



NATIONAL INSTITUTE OF AGRICULTURAL ECONOMICS



## ITALIAN AGRICULTURE IN FIGURES 2007



***I**NEA, established by Royal Decree No. 1418 of 10 May 1928, under Minister of Agriculture Arrigo Serpieri, traces its origins to the National Institute of Economics and Statistics founded by Serpieri in 1924. Decree Law No. 454 of 29 October 1999, later modified by Law No. 137 of 6 July 2002, provided among other measures for the reorganisation of INEA, which has recently been completed. INEA pos-*

*sesses scientific, statutory, organisational, administrative and financial autonomy, and is under the vigilance of the Ministry for Agricultural, Food and Forestry Policies. The Institute performs socioeconomic research in agriculture, agri-industry, forestry and fishing, on national, European and international levels. To achieve its objectives, the Institute promotes research in collaboration with uni-*

*versities and other scientific institutions, national, European and international. The Presidential Decree of 30 December 1965 designated INEA as a connecting body between the Italian state and the European Union, in creating and managing the Farm Accountancy Data Network. The Institute is also part of the national statistics system (SISTAN) (Decree Law 454/99, Art. 10).*

*Italian agriculture  
in figures 2007*

**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 20th edition, “Italian Agriculture in Figures”, published by the National Institute of Agricultural Economics (INEA), is a handy, up-to-date key to understanding the trends in Italy’s agricultural system. This edition explores major themes involving the agricultural and food sectors: the role of the primary sector within the nation’s economy, relationships of food, distribution and the market, relationships between the land and the environmental sustainability of agriculture, quality products, and policy at various institutional levels (the European Community, Italy and Italy’s administrative regions). A special feature of this

booklet is that it gives comparisons, with reference to available statistical data, between Italy’s agricultural sector and those of other countries in the European Union.

New in this issue is the addition of an updated picture of farms, including utilised agricultural area, livestock, and the labour force in agriculture, according to the latest sample survey of farm structure and production published by ISTAT in 2005. The section on “Agricultural Multi-functionality” deals with agri-energy, given its growing importance, including at the national level, in differentiating sources of supply and complying with Kyoto objectives. At-

tention is also devoted to forests, which are assuming an increasingly poly-functional role in land development, thus becoming a strategic instrument not only for environmental policy but also for economic and social policies.

To increase its communicative scope, this edition is again presented in English, including a CD containing versions in French and Spanish. The Italian and foreign-language versions are also available at the INEA website.

With this publication, INEA once again affirms its commitment to providing information about agriculture, by offering an easy-to-use tool that combines quality and completeness.

Minister for Agricultural,  
Food and Forestry Policies  
**Paolo De Castro**





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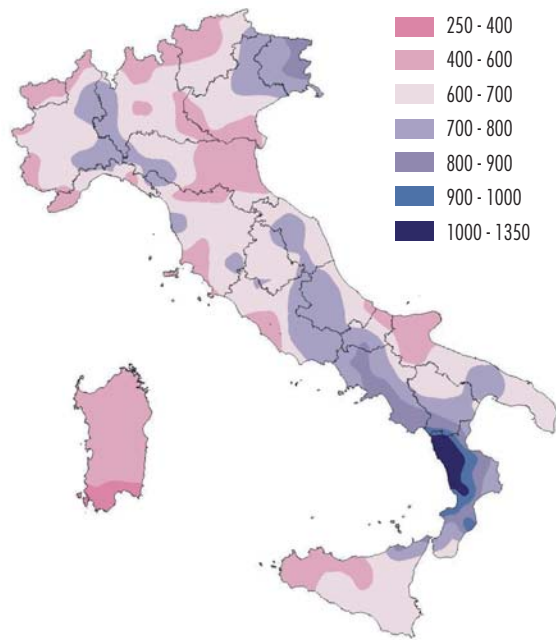
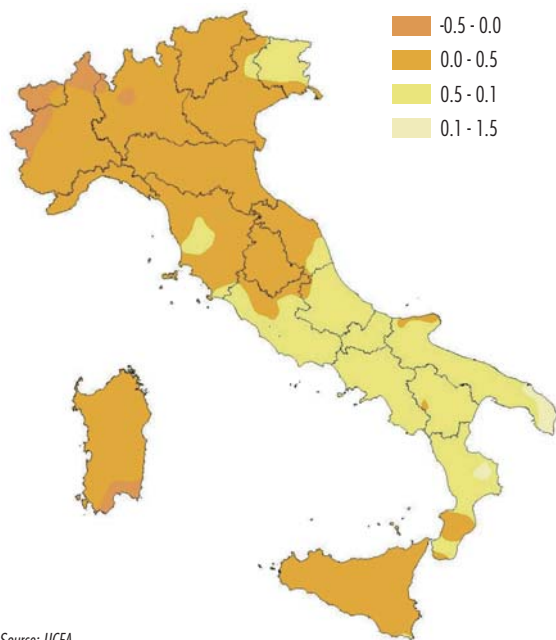
An aerial photograph of a rural landscape, showing a complex pattern of agricultural fields, roads, and clusters of trees. The entire image is overlaid with a semi-transparent orange filter. The fields are of various shapes and sizes, some appearing lighter and others darker, possibly due to different crops or soil types. A network of thin white lines, likely roads or fences, crisscrosses the landscape. Small groups of trees are scattered throughout, particularly along the edges of fields and roads. The overall impression is one of a managed, agricultural environment.

# **LAND AND POPULATION**

# Climate

*Deviations in average annual temperatures compared to the norm (°C), 2006*

*Total annual rainfall (mm), 2006*



Source: UCEA.

# Land and Population

## General Features

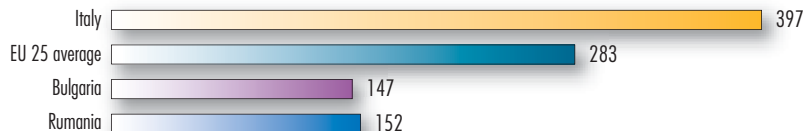
One of Italy's main geographical features is the prevalence of hilly and mountainous terrain. Out of a total land area of some 30 million hectares, only 23% is made up of lowland and this figure falls to 18% in the South and 9% in the Centre. The resident population in 2006 increased by approximately 0.4% compared to 2005, approaching 59

million inhabitants. This growth is concentrated in North-Central Italy (+0.66%).

A concentration of the population lives in lowland areas (47.7%) and hilly areas (39.3%), with only 13% of the population living in mountain areas.

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

## Population/agricultural area (inhabitants/100 ha of UAA), 2005



## Land use, 2004 ('000 ha)

	Italy	EU 25	Bulgaria	Romania
<b>Total area</b>	30,132	397,323	11,099	23,839
<b>Crops</b>	14,710	163,706	5,265	14,270
by (%)				
Cereals and rice	29.1	32.3	34.8	43.6
Sugar beets	1.3	1.3	0	0.1
Oil-seeds	1.9	4.7	11.7	8.4
Tobacco	0.2	0.1	0.9	0.1
Potatoes	0.5	1.3	0.6	1.9
Dried legumes	0.5	1.2	0.3	1.1
Vegetables				
& fresh legumes	3.4	1.3	1.2	2.0
Fruits and citrus	6.6	1.6	2.0	1.7
Olive trees	7.9	2.7	-	-
Grapevines	4.9	2.0	2.9	1.5
Flowers and ornamentals	0.1	0.1	0.1	0
Rotated grasslands and meadows	13.9	10.7	3.0	4.2
Fodder crops and other crops	29.7	42.7	47.5	37.4
<b>Crops/total area %</b>	48.8	41.2	47.4	59.9

Source: EUROSTAT.

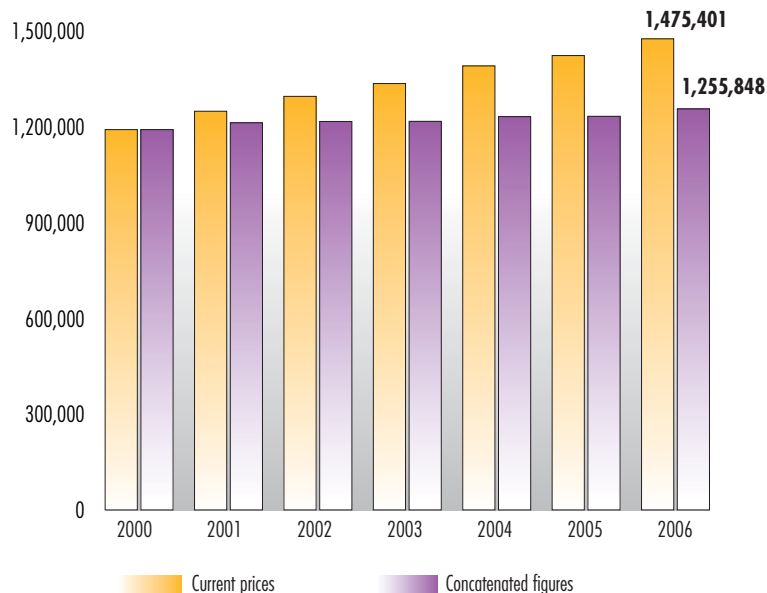


An aerial photograph of a rural landscape, showing a patchwork of agricultural fields, some of which are covered in snow. The image is overlaid with a solid orange color. The text "AGRICULTURE AND THE ECONOMY" is centered in the middle of the image in a white, bold, serif font.

# **AGRICULTURE AND THE ECONOMY**

# Gross Domestic Product

*Trend in GDP (million euro), 2000-2006*



*Trend in GDP per inhabitant (euro), 2000-2006*

Year	GDP/Inhabitant (euro)	
	Current prices	Concatenated figures <sup>1</sup>
2000	20,917	20,917
2001	21,915	21,279
2002	22,661	21,285
2003	23,181	21,127
2004	23,903	21,172
2005	24,281	21,035
2006	25,065	21,335

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

*Trend in GDP per work unit (euro), 2000-2006*

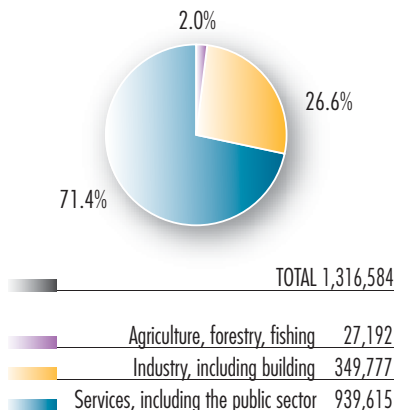
Year	GDP/WU (euro)	
	Current prices	Concatenated figures
2000	50,873	50,873
2001	52,401	50,882
2002	53,672	50,413
2003	54,992	50,119
2004	57,052	50,535
2005	58,492	50,671
2006	59,671	50,791



# Value Added

In 2006, value added (VA) at basic prices in the primary sector, including forestry and fishing, decreased by approximately 3.1% in value compared to 2005 as the result of a downturn in real terms. Agriculture's contribution to total national VA was 2%. In terms of volume, agriculture's impact on the national total dropped from 2.8% to 2.5% in the past decade. In the same period, value added from industry in the narrow sense also declined, from 25.4% to 21.4%, while value added from civil service and other public services remained stable, at 20-21%. On the contrary, there was growth in the sectors of building, from 5.3% to 5.6%; in trade, transport and communications, from 23% to 24.7%; and in activities of financial services, information technology, research, etc, from 23.9% to 25.2%. The contribution of agriculture to

*VA at basic prices by sector (million euro), 2006*



Italy's overall economy has approached the levels of other North-Central European countries. Nonetheless, strong territorial differences persist: in the Centre-North, agriculture accounts for 2.1% of VA at basic prices and 3.8% of employ-

*Contribution (%) of agriculture to national economies, 2005*

Country	Value Added <sup>1</sup>
Germany	0.6
Greece	4.7
Spain	2.8
France	1.7
Italy	1.9
Hungary	2.7
Netherlands	1.7
Austria	1.0
Poland	2.5
Finland	0.9
Sweden	0.4
United Kingdom	0.4
EU 25	1.3
Bulgaria	7.2
Romania	8.0
USA	0.9
Japan <sup>2</sup>	1.4

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

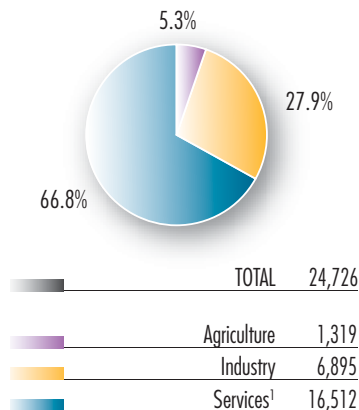
<sup>2</sup> World Bank, 2001.

ment (measured in work units), while in the South these figures rise to 4.6% and 8.8%, respectively.

# Employment

In 2006, the total labour force employed in Italy, measured in standard work units (WU), rose by 1.6%. In particular, there was an increase of 1.3% in industry (in the narrow sense), 0.6% in the building

*WU by sector ('000 units), 2006*



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

sector and 1.9% in services. As for women's participation in the labour market, there was greater growth in female labour (+2.5%) than male labour (+1.5%).

In agriculture, employment rose by 0.6%, as a counter-trend to a steady decline since 2002. This affected mainly paid labour (+3.1%), while independent labour dropped by 0.8%. The share of independent labour in agriculture of the total independent labour component was

11.6%, whereas paid labour accounted for 2.9%.

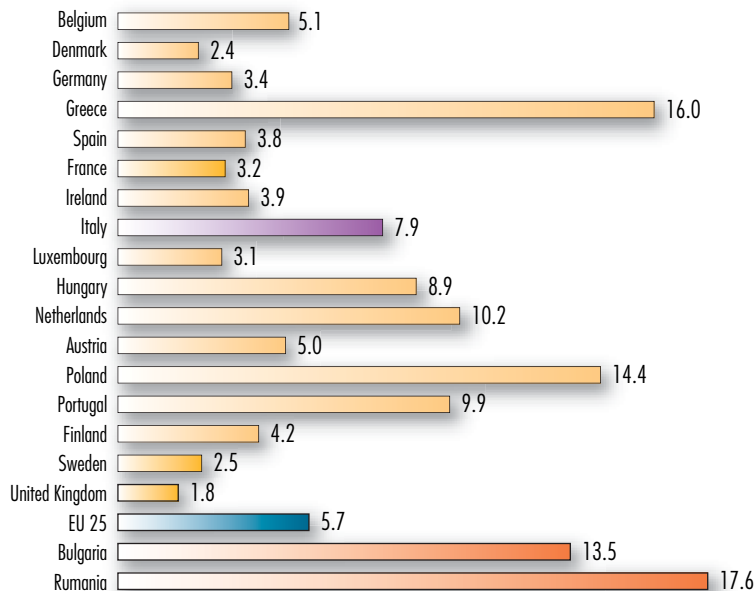
69.2% of farm labourers, in terms of individuals, were male. 49% of total agricultural labour was employed in the South, 36% in the North and 15% in the Centre.

The ratio between agricultural labour and population has changed rapidly over the past ten years. In 1996 there were 34 inhabitants per work unit in agricultural labour; in 2006, this figure rose to 45.

*Full-time and part-time agricultural workers by gender and geographical area, 2006*

	Full-time workers		Part-time workers	
	000 units	% women	000 units	% women
North	314	22.6	42	59.5
Centre	121	28.9	21	57.1
South & Islands	443	30.0	41	63.4
<b>ITALY</b>	<b>878</b>	<b>27.2</b>	<b>104</b>	<b>60.6</b>

## Agricultural workforce in the EU (WU/100 ha UAA), 2005



Source: EUROSTAT.

## Employment in agriculture\* as % of total economy; 2005

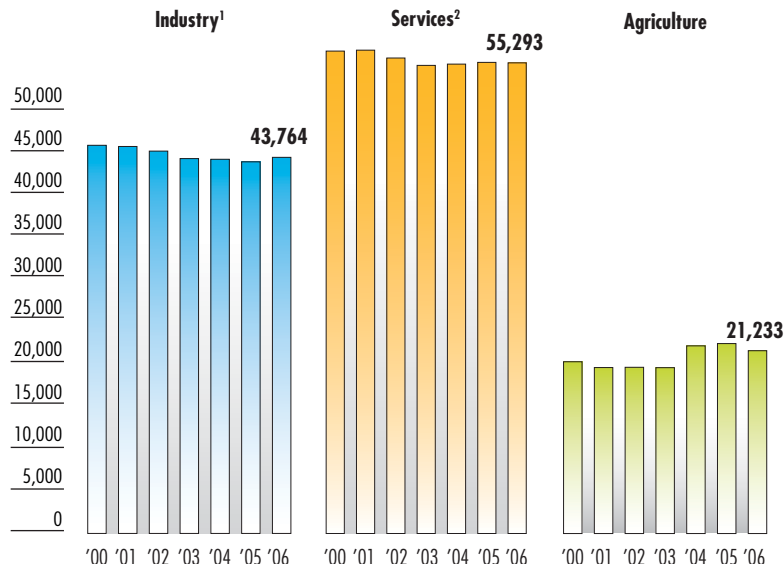
Country	Workers	
	Total	Women <sup>1</sup>
Germany	2.4	1.7
Greece	12.4	13.8
Spain	5.3	3.6
France	3.8	2.4
Italy	4.2	3.3
Hungary	4.9	2.7
Netherlands	3.3	2.2
Austria	5.5	5.6
Poland	17.4	16.7
Finland	4.8	2.9
Sweden	2.3	1.0
United Kingdom	1.4	0.7
EU 25	4.9	3.9
Bulgaria	8.9	6.9
Romania	32.3	33.1
USA	0.7	-
Japan	3.9	-

\* Including forestry, hunting and fishing.

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

# Productivity

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



In 2006, value added in agriculture at basic prices per work unit, in real terms, was 48.5% of the same figure for industry, including the building sector, and 38.4% of the figure for the service industry (commerce, hotels and restaurants, transport, communications, financial services and other professional activities).

Compared to 2005, there was a significant drop in productivity in agriculture, of 3.7%. This was mainly the result of a reduction in value added, whereas industry showed an increase (+1.2%) and services remained stationary.

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

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

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

An aerial photograph of a rural landscape, showing a complex arrangement of agricultural fields in various shades of brown and tan. The fields are separated by thin lines of trees and roads. The overall image has a blue tint. The text "PRIMARY SECTOR" is centered in the middle of the image in a white, bold, serif font.

# **PRIMARY SECTOR**

# Structures in Agriculture

According to ISTAT figures in the most recent sample survey made on structures and production on farms (SPA), in 2005 there were just over 1.7 million farms, which cultivated 12,700 million hectares of land. The average farm area is therefore 7.4 hectares, up by 1.3 hectares (+21.3%) compared to the census of 2000. This comes as a result of a progressive decline in the number of farms (-19.7%), in the face of a slight reduction in UAA (-2.7%). National figures can be generalised by region, though the phenomenon of shrinkage is varied. The South recorded a 17.1% drop in the number of farms. Farms in Abruzzo dropped by only 9.2%, but in Campania the decline was 26.7%. The North lost 21.8% of farm units, with a minimum 17.7% drop in Trentino Alto Adige and a maximum decline of 27.7% in Friuli Venezia Giulia. The Centre regis-

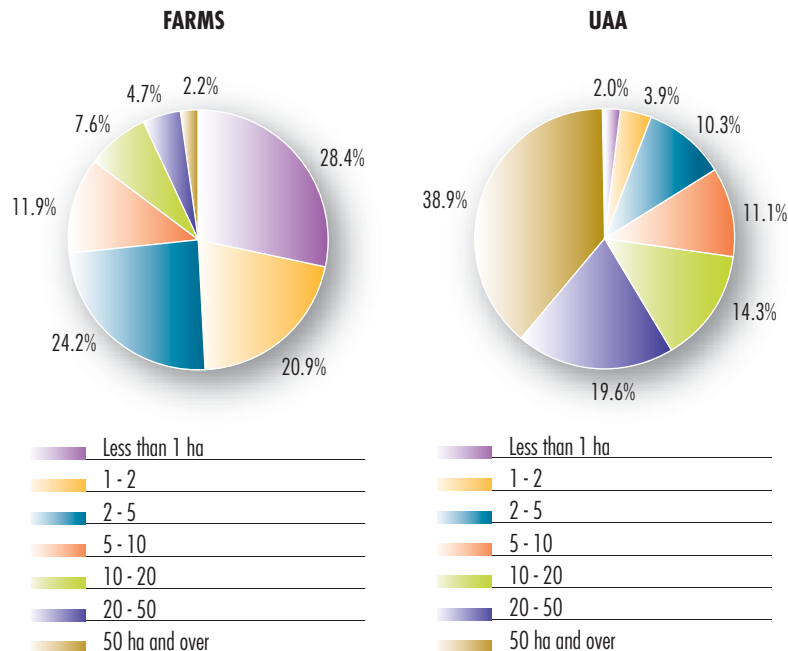
## *Farms and Utilised Agricultural Area, 2005*

Region	Farms		UAA (ha)		Total area 2005
	2005	var. % 2005/2000	2005	var. % 2005/2000	
Piemonte	76,495	-27.6	1,029,189	-3.6	1,370,757
Valle d'Aosta	4,648	-24.1	68,391	-3.9	149,347
Lombardy	57,420	-19.4	978,667	-5.8	1,233,575
Trentino-Alto Adige	43,917	-17.7	401,078	-3.2	1,000,281
Veneto	143,024	-19.2	797,571	-6.2	1,094,347
Friuli-Venezia Giulia	23,837	-27.7	224,521	-5.6	377,962
Liguria	23,118	-22.9	49,082	-19.4	135,569
Emilia-Romagna	81,476	-21.4	1,029,916	-7.6	1,306,010
Tuscany	81,839	-23.7	809,487	-4.6	1,424,670
Umbria	39,346	-14.6	337,915	-7.1	593,713
Marche	53,318	-11.8	497,141	-1.7	682,502
Lazio	107,281	-33.8	684,936	-3.1	967,282
Abruzzo	60,910	-9.2	425,179	-0.2	644,520
Molise	25,034	-13.3	212,608	-0.3	275,038
Campania	157,007	-26.0	563,666	-2.1	789,892
Puglia	249,329	-13.5	1,216,924	-0.5	1,312,616
Basilicata	59,920	-12.5	553,589	3.8	755,068
Calabria	122,849	-15.7	514,343	-4.8	762,138
Sicily	249,030	-15.8	1,250,703	-0.5	1,402,716
Sardinia	68,730	-24.9	1,062,940	4.9	1,525,011
<b>ITALY</b>	<b>1,728,532</b>	<b>-19.7</b>	<b>12,707,846</b>	<b>-2.7</b>	<b>17,803,014</b>

tered a drop-off of 25%, with declines in Lazio of 33.8% and in the Marche of 11.8%. In terms of UAA, however, the picture is more varied. The South showed a slight reversal of trend, with recovery of 0.3% of area compared to 2000, thanks to an increase of 3.8% in Basilicata and 4.9% in Sardinia, whereas the Centre and North went in the opposite direction, with respective declines in UAA of 3.9% and 5.7%.

