



NATIONAL INSTITUTE OF AGRICULTURAL ECONOMICS



ITALIAN AGRICULTURE IN FIGURES 2006



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

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

INEA has scientific, statutory, organisational, administrative and financial autonomy, and is overseen by the Ministry of Agricultural Food and Forestry Policies. The Institute carries out activities of socio-economic research in the fields of agriculture, agri-industry, forestry and fishing, on national, European and international levels. To achieve its goals, the Institute promotes research in cooperation with uni-

versities and other national, European and international scientific institutions. The President of the Republic's Decree no. 1708 of 30 December 1965 designated INEA as a connecting organ between the Italian State and the European Union for setting up and managing the Farm Accountancy Data Network. Furthermore, the Institute forms a part of the National Statistical System (SISTAN) (D.L. 454/99, art. 10).

*Italian agriculture
in figures 2006*

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

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

Now in its 19th edition, “Italian Agriculture in Figures”, published by the National Institute of Agricultural Economics (INEA) is an easy-to-use, up-to-date tool designed to provide access to major data about Italy’s agri-food system.

This edition contains new classifications adopted for statistical purposes

in the agriculture sector, including the new FADN-REA sample and the new ISTAT classification for aggregates of economic accounting. As in the past, in order to expand communications, “Italian Agriculture in Figures” again presents a version in English, and for the first time offers a CD with versions in French and

Spanish, attached to the printed volume in English.

With this effort, INEA again confirms its commitment and its central role in the field of agricultural information, and accomplishes the significant task of providing a handy, easy-to-use tool that combines quality and completeness of information.

Paolo De Castro
Minister for Agricultural Food
and Forestry Policies





CONTENTS

LAND AND POPULATION

Climate	p.	10
Land and Population	p.	11

AGRICULTURE AND THE ECONOMY

Gross Domestic Product	p.	14
Value Added	p.	15
Employment	p.	16
Productivity	p.	18

PRIMARY SECTOR

Structures and Labour in Agriculture	p.	20
Land Market	p.	23
Production Levels	p.	25
Gross Agricultural Income	p.	30
Intermediate Consumption	p.	31
Prices and Costs	p.	32
Credit for the Agricultural Sector	p.	33
Production levels according to FADN	p.	34

AGRI-INDUSTRIAL SUPPLY CHAIN

Composition	p.	44
Food Industry	p.	45
Distribution	p.	48
Food Consumption	p.	50
Foreign Trade	p.	52

AGRICULTURAL MULTI-FUNCTIONALITY

Agriculture and the Environment	p.	56
Use of Chemicals	p.	61
Agri-environmental indicators	p.	63
Organic Farming	p.	64
Irrigation Farming	p.	69
Agri-tourism	p.	71
Quality Products	p.	73

AGRICULTURAL POLICY

CAP in Italy: Pillar 1	p.	78
CAP in Italy: Pillar 2	p.	81
Regional Expenditure	p.	84
National Legislation	p.	86

APPENDIX

Glossary	p.	96
FADN Glossary	p.	101
Useful Addresses and Websites	p.	103

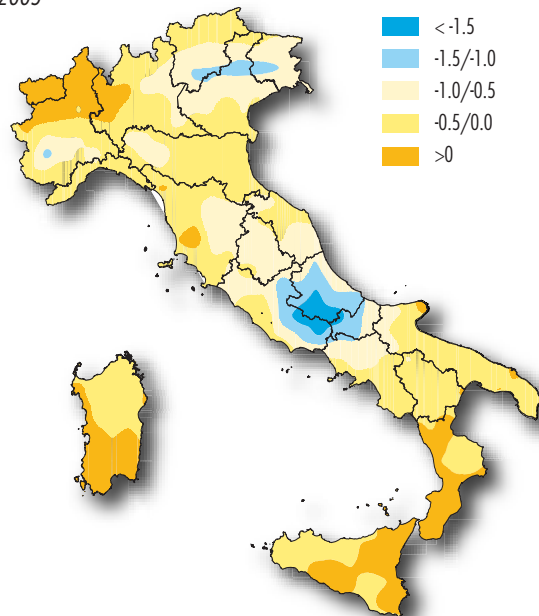


The background of the slide is a photograph of several tomatoes still attached to their vines, with some green leaves visible. The entire image is covered by a semi-transparent orange filter. Centered on this background is the text 'LAND AND POPULATION' in a white, bold, serif typeface.

LAND AND POPULATION

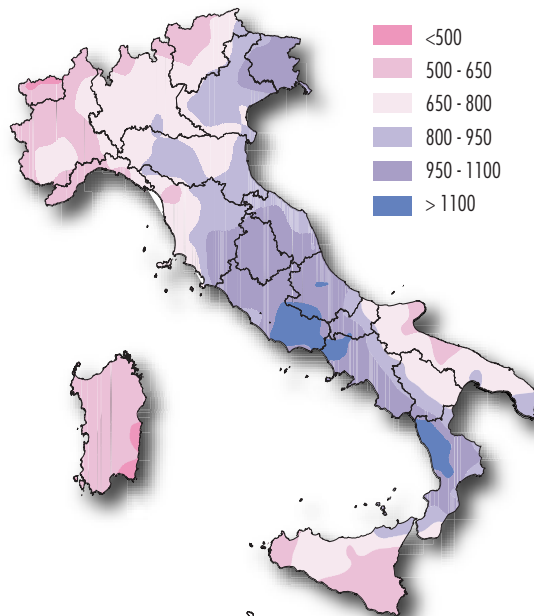
Climate

Deviations in average annual temperatures compared to the norm (°C), 2005



Source: UCEA.

Total annual rainfall (mm), 2005



Source: UCEA.

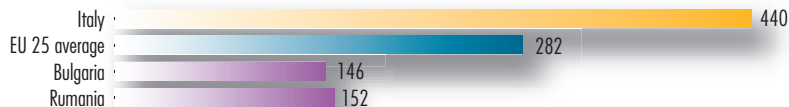
Land and Population

General Features

One of Italy's main geographical features is the prevalence of hilly and mountainous terrain. Out of a total land area of some 30 million hectares, only 23% is made up of lowland and this figure falls to 18% in the South and 9% in the Centre. The resident population in 2005 increased by approximately 0.43% compared to 2004.

This growth is concentrated in North-Central Italy (+0.65%), due to increases in people moving into the area. A concentration of the population lives in lowland areas (47.4%) and hilly areas (39.3%), with only 13% of the population living in mountain areas. UAA accounts for 36.5% of total land in regions of the North, 37.9% in the Centre and 45.4% in the South & Islands.

Population/agricultural land ratios (inhabitants/100 ha of UAA), 2004



Land use, 2003, ('000 ha)

	Italy	EU 25	Bulgaria	Romania
Total area	30,132	397,504	11,099	23,839
Crops	15,097	164,367	5,331	14,324
by (%)				
Cereals and rice	28.3	32.2	34.3	43.5
Sugar beets	1.2	1.3	0	0.1
Oil-seeds	1.8	4.7	11.5	8.4
Tobacco	0.2	0.1	0.9	0.0
Potatoes	0.5	1.3	0.6	1.9
Dried legumes	0.5	1.2	0.3	1.1
Vegetables & fresh legumes	3.3	1.2	1.2	0.5
Fruits and citrus	6.4	2	3.2	1.4
Olive trees	7.7	2.7	-	-
Grapevines	5.6	2	2.4	0.9
Flowers and plants	0.1	0.1	0.1	0.0
Fodder crops	27.2	32.7	28.6	26.7
Other crops	17.2	18.6	16.8	15.5
Total area %	50.1	41.3	48.0	60.0

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

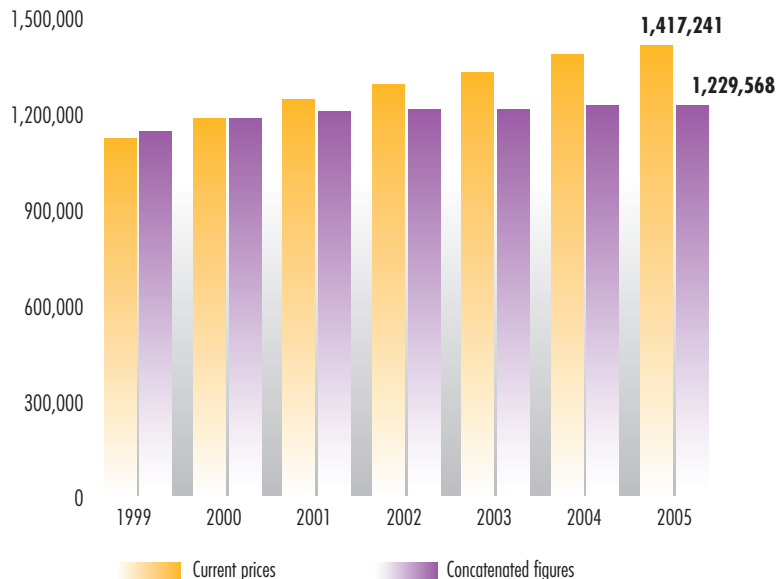




AGRICULTURE AND THE ECONOMY

Gross Domestic Product

Trend in GDP (million euro), 1999-2005



Note: this year ISTAT issued a new series of national economic calculations, which entirely replace pre-existing ones, by implementing a complex revision of all aggregates of national accounts

Trend in GDP per inhabitant (euro), 1999-2005

	GDP/Inhabitant (euro)	
	Current prices	Concatenated figures
1999	19,803	20,203
2000	20,917	20,917
2001	21,915	21,279
2002	22,661	21,285
2003	23,181	21,127
2004	23,874	21,143
2005	24,214	21,007

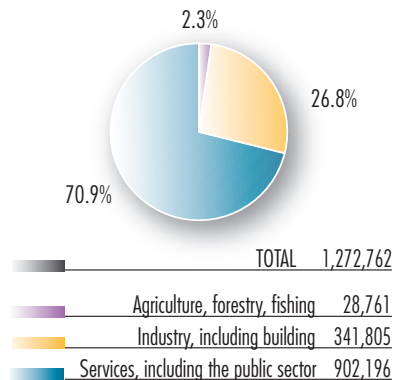
Trend in GDP per work unit (euro), 1999-2005

	GDP/WU (euro)	
	Current prices	Concatenated figures
1999	49,015	50,006
2000	50,873	50,873
2001	52,401	50,882
2002	53,672	50,413
2003	54,992	50,119
2004	57,169	50,630
2005	58,583	50,825

Value Added

In 2005, value added (VA) at basic prices in the primary sector, including forestry and fishing, decreased by approximately 6.5% in value compared to 2004 as the combined result of a 2.0% drop in the volume of output and a 4.6% drop in prices. Agriculture's contribution to total national VA was 2.3%, a figure that has slowly declined over the last ten years. Value added from industry in the narrow sense also declined, from 24.9% in 1995 to 21.7% in 2005. Over the same period, value added from civil service remained basically stable, at 20%. On the contrary, between 1995 and 2005, there was growth in the sectors of building, from 5.2% to 5.7%; in trade, transport and communications, from 23% to 24.1%; and activities of financial services, information technology, research, professional services and business activities, from 23.8% to 25.4%.

VA at basic prices by sector (million euro), 2005



The contribution of agriculture to Italy's overall economy has approached the levels of other North-Central European countries. Nonetheless, strong territorial differences persist; in the Centre-North,

Contribution (%) of agriculture to national economies, 2004

Country	Value Added ¹
Italy	2.2
France	1.9
Spain	3.4
Greece	5.2
Germany	0.9
Netherlands	1.7
United Kingdom	0.7
Austria	1.2
Finland	1.0
Sweden	0.6
Poland	3.1
Hungary	3.1
EU 25	1.6
Bulgaria	8.2
Romania	12.2

¹ Gross value added at basic prices.

agriculture accounts for 2.0% of VA at basic prices and 3.6% of employment (measured in work units), while in the South these figures rise to 4.2% and 9.4%, respectively.

Employment

In 2005, the total labour force in employment in Italy, measured by ISTAT in standard work units (WU), declined by 0.4% compared to 2004. In particular, there was a drop of 1.6% in industry, whereas building showed an increase of 2.3%, and employment in services grew by 0.3%. As for women in the workplace, in a reversal of a trend over the past several years, female labour grew at a slower rate (+0.5%) than male labour (+0.9%). There was only a slight increase in women workers, to 45.4% of the workforce, the lowest rate among EU 15 countries.

Labour in agriculture dropped by 8%, a dramatic decline on average over the past ten years (-2.6%). Contributing to this result was a drop of 13.3% in entrepreneurial labour, only somewhat mitigated by an increase of 3.6% in paid

The agricultural labour force by sex and geographical area, 2005 averages

	Total labour force		Women %	Men %
	'000 units	%		
North	358	37.8	27.1	72.9
Centre	127	13.4	32.3	67.7
South & Islands	462	48.8	32.5	67.5
ITALY	947	100.0	30.4	69.6

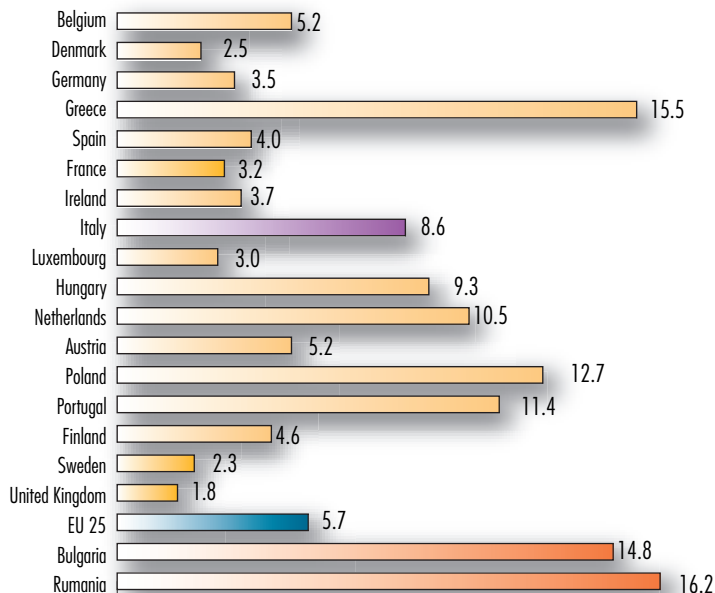
labour. Paid agricultural labour's contribution to paid labour overall was 2.6%, whereas entrepreneurial labour in agriculture stood at 11.7% of the total. On the whole, agriculture's share of total employment, not only in Italy but in almost all EU countries, is on a markedly downward trend, though with sharply differing variations.

69.6 % of the agricultural workforce, in terms of individuals, was male. Just under half of the agricultural workforce (49%) was to be

found in the South of Italy, while the other half was divided between North (38%) and Centre (13%).

The ratio of agricultural labour to population has undergone rapid changes in the last ten years. In 1995, there were approximately 33 inhabitants for each agricultural work unit; in 2005 there were 46. In the industrial sector, this ratio changed much more slowly, as it did for the service industry, including the public sector.

Volume of employment in agriculture in the EU (AWU/100 hectares UAA), 2004



Source: Eurostat.

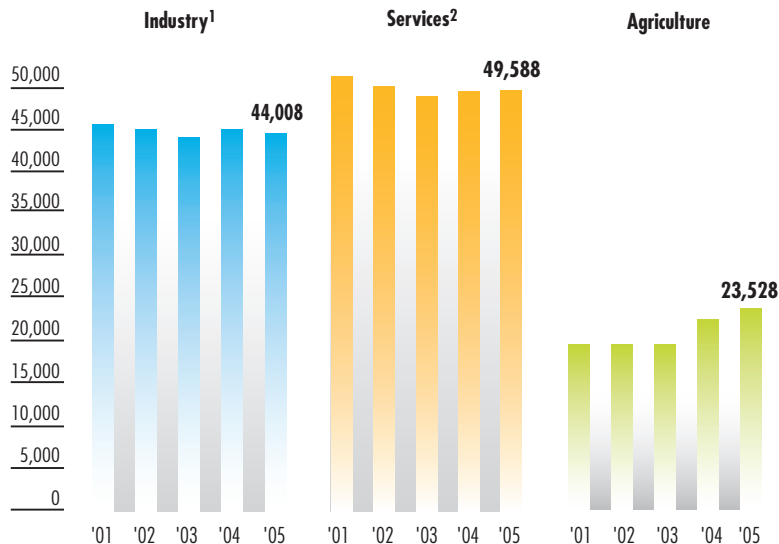
Employment in agriculture* as % of total economy, 2004

	Employment	
	Total	Women
Germany	2.4	1.7
Greece	12.6	14.1
Spain	5.5	3.7
France	4.0	2.7
Italy	4.2	3.3
Hungary	5.3	2.7
Netherlands	3.2	2.1
Austria	5.0	5.1
Poland	17.6	16.6
Finland	5.0	3.1
Sweden	2.5	1.1
United Kingdom	1.3	0.6
EU 25	5.0	4.0
Bulgaria	10.7	8.3
Rumania	32.6	33.0
USA	0.7	-
Japan	4.1	-

* Including forestry, fishing and hunting.

Productivity

VA at basic prices per WU by sector (euro)



¹ Includes the building industry.

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

Note: this year ISTAT issued a new series of national economic calculations, which entirely replace pre-existing ones, by implementing a complex revision of all aggregates of national accounts.

In 2005, value added in agriculture at basic prices per work unit, in real terms, was 53.5% of the same figure for industry, including the building sector, and 47.4% of the figure for the service industry (commerce, transport, financial services, tourism and other professional services).

Compared to 2004, there was an increase in value added from agriculture, per work unit, of 6.3%. This was a result of a sharp reduction in the number of workers, whereas there was a decline in industry (-1.2%) and a slight increase in services (+0.3%).

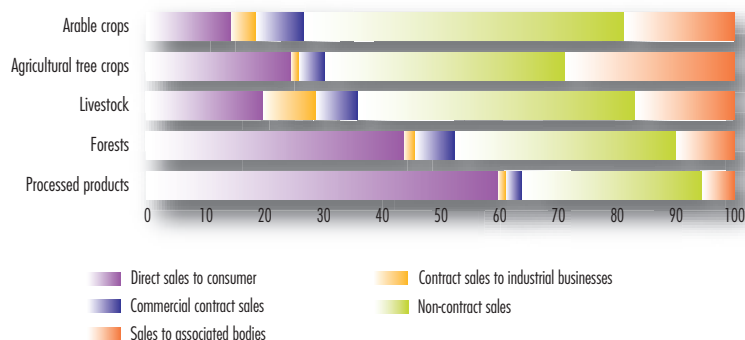


PRIMARY SECTOR

Structures and Labour in Agriculture

The following tables complete updating to 2003, begun in the previous edition, of statistical data for the primary sector. This issue presents major information about labour on farms, characteristics of heads of farms, workdays, people on farms according to the type of work they perform, and unauthorised work in the primary sector, in addition to information about main marketing channels for agricultural production.

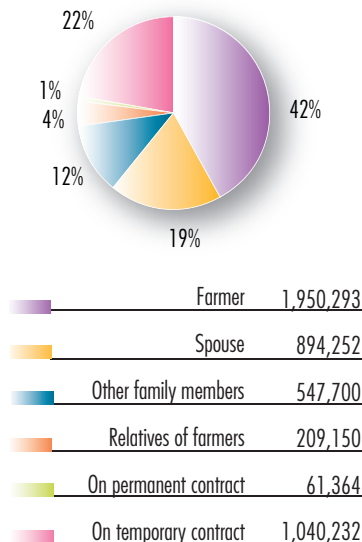
Breakdown of type of sales by product category (%), 2003



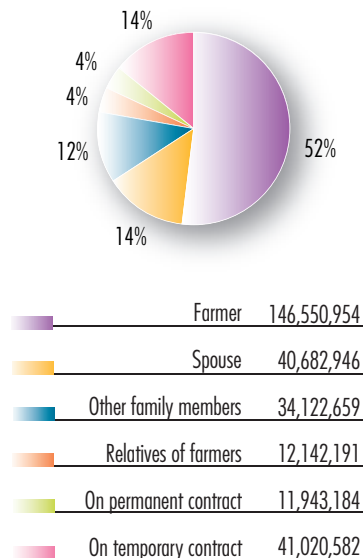
Unauthorised labour

National accounting figures from ISTAT provide some ways of looking at unauthorised or underground labour, or work performed without full respect for fiscal and/or social security regulations. Following a decline for two years running, this type of work began growing again in 2004, in both number of workers and standard work units. Underground labour is not so widespread in all areas of production, but occurs especially in areas that require less qualified and discontinuous labour, as well as being more difficult to control in the workplace by institutions in charge. The primary sector is strongly affected by the phenomenon of underground labour, which represented 33% of standard work units in 2004, as compared with 13.4% of the economy as a whole on average.

