas. Only three countries (Denmark, the

Netherlands and Cyprus) exceeded their national limits. Thanks to its increased share obtained through the Health Check, Italy stayed within the limits of volume, producing less than its allowed quota (-3.7%).

EAGF spending by country, 2010*

	million euro	%	Var. % 2010/09		million euro	%	Var. % 2010/09
Austria	743.8	1.7	-0.4	Malta	4.2	0.0	18.0
Belgium	679.3	1.5	-5.3	Netherlands	1,022.5	2.3	-5.1
Bulgaria	293.0	0.7	29.8	Poland	2,058.6	4.7	17.7
Cyprus	43.9	0.1	13.1	Portugal	761.2	1.7	5.3
Denmark	1,006.4	2.3	-3.1	United Kingdom	3,375.4	7.7	1.2
Estonia	66.6	0.2	21.7	Czech Republic	608.6	1.4	21.1
Finland	598.3	1.4	4.1	Romania	670.8	1.5	12.5
France	8,908.7	20.2	-0.1	Slovak Republic	274.3	0.6	24.4
Germany	5,697.9	12.9	-0.3	Slovenia	91.0	0.2	18.1
Greece	2,504.7	5.7	-3.5	Spain	5,944.2	13.5	-0.7
Ireland	1,300.4	3.0	-2.7	Sweden	739.5	1.7	-1.6
Italy	4,852.7	11.0	-1.6	Hungary	955.0	2.2	26.0
Latvia	96.8	0.2	19.9	EU	443.9	1.0	-0.6
Lithuania	268.2	0.6	23.0				
Luxembourg	36.0	0.1	1.3	**TOTAL EAGF**	**44,046.0**	**100.0**	**1.4**

* 2010 provisional.

Source: EU Commission.

The EAGF

EAGF's spending trend did not change much compared to past years. In 2010 funding for Italy was 4,853 million euro, down slightly (-1.6%) compared to 2009. This led to a slight decline in Italy's share of total EU-27 spending, to 11%. Italy is still the fourth receiver of CAP Pillar 1 spending. Direct aid associated with the single payment scheme reached a considerable share of total EAGF spending, both EU-wise and nationally. Decoupled direct payments account for 72.8% of EAGF spending disbursed in Italy and 76.8% of funds disbursed in the EU. A significant share of spending for Pillar 1 in Italy goes for farm market measures (15.4%), over 50% of which is destined for the wine CMO (mainly to the national support program) and just under 30% for the fruit-and-vegetables CMO (mostly to producer organisation operations funds).

EAGF spending by category of measure, 2010*

	Italy		EU		Italy/EU
	million euro	%	million euro	%	%
Agricultural market measures	746.5	15.4	3,983.8	9.0	18.7
- export refunds	9.1	0.2	385.1	0.9	2.4
- storage	-98.1	-2.0	93.6	0.2	
- other	835.5	17.2	3,505.1	8.0	23.8
Direct aid	4,134.7	85.2	39,675.7	90.1	10.4
- decoupled direct aid	3,517.7	72.5	33,825.0	76.8	10.4
- other direct aid	616.3	12.7	5,847.0	13.3	10.5
- modulation refund	0.7	0.0	3.7	0.0	18.7
Other measures	-28.5	-0.6	386.5	0.9	
Total EAGF	**4,852.7**	**100.0**	**44,046.0**	**100.0**	**11.0**
Sugar restructuring fund	76.1		330.3		23.0
Total spending	**4,928.8**		**44,377.8**		**11.1**

* 2010 provisional.

Source: EU Commission.

Public spending disbursed at the end of 2010, by way of regional development programmes (RDPs), amounted to 4,097 billion euro, with a 23.34% progress in spending of the total funded for the whole 2007-2013 period. Though they have avoided the N+2 penalty mechanism, now in its fourth year of enactment, Italy's RDPs on the whole struggled to take off, with marked delays especially in the Centre and South.

Due to a series of cyclical factors, combined with specific structural complexities as yet unresolved by regional administrations, the trend in recorded spending is at serious risk of not meeting goals of spending for 2011, for several RDPs. The economic and financial crisis that has hit EU countries has not spared farms, despite counter-measures of stimulus adopted by the EU to battle the situation. Indeed, market uncertainty and tight credit to farmers have severely hampered investments in agriculture and along the agri-food supply chain.