Clearly, Italian agriculture is undergoing severe pulverisation: in 2005, nearly half (49.3%) of farms had less than 2 hectares and planted only approximately 6% of total UAA, whereas 2.2% of farms have over 50 hectares, yet these account for nearly 40% of total UAA. This characteristic is evident throughout the peninsula, though with different shadings: indeed, in the North, 23.3% of farms have less than 2 hectares and plant 1.2% of UAA; in

*Breakdown (%) of farms and UAA by area, 2005*



the Centre, these farms represent 23.7%, with 1.5% of the land; while in the South such farms account for 32.1% and have 2.8% of hectares at their disposal. The reverse is true for large farms. These account for 3.3% in the North and operate 44.1% of cultivated land. In the Centre, only 2.5% of farms are large, but with 42.3% of UAA. In the South, large farms make up only 1.7% of total, and operate 33.4% of agricultural land. At the regional level, the pulverisation prize goes to Liguria, where 53.3% of farms are small, and plant 11.3% of UAA. At the opposite extreme is Emilia-Romagna, where 11.8% of farms have less than 2 hectares, and represent only 0.5% of the region's agricultural land. On the contrary, Lombardy and Sardinia have the highest share of large farms, with 8.2% and 7.7%, respectively. Of the regional total, such farms have a concentra-

tion of over 50% of UAA (54.4% and 56.1%).

The total area of farms in Italy is mainly used for arable crops (39.7%), followed by woodlands and forests (21.2%), permanent grasslands and pastures (18.8%) and, finally, permanent crops (12.8%), while tares and other areas account for only 7.4%. Among the regions, significant differences emerge in the use of land. In Valle d'Aosta, utilised area is only 55%, with a clear prevalence of grasslands and pastures (44.9%) and a modest percentage of woodlands (10.1%). In Piemonte and Sicily, on the other hand, only 5.3% of available land goes unused. Calabria is the only region where fruit arboriculture is predominant, with 27.9% of total area. Liguria and Trentino Alto Adige stand out for their prevalence of forested areas, which represent 55.9% and 53% of the to-

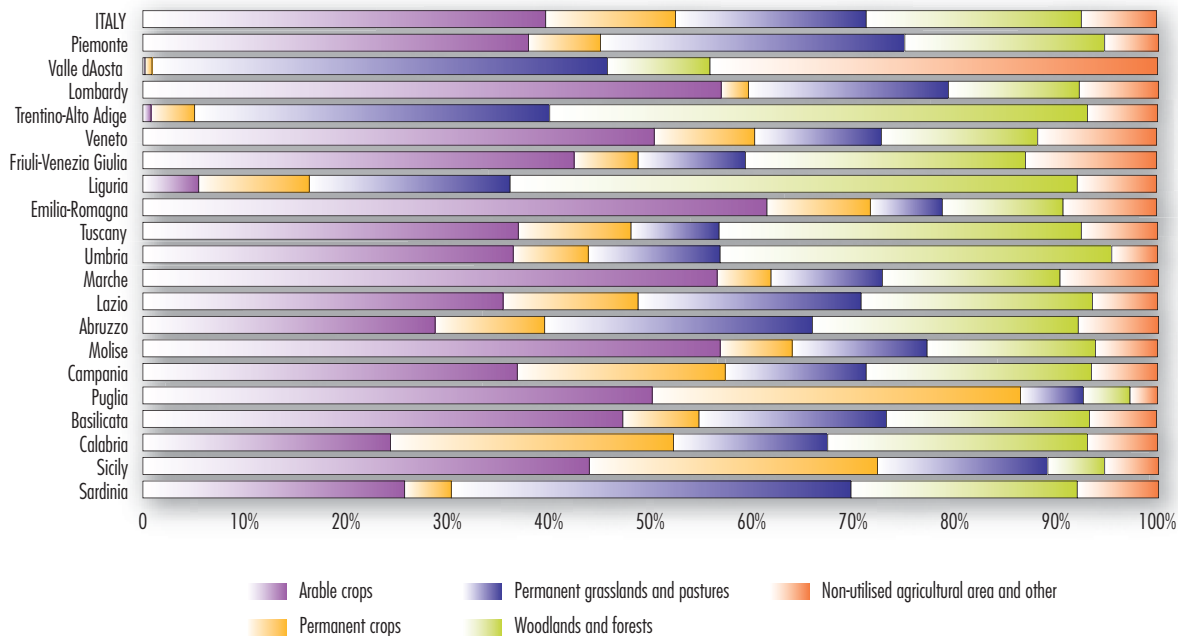
tal, whereas in Sicily the opposite is true: only 5.6% of total hectares are covered with tree crops.

Over half of UAA nationwide is planted to arable crops, more than a fourth to permanent grasslands and pastures (roughly 3.3 million hectares), and less than a fifth (18%) to permanent fruit crops (2.3 million hectares). Among grass crops, cereals and grain legumes are prevalent, planted on nearly one third of cultivated hectares (31.7%), followed by hoed fodder crops (14.2%). Adding together area planted to fodder crops and permanent grasslands and pasture, we find that 40.6% of UAA in Italy is devoted to the feeding of animals. The olive is the nation's most common arboreal specie (7.9%), followed by grapevines (5.7%). Fallow land accounts for 3.7% of UAA.

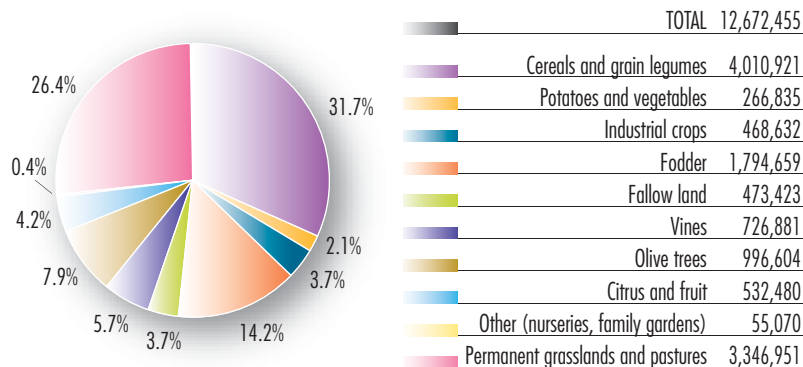
In 2005, 17.5% of total farms included livestock rearing, with great



*Total area by type of use and region, 2005 (%)*



## Cultivated land by major crop, 2005



variations regionally. In Lombardy and Valle d'Aosta, livestock is raised on roughly 40% of farms, while in Puglia the figure is only 2.3%.

Campania is the region with the highest concentration of farms with livestock (11.4%). At the other end of the spectrum is Valle d'Aosta, with only 0.6% of Italy's livestock.

Nationwide, Lombardy takes the prize for head of cattle (25%) and pigs (47.1%), Sardinia for sheep (42.9%) and goats (29.9%), and Veneto for rabbits (47.6%) and poultry (27.2%).

# *Farms with livestock and number of head per specie of animal, 2005*

Region	Farms with livestock	Number of head						
		Cattle and buffalo	Pigs	Sheep	Goats	Horses	Rabbits	Poultry
Piemonte	17,929	785,582	1,010,315	64,072	37,422	11,067	841,583	6,323,275
Valle d'Aosta	1,852	37,209	25	2,273	3,240	71	631	1,851
Lombardy	23,521	1,544,937	4,121,299	82,445	53,575	15,720	78,936	33,512,132
Trentino-Alto Adige	12,729	186,047	20,402	70,644	28,417	4,902	71,379	1,482,516
Veneto	22,027	860,324	757,113	13,127	3,324	9,384	3,353,588	40,526,558
Friuli-Venezia Giulia	4,298	104,031	267,283	2,692	1,767	1,235	352,632	5,119,715
Liguria	4,705	16,594	455	22,195	7,161	1,764	52,385	74,711
Emilia-Romagna	14,055	608,787	1,342,878	54,093	3,081	17,076	439,025	31,860,039
Tuscany	13,236	104,582	217,548	600,432	10,176	12,347	182,032	982,481
Umbria	10,898	65,311	233,237	157,719	7,079	5,138	108,886	3,815,200
Marche	16,907	75,631	111,909	206,367	6,995	3,667	319,579	5,256,491
Lazio	25,911	301,324	48,885	584,733	30,519	14,063	364,703	1,680,216
Abruzzo	15,815	91,276	69,352	293,886	4,587	7,817	134,205	1,594,920
Molise	6,791	52,676	38,548	92,899	6,232	1,147	6,191	7,246,110
Campania	34,579	390,841	100,389	260,546	53,094	4,365	144,202	3,471,121
Puglia	5,717	160,356	29,102	196,666	44,645	5,687	82,156	1,392,227
Basilicata	12,481	110,717	62,608	445,541	111,239	3,853	284,737	157,199
Calabria	20,622	95,524	70,186	297,263	149,824	2,143	49,453	747,713
Sicily	17,073	330,233	45,932	545,161	81,021	8,679	29,890	2,311,659
Sardinia	21,116	257,561	210,178	2,998,383	274,456	11,950	151,136	1,508,335
ITALY	302,264	6,179,541	8,757,641	6,991,138	917,853	142,074	7,047,329	149,064,469

# Labour in Agriculture

According to the SPA survey in 2005, 60.2% of the total workforce employed in agriculture was concentrated in the South, led by Puglia, Sicily and Campania. Between 2003 and 2005, the total number of persons employed in agriculture declined nationwide by 11.8%. This loss was distributed in quite different ways: the South showed an average loss of 15.7%, with a maximum drop of 26.5% in Sardinia; the Centre registered lower declines, on an average of 10.6%. But in the North, the number of people employed in agriculture remained fairly stable on average, and even grew in Piemonte (+7.8%), Valle d'Aosta (+2.5%) and Veneto (+1.3%).

The average overall decline can be attributed most of all to a drop in family labour (-13.2%), as well as fixed-term workers (-10.9%). There was, however, a significant

*Number of agricultural workers by category of farm labour, 2005*

	Farmer	Other family labour	Other farm labour	Overall total	% Variation 2005/2003
Piemonte	73,898	60,222	28,033	162,153	7.8
Valle d'Aosta	4,544	4,691	547	9,782	2.5
Lombardy	50,770	38,537	35,953	125,260	-6.5
Trentino-Alto Adige	43,134	65,811	40,080	149,025	-2.4
Veneto	139,467	120,298	37,023	296,788	1.3
Friuli-Venezia Giulia	22,984	21,323	10,067	54,374	-3.2
Liguria	22,818	18,807	4,374	45,999	-14.3
Emilia-Romagna	79,251	75,034	60,785	215,070	-5.7
Tuscany	78,939	77,549	45,333	201,821	-4.3
Umbria	38,208	30,371	18,994	87,573	-17.7
Marche	51,837	37,288	15,524	104,649	-7.3
Lazio	105,997	76,502	24,857	207,356	-14.4
Abruzzo	60,435	63,653	18,077	142,165	3.9
Molise	24,907	24,747	5,030	54,684	-5.8
Campania	156,487	173,428	95,671	425,586	-4.5
Puglia	248,094	187,472	300,797	736,363	-15.3
Basilicata	59,563	46,391	32,953	138,907	-21.3
Calabria	122,255	96,764	115,797	334,816	-22.4
Sicily	248,207	163,794	127,270	539,271	-19.9
Sardinia	67,668	45,314	22,805	135,787	-26.5
ITALY	1,699,463	1,427,994	1,039,966	4,167,423	-11.8

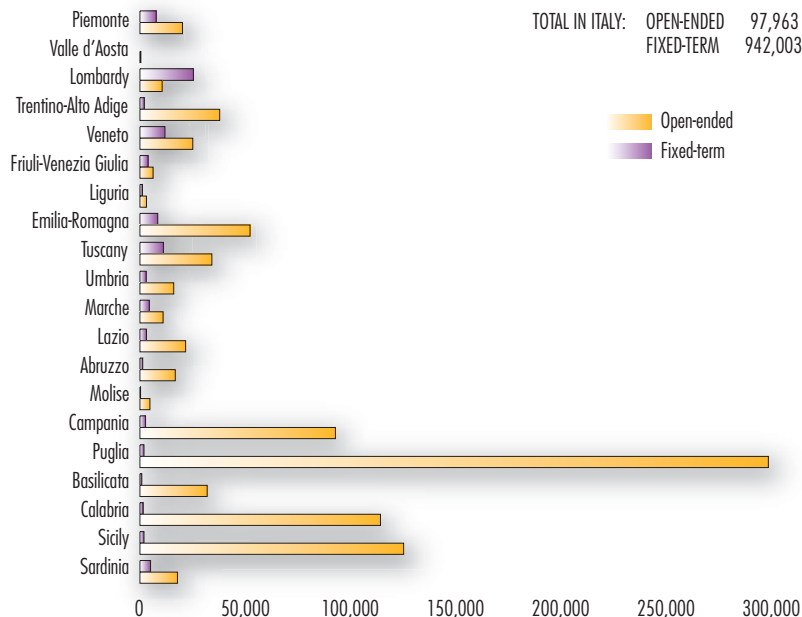
increase in the number of open-ended full-time labourers (+46.5%), probably driven by improved methods of gathering information on farms.

In all regions, family labour makes up the greatest part of the farm workforce. The way this prevalence applies across the country varies, however, both as to intensity and as regards distribution among various categories. The regions that employed the most family labour were Puglia and Sicily. Among regions of the North, Veneto showed the highest figures.

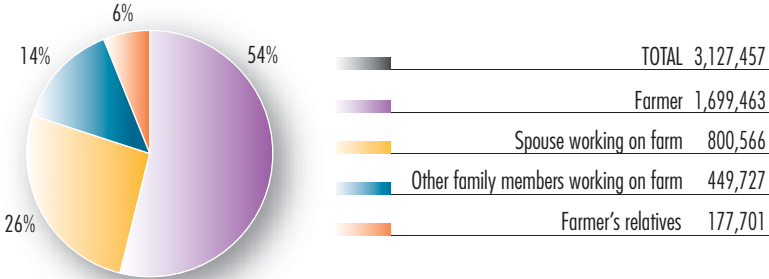
Next to the farmer, the spouse is the prevalent figure in the family workforce, with higher figures in the South than in other geographical areas.

As for non-family labour, the North showed the highest incidence of open-ended labour. In particular, Lombardy alone makes up for 26%

## Workers in agriculture by type of employment, 2005



*Breakdown of family labour by category; 2005*



of the national total. On the other hand, casual labour from outside the family was concentrated in the South.

# Land Market

In 2005 the land market registered a sharp slowdown. Average prices nationwide remained substantially stable compared to the previous year (+0.1%), in contrast with increases in past years. On a territorial level, a significant drop in land values was observed in nearly all altitude zones of the regions in the North-East (-1.3%). Modest increases were seen in the North-West and Southern regions, whereas modest growth occurred in the regions of Central Italy, especially in hilly areas along the coast. In 2005 there was also an erosion in land patrimony, expressed in real terms, following an increase in the rate of inflation (+1.9%), which was greater than the increase in land values (+0.1%).

This trend is explained by the drop in prices for agricultural products and the increase in costs of production. The volume of trade in land

*Average land values ('000 euro/ha), 2005*

	Altitude Zone					Total	% Variation 2005/2004
	Inland mountains	Coastal mountains	Inland hills	Coastal hills	Lowlands		
North-West	5.6	14.2	18.2	36.4	32.2	21.7	1.1
North-East	18.2	-	26.9	25.2	36.1	29.8	-1.3
Centre	7.0	11.0	10.8	16.2	20.0	11.7	1.6
South	6.4	9.9	10.0	15.0	14.2	10.8	0.6
Islands	5.7	9.4	7.3	9.2	12.4	8.3	0.2
<b>TOTAL</b>	<b>8.7</b>	<b>9.9</b>	<b>11.8</b>	<b>13.5</b>	<b>26.7</b>	<b>15.8</b>	<b>0.1</b>

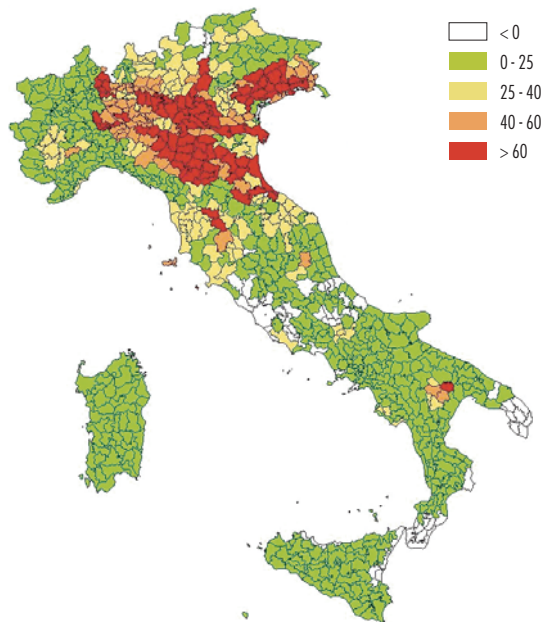
*Source: INEA land values data bank.*

was further influenced by the CAP reform, which created a climate of uncertainty and led to a certain degree of caution in transactions.

The greatest increases (over 60%) in average land prices over the last ten years were concentrated in the central area of the Po Plain, where intensive and specialised agriculture systems and the strong local economy led to increased capitalisation of farmland. Another area that under-

went significant increases is the Chianti vine-growing area of Tuscany, whereas the growth seen in some areas in the borders between Basilicata and Puglia may be put down to a renewed interest in nearly marginal land, with fairly low land values. The decline in land values was concentrated in Abruzzo and Lazio: in Abruzzo the downturn applied most of all to marginal, less fertile land in the hills and moun-

*Percentage variation of average land value by agricultural region, 1995-2005*



tains; in Lazio the decline involved hilly land. The South & Islands generally showed quite modest increases in the price of land, which led to an erosion in land patrimony in real terms.

The drop in profitability in the agriculture sector influenced land rents, which were stable or slightly lower compared to 2004. Contributing to support of demand was the need to provide areas in line with new regulations introduced in the CAP reform. Demand remained high for rental lands for livestock farming, in accordance with head-per-hectare limits.



# Production Levels

In 2006, agricultural output at basic prices, including output from forestry and fishing, declined in value by 1% compared to 2005, as a result of a drop in volume (-2.4%) and an increase in basic prices (+1.5%). Results by category show a decline in production levels, especially for field crops (-4.9%), a slight drop for tree crops (-1%), stable figures for fodder crops (+0.2%) and a decline for livestock (-2.7%). Cereals showed a significant slackening off in output volume (-5.5%), especially durum wheat (-12.1%), which was affected by a reduction in cultivated area following the CAP reform and the introduction of uncoupled farm supports. Industrial production also showed a significant decline in output (-3.5%), mainly imputable to a shakedown for sugar beets (-62.3%), also a result of the CMO reform, with a 50% cut in Italy's sugar quota.

The flower and plant sector showed a modest recovery in plantings (+1.4%), accompanied however by a drop in prices (-3.3%). Vegetables overall showed a downturn in production levels (-1.2%), a synthesis of dynamics that were quite different among various products. Increased output was recorded for

peas (+22.7%), melons (+7.8%), aubergines (+4.1%) and potatoes (+1.9%); declines were noted for tomatoes (-11.6%), cucumbers (-6.9%), chicory (-5.4%) and strawberries (-3%). Grain legumes were also up by 1.4%.

As for tree crops, drops in production were seen for olive oil (-8.8%),

## *Output and services at basic prices by sector, 2006*

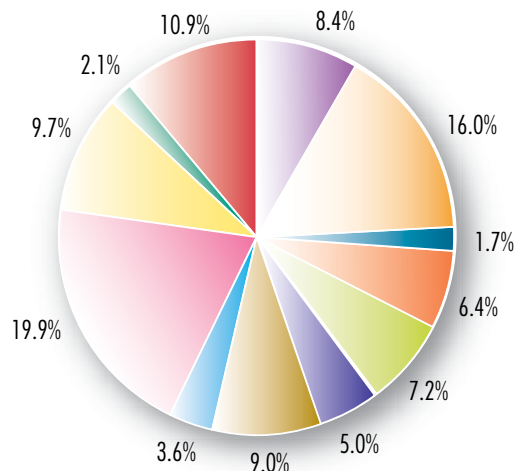
	Italy		% Variation 2006/05	
	million euro	%	volume	prices
Field crops	13,105	27.3	-4.9	3.8
Tree crops	10,601	22.1	-1.0	-3.5
Fodder crops	1,578	3.3	0.2	-0.2
Livestock	14,004	29.1	-2.7	2.4
Connected services <sup>1</sup>	4,810	10.0	-0.3	4.5
Secondary activities <sup>2</sup>	1,178	2.5	2.1	1.3
Forestry	451	0.9	-4.8	3.9
Fishing	2,330	4.8	2.3	2.7
<b>TOTAL<sup>3</sup></b>	<b>48,057</b>	<b>100.0</b>	<b>-2.4</b>	<b>1.5</b>

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

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

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

## Agricultural output at basic prices by main sector (million euro), 2006



	TOTAL	44,098
	Cereals and dried legumes <sup>1</sup>	3,692
	Vegetables <sup>2</sup>	7,064
	Industrial crops <sup>3</sup>	752
	Flowers and ornamentals	2,835
	Grapes	3,188
	Olives	2,191
	Fruit and citrus	3,985
	Fodder crops	1,578
	Meat	8,781
	Milk	4,299
	Eggs and other <sup>4</sup>	923
	Connected services	4,810

<sup>1</sup> Dried legumes account for 83 million euro.

<sup>2</sup> Includes potatoes (661 million euro) and fresh beans (266 million euro).

<sup>3</sup> Sugar beets (258 million euro), tobacco (323 million euro), sunflowers (60 million euro) and soya (93 million euro).

<sup>4</sup> Includes honey (27 million euro).

## Main vegetable output, 2006\*

	Volume		Value <sup>1</sup>	
	'000 tonnes	var. % 2006/05	million euro	var. % 2006/05
Soft wheat	3,074	-6.5	405	3.8
Durum wheat	3,894	-12.1	827	-2.7
Hybrid maize	10,073	-3.4	1,393	5.8
Rice	1,417	-1.5	489	38.3
Sugarbeets	5,343	-62.3	258	-61.6
Tobacco	112	-0.5	323	-2.1
Soya	543	-1.9	93	-4.9
Sunflowers	307	6.0	60	2.2
Potatoes	1,788	1.9	661	18.6
Tomatoes	6,355	-11.6	1,056	-7.5
Dessert grapes	1,493	-9.4	594	1.9
Sold wine grapes	3,913	-0.2	804	1.8
Wine <sup>2</sup> ('000 hl)	21,311	-2.0	1,779	-3.0
Olive oil <sup>2</sup>	542	-8.8	1,972	-19.9
Apples	2,048	-6.5	599	-11.3
Pears	915	-1.2	446	-0.4
Peaches and nectarines	1,641	-3.1	635	7.5
Oranges	2,358	4.3	603	-3.0
Lemons	577	-4.4	286	-1.9
Mandarins and clementines	642	-0.7	189	-21.3
Kiwi fruit	453	9.1	297	15.3

\* Provisional figures.

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

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

which suffered due to poor weather conditions. Fruit also showed a negative trend, especially apricots (-4.8%), nectarines (-3.8%), apples (-6.5%) and pears (-1.2%). But there was increased production of hazelnuts (+48.9%), kiwi fruit (+9.1%) and cherries (+7.4%).