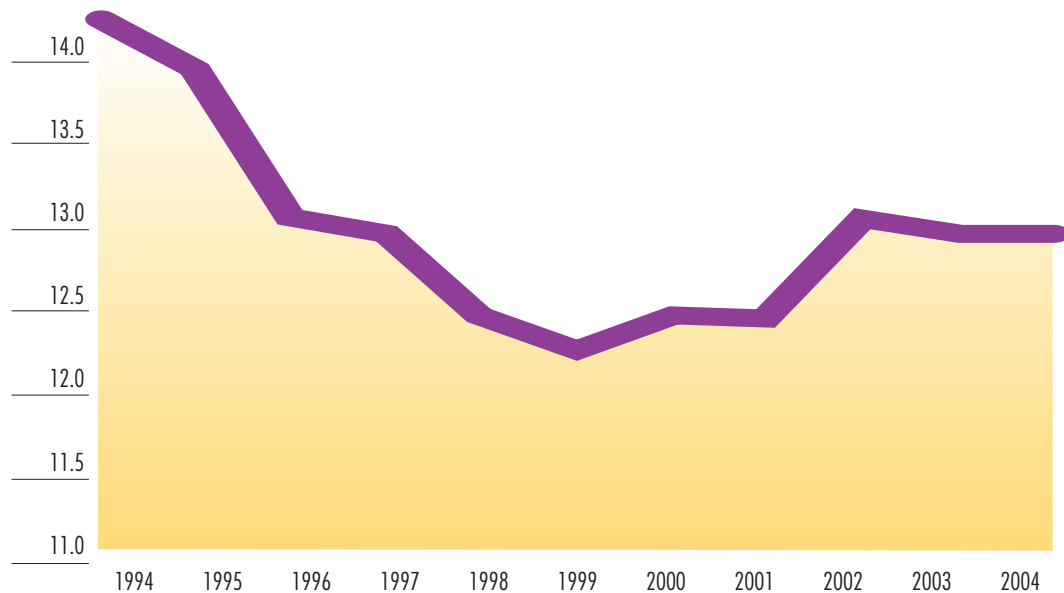
Persons on farms by category of labour, 2003



Workdays by category of farm labour, 2003



Ratio of unauthorised labour in agriculture to total unauthorised labour



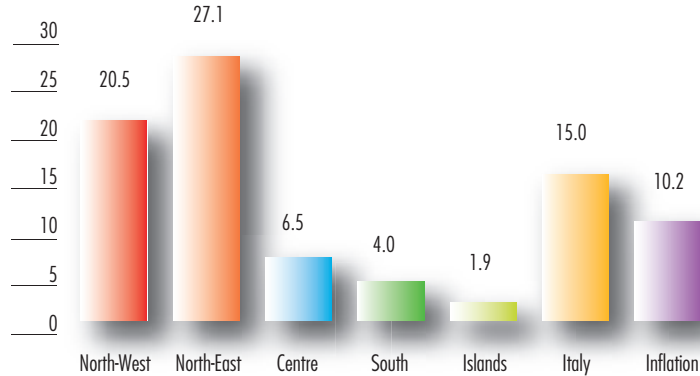
Source: Bank of Italy annual report.

Land Market

In 2004, the price of land reached an average national value of nearly 16,000 euro per hectare, an increase of 2.4% from the year before. Considering an annual rate of inflation of approximately 2.2%, land patrimony increased in real terms, though the differential between current and real prices dropped drastically. In the two years 2001-2002, in fact, the difference was 1.7 percentage points, whereas in 2003 the differential had already dropped to 0.7.

Trends in land prices show quite significant differences among geographical areas and altitude zones. In the South, only lowlands and coastal hills surpassed 10,000 euro per hectare, while average values for lowlands in Central Italy were around 20,000 euro per hectare; in northern regions, most average prices exceeded 20,000 euro, peaking at over 36,000 euro per hectare for lowlands in the North-

% variation in average land values, 2004-00



Source: INEA Land Values Data Bank.

East. Differences remained between the strong dynamics of land values in northern regions (with increases of 3 to 4%) and the stagnation prevalent in the other regions (+1%).

On the demand side, trade was signif-

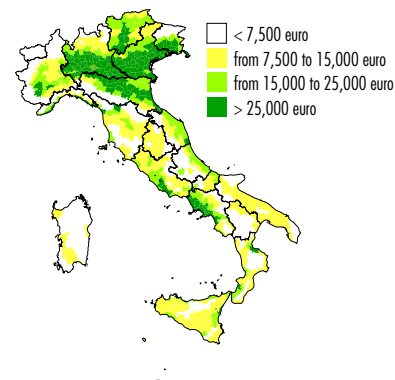
icantly sustained by operators of farms of medium to large size, and in some areas by extra-agricultural operators, whereas supply was represented mainly by part-time and older farmers.

Farms and UAA by title of land possession (%), 2003*

	Property		Rent		Free Use	
	Farm	Area	Farm	Area	Farm	Area
Piemonte	4.1	6.3	10.7	13.8	5.5	8.9
Valle d'Aosta	0.2	0.1	0.7	1.2	0.2	0.3
Lombardy	2.8	5.1	10.7	14.8	3.9	5.5
Trentino Alto-Adige	2.5	3.7	3.1	2.3	1.8	1.7
Bolzano	1.1	2.4	1.9	1.6	0.4	0.7
Trento	1.4	1.3	1.3	0.7	1.4	1.0
Veneto	7.4	6.2	9.4	7.2	6.6	3.7
Friuli-Venezia Giulia	1.2	1.5	2.7	1.7	4.5	4.0
Liguria	1.4	0.4	0.9	0.2	2.2	1.2
Emilia-Romagna	4.3	7.2	9.1	12.0	3.6	3.7
Tuscany	4.5	6.3	5.2	6.1	3.4	5.0
Umbria	2.2	2.8	2.9	3.0	1.2	1.3
Marche	2.8	3.7	3.3	4.7	1.7	2.5
Lazio	6.7	6.2	3.3	3.4	4.4	5.7
Abruzzo	3.1	3.4	3.1	2.4	5.3	4.0
Molise	1.4	1.7	2.0	1.1	2.1	3.3
Campania	8.5	4.5	11.0	3.3	13.4	5.9
Puglia	14.9	11.9	4.0	3.3	11.5	10.7
Basilicata	3.8	4.7	3.0	2.8	4.4	4.6
Calabria	8.2	4.8	3.7	1.8	8.3	6.5
Sicily	15.3	11.3	4.9	4.6	13.4	12.0
Sardinia	4.4	8.2	6.2	10.4	2.7	9.6
ITALY	1,864,921	9,372,602	244,159	3,165,132	132,904	578,076

* The same farm may have more than one title of possession.

Average land values by agricultural region, 2004



According to EUROSTAT, in 2003 rental land in Italy reached 3.7 million hectares (+22% from 2000) and represented 28% of UAA. In 2004, rental land in Italy was generally stable, and was mainly in demand for specialised and quality crops.

Production results

In 2005, agricultural output at basic prices, including output from forestry and fishing, declined in value by 6.5% compared to 2004, as a result of a 2.0% drop in quantity combined with a 4.6% decrease in prices. Results by category showed a general slackening in volume produced, especially for tree crops (-3.2%). For field crops, output dropped by 1.8%, with a concentrated decrease in cereal production (-7.3%) and especially durum wheat (-20.2%). Contrarily, dried pulses showed growth in production of 12.2%.

In the industrial sector, there was significant growth (+22.1%), mainly thanks to sugar beets (+66.9%), accompanied by recoveries for soya (7.3%), sunflowers (+6.4%) and rape (+17.3%). In future, beet crops will have to conform to CAP reforms, which call for halving

annual production levels as from 2006/07.

The decrease in harvests also affected the horticultural sector (-1.2%), with notable differences among various outputs: declines were registered for strawberries (-8.0%), onions and leeks (-6.2%), watermelons (-7.2%), spinach (-5.5%), tomatoes (-5.0%),

potatoes (-3.7%) and artichokes (-3.9%). Increases were shown for melons (+13.0%), garlic (+10.0%), cauliflower (+9.2%), beans (+3.6%), lettuce (+2.8%), peas (+1.4%) and sweet peppers (+1.2%).

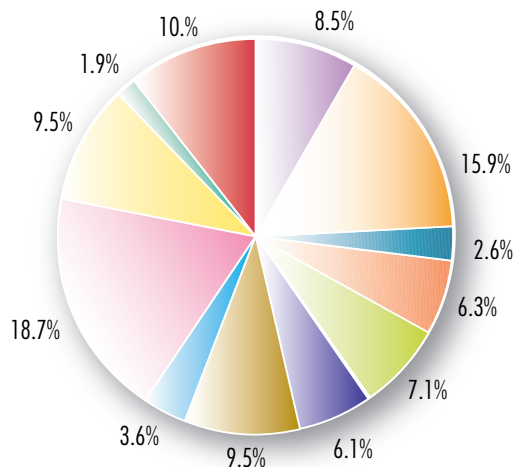
A declining trend continued for flower cultivation (-1/3%), even

Output at basic prices by sector, 2005

	Italy		% change 2005/2004	
	million euro	%	volume	price
Field crops	13,819	28.7	-1.8	-8.4
Tree crops	11,497	23.9	-3.2	-4.2
Fodder crops	1,612	3.4	-1.5	-3.3
Livestock	13,605	28.3	-1.8	-5.1
Connected services ¹	4,662	9.7	-2.0	1.9
Forestry	457	1.0	-1.3	-0.8
Fishing	2,428	5.0	5.3	5.1
TOTAL	48,080	100.0	-2.0	-4.6

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 production plants.

Agricultural output at basic prices by main sector (million euro), 2005



TOTAL	45,196
Cereals and dried legumes ¹	3,825
Vegetables ²	7,191
Industrial crops ³	1,176
Flowers and ornamentals	2,826
Grapes	3,219
Olives	2,770
Fruit and citrus	4,309
Fodder crops	1,612
Meat	8,434
Milk	4,312
Eggs and other ⁴	859
Connected services ⁵	4,663

¹ Dried legumes account for 81 million euro.

² Includes potatoes (544 million euro) and fresh beans (237 million euro).

³ Sugar beets (670 million euro), tobacco (330 million euro), sunflowers (59 million euro) and soya (98 million euro).

⁴ Includes honey (27 million euro).

⁵ Includes hiring and supplying contract services, packaging of agricultural produce, maintenance of parks and gardens, new production plants.

Main crop production, 2005*

	Volume		Value ¹	
	'000 tonnes	% change 2005/04	mio. euro	% change 2005/04
Soft wheat	3.298	6,6	427	-44,4
Durum wheat	4.427	-20,2	850	-38,8
Maize hybrids	10.494	-7,7	1.425	-38,6
Rice	1.438	-5,6	461	-19,2
Sugar beets	14.245	66,9	670	53
Tobacco	113	-3,7	330	-7,1
Soya	556	7,3	98	-46,8
Sunflowers	291	6,4	59	-32,6
Potatoes	1.754	-3,7	544	-19,5
Tomatoes	7.302	-5	1.160	1
Dessert grapes	1.647	17,4	583	-11,3
Sold wine grapes	3.921	-5,9	790	-27,5
Wine ² ('000 hl)	21.738	-4,4	1.834	-20,1
Oil ²	624	-13,4	2.550	-2,4
Apples	2.113	-1,1	732	-11,8
Pears	922	5,1	523	15
Peaches and nectarines	1.699	-0,6	655	2,3
Oranges	2.440	15,9	720	7,5
Lemons	601	3,1	291	-0,4
Mandarins and clementines	647	5,8	238	-8,5
Kiwi	462	7,6	286	-9,0

* Provisional data.

¹ At basic prices.

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

considering a net recovery in prices (+8.2%). Nursery plant production increased by 1.7%.

Over the past year, tree crops suffered as a whole, a result of the negative trend in vine products, with fewer grapes used for wine and less wine produced (-4.4%). Though olive plantings were up, harvests suffered from poor weather conditions in late summer, so that olive oil production dropped by 13.4%. Fruit crops were also down, especially hazelnuts (-37.9%), nectarines (-3.7%) and apples (-1.1%). Conversely, increases were shown for apricots (+9.0%), cherries (+8.1%) and kiwi fruit (+7.6%). Citrus production improved by 10.6%, even though prices shrank by 7.6%.

The balance was negative for fodder crops, with a decline in production of 1.5%, due to poor weather. The livestock sector also recorded a widespread drop in production levels.

especially for poultry (-3.0%), beef (-3.8%), sheepmeat and goatmeat (-3.9%) and pigmeat (-2.8%). Rabbitmeat, game and other lesser meats were up 4.5%. There was a slight drop in cow's milk (-0.8%), while honey production rose significantly (+14.4%), partly due to good weather conditions during the flowering season.

Forestry production declined by 1.3%, due to a reduction in timber and firewood.

As regards connected services, these showed a modest downturn (-0.2%), as did secondary activities on farms (-1.1%), accompanied by a drop in prices.

In the EU 25, the 2005 farm year was characterised by drops in pro-

duction for both crops and livestock. In the crops category, declines were recorded for cereals (-11%), oilseeds (-2.5%), olive oil (-4%), wine (-12%) and tomatoes for industrial packaging (-10%). In the livestock category, production dropped for beef (-1%), pigmeat (-0.5%) and sheepmeat and goatmeat (-1.6%). Poultry was up slightly (+0.8%), whereas milk production dropped (-0.6%). For the EU as a whole, the year marked a decline in agricultural production in real terms of over 6%.

*Main livestock production, 2005**

	Volume ¹		Value ²	
	'000 tonnes	% change 2005/04	million euro	% change 2005/04
Beef	1,453	-3.8	3,336	-3.6
Pigmeat	1,878	-2.8	2,239	-5.1
Sheepmeat & goatmeat	67	-3.9	241	-18.7
Poultrymeat	1,374	-3	1,560	-22.2
Rabbitmeat & game	429	4.5	886	-0.9
Eggs (millions)	12,898	-1.2	821	-12.2
Cows' milk ³ ('000 hl)	105,089	-0.8	3,867	-2.3
Sheep & goats' milk ('000 hl)	6,329	-0.3	444	-7.3
Honey	118	14.6	27	12.1

* Provisional figures.

¹ Live weight.

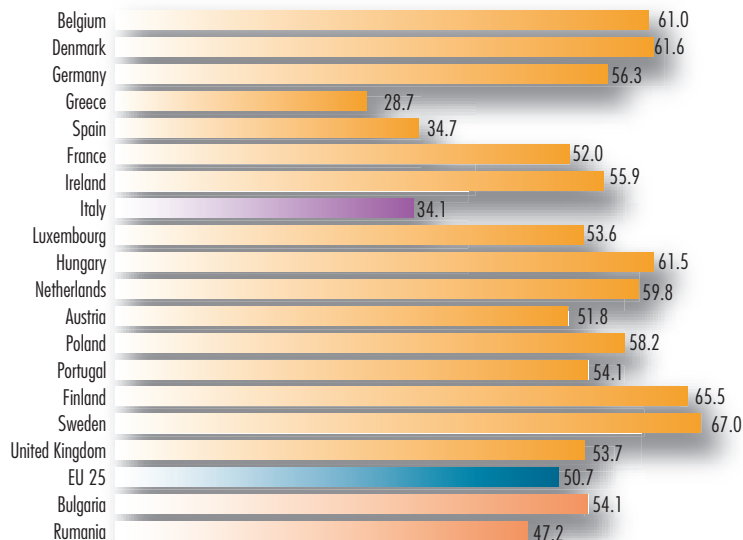
² At basic prices.

³ Includes buffalo milk.

*Agricultural output at basic prices in
EU countries, 2004 (%)*

	Production	Intermediate consumption
Belgium	2.1	2.5
Denmark	2.6	3.1
Germany	13.3	14.8
Greece	3.7	2.1
Spain	13.3	9.1
France	19.6	20.1
Ireland	1.9	2.1
Italy	13.8	9.3
Luxembourg	0.1	0.1
Hungary	2	2.4
Netherlands	6.2	7.3
Austria	1.8	1.8
Poland	4.3	5
Portugal	2.2	2.4
Finland	1.3	1.7
Sweden	1.4	1.9
United Kingdom	7.5	7.9
EU 25 (million euro)	330,455	167,672
Bulgaria (million euro)	3,464	1,875
Rumania (million euro)	13,654	6,449

Intermediate consumption on production (%)

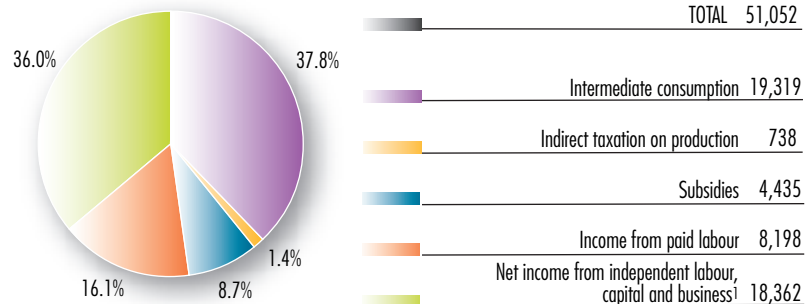


Gross Agricultural Income

In 2005, the breakdown of gross agricultural income, including production subsidies and indirect taxation, shows contributions of intermediate consumption (seeds, fertilisers, feedingstuffs, energy, services, etc.) of 37.8%. Income from paid labour accounted for 16.1%. Remuneration for independent labour (farmers, entrepreneurs and family workers), capital and business was 36% after capital depreciation.

Contributions and subsidies disbursed by the state, central administrations, the regions and the EU made up approximately 8.7%.

*Breakdown of agricultural income, 2005**



**Including forestry and fishing.*

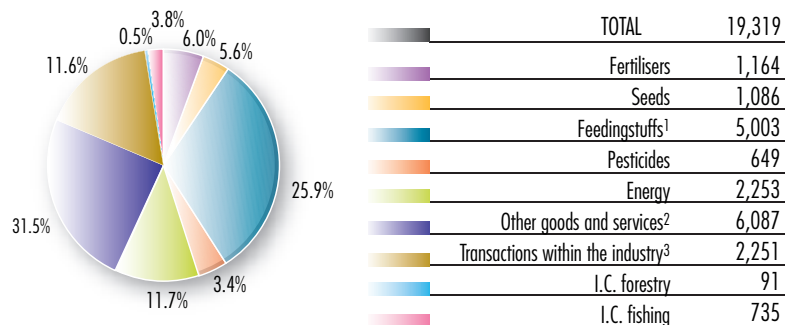
¹ After capital depreciation.

Intermediate Consumption

Expenditure on intermediate consumption, including forestry and fishing, decreased in value in 2005 by 2.3%, due to a slight decline of 0.7% in prices and a downturn of 1.7% in quantity of inputs used. The decrease in investments applied to nearly all inputs, with the exception of motive energy (+0.2%). In other categories, drops were recorded in expenditures for fertilisers (-3.5%), plant production products (-1.9%), seeds (-3.2%) and feedingstuffs and other livestock expenses (-0.8%). The trend was in line with farmers' attempts to contain production costs and to use eco-compatible farming techniques. The use of plant protection products was also influenced by weather trends, which made it possible to keep down costs for crop protection.

There was also a decline in expenditures on other goods and services (-2.6%), which include a group of categories – general expenses, financial

Main categories of intermediate consumption in agriculture, forestry and fishing (million euro), 2005



¹ Includes other expenses for livestock.

² General expenditures, financial services, consulting, water, transport, association dues, maintenance, etc.

³ This category includes seeds sold to farms by other farms, directly marketed fodder products, products used as animal feed, hay from cereal crops etc.

services, water, transport, maintenance, trials, advertising, etc – whose overall share has grown over the years to over 30% of total expenditure.

Volume used for forestry consumption dropped (-4.3%), while for fishing and aquaculture it increased (+4.2%).

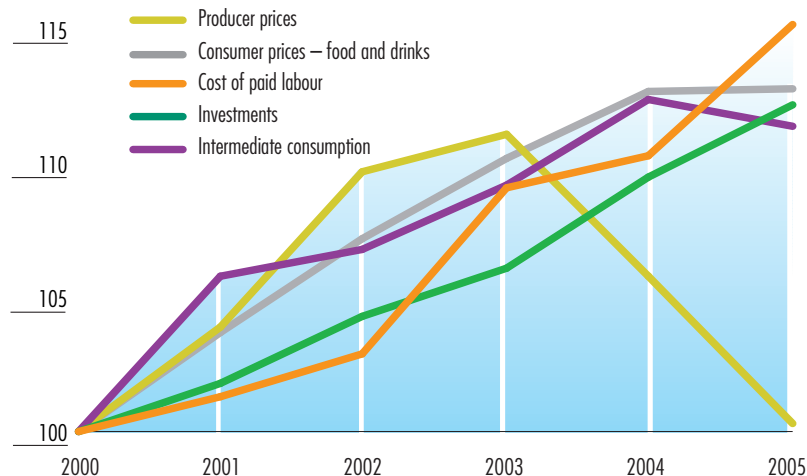
Prices increased for motive energy (+11.8%) and diesel oil (+28.0%), as well as for fertilisers (+6.0%), including urea (+18.8%). In a counter-trend, prices dropped for feedingstuffs (-7.7%) and transactions within the sector (-6.3%).

Prices and Costs

In 2005 prices for intermediate consumption in agriculture fell on average by 0.8%, whereas those for investments rose by approximately 2.5%. The cost of paid labour increased by 4.4%; gross pay rose by 8.6%, partly as a result of increased input from paid labour within the sector (+3.6%).

Agricultural prices on production showed an average decline of 5.1%, following that of the previous year (-4.9%). The greatest drops in prices were recorded for the wine sector (-12.7%), while gains were made in prices for horticultural products, which after the collapse of the previous year showed signs of recovery (+5.1%). A modest drop of 1.5% was recorded for fruit. The poor performance in livestock prices also extended from meat to eggs

Index numbers (2000 = 100)



(-11.1%) and overall milk products (-2.1%).

The development in agricultural trade, measured by the ratio of the

production price index to that for intermediate consumption, deteriorated considerably compared to 2004 (-4.3%).