Rural development programmes: public spending by axis, 2010

	Programmed public spending a	Disbursed public spending (euro) b	Disbursed public spending (%) c	Progress in spending d = b /a
Axis 1	6,851,441,309	1,143,160,259	27.9	16.7
Axis 2	7,356,215,225	2,750,995,436	67.1	37.4
Axis 3	1,594,652,391	142,751,733	3.5	9.0
Axis 4	1,757,850,051	61,045,321	1.5	3.5
Total	**17,560,158,976**	**4,097,952,748**	**100.0**	**23.3**

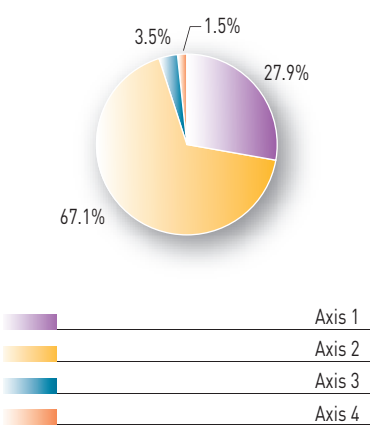
This explains the record of Axis 1 - Improvement of competitiveness in agriculture and forestry, with a volume of payments of 1,143 billion euro and progress in spending of 16.7% of the total allocated public funds (6,851 billion euro). Within the Axis, investment measures, particularly 121 "Modernisation of agricultural holdings" and 123 "Adding value to agricultural and forestry products" amounted to spending of 771 million euro (528 million and 243 million, respectively), which accounts for nearly 70% of the total disbursed under the Axis.

Indeed, with the exception of measure 112 "Setting up of young farmers", with 196 million euro, measures for improvement in human capital are still struggling, particularly those that promote the use of advisory services (measure 114), and even more so measures to improve the quality of agricultural products and production (131, 132 and 133), with only 13 million euro.

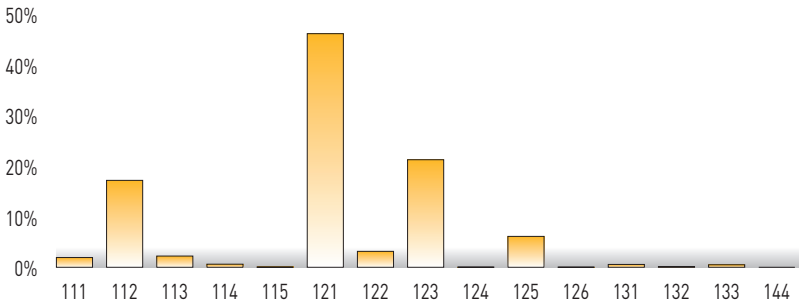
The situation is more reassuring for Axis 2 - Improvement of the environment and rural areas, with an increase of payments of 2,751 billion euro and progress in spending of

37.4% of the total funds allocated (7,356 billion euro). Within this Axis, agri-environmental measures (214) and measures for compensation benefits (211 and 212) account for over 80% of total spending, with 1,590 million and 678 million euro, respectively. Except for first afforestation

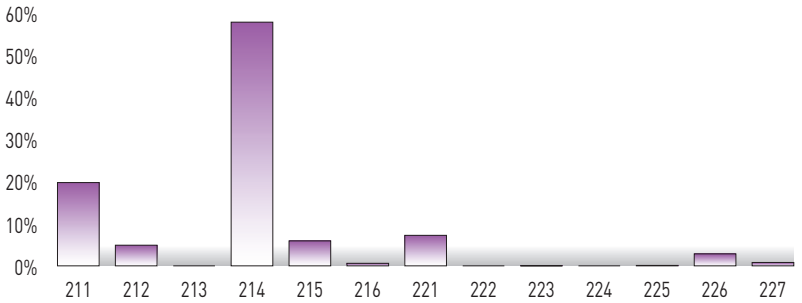
% Public spending by Axis



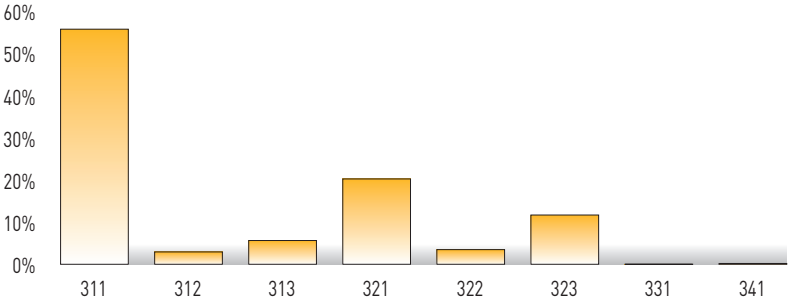
Public Spending Measures Axis 1 (%)