The wine-growing sector showed a downturn in wine grapes and a slowdown in wine production (-2%). In any case, the quality of wine was good in all regions of Italy. Citrus enjoyed only a modest growth in production (+1%), accompanied by a significant drop in prices (-7.4%). Nursery plants experienced healthy growth (+5.8%). The livestock sector was affected by a sharp downturn in production of poultry meat (-11.4%), which continued to suffer from the drop in consumption resulting from avian flu. The crisis in sheepmeat and goatmeat continued, due to the con-

## Main livestock output, 2006\*

	Volume <sup>1</sup>		Value <sup>2</sup>	
	'000 tonnes	var. % 2006/05	million euro	var. % 2006/05
Beef	1,440	0.3	3,390	1.8
Pigmeat	1,869	-0.5	2,371	8.3
Sheepmeat and goatmeat	66	-1.6	225	-8.7
Poultry	1,230	-11.4	1,644	-7.5
Rabbitmeat and game	479	-1.6	1,090	5.8
Eggs (millions)	12,123	-5.2	885	2.9
Cow's milk <sup>3</sup> ('000 hl.)	104,522	-2.6	3,851	-6.4
Sheep and goat's milk ('000 hl.)	5,855	-1.3	448	7.6
Honey	119	-4.8	27	-1.3

\* Provisional figures.

<sup>1</sup> Live weight.

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

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

tinued problem of Bluetongue Virus, with a drop in production of 1.6%. In the forestry category, production of both building wood and firewood was down by 4.8%. Fishing recovered in the volume of fish caught (+2.1), which also included fishing in landlocked waters.

As for services connected to agriculture and livestock, levels were sta-

tionary (-0.3%), whereas secondary activities on farms (agritourism, processing and the like) showed a significant recovery (+2.1%), accompanied by an increase in prices (+3.6%).

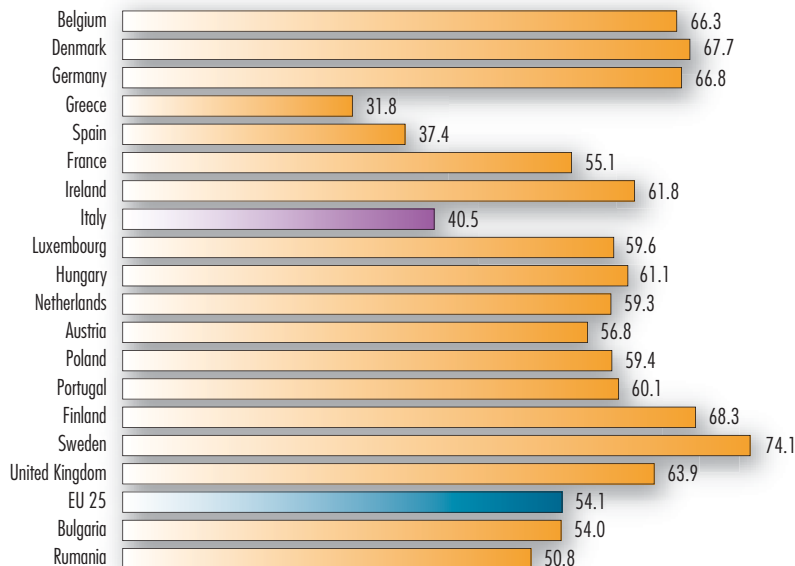
In the EU, the 2006 farm year showed a decline in volume of production of approximately 1.6%, which was offset by an increase in

production prices of roughly 1.8%. The decrease in volume of output mostly involved vegetable crops (-2.7%) and, to a lesser degree, livestock (-0.6%). Among vegetable crops, drops were seen for sugar beets (-17.8%), olive oil (-12.7%), cereals (-5.6%) and vegetables (-2.6%); increases were observed for fruit (+3.6%). As for livestock, there was a decided downturn for poultry meat (-4.3%) and eggs (-2.3%); a modest recovery was shown for beef and pigmeat (+0.7%).

*Agricultural output at basic prices  
and intermediate consumption in  
EU countries, 2005 (%)*

	Output	Intermediate consumption
Belgium	2.1	2.6
Denmark	2.5	3.1
Germany	12.4	15.3
Greece	4.0	2.3
Spain	12.8	8.8
France	20.3	20.7
Ireland	1.8	2.1
Italy	14.2	10.6
Luxembourg	0.1	0.1
Hungary	2.0	2.2
Netherlands	6.7	7.4
Austria	1.8	1.8
Poland	4.8	5.3
Portugal	2.1	2.3
Finland	1.4	1.7
Sweden	1.4	1.9
United Kingdom	6.6	7.9
EU 25 (million euro)	311,569	168,460
Bulgaria (million euro)	3,356	1,812
Rumania (million euro)	12,853	6,530

*Intermediate consumption on production (%)*



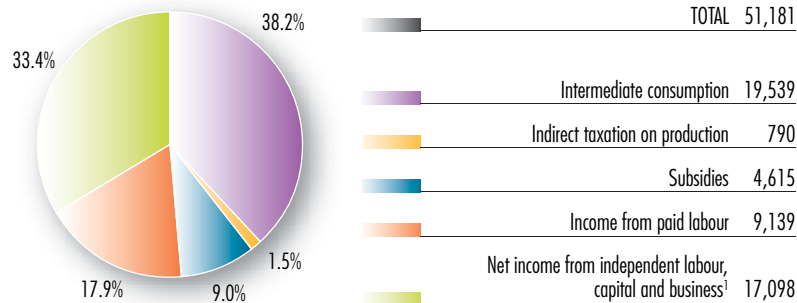
# Gross Agricultural Income

In 2006, the breakdown of gross agricultural income, including production subsidies and indirect taxation, shows contributions of intermediate consumption (seeds, fertilisers, feedingstuffs, energy, services, etc.) of 38.2%.

Income from paid labour accounted for 17.9%. Remuneration for independent labour (farmers, entrepreneurs, family workers, etc.), capital and business was 33.4% after capital depreciation.

Contributions and subsidies disbursed by the state, central administrations and the EU made up approximately 9%.

*Breakdown of agricultural income, 2006\**



\* Including forestry and fishing.

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

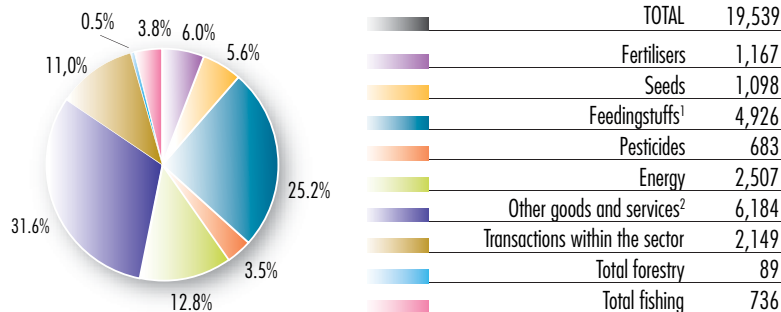
# Intermediate Consumption

Expenditure on intermediate consumption, including forestry and fishing, increased in value in 2006 by 2.1%, following a slight decline in quantity of inputs used (-1.4%) and a significant increase in prices (+3.5%)

With the exception of seeds (+1%), the drop in quantities used applied to nearly all agricultural inputs. Declines were registered especially for plant protection products (-6.1%), feedingstuffs and livestock expenses (-2%) and for services and other goods connected with agriculture (-1.5%). These figures confirm farmers' tendency toward containing production costs and using eco-compatible farming techniques.

Roughly one-third of expenditures for intermediate consumption involved connected services and goods, whereas approximately one-fourth went for feedingstuffs and expenses for livestock.

*Intermediate consumption in agriculture, forestry and fishing (million euro), 2006*



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

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

Intermediate consumption in forestry showed a decline (-4.1%), while it increased for fishing and aquaculture (+1.2%).

Sustained rates of growth continued for the price of motive energy (+10.1%), particularly for electrical

energy (+14%). There was also a significant increase in the price of plant protection products (+9.3%) and fertilisers (+3.5%). There were more moderate price increases for transactions within the sector (+2.9%) and feedingstuffs (+1%).

# Prices and Costs

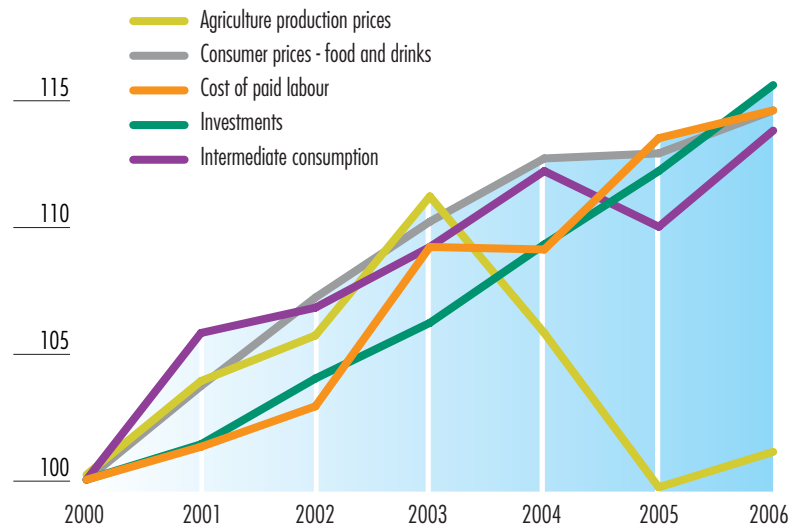
In 2006 prices for intermediate consumption in agriculture rose on average by 3.5%, while those for investments grew by approximately 3%.

The cost of paid labour increased by about 1%, partly because of the increased use of paid labour in the sector (+3.1%).

Production prices for agricultural products and services showed an average increase of 1.4%, following a significant decline in 2005 (-5.7%). Increases were observed, in particular, for cereal products and vegetables (+2%), following the price slump of previous years. Strong growth was noted in the price of potatoes (+16.5%). In the livestock category, prices also showed an upswing (+4.3%), mainly for eggs (+8.5%) and meat.

The development in agricultural trade, measured by the ratio of the production price index to that for

*Index numbers (basis 2000 = 100)*



intermediate consumption, deteriorated further (-2%), continuing the trend of previous years.



# Credit for the Agricultural Sector

In 2006, there was a 7.3% growth in bank lending for agriculture compared to the previous year, less than was recorded for the economy as a whole (12%). This growth involved all geographical areas of Italy across the board. The ratio between total lending and agricultural output rose from 67.5% to 73.1%. The trend in lending confirmed the process of financial restructuring of farms toward long-term loans. Medium- and long-term loans increased from 69% to 70% of the total, showing an increase of 8.8%, as compared to a 3.8% increase in short-term loans. Disbursements for investments dropped by approximately 4% for structures and rural buildings, a counter-trend to the strong growth in 2005. The decline continued for purchases of land and other rural buildings (-1.3%), whereas recovery was shown for machinery and equipment (+7.2%).

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

	Total million euro	Short term %	Medium-to-long term %	% of Output <sup>1</sup>
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	67.5
2006	34,148	30.0	70.0	73.1

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

<sup>1</sup> Output at basic prices.

Source: Observatory of Banking and Business - ABI.

## Lending beyond the short term for agriculture (disbursements in million euro), 2006

Lending	Total	% change 2006/05	Subsidised % of tot.
Machinery and equipment	1,827	7.2	18.7
Purchase of rural property <sup>1</sup>	677	-1.3	7.8
Structures and rural buildings	2,845	-4.1	0.4
<b>OVERALL</b>	<b>5,349</b>	<b>-0.1</b>	<b>7.6</b>

<sup>1</sup> Including agricultural land.

Source: Bank of Italy.

# Investments

In 2006, gross fixed investments in agriculture showed a slight recovery (+0.6%), partially compensating for the decline registered in 2005 (-2.4%). The share of agricultural investments to the total economy has remained stable over past years (roughly 4%).

Net capital stock for agriculture, in real terms, grew by 0.7%, showing a slowdown compared to 2005 (+1%).

Expenditure for machinery and equipment accounted for around 56% of overall spending for investments in the sector. Agricultural investments in information and communications technology represented a somewhat reduced share, yet still showed a trend of growth (+9.1% in 2005 and +6.2% in 2006).

## *Trends in agricultural investments*

Year	Current values million euro	Concatenated values* million euro	% of <sup>1</sup>	
			tot. invest.	VA from agriculture
2000	9,670	9,670	4.0	32.5
2001	9,657	9,527	3.8	32.8
2002	10,559	10,154	3.9	36.1
2003	11,144	10,496	4.1	39.2
2004	12,257	11,209	4.3	37.0
2005	12,340	10,938	4.3	37.8
2006	12,728	11,004	4.2	39.3

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

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

## *Gross fixed investments: characteristic ratios by main sector, 2006\**

	Agriculture	Industry	Services	Total
<i>Investments per individual</i>				
euro	8,300	10,700	10,800	10,600
%	82.5	95.6	103.3	100.0
Var. % 2006/05	0.0	0.9	0.9	1.0
<i>Net capital stock per individual</i>				
'000 euro	119.7	112.1	184.6	161.0
%	74.3	69.6	114.7	100.0
Var. % 2006/05	7.6	1.6	-1.2	-0.2

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

# Production Results According to the FADN

The Farm Accountancy Data Network (FADN) was established under EEC Reg. 79/65, with similar methodology in all Member States, to gather farm accounting figures to determine income and analyse results of management for farming operations.

Beginning with accounting year 2004, the total number of farms in the EU 25 participating in the Farm Accountancy Data Network (FADN) amounted to around 81,000 units, including only so-called “profes-

sional” farms, or those deemed commercial.

On each farm, data are recorded for some 1,000 variables - physical, structural, economic and accountancy - 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.

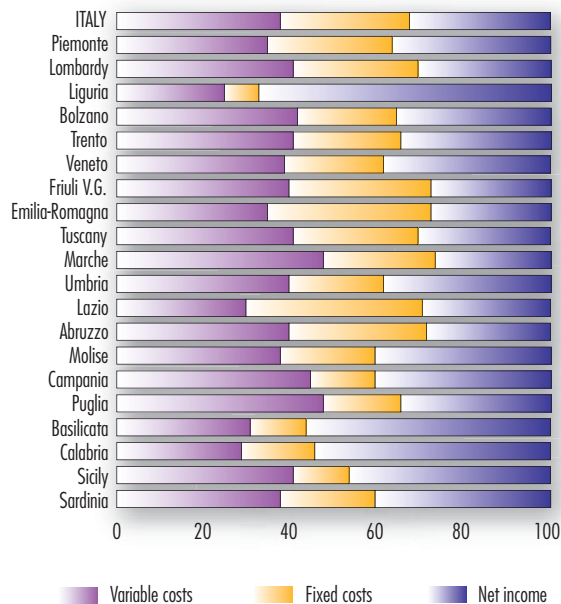
Beginning in 2003, following specific institutional agreements among the Ministry for Agricultural and Forestry Policies, ISTAT, the administrative regions and INEA, the two economic surveys on agriculture were integrated (FADN and REA). This resulted in a radical renewal of the FADN sample, which is now drawn according to criteria of probability starting from a universe of farms defined in the 5<sup>th</sup> Census

## *Italy: results by farm type - farm average 2004*

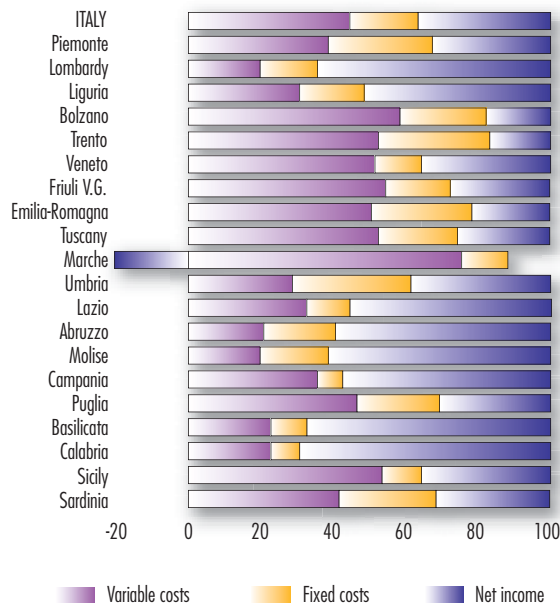
	UAA ha	WU	FWU	GSP euro	Subsidies euro	Variable Costs euro	Fixed Costs euro	Net income euro
Arable crops	18.7	1.04	0.93	34,697	8,542	13,442	10,546	11,003
Horticulture	3.5	2.40	1.57	91,926	1,190	41,379	17,522	33,244
Permanent tree crops	7.3	1.27	0.97	37,557	2,732	12,313	10,350	14,941
Herbivorous livestock	31.1	1.81	1.71	106,841	10,118	61,179	21,945	43,000
Granivorous livestock	14.9	2.46	2.18	400,280	7,311	223,871	46,584	140,112

Source: FADN - INEA.

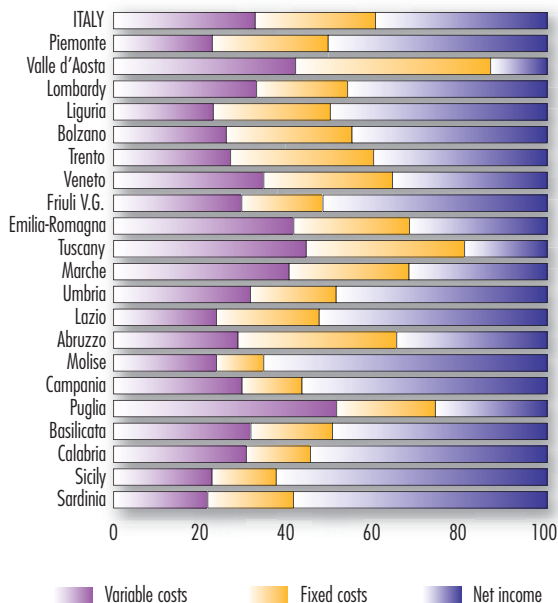
*Farms specialising in arable crops,  
% breakdown of GP, 2004*



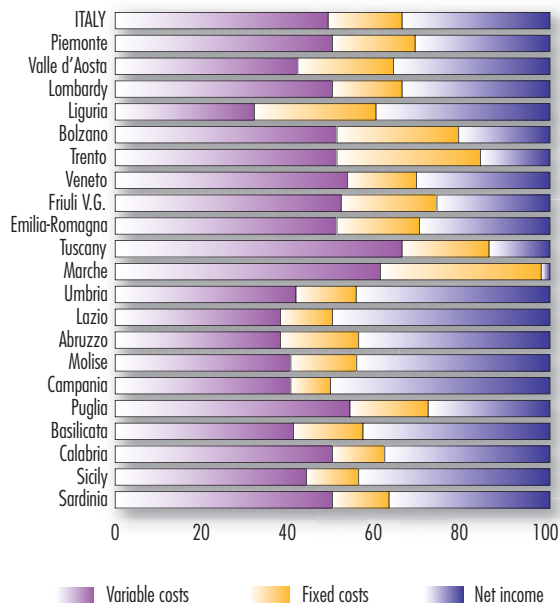
*Farms specialising in fruit, vegetables and flowers,  
% breakdown of GP, 2004*



*Farms specialising in permanent tree crops,  
% breakdown of GP, 2004*



*Farms specialising in herbivorous livestock,  
% breakdown of GP, 2004*

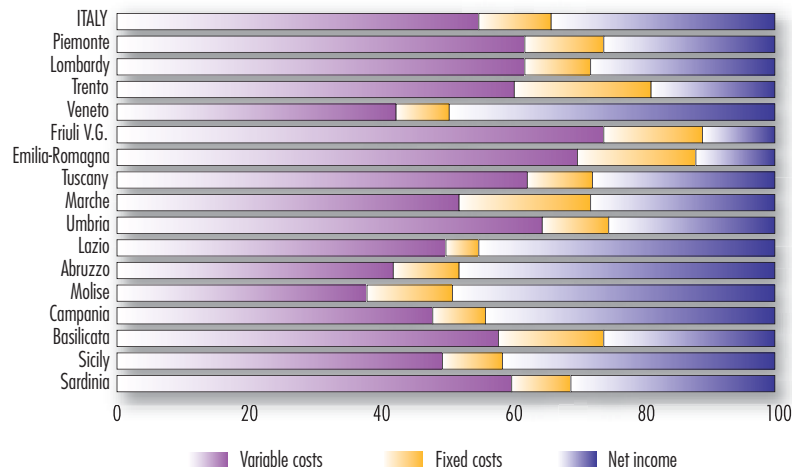


taken in 2000. Presented here is a preview of the processing of FADN data regarding the accounting year 2004. For accurate use of statistical data, note that information is only published that regards the regions where there are at least 10 units in the FT category.

## FADN in Europe

The diversity of EEC agriculture is demonstrated by FADN data, which show that among Member States there are significant differences in productivity and profitability, owing to different endowments of land and labour, but also to differences in management efficiency. New Member States that joined the EU in 2004, along with Portugal, show significantly inferior results compared to EU averages, while the countries of the EU 15 showed varied performance according to category.

## *Farms specialising in granivorous livestock, % breakdown of farms' average GSP, 2004*



For vegetables, flowers and ornamentals, figures confirm the strength of Dutch farms, which showed the best results in terms of productivity, for both land and

labour. But this performance can be viewed quite differently in terms of profitability, especially as regards human capital. These figures are the combined result of twice the

amount of specialised area compared to the average (5.5 ha as opposed to 2.6) and a workforce similar to that of the other countries (0.7 WU/ha), but strongly weighted toward salaried labour (71.2% of WU, as against an average figure of 55.7%). Spanish farms showed an opposite inclination: lower-than-average productivity was countered by high profitability in both areas, which in the case of labour was actually higher than the production value. This result was achieved by containing total costs as a proportion of Gross Product (especially in virtue of the lower rate of depreciation charges, 2.9% vs. 9.3%), which means that nearly half of GP is transformed into practically double the income of the EU average available for family workers, who account for 41.6% of WU on farms. Italian farms showed good profitability, in labour and especially

land, more than double the average; these results can be put down to lesser availability of specialised area (2.6 ha) and labour (0.6 WU/ha, of which 66% is made up by family labour).

France stands out in the wine growing category. Her specialised farms achieved excellent results in terms of productivity and income, especially as regards the labour factor, with 73% greater profitability than the average. This was partly due to lower labour intensity (0.12 WU/ha vs. 0.14), half made up of family labour. The higher incidence of salaried labour also determined a higher share of GP of retribution costs (27.6% as compared to the average of 21.2%).

Spain achieved sharply lower productivity and income results than the average, with a grape-growing area far greater than for the rest of Europe, 11.6 hectares, and deploy-

ment of labour just half of the average available (0.07 WU/ha). Italian farms showed results that were in line with the EU average, revealing low labour efficiency due to greater deployment of workers (0.20 WU/ha). This was partly compensated by the land factor, thanks to smaller areas of vineyards (4.9 ha). The performance of specialised olive oil farms, according to FADN figures, appears quite diversified. Indeed, each country seems to have its own olive growing characteristics, different in quantity, productivity and profitability of factors, and by cost structures. Farms in Cyprus and Portugal both showed poor results for the four indicators, though they are vastly different in terms of production structure and workforce.

