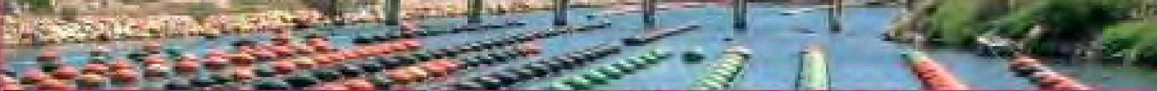
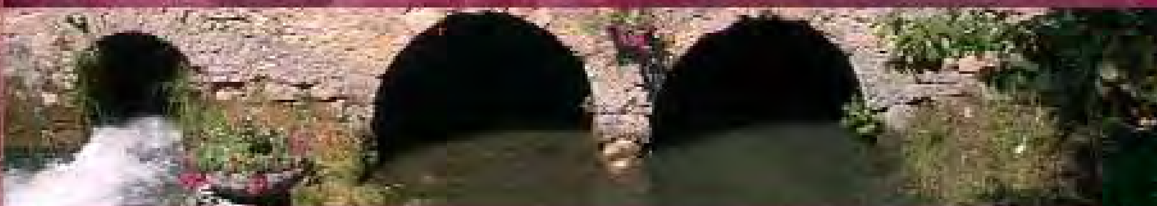


NATIONAL INSTITUTE OF AGRICULTURAL ECONOMICS

ITALIAN AGRICULTURE IN FIGURES 2009



INEA, established by Royal Decree no. 1418 of 10 May 1928 under Arrigo Serpieri, has its origins in the National Institute of Economy and Statistics founded in 1924, also by Serpieri.
INEA was revamped with the Legislative Decree no. 454 of 29 October 1999, which was later modified by Law no. 137 of 6 July 2002.
INEA has scientific, statutory, organisational, administrative and financial autonomy, and is under the vigilance of the Ministry for Agricultural, Food and Forestry Policies (MIPAAF). The Institute engages in socio-economic research in the fields of agriculture, agri-industry, forestry and fishing, at national, Community and international levels. To meet its goals, the Institute promotes research in cooperation with universities and scientific institutions, nationally and internationally. With the decree of the President of the Republic, no. 1708 of 30 December 1965, INEA was designated as a connecting body between the Italian State and the European Union, to set up and manage the Farm Accountancy Data Network. The Institute is part of the national statistical system (SISTAN) (Leg. Dec. 454/99, Art. 10).

Italian agriculture
in figures 2009

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

Now in its 22nd edition, “Italian Agriculture in Figures”, assembled by the National Institute of Agricultural Economics (INEA), is a prized tool of information on trends in Italy’s agrifood system. Its special function is taking “count” of the state of agriculture and its interrelationships with the economy as a whole, in a handy, easy-to-use format.
Information presented in this edition shows that, despite the difficult situation in the international and national economies, the agriculture sector is still vital and even posted positive results. This was a counter-trend to the rest of the economy, with an increase in agricultural production (+4.6%) and an improvement in the overall balance of trade in agri-food (+12.4%). Indeed, one could say that the crisis that originated from the non-material sphere of financial speculation has relaunched agriculture’s image as a sector with its feet firmly on the ground. Obviously, all that glitters is not gold: farms must cope with a whole series of problems, from sharp price increases for raw materials, fertilisers, energy, seeds and feedingstuffs, to the growing difficulty of obtaining credit and financing, to the even greater difficulty, evidenced in recent months, of exporting their products, many of which are of high quality.
This edition has been renewed in structure and the arrangement of content. Two new sections deal with an analysis of farm structures, according to ISTAT figures, and profitability of farms, according to FADN. As regards emerging issues, parts of the booklet approach agriculture’s role in atmospheric pollution and greenhouse gas emissions. For the first time, consideration is given to direct sales of products by farmers, given the growing importance of the phenomenon and its success with consumers.
Another new feature regards printing; beginning with this edition, the publication is published by AGRISOLE, to reach a wider user base. This edition will again be followed by a printed version in English, containing a CD with editions in French and Spanish.