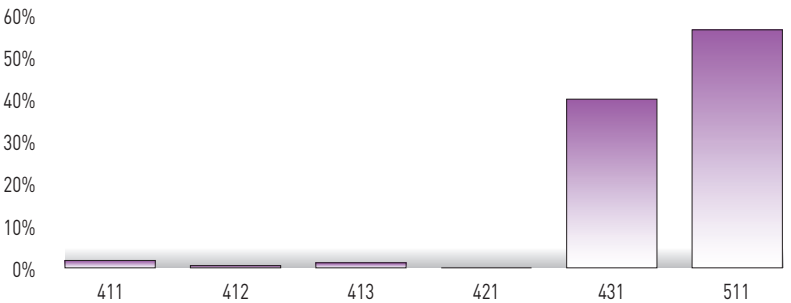
Public Spending Measures Axis 2 (%)



Public Spending Measures Axis 3 (%)



Public Spending Measures Axis 4 (%)



measures on farmland (approximately 200 million for measure 221), the remaining measures were poorly implemented, or not at all, as in the case of compensations in Natura 2000 areas. In Brussels, there are high expectations for these environmental benefits, but the measures are difficult to apply owing to a series of problems in defining management plans in the areas themselves.

As for Axis 3 - Quality of life in rural areas and diversification of the rural economy - there was in increase in spending of 142,751 million euro with progress in spending of 8.9% of the amount earmarked (1,594 billion euro).

Over 50% of spending went for diversification into non-agricultural activities (311); next was measure 321 "Basic services for the economy and rural population" and 323 "Conservation and upgrading of the rural heritage" with payments of 28,912 and 16,694 million euro, respectively.

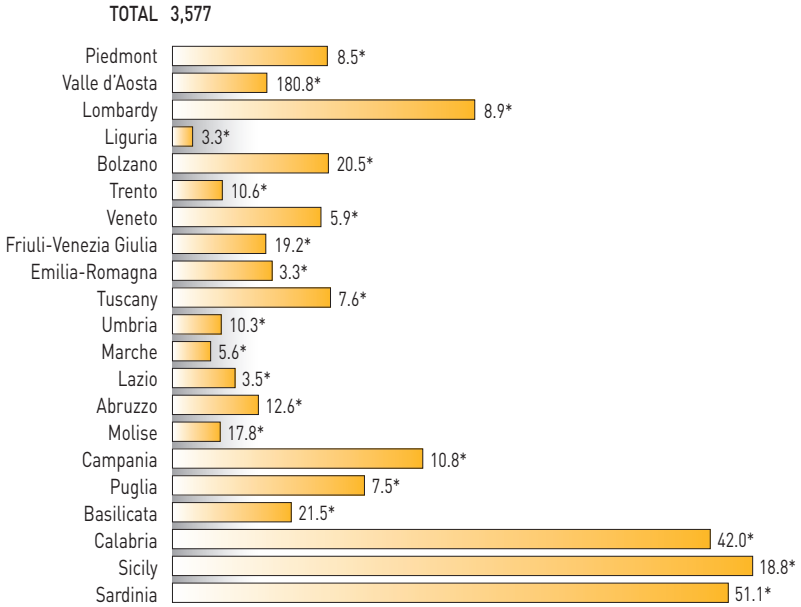
Axis 4 - Leader remains to be fully

developed. So far, it has provided just over 61 million euro in spending, almost entirely for management of LAGs (local action groups) and costs of technical assistance (measures 431 and 511).

With the approval of Law 42/2009 "Government powers regarding fiscal federalism, carrying out article 119 of the Constitution", commonly referred to as "fiscal federalism", and some enactment decrees called for within it, the process continues of deep innovation of the institutional and administrative system launched in the 1990s by the Bassanini Reform, which led to the constitutional reform of 2001. In the current phase, a crucial juncture has been reached, as the methods of applying the law of fiscal federalism will influence future structures of public intervention in all sectors, including agriculture. In this view, it becomes especially delicate to identify essential levels of performance (ELP) and "non-essential" ones (non ELP), and special measures to identify both needs and standard costs, the crux of the new funding system for decentralised agencies.