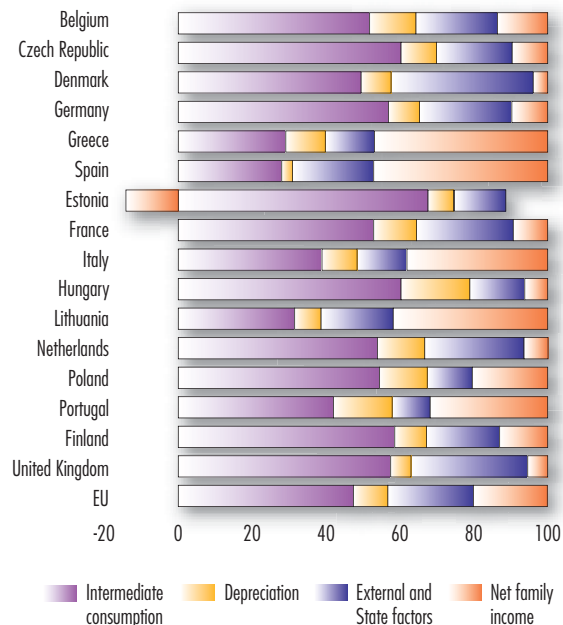
In all countries, family labour is prevalent, accounting on average for over three-fourths of workers

*Farms specialising in fruit, vegetables and flowers,  
average farm results (euro), 2004*

	GP/WU	NI/FWU	GP/ha	NI/ha
Belgium	71,191	19,602	48,514	6,592
Czech Republic	21,852	6,558	4,709	451
Denmark	88,150	20,843	56,172	2,201
Germany	59,591	17,471	68,615	6,674
Greece	21,578	16,653	20,384	9,566
Spain	35,397	40,027	21,060	9,914
Estonia	17,405	-12,521	7,583	-1,150
France	53,406	14,240	30,798	2,863
Italy	43,270	24,918	35,644	13,595
Hungary	14,946	1,632	4,738	294
Lithuania	9,389	8,341	2,362	987
Netherlands	104,549	23,419	76,242	4,920
Poland	15,782	6,010	19,033	3,892
Portugal	14,637	5,409	6,881	2,191
Finland	58,846	15,439	62,564	8,122
United Kingdom	62,482	21,198	36,927	2,008
<b>EU</b>	<b>45,115</b>	<b>20,414</b>	<b>31,880</b>	<b>6,391</b>

Source: EU-FADN calculations, European Commission, DG-AGRI.

*Farms specialising in fruit, vegetables and flowers,  
average farm results (euro), 2004*





(79.4%), with the minimum on farms in Spain (74.5%) and Italy (75.4%) and the maximum in Cyprus (89.9%), Portugal (86.4%) and Greece (88.5%). Spanish farms achieved results in line with the average, even though they appeared more efficient in terms of share of overall costs, partly because of the lower percentages used for depreciation (5.2% vs. 8.9%). Italian farms stand in first place in terms of productivity and profitability of factors, with 7 hectares available land, 5.3 of which are planted to olives, and with labour intensity of 0.15 WU/ha.

The fruit category (including fruit trees, citrus, nuts, small fruits excluding strawberries, and related nursery plants) appears quite varied, with countries of Northern Europe showing productivity indices that are more than double the aver-

age (Netherlands, Belgium, Denmark, United Kingdom), but with less outstanding profitability, because of much higher levels of intermediate consumption to GP, of remuneration for external factors (including salaried labour) and taxes and duties. Among the Mediterranean countries, Italy stands out for its good results for all indices, especially as regards profitability of labour and land. This performance by Italian farms can be traced back to smaller area (5.8 ha vs. 7.8 ha), average labour intensity (0.2 WU/ha) but more heavily weighted toward family labour, which accounts for 79% of the total as compared to 68% on average, and greater efficiency in management. This last allows deployment of only half (50.7%) of GP to cover farm costs. Spanish and Greek farms are

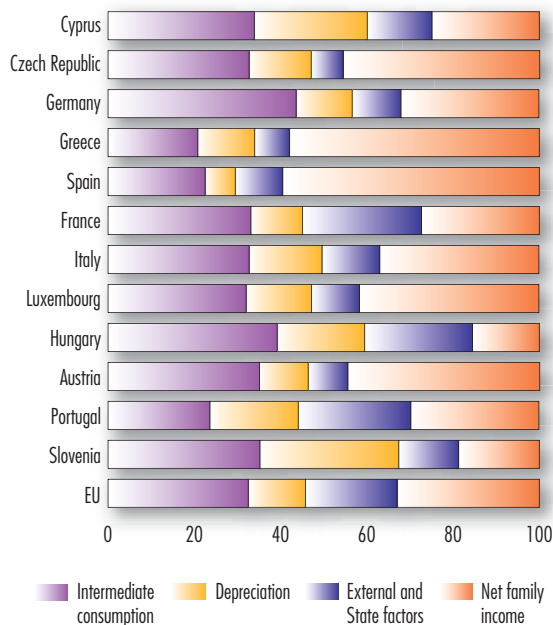
far and away the most efficient in terms of production costs, which absorb only roughly 45% of GP. There is a difference in factors between the Centre-North and the South of Europe: specialised fruit farms in the North have larger area (from 12 hectares in Austria and the Netherlands, to 18.4 ha in Hungary, to 22 ha in Denmark and Germany, to 27.2 ha in France and 41.7 ha in Britain). Specialised fruit farms in the North also rely more heavily on salaried labour (over 62% in Belgium, France, Hungary and the UK). In Southern Europe, farms are smaller (8 ha in Spain, 6.7 ha in Portugal, 5.8 ha in Italy and 3.4 ha in Greece) and family labour is prevalent, accounting for approximately 80% in Spain, Italy, Greece and Portugal, and 95.6% in Cyprus.

*Farms specialising in wine growing,  
average farm results (euro), 2004*

	GP/WU	NI/FWU	GP/ha	NI/ha
Cyprus	12,173	3,620	2,877	715
Czech Republic	28,469	15,675	3,591	1,636
Germany	48,310	20,545	9,595	3,073
Greece	16,532	11,534	5,308	3,075
Spain	22,198	16,812	1,659	987
France	65,765	35,895	7,930	2,162
Italy	33,661	16,582	6,713	2,478
Luxembourg	67,810	45,417	14,948	6,225
Hungary	15,214	6,421	4,193	651
Austria	52,927	29,238	9,010	4,007
Portugal	11,825	5,448	2,673	795
Slovenia	9,364	1,888	4,548	852
EU	40,276	20,283	5,716	1,888

Source: EU-FADN calculations, European Commission, DG-AGRI.

*Farms specialising in wine growing,  
% breakdown of GP, 2004*

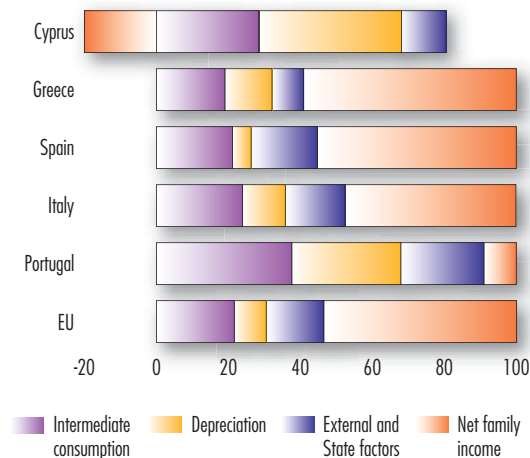


*Farms specialising in olive growing,  
average farm results (euro), 2004*

	GP/WU	NI/FWU	GP/ha	NI/ha
Cyprus	6,626	-2,282	2,242	-694
Greece	10,284	6,864	2,887	1,705
Spain	16,517	12,272	2,091	1,157
Italy	22,022	13,885	2,831	1,345
Portugal	9,485	989	368	33
EU	15,455	10,424	2,306	1,235

Source: EU-FADN calculations, European Commission, DG-AGRI.

*Farms specialising in olive growing,  
% breakdown of GP, 2004*

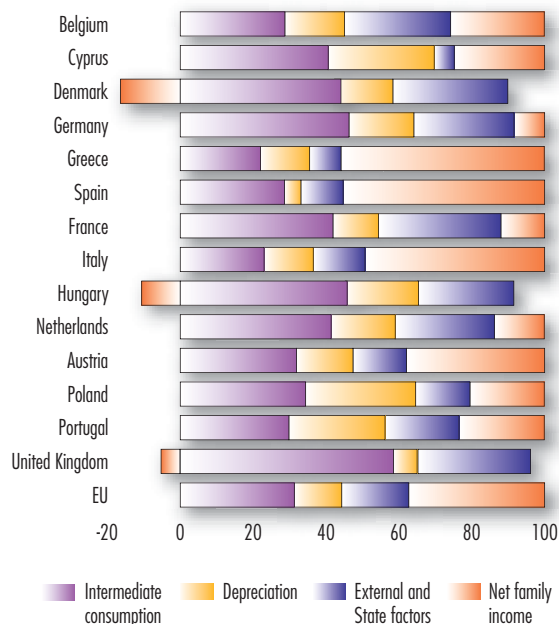


*Farms specialising in fruit,  
average farm results (euro), 2004*

	GP/WU	NI/FWU	GP/ha	NI/ha
Belgium	57,415	39,113	12,395	3,192
Cyprus	9,193	2,382	5,253	1,301
Denmark	58,871	-15,212	2,806	-448
Germany	39,132	6,862	5,870	493
Greece	17,554	12,389	5,886	3,287
Spain	22,765	16,163	3,507	1,940
France	42,435	15,601	6,773	812
Italy	31,136	19,435	6,657	3,281
Hungary	14,968	-4,646	1,615	-166
Netherlands	65,956	19,930	14,830	2,034
Austria	36,013	21,287	7,113	2,699
Poland	8,324	2,715	2,505	512
Portugal	11,570	3,349	2,290	536
United Kingdom	50,771	-10,731	7,566	-336
EU	24,711	13,474	4,815	1,794

Source: EU-FADN calculations, European Commission, DG-AGRI.

*Farms specialising in fruit,  
% breakdown of GP, 2004*



An aerial photograph of a rural landscape, showing a patchwork of agricultural fields in various shades of green, brown, and yellow. A road or path runs horizontally across the middle of the image. The text "AGRI-INDUSTRIAL SUPPLY CHAIN" is overlaid in white, bold, serif capital letters.

# **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.

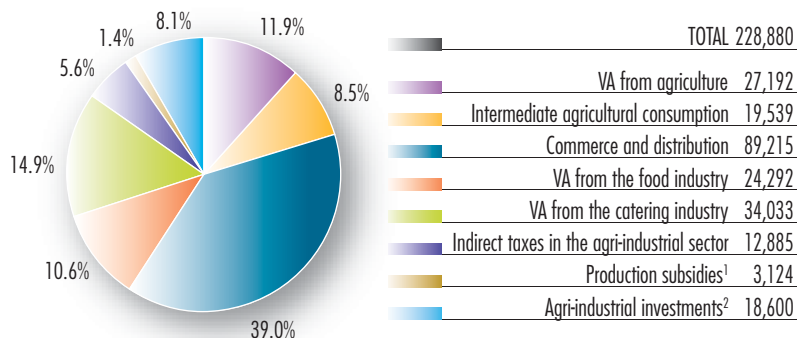
The agri-industrial sector is estimated to have been worth some 229 billion euro at basic prices, or 15.5% of GDP, in 2006. The main contributions were: approximately 27.2 billion from agricultural value added (VA), 19.5 billion from intermediate consumption in agriculture, 18.6 billion from agri-industrial investments, approximately 24.3 billion from VA in the food industry, 34 billion from VA in the catering industry and 89.2 billion from marketing and distribution.

Using market price figures, VA from agriculture and VA from the food

industry would be quite dissimilar from basic price data, with values

of 28 and 34.8 billion euro, respectively.

*Main components of the agri-industrial system\* at basic prices (million euro), 2006*



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

<sup>1</sup> Refers to agricultural subsidies for "production and business activities"; the share of subsidies to "agricultural products", equal to 1,491 million euro, is included in VA from agriculture at basic prices.

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

# Food Industry

The food and drinks sector numbered around 78,000 businesses in 2006, only 3.7% of which employed at least 20 people (ISTAT). There were 476,100 work units in the sector, making up 9.5% of employment in industry as a whole. Marked imbalances persist geographically: 70% of workers and around 78% of value added at basic prices are concentrated in the Centre-North.

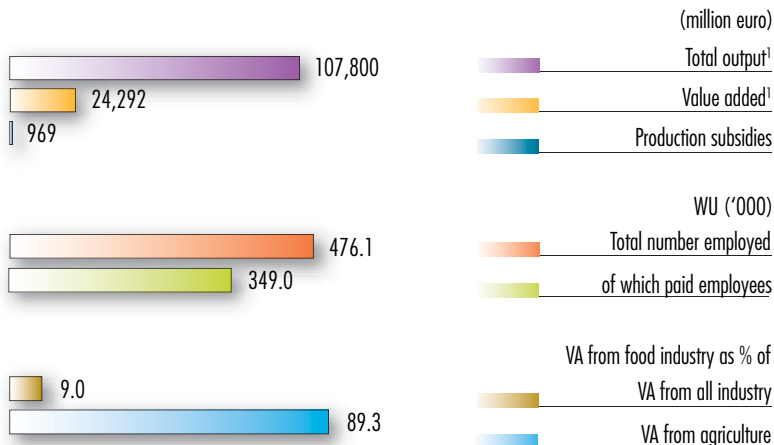
Production in the food and drinks industry increased by 0.6%, far below the average growth for the industrial sector as a whole (+2.7%). The tobacco industry showed a drop of 1.8%.

Value added from the food industry increased in value by 3.4% compared to 2005; the impact of value added from industry in the narrow sense (mining and manufacturing) and agriculture amounted, respectively, to 9% and 89.3%. Compared

to 2005, increases were recorded for production of biscuits, bread and other baked goods (+2.7%), processed and preserved fruit and

vegetables (+3%), milk and dairy products (+3.2%) and sweets (+2.3%). Growth was also observed for drinks, especially wine (+3.4%).

## Food industry\*: main macroeconomic aggregates, 2006

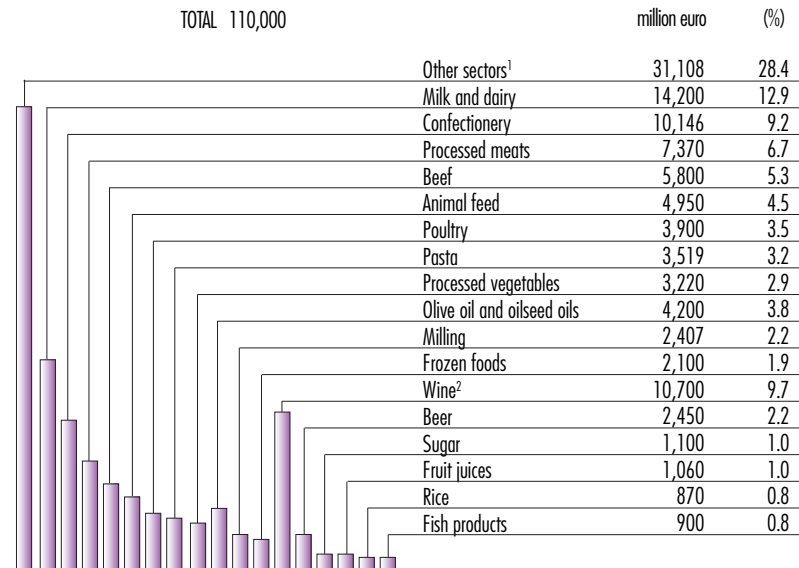


\* Includes drinks and tobacco.

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

Source: valuations from ISTAT figures.

## Turnover in the food industry by sector (million euro), 2006



<sup>1</sup> Of which: baby and diet food (1,300 million euro), soft drinks (1,750 million euro), coffee (2,200 million euro) and mineral water (2,200 million euro).

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

Source: Federalimentare.

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

	Var. 2006/05
Milling <sup>1</sup>	-2.2
Pasta	-0.5
Refined rice	-8.8
Biscuits and bread-making	2.7
Processing of fruit and vegetables <sup>2</sup>	3.0
Vegetable and animal oils and fats	-8.9
Slaughter and processing of meat	0.7
Milk and dairy products <sup>3</sup>	3.2
Sugar production	-60.1
Confectionery	2.3
Condiments and spices	-3.8
Wine <sup>4</sup>	3.4
Beer	0.8
Mineral water and soft drinks	1.8
Animal feed	-1.7
<b>TOTAL</b>	<b>0.6</b>

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

<sup>2</sup> Includes vegetable and fruit juices (var. 5.1%).

<sup>3</sup> Includes production of ice-cream (var. 12.9%).

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



Production declined for milling and flour (-2.2%), refined rice (-8.8%) and refined oils and fats (-12%). Note should be made of the drastic decline in production of sugar and sweet products (-60%), which suf-

fered because of new production levels imposed by the Common Market Organisation for sugar. Considering EU 25 countries as a whole in 2003, the last year for which figures are available, the

agri-food industry, including tobacco, reached value added of around 192 billion euro and 4.5 million employed, equal to 11.3% of value added and 12.8% of employed, respectively, for the industry sector.

### *Food and tobacco industry in the EU\*, 2003*

	VA million euro	To VA for industry %	Employment '000 units	To employment in industry %	VA/employee '000 euro
Total EU 25	192,000	11.3	4,490	12.8	42.8
Meat	30,605	1.8	1,004	2.9	30.5
Milk and dairy	18,000	1.1	390	1.1	46.2
Biscuits, bread, pasta and other <sup>1</sup>	66,657	3.9	1,911	5.4	34.9
Processed fruit and vegetables	10,900	0.6	265	0.8	41.1
Vegetable and animal fats and oils	4,000	0.2	59	0.2	67.8
Flour, milling and starch	6,026	0.4	108	0.3	55.8
Animal feed	7,000	0.4	130	0.4	53.8
Drinks	33,814	2.0	437	1.2	77.4
Fish products	3,752	0.2	129	0.4	29.1
Tobacco	10,000	0.6	60	0.2	166.7
Bulgaria	399	-	112	-	3.6
Rumania	961	-	204	-	4.7

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

### *Turnover in the food industry in the EU, 2003\**

Country	Turnover	
	million euro	%
Belgium	29,296	3.7
Denmark	19,809	2.5
Germany	146,447	18.4
Spain	76,613	9.6
France	142,794	17.9
Italy	94,717	11.9
United Kingdom	100,356	12.6
Netherlands	47,696	6.0
Poland	27,309	3.4
Others	112,032	14.0
Total EU 25	797,069	100.0
Bulgaria	2,632	-
Rumania	5,906	-

\* Excluding the manufacture of tobacco.

# Distribution

There were 194,205 fixed retail outlets selling food as their main commercial activity at the end of 2006, an increase of 2,089 businesses over the previous year (+1.1%). This was the result of a different trend for non-specialised outlets, which increased by 3,585 businesses (+4.1%) and specialised outlets, of

which there were 640 fewer dealing in fruit and vegetables (-2.9%), 442 fewer dealing in meat (-1.2%) and 658 fewer dealing in other specialised products (-3.3%). There was an increase, however, in businesses specialising in wine, olive oil and drinks (+6%).

Geographically speaking, the num-

ber of food outlets showed the greatest increases in the Centre (+3.4%). In 2006, the value of food sales in fixed retail outlets increased by 1.5%. This was evidence, however, of a significant rise in the number of large-scale retail businesses (+1.8%) and a lesser increase in businesses operating in small shops (+0.4%).

## Food retail outlets, 2006\*

	North		Centre		South & Islands		Italy	
	number	%	number	%	number	%	number	%
Fruit and vegetables	8,042	11.8	4,382	13.4	9,336	10.2	21,760	11.2
Meat and meat-based products	10,815	15.8	5,972	17.9	19,911	21.8	36,698	18.9
Fish and fish products	1,556	2.3	1,430	4.2	5,377	5.9	8,363	4.3
Bread and confectionery	6,009	8.8	2,064	6.1	4,747	5.2	12,820	6.6
Wine, oils and drinks	2,231	3.3	1,139	3.1	1,775	1.9	5,145	2.6
Other specialised foods	6,696	9.8	2,747	8.5	9,706	10.7	19,149	9.9
Other non-specialised foods	32,863	48.2	17,124	46.8	40,283	44.2	90,270	46.5
Total	68,212	100.0	34,858	100.0	91,135	100.0	194,205	100.0
% of total outlets	23.1		22.8		27.7		25.0	
DENSITY <sup>1</sup>	392		326		228		303	

\* Main premises and local outlets.

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

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

By geographical area, sales increased most of all in the North-East (+2.1%) and the Centre-South (+1.8%).

### Large-scale retail trade

As of 1 January 2006, there were 8,181 registered supermarkets (+4.6% over 2005). The number of

sales points increased most in the South (+7.7%). The total area used for retail topped 7 million square metres (+5.5%), and the workforce increased to a total of over 150,000 workers (+4.8%). Hypermarkets also increased in number, to 459 (+10.1%), with total retail space of over 2.7 million square metres

(+11.6%) and around 76,000 workers (+5.3%). The South in particular recorded the greatest growth, in numbers (+28.3%), area (+30.7%) and workers (+12.6%).

In 2006, sales increased in value by 1.4% for supermarkets, by 2.5% for hypermarkets in the food sector, and by 3.7% for hard discount stores.

### Large-scale retail food trade by geographical area, 2005\*

	Outlets		Sales area <sup>1</sup>		Employees <sup>1</sup>		Number of outlets per 100,000 inhabitants	Sales area sq.m./1,000 inhabitants
	number	var.% 2006/05	sq.m.	var% 2006/05	number	var.% 2006/05		
North	4,694	3.6	5,739,494	5.6	138,585	3.9	17.5	214.4
Centre	1,660	4.0	1,835,064	5.7	46,182	3.6	14.6	161.6
South & Islands	2,286	8.3	2,233,554	12.7	41,164	10.5	11.0	107.6
TOTAL	8,640	4.9	9,808,112	7.2	225,931	5.0	14.7	166.6

\* Supermarkets and hypermarkets. At 1 January 2006.

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

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

# Food Consumption

In 2006, household expenditure in Italy on food and drink, including alcoholic beverages, was approximately 139,000 billion euro, an increase of 4.2%. Total consumption by volume rose by about 2.6%. Compared to 1996, the share of

‘food in families’ total expenditure dropped from 17.9% to 15.9%. Expenditure for eating out (canteens, restaurants and fast food), according to ISTAT, amounted to around 64.5 billion euro, with an increase in value of 4.4%, mainly owing to in-

creases in prices (+2.4%) and volume (+2%). Between 1996 and 2006, the impact of this figure, in relationship to the value of food consumption, rose from 38.2% to 46.5%, showing a gradual change in people’s eating habits.

The most important categories in terms of expenditure are meat (30.7 billion euro), bread and cereal products (25.1 billion) and milk and dairy products and eggs (17.8 billion). Compared to 2005, increases in volume were recorded especially for bread and cereal products (+3.6%), meat (+3.8%), fruit (+6%) and coffee, tea and cocoa (+6.6%). Expenditures dropped by 4.2% for oils and fats and 1.4% for alcoholic beverages.