Credit for the Agricultural Sector

In 2005, there was a 6.3% growth in bank lending for agriculture, greater than was recorded for the economy as a whole (5.4%). The ratio between total lending and agricultural output rose 8 percentage points, from 58.2 to 66.2%. The trend in lending confirmed the process of financial restructuring of farms toward long-term loans. Medium- and long-term loans increased from 67.9 to 69% of the total, showing an increase of 11.5%, as compared to a 2.8% increase in short-term loans. Disbursements for medium- and long-term investments were concentrated in purchases of structures and non-residential rural buildings, with an increase of around 110%; contrarily, there was a drop in purchases of property and other technical means (-11.2%), along with machinery and equipment (-6.7%).

*Bank lending for agriculture**

Year	Total million euro	Short term %	Medium-Long-term %	% of Output ¹
2002	24,991	35.0	65.0	51.6
2003	27,726	32.8	67.2	56.3
2004	29,943	32.1	67.9	58.2
2005	31,831	31.0	69.0	66.2

* Compared to previous editions, figures reflect overall amount of bank lending, not restricted to operations classified as "credit for the agriculture sector".

¹ Output at basic prices for agriculture, forestry and fishing.

Source: Observatory of Banking and Business - ABI.

Lending beyond the short term for agriculture (disbursements in million euro), 2005

Lending	Total	% change 2005/04	Subsidised % of tot.
Machinery and equipment ¹	1,703.6	-6.7	15.3
Purchase of rural property ²	686.0	-11.2	5.3
Structures and rural buildings	2,966.9	109.7	0.6
Overall	5,356.5	33.5	5.9

¹ Including vehicles and various rural products.

² Including agricultural land.

Source: Bank of Italy.

Production Results According to the FADN

Beginning with accounting year 2004, the total number of farms in the EU 25 that participate in the Farm Accountancy Data Network (FADN) amounted to around 81,000 units, including only so-called “professional” farms, or those aimed at the market and capable of ensuring sufficient income to support the farmer. On each farm, data are recorded for some 1,000 variables – physical, structural, economic and account-

ancy-related. Information is also gathered regarding accession to and implementation of CAP measures. Moreover, the data gathered allow each farm to be classified by type of production and size (FT and ESU), parameters that are also used to classify farms during censuses. This makes it possible to compare data of the sample with the universe of reference.

The following pages present a summary of FADN’s information poten-

tial, on both national and European levels. Note that the data used refer to the farm as a whole: in addition to the farm’s major production according to European classification guidelines, other crops and/or livestock may contribute to the results given. For further information, consult the FADN-INEA site (www.inea.it/rica). Definitions of the variables used are contained in the FADN glossary at the end of the volume.

The accounting year 2003 represented a major change in the history of the FADN in Italy. Indeed, following specific international agreements among the Ministry for Agricultural Food and Forestry Policies, ISTAT, the administrative regions and INEA, two economic surveys on agriculture were integrated (FADN and REA). This resulted in a radical renewal of the FADN sample, which is now drawn according to criteria of

probability starting from a universe of farms defined in the Census taken in 2000. The information gathered by the Italian accountancy network now has inferential value, thanks to the use of calculated weighting of appropriate statistical procedures. For more detailed information about the project of integration, consult the INEA site (www.inea.it/RICA). Presented here is a preview of the processing of FADN data regarding

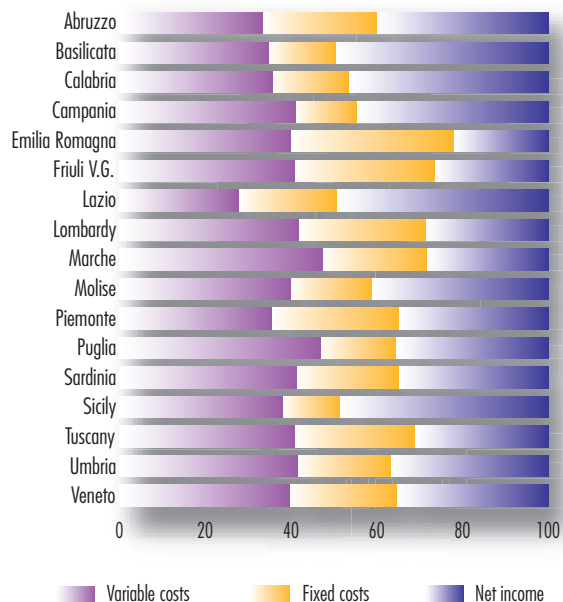
the accounting year 2003, extended to the field of observation by using the weighting system calculated by ISTAT. For accurate use of statistical data, note that information is only published that regards the regions where there are at least 10 units in the ESU category. It should be emphasised that the data presented here cannot immediately be compared with those published in previous editions.

Average farm data by type of farm, 2003

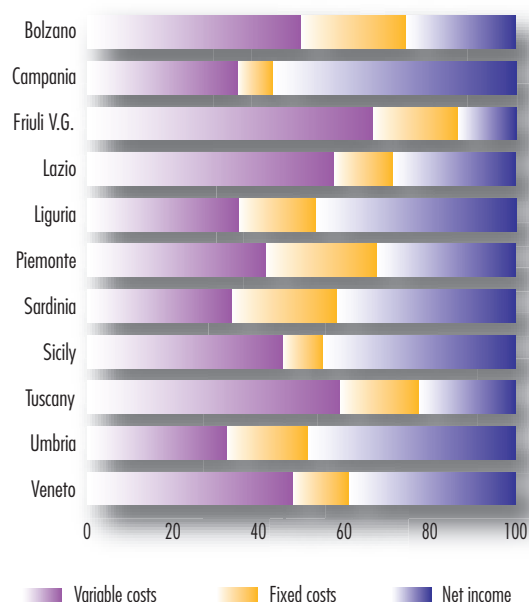
	UAA ha	WU	FWU	GSP euro	Subsidies euro	Variable Costs euro	Fixed Costs euro	Net euro
Arable crops	21,39	1,08	0,96	39.390	8.710	15.022	11.706	13.233
Horticulture	1,71	1,78	1,38	60.619	638	25.457	12.408	22.914
Permanent tree crops	8,23	1,29	0,97	37.947	3.222	13.541	10.416	14.109
Herbivorous livestock	33,74	1,75	1,65	96.531	8.613	52.415	20.418	40.421
Granivorous livestock	12,68	2,21	2,06	334.484	5.100	167.014	42.146	131.355

Source: FADN-INEA.

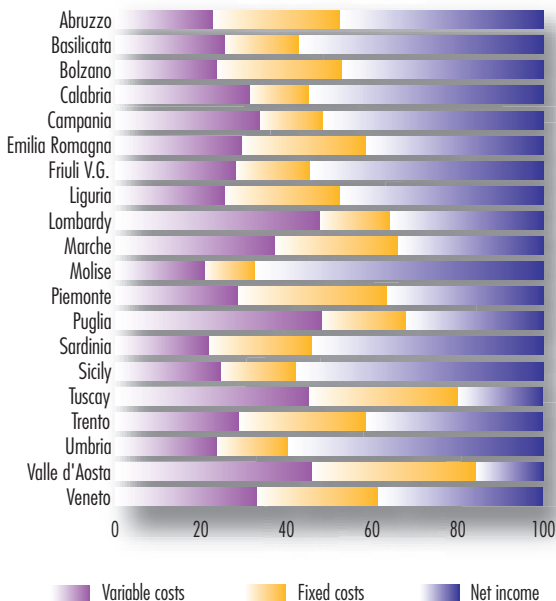
Farms specialising in arable crops, % breakdown of farms' average GSP



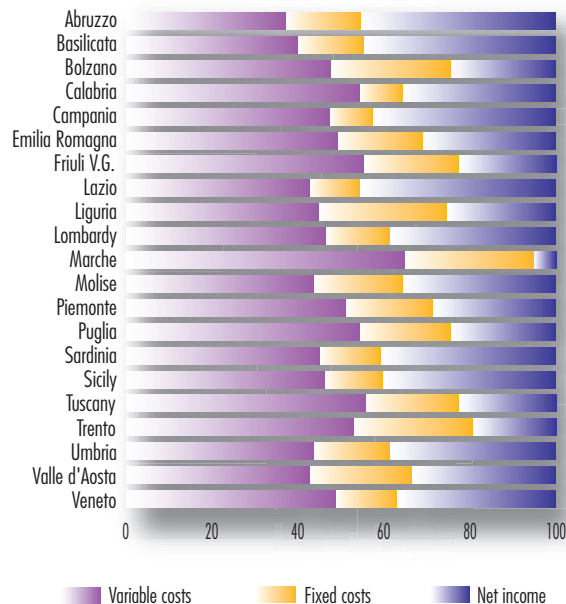
Farms specialising in horticulture, % breakdown of farms' average GSP



Farms specialising in permanent tree crops, % break-down of farms' average GSP



Farms specialising in herbivorous livestock, % break-down of farms' average GSP



FADN in Europe

What follows is a presentation of indicators of productivity and profitability of land and labour, regarding farms in Italy and in Europe that specialise in 4 key categories of agriculture within the EEC: COP crops (cereals, oilseeds and protein crops), wine growing, dairy cattle and beef cattle.

The diversity of EEC agriculture is demonstrated fully in FADN data: even within individual categories, there are significant differences in productivity and profitability, owing to different amounts of land and labour, but also to differences in management efficiency.

In the category of cereals, oilseeds and protein crops (COP), the performance of Italian and Greek farms appears to be determined by their small size (22 ha and 13 ha, as compared to the European average of 62

ha), added to a high intensity of labour (0.04 WU/ha and 0.05 WU/ha, compared to 0.02 WU/ha). Danish farms have the highest level of productivity, due to a combination of low labour intensity (0.01 WU/ha) and less land than average (51 ha). The low productivity of Spanish farms, however, does not appear to be due to the figures for size and labour, which are about the same as the European average (64 ha and 0.02 WU/ha). Farms in France, Germany and the UK have large areas (102, 145 and 168 ha of UAA), as well as a low intensity of labour (0.01 WU/ha in all three cases). Productivity is not absolutely related to profitability: Danish farms actually operate at a loss, while those in Spain are more profitable than the average, partly thanks to cost structuring and the impact of subsidies. Indeed, on

Spanish farms intermediate consumption accounts for only 37.9% of gross output, while subsidies combine to make up 31.5%. The corresponding figures for farms in Denmark are 53.8% and 19.4%, and 49.2% and 27.6% for the European average. In Italy, subsidies represent 25.4% of the value of production, and cover 40% of intermediate consumption.

Farms in France that specialise in wine growing stand far above the average, thanks to their larger size (21 ha compared to 12.3) and lower intensity of labour (0.12 WU/ha compared to 0.14). But cost structuring is almost the same as the average, with intermediate consumption accounting for 36.8% of gross output (compared to 33.9%) and depreciation making up 11.9% (compared to 13.2%). Spanish farms, though registering lower-

Productivity and profitability of labour – farm average 2001-2002-2003 (euro)

	COP		Wine		Dairy cattle		Beef cattle	
	GO/WU	NI/FWU	GO/WU	NI/FWU	GO/WU	NI/FWU	GO/WU	NI/FWU
Belgium	n.g.	n.g.	n.g.	n.g.	79,924	25,663	76,496	24,928
Denmark	110,220	-1,125	n.g.	n.g.	142,470	12,106	n.g.	n.g.
Germany	90,294	15,285	45,105	19,438	70,258	16,028	65,760	10,136
Greece	22,596	6,491	15,511	10,408	34,244	13,153	21,616	8,639
Spain	38,130	19,493	20,502	14,765	46,080	19,736	29,534	13,295
France	85,469	16,865	64,255	31,138	71,963	16,398	63,280	18,463
Ireland	85,242	29,602	n.g.	n.g.	60,707	25,109	21,897	8,998
Italy	33,223	11,898	33,438	18,924	73,412	30,478	71,854	25,773
Luxembourg	57,053	-1,818	54,676	33,814	87,478	25,984	81,371	24,874
Netherlands	n.g.	n.g.	n.g.	n.g.	125,752	26,929	91,804	15,437
Austria	52,157	22,081	36,397	20,722	28,487	14,285	28,311	13,933
Portugal	27,010	10,009	11,660	6,332	28,992	8,080	20,549	9,366
Finland	49,553	15,703	n.g.	n.g.	45,539	16,208	65,504	21,010
Sweden	93,263	2,436	n.g.	n.g.	86,171	10,403	54,699	5,852
United Kingdom	107,682	22,159	n.g.	n.g.	105,271	29,729	57,451	11,833
EU	60,152	15,140	40,830	20,330	70,528	19,790	45,795	14,410

Source: EU-FADN calculations.

than-average indices, show a high degree of efficiency: the shares of GO for intermediate consumption and depreciation are 23.8% and

11.6%, respectively. Moreover, Spanish farms have larger area (18.9 ha) and less intensity of labour (0.08 WU/ha). Italian farms,

which are disadvantaged as far as efficiency of labour is concerned, because of a higher concentration of manpower (0.19 WU/ha), gain

Productivity and profitability of land – farm average 2001-2002-2003 (euro/ha)

	COP		Wine		Dairy cattle		Beef cattle	
	GO/UAA	NI/UAA	GO/UAA	NI/UAA	GO/UAA	NI/UAA	GO/UAA	NI/UAA
Belgio	n.g.	n.g.	n.g.	n.g.	2.940	929	2.166	695
Danimarca	1.580	-13	n.g.	n.g.	3.166	185	n.g.	n.g.
Germania	1.254	137	9.522	3.114	2.474	494	1.761	243
Grecia	1.132	306	4.983	2.849	6.641	2.127	10.032	3.826
Spagna	573	263	1.609	852	4.013	1.646	751	327
Francia	1.178	203	7.638	1.947	1.847	400	1.106	305
Irlanda	1.225	332	n.g.	n.g.	1.983	726	677	270
Italia	1.360	457	6.315	2.853	5.464	1.965	2.811	915
Lussemburgo	1.078	-34	12.686	4.809	1.847	504	1.464	401
Olanda	n.g.	n.g.	n.g.	n.g.	4.905	959	8.453	1.356
Austria	1.162	475	6.211	2.853	2.510	1.230	2.099	1.011
Portogallo	650	209	2.565	895	3.121	788	550	233
Finlandia	711	214	n.g.	n.g.	2.367	783	2.140	661
Svezia	864	20	n.g.	n.g.	1.883	181	907	94
Regno Unito	1.152	150	n.g.	n.g.	2.660	542	834	149
UE	1.041	225	5.587	1.880	2.703	677	1.127	336

Source: EU-FADN calculations.

ground in the area of land, due to their smaller size (6.8 ha). Farms in Portugal appear to be the least efficient, because of too high a concen-

tration of labour (0.22 WU/ha), smaller area (7 ha), and less specialisation in production (vineyards account for 64.5% of farms' UAA,

compared to an average figure of 69.2%). In all countries, the share of public subsidies appears negligible (1.8% of GO), with the exception of

farms in Greece, where crop payments make up one-fourth of overall production value.

In the dairy cattle category, Danish cattle raisers make more productive use of land and labour, but they suffer in terms of profitability, partly owing to larger herd size (132 BU compared to an average of 72) and more UAA (81 ha compared to 46), lower concentration of workforce (0.022 WU/ha compared to 0.038) and especially family workers (0.015 FWU/ha compared to 0.034 FWU/ha). On the contrary, Italian dairy farmers have achieved excellent performance: the high concentration of labour (0.074 WU/ha) and smaller size (27 ha) are compensated for by larger herd size per surface unit (2.4 BU/ha compared to 1.6) and a higher share of intermediate consumption (51.6% as opposed to 54.5%) and depreciation

(8.6% compared to 13%) of GO. It should be pointed out, however, that the higher economic indicators for farms in Italy can be traced to the structure of the new 2003 sample, which is considerably skewed toward larger livestock operations. The excellent results for dairy farmers in the Netherlands can be associated with larger herd size (2.5 BU/ha), combined with farm figures that are in line with EEC averages (0.039 WU/ha and 43 ha) and lower costs (50% of GO for intermediate consumption, and 10.7% for depreciation). The value of the indicators for Spain can be explained by smaller livestock farms (17 ha), larger herds (2.3 BU/ha) and high concentration of labour (0.087 WU/ha), offset by lower costs: intermediate consumption is 51.7% of GO and depreciation is only 4.7%. Dairy farms in Ireland, though their

figures are similar to European averages (48 ha, 1.8 BU/ha and 0.033 WU/ha) are less productive but more profitable, thanks to lower cost shares of GO (50.7% for intermediate consumption, 8.6% for depreciation) and a larger share of subsidies (5.7% compared to 2.7%). In the European panorama of beef cattle farms, standouts are Italy, Belgium, Finland, Luxembourg and the Netherlands, with above average indices of productivity and profitability. Beef cattle farms in Spain, Ireland and Portugal do less well. In the Netherlands, beef cattle farms have smaller area (12 ha as opposed to 53) and higher concentration of labour (0.09 WU/ha compared to 0.02), countered however by the higher density of head per surface unit (12 BU/ha compared to 1.1); intermediate consumption accounts for 50.9% of GO, whereas the share

of subsidies toward value of production was lower (13.2% compared to 22.8%). Belgian and Italian beef cattle raisers have similar production statistics: labour intensity a little higher than that of Europe (0.03 WU/ha and 0.04, respectively), combined with higher herd density (2.1 BU/ha and 1.8). Differences emerge in terms of management capability with Belgian farms, which devote only 49.7% of GO to inter-

mediate consumption, as opposed to those in Italy, which devote 56.5%. In both countries, however, the impact of public subsidies on overall value of production is less than for Europe as a whole: 17.3% in Belgium and 11.3% in Italy. For beef cattle farms in Finland, subsidies contribute 44.3% of GO, and intermediate consumption makes up 61.4%. Beef cattle farms in Portugal, Spain and Sweden, though they

have low herd density (0.5 BU/ha in Portugal and 0.7 in the other two countries) and labour indices in line with the average, show marked differences in costs: on Swedish beef cattle farms, in fact, intermediate consumption accounts for 69.7% of GO and depreciation makes up 31.7%, whereas the corresponding figures for Spanish and Portuguese farms are 46.4% and 48.1%, 5% and 13.6%.



AGRI-INDUSTRIAL SUPPLY CHAIN

Composition

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

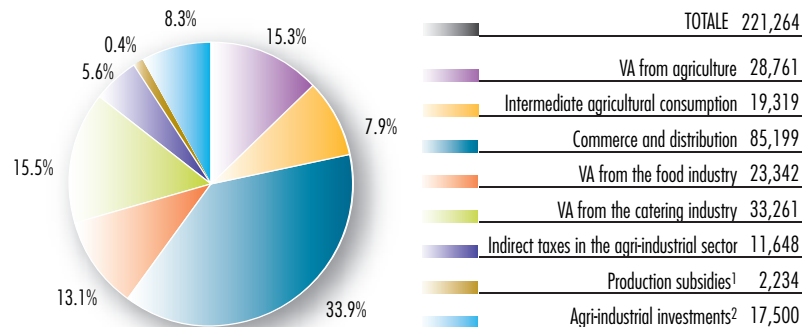
The agri-food sector is estimated to have been worth some 221 billion euro or 15.6% of GDP in 2005. The main contributions were: approximately 28.8 billion from agricultural value added (VA), 19.3 billion from intermediate consumption in agriculture, 17.5 billion from agri-industrial investments, approximately 23.3 billion from VA in the food industry, 33.2 billion from VA in the catering industry and 85.2 billion from marketing and distribution.

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

quite dissimilar from basic price data, with values of 27.3 and 32.3 billion euro, respectively. Overall value of agri-industrial activity would be approximately 225 billion

euro; in this case, moreover, the subsidies for both agricultural and food industry production would emerge, amounting respectively to 2.0% and 0.5% of the total.

Main components of the agri-industrial system at basic prices (million euro), 2005*



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

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

² Valuations from ISTAT and Svimez figures.

Food Industry

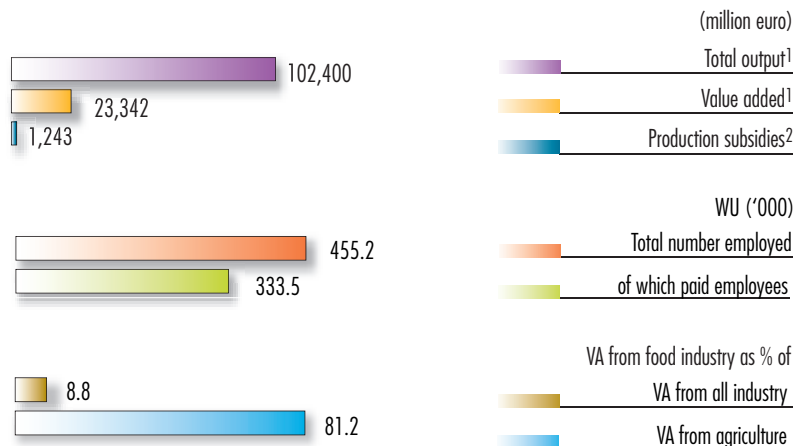
The food and drinks sector numbered around 66,000 businesses, 2,550 of which employed more than 20 people (Federalimtare valuations). In 2005, there were 455,200 work units in the sector, making up 9.2% of employment in industry as a whole. Marked imbalances persist geographically: 70.5% of workers and 74% of value added at basic prices are concentrated in the Centre-North.