An analysis of spending figures for regional budgets indicates overall spending for agriculture in 2008 of

Regional spending for agriculture (total payments, million euro)

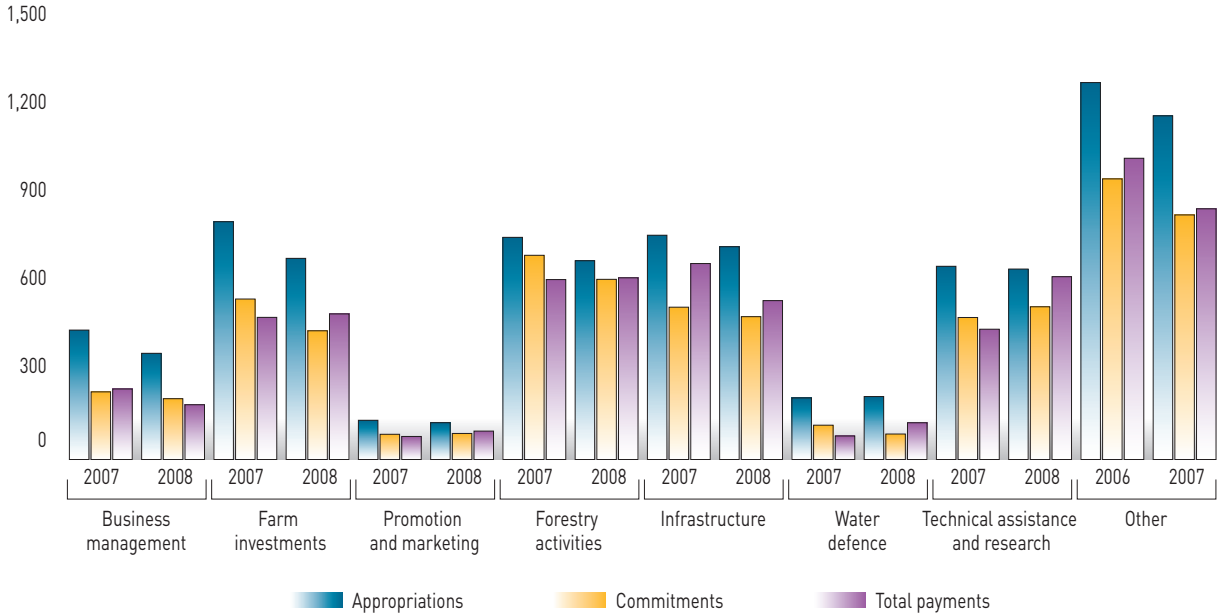


* % share of regional value added.

Source: INEA databank on public spending in agriculture.

just over 3.5 million euro, a slight reduction compared to previous years (-2% compared to 2007 and -9% compared to 2006), in both absolute terms and as a percentage share of regional value added.
This decrease in spending can be attributed on one hand to the drop in funds that pass through the regional budgets - in the 2007-2013 programming period, state and Community cofinancing for RDP measures no longer passes through regional budgets, but directly through AGEA or paying agencies. On the other hand, spending decreases depend on national policies and provisions regarding public spending.
Funds for agriculture that pass through Regional budgets are 39% state-provided, 14% from Community funds, and 47% from regional funds.
In analysing agricultural spending by type of measure, it appears that most regional payments go for technical assistance, research and forestry activities, followed by investments in infrastructure and farm investments.

Regional agriculture spending by economic-functional destination (million euro)



Source: INEA databank on public spending in agriculture.

The main directions of government action for agricultural development in 2010 were:
- safeguarding Italian interests within the context of European agriculture;
- defence and exploitation of Italian products using mandatory indication of geographical origin;
- containment of production costs, partly by stabilising the tax and social security system in agriculture;
- exploitation of typical products, shortening the route of agricultural products from field to table, expanding markets directly managed by agricultural producers;
- strengthening renewable energy sources from agriculture.