Compared to 1996, families spent less on meat, vegetables, oils and fats, and alcoholic beverages, whereas they spent more for bread and cereal-based products, fruit,

## Break-down of food consumption, 2006

Product	% of total food expenditure	Average annual % of change 2006/96	
		volume	price
Meat	22.1	0.8	1.7
Bread and cereal-based products	18.1	2.2	1.5
Milk and dairy produce and eggs	12.8	1.2	1.4
Vegetables and potatoes	10.5	0.5	2.6
Fruit	6.7	1.4	1.8
Fish	6.5	1.0	2.6
Sugar and confectionery <sup>1</sup>	6.4	1.3	1.8
Wine and other alcoholic beverages	5.1	0.9	2.5
Mineral water and other drinks <sup>2</sup>	5.4	2.5	1.2
Oils and fats	4.7	0.6	1.5
Coffee, tea and cocoa	1.3	0.9	0.8
Other foods <sup>3</sup>	0.3	2.8	0.9
<b>TOTAL</b>	<b>100.0</b>	<b>1.2</b>	<b>1.7</b>

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

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

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

### *Food consumption in some EU countries (kg per capita), 2005*

Product	Germany	Greece	Spain	France	Italy	Hungary	Poland	EU 25	Bulgaria	Romania
Cereals and cereal products	107.3	210.0	101.0	105.5	160.9	158.4	152.2	124.3	200.0	203.8
Refined rice	4.7	10.5	6.2	6.3	10.4	5.7	2.6	ng	3.8	3
Potatoes	66.5	101.0	81.9	44.0	46.0	70.3	129.4	ng	37.2	86.5
Fresh tomatoes	7.9	46.8	ng	14.0	19.5	6.7	7.6	ng	29.4	12.0
Fresh fruit <sup>1</sup>	25.7	99.4	ng	40.1	78.0	35.4	18.1	ng	14.1	ng
Citrus	44.5	66.7	ng	ng	59.7	13.7	16.3	ng	12.6	8.0
Milk <sup>2</sup>	64.1	64.4	103.8	70.3	57.7	64.4	93.7	ng	ng	ng
Cheese	20.4	25.6	10.1	23.5	21.0	6.1	12.8	16.9	ng	ng
Eggs	13.0	10.3	18.0	15.2	11.9	ng	11.7	ng	ng	ng
Butter	6.4	0.8	1.0	7.8	2.8	0.8	3.5	ng	ng	ng
Total meat	87.1	83.3	122.6	102.3	92.2	ng	79.1	ng	ng	ng
beef	12.1	15.3	15.5	26.6	24.1	ng	6.6	ng	ng	ng
pigmeat	53.8	28.7	60.9	35.5	38.5	ng	48.1	ng	ng	ng
Oils and vegetable fats	ng	48.6	33.3	12.9	13.4	ng	5.9	ng	ng	12.6
Sugar	37.4	29.0	29.0	36.5	ng	33.9	39.8	ng	45.9	25.0
Wine <sup>3</sup>	23.7	28.9	32.2	47.1	46.2	30.4	1.6	27.9	12.2	26.9

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

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

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

mineral water and drinks.

Average family spending for food and drinks in 2006 showed levels similar to those of the previous year (456 euro per month), with higher

expenditures in the Centre (467 euro per month). Average family spending for food and drinks accounted for 19% of total monthly outlays: meat was the largest ex-

pense (+4.3%), with increased spending for tender beef, beef and cold meats and salami. Consumption declined for poultry, rabbitmeat and turkey.

# Foreign Trade

In 2006, results for the agri-industrial system and trade transactions showed improvement in Italy's position on the world scene, compared to the previous year. Agri-industrial production rose by 1.3%, countering the negative trend of past years, and the rate of growth in trade also increased: exports showed an increase of 6.2%, up one percentage point compared to imports (+5.2%). The effect on balance of trade was positive, and despite the fact that the figure is still negative, there was an improvement of 13.3% in value compared to the previous year.

Main trade indicators provide a picture of relative stability in the relationships among various aggregates, inasmuch as both degree of supply and degree of cover remained almost unchanged compared to 2005, whereas propensities to import and export increased by the same rate (+1.4%).

When weighed against Italy's total trade transactions worldwide, the share for agri-food was 8.8% for imports and 6.9% for exports, both slightly down from 2005.

The EU was once again Italy's most important trading partner: Italy's trade quota with EU 25 countries for exports amounted to 68.3%, slightly lower than in 2005, and

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

		2000	2005	2006
<b>MACROECONOMIC AGGREGATES</b>				
Total agri-industrial output <sup>1</sup>	(O)	67,899	71,422	72,349
Imports	(I)	25,134	29,139	30,660
Exports	(E)	16,778	21,120	22,419
Balance	(E-I)	-8,356	-9,500	-8,241
Volume of trade <sup>2</sup>	(E+I)	41,912	50,259	53,079
Apparent consumption <sup>3</sup>	(C = O+I-E)	76,255	79,441	80,590
<b>INDICATORS (%)</b>				
Degree of self-sufficiency <sup>4</sup>	(O/C)	89.0	89.9	89.8
Propensity to import <sup>5</sup>	(I/C)	33.0	36.7	38.0
Propensity to export <sup>6</sup>	(E/O)	24.7	29.6	31.0
Degree of trade cover <sup>7</sup>	(E/I)	66.8	72.5	73.1

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

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

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

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

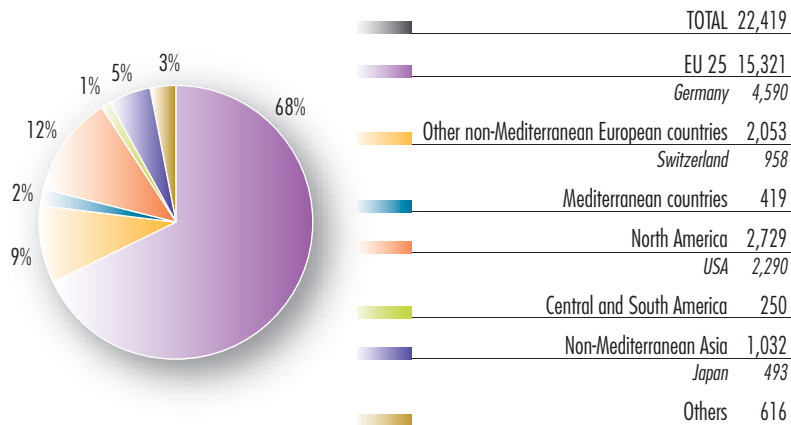
<sup>4</sup> Output-consumption ratio.

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

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

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

### *Italy's agri-food export destination (million euro), 2006*



that for imports was 70.1%, practically the same as the year before. The top five supplier countries for Italy were France, Germany, Spain, the Netherlands and Austria, while

the most important importers of Italy's goods, in addition to Germany and France, were the USA, followed by the UK and Spain. In the primary sector, both imports

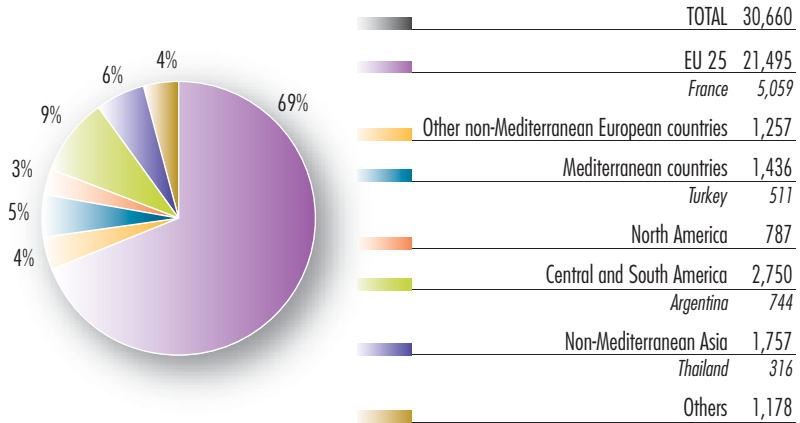
and exports grew by about 6%, and the trend was similar for food industry trade flows. Both grew by nearly 10% from one year to the next. As a result, normalized balance of both aggregates remained unchanged, at -38% and -7%, respectively.

As regards Italy's competitive advantage, in terms of exported products, it was sustained by traditional Made in Italy products, given that the top five products sold to other countries were VQPRD red and rosé wines, pasta, virgin and extra-virgin olive oil, canned tomatoes and biscuits and baked goods.

On the contrary, Italian imports were concentrated in the country's weaker structural categories, such as livestock and fish products. Main imports included pigmeat and beef, virgin and extra-virgin olive oil (which Italy both imports and ex-

ports in large volumes), frozen shellfish and mollusks, and cattle for rearing.

*Italy's agri-food import source (million euro), 2006*





## Foreign trade by main agri-food sector (million euro), 2006

	Import	Export	Nb* (%)
Cereals	1,412	44	-93.9
of which from seed	49	12	-59.9
Fresh legumes and vegetables	688	831	9.4
of which from seed	163	53	-50.7
Dried legumes and vegetables	103	28	-57.3
Citrus	183	115	-22.9
Fresh fruit	939	1,867	33.1
Dried fruit and nuts	633	189	-54.0
Raw textile fibres	181	10	-89.8
Oilseeds and fruits	449	35	-85.5
of which from seed	8	7	-9.0
Cocoa, coffee, tea and spices	819	46	-89.4
Flowers and ornamental plants	390	485	10.9
Uncured tobacco	25	175	75.0
Live animals	1,503	50	-93.6
of which animals for breeding	97	20	-66.2
of which animals for rearing and slaughtering	1,387	24	-96.6
of which other live animals	19	6	-52.6
Other livestock products	453	31	-87.0
Forestry products	915	118	-77.2
of which wood	508	8	-96.9
Fish products	838	237	-56.0
Other products	256	141	-29.2
<b>TOTAL PRIMARY SECTOR</b>	<b>9,787</b>	<b>4,401</b>	<b>-38.0</b>

	Import	Export	Nb* (%)
Cereal products	854	3,002	55.7
of which pasta	39	1,377	94.5
Sugar and confectionery	1,050	943	-5.4
Fresh and frozen meat	4,173	733	-70.1
Processed meat	243	845	55.4
Processed and preserved fish	2,831	319	-79.8
Processed vegetables	697	1,233	27.7
Processed fruit	450	753	25.2
Dairy products	2,904	1,505	-31.7
of which milk	698	5	-98.6
of which cheese	1,279	1,211	-2.7
Oils and fats	2,388	1,595	-19.9
Oilcake and oilseed flour	884	171	-67.5
Drinks	1,278	4,364	54.7
of which wine	288	3,176	83.4
Other food industry products	2,237	2,018	-5.1
<b>TOTAL FOOD INDUSTRY</b>	<b>19,988</b>	<b>17,481</b>	<b>-6.7</b>

<b>TOTAL AGRI-FOOD BALANCE</b>	<b>29,776</b>	<b>21,882</b>	<b>-15.3</b>
--------------------------------	---------------	---------------	--------------

Cured tobacco	1,918	12	-98.8
<b>TOTAL AGRI-INDUSTRIAL BALANCE</b>	<b>31,694</b>	<b>21,894</b>	<b>-18.3</b>

\* Nb = normalized balance.





# **AGRICULTURAL MULTI-FUNCTIONALITY**

## Greenhouse gas reduction and protection of bio-diversity

In March of 2007, the EU committed to reducing greenhouse gas emissions by 20% by 2010, to increase energy efficiency by 20% and to rely on an energy mix of which 20% comes from renewable sources. This would include 8% from biomass and bio-fuels, and would set an obligatory minimum of 10% for “green” fuels in the market for traditional fuels. EU objectives leave Member States full choice in their own energy mixes, while they establish national plans with specific objectives for electricity, bio-fuels and heating.

On 2 April 2007, Italy began a voluntary national market for buying and selling emissions of CO<sub>2</sub> from large industries managed by the central electric authority. In May 2007, the European Commission

## Implementation of the Natura 2000 Network in Italy

Region	SPAs (no. sites)	SPA area (ha)	SCIs (no. sites)	SCI area (ha)
Piemonte	37	96,387	124	224,937
Valle d'Aosta	5	94,647	28	105,730
Lombardy	62	203,749	193	224,197
Trentino-Alto Adige	31	116,453	192	301,443
Veneto	67	331,505	100	367,765
Friuli-Venezia Giulia	7	99,002	56	132,372
Liguria	7	19,615	125	145,428
Emilia-Romagna	74	174,419	127	223,821
Tuscany	61	126,861	120	282,513
Umbria	7	47,092	98	109,670
Marche	29	121,660	80	102,605
Lazio	42	402,870	183	143,175
Abruzzo	5	342,520	53	252,585
Molise	25	41,568	88	100,967
Campania	28	215,762	106	363,211
Puglia	16	207,126	77	465,448
Basilicata	17	35,592	47	55,461
Calabria	6	262,255	179	85,609
Sicily	29	364,776	218	384,887
Sardinia	15	51,207	92	426,256
<b>ITALY</b>	<b>570</b>	<b>3,355,066</b>	<b>2,286</b>	<b>4,498,080</b>

Source: APAT on figures from Ministry for the Environment and the Protection of Land and Sea, July 2006.

accepted the Italian plan for 2008-2012 to reduce greenhouse gas emissions, authorising a yearly quota of 195.8 million tonnes of CO<sub>2</sub>.

Safeguarding biodiversity is one of the mid-term priorities of the Sixth Environment Action Programme of the European Community for 2010-12. According to the World Conservation Union, there are 16,119 animal and plant species in danger of extinction, of which 600 are found in the EU and 266 in Italy. In 2006, the EU adopted five thematic strategies for future measures, for air pollution, marine environment, urban environment, use of resources and waste. It ratified the Agreement on Conservation of Migratory Waterbirds, signed the protocol to enact the Alpine Convention for mountain farming, and issued Directive 118 protecting groundwater from pollution.

## **EU funding for the environment**

The EU's financial instrument in support of environmental policy, LIFE, is divided by project topics: LIFE-Nature, LIFE-Environment and LIFE-Third Countries. In 2006, Italy benefited from 7 LIFE-Environment-funded projects (7.2 million euro) and 4 funded by LIFE-Nature (3.3 million euro) for protection of biodiversity, conservation of coastal and fluvial habitats, and safeguarding birds of prey. For the 2007-13 period, the EU has funded 2.1 billion euro for the new LIFE+ programme, which went into effect on 12 June 2007.

The Natura 2000 network, which also covers marine areas, is made up of areas destined for conservation of biological diversity and protection of animal and plant habitats; it includes 5,501 Special Protection Areas (SPAs), covering 454,723 square

kilometres of land (9.9% of EU territory) and 65,111 square kilometres of marine area, as well as 20,862 Sites of Community Importance (SCIs), covering 560,445 square kilometres of land (12.2% of EU territory) and 77,807 square kilometres of marine area.

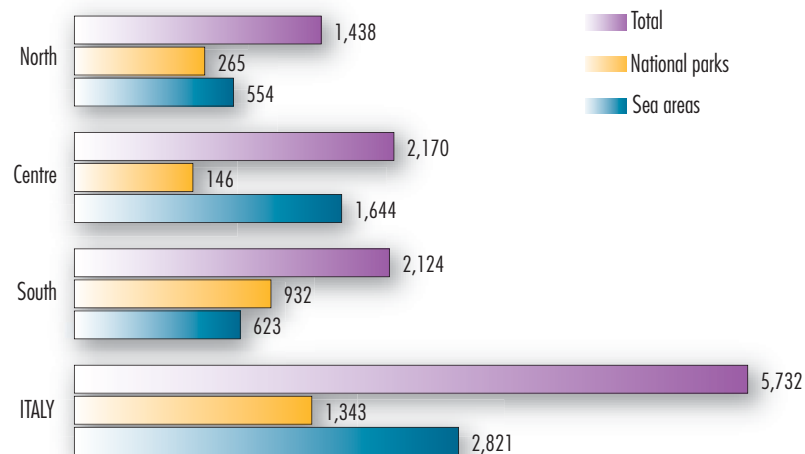
To manage the Natura 2000 Network and national ecological networks, in the 2007-13 programming period, Member States must use and integrate various funds (structural, rural development, LIFE+); furthermore, as of 1 January 2007, farmers who receive benefits for Natura 2000 areas as part of Regional Development Programmes (RDPs) must respect conditions defined by CAP.

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

The Environment Ministry sped up the process of establishing new ma-

rine areas and protection of coastal areas, and took over coordination of the National Wildlife Institute. For 2007, the Ministry received 490 million euro for the Soil Defence and Environmental Protection Fund, of which 200 million went for soil defence, 100 million for reclamation and environmental clean-up, 70 million to improve air quality and reduce subtle dust, 51 million for protection against hydro-geological risk, and over 20 million for protection of the sea. Law 266/06 (Finance Law 2007) assigned 25 million euro to the Mountain Fund, gave the administrative regions direct responsibility in managing Natura 2000 sites, increased funding for parks, launched a special programme to demolish illegal works in protected areas (9 million euro through 2009) and set up a plan of action for green acquisitions by the public sector. The law

### *Protected natural areas in Italy\**



\* '000 hectares, 2003 census.  
Source: ISTAT, Italy in Figures 2007.

further established the Fund for Sustainable Development, the Fund for Sustainable Mobility and the

Rotating Kyoto Fund, which were given 75, 270 and 600 million euro, respectively, through 2009. It also

set up the Water Fund, financed with proceeds from plastic bottles.

### **Biodiversity: protected areas and the national ecological network**

Italy was the first EU Member State to sign on to the international initiative Countdown 2010, involving 188 countries, to slow the loss of biodiversity: of a total of 198 habitats in Europe and listed in the Habitat directive, 127 are in Italy, 43 of which are endangered. These include marshy and coastal wetlands, Mediterranean scrub and riparian forests. Italy has also pro-

moted a Charter for 50 wetland areas covering 58,507 hectares, recognised by the Ramsar International Convention.

Protected natural areas (see the list at [www.minambiente.it](http://www.minambiente.it)) and many other protected zones cover an area of 5.7 million hectares, or 19% of national territory; protected sea areas cover 263,415 hectares and account for 3.8% of Italy's coastal waters. To these are added 2.5 million marine hectares in the Marine Mammal Sanctuary, which includes coastal areas in Liguria, Sardinia and Tuscany.

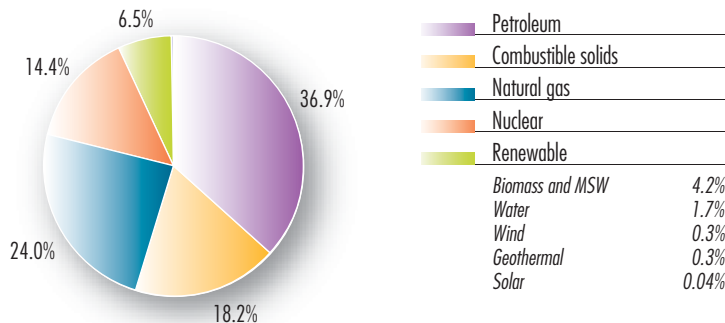
### ***Recently established protected areas***

- Colli di Bergamo Nature Park (Lombardy)
- North Milan Nature Park (Lombardy)
- Laghi di Conversano e Gravina di Monsignore regional nature reserve (Puglia)
- Fontana Gigante Special Nature Reserve and Protected Area (Piemonte)
- Palude di San Genuario Special Nature Reserve and Protected Area (Piemonte)

## Production

The role of renewable energy sources (RES) - wind, geothermal, hydroelectric, photovoltaic and biomass - in fulfilling the total energy needs of Europe is still rather small, despite its potential importance as recognised by the European Commission, both for security of supply and to combat climate change. In 2005, the amount of solid biomass used for electrical energy production reached 58.7 MTEP, with France, Sweden, Germany and Finland as the main producers (EurObserv'ER, 2006). EU production of biogas from animal excrement and waste was 4.7 million tonnes, over 47% of which was produced in the UK and Germany (EurObserv'ER, 2006). Two-thirds of biogas is used to produce electrical energy and one-third for thermal energy, while only a small amount is as yet trans-

## Energy sources in the EU 25, 2005



Source: EUROSTAT.

formed into automotive fuel. The EU produces 3.9 million tonnes of bio-fuels (EBB 2006). Italy is in third place, after Germany and France, with 396,000 tonnes of bio-diesel, 80% of which comes from imported rapeseed and sunflower seed oils; only 70,000 hectares in

Italy were planted to oilseeds. The EU produces a modest amount of bio-ethanol, with nearly 1.5 million tonnes of ETBE, with major contributions from Spain, Sweden, Germany, France and Poland, while Italy produced a paltry 8,000 tonnes.



According to the GSE (electric service management), electrical energy production from RES in Italy in 2006 was 52.3 billion kilowatts (+4.5% over 2005), 12.8% of which was produced from biomass and waste. The greatest increases were in wind power (+37%), photovoltaic energy (+12.9%) and energy from biomass (+9.2%).

### Incentive policy in the agri-energy supply chain

The Finance Law of 2007 proposes a comprehensive set of measures toward developing the agri-energy supply chain, from agriculture to the transformation industry.

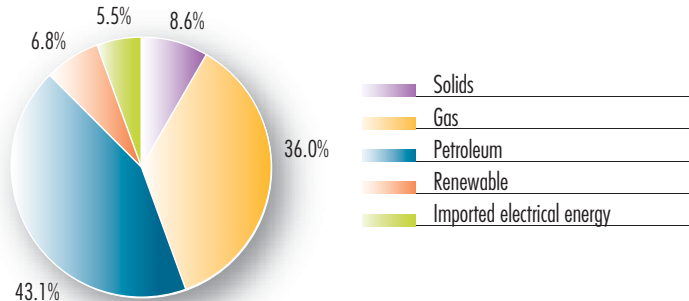
Measures focus particularly on reinforcing requirements linked to achieving the goals of the Kyoto Protocol, and on creating an agri-energy market, through the obligation to supply the market with

quantities of bio-fuels from agri-culture.

In January 2007, the first national framework contract was signed for production of bio-diesel from oilseeds, produced from land eligible for energy use or set-asides, pending proper industrial transformation

processes. The goal for 2007 is to extend plantings of oilseeds for energy use - rapeseeds, sunflower seeds, brassica and soya - over an area of 70,000 hectares (approximately 70,000 tonnes of bio-diesel), and to reach an area of 240,000 hectares in 2010.

### *Italy's energy production by source, 2005*



Source: Ministry for Economic Development - Observatory of Energy Statistics, 2006.

Italy's forested area is estimated by ISTAT to be just over 6.8 million hectares, or around 25% of national territory. Using a different methodological survey basis, the National Forest and Carbon Inventory (IFNC) determines forested area to be over 10 million hectares, or 34.7% of national territory. From 1990 to 2000 alone, the rate of expansion of forested land was estimated at around 0.3% per year, as compared to the European average of 0.1%. The gradual growth of forests has occurred largely at the expense of grassland and agricultural areas. More than 50% of forested area in Italy is covered by coppice and coppice-with-standards, especially in the regions of Central Italy. As for high forests, 46% are pure stands of conifer, the most productive located in the regions of the North-East. 60% of producing woodlands are in moun-

*Forested area by altitude zone, 2005 (%)*

	Mountains	Hills	Lowlands
High coniferous forests	81.4	15.1	3.4
Non-coniferous high forests	57.7	31.1	11.3
Simple coppice	56.0	41.1	2.9
Coppice-with-standards	49.3	46.4	4.3
Mediterranean scrub	10.0	77.1	12.9
<b>ITALY</b>	<b>59.2</b>	<b>35.6</b>	<b>5.1</b>

*Source: ISTAT.*

tain areas and 35% are in the hills. In the lowlands, wood arboriculture is prevalent, made up of artificial facilities planted to fast-growing, short rotation species. In just over twenty years, production went from 136,581 hectares in 1982 to 94,871 hectares in 2004. Of Italy's forests, 60% are owned privately, with notable differences in degree of fragmentation and type of management, and consequently in produc-

tivity. In 2004, more than 95,000 felling licences were issued, 86,000 of which were for private properties with average felling areas of less than one hectare. The regions with the most felling and the greatest felling area showed a high stand density index (Calabria, Trentino and Lombardy). The intensity of felling was highest in the less wooded regions of Umbria, Lazio, Molise and Campania.