In 2005, sector production increased by 0.8%, countering the declining trend in manufacturing (-2.6%). The tobacco industry showed a drop of 14.3%. Value added from the food industry shrank in value by 0.9% from 2004; the impact of value added from industry in the narrow sense (mining and manufacturing) and agriculture for 2005 amounted, respectively, to 8.8% and 81.2%.

Compared to 2004, increases were recorded for production of corn (+3.1%), soft wheat flour (+2.6%), refined rice (+8.2%), milk and dairy products (+1.5%),

ice cream (+10.5%), refined oils and fats (+2.2%), fresh sausages (+1.7%), sugar (+55.3%), condiments and spices (+14.0%), fruit and vegetable juices (+4.5%) and

Food industry*: main macroeconomic aggregates, 2005



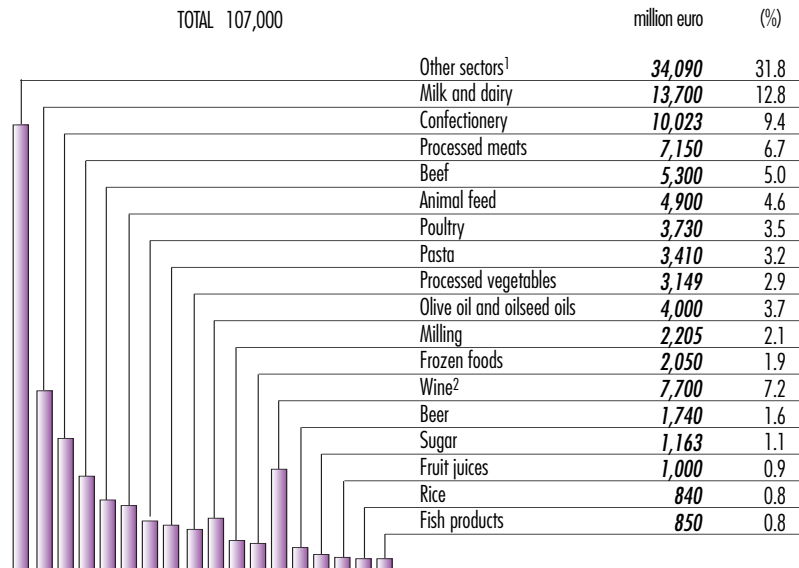
* Includes drinks and tobacco.

¹ At basic prices.

² Total figure for all subsidies for products and production.

Source: valuations from ISTAT figures.

Turnover in the food industry by sector (million euro), 2004



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

² Includes cooperatives and short supply chains (farmer-producer).

Source: Federalimentare valuations, May 2004.

Turnover in the food industry by sector (million euro), 2004

Country	Production million euro	%
Belgium	27,276	3.8
Denmark	18,278	2.5
Germany	129,669	18.0
Spain	69,134	9.6
France	129,570	18.0
Italy	90,726	12.6
United Kingdom	97,696	13.6
Others	157,648	21.9
Total	719,997	100.0

Source: EUROSTAT.

wine (+1.3%). Production slackened for meat (-4.3%), cooked sausages (-2.3%), processed fish and derivatives (-1.3%), processed and preserved fruit and vegetables (-5.8%), durum wheat flour (-2.4%) and distilled spirits (-2.5%). In the EU 25, the agri-food industry is one of the major sectors, with

Food industry in the EU*, 2002

	Output million euro	Value added %	Employment 000 units	Independent workers %	VA/Employee 000 euro
Total EU 25	177,778	10.1	4,422	12.3	40.2
Meat	29,534	1.7	973	2.7	30.4
Milk and dairy	17,505	1.0	396	1.1	44.2
Bread, pasta and other ¹	65,332	3.7	1,908	5.3	34.2
Fruit and vegetables and other	28,771	1.6	574	1.6	50.1
Drinks	33,411	1.9	447	1.2	74.7
Fish products	3,225	0.2	124	0.4	26.0
Bulgaria	266	-	95	-	2.8
Romania	919	-	202	-	4.5

* The total excludes the tobacco industry.

¹ Sugar, confectionery, tea, coffee, diet foods and baby food, condiments, spices.

Source: EUROSTAT.

value added of some 185 billion euro and 4.5 million workers, figures that account for 10.5% of value added and 12.3% of workers in the industrial sector, respectively.

The top category is baking, sugar and sweets, which makes up over a third of value added and employs over 40% of workers in the sector.

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

	% change 2004/03
Milling ¹	3.1
Pasta	-0.5
Refined rice	8.2
Biscuits and bread-making	-0.7
Processing of fruit and vegetables ²	-3.6
Vegetable and animal oils and fats	1.8
Slaughter and processing of meat	-1.2
Milk and dairy products ³	2.9
Sugar production	55.3
Confectionery	1.9
Condiments and spices	14
Wine ⁴	1.3
Beer	0
Mineral water and soft drinks	-0.9
Animal feed	-1.5
TOTAL	0.9

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

² Includes vegetable and fruit juices (var. 4.5%).

³ Includes production of ice-cream (var. 10.5%).

⁴ From non home-produced grapes.

Distribution

There were 192,116 fixed retail outlets selling food as their main commercial activity at the end of 2005, an increase of 760 businesses over the previous year (+0.4%). This was the result of a different trend for non-specialised outlets, which increased by 3,773 businesses

(+4.5%) and specialised outlets, of which there were fewer. This applied above all to outlets selling meat (910 fewer businesses, a drop of 2.4%), fruit (642 fewer establishments, a decline of 2.8%) and other specialised outlets (down 1,476 units for a decrease of 6.9%). The phe-

nomenon can be attributed to the widespread trend of registering new openings as generic food categories, following the abandonment of merchandising tables.

Geographically speaking, the number of food outlets shows different trends, from the slight drop in the

Food retail outlets 2005*

	North		Centre		South & Islands		Italy	
	number	%	number	%	number	%	number	%
Fruit and vegetables	8,273	12.2	4,536	13.4	9,591	10.5	22,400	11.7
Meat and meat-based products	10,953	16.2	6,035	17.9	20,152	22.2	37,140	19.3
Fish and fish-based products	1,531	2.3	1,415	4.2	5,328	5.9	8,274	4.3
Bread and confectionery	6,078	9	2,049	6.1	4,831	5.3	12,958	6.7
Wine, oils and drinks	2,118	3.1	1,035	3.1	1,699	1.9	4,852	2.5
Other foods	6,778	10	2,854	8.5	10,175	11.2	19,807	10.3
Non-specialised foods	31,822	47.2	15,790	46.8	39,073	43	86,685	45.2
TOTAL	67,553	100	33,714	100	90,849	100	192,116	100
% of total outlets	23.3		22.7		28.1		25.2	
DENSITY ¹	392		334		228		304	

* Main premises and local outlets.

¹ Inhabitants/outlet.

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

North (-0.4%) to increases in the Centre (+0.6%) and the South (+0.9%). In 2005, the value of food sales in fixed retail outlets increased by 0.9%. This was evidence, however, of a rise in the number of large-scale retail businesses (+1.2%) and a drop in businesses operating in small shops (-0.7%). By geographical area, sales increased in the North-West (+1.4%) and declined in the South (-0.9%).

Large-scale retail trade

As of 1 January 2005, there were 7,821 registered supermarkets (+8.5%). The number of sales points increased most in the South (+10.2%) and North-East (+9.5%). The total area used for retail reached 6.7 million square metres (+7.7%), and the workforce increased to a total of some 143,000 workers (+5.5%). Hypermarkets also

increased in number, to 417 (+7.5%), with total retail space of over 2.4 million square metres (+4.4%) and around 72,000 workers (+3.2%). The South recorded the greatest growth, in numbers (+15.5%), area (+10%) and workers in hypermarkets (+12.2%). In 2005, sales increased in value by 1.4% for supermarkets, but dropped by 0.2% for hypermarkets. Sales from hard discount stores increased by 1.4%.

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

	Outlets		Sales area ¹		Employees ¹		No. of outlets per 100,000 inhabitants	Sales area m ² /1,000 inhabitants
	number	% change 2005/04	m ²	% change 2005/04	number	% change 2005/04		
North	4,532	8.0	5,432,917	6.1	133,376	4.1	17.1	205.3
Centre	1,596	7.2	1,736,762	6.7	44,567	3.3	14.2	154.4
South & Islands	2,110	10.4	1,981,350	9.1	37,252	8.7	10.2	95.5
TOTAL	8,238	8.4	9,151,029	6.8	215,195	4.7	14.1	156.5

* Supermarkets and hypermarkets. As of 1 January 2005.

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

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

Food Consumption

In 2005, household expenditure in Italy on food and drink, including alcoholic beverages, was approximately 132,000 million euro, an increase of 2.1%. Total consumption by volume rose by about 2%. Com-

pared to 1995, the share of food in families' total expenditure dropped from 18% to 15.9%. Expenditure for eating out in 2005 (canteens, restaurants and fast food), according to ISTAT, amounted to around 61,500

million euro, with an increase in value of 3.1%, mainly owing to price increases (+2.5%). Between 1995 and 2005, the impact of this figure, in relationship to the value of food consumption, rose from 37.4% to approximately 46.7%, showing a gradual change in people's eating habits.

The most important categories in terms of expenditure are meat (28,600 million euro), bread and cereal products (23,800 million) and milk and dairy products and eggs (17,400 million). Compared to 2004, increases in volume were recorded especially for fruit (+4.8%), vegetables and potatoes (+3%), sugar and confectionery (+3%), fish (+2.7%), meat (2%) and alcoholic beverages (+6.2%). Expenditures for oils and fats dropped by 1%.

Compared to 1995, families spent less on meat, fruit, vegetables, oils and fats, whereas they spent more for

Break-down of food consumption, 2005

Product	% of total food expenditure	Average annual rate of change 2005/95	
		volume	prices
Meat	21.7	0	1.8
Bread and cereal-based products	18.1	2.2	1.6
Milk and dairy produce and eggs	13.2	1	1.8
Vegetables and potatoes	10.6	0.2	2.8
Fruit	6.6	0	2.5
Fish	6.5	1	2.6
Sugar and confectionery ¹	6.5	1.1	2.2
Wine and other alcoholic beverages	5.5	1.3	3.3
Mineral water and other drinks ²	5.3	1.9	1.6
Oils and fats	4.5	0.4	2.2
Coffee, tea and cocoa	1.3	0.7	0.5
Other foods ³	0.3	1.5	1.4
OVERALL	100	0.9	2.0

¹ Jams, honey, syrups, chocolate, cakes and biscuits, etc.

² Fizzy drinks, fruit juices, etc.

³ Diet foods, spices, baby products, etc.

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

	Germany	Greece	Spain	France	Italy	Hungary	Poland	EU 25
Cereals and cereal products	111.7	199.4	106.7	108	158.4	157	153.7	121.6
Refined rice	4.2	7.5	6.3	6.2	10.3	6.6	2.4	5
Potatoes	66.8	102.3	80.6	44.1	39.9	59.1	129.9	76.9
Fresh tomatoes	7.6	63.9	16.7	13.9	20.7	4.8	0.1	10.3
Apples	17.4	16.2	19.7	22.8	14.5	20.4	13.2	n.d.
Citrus	46.2	80.1	51.1	n.d.	50.4	13.8	17.8	n.d.
Milk	65.7	63.1	103	75.2	62.7	61.7	109.1	82.5
Cheese	20.3	25.4	9.2	25.1	21.3	5.4	12.4	16.4
Eggs	13	10.4	16.8	15.7	11.8	n.d.	11.7	13.2
Butter	6.5	0.8	1	8	2.9	0.7	3.2	3.8
Total meat	89.5	80.9	120.7	104.7	91.3	n.d.	79.1	93.8
beef	12.6	16.4	15.2	27.2	23.9	n.d.	6.6	19.7
pigmeat	54.5	26.3	60	35.8	38.1	n.d.	48.1	43.2
Oils and vegetable fats	18.1	20.4	32.8	11.6	13.2	n.d.	5.7	n.d.
Sugar ¹	35.6	30.3	28.6	36.7	25.6	33.9	38.9	34.2
Wine ²	24.3	27.7	32.3	50.5	38.4	30.5	1.3	23.7
% food expenditure to total ³	11.7	15.3	16	14.4	14.7	18.2	19.4	12.9

* Figures refer to the marketing year 2004.

¹ White sugar equivalent.

² Litres per capita.

³ Family expenditure on food and non-alcoholic drinks.

bread and cereal-based products, milk and dairy products, sugar and confectionery, mineral water and drinks, both alcoholic and non-alcoholic.

Trends by geographical area are quite varied: between 2004 and 2005, expenditures for food per family went from 450 to 454 euro a month in the North (+0.9%) and from 455 to 467 euro a month in the Centre (+2.6%), while in the South this figure dropped from 456 to 452 euro a month (-0.9%). The share of expenditure for food to total of monthly spending was higher in the South (23.6%), partly because families tend to be larger, compared to the Centre (18.8%) and the North (16.9%).

Foreign Trade

Despite decreases in agri-food production, which dropped by 4.7% in 2005, as opposed to the previous year, agri-food exports continue to grow (+3.2%), though at a slower pace, whereas imports remain basically stable (+0.4%). The effect on balance of trade is thus positive, with a reduction of the deficit by some 500 million euro. The different rates of growth in imports and exports determine an improvement in indices, which show that Italy's trade is opening up, in propensity to export and degree of trade cover.

As regards agri-food transactions in 2005 (agri-industrial products, net of cured tobacco), agri-food exports made up 7% of Italy's exports overall, whereas the share of agri-food imports to total imports dropped by about one percentage point. 70.3% of imports came from EU members, which accounted for 69.5% of Italy's

exports, percentage figures that remained almost stable compared to trade in 2004. Within Italy, the administrative regions that played a significant role in international agri-food transactions were Piemonte, Lombardy, Veneto and Emilia-

Romagna. The regions of Puglia, Sicily and Tuscany contributed strongly to exports of farm products. The top 5 agri-food products exported from Italy represent traditional Mediterranean production, red and rosé VQPRD wines, pasta,

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

		1995	2004	2005
MACROECONOMIC AGGREGATES				
Total agri-industrial output ¹	(P)	54,805	74,960	71,422
Imports	(I)	24,027	29,956	30,081
Exports	(E)	13,699	19,942	20,581
Balance	(E-I)	-10,328	-10,014	-9,500
Volume of trade ²	(E+I)	37,726	49,898	50,662
Apparent consumption ³	(C = P+E)	65,133	84,974	80,922
INDICATORS (%)				
Degree of self-sufficiency ⁴	(P/C)	84.1	88.2	88.3
Propensity to import ⁵	(I/C)	36.9	35.3	37.2
Propensity to export ⁶	(E/P)	25	23.5	25.4
Degree of trade cover ⁷	(E/I)	57	66.6	68.4

* Million euro at current prices; 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 (see glossary).

² Sum of exports and imports.

³ Agri-industrial output plus imports minus exports.

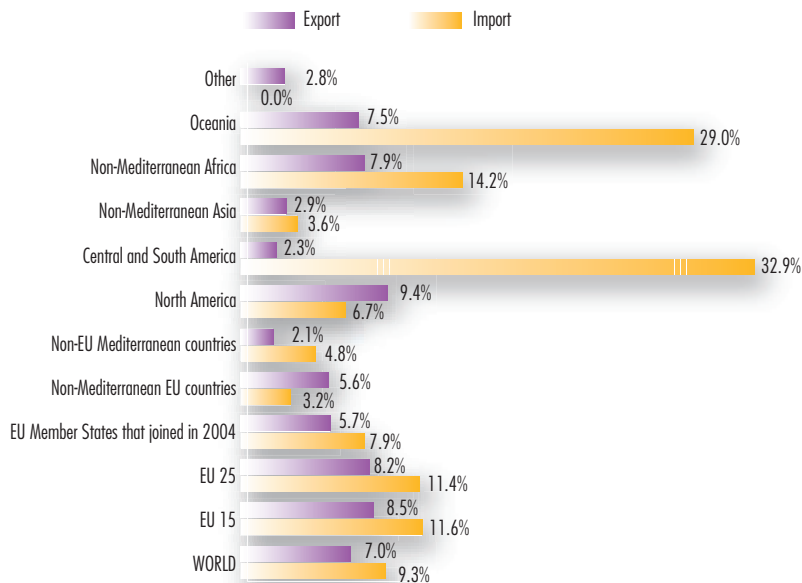
⁴ Output-consumption ratio.

⁵ Imports-consumption ratio.

⁶ Exports-output ratio.

⁷ Exports-imports ratio.

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



preserved and tinned tomatoes, virgin and extra-virgin olive oil, and biscuits and pastries. On the import side, the top 5 products reveal structural weaknesses in some of our categories: imports were concentrated in pigmeat, beef, virgin and extra-virgin olive oil, frozen shellfish and mollusks and cattle for rearing.

Foreign trade by main agri-food sector (million euro), 2005

	Import	Export	Nb* (%)
Cereals	1,236	55	-91
of which from seed	51	22	-40
Fresh legumes and vegetables	676	752	5
of which from seed	153	52	-49
Dried legumes and vegetables	91	25	-57
Citrus	189	113	-25
Fresh fruit	942	1,718	29
Dried fruit and nuts	620	230	-46
Raw textile fibres	219	12	-89
Oilseeds and fruits	472	21	-91
of which from seed	8	4	-34
Coffee, tea and cocoa	714	44	-88
Flowers and ornamental plants	380	458	9
Uncured tobacco	41	186	64
Live animals	1,399	48	-93
of which animals for breeding	95	17	-69
of which animals for rearing and slaughtering	1,285	26	-96
of which other live animals	20	6	-56
Other livestock products	444	30	-87
Forestry products	781	105	-76
of which wood	468	8	-97
Fish and game	795	192	-61
Other products	231	145	-23
TOTAL PRIMARY SECTOR	9,230	4,136	-38.1

	Import	Export	Nb* (%)
Cereal products	700	2,732	59.2
of which pasta	35	1,286	94.8
Sugar and confectionery	1,064	696	-20.9
Fresh and frozen meat	3,650	683	-68.5
Processed meat	221	790	56.2
Processed and preserved fish	2,520	278	-80.2
Processed vegetables	659	1,163	27.7
Processed fruit	416	721	26.8
Dairy products	2,843	1,459	-32.2
of which milk	689	6	-98.3
of which cheese	1,220	1,167	-2.2
Oils and fats	2,098	1,418	-19.3
Oilcake and oilseed flour	853	151	-69.9
Drinks	1,228	4,068	53.6
of which wine	268	2,948	83.3
Other food industry products	1,982	1,776	-5.5
TOTAL FOOD INDUSTRY	18,235	15,935	-6.7
TOTAL AGRI-FOOD BALANCE	27,465	20,070	-15.6
Cured tobacco	1,780	12	-98.7
TOTAL AGRI-INDUSTRIAL BALANCE	29,245	20,082	-18.6

* Nb = normalized balance (see glossary).



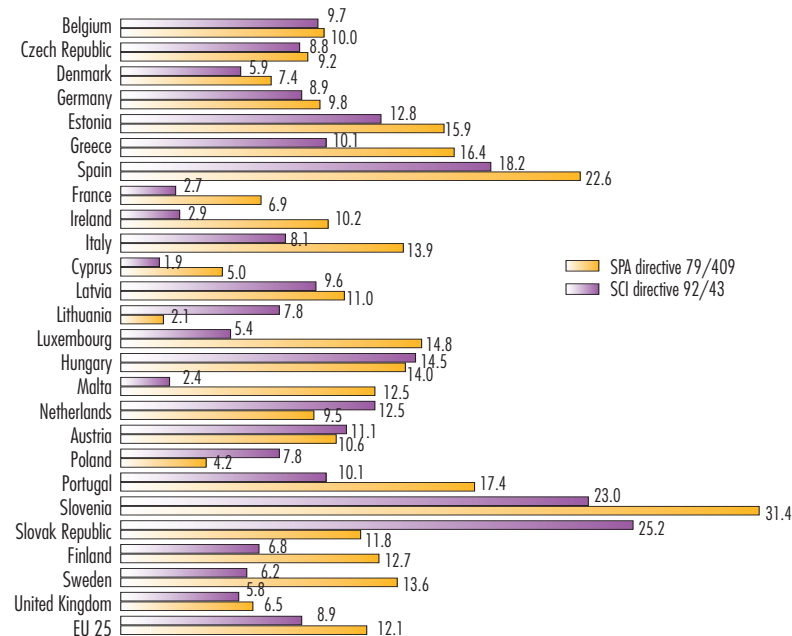
AGRICULTURAL MULTI-FUNCTIONALITY

Agriculture and the Environment

EU priorities: reducing greenhouse gas emissions and safeguarding biodiversity

Most emissions of carbon dioxide (CO₂) in the EU are caused by energy production and use (61%) and by transport (21%), whereas agriculture accounts for 10% of emissions of methane and nitrogen protoxide (European Environment Agency, 2005). One of the measures proposed in the Kyoto Protocol to reduce emissions of greenhouse gases by 8% (6.5% in Italy) is the European Emissions Trading Scheme (ETS) for CO₂ emissions, assigned to EU States through National Allocation Plans (NAPs). The ETS, which involves 11,500 industrial facilities, is designed to make it more economical for businesses to invest in emissions reductions, rather than exceed their assigned annual limits, by acquiring emissions quotas not used by more “virtuous” businesses. In 2005,

Implementation of the Natura 2000 Network in the EU (% of land area in each country)



Source: European Commission DG for Environment, Natura Barometer, December 2005.