Major laws 2010/2011

Law	Content
Law of 30 July 2010, n. 122	Urgent measures for financial stabilisation and economic competitiveness
Law of 13 August 2010, n. 129	Urgent energy measures. Extends the deadline for implementing the law re-organising the system of incentives
Law of 13 December 2010, n. 220	Provides for setting the annual and multi-annual national budget (Stability Law of 2011)
Law of 3 February 2011, n. 4	Provisions for labelling and quality of food products
Law of 26 February 2011, n. 10	Extends deadlines for legislative provisions and urgent measures regarding taxes and support for families and businesses (known as the 1,000-Extensions Law)
Law of 13 May 2011, n. 77	Provisions concerning the preparation, packaging and distribution of Range IV fruit and vegetables
Law of 12 July 2011, n. 106	European Semester - provisions for development and relaunching of the economy
Law of 15 July 2011, n. 111	Urgent provisions for financial stability

Tax and social security relief

The Stability Law of 2011:
- Made tax relief permanent for actions of land consolidation, provided for in Law of 26/02/2010 n. 25 in favour of small rural properties, that had been in effect through 31 2010. Relief is provided for stamp duties, mortgages and land register fees.
- Confirmed social security reductions for agricultural employers in less-favoured and extremely less-favoured areas, set at 86 million euro for 2010.

Law of 12 July 2011, n. 106:
- Reopened deadlines for re-assessing land values and shares introduced

by the Finance Act of 2002. Application of the law is expanded to include lands and shares held as of 1 July 2011, instead of 1 January 2010. Business corporations are also eligible for benefits, under certain conditions.

- Introduced provisions for recognising buildings as being rural. Those interested may present the area Agency with a request to change register category, to include dwellings (A/6) or rural structures for instrumental use (D/10) in the category of rural buildings.

Finance Act of 2011: allocations for agriculture and comparisons with 2010 (million euro)

Allocations	2010	2011
Special current fund (A)	0.00	0.00
Special capital account fund (B)	0.00	0.00
Allocations authorised under provisions of law (C) (AGEA, Fisheries plan, CRA, various bodies)	282.60	235.50
Re-financing of regulations in support of the economy (D) (national solidarity fund, single investment fund, etc.)	51.90	
Multi-year spending laws (F) (including re-financing of point D)		116.70
Other allocations*	399.30	159.30
Total[1]	**733.80**	**511.50**

* The item "Other allocations" includes funds for: national solidarity fund, FSN co-financing by the Ministry of Economy and Finance, FSN tax shield, various measures (art. 2 co. 48 ter), guarantee fund art. 2 co. 48, subsidies for aged typical products art. 2 co. 49, disaster relief in Veneto art. 2 co. 46, CNR agri-food research art. 2 co. 39, re-negotiation of Italian Development mortgages art. 2 co. 40, State Forestry workers.

[1] Net of amounts shown in table F.

Source: MIPAAF.

Financial instruments and business development

Law of 3 February 2011, n. 4 strengthened competitiveness of the agriculture sector, by extending provisions nationally to promote supply chain and district contracts, which had been limited to underused areas[1].

[1] *The term underused area was introduced by Law of 27 December 2002, n. 289 (Finance Act of 2003), modifying the previous term "depressed area". Delimitation of underused areas corresponds to the previous definition of depressed areas, including most areas of the South and other areas in Italy.*

Law of 12 July 2011, n. 106:
- Favoured credit to farmers, allowing them to turn over their credits claimed from direct CAP payments to financial institutions.
- Made it possible for agricultural consortiums to establish one or more separately managed sections for each sector or agricultural product, based on their own rules, which can be recognised as "Producers' Organisations" (PO). Only farmers enrolled in the business register are eligible.

Law of 15 July 2011, n. 111 aids farmers in crisis or insolvency, giving them access to agreements of debt restructuring and fiscal transactions provided for by the Royal Decree n. 267 of 1942, pending a complete revision of the discipline.

Development of agri-food and forestry supply chains

Law of 30 July 2010, n.122 extended to 31 December 2010 payment of instalments due from milk producers as fines (additional levy) for excess milk production.

Law of 26 February 2011, n. 10 was a further measure on milk quotas, suspending until 30 June 2011 payments of instalments (scheduled to expire on 31 December 2010) from milk producers for exceeding their quotas.

Law Decree of 27 September 2010, n. 181 made new provisions for setting up poultry farms, including training of staff, to provide adequate knowledge of animal welfare.

Law Decree of 30 December 2010, n. 267 disciplined marketing of particular seed products, establishing among other things derogations to requisites called for in Community laws, to encourage admission of varieties into the registers.

Law of 3 February 2011, n. 4 introduced new rules for labelling of food products, making it mandatory to include place of origin or provenance of agri-food products on the label. Omission of this information constitutes deceptive commercial practice according to the consumer code. The law provides for traceability of agri-food products and defines new sanctions to ensure compliance, with special reference to violation of laws that limit the use of powdered milk.