### *Area affected by fire and number of forest fires, 2006*

	Number of fires	Area affected by fire (ha)		Total	Average (ha/n)
		Wooded area	Non-wooded area		
Piemonte	280	835	340	1,175	4.2
Valle d'Aosta	19	64	28	92	4.8
Lombardy	156	253	557	810	5.2
Trentino-Alto Adige	64	4	2	6	0.1
Veneto	49	37	42	79	1.6
Friuli-V.G.	118	224	232	456	3.9
Liguria	379	1,148	399	1,547	4.1
Emilia-Romagna	65	86	69	155	2.4
Tuscany	491	390	221	611	1.2
Umbria	71	84	103	187	2.6
Marche	35	71	20	91	2.6
Lazio	274	1,024	898	1,922	7.0
Abruzzo	56	158	182	340	6.1
Molise	57	56	157	213	3.7
Campania	471	1,015	1,208	2,223	4.7
Puglia	307	992	2,142	3,134	10.2
Basilicata	153	562	505	1,067	7.0
Calabria	983	2,834	5,122	7,956	8.1
Sicily	935	4,682	8,788	13,470	14.4
Sardinia	680	1,903	2,509	4,412	6.5
<b>ITALY</b>	<b>5,643</b>	<b>16,422</b>	<b>23,524</b>	<b>39,946</b>	<b>7.1</b>

Source: National Forestry Service.

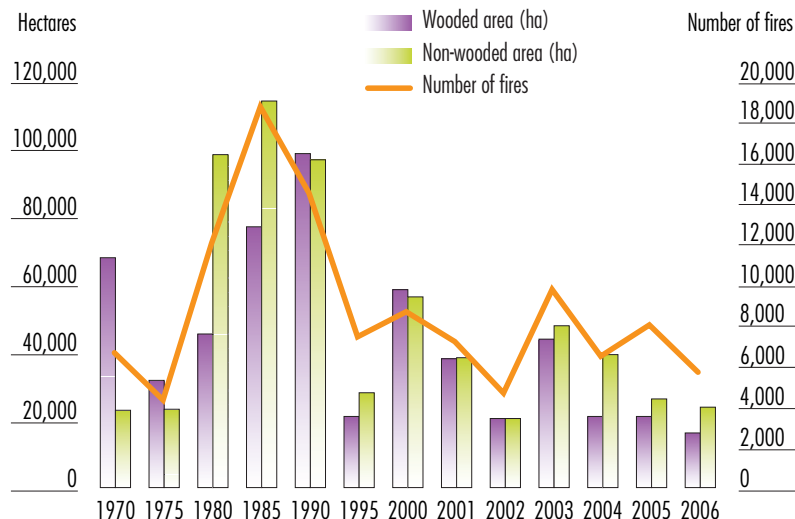
### **The health of Italy's forest patrimony**

The National Network for Control of Forest Ecosystems shows a disturbing situation for over one-fourth of Italy's forests. In 255 observation points monitored by the National Forestry Service (around 7,000 trees), crown defoliation is occurring on average of 25% in 40% of cases. The most widespread pathologies and damage include attacks of parasites, which affect 9% of wooded lands, followed by damage caused by weather events or intense climate conditions (5.6%) and by grazing or game (3.2%). These phenomena have mainly affected non-coniferous stands.

The most obvious threat to forest ecosystems is still fire, with approximately 11,000 fires a year and an average of 50,000 hectares damaged or destroyed. The regions of

the South remain the hardest hit, especially the bigger islands. In general, the worst affected areas are those covered by coppice woods. Among high forests, conifers are most vulnerable, especially coastal groves of maritime, stone and Aleppo pines.

*Area affected by fire and number of fires*

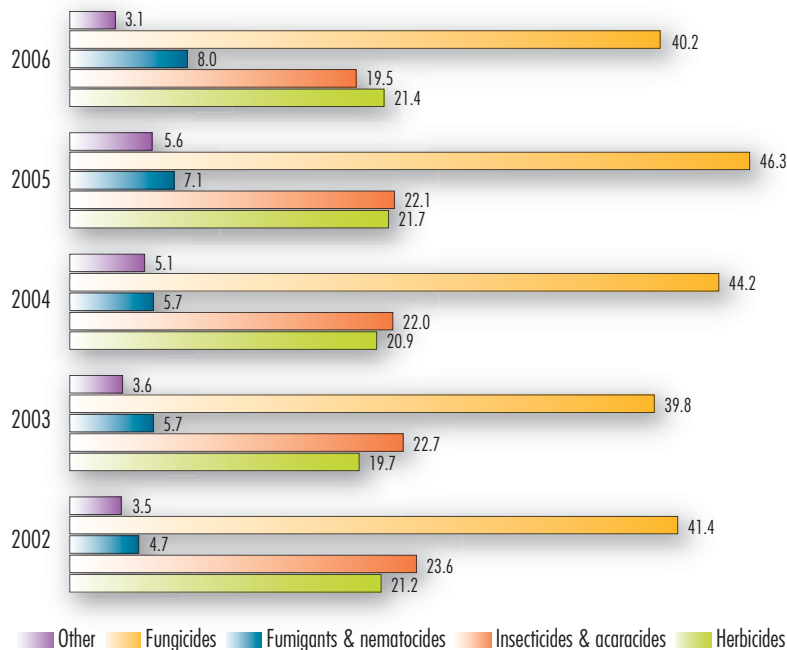


# Use of Chemical Products

The use of pesticides in Italian agriculture is in gradual decline: over the past 15 years, their use has dropped on average by 35%, especially insecticides (-46%) and fungicides (-39%). This trend can be traced to a variety of factors, including favourable climate conditions, type of crops, development of products with innovative molecules, low dosage, training and awareness among farmers.

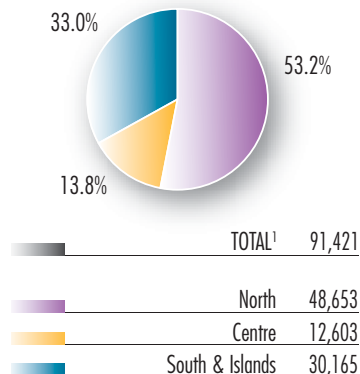
In 2006, fewer fungicides were used compared to the previous year (-13.1%), due to new crop defence strategies, whereas owing to reduced sugar beet cultivation because of the CMO sugar reform, fewer weed killers were used (-1.5%). The mix of active substances used, 92,217 tonnes, dropped overall by 10.3%. As in the last three-year period, there was a trend to an increase in market value for plant protection products (+1.3% over

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



Source: Agrofarma, from figures supplied by member farms.

### *Use of plant protection products by geographical area (tonnes), 2006*



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

Source: Agrofarma.

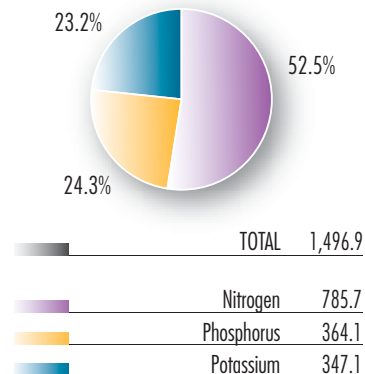
2005), as the effect of increased use of innovative products and higher unit sales prices.

In the past few years, the percent-

age of irregularity in agri-food products has gone down, which can be explained by restrictions on admissible use, with official inspections, and heightened awareness among farm operators about the substances they use. In 2006, 96.1% of the 11,852 samples of fruit and vegetables analysed by the National Residue Observatory were within legal limits, with 58.6% residue-free and only 3.9% showing residues above the limits of the law. Results from the Health Ministry were also reassuring: on 6,330 samples of fruit and vegetables, 98.5% were within legal limits and 65.8% were free of residues.

Consumption of fertilisers containing nitrogen, phosphorus and potassium was down slightly in 2006, for a total of 1.49 million tonnes (-2.3%). This was due to an increase in prices internationally, especially for nitrogen, and lowered

### *Composition of fertilisers used ('000 tonnes), 2006*



Source: Assofertilizzanti.

use of phosphate-based products (-4.2%) resulting from crop choices imposed by CAP (fewer cereal seeds, especially durum wheat).

# Organic Farming

The new regulation on organic farming (Regulation (EC) No. 834/07), which repeals Reg. (EEC) No. 2091/91, introduces a required logo and product origin on labels, sets maximum levels of accidental and technically unavoidable GMOs at 0.9%, and strengthens import vigilance.

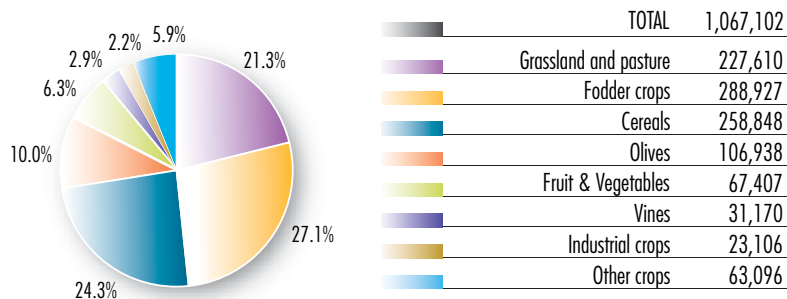
In Italy, the National Action Plan for organic farming has received financing of 30 million euro for the 2007-09 three-year period, while the new organic farming outline approved by the Council of Ministries in April 2007 introduces a series of instruments to encourage development and competitiveness: “organic districts” on a regional basis; agreements within the sector; organic aquaculture; wine obtained from organic farming; and expanded use of organic foods in hospitals, schools and preschools. It also strengthens

## *Organic farms in Italy, 2005*

	Production	Transformation	Import	Total	
				number	var. % 2005/04
Piemonte	2,361	346	19	2,726	22.6
Valle d'Aosta	70	9	0	79	1.3
Lombardy	880	424	35	1,339	3.7
Trentino-Alto Adige	718	139	5	862	3.7
Veneto	1,075	451	25	1,551	-2.6
Friuli-Venezia Giulia	298	95	5	398	5.3
Liguria	356	81	12	449	1.1
Emilia-Romagna	3,321	687	42	4,050	0.6
Tuscany	2,343	483	15	2,841	4.4
Marche	2,583	175	4	2,762	26.1
Umbria	1,353	121	8	1,482	4.4
Lazio	2,532	284	2	2,818	0.4
Abruzzo	1,341	155	3	1,499	40.8
Molise	252	41	0	293	-21.7
Campania	1,219	209	5	1,433	11.1
Puglia	5,715	392	2	6,109	81.1
Basilicata	4,885	52	0	4,937	142.5
Calabria	3,968	210	0	4,178	-0.8
Sicily	7,936	513	2	8,451	24.6
Sardinia	1,527	74	1	1,602	-12.5
<b>ITALY</b>	<b>44,733</b>	<b>4,941</b>	<b>185</b>	<b>49,859</b>	<b>21.7</b>

Source: SINAB.

### *Organic farmland and land under organic conversion, by crop, 2005 (ha)*



Source: SINAB.

the system of inspections, assigning authority to administrative regions and autonomous provinces.

### **Production**

With 49,859 organic farms, Italy leads Europe as well as being the fourth-largest producer worldwide. The main categories remain fodder

crops, cereals, grasslands and pastures, which as a whole account for 73% of organically farmed area. The increase in area particularly affected industrial crops (+62.1%), cereals (+35.3%) and olive trees (+20.2%). Organic farms are concentrated in the South and Islands (57.1%), while those specialising in processing

and importation were mostly in the North. There were fewer importers, however (-6.6%), confirming the recovery in national production. As for organic livestock farming, though poultry suffered a collapse (-29.5%) due to the avian flu scare, growth was shown for pigs (+18.2%), sheep and goats (+48.2%) and beef cattle (+3.5%).

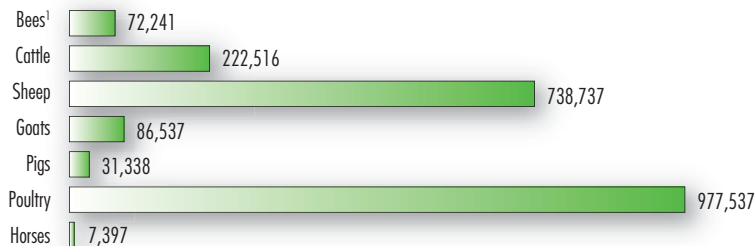
### **Market**

According to IFOAM, the volume of the organic market in the EU was valued at around 14 billion euro, nearly half the world's total. In Italy overall turnover of organic products in 2006 was estimated (Coldiretti and Ispo) at 1.5 billion euro, or 2% of the food products market. These were broken down into tinned products (22%), milk and dairy products (21%), fruit and vegetables (18%), bread, pasta and rice (13%), drinks



## Number of head raised by organic methods, 2005

TOTAL 2,136,303



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

Source: SINAB.

(12%), meat and eggs (9%) and diet products (5%). The organic food processing industry numbers over 4,500 businesses, or 12.6% of Italy's food businesses. In 2006, sales through the GDO, the country's major large retail network, were down by 2.6%, which affected 65% of the

overall sales channels for organic products (ISMEA). On the contrary, according to Bio Bank, growth was recorded for specialised retail, with 1,094 sales points (+7.9%) and direct sales, with 2,163 farms and agritourism facilities (+7.5%), 288 purchasing groups (+29.7%) and

193 small markets (+4.3%). As for non-household consumption, as against a slight decline in restaurants (-3%), consumption was widespread in take-aways, fast food restaurants, wine shops, pizzerias and catering. School canteens that used at least 80% organic ingredients continued to increase in all the regions, for a total of 658 (+1.7%).

## Coexistence between organic and transgenic agriculture

There were 180,000 hectares planted to GM maize and soya in Europe in 2006 (ISAAA), led by Spain (60,000 hectares). There are 31 legally marketed GM products in the EU: 17 varieties of maize, 6 of rape, 5 of cotton (one of which is authorised in Italy as an additive for human and animal food consumption), one of soya, one of yeast and one of bacterial protein. Following recommendations by the

Commission in July 2003, Law 5/05 dictated minimal rules for coexistence in Italy, which leave in place the ban on transgenic crops destined for the market, and requires regional plans to be established (for which the State-Administrative Region Conference has asked a temporary moratorium). As a result, authorisations for research and experimentation have also been suspended, with 20 protocols for assessing the risk of experimental GM maize, grapevines, olive trees, aubergines and tomato currently under examination by the Environment Ministry.

### *Organic farming in the EU, 2005*

	Number of farms	Var. % 2005/04	Area (ha)	Var. % 2005/04
Belgium	693	0.0	22,996	-3.1
Czech Republic	829	-0.8	254,982	-3.2
Denmark	2,892	-8.7	145,636	-7.2
Germany	17,020	2.5	807,406	5.1
Estonia	1,013	25.1	59,862	30.1
Greece	14,614	62.3	288,255	15.5
Spain	15,693	-2.0	807,569	10.1
France	11,402	3.1	560,838	5.0
Ireland	978	9.0	35,266	15.0
Italy	44,733	22.1	1,067,102	11.8
Cyprus	305	35.6	1,698	66.8
Latvia	2,873	175.5	118,612	170.2
Lithuania	1,811	0.0	69,430	88.3
Luxembourg	72	0.0	3,243	2.7
Hungary	1,553	-10.3	123,569	-7.1
Malta	6	500.0	14	7.7
Netherlands	1,377	-0.4	48,765	1.3
Austria	20,310	2.4	360,972	4.7
Poland	7,183	91.0	167,740	102.8
Portugal	1,577	21.1	233,458	37.4
Slovenia	1,718	8.1	23,499	2.0
Slovak Republic	196	67.5	92,191	71.4
Finland	4,296	-12.1	147,587	-8.9
Sweden	2,951	-6.0	200,010	-9.9
United Kingdom	4,285	6.9	619,852	-10.2
EU 25	160,380	14.1	6,260,553	8.4

Source: FiBL.

# Investments in Irrigation

Water issues are handled in a concerted manner by the Environment Ministry, the Ministry for Infrastructures, the Ministry for Agriculture, Food and Forestry Policies (MIPAAF), and the Ministry of Economics and Finance.

In 2002, MIPAAF launched the planning process for the irrigation

sector, in accord with the administrative regions, paving the way for creating the National Irrigation Plan set forth in Law no. 350/03 (Finance Act of 2004).

Total financing of 1,600 million euro was made available for the 2007 planning period, to be divided up nationally and distributed as follows:

- with Law no. 350/03, 1,100 million euro was assigned for irrigation, 770 million euro of which was destined for the Centre-North and 330 million for the South. 550 million euro was made available for 2005 and 550 million euro for 2008.

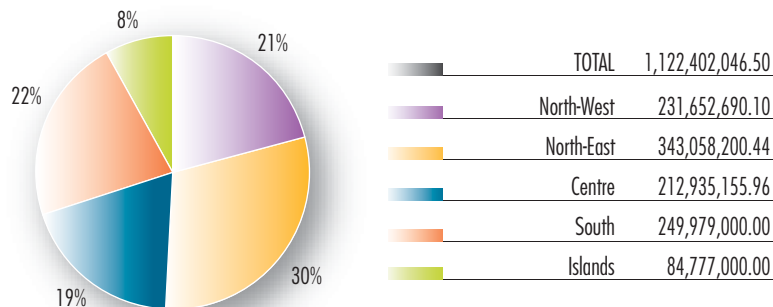
- with Law no. 266/05, a sum of 500 million euro was allocated for completion of irrigation measures set forth in Law no. 350/03, destined entirely for areas in the Centre-North, available in 2007.

Finally, the Finance Act of 2007 made it possible to overcome some administrative problems and launch the National Irrigation Plan.

In the distribution of financing, shown in the following graph, consideration was made of irrigated area by individual administrative region.

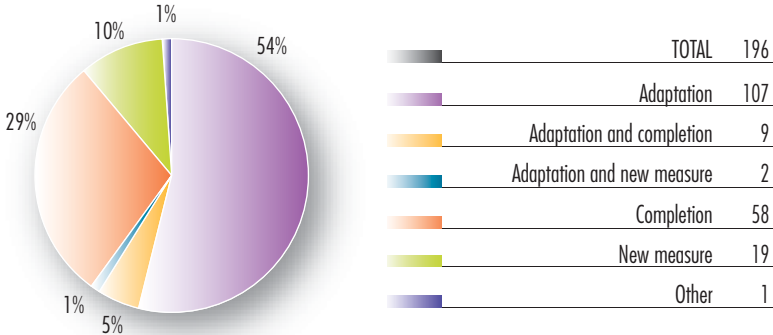
Preference was given to those measures that called for improvement,

*National Irrigation Plan: funding by geographical area, 2007*



adaptation, special maintenance or reconversion of irrigation networks, the goal being to save resources and carry to completion investments already in place.

*National Irrigation Plan: type of measures*

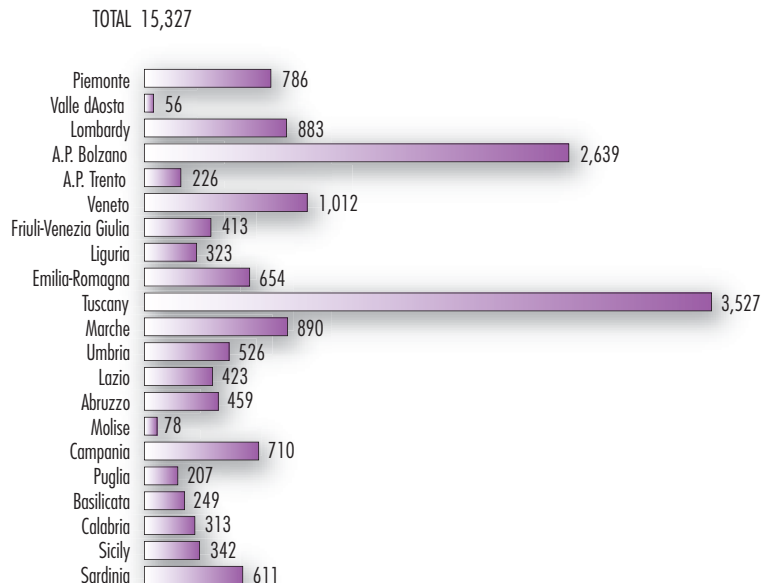


# Agritourism

Agritourism is the most widespread multi-functional activity on farms in Italy and is typical of the country, as it forms an integral part of farming activity. Agritourism is different from rural tourism, which is common in other European countries, and which has no direct connection with agriculture.

For 2005, ISTAT reported an increase in farms with farm-stay licences (+9.3% compared to 2004). Declines in numbers of such farms were shown only in Molise (-12.7%) and Campania (-3.9%). Though still a niche sector, agritourism has grown in both overall numbers and individual kinds of enterprises: figures increased for lodging (+8.8%), catering (+5.4%) and other activities (+6.3%), which included horseback riding, excursions, nature watching, mountain biking, courses and sports, in the face of a decline in tasting licences (-7.1%).

*Agritourism farms by region, 2005*

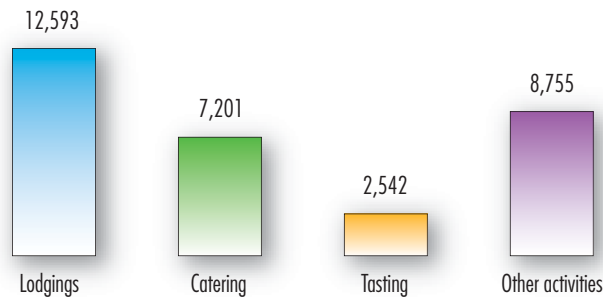


Source: ISTAT.

Most agritourism sites are in hilly areas (50.6%) and the mountains (35.8%). Nearly half (45.7%) are found in Northern Italy (Alto Adige leads with 2,865 sites) and 35% in the Centre (Tuscany leads with 3,527 facilities); in the South, Campania stands out (710 units) along with Sardinia (611). 52.6% of licensed lodgings offer only sleeping accommodations; 14.5% include breakfast, 28.4% offer full board and 15.3% offer half board. There are 84,137 beds, with an average of 10.8 beds per farm.

Agritourist figures for 2006 estimate the sector turnover at 880 million euro, with an average growth of 3.7% per farm.

### *Agritourism farms by type of service\*, 2005*



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

There is growing public interest in recreational, cultural and educational activities offered on agritourism sites, with around 2,000

educational farms in Italy and 6,000 farms that are connected to convalescent facilities, structures for senior citizens and the like.

# Quality Products

## Protected designation of origin

With 159 registered PDO and PGI products, Italy has the richest basket in the EU (21% of the total). The greater part of PDO and PGI products are vegetables (30.8%), extra-virgin olive oil (nearly 24%) and cheese (over 20%).

The latest recognitions were awarded to: Fucino upland carrots (PGI), Gargano “femminello” lemons (PGI), Stelvio or Stilsfer cheese (PDO) and Sardinia extra-virgin olive oil (PDO) (for the complete list of PDO and PGI products, see [http://ec.europa.eu/agriculture/qual/it/1bbab\\_it.htm](http://ec.europa.eu/agriculture/qual/it/1bbab_it.htm)).