Implementation of the Natura 2000 Network by bio-geographical region, 2004*

	no. sites	Total area	Land area	Marine area	% area of sites in bio-geographical region
		sq.km.			
Atlantic	2,419	93,811	64,954	28,858	8
Boreal	5,026	82,377	73,003	9,375	12
Continental	4,958	49,194	40,838	8,356	6
Alpine	956	96,751	96,751	0	37
Mediterranean	2,783	180,609	167,898	12,712	19
Macaronesic	208	5,310	3,516	1,794	34
TOTAL EU 15	16,193	458,615	397,488	61,127	12

**The Natura 2000 Network also extends beyond bio-geographical regions.
Source: European Centre for Nature Conservation, Paris, 2005.*

the year the ETS went into force, EU figures for the 21 member countries showed production of CO₂ below the annual EU limit, for the 2005-2007 three-year period, by 44 million tonnes. Exceeded quotas on the EU market, however, resulted in a drop in price; for this reason, the European Commission, after publishing guide-

lines for the new NAP in 2006, for the 2008-12 period, stipulated a reduction in number of permits of around 6%. The EU financial instrument of support for environmental policy is LIFE, which awarded Italy financing for 15 funded projects (10.6 million euro), in addition to 4 LIFE Natura projects for protection of bio-diversity, conserva-

tion of coastal and fluvial habitats and safeguarding birds of prey (2.2 million euro).

The Natura 2000 network, made up of bio-diversity conservation areas, protected habitats and protected animal and plant species in the EU, has almost been completed, and extended to include the marine environment; it includes 4,317 Special Protection Areas (SPAs), or 412.5 sq.km. (8.9% of EU territory) and 20,582 proposed Sites of Community Interest (SCIs), or 552.1 sq.km. (12.1% of EU territory). In 2005, the EU approved the SCI lists in continental, boreal and Mediterranean bio-geographical regions proposed by EU countries.

National policy in favour of the environment

In 2005, in enacting the mechanisms of the Kyoto Protocol, the National Emissions Trading Registry was estab-

lished, managed by APAT (Agency for Environmental Protection and Technical Services) and available on-line at (www.greta.sinanet.apat.it). The government has earmarked 7.5 million euro for updating the National Forest Inventory and other reservoirs of agri-forest carbon dioxide, and for national afforestation and reforestation pilot projects. The Environment Ministry issued guidelines for regional forestry plans; according to data from the new Forest Inventory, Italy has 10,528,080 hectares of wooded land, with almost 48,000 hectares of urban parks. To reduce particle emissions into the atmosphere in urban centres, 140 million euro annually were provided (Law 58/05) and incentives were established for using bio-fuels in transport (legislative decree 128/05).

Legislative decree 152/06 recognised 8 European directives, and abrogated and replaced much of legislation in force

regarding waste management, reclamation of contaminated sites, water and soil protection, environmental damage, EIA and SEA (Environmental Impact Assessment and Strategic Environmental Assessment) and atmospheric emissions. Italy also passed D.P.R. 12/12/05 regarding the Code of Cultural and Landscape Properties, ratified the European Landscape Convention (Law 14/06), Law 77/06 for protection of Italian sites of cultural, landscape and environmental interest declared UNESCO heritage sites, and Ministerial Decree 9/3/06, which established a Single Managing Committee for biological protection areas. To protect the marine ecosystem, Italy joined international agreements on conservation of cetaceans, and Protocols of International Conventions to prevent pollution caused by ships and dumping of refuse, also setting up a technical secretariat (Laws 57/06 and 87/06).

Protected areas and the national ecological network

Protected natural areas in Italy (the list is available at: www.minambiente.it) and the many areas protected under EU regulations cover 3.5 million hectares of land, or 11.6% of total national territory. Over half of protected land lies in the South, with 10 of the nation's 23 national parks. Abruzzo, with three national parks, has the highest percentage of protected land of all the regions (28.1%). Over 263,000 hectares of protected area in 24 marine areas accounts for 3.8% of the country's coastal waters, but this will be extended by Law 61/06, which establishes ecologically protected areas beyond the outer limits of territorial waters. In number of species and ecosystems, Italy is the European country with the most bio-diversity: many of the 57,468 animal species and 5,599 plant species, equal to 30% of

Bio-diversity in bio-geographical regions, 2004

	EU countries included	% territory EU 25 (*)	Habitat no. type/species	Animal no. type/species	Plant
Atlantic	Ireland, UK, France, Belgium, Germany, Netherlands, Denmark, Spain, Portugal	20.0	117	81	52
Boreal	Sweden, Finland, Estonia, Latvia, Lithuania	20.4	87	68	58
Continental	Denmark, Sweden, Germany, Netherlands, Poland, Belgium, Luxembourg, France, Italy, Czech Republic, Slovenia, Austria	26.3	144	149	83
Alpine	Spain, France, Italy, Germany, Austria, Slovenia, Sweden, Finland, Poland, Slovak Republic	7.6	105	134	97
Pannonic	Hungary, Slovak Republic, Czech Republic	2.9	54	109	38
Mediterranean	Greece, Cyprus, Malta, Italy, Spain, Portugal, France	22.5	146	160	270
Macaronesic	Spain, Portugal	0.3	38	22	129
TOTAL EU 25		100.0	691	723	727

* Statistics based on figures and information issued by Member States, 31/12/2004.

Source: European Centre for Nature Conservation, Paris, 2005.

fauna and 50% of flora in Europe, are found within protected areas. To calculate natural value and land vulnerabil-

ity in Italy, a Nature Charter is being established. To halt the loss of biodiversity, Italy was the first EU country

to join the international initiative Countdown 2010. Of a total of 198 habitats in Europe listed by the Habitat Directive, 127 are in Italy, 43 of which are at risk, including swamps and coastal wetlands, Mediterranean scrub and shoreline forests. Economic valorisation of protected natural areas comes from tourism, artisan crafts and quality agricultural production. State resources assigned to the system of protected areas for 2005 amounted to 57.8 million euro. To promote land development and to protect and valorise areas with concentrated urban settlements, the National Ecological Network (REN) received financing for specific programme agreements put forth by the Ministry for the Environment and Territorial Protection: APE (Apennine Park of Europe/Apennine Convention; ITACA (minor Mediterranean islands); PADUS (Po basin); and CIP (protected Italian coasts).

Farms that receive aid for agri-ecological environmental initiatives, other than organic farming (EC Reg. 1257/99)

	Farms %	Area %
Piemonte	7.6	10.7
Valle d'Aosta	0.0	0.0
Lombardy	12.8	10.4
Trentino-Alto-Adige	13.6	4.8
Bolzano-Bozen	7.2	2.8
Trento	6.4	2.0
Veneto	15.0	10.9
Friuli-Venezia Giulia	5.9	5.1
Liguria	5.7	2.0
Emilia-Romagna	6.5	7.8
Tuscany	1.9	1.6
Umbria	0.0	0.1
Marche	1.3	2.2
Latium	4.4	8.0
Abruzzo	8.6	16.1
Molise	0.0	0.0
Campania	6.7	2.6
Puglia	4.8	6.8
Basilicata	0.2	1.1
Calabria	1.0	0.6
Sicily	3.8	5.5
Sardinia	0.2	3.7
ITALY	14,499	184,121

Source: Ministry for the Environment and the Protection of Land and Sea. - Nature Conservation Office. EUAP (Official List of Natural Areas) 2005.

Recently established protected areas

- Lucania Apennine National Park, Val d'Agri-Lagonegrese (Basilicata)
- Bosco delle Querce Nature Park (Lombardy)
- Campo dei Fiori Nature Park (Lombardy)
- Spina Verde di Como Nature Park (Lombardy)
- Valle del Lambro Nature Park (Lombardy)
- Terra delle Gravine Nature Park (Puglia)
- Bosco Incoronato Regional Nature Park (Puglia)
- Porto Selvaggio and Palude del Capitano Regional Nature Park (Puglia)
- Palude La Vela Regional Nature Reserve (Puglia)
- Bosco Solivo Nature Reserve (Piemonte)
- Sulphur Mines Mineral Museum Park (Marche)

Use of Chemicals

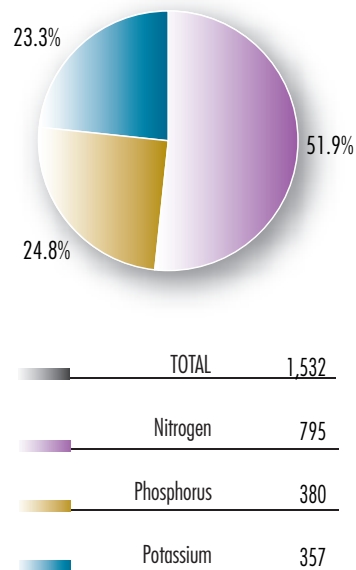
The adoption of new crop defence strategies and the introduction of innovative low-dosage molecules over the last few years have brought about a gradual reduction in the use of pesticides, especially fungicides and herbicides (-27% since 1990). In 2005, the mix of substances employed, nearly 103,000 tonnes, increased by 4.9%, driven by heavy use of fumigants (+25%) to combat seasonal infestations. The use of plant protection products is concentrated in regions in the North (53%), followed by those in the South (33.2%). The trend continued in 2005 of increased market value of plant protection products (+4.7%), with above average unit sales prices.

The percentage of irregularities in agri-food products has steadily dropped over the last decade, owing to restrictive revisions issued by the Ministry of Health on some allowable uses, as well as to official controls and

farm operators' greater care in employing plant protection products. According to figures issued in 2005 by the National Residue Observatory, 97.1% of the 16,000 samples analysed for 170 different agri-food products are within legal limits; 66.4% are free of plant production product residue, and only 3.3% reveal residue above the legal limit, but in lower quantities than would be potentially noxious. The results of analysis by the Ministry of Health on fruits and vegetables, cereals, olive oil and wine also show that 67.2% of the 7,334 samples analysed were residue-free, 1.4% revealed irregularities, and 1.3% exceeded allowable residue limits.

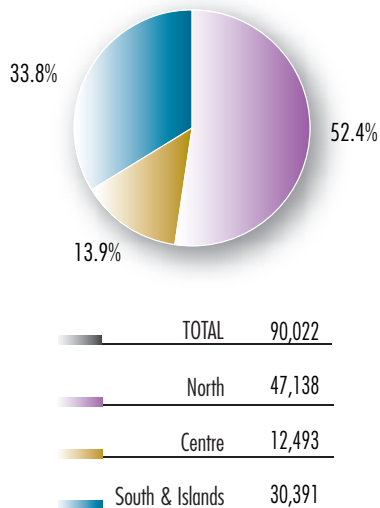
On the consumer front, use of nitrogen-, phosphorus- and potassium-based fertilisers dropped considerably in 2005, by a total of 1.5 million tonnes (-11%). This was due to reductions, because of high costs, of

Composition of fertilisers used, 2005



Source: Assofertilizzanti.

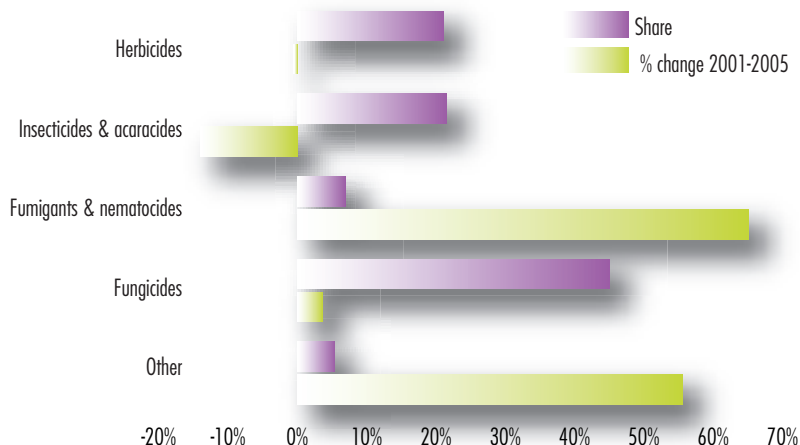
Use of plant protection products by geographical area (tonnes), 2005



mineral and organic mineral fertilisers, as well as reductions in plantings of cereal, especially durum wheat,

subsequent to application of the new CAP.

Evolution in the use of plant protection products, 2005



Source: Agrofarma, from figures supplied by member farms.

Agri-environmental Indicators

Agri-environmental indicators are used to analyse the chain of causal relationships between agricultural activities and the environment, as defined through major components (water, soil, air, bio-diversity, landscape); providing a description of the agriculture-environment relationship from various viewpoints (determining forces, pressure, state, impact, response).

Using agri-environmental indicators to assess integration of the environment into sector policies and/or monitoring and assessing policies' environmental impact has greatly intensified in the past few years, partly due to strong research that has helped to overcome some problems of methodology.

The table presents a selection of indicators classified according to environmental components, with reference to sources for an in-depth interpretation of the data.

Agri-environmental indicators

	1990	2000	2003
Soil	Water erosion (t/ha/year) ²		3.1
	Phosphorus balance ⁽²⁾ (kg/ha of TAA) ¹	12.0	7.0
			8.0 ⁽¹⁾
Water	Nitrogen balance ⁽²⁾ (kg/ha of TAA) ¹	50.0	41.0
			47.0 ⁽¹⁾
Air	Total greenhouse gas emissions from farming ('000 t equivalents CO ₂) ¹	49,061.0 ⁽³⁾	49,110.0 ⁽⁴⁾
	Methane emissions from agriculture (t) ³	719,583.0 ⁽²⁾	707,812.0
	Ammonia emissions from agriculture (t) ³	291,203.0 ⁽²⁾	224,089.0
	Total energy consumption ('000 t petroleum equivalent) ¹	117,637.0	131,235.0
	Bio-energy production from agricultural sources ('000 t equivalents) ²		133,545.0 ⁽¹⁾
	UAA dedicated to bio-mass production ('000 ha) ²		434.3
Bio-diversity			387.2
	Habitats avifauna in agricultural areas (index) ¹	100.0	67.3
	areas with high natural value (% UAA) ²		21.0
	Genetics % quota of five main varieties of barley ¹	42.0	51.0 ⁽⁵⁾
	% quota of three main types of cattle ¹	94.0	88.0 ⁽⁵⁾
	% quota of three main types of sheep ¹	89.0	95.0 ⁽⁵⁾
Landscape	index of tree cover (% of national land) ³	22.4	22.7
	index of intensification (% UAA under intensive cultivation) ³	14.1	12.5

¹ Source: OECD

² Source: IRENA report

³ Source: INEA report

⁽¹⁾ as of 2002

⁽²⁾ as of 1994

⁽³⁾ average 1990-92

⁽⁴⁾ average 2000-02

⁽⁵⁾ 2002

Organic Farming

The European Action Plan for organic farming and organic food (EAP), in its 2005-09 programme, has adopted proposed revisions to EEC Reg. 2092/91, which disciplines methods of organic production.

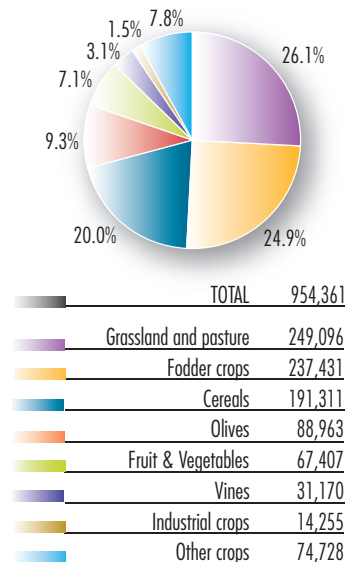
Italy approved the multi-year National Action Plan for organic food and farming (NAP) and the National Action Plan for 2005, with funding of 5 million euro provided for in the 2005 Finance Law (Law 311/04). On 1 July 2005, EC Regulation 392/04 went into effect, extending control and certification to retailers, GDO sales points (Italy's major sales channel), wholesalers and distribution platforms. Catering industries are not included.

Production

In 2004, the number of farms in the EU that practise organic farming dropped to 139,947 (-1.7%), while organic UAA and UAA under conver-

sion, which extends for nearly 5.8 million hectares, showed a modest increase (+1.6%). This was influenced by the increase in area under conversion in the new Member States. Italy, the third producer in the world after Australia and Argentina, was confirmed the European leader in the number of farms using organic production methods (36,633 including producers and converters of raw materials into finished products). That number accounts for 26.2% of organic farms in the EU, with nearly 1 million hectares of land, or 6.2% of UAA in Italy and 16.5% of organic UAA in the EU. For the third year running, there was a drop in number of farms (-15.5%) and producers (-16.8%), with severe decreases in Sardinia (-61.5%), Piemonte (-26.5%) and Sicily (-19.3%), not taking into account the reduction of European Community subsidies. The decrease in area mostly affected industrial crops

Organic farmland and land under organic conversion in Italy; by type of production, 2004 (ha)



Source: SINAB, 2005. Figures from Inspection Board, updated 31/12/2004.

Organic farming in the EU, 2004

	Number of farms	% of total national farms	% of total EU organic farms	% change 2004/03	Area ha	% of total national farm area	% of total EU organic area	% change 2004/03
Belgium	693	1.3	0.5	0.7	23,728	1.7	0.4	-1.8
Denmark	3,166	5.5	2.3	-9.8	154,921	5.8	2.7	-6.2
Germany	16,603	4.1	11.9	0.8	767,891	4.5	13.3	4.6
Greece	8,427	0.7	6	39.8	249,508	2.7	4.3	2.1
Spain	16,013	1.4	11.4	-6	733,182	2.9	12.7	1.1
France	11,059	1.7	7.9	-2.8	534,037	1.8	9.3	-2.9
Ireland	897	0.6	0.6	0.9	30,670	0.7	0.5	7.6
Italy	36,633	1.7	26.2	-16.8	954,361	6.2	16.5	-9.3
Luxembourg	66	2.2	0	11.9	3,158	2.5	0.1	5.2
Netherlands	1,469	1.4	1	-3.5	48,152	2.5	0.8	15
Austria	19,826	11.3	14.2	4	344,916	13.5	6	4.9
Portugal	1,302	0.3	0.9	8.9	169,893	4.5	2.9	40.7
Finland	4,887	6	3.5	-1.9	162,024	7.3	2.8	1.3
Sweden	3,138	3.9	2.2	-11.9	222,044	7.3	3.8	-1.7
United Kingdom	4,010	1.7	2.9	-0.2	690,270	4.4	12	-0.8
EU 15	128,189			-4.6	5,088,755			-0.2
Cyprus	225	n.d.	0.2	400	1,018	0.7	0	513.3
Czech Republic	836	2.2	0.6	3.2	263,299	6.2	4.6	3.3
Estonia	810	2	0.6	8.6	46,016	5.2	0.8	12.5
Hungary	1,583	4.1	1.1	26.1	128,690	2.2	2.2	13.1
Latvia	1,043	n.d.	0.7	89.6	43,902	1.8	0.8	79.3
Lithuania	1,811	2.7	1.3	158.7	42,000	1.2	0.7	80.3
Malta	5	n.d.	0	-75	13	0.1	0	-7.1
Poland	3,760	0.2	2.7	63.2	82,730	0.5	1.4	65.7
Slovak Republic	117	1.6	0.1	17	53,901	2.4	0.9	-1.1
Slovenia	1,568	2	1.1	9.7	23,032	4.6	0.4	9.6
EU 25	139,947		100	-1.7	5,773,356		100	1.6

Source: FiBL Survey, April 2006, 2004 figures submitted by Member States on 31/12/2005.

Organic farms in Italy, 2004

	Production	Processing	Importation	Total		
				number	%	% change 2004/03
Piemonte	1.912	297	14	2.223	5,4	-26,5
Valle d'Aosta	74	4	0	78	0,2	13
Lombardy	869	382	40	1.291	3,2	-15,5
Trentino-Alto Adige	696	129	6	831	2	6,9
Veneto	1.157	403	32	1.592	3,9	-6,6
Friuli-Venezia Giulia	306	67	5	378	0,9	0,3
Liguria	367	64	13	444	1,1	-5,7
Emilia-Romagna	3.377	606	43	4.026	9,8	-14,7
Tuscany	2.323	381	16	2.720	6,6	-0,6
Marche	2.054	133	3	2.190	5,3	20,8
Umbria	1.301	109	9	1.419	3,5	5,1
Lazio	2.543	263	2	2.808	6,9	1,2
Abruzzo	950	113	2	1.065	2,6	-5,2
Molise	339	35	0	374	0,9	-11,4
Campania	1.095	190	5	1.290	3,1	-25,4
Puglia	3.065	306	2	3.373	8,2	-27
Basilicata	1.985	51	0	2.036	5	21,3
Calabria	4.078	133	0	4.211	10,3	-3,9
Sicily	6.388	392	5	6.785	16,6	-19,3
Sardinia	1.754	76	1	1.831	4,5	-61,5
ITALY	36.633	4.134	198	40.965	100	-15,5

Source: SINAB, 2006. Figures from Inspection Board, updated 31/12/2004.

(-55.9%), fodder crops and fruits and vegetables (-16.1%). Production farms are concentrated in the South and Islands (51.2%), whereas processing and import farms are mainly in the North, and increased by 13% compared to 2003. Average farm area also increased to 27 hectares, above the average for conventional farms (by 5 hectares), showing that small producers without a public strategy and adequate economic support are abandoning the sector. For organic livestock rearing, there was growth in the sector (+42.9%), driven by strong increases in poultry (+67.2%) and pigs (+29.2%).