A "National system of quality of integrated production" is established for agri-food products, designed to ensure higher quality of the final product, using fewer chemical substances, monitored by accredited third-party agencies, and identified with a specific logo producers may apply for on a voluntary basis.

Law Decree of 16 February 2011, n. 29 disciplined methods of registering horses, using the Equine Data Bank (BDE) managed by UNIRE (Italian National Horse Breeding Union), the National Livestock Register Data Bank (BDN) and the databank of the Health Ministry.

Law of 15 July 2011, n. 111 provided that UNIRE be transformed into the Agency for the Development of the

Horse Sector, to promote expansion and improvement of horse breeds; manage pedigrees; review planning of races and breeding programs.
Law of 26 February 2011, n. 10 extended the first three-year fisheries and aquaculture programme for 2011.
Law of 13 May 2011, n. 77 disciplined preparation, packaging and distribution of range IV[2] fruit and vegetables, to guarantee both the food and nutritional quality and the safety of the product, relative to requisites of hygiene and health.

Promotion and use of bio-fuels and bio-energy

Law of 13 August 2010, n. 129 instructed the Ministry for Economic Development to establish measures to ensure that start-ups and authorisation of electrical energy production plants fuelled by renewable energy sources be accompanied by adequate financial guarantees from applicants.
Law Decree of 3 March 2011, n. 28 disciplined, in implementation of Directive 2009/28/EC, the promotion of using energy from renewable sources, in particular the granting of authorisations; the production and use of energy grids; support schemes for the production of electrical energy, the production of thermal energy, and energy efficiency, the use of renewable sources for transport; sustainability of bio-fuels and bio-liquids. The current system of incentives for the production of electrical energy remains in force through 31 December 2012, retaining in general the all-inclusive rate of 0.28 €/kWh for biomass, biogas and bio-liquid plants, and the green certificate list price multiplier of 1.8.
The law decree designed an organic framework for incentive systems to production of thermal energy from renewable sources, energy efficiency and production of bio-methane.
The share of energy from renewable sources is set at 17% of final energy consumption by 2020, and 10% for all forms of transport.

[2] *Range IV products are defined as fresh fruit and vegetables packaged and ready for consumption, which following harvest are subjected to minimal technological processes to enhance their value, following good practice of processing.*

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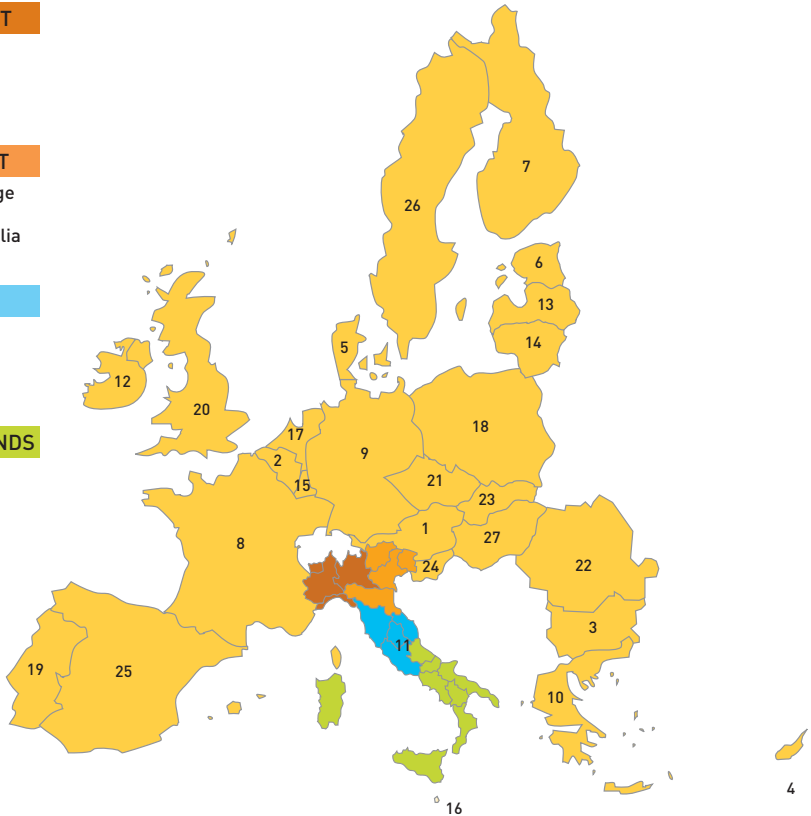

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