Cheeses account for more than 52% of designated origin products, fruit and vegetables make up 22.8% and olive oil represents less than 1.1% (Qualivita certified production figures for 2005). Production value for PDO and PGI products hovers around 4.6 billion euro, and con-

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

Region	Fruit, vegetables and cereals	Olive oil	Cheese	Processed meats	Other products <sup>2</sup>	Total
Piemonte	1	-	9	3	-	12
Valle d'Aosta	-	-	2	2	-	4
Lombardy	1	2	8	7	-	17
Liguria	1	1	-	-	-	2
Trentino-Alto Adige	2	-	5	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	1	3	-	1	2	4
Molise	-	1	1	1	1	2
Campania	8	3	2	-	1	11
Puglia	3	5	2	-	1	10
Basilicata	2	-	1	-	-	3
Calabria	1	3	1	4	1	10
Sicily	7	6	2	-	-	15
Sardinia	-	1	3	-	1	4
<b>ITALY<sup>1</sup></b>	<b>49</b>	<b>38</b>	<b>32</b>	<b>28</b>	<b>12</b>	<b>159</b>

\* As of June 2007.

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

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

sumption value is 9.3 billion: cheese and processed meats and salami total 95% of both values, fruit around 3%, and olive oil just 1.1%. More than 60% of production value comes from only 4 products: Reggiano parmesan cheese, Grana Padano cheese, Parma ham and San Daniele ham.

The highest number of recognised quality products is registered in the North (Veneto, Lombardy and Emilia-Romagna, which leads with 25 PDO-PGI products). The North also boasts the highest level of certified production and value of turnover. The South, with the exception of Campania, still does not take full advantage of its potential, despite its geographical advantages and the range of its certified products.

## DOC Wines

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

duction quality. There are 350 DOC wines, 35 of which are classified DOCG. The latest recognitions went to the following wines: Morellino di Scansano (DOCG), Terre di Casole (DOC) and Terracina (DOC).

In the 2006 harvest, production of DOC and DOCG wines accounted for just over 31% of total wines produced in Italy, registering around 14.8 million hectolitres. The North continued to produce the highest volume of quality wines: 8.3 million hectolitres, or 56% of the nation's DOC production. Wines of designated origin show a good trade pattern, holding first place in the list of Italy's agri-food exports, for a total value of 1,447 million euro.

## Traditional products

Traditional agri-food products do not share equal status with those of designated origin, but respond to

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

	DOCG	DOC	IGT
Piemonte	9	45	-
Valle d'Aosta	-	1	-
Lombardy	3	15	14
Trentino-Alto Adige	-	8	4
Veneto	3	25	10
Friuli-Venezia Giulia	2	9	3
Liguria	-	8	3
Emilia-Romagna	1	20	10
Tuscany	7	36	6
Umbria	2	11	6
Marche	2	14	1
Lazio	-	26	4
Abruzzo	1	3	9
Molise	-	3	2
Campania	3	17	9
Puglia	-	25	6
Basilicata	-	3	2
Calabria	-	12	13
Sicily	1	22	6
Sardinia	1	19	15
<b>ITALY</b>	<b>35</b>	<b>315</b>	<b>118</b>

\* As of 19 June 2007.

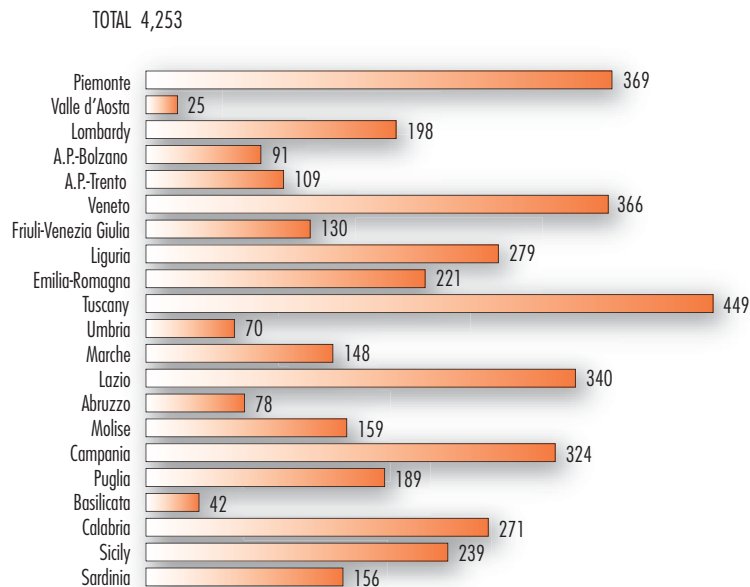
N.B. The national totals for DOC and IGT wines are lower than the sum of the regional totals because some of the wines are interregional.



the need to safeguard typical products and traditional processes. The list, established by Legislative Decree 173/98, is overseen by MI-PAAF and updated annually by the administrative regions.

As of the sixth revision, there were 4,253 traditional products, 1,252 of which were in the bread and baking category, 1,193 were vegetable products, 716 were smoked ham, sausages and fresh meats, 146 were drinks, distillates and liquors, 143 were types of honey and ricotta cheese, 136 were prepared fish, shellfish and mollusks, and 126 were cooking ingredients.

### *Number of traditional agri-food products by region, 2006*



*Source: Processing of data from the National List of Traditional Agri-Food Products, Ministry for Agricultural and Forestry Policies, sixth revision 2006.*



An aerial photograph of a rural landscape featuring a patchwork of agricultural fields. The fields are separated by narrow roads and lines of trees. The entire image is covered with a semi-transparent purple filter. In the center, the words "AGRICULTURAL POLICY" are written in a white, bold, serif font.

# **AGRICULTURAL POLICY**

# CAP in Italy: Pillar I

Beginning in 2005, agricultural policy reform in the European Community was extended to olive oil, tobacco, cotton, hops and sugar, with the inclusion of direct aid to these sectors within the single payment scheme. Italy further decided to proceed a year in advance in introducing single payments for direct aid allocated as of 2004 to milk and dairy producers.

At the moment of allocation, the value of definitive certificates for 2006 went down by 8.03% (similar to the reduction in 2005), in order to respect national ceilings and build up national reserves. A deduction will be made on the value of aid received by farmers, of 4% for 2006 (with an exemption on the first 5,000 euro in aid).

Among the various options made available to Member States by the Fischler Reform, it should be remembered that Italy chose to apply

Article 69 of Regulation (EC) No. 1782/03 to the sectors of arable crops, beef, sheepmeat and goatmeat, and sugar. The adoption of this article made it possible to make a deduction on ceilings for each sector, to disburse supplemental payments to benefit producers who, based on conditions of admissibility defined at the national level, commit to improving quality of production, marketing and the environment. For the second consecutive

year, adherence to Art. 69 by producers has been significant. This meant that the financial ceiling available for supplemental payments was surpassed, and as a result the unitary amount liquidated to producers dropped.

Among other applications of the Fischler Reform, Italy opted for total decoupling of aid to the olive and seed oil sector, calling only for annual funding of programmes prepared by operators organisations

## *Ceiling for implementation of the single payment scheme in Italy, 2006 ('000 euro)*

- Ceiling for the single payment scheme	3,593,132
- Art. 69 arable crops	141,712
- Art. 69 beef	28,674
- Art. 69 sheepmeat and goatmeat	8,665
- Art. 69 sugar	6,389
- Art. 71 exclusion of seeds	13,321
<b>NATIONAL CEILING</b>	<b>3,791,893</b>

Source: Regulation (EC) No. 1156/06.

## *Application of Art. 69 of Regulation (EC) No. 1782/03 in Italy, 2006*

Sector	Deduction	Maximum sum (theoretical)	Surface/head allowable for aid	Sum liquidated
Arable crops	8%	180 €/ha	2,658,516 ha	53.66 €/ha
Beef	7%	180 €/head	1,048,000 head	27.35 €/head
Sheepmeat and goatmeat	5%	15 €/head	6,607,824 head	1.31 €/head
Sugar	8%	180 €/ha	60,340 ha	105.80 €/ha

*Source: processing of AGEA figures.*

with amounts of just less than 36 million euro.

As for tobacco, just over 189 million euro was earmarked for payments coupled to production (60% of the sector limit), to be distributed to tobacco producers (excluding those in Puglia, for whom aid was completely decoupled) based on fixed aid to production for different varieties of tobacco.

For sugar, Italy decided to participate in the sector-restructuring scheme, by relinquishing 50% of its national production quota (result-

ing in the closing of 13 factories). Sugar beet producers who continued to produce were allocated additional transitional aid coupled to production. Sugar beet businesses and sugar industries that stopped producing were given transitional aid for restructuring, to be reduced over time (for 2006, 657 €/tonne for the industry and 73 €/tonne for sugar beet businesses), for a total of 568 million euro. Regions affected by restructuring were allocated a fund for diversification of 85.2 million euro (for unitary aid of 109.5

€/tonne of quota relinquished); a further amount of 42.6 million euro was set aside for sugar beet farmers who stopped production (for a unitary amount of 54.75 €/tonne of released quota).

An important measure in Pillar I of the CAP was the application in Italy of the scheme of milk quotas. In the 2006/07 farm year (April-March), excess production was similar to that of the year before. Indeed, based on a regional summary of monthly reports, more than 600,000 tonnes of excess milk was produced. If these figures are confirmed, producers could face fines of around 180 million euro. In the previous farm year, based on provisional figures issued by the European Commission, Italy produced approximately 611,000 tonnes of excess milk, and was penalised with a fine of around 189 million euro.

## EAGGF-Guarantee

EAGGF-Guarantee spending for Italy in 2006 declined by just less than one percentage point compared to the previous year, and to-

talled 5,461 million euro. It should be noted that EAGGF accounting is figured on sums paid out, and thus refers substantially to payments made for measures carried out in 2005 and preceding years.

### *EAGGF-Guarantee Section expenditure by country, 2006*

	million euro	%	Var. % 2006/05
Belgium	943.7	1.9	-8.8
Czech Republic	319.8	0.6	13.5
Denmark	1,162.2	2.3	-5.1
Germany	6,543.4	13.1	0.6
Estonia	32.9	0.1	21.9
Greece	3,070.6	6.2	11.5
Spain	6,654.5	13.3	3.9
France	10,044.6	20.2	0.8
Ireland	1,723.2	3.5	-4.6
Italy	5,461.0	11.0	-0.7
Cyprus	23.7	0.0	-29.7
Latvia	41.3	0.1	50.2
Lithuania	168.0	0.3	32.2
Luxembourg	44.7	0.1	-0.7

	million euro	%	Var. % 2006/05
Hungary	606.9	1.2	17.9
Malta	1.4	0.0	55.6
Netherlands	1,209.6	2.4	-3.7
Austria	1,271.5	2.6	2.9
Poland	990.5	2.0	12.8
Portugal	946.4	1.9	6.1
Slovenia	40.1	0.1	21.9
Slovak Republic	149.5	0.3	30.7
Finland	817.1	1.6	-9.5
Sweden	923.9	1.9	-3.4
United Kingdom	4,287.2	8.6	1.7
EC*	2,371.0	4.8	8.3
<b>TOTAL</b>	<b>49,848.7</b>	<b>100.0</b>	<b>1.9</b>

\* Spending for EC programmes not imputable to any single country.  
Source: EU Commission.

Nearly all the new Member States received considerable increases in spending, owing to the progressive phasing-in of direct aid, but these increases still do not substantially change the countries' relative positions. Italy's quota, though somewhat less, remained anchored at 11% of total spending for the EU-25. The trends in spending by type of measure confirm that direct aid remains the major source of funding. In 2006, single payments in Italy accounted for 38%, with a further 30% in other direct aid still partially or totally coupled to production. In the EU, by contrast, other direct aid is more prevalent than single payments. The classic instruments of CAP measures, export refunds and storage, continue to be less important, amounting to just over 3% of the total, compared to the European average of a little more than 6%. Expenditures in

Italy were slightly down for rural development, whereas funding increased significantly for other measures (distillation, restructuring and reconversion, etc.), which reached 17% of the total, as compared to the EEC average of 10%.

*EAGGF-Guarantee expenditures by category of measure, 2006*

	Italy		EU		Italy/EU
	million euro	%	million euro	%	%
Export refunds	89.3	1.6	2,467.2	4.9	3.6
Storage	98.6	1.8	653.6	1.3	15.1
Single payment	2,098.8	38.4	15,947.5	32.0	13.2
Other direct aid	1,656.6	30.3	18,142.7	36.4	9.1
Rural development	591.1	10.8	7,719.3	15.5	7.7
Other measures	926.5	17.0	4,918.4	9.9	18.8
<b>TOTAL</b>	<b>5,461.0</b>	<b>100.0</b>	<b>49,848.7</b>	<b>100.0</b>	<b>11.0</b>

Source: EU Commission.

# CAP in Italy: Pillar II

The year 2006 marked a fundamental step for rural development policy, being in fact the last year of planning, during which all measures funded through the EAGGF-Guarantee Section were completed. These included measures contained in Rural Development Programmes (RDP).

Payments for measures funded by the EAGGF-Guidance Section, contained in the Leader+ Programmes and Regional Operations Programmes (ROP), can be extended through the end of 2008.

Overall, public funds disbursed in Italy for agriculture and rural development amounted to approximately 12.4 billion euro for the whole 2000-2006 period.

As regards the RDPs, public spending in 2006 was just over one billion euro. Distribution of expenditures of RDPs, by category of measure, shows a strong share for envi-

## *Spending for rural development programmes ('000 euro), 2000-2006*

	Planned public spending 2000-2006			Disbursed public spending 2000-2006		
	RDP	ROP	RLP	RDP	ROP	RLP
<b>Regions outside Objective 1</b>						
Piemonte	863,876	-	23,993	860,478	-	14,467
Valle d'Aosta	119,107	-	5,417	107,313	-	2,778
Lombardy	804,679	-	14,954	806,928	-	8,326
A.P.-Bolzano	266,263	-	17,624	266,258	-	10,219
A.P.-Trento	210,626	-	7,578	206,529	-	4,189
Veneto	660,319	-	28,336	655,815	-	17,862
Friuli-Venezia Giulia	209,705	-	11,591	216,685	-	6,600
Liguria	213,476	-	12,353	216,943	-	7,000
Emilia-Romagna	836,689	-	22,375	838,122	-	12,455
Tuscany	721,647	-	32,618	724,412	-	20,490
Umbria	395,165	-	16,512	397,244	-	9,551
Marche	455,592	-	16,827	455,511	-	10,629
Lazio	587,170	-	24,863	561,425	-	12,037
Abruzzo	290,430	-	34,454	287,311	-	19,271
<b>Objective 1 regions</b>						
Molise	45,198	100,331	10,975	45,199	68,764	6,199
Campania	201,652	1,066,727	31,507	200,874	701,339	18,058
Puglia	389,372	814,006	33,594	388,005	480,991	15,123
Basilicata	244,250	386,500	22,707	245,009	228,150	13,089
Calabria	299,180	852,916	28,339	297,620	543,427	16,056
Sicily	560,800	1,515,930	38,000	560,576	899,157	21,358
Sardinia	403,727	837,156	43,920	405,986	462,822	27,427
<b>TOTAL</b>	<b>8,778,923</b>	<b>5,573,565</b>	<b>478,533</b>	<b>8,744,246</b>	<b>3,384,650</b>	<b>273,184</b>

Source: INEA calculations based on AGEA-MIPAAF figures.



ronmental measures, which also included commitments left over from the previous regime.

It should be noted that the share of this type of spending dropped over the three-year period 2004-2006, due to a decline in appropriations from 1994 to 1999.

But there was a marked increase in spending for investments, which included “farm investments” and “processing and marketing of agricultural products”.

Funds disbursed for measures called for in Article 33 of Regulation No. 1257/99 accounted for nearly 10% of the total.

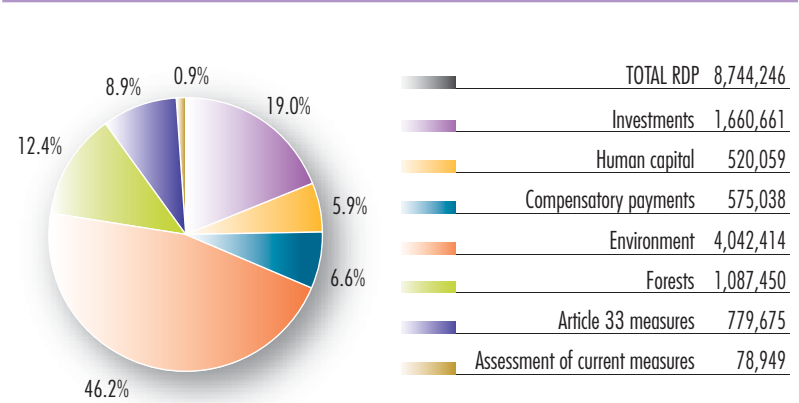
An analysis by type of spending for ROPs funded by the EAGGF-Guidance Section in Objective 1 regions is quite different from RDS spending. Besides spending for investments, the breakdown was weighted toward infrastructure interventions implemented through some of

the measures in Article 33. More than 10% of measures were for setting up of young farmers and for forestry purposes.

Disbursements remained limited for

enacting measures of training and diversification, whereas services to populations in rural areas again received significant increases in spending in 2006.

*EAGGF-Guarantee funds by category of measure ('000 euro), 2000-2006*

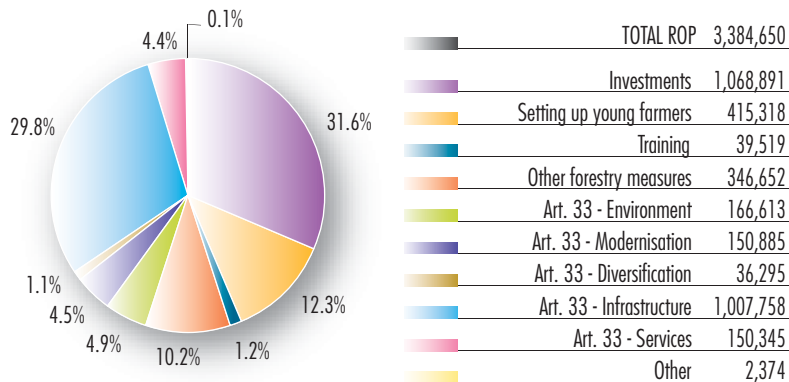


TOTAL RDP	8,744,246
Investments	1,660,661
Human capital	520,059
Compensatory payments	575,038
Environment	4,042,414
Forests	1,087,450
Article 33 measures	779,675
Assessment of current measures	78,949

## Leader+ Programme

The trend of intensification in the Leader Programmes' regional activities that began in 2005 continued in 2006. Advanced funding of 22 programmes in Italy indeed showed further progress, reaching an overall spending capacity of nearly 60%.

*EAGGF-Guideline funds by category of measure ('000 euro), 2000-2006*



## Regional Expenditure

In the 2004-05 period, regional policy reflected a progressive trend toward regional autonomy. In agriculture, the administrative regions now have broad governing powers, regarding both direct incentives and coordination of territorial authority, in accordance with restrictions imposed by the EU and the Italian state. These powers are not limited, as in the past, to some crucial administrative regions, but now apply to most regional administrations.

With reference to 2004<sup>1</sup> the total of public funding for agriculture measures was more than 15 billion euro, or 11 billion euro if we exclude relief deriving from reduced taxes and

farm subsidies. The amount of support given to regions alone is significant, more than 6 billion euro.

Regional support for the sector that passed through the budgets of the administrative regions comes from three sources of funding, corresponding to the three decision-making levels of agricultural policy: the EC, for the RDP component in Objective 1 regions, accounts for 14% of regional expenditure; national support makes up 31%; and regional support represents 55%.

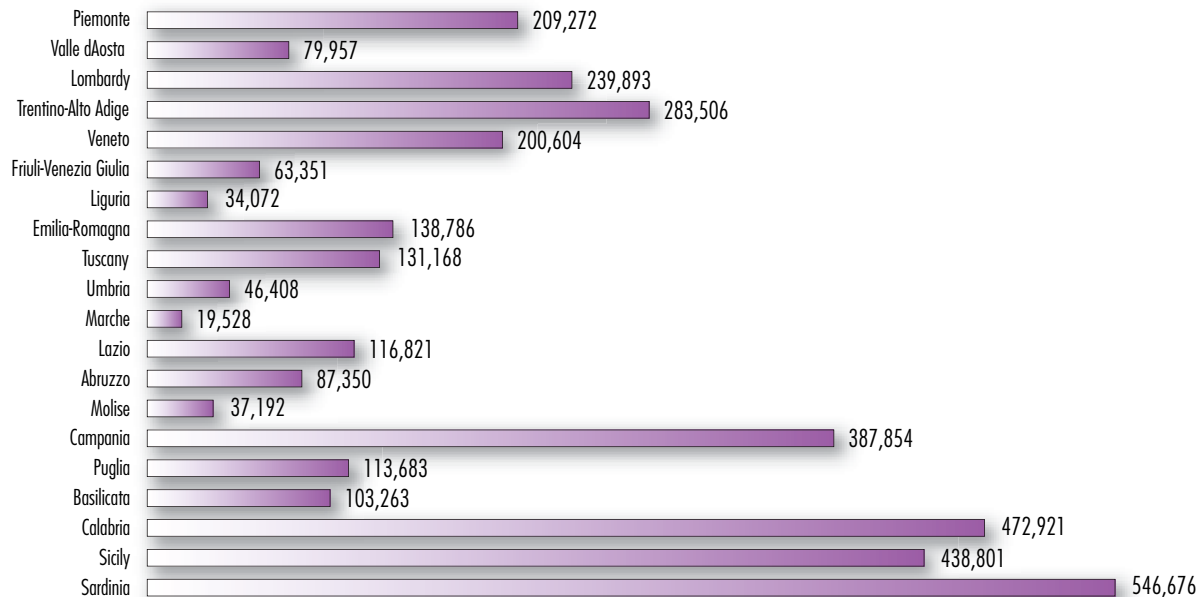
If we look at the only component of spending that applies to the sphere of exclusive regional competence, we see that the administrative regions

make decisions based on autonomous planning, enacted through approval of a regional finance act.

As regards the types of measures funded, the administrative regions varied considerably, even though there is a prevalence of measures to stimulate competitiveness in the sector, such as developing co-ops and production and marketing services. Many measures are also funded to provide easement of credit, to encourage restructuring, recapitalisation of land capital, and support for cooperation. Many funding measures involved economic promotion of products and land.

<sup>1</sup> INEA is in the process of completing the annual survey for 2005 assessing public spending in agriculture. Figures will be available in late 2007

*Spending by region, 2004 - total disbursed ('000 euro)*



# National Legislation

## Main guidelines and strategies for the sector

The DPEF 2007-2011 identified priorities for measures and opportunities for growth in the agri-food sector, which the Finance Act of 2007 (Law of 27 December 2006, no. 296, hereafter referred to as the Finance Act) and other regulations translated into provisions to strengthen competitiveness in Italy's agri-food system and promote development within the sector.

## Tax and contribution relief

### *IRAP (regional production tax)*

The Finance Act established tax rates for 2006 for farm and fishery operators at 1.9%, rather than 3.75%, and for 2007 at 3.75% (Art. 1, comma 390).

### *VAT*

Law No. 286 of 24 November 2006

(known as "collegato fiscale"), changed the VAT and IRAP scheme for agricultural producers (Art. 2, comma 31-32), providing that farmers with less than 7,000 euro per year in business volume are exempt from VAT payments and all documental and accounting obli-

gations, including the annual declaration.