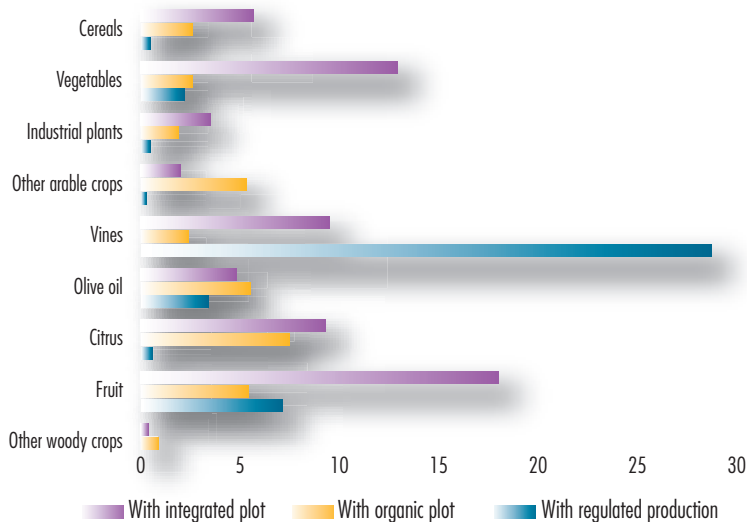
In 2005, the sector was given a push by the effect of CAP reforms on organic farms that practise COP crop rotation, and the revival in some administrative regions of RDP aid for organic farming. Preliminary figures issued by Federbio (June 2006) show 47,667

organic operators (+16.4%). There was also a positive trend in EU aggregate figures for 2005, recently issued by the FiBL Survey, with 168,000 organic farms (+20%) and 6.6 million hectares of organic UAA (+14.3%).

Market

Italy's volume of business in organic production was 1.4 billion euro in 2004, or 3.2% of the agriculture sector, with a drop of 4% in purchase value, according to ISMEA/AC Nielsen. The share of consumption of organic products to total food consumption was 1.5%. According to the 2004 Coldiretti-Ispo figures, purchases of organic products, over 90% of which were made through the GDO, were concentrated mostly on tinned products (22%), milk and milk products (21%) and fruit and vegetables (18%). These were followed by bread, pasta and rice (13%), drinks (12%), meat and eggs (9%) and diet foods

Quality products: % of total area by type of production, 2003



(5%).

In 2005, according to Bio Bank figures, specialised retail remained stable, with 1,014 sales points, located mainly in the North and Centre of

Italy. Considerable increases were recorded for direct sales of fruit, fresh vegetables, olive oil, wine, fruit juices and flour, divided among 2,012 farms and agritourism sites with direct sales

(+2.9%), 222 purchasing groups (+52.1%) and 185 small markets (+6.3%).

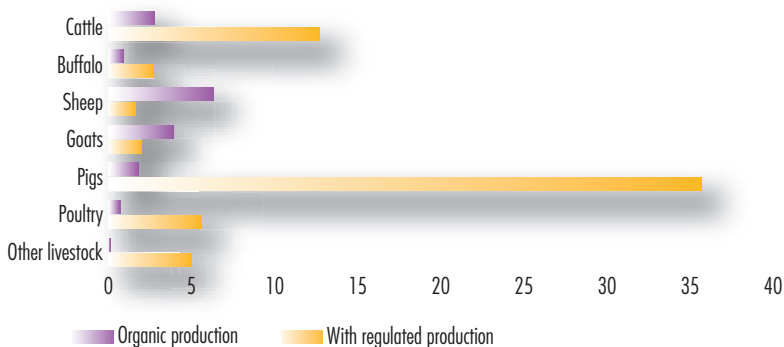
Coexistence among transgenic, organic and conventional agriculture

The European Community principle of coexistence among transgenic, organic and conventional forms of agriculture has left it to the discretion of Member States to establish more restrictive reg-

ulations, in conformance with the principle of subsidies. In Italy, Law 5/05 dictated a minimum regulatory guideline for coexistence, while remaining firm on prohibiting transgenic crops aimed at the market, except for those authorised for purposes of research and experimentation. There are 295 authorisations in Italy for experimental release into the environment of GM plants. These apply to

varieties of maize, durum wheat, cherry trees, kiwi fruit, tobacco, raspberries, grapes and aubergines. Italian law states that those who contaminate must pay damages. Administrative, pecuniary and penal sanctions are set forth in Legislative Decree 70/05, for violation of European Community rules authorising and overseeing GMOs, their traceability and labelling. As for inspections, disclosure was made in 2005 of 19 positive cases of samples of maize and soya seeds, or 5.1%, with indices of the presence of GMOs close to 0.1% but not exceeding 0.3% (the Ministerial Decree of 27/11/03 prohibits GMOs in seeds). Recently, the EU Commission is devoting its energies to establishing thresholds of GMO contamination for seeds – a measure still awaiting regulation – at 0.1%, thus coming out in favour of the separation between GMO and GMO-free products all along the supply chain.

Quality products: % of number of head by type of livestock, 2003



Irrigation Farming

Agriculture is one of the main water-using sectors in Italy, accounting for between half and two thirds of total water consumption.

Agricultural production from irrigated crops makes up 40% of Italy's farm production, and accounts for 20% of UAA.

Figures for irrigated crop area show, in addition to the kinds of agriculture typical to Italy, the irrigation

requirements for different areas. Nearly all irrigated olive groves, or 93.9% of total, are concentrated in regions of the South, along with 58.1% of irrigated vines, as opposed to 35.9% in North. Durum wheat is irrigated almost exclusively in the South (40,187 hectares, or 70% of total) and in some areas of Central Italy (15,203 hectares, or 26.5% of total). This confirms that irrigation

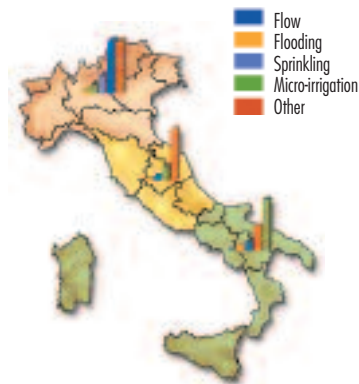
is needed in some parts of the South of Italy, even for crops that are not usually irrigated. The South has a concentration of nearly all irrigated citrus (99.6%) and about a third of other irrigated fruit, totalling 62,953 hectares. These figures are different in the North, with 130,336 hectares or 62%, and in the Centre, with 16,800 hectares for the remaining 8%. 40.4% of irrigation farms in

Farms and irrigated area by type of source and by region – 2003 (area in hectares)

Regions	Single source									
	Surface water		Aqueduct		Groundwater		Refluent, purified, desalinated, brackish water		More than one source	
	Farms	Area	Farms	Area	Farms	Area	Farms	Area	Farms	Area
North	92,489	846,108	52,196	326,588	42,115	201,262	102	873	28,727	366,000
Centre	21,841	86,239	14,945	24,410	34,656	83,482	55	298	4,335	32,061
South & islands	69,949	125,797	73,673	164,055	160,475	379,246	326	725	26,660	126,364
ITALY	184,279	1,058,144	140,814	515,053	237,246	663,991	483	1,896	59,722	524,425

Italy (251,196) with area of 1,452,335 hectares (52.6%) are served by consortiums. 45.4% (282,662 farms, with 733,775 hectares, or 26.6%) are self-supplying. 51.8% of farms served by consortiums are found in the North (130,089), 43.7% in the South (109,837) and the remaining 4.5% in the Centre. Of the 282,662 self-supplying farms, however, 62.5% are located in the South, as opposed to 21.3% in the North (60,226) and 16.2% in the Centre (45,846). As regards type of irrigation system, 28.3% of area, or 790,424 hectares, are irrigated by flooding/lateral seepage, 38% or 1,059,044 hectares by sprinkling, and 21.3% or 595,135 hectares by low-consumption irrigation systems.

Irrigation system (%)



	North	Centre	South & Islands
Flow	39.3	6.7	10.3
Flooding	13.6	0.6	1.9
Sprinkling	38.9	69.5	27.1
Micro-irrigation	6.1	19.7	55.6
Other	2.1	3.5	5.2

Supply method (%)

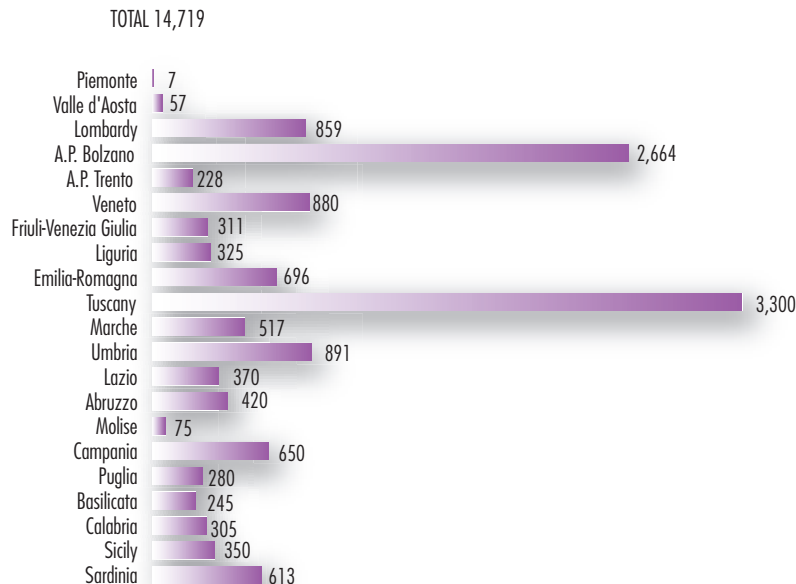


	North	Centre	South & Islands
Self-supplying	13.4	67.2	44.6
Reclamation consortium	65.4	18.7	33.6
Other method	1.1	4.9	6.5
Multiple methods	20.2	9.2	15.3

Agri-tourism

Law 96/06 organically renewed regulations governing agri-tourism, in line with new EU directives that address diversification of activities on farms, and supporting human activity in rural areas. Agri-tourism is in fact the most widespread multi-functional activity for Italy's agricultural enterprises, and provides an efficient method of making the most of its environmental and cultural heritage and typical agri-food production, also making a significant contribution to farm income. In addition to accommodations and hospitality, facilities include recreation, cultural and educational activities, sports, excursions and horseback riding, as well as wine tastings. Meals and drinks must mainly consist of the farm's own produce and that of farms in the area, with a preference for quality products (PDOs and PGIs) and traditional products. The new law, which propos-

Agri-tourism farms by region, 2004



Source: Agritourist, February 2005.

es a uniform profile for agri-tourism throughout Italy, as opposed to legislation issued over the years by each region, streamlines administrative procedures. It authorises those who have followed special training courses to open an agri-tourism site by simply making a start-up declaration. Figures for approximately 1,600 Agriturismo member farms show an important presence of foreign tourists, who make up 25% of visitors (+8.6% compared to 2004). Italian tourists, as in 2005, showed a preference for short holidays (4.5 days), repeated during the course of the year. The number of visitors increased considerably (+2.5%), though stays were shorter (-6.1%) and the number of overnight stays dropped by 3.4%.

Approximately 60% of visits resulted from consulting websites; 70% of agri-tourism farms are equipped with internet sites and e-mail. Total proceeds from the sector were 797 million euro. This represented a decline of 1.6%, but less than the drop in visits, a result of a 3% price increase. Farm proceeds also dropped by 9.6%. However, there was a continuing rise in the number of agri-tourism farms, to 14,719 (+8.9%), a third of which were run by women. The highest growth was in Calabria (+64%) and Emilia Romagna (+26%). Facilities were concentrated in the North and Centre, mainly in Tuscany (22.4%) and the province of Bolzano (18.1%), for a national total of 152,700 beds (+9.8%). Food serv-

ice is offered on 60.5% of agri-tourism farms, whereas nearly 30% offer wine and food tastings, and over 300 farms use mainly PDOs and PGIs on their menus. As for other services, 10% of agri-tourism sites have riding facilities and 6% have campsites. According to Bio Bank, there are 804 agri-tourism sites managed by certified organic farms.

Tourist interest has grown, for recreation, cultural and educational activities promoted by agri-tourism sites. Over 1,500 educational farms throughout Italy form part of inter-regional and local networks ("Italian Educational Farms Group", "Open Farms") or national projects ("School on the Farm", "Learning about our friend the countryside").

Designation of origin

The European Commission launched a reform of EC Regulation n. 2081/92, which established a system for protecting agri-food geographical designations.

The new ruling (EC Reg. 510/2006) is based on the need to conform to WTO rules following protests raised by some non-EU countries, which charged discrimination against their products, compared to those of EU countries, regarding registration of requests, equivalence and inspections. The regulation structure remains basically unchanged, carrying substantial modifications only on a procedural level. The most important innovation regards rules governing the procedure for making requests for registration from non-EU countries. These countries can now present requests for registration directly to the EU, rather

Number of PDO and PGI products by Region*

Region	Fruit and vegetables and cereals	Olive oil	Cheese	Processed meats	Other products ¹	Total
Piemonte	1	-	9	3	-	12
Valle d'Aosta	-	-	2	2	-	4
Lombardy	1	2	8	7	-	17
Liguria	1	1	-	-	-	2
Trentino-Alto Adige	2	-	4	2	-	8
Veneto	7	2	6	6	-	20
Friuli-Venezia Giulia	-	1	1	2	-	3
Emilia-Romagna	6	2	2	10	4	22
Tuscany	6	4	1	4	3	16
Umbria	1	1	1	2	1	4
Marche	1	1	1	2	1	5
Lazio	2	3	3	2	3	10
Abruzzo	-	3	-	1	2	4
Molise	-	1	1	1	1	2
Campania	8	3	2	-	1	11
Puglia	2	5	2	-	1	10
Basilicata	2	-	1	-	-	3
Calabria	1	3	1	4	1	10
Sicily	7	6	2	-	-	15
Sardinia	-	-	3	-	1	4
ITALY²	47	37	31	28	12	155

* Updated as May 2006 (reg. (CE) n. 417/06)

¹ Includes: bread, honey, spices, vinegar, meat and non-food products.

² Some products are inter-regional.

than going through their national governments as in the past. This change abrogates the requirement for interested countries to have an equivalent system of geographical protection (the principle of reciprocity).

Regulation 509/2006 replaces 2082/92, regarding discipline of guaranteed traditional specialities. Italy continues to hold first place in PDO/PGIs in the European Union, with 155 registered products, representing 21.5% of the European total. Fruit and vegetables are most represented (30%), followed by extra-virgin olive oil (nearly 24%) and cheese (20%). For an updated list of PDOs and PGIs, go to http://ec.europa.eu/agriculture/qual/it/1bbab_it.htm. The latest recognitions went to the following products: Genoa basil (PDO), Tuscia extra-virgin olive oil (PDO), Alto Adige apples (PGI), Piceno meat-filled olives (PDO), Cilento white figs

(PDO) and Campania Annurca apples.

DOC Wines

Law 164/92 disciplines designation of origin and typical geographic indication of wines, distinguishing between controlled and guaranteed designation of origin (DOCG), controlled designation of origin (DOC) and indication of geographical origin (IGT).

There are 341 wines of designated origin, 34 of which are DOCG. The latest recognitions were awarded to the following wines: Dolcetto di Dogliani Superiore (DOCG), Colli Orientali del Friuli Picolit (DOCG), Strevi (DOC), Pietraviva (DOC), Irpinia (DOC), Matera (DOC), Salaparuta (DOC) and Ronchi Varesini (IGT).

In the 2005 harvest, according to ISTAT, 15 million hectolitres of DOC and DOCG wines were produced (-9.3% compared to the previous

DOCG, DOC and IGT wines by region*

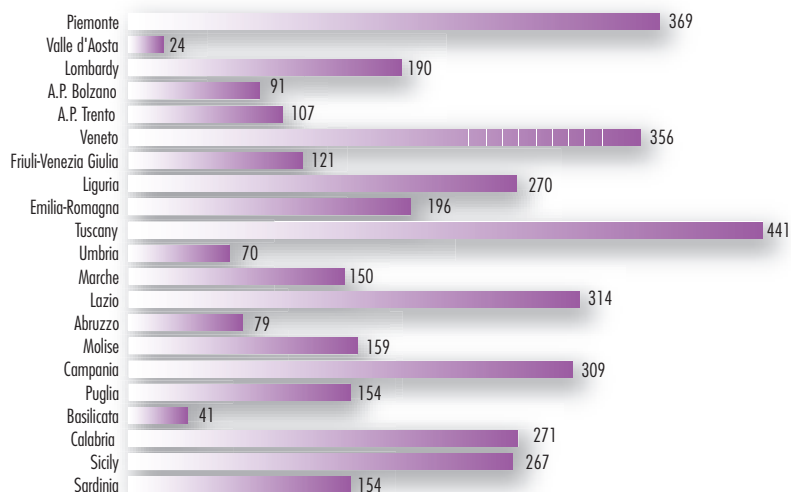
	DOCG	DOC	IGT
Piemonte	9	44	-
Valle d'Aosta	-	1	-
Lombardy	3	15	14
Trentino - Alto Adige	-	7	4
Veneto	3	22	10
Friuli - Venezia Giulia	2	8	3
Liguria	-	7	2
Emilia - Romagna	1	20	10
Tuscany	6	35	5
Umbria	2	11	6
Marche	2	12	1
Lazio	-	26	5
Abruzzo	1	3	9
Molise	-	3	2
Campania	3	18	8
Puglia	-	25	6
Basilicata	-	3	2
Calabria	-	12	13
Sicily	1	23	6
Sardinia	1	19	15
ITALY	34	307	114

*At 30 March 2006.

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.

year), or 31% of all wines produced in Italy. The North produced the most DOC wines, with 8.4 million hectolitres, or 56% of national production.

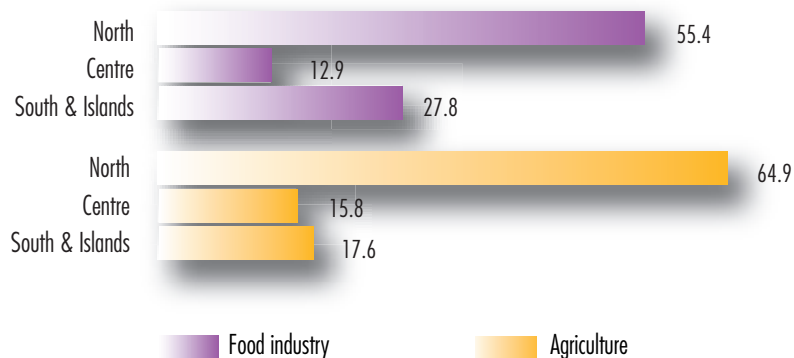
Number of traditional agri-food products by region, 2005



Quality certification

According to Sincert, 391 farms and fisheries in Italy hold certification of quality management standards (ISO 9001:2000), a figure basically unchanged compared to the previous year. The most dynamic farms are those in the food, drinks and tobacco category, which increased in number by 15%, for a total of 3,883 certified farms.

Certified farms by geographical area*



Source: calculations based on SINCERT data bank.

* Updated April 2006.

The background of the slide is a monochromatic purple image showing several tomatoes still attached to their vines. The tomatoes are in various stages of ripeness, and the leaves are visible, creating a textured, agricultural scene.

AGRICULTURAL POLICY

CAP in Italy: Pillar 1

The extension of the single payment scheme to include olive oil, tobacco and sugar made it necessary to establish national rules for application, which were adopted during 2005 and early 2006. Moreover, Italy decided to introduce in advance the single payment of aid to the milk and milk products sector, recognising as beneficiaries those producers who received payments based on the quotas they held as of 31 March 2006.

Italy's choices for olive oil call for total uncoupling of aid, giving up the opportunity to use up to 40% of aid built up in the past, to provide supplementary payments to farms with at least 0.3 hectares of area planted to olive trees. Sector financing of 5% was set aside for programmes worked out by recognised operators' organisations, to support action for quality, traceability, mar-

ket, environmental improvement and protection, and diffusion of information. The decision on the degree of uncoupling of aid was hotly debated, because of the risk that olive production and cultivation would be abandoned. This would be particularly negative in areas where olives have a landscape-environmental function. On the other hand, total uncoupling, removing aid from production, ensures greater reorientation to the market within the category.

As regards tobacco, Italy moved toward partial uncoupling of aid. In the first phase of reform (2006-2009), 60% of aid will remain uncoupled to production, whereas the remaining part will go toward single payments to farms. This choice was dictated by the goal of avoiding an excessive decline in planting and production of tobacco

in Italy, considering possible negative effects on the entire supply chain, especially labour. Only in Puglia, considering the difficulties that have arisen in the category over the past few years, uncoupling will be complete. In the second reform phase (from 2010 onwards), aid will be completely uncoupled, but 50% of direct payments will be channelled into restructuring programmes in traditional tobacco-growing areas, within policies of rural development.

Finally, for sugar, Italy decided to use the three-year period 2000/01-2002/03 to calculate aid to be included in the single payment scheme. Furthermore, as part of the reform of relative CMOs (Common Market Organisations), Italy decided to give up 50% of its production quota, guaranteeing: additional totally uncoupled payments to pro-

EAGGF-Guarantee Section expenditure by country, 2005

	million euro	%	% change 2005/04
Belgium	1,034.50	2.1	-3.6
Czech Republic	281.8	0.6	5,895.70
Denmark	1,224.90	2.5	0.6
Germany	6,503.10	13.3	7.8
Estonia	27	0.1	5,300.00
Greece	2,754.00	5.6	-0.8
Spain	6,406.50	13.1	1.4
France	9,968.90	20.4	6.2
Ireland	1,806.20	3.7	-1.3
Italy	5,499.70	11.2	9.5
Cyprus	33.7	0.1	-
Latvia	27.5	0.1	-
Lithuania	127.1	0.3	25,320.00
Luxembourg	45	0.1	19.0

Source: EU Commission.

ducing sugar beet farmers; and funds for industries, for diversification and restructuring. The application of Article 69 calls for withholding 8% of financial resources from the sector.

	million euro	%	% change 2005/04
Hungary	514.90	1.1	102,880.00
Malta	0.9	0	-
Netherlands	1,256.30	2.6	-0.4
Austria	1,235.70	2.5	8.2
Poland	878	1.8	8,029.60
Portugal	891.90	1.8	8.3
Slovenia	32.90	0.1	32,800.00
Slovak Republic	114.40	0.2	8,071.40
Finland	902.90	1.8	3.9
Sweden	956.30	2	12.6
United Kingdom	4,215.00	8.6	5.7
EU	2,188.90	4.5	3.7
TOTAL	48,928.20	100	9.3

EAGGF-Guarantee

EAGGF-Guarantee expenditure for Italy in 2005 was 5,500 million euro. This was a considerable increase (+9.5%) and reversed the downward trend recorded for the

two previous years. The sizeable increase in expenditure affected most of the other Member States, with highest levels for new EU countries. This allowed Italy to maintain a basically stable share of overall expenditure within the EU (11.2%), despite the entry of ten new partners. The positive trend in EAGGF-Guarantee disbursements in Italy was influenced above all by results recorded for plant categories (fruit and vegetables, wine, rice and olive oil). There were more modest increases in expenditures for livestock, except for sheep and goats. In 2005, moreover, there was a rebound (+7%) in expenditures for rural development measures.

As for type of intervention, direct payments are now prevalent, making up 74% of the total. The second type of expenditure is rural development, followed closely by the

general group of “other measures”. Support measures for exports and measures for storage continued to drop.

EAGGF-Guarantee expenditures in Italy by sector, 2005

	million euro	%
Arable crops	1,880.90	34.2
Olive oil	769.1	14
Rural development	679.8	12.4
Beef	560.5	10.2
Fruit & vegetables	511.2	9.3
Tobacco	322	5.9
Grapes & wine	364.4	6.6
Sheepmeat & goatmeat	181	3.3
Rice	240.2	4.4
Sugar	68.7	1.2
Pigmeat	6.2	0.1
Eggs & poultry	1.8	0
Other measures	-16.5	-0.3
Milk & dairy	-69.6	-1.3
EAGGF-Guarantee Total	5,499.70	100

Source: EU Commission.

EAGGF-Guarantee expenditures in Italy by category of measure, 2005

	million euro	%
Export refunds	88.8	1.6
Storage	49.6	0.9
Direct aid	4,058.00	73.8
Rural development	679.8	12.4
Other measures	623.5	11.3
TOTAL	5,499.70	100.0

Source: EU Commission.

CAP in Italy: Pillar 2

During 2005 more emphasis was placed on the dual management of various programmes for rural development financed through the EAG-GF Guideline and Guarantee sections. In fact, while the Guideline section went forward with ordinary management to avoid automatic decommitment, since the programme is not due to expire for a few years, the Rural Development Programmes (RDPs) financed by EAG-GF-Guarantee are in the next-to-last year of planning, before the programmes are permanently withdrawn.

In any case, financial implementation in 2005 made it possible to attain goals for fixed expenditures (with the exception of the Leader+ Programme), with disbursements of approximately 11 billion euro of public funding for agriculture and rural development for the whole of the 2000-2005 period.

Funds for Rural Development Programmes by region and progress in spending, 2000-2005 ('000 euro)

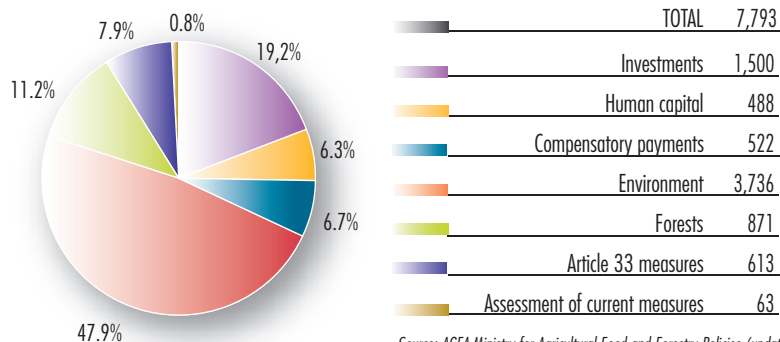
	Public expenditure planned for 2000-2006			Public expenditure disbursed 2000-2005		
	RPD	ROP	RIP	RPD	ROP	RIP
Regions outside Objective 1						
Piemonte	863,876	-	22,640	741,598	-	9,348
Valle d'Aosta	119,107	-	4,366	91,521	-	2,215
Lombardy	804,679	-	14,440	737,127	-	6,701
A.P. Bolzano	266,263	-	15,500	260,223	-	7,237
A.P. Trento	210,626	-	7,380	169,089	-	2,960
Veneto	660,319	-	27,480	598,981	-	12,400
Friuli Venezia Giulia	209,705	-	11,300	180,805	-	4,583
Liguria	213,476	-	11,916	212,797	-	4,678
Emilia Romagna	836,689	-	21,226	774,159	-	8,599
Tuscany	721,647	-	30,995	596,804	-	15,443
Umbria	395,165	-	15,140	444,805	-	6,468
Marche	455,592	-	15,700	356,749	-	8,357
Lazio	587,170	-	27,100	505,177	-	6,822
Abruzzo	290,430	-	35,340	217,687	-	13,000
Objective 1 regions						
Molise	45,198	100,331	10,987	42,349	55,327	4,344
Campania	201,652	1,066,727	31,507	138,318	516,997	12,710
Puglia	389,372	814,006	34,350	323,088	338,062	7,983
Basilicata	244,250	386,500	22,707	218,392	172,742	9,558
Calabria	299,180	852,916	28,310	308,219	443,099	10,930
Sicily	560,800	1,515,930	39,080	530,473	713,001	15,152
Sardinia	403,727	837,156	43,920	380,588	412,696	19,177
TOTAL	8,778,923	5,573,565	471,384	7,828,948	2,651,924	188,665

Source: AGEA-Ministry for Agricultural Food and Forestry Policies (updated to 31/12/05 for EAGGF-Guideline and 15/10/2005 for EAGGF-Guarantee).

With the publication by the European Union Council of the new Regulation 1698/2005 on support for rural development, programming began for the period 2007-2013. This will involve simplification of the system for applying the “1 fund, 1 programme” principle. Under this plan, all rural development measures will be financed by the new European Agricultural Fund for Rural Development (EAFRD), through RDPs, as a single planning instrument. During 2006, implementation regulations must be developed and approved, along with national strategic planning and all regional RDPs, to be ready to begin the new period without delays.

As for current RDPs, public expenditure in 2005 was 1,400 million euro. That amount, together with what was spent in the preceding five planning years, brings the total of

EAGGF-Guarantee funds by category of measure ('000 euro), 2000-2005



TOTAL	7,793
Investments	1,500
Human capital	488
Compensatory payments	522
Environment	3,736
Forests	871
Article 33 measures	613
Assessment of current measures	63

Source: AGEA-Ministry for Agricultural Food and Forestry Policies (updated to October 2005).

resources disbursed to approximately 8,000 million euro, or 90% of total financing for the whole 2000-2006 period.

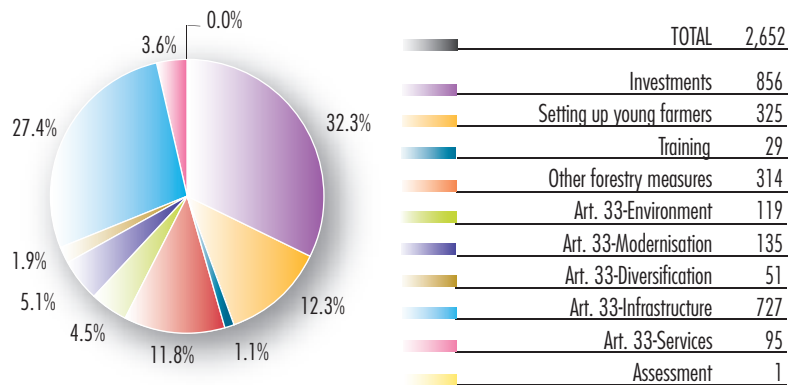
In analysing the trend by administrative region, it appears that spending capacity for each RDP is greater

than 100%. This was possible because of the adoption during 2005 of a single national financing plan that replaced the 21 original programmes. In this way, some regions maximised their levels of expenditure, not only to avoid losing fund-

ing, but also to compete for allocations of additional funds at the European Community level. The only exception was the Campania region, where the total amount of obligations was very low for the preceding period.

The distribution of expenditures for RDPs by category of measure shows a strong impact of environmental measures; indeed, public expenditures for these measures accounted for 48% of total disbursements. A large increase in spending has been recorded in the past few years in the category of investments, which includes the measures “investments in farms” and “processing and marketing of agricultural products”. Large disbursements were also made for measures provided for in Article 33 of Reg. 1257/99, the most innovative part of the new plan, in both absolute and percentage terms.

EAGGF-Guideline funds by category of measure ('000 euro), 2000-2005



Source: Ministry for Agricultural Food and Forestry Policies (updated to October 2005).

Regional Expenditure

In the last few years, the administrative regions have felt the cumulative effects of reform, at the European Community, national and regional levels. This has confirmed the trend toward increased balance transfers in agricultural policy based on autonomous resources, not merely in the case of implementation procedures, but also in cases deriving from primary regional legislation.

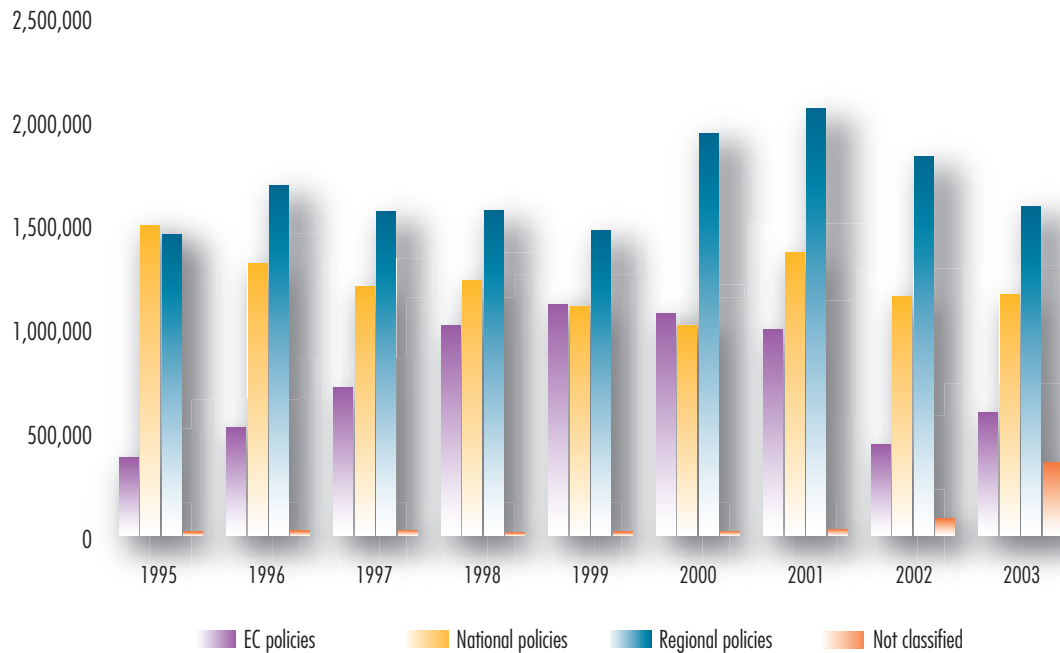
The processes of change observable today, generated at a regional level, have affected the different regions at different times and at different rates, and are far from settled.

In the first place, there are elements of uncertainty in the new system of financing, within the regional sphere, which can be attributed to

objections raised regarding the DPCM (Decree by the President of the Council of Ministers) of enactment of Legislative Decree 56/2000, which awards reduced funds to programmes that have been withdrawn. The other relevant factor is the delay in establishing financing for appointed functions; this too had economic and financial consequences. Steady imports in the two-year period 2002-04, and the relative loss in value due to balance transfers not being distributed, prevented the regions from receiving the benefit of adjustments resulting from indexing of VAT, because of continued deferments. A further element affecting the process of policy implementation was the hold put on expenditures provided for in the

Finance Act. If on one hand the lump-sum reduction on a percentage basis greatly simplified regional administration, as opposed to referring to a pre-established financial balance, on the other hand the restriction made on expenditures only reduced incentives to implement policy with greater discipline. In this framework, there was no lack of positive stimulus, like what encouraged regional administrations to adapt their structures to growing management responsibility, improve their capacity to manage resources, increase their capacity to make use of new financial instruments, and responsibly manage fiscal leveraging, not only to cover expenses but also to support production development.

Regional expenditure and financial autonomy 1995-2003 ('000 euro)



Main policies and strategies for the sector

Law no. 266 of 23 December 2005, the Finance Act of 2006 (F.A.), contains several measures in support of the agriculture sector. In particular, these include tax concessions and related extensions, support for investments, and support for farm businesses and agricultural supply chains – food and promotion and use of bio-fuels.

Further, Law no. 81 of 11 March 2006, “Urgent measures for the agriculture, agri-business and fishing sectors, as well as taxation of companies”, called for major changes in: farm welfare, support for the agri-energy supply chain, restructuring and reconversion of the sugar beet-sugar sector and stronger support for the poultry sector, as well as many other measures of simplification and support in the

agriculture and fishing sector.

Tax concessions

IRAP (regional tax on production activities)

For a calculation of IRAP accounts for the year 2005, Law no. 156 of 31 July 2005 renewed the possibility of resorting to forecasts as well as using the historic method. It is still prohibited to invoke the institution

of renunciation of criminal purpose, for balance payments for 2004 and partial payments for 2005.

VAT

The F.A., comma 42, applies a rate of 10% instead of 20% on electrical energy needed for running irrigation equipment, water pumping and drainage used by reclamation and irrigation consortiums.

Finance Act for 2006: appropriations for the agriculture sector and comparisons with 2005 (million euro)

Appropriation	2005	2006
Special fund in current account (A)	5	6.413
Special fund in capital account (B)	0	0
Appropriations authorised by legislative provisions (C)	334.6	324.8
Refinancing of laws containing measures in support of the sugar beet and sugar industries (D)	13	10
Appropriations in the Finance Act in addition to tables (F)	427.3	333.2
TOTAL	780.3	674.4

Diesel fuel

The F.A., comma 115, letter h, provides concessions on diesel fuel used for glasshouse farming, through 31/12.2006.

Extensions

Law no. 51 of 23 February 2006 disciplines the following terms:

- extension to 30 June 2006 for registering wells (art. 23 quat.);
- extension for one year for transferring land registries to municipalities (art. 25);
- extension to 31 December 2007 of the Rotation Fund for development of mechanisation in agriculture (art. 26);
- extension to 2006 for tax credits for young farmers. This measure has a budget of 10 million euro a year, until 2010 (art. 30);
- makes provisions for farmers' cooperatives (art. 27);

- abrogates some provisions on the care of fur-bearing animals (art. 39 bis).

The F.A. extends through 2006:

- tax concessions for training and increasing the size of a family farm to secure an adequate income (comma 120);
- IRPEF (personal income tax) deduction for measures of maintenance and safeguarding of wooded lands (comma 117).

Tax simplification

Law no. 248 of 2 December 2005 contains measures against tax evasion and urgent provisions about taxes and financial matters. It contains many provisions for agriculture, including: simplification of the procedures for enrolling in the business register and the economic and administrative archive (REA); making unitary payments on-line; the

inspection booklet for mineral oils in agriculture; securitization of welfare credits and exclusion for farm welfare credits; certification of regular repayments of European Community subsidies (DURC – Single Document for Contribution Regularity); renewal of terms for revaluation of land and shares.

Farm welfare

To reduce labour costs, the F.A., commas 361-362 provides a reduction of 1% in social security contribution payments toward managing temporary labour at INPS (National Institute of Social Insurance), beginning on 1 January 2006.

Law no. 81/2006, “Urgent measures for agriculture, agri-industry, fishing, and issues of business levies and taxes”, provides for the following measures:

- social security concessions for

agricultural employers in disadvantaged areas for the 2006-2008 three-year period. In particularly disadvantaged mountain areas, social security relief is raised to 75% of employers' share (as opposed to 70% previously), whereas in disadvantaged agricultural areas, including Objective 1 areas named in EC Reg. 1260/99 and territory in the municipalities of Abruzzo, Molise and Basilicata, relief is raised to 68% (compared to 40% previously) (Art. 1, comma 2);

- settling of debts incurred with INPS by agricultural employers. To this end, a commission of experts was established, whose task was to present proposals for settling of debts by 31 July 2006. Until that date, suspension was made of pending cases and procedures of collection and recovery

of outstanding social security burdens, as from 30 June 2005 (Art. 1, comma 3).

Environment and territory

Legislative Decree no. 152 of 3 April 2006 put into effect the delegation of powers conferred on the Government by Law 308 of 2004, for the reorganisation, coordination and integration of environmental legislation. This was the so-called "Environment Code", which simplifies, rationalises and reorganises environmental regulations into six key sectors: waste and reclamation, water, soil protection, air pollution, environmental procedure and environmental damage. Environmental regulations are divided into 5 chapters: procedures for strategic environmental assessment (VAS), assessment of environmental impact (VIA) and integrated environmental

authorisation (IPPC); soil protection, combating desertification, protecting water from pollution and managing water resources; waste management and reclamation; air protection and reduction of atmospheric emissions; and environmental damage.

Natural disasters, health emergencies and market crises

Avian flu

Law no. 244 of 30 November 2005 sets forth urgent measures for the prevention of avian flu. To protect food safety and consumer health, the law includes extraordinary measures for purchasing medicines and other prophylactic material to be used to prevent the risk of an epidemic, and, where it occurs, partial or total suspension of hunting throughout Italy. To support the poultry market, AGEA is authorised

to buy frozen meat and other products in quantities not in excess of 17,000 tonnes, and at a maximum expense of 20 million euro. Under an agreement with the Ministry for Agricultural Food and Forestry Policies, the Ministry of Economics and Finance is authorised to grant contributions for reconversion and restructuring loans to businesses affected by emergency situations in the poultry supply chain. As for taxes, beginning on 1 January 2006, measures of suspension or deferment in terms are provided, for fulfilment and tax payments, suspension of payment for all contributions or welfare premiums and social assistance, including employees' share, and suspension of rate payments on credit and financing for poultry raisers, poultry butchers and wholesale poultry meat dealers. The F.A., comma 410, relating to

social security relief, extends to 31 December 2006 the possibility to disburse funds for extraordinary salary bonuses for mobility and special unemployment, and this also applies to farms and agri-food businesses that may be hurt by avian flu.

Market crises

Law no. 231 of 11 November 2005 regarding urgent measures in agriculture to combat anomalous price behaviour in the agri-food supply chain, provides for using de minimis aid in the grapes and wine sector to facilitate contracts and allow more agri-food supply chain inspections by the Revenue Guard Corps and the Revenue Agency, where anomalous price behaviour has been verified.

To deal with problems affecting the dessert grapes sector, AGEA is authorised to acquire at market

prices a maximum amount of 800 thousand quintals of dessert grapes. The maximum financing for implementation of the decree for 2005 is 80.4 million euro for wine grapes and 9.6 million euro for dessert grapes.

Agri-food supply chain and negotiated programming

With the F.A., commas 366-375, regulations on production districts contained in the law are also applied to rural and agri-food districts. Production districts, as free aggregations of farms, articulated by function and territory for development of areas and sectors of reference, may take advantage of fiscal, administrative and financial provisions. Application aspects are handled according to an inter-ministerial decree; the F.A., comma 417, for support to farming and

food supply chains, provides that the CIPE (Interdepartmental Committee for Economic Planning) shall specify measures for restructuring businesses, financed with resources from the Fund for Underused Areas. Financing must favour businesses that are managed or directly controlled by farmers.

Law no. 81 of 11 March 2006, urgent measures to encourage financing of investments for development, provides:

- provisional regulation of the reform for incentives, provided for in Law no. 80/2005 (revision of mechanisms of granting incentives to businesses in underused areas). It raises from 30% to 60% the share of economies derived from provisions of revocation of relief.

Promotion and use of bio-fuels

The F.A., comma 421, regarding the

concessions program for production of bio-diesel, provides that with decrees from the Economics Ministry and the Ministry for Agricultural Food and Forestry Policies, percentages will be set for the production of bio-fuels, as dealt with in special planting contracts or supply chain agreements, to be included in the experimental “bio-ethanol” program set forth in the previous Finance Act. The six-year programme beginning on 1 January 2005 called for exemption of excises on bio-diesel within a contingent annual limit of 200,000 tonnes.