### *Land and building yield*

Law No. 286/06 changed the requirement to report variations in land yield for those who request farm payments (Art. 2, comma 33-

### *Finance Act of 2007: allocations for agriculture and comparison with 2006 (million euro)*

Allocations	2006	2007
Special current account fund (A)	6.41	0.05
Special capital account fund (B)	0.00	0.40
Allocations authorised through legal provisions (C) (AGEA, Fisheries Plan, CRA, various Public Bodies)	324.82	370.83
Re-financing of economic support measures (D) (national solidarity fund, single investment fund, etc.)	205.80	475.80
Long-term spending laws (F) (including re-financing in item D)	333.21	425.60
Other allocations (F) (irrigation plan, internationalisation, tax credits, forestry plan, etc.)	4.80	180.30
<b>TOTAL</b>	<b>669.24</b>	<b>977.18</b>

Source: MIPAAF Finance Scheme 2007-09. Measures affecting agriculture, agri-food, forestry and fishing.

35); it identified buildings that are no longer considered rural, and disciplined their enrolment in the land register (Art. 2, comma 36-38); it disciplined taxes on inheritance and gifts (Art. 2, comma 47-54).

### ***Extensions***

The Finance Act extended through 2007 (Art. 1, comma 394) the zero excise on diesel fuel used for glasshouse crops and (Art. 1, comma 392) the terms for tax relief provided for training and increasing land holdings to secure an adequate income.

Law No. 17 of 26 February 2007 extended:

- to 31 December the term for “well reporting” (Art. 2, comma 1).
- the deadline for adapting statutes governing farm cooperatives to 30 April 2008 (Art. 2, comma 5-quater).

- the deadlines for reinstating welfare and health contributions that had been suspended due to bird flu, providing that the first and second instalments were paid, without burden of interest and penalties, by 29 December 2006; the third and fourth instalments may be paid by 30 June 2007 (Art. 2).
- to 31 July 2007 the putting in force of the second part of the Environment Code, which contains provisions about VIA (assessment of environmental impact), VAS (strategic environmental assessment) and AIA (integrated environmental authorisation) (Art. 5, comma 2).
- it sets 1 February 2008 as the effective date for provisions disciplining direct compensation for damage to farm machinery (Art. 5, comma 5-ter).

## **Environment and land**

The Finance Act for 2007:

- supports investments for enactment of the Kyoto Protocol, by establishing a special fund of 200 million euro per year. Farms may receive relief for broad-use micro-generators, using renewable energy sources and replacing electric engines (Art. 1, commas 1110-1111);
- guarantees establishment of the National Irrigation Plan, by allocating 920 million euro as capital account payments for irrigation projects (Art. 1, commas 1058-1062);
- allocates 25 million euro in 2007 for the Mountain Fund (Art. 1, comma 1278);
- calls on the administrative regions to provide upkeep of Special Protection Areas (ZPS), to be operated with the decree from the

Ministry for the Environment (Art. 1, comma 1226).

Law No. 46, Art. 2 bis of 6 April 2007 dictated provisions for enacting Articles 5, 6 and 9 of the International Treaty on Phytogenetic Resources for Food and Agriculture, ratified by Law No. 101 of 6 April 2004.

Minister's Decree of 7 April 2006 from MIPAAF set criteria and general technical regulations for regional discipline of agronomic use of livestock effluents, set forth in Article 38 of Legislative Decree No. 152 of 11 May 1999.

Legislative Decree No. 190 of 5 April 2006 dictated disciplinary penalties for violations of Regulation (EC) No. 178/02 regarding general principles and requisites of food legislation.

Minister's Decree (MIPAAF) of 21 December 2006 updated the discipline of the CAP conditionality re-

gime, repealing the previous decree of 15 December 2005.

## **Natural disasters, health emergencies and market crises**

### ***Natural disasters***

The Finance Act extended the division into instalments of INPS (social security) credits, which also allowed farms hit by natural disasters before 31 December 2005 to access a ten-year instalment plan (Art. 1, comma 1086).

### ***Bird flu***

Law No. 286/06 dictated provisions for farm social security and health contributions, which had been suspended due to bird flu.

### ***Market crises***

The Finance Act set up a fund through MIPAAF for market crises, which frees up allocations of 100

million euro provided for in Law No. 81/2006 (Art. 1, comma 1072).

## ***Farm insurance plan***

The MIPAAF decree of 27 December 2006 disciplined the Farm Insurance Plan for the year 2007, by integrating previous plans and confirming the alternative principle between compensation measures and insurance coverage (with the exclusion of relief for damage to production and buildings allowable under low-premium insurance).

The MIPAAF decree of 12 February 2007 issued further measures for risk management with low-premium insurance, to simplify procedures and ensure greater transparency of allowable contributions.

## ***Labour and social security costs***

The Finance Act disciplined the matter of the so-called "tax loophole", allowing farm employers to deduct

5,000 euro from their IRAP calculations, on an annual basis, for each open-ended contract labourer employed in the tax period. The deduction is doubled for workers in the South. The Finance Act also confirmed the reduction in contributions for obligatory workmen's compensation insurance, provided for all worker categories (Art. 1, commas 266-268).

Law No. 46 of 6 April 1007 containing measures for implementation of EEC and international obligations, Art. 4-bis, established regulations for compensation of EEC aid with social security contributions.

### **Promoting internationalisation**

The Finance Act for 2007:

- supplements regulations about support provisions for Italian exports, set forth in Art. 10 of Legislative Decree No. 251/81, re-

garding payments to "multi-regional export" consortia in the agri-food, fish and hotel tourism sectors (Art. 1, comma 935).

- promoted internationalisation of agri-food businesses through tax benefits for investments in advertising abroad. Tax benefits exclude 25% of the value of such investments from taxable income (Art. 1, commas 1088-1092).
- refinanced promotion and support for "Made in Italy" products, including agri-food products, with 20 million euro in 2007 and 26 million in 2008 and 2009 (Art. 1, comma 936).

### **Negotiated planning and supply chain contracts**

The MIPAAF Minister's Decree of 20 March 2006 set some procedures for stipulating and managing supply chain contracts, ways of presenting

executive projects, and changes to investment planning, following approval by the CIPE (Interdepartmental Committee for Economic Planning).

The Minister's Decree of 27 April 2006 from the Ministry for Economic Development (MSE) introduced further measures for relief disbursements for area contracts and territorial pacts. In particular, the provision regulated disbursements for business initiatives in agriculture and fishing, and revoked relief payments where labour objectives were not met.

Law No. 286/06 calls for changes for financing of negotiated planning (cf. commas 1 and 2, Art. 8), postponing until 1 January 2007 the application of incentive reform introduced in Law No. 80/05. Furthermore, it revokes all authorisations granted by CIPE to programme contracts approved following the re-



form. Thus, the mechanism reducing distributions of capital account contributions for easy financing was blocked until 31 December 2006. Programme contracts already approved by CIPE according to the reform were revoked pending new measures, to allow the MSE to re-examine granting of relief. Funding recovered from these revocations was given for previously authorised programme contracts.

The CIPE resolution of 22 December 2006 established the financial framework of available funds (408.51 billion euro) for programme contracts, many of which involved the agri-food supply chain. These were decided in previous sessions, according to the provisions of Law No. 286/06.

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

The Finance Act of 2007:

- introduced changes for release to the market and taxation of bio-fuels. In particular, rules were changed setting national targets for releasing bio-fuels and other renewable fuels onto the market. The target of 2.5% was moved forward to 31 December 2008, with a further increase to 5.75% by 31 December 2010 (Art. 1, comma 367-379).
- extended the VAT rate of 10% to suppliers of energy produced from renewable sources or from high efficiency co-generators (Art. 1, comma 384).
- provides exemption from excises, within a maximum of 1 million euro per year beginning in 2007, for pure vegetable oil used for energy purposes in agriculture (Art. 1, commas 380 and 381).
- revises the rules governing green certificates, to encourage the use of products of agricultural and

livestock origin (Art. 1, commas 382-383).

The MIPAAF Minister's Decree of 8 November changed the decree of 15 March 2005 concerning regulations on aid schemes for energy crops and the use of set-aside areas to obtain raw materials, extending farmers' possibilities in the field of renewable energy.

### **Sectors**

#### ***Sugar beets-sugar***

The CIPE Resolution No. 29 of 22 March 2006 identified new areas affected by the sugar sector crisis, for which industrial promotion measures were extended, as set forth in Law No. 181/89.

The Finance Act allocated 65.8 million euro for 2007, for the rationalisation and re-conversion fund for beet and sugar production (Art. 1, comma 1063).

The MIPAAF decree of 25 September 2006 made changes to the aid scheme for restructuring the sugar beet-sugar supply chain, referring to ways of assigning aid quotas for restructuring provided for beet farmers and farm contractors damaged by the closing of sugar refineries.

The State-Region Conference of 21 December 2006 approved the national restructuring programme for the sugar beet-sugar sector, which regarded support measures for diversification of production in the sugar sector, to be carried out at the regional level, as provided for by Reg. (EC) No. 320/06 for restructuring of the sugar industry in the EU.

### ***Nuts***

The MIPAAF Minister's Decree of 14 April 2006 identified implemen-

tation procedures for the regime of aid to areas planted to nuts, provided for by European Community Regulation (EC) No. 1973/04 and No. 1782/03.

### ***Wine sector***

The MIPAAF Minister's Decree of 27 April 2006 distributed funds among the administrative regions and the provinces, as well as hectares, in the restructuring and re-conversion scheme for vineyards for the 2005-2006 farm year (Reg. (EC) No. 1493/99). The decree of 29 March 2007 established distribution for the 2006-2007 farm year.

The MIPAAF Minister's Decree of 16 May 2006, dealing with the "Good Wine-Growing Practice Code", set forth provisions about characteristics, making, distribution, use and control of the bands replacing government stamps for wines of con-

trolled and guaranteed designation of origin (DOCG).

### ***Rearing of buffalo calves***

The Finance Act reintroduced the three-year plan to contain and eradicate brucellosis, as provided for in Law No. 292/02 (Art. 1, comma 1073).

### ***Milk quotas***

For dairy farms hit by blue tongue that produce in excess of 20% of their quota, the Finance Act provides that the additional levy will not apply to the excess (Art. 1, comma 1087).

### ***Poultry***

The MIPAAF Minister's Decree of 14 September 2006 issued provisions for applying Regulation (EC) No. 1010/06, which implements support measures for poultry in Italy, co-financed by the EU, following the bird flu emergency.

### ***Beekeeping***

The Finance Act granted excise relief on diesel and petrol for bee farmers (Art. 1, comma 1066).

The MIPAAF Minister's Decree of 10 January 2007 issued the "Planning Document for the Beekeeping Sector"; the decree of 16 January 2007 disciplines payments earmarked for technical assistance, promotion, research and investment in bee farms, with funding of 2 million euro annually for the 2004-2006 period.

### ***Organic farming and indication of origin***

The Finance Act increased funds for implementing the National Plan for Organic Farming and Organic Products, by authorising spending of 10 million euro per year for the 2007-2009 three-year period, and Art. 1, comma 1051 provides contributions toward expenses of regis-

tering indications of origin (Art. 1, comma 1085).

### ***Traceability and quality of agri-food products***

The MIPAAF Minister's Decree of 10 April 2006 disciplined funding for setting up projects for adopting and expanding traceability of agri-food products.

The MIPAAF Minister's Decree of 25 January 2007 established criteria and methods for granting funding for initiatives to make best use of quality characteristics of agricultural and agri-food products.

### ***Forestry plan***

The Finance Act provides incentives for the National Forestry Plan, by allocating 10 million euro for 2007 and 50 million annually for 2008 and 2009 (Art. 1, commas 1082-1084).

### ***European Community legislation 2006***

Law No. 13 of 6 February 2007, containing "Provisions for Fulfilment of Obligations Deriving from Italy's Membership in the European Communities", makes some provisions about plant protection products (Arts. 16,17) and olive oil production (Art. 20). Article 16 introduced changes in marketing of plant protection products. Provisions were made for fulfilment of obligations to report to AGEA (Agency for Disbursements in Agriculture) regarding the aid scheme for private storage of olive oil.

### ***Financial instruments and business development***

#### ***Tax credit***

The Finance Act of 2007:

- granted up to 10 million euro for each year in the 2007-2009 three-

year period in tax credits for farms and agri-food businesses that produce organic products or protected designation of origin products (Art. 1, commas 289 and 290).

- reactivated tax credit for new investments in disadvantaged areas, by providing support for the purchase of new capital goods, also applying to the agriculture and agri-food sectors, in regions of the South (Art. 1, commas 271-279).
- provided specific application of tax credit for farmers, businesses and cooperatives throughout Italy. Support may be disbursed of up to 10, 30 and 30 million euro for the 2007-2009 three-year period (Art. 1, comma 1075).

### ***Fund for competitiveness and development***

The Finance Act established the Fund for Competitiveness and De-

velopment at the MSE (Ministry for Economic Development), together with MIPAAF, to provide funding for innovative projects for energy efficiency and new technologies for Made in Italy (Art. 1, comma 841).

### ***Young farmers***

The Finance Act set up a special fund for setting up young farmers, with financing of 50 million euro (Art. 1, commas 1068-1071).

The MIPAAF Minister's Decree of 28 December 2006 provided for the transfer of funds for young farmers from Sviluppo Italia to ISMEA (Institute of Services for the Agricultural and Food Market).

### ***Development of cultivated property***

The Finance Act authorised the Cassa Depositi e Prestiti (Deposit and Loan Bank) to grant ISMEA

twenty-year mortgages as incentives for setting up small farms, with interest to be paid by the State, with a limited appropriation of 2 million euro per year, beginning in 2007. (Art. 1, comma 1081).

### ***Development of agricultural companies***

The Finance Act gives partnerships and limited-liability farm partnerships the option of applying a more favourable tax regimen (taxation based on farmland yield, Art. 32, Income Tax Act) (Art. 1, commas 1093 and 1096).

### ***Sales activities***

To promote direct sales of farm products by farmers, the Finance Act raised the value of production farmers can sell directly that does not come from their own farms, from 80,000 to 160,000 euro for individual entrepreneurs and from 2

million to 4 million euro for companies. This derogates general trade regulations (Art. 1, commas 1064-1065-1067).

### ***Research and development***

The Finance Act activated tax credit for research and development, also allowing farms and agri-food

businesses access to benefits of up to 10% of costs sustained for activities of industrial research and development (Art. 1, comma 280).



# **APPENDIX**

# Revision of Economic Accounts

Beginning in 2006 ISTAT adopted the general revision of national accounts. Major changes in agriculture accounts affect:

**Output:** the integration of valuations mainly concerned connected services and secondary activities typical to farms, as well as individual products like ornamental plants, straw, minor livestock and small production.

**Intermediate consumption:** there was a significant revision of many

components of costs, especially energy, feedingstuffs and stabling expense, seeds and seedlings, services and various expenses. New intermediate costs include FISIM - financial intermediation services indirectly measured.

**Costs and revenues survey:** this standard valuation, both for outputs and intermediate consumption, is integrated to include figures from the direct costs-and-revenues survey of economic performance on REA farms.

**Secondary activities:** this aggregate includes both agricultural activities (agritourism, processing of milk, fruit and meat on farms, aquaculture, direct sales) and activities in other economic areas, especially trade and processing, for the production of agricultural goods.

**Chain indexes:** for volume valuations “chain indexes” were used, which determine concatenated values, using the year 2000 as a reference. These values replace the aggregates at constant prices.



# Glossary

## **Connected services**

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

## **Contract services**

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

## **Families of farmers**

The total of household members related by marriage, blood, affinity, adoption, custody or affection.

## **Family labour force**

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

## **GDP - Gross Domestic Product**

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

## **Intermediate consumption**

Aggregate of current expenses on farms. In addition to traditional items (seeds, fertilisers, pesticides, feedingstuffs, energy, irrigation water and various services), calculation was also made for maintenance and repairs to machinery and farm equipment, veterinary expenses, expenses for processing and bottling, testing and technical analyses,

advertising, market studies and research, expenses for co-ops, insurance, banking and financing, and consulting for legal and accounting matters.

## **Large-scale retail**

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

## **NB - Normalized balance**

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

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

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

### **Output at basic prices**

With ESA 95, outputs include redeployments and transactions between farms, as well as services connected with agriculture. Valorisation of output is effected at basic prices, that is, the price received by the producer per unit of product, minus taxes on products and including all production-related subsidies. Does not include subsidies not directly related to production.

### **Redeployments**

With ESA 95, the distinction is drawn between redeployments on the same farm and those transacted between farms and their economic

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

### **Subsidies**

With the implementation of the CAP reform of 2005, and the introduction of the single payment per farm, the classification was revised for aid that previously reflected basic price. Now

aid is classified as: production payments, other production payments, and payments for other economic activities. Only the first category of product payments affects calculation of basic price.

### **Taxes and duties**

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

### **Turnover**

The amount of all invoices issued in the period of reference for domestic and foreign market sales. Turnover is net of VAT invoiced to customers,

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price increases and discounts, and gross of expenses (transport, packaging, etc.) and other taxes and duties charged to customers (e.g. processing tax). Turnover also includes sales of products not processed by the farm, and invoices for services and processing performed for third parties using raw materials provided by them. Sales of a farm's fixed capital are not included.

#### **UAA - Utilised agricultural area**

UAA comprises all arable land, permanent grass and pasture, tree crop

land, household plots and land planted with (edible) chestnuts.

#### **VA - Value added**

The difference between outputs and intermediate consumption, where outputs are valued at basic prices, excluding taxes on products and including product subsidies.

Production valued at basic prices differs from production valued at factor costs: the latter is net of all taxes (both those on products and other production taxes) and gross of all subsidies (both subsidies meas-

ured by value of goods produced and other production subsidies).

#### **WU - Standard Work Units**

Analysis unit that uniformly measures the volume of work performed by those who participate, in various ways and time intensity, in the production process within a country's economic territory, irrespective of their place of residence. The total work units are obtained as the sum of full-time work positions and part-time positions (principal and secondary), transformed into full-time units.

# FADN Glossary

## Depreciation

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

## ESU - European size unit

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

## External and State factors

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

## Fixed costs

include burdens sustained for use of production factors (depreciation, wages, social contributions, shares for severance pay, passive land rents,

capital loan interest, other miscellaneous and land expenses, and passive VAT contributions) that are employed for more than one year in the production process, as well as physical contingencies (deriving from credit, holdings and debt).

## FT - Farm type

The classification of farms into types is based on the various 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. 1555/01.

## FWU - Family work unit

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

## GP - Gross production

Value of crops, livestock and other farm products, including sales, redeployments, own consumption, variations in live stock and stored farm products. To this value is added the amount of subsidies received by each farm; the variable thus obtained mea-

asures the effective amount received by the farmer for his products, according to the “basic price” criteria indicated in SEC95 methodology.

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

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

### **Intermediate consumption**

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

### **Net family income**

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

### **SGM - Standard gross margin**

The SGM is a financial measure established for each of a farm’s agricultural activities by subtracting the

sum of certain specific costs (seeds, fertilisers, pesticides, feed, fodder, etc., but not labour and machinery) from the value of saleable output. The gross margins calculated in this way are said to be “standard” in that the value of output and costs is calculated on average values over a three-year period and in relation to the altitude zone of the region. SGMs are expressed in euro and updated by INEA during structural surveys and agricultural censuses. The sum of SGMs of all the activities of a farm equate to its economic size, which is expressed in ESU.

### **Variable costs**

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

# Useful Addresses and Websites

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

## REGIONAL DEPARTMENTS OF AGRICULTURE

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

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

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

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

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

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

**Lazio**  
06/5168130  
*[www.assagri.it](http://www.assagri.it)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**NATIONAL RESEARCH  
BODIES**

**AGEA**

**Agenzia per le Erogazioni  
in Agricoltura  
(Agency for Disbursements  
in Agriculture)**  
*www.agea.gov.it*

**APAT**

**Agenzia per la Protezione del-  
l'Ambiente e per i Servizi Tecnici  
(Agency for Environmental  
Protection and Technical Services)**  
*www.apat.gov.it*

**APRE**

**Agenzia per la Promozione della  
Ricerca Europea  
(Agency for the Promotion of  
European Research)**  
*www.apre.it*

**CNR**

**Consiglio Nazionale  
delle Ricerche  
(National Research Council)**  
*www.cnr.it*

**CRA**

**Consiglio per la Ricerca e la  
Sperimentazione in Agricoltura  
(Council for Research and  
Experimentation in Agriculture)**  
*www.entecra.it*

**ENEA**

**Ente per le Nuove Tecnologie,  
l'Energia e l'Ambiente  
(Agency for New Technology,  
Energy and the Environment)**  
*www.enea.it*

**ENSE**

**Ente Nazionale Sementi Elette  
(National Agency for Select Seeds)**  
*www.ense.it*

**ENTERISI**

**Ente nazionale risi  
(National Rice Agency)**  
*www.enterisi.it*

**Federalimentare**

*www.federalimentare.it*

**INFS**

**Istituto Nazionale per la Fauna  
Selvatica**

**(National Wildlife Institute)**  
Ozzano dell'Emilia - Bologna  
Via Cà Fornacetta, 9

**INRAN**

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

**IREPA**

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(Economic Research Institute  
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*www.irepa.org*

**ISMEA**

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

**ISTAT**

**Istituto Nazionale di Statistica  
(National Statistics Institute)**  
*www.istat.it*

## **ISAE**

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

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

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

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

**ICRAM**  
**Istituto Centrale per la Ricerca  
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*www.icram.org*

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

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*www.camera.it*

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

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

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

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*www.ec.europa.eu/index-it.htm*

**Commission for Agriculture  
and Rural Development**  
*www.ec.europa.eu/agriculture/index  
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**FAO**  
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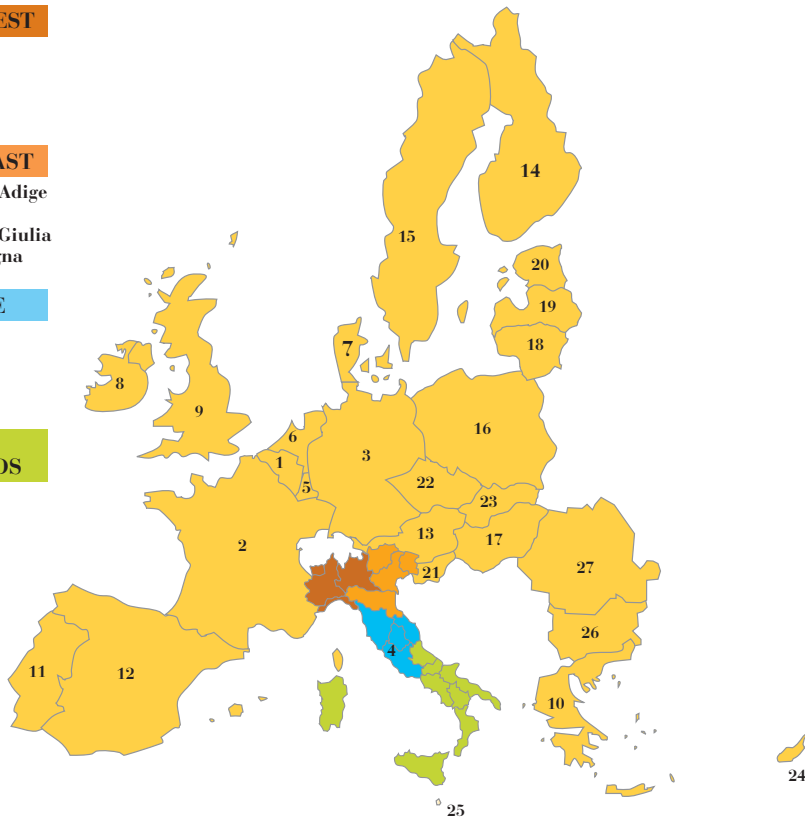
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