The F.A., comma 422, provides that funds earmarked in the F.A. 2005 for the experimental “bio-ethanol” programme that remained unused at the end of 2005 should be used to build up a special fund for promotion and development of the agri-energy supply chain, partly

through certificates to provide incentives for production and use of traction bio-fuels.

To develop the supply chain and encourage production and marketing of bio-ethanol, Law no. 81/06, Art. 2-quater, provides:

- the obligation of diesel fuel and petrol producers to include bio-fuels from agriculture by 1 July 2006, in an amount equal to 1% of diesel and petrol marketed in the previous year. This percentage will increase by one point per year through 2010;
- a preferential stock in public notice of contracts and supply contracts that deal with bio-fuels, where stipulation is made of a planting or supply contract, or an agri-energy programme contract;
- stipulation by public administrations of contracts or programme agreements to promote production

- and research in the bio-fuels sector;
- equalizing of bio-gas and natural gas, with exemption of bio-gas from excise;
- right of network precedence for electricity generated by biomass and bio-gas, as part of supply chain agreements or agri-energy programme contracts;
- producers and distributors of fuels of agricultural origin will guarantee traceability of the bio-fuels they use;
- assimilation in agrarian income, with subsequent tax treatment, of activities engaged in by farms, directed toward production and release of caloric energy using renewable photovoltaic sources, qualified as activities connected to farming.

The F.A., comma 423, qualifies production of electrical energy by farms using agri-forest bio-fuels as

activities of transformation and valorisation of agricultural products.

Sectors

Poultry

Law no. 81/106, Art. 1 bis, commas 7 and 8, includes a package of provisions to combat avian flu:

- suspension from 1 January to 31 October 2006 of terms regarding payment of taxes, social security contributions, and welfare and social assistance premiums, including employees' share, in favour of the various components of the poultry supply chain;
- suspension of rate payments for credit and financing operations, including those imposed by ISMEA (Institute of Services for the Agricultural and Food Market);
- establishment of the "Fund for Poultry Emergency", with financing for 2006 of 100 million euro

to be used for rescuing and restructuring businesses in difficulty, financing for compensation of losses of income and major expenses, programmes of abandonment of production, investments in bio-safety measures, and measures for the wellbeing of livestock.

Sugar beets – sugar

The F.A., comma 405, provides increased financing for the National Sugar Beet Growers' Fund, to 10 million euro for 2006.

With Law no. 81/06, an inter-ministerial committee was set up to coordinate activities of reconversion in the sector, with the purpose of approving a general plan for rationalising and reconverting production. At IGEA, a fund was established for rationalisation and reconversion of sugar beet and sug-

ar production, with financing of 65.8 million euro for the year 2006. This was to help the national fund and disburse national aid to sugar beet farmers and the sugar industry. European Community aid for restructuring was declared tax-free.

Wine

Law no. 82 of 20 February 2006, “Provisions and implementation of European Community regulations regarding common organisation of the wine market”, modifies and adapts provisions in the DPR (Decree by the President of the Republic) 162/65, and updates procedures and rules about preparing and marketing wine.

Milk quotas

With Law 81/06, Art. 2 ter, comma 1, postponement was made to 31

July 2006 for early monthly payments, calculated to be paid by producers who exceed their individual quotas.

Beekeeping

Law 81/06, Art. 2-bis, disciplines designation of origin for honey, stating that labels must indicate specifically the country or countries where honey is gathered.

Mountain agriculture

The F.A., comma 162, provides financing of 20 million euro for 2006 for the National Mountain Fund; comma 428 allows use of resources from the fund for expansion of farms in mountain areas.

European Community legislation 2005

Law no. 29 of 25 January 2006

makes special provisions for agriculture. It recognises Directive no. 2004/117/EC regarding tests conducted under official surveillance, and the equivalence of seeds produced in non-EU countries, as well as Directives no. 2004/41/EC and no. 2004/9/EC, regarding food product hygiene, inspection and verification of Good Laboratory Practice.

Financial instruments and business development

Financial instruments

The F.A., commas 376-378, establishes the Banca per il Mezzogiorno (Bank of the South), organised as a public limited company, with the goal of supporting economic development in the South of Italy.

The F.A., commas 418-419, extended to farmers the tax credits provided for in the law of competi-

tiveness (cfr. Legislative Decree no. 35/05, Art. 9) in favour of micro-, small and medium-sized businesses committed to processes of concentration.

Young farmers

Con la L.F. comma 420, vengono The F.A., comma 420, extends to the young farmers' association the benefits provided for in Art. 9 of Legislative Decree 185/00 in favour of young entrepreneurs in agriculture. It provides non-returnable aid and loans at preferential rates for investments, and loans at preferential rates for operations, technical assistance and training and qualification.

Sales activities

Law 81/06, Art. 2-quinquies, exonerates farmers from having to register new business activities of sales and retail of their own products, if

they sell in the open (on the farm or in a private area at farmers' disposal). Farmers must, however, be enrolled in the business register, and the products they sell must come mainly from their farms. Moreover, selling must respect hygiene and health regulations in force.

Agritourism

Law no. 96 of 20 February 2006, the new framework legislation on agriculture, updates and develops the preceding law approved in 1985. The scale of agritourism activity will no longer be conditioned by having to be complementary to farming (Art. 2), whereas the requirement that the activity be connected to farming was retained and reinforced. This especially regards food service (Art. 4),

with a stricter connection between food service and local farm produce, above all products recognised as PDO and PGI. The new regulations propose a homogeneous profile of agritourism throughout the country, and clarify some aspects of agritourism activities; administration procedures are provided for, including faster issuing of authorisation by the administrative regions (Art. 6), and the possibility of launching an agritourism facility by simply making a start-up declaration. Agritourism operators, in order to obtain qualification, must take preliminary preparation courses. Furthermore, a National Agritourism Observatory has been set up at the Ministry for Agricultural Food and Forestry Policies (Art. 13).



APPENDIX

Glossary

Account auditing

In 2006, ISTAT issued a new series of national accounts, which entirely replace the previous ones through a complex audit of all aggregates of national accountancy, made in compliance with European Community rules. The changes made to production estimates and value added, as a branch of economic activities, also affected agriculture. Here the work of auditing was made mainly based on results of the 2000 census and other sources, including the REA survey of economic performance for farms.

The main new features in farm accountancy principally affect:

Production: integration of estimates mainly affected connected services and secondary activities common to farms, as well as individual products like ornamental plants, straw,

minor livestock operations and small production.

Intermediate consumption: was considerably revised, mostly involving costs, with particular emphasis on energy, feedingstuffs and stabling expenses, seeds and seedlings, services and miscellaneous expenses.

Expenses and revenues survey: the new estimate for both production and intermediate consumption, alongside the traditional “volume-price” approach, was used along with a direct survey of expenses and revenues, through a survey of economic performance for REA farms.

New aggregates: among the most important new aggregates in agricultural accountancy is that of secondary activities. These are considered activities in the branch of agriculture, that is to say agritourism, processing of milk, fruit and meat,

as well as activities in other branches of the economy (for example, business enterprises that engage in planting and livestock).

Intermediation services: the new estimates take into account services of financial intermediation (SIFIM), measured in a direct way with the attributing consumption of service to various economic operators.

Chain indexes (concatenated values): for “in volume” valuations, “chain indexes” were used to determine concatenated values with reference to the year 2000. These values replace aggregates at constant prices.

Definitions

Amount

This term is used to indicate investments of the banking system, that is to

say, the amount of financing which is still to be drawn from banks, with residual debt on financing which banks have distributed to their clientele.

AWU

Annual Work Unit

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

Disbursement

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

ESU

European Size Unit

It is a multiple of the ecu and is used to measure the standard gross margins (SGM) attributed to farms. Since 2001 FADN has adopted the 1996 SGM, according to which 1 ESU

= approximately 1,200 euro; for years previous to 1996, it was 912 euro.

FT

Farm Type

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

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

A farm is classified as “specialist” if the SGM of one of the farm’s productive activities (or more than one if the activities are related) represents over two thirds of the total SGM of the farm. Since 2001 the typology used is

that set forth in Reg. XX/2001.

Fixed costs

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

GDP

Gross Domestic Product

GDP is the net result of activities carried out by productive units operating on the economic territory of the country. It equates to the sum of the value of goods and services produced on that territory during a specified period of time (usually a calendar year). It does not include the value of intermediate goods and services.

Intermediate consumption in agriculture

ESA 95 led to important changes in

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

Net Income

Net income is the return on all factors belonging to the farm enterprise:

land, labour and capital.

Normalized Balance

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

Output at basic prices

With ESA 95, in the agricultural account the concept of a “local kind-of-activity unit” (KAU) is adopted in order to describe production processes and the revenue obtained from them and to compare enterprises as regards their economic results and types of production. The “national farm” concept, which was used previously, has been superseded, replaced by the sum of all KAUs operating in the agricultural sector, classified according to their main productive activity. These

units together constitute the “agricultural industry”, which includes not only agricultural activities in the strict sense but also correlated secondary activities such as the processing of agricultural products by farms, the provision of certain services and other productive activities (forestry etc).

Related to the concept of the KAU is the concept of “output” which according to ESA 95 methodology does not only include products destined for the market at an economically significant price (saleable production) but also those used by producers as final consumption or investment (production for own final use). The new system therefore supersedes the old concept of “final output” by including in the concept of output not only production sold on the market or kept as stock or consumed on the farm, but also the part of production used as an intermediate input in the same year by the unit which produced it.

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

Production-related subsidies

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

SGM

Standard Gross Margin

The SGM is a financial measure established for each of a farm's agricultural activities by subtracting the sum of certain specific costs (seeds, fertilisers, pesticides, feed, fodder etc

but not labour and machinery) from the value of saleable output. The gross margins calculated in this way are said to be “standard” in that the value of output and costs are calculated on average values over a three-year period and in relation to the altitude zone of the region. SGMs are expressed in ecu and are updated by INEA during structural surveys and ISTAT agricultural censuses.

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

UAA

Utilised Agricultural Area

UAA comprises all arable land, permanent grass and pasture, tree crop land, household plots and land planted with (edible) chestnut trees.

VA

Value Added

Value added is the difference between the value of goods and serv-

ices produced in each sector and the value of the intermediate goods and services consumed in producing them. It is equivalent to the sum of income and depreciation in each sector.

With ESA 95, estimates of value added and output are no longer presented at factor cost because of the introduction of the concept of basic prices. Basic prices include all subsidies directly related to the value of products – but do not include, for example, compensatory aid not directly related to quantities produced – and they exclude specific taxes on products. Therefore, unlike value added at factor cost, value added at basic prices includes other taxes on production and excludes other production subsidies.

Output less intermediate consumption gives value added at basic prices.

Variable costs

Costs incurred for factors of produc-

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

WU

Standard Work Unit

This is a national accounts term used to measure the total volume of work used for productive activities in the country, expressed in standard

amounts of working time. The volume of labour expressed in work units (or “employee equivalents”) includes labour by illegal workers, undeclared employees, non-resident foreigners and workers with a second job.

FADN Glossary

FADN IN ITALY

Gross saleable production (GSP): the value of sold farm output, own consumption, wages, locking up of capital, and variations in leftover stock in storage. For livestock farming, gross profit including sales and purchases takes into account increases in recorded values for head of livestock destined for fattening and head for raising that are too old for slaughter. Saleable production also includes non-operating income (from credit, holdings and debt) and other farm income, including agritourism, active rents and renting and leasing of farm machinery (periodic). It also includes public subsidies received by the farm for natural disasters, outlays, land rents and active VAT contributions.

Variable costs: include all outlays,

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

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

Net income: is obtained by subtracting variable costs and fixed costs from GSP. This represents the remuneration for production factors the farmer owns.

FADN in Europe

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

Intermediate consumption: the sum of specific costs (including redeployments) and general production costs (not specifically attributable to any single production: ordinary maintenance of buildings and machinery, energy, contract services for water, production insurance, consumption rates,

etc.) incurred in the year.

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

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

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

Net family income: calculated as (net farm product – (salaries, rents and interest) – (subsidies for investments net of VAT paid, premiums for quitting dairy farming)). This is the remuneration of fixed production factors brought to bear by the farmer and his family (land, family labour and capital) and business risk.

Useful Addresses and Websites

Ministero delle Politiche Agricole, Alimentari e Forestali

Via XX Settembre, 20 - Roma
06/46651
www.politicheagricole.it

REGIONAL DEPARTMENTS OF AGRICULTURE

Abruzzo

Il Dipartimento

Via Catullo, 17 - Pescara
085/7672977
www.regione.abruzzo.it

Basilicata

Via Anzio, 44 - Potenza
0971/448710
www.regione.basilicata.it

Calabria

Via S. Nicola, 5 - Catanzaro
0961/744359
www.regione.calabria.it

Campania

Centro direzionale isola A/6 - Napoli
081/7533510
www.regione.campania.it

Emilia-Romagna

Viale Silvani, 6 - Bologna
051/284516
www.regione.emilia-romagna.it

Friuli-Venezia Giulia

Via Caccia, 17 - Udine
0432/555111
www.regione.fvg.it

Lazio

Via Rosa Raimondi Garibaldi, 7 -
Roma
06/5168130
www.regione.lazio.it

Liguria

Via D'Annunzio, 113 - Genova
010/5485722
www.regione.liguria.it

Lombardy

Piazza IV Novembre, 5 - Milano
02/67652505
www.regione.lombardia.it

Marche

Via Tiziano, 44 - Ancona
071/8063661
www.agri.marche.it

Molise

Via Nazario Sauro, 1 - Campobasso
0874/4291
www.siar.molise.it

Piemonte

Corso Stati Uniti, 21 - Torino
011/4321680
www.regione.piemonte.it

Puglia

Lungomare N. Sauro, 45 - Bari
080/5405202
www.regione.puglia.it

Sardinia

Via Pessagno, 4 - Cagliari
070/302977
www.regione.sardegna.it

Sicily

Viale Regione Siciliana, 2675 ang.
Via Leonardo da Vinci - Palermo
091/6966066
www.regione.sicilia.it

Tuscany

Via di Novoli, 26 - Firenze
055/4383777
www.regione.toscana.it

Provincia Autonoma di Trento

Località Melta, 112 - Trento

0461/495111

www.provincia.trento.it

Provincia Autonoma di Bolzano

Via Brennero, 6 - Bolzano

0471/992111

www.provinz.bz.it

Umbria

Centro direzionale Fontivegge - Perugia

075/5045130

www.regione.umbria.it

Valle d'Aosta

Quart - loc. Amerique, 127/a - Aosta

0165/275411

www.regione.vda.it

Veneto

Palazzo Balbi - Dorsoduro 3901 - Mestre

041/2792832

www.regione.veneto.it

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

Agency for Disbursements in
Agriculture

www.agea.gov.it

APAT

Agency for the Protection of the
Environment

www.apat.gov.it

APRE

Agenzia per la Promozione della
Ricerca Europea

www.apre.it

CNR

Consiglio Nazionale delle Ricerche

www.cnr.it

CRA

Consiglio per la Ricerca e la
Sperimentazione in Agricoltura

www.entecca.it

ENEA

Ente per le Nuove Tecnologie,
l'Energia e l'Ambiente

www.enea.it

ENSE

Ente Nazionale Sementi Elette

www.ense.it

ENTERISI

Ente nazionale risi

www.enterisi.it

Federalimentare

www.federalimentare.it

INEA

Istituto Nazionale di
Economia Agraria

www.inea.it

INFS

Istituto Nazionale
per la Fauna Selvatica

Ozzano dell'Emilia - Bologna - Via Cà
Fornacetta, 9

Istituto Nazionale di Ricerca per
gli Alimenti e la Nutrizione

www.inran.it

IREPA

Istituto Ricerche Economiche
per la Pesca e l'Acquacoltura

www.irepa.org

ISMEA

**Istituto di Servizi
per Mercato Agricolo Alimentare**
www.ismea.it

ISTAT

Istituto Nazionale di Statistica
www.istat.it

ISAE

**Istituto di Studi e Analisi
economica**
www.isae.it

Istituto Superiore di Sanità
www.iss.it

NOMISMA

www.nomisma.it

Istituto Agronomico per l'Oltremare
www.iao.florence.it

ICRAM

**Istituto Centrale per la Ricerca
Scientifica e Tecnologica
Applicata al Mare**
www.icram.org

**ITALIAN, EUROPEAN AND
INTERNATIONAL INSTITUTIONS**

**Ministero dell'Ambiente e della
Tutela del Territorio e del Mare**
www.minambiente.it

Senato della Repubblica
www.senato.it

Camera dei Deputati
www.camera.it

Corpo Forestale dello Stato
www.corpoforestale.it

Eurostat

www.epp.eurostat.ec.europa.eu

Unione Europea

www.europa.eu/index_it.htm

Commissione Europea

www.ec.europa.eu/index_it.htm

**Commissione Agricoltura e
Sviluppo Rurale**

www.ec.europa.eu/agriculture/index_
it.htm

FAO

www.fao.org

INRA

www.inra.fr

IFAD

www.ifad.org

WTO

www.wto.org

Board of editors

Alessandro Antimiani (coordinamento), Antonella De Cicco, Sabrina Giuca,
Francesca Marras, Roberta Sardone e Laura Viganò

Working group

Laura Aguglia, Alessandro Antimiani, Lucia Briamonte, Antonella De Cicco, Mauro Santangelo, Roberto Giordani,
Sabrina Giuca, Claudio Liberati, Stefania Luzzi Conti, Maria Carmela Macrì, Franco Mari, Francesca Marras,
Roberto Murano, Cristina Nencioni, Pasquale Nino, Gianluca Santi, Roberta Sardone, Antonella Trisorio e Laura Viganò

Editorial coordination

Federica Giralico e Sofia Mannozi

Data processing

Fabio Iacobini e Marco Amato

Graphic design and layout

Sofia Mannozi

Secretariat

Giulia Foglia e Marta Moretti

Internet edition

Roberta Merlini e Massimo Perinotto

Translation into English

James Varah

Photo

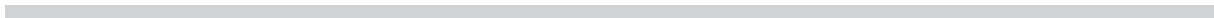
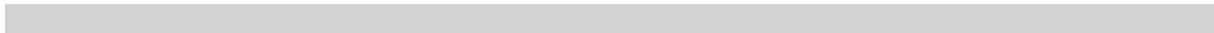
David Mastrecchia

Printer

Stilgrafica s.r.l.
Via Ignazio Pettinengo, 31/33 - 00159 Roma

Printed in November 2006

[illegible]



NORTH-WEST

Piemonte
Valle d'Aosta
Lombardy
Liguria

NORTH-EAST

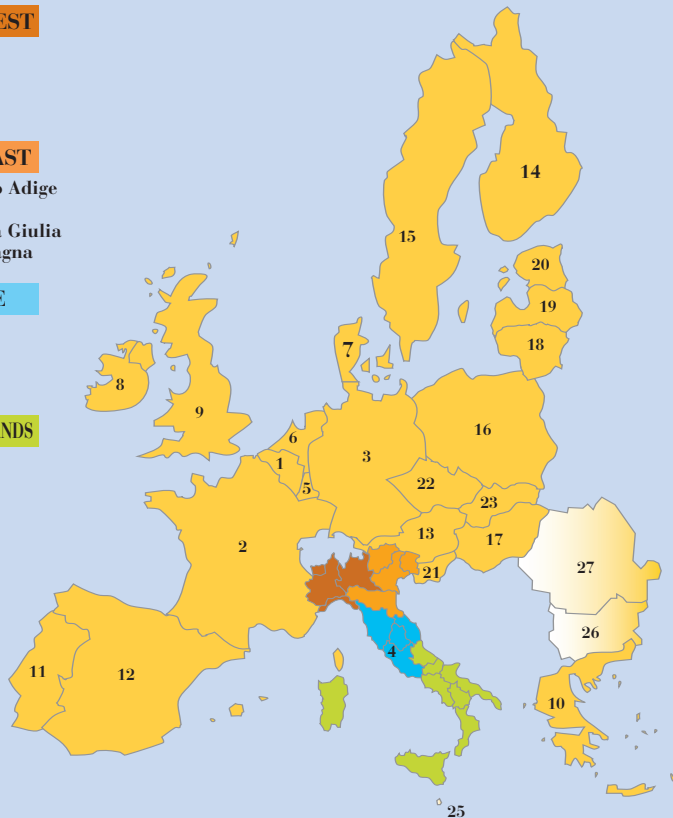
Trentino-Alto Adige
Veneto
Friuli-Venezia Giulia
Emilia-Romagna

CENTRE

Tuscany
Umbria
Marche
Lazio

SOUTH & ISLANDS

Abruzzo
Molise
Campania
Puglia
Basilicata
Calabria
Sicily
Sardinia



EU COUNTRIES

- 1 Belgium (€)
- 2 France (€)
- 3 Germany (€)
- 4 Italy (€)
- 5 Luxembourg (€)
- 6 Netherlands (€)
- 7 Denmark
- 8 Ireland (€)
- 9 United Kingdom
- 10 Greece (€)
- 11 Portugal (€)
- 12 Spain (€)
- 13 Austria (€)
- 14 Finland (€)
- 15 Sweden
- 16 Poland
- 17 Hungary
- 18 Lithuania
- 19 Latvia
- 20 Estonia
- 21 Slovenia
- 22 Czech Republic
- 23 Slovakia
- 24 Cyprus
- 25 Malta

CANDIDATES

- 26 Bulgaria
- 27 Rumania