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ECONOMY AND AGRICULTURE

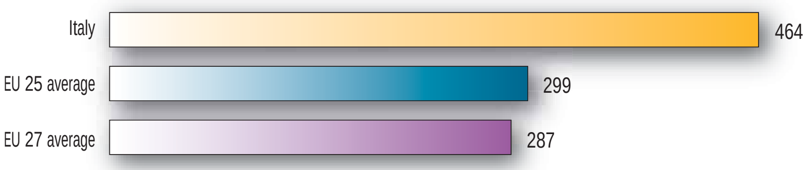
Land and population

One of Italy's main geographical features is the prevalence of hilly and mountainous terrain. Out of a total land area of some 30 million hectares, only 23% is made up of lowland and this figure falls to 18% in the South and 9% in the Centre. The resident population in 2008 increased by approximately 0.7% compared to 2007, for the first time surpassing 60 million inhabitants.

This growth is concentrated in North-East Italy (+1.1%) and in the Centre (+1%). A concentration of the population lives in lowland areas (48.2%) and hilly areas (39.1%), with only 12.7% of the population living in mountain areas.

UAA accounts for 38.7% of total land in regions of the North, 39.7% in the Centre and 46.9% in the South & Islands.

Population/agricultural area (inhabitants/100 ha of UAA), 2007



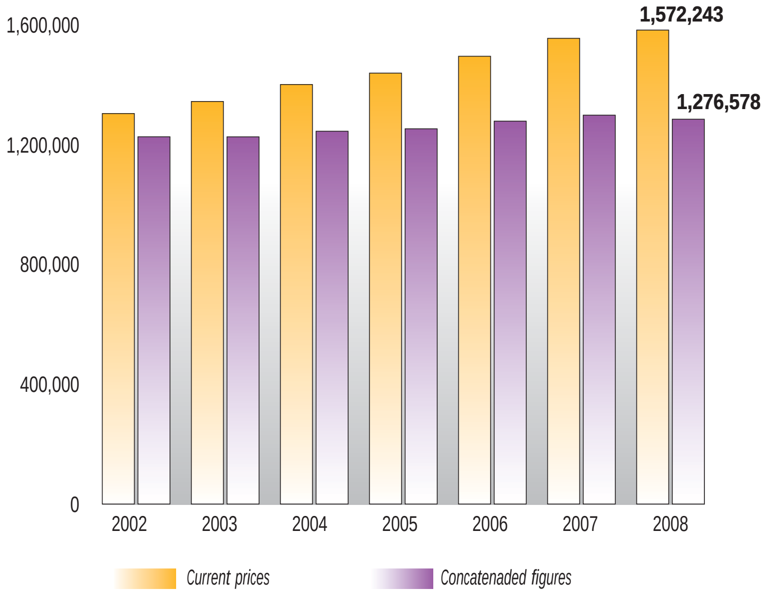
Land use, 2007 (000 ha)

	Italy	EU 25	EU 27
Total area	*30,132*	*397,586*	*432,526*
Utilised Agricultural Area (UAA)	*12,744*	*155,681*	*172,485*
by %			
Cereals and rice	*30.8*	*32.9*	*33.7*
Dried legumes	*0.9*	*0.8*	*0.8*
Potatoes, sugar beets and hoed fodder crops	*0.9*	*2.4*	*2.3*
Tobacco, oil-seeds and other industrial crops	*1.8*	*5.9*	*6.5*
Vegetables & fresh legumes	*1.8*	*1,0*	*0.7*
Flowers and ornamentals	*0.1*	*0.06*	*0.05*
Fodder crops	*14.1*	*11.5*	*10.9*
Seeds and other herbaceous crops	*0.1*	*0.3*	*0.3*
Fallow land and other crops	*4.1*	*5.1*	*5.1*
Family kitchen gardens	*0.2*	*0.1*	*0.2*
Fruit and citrus	*4.1*	*1.8*	*1.7*
Olive trees	*8,0*	*2.8*	*2.5*
Grapevines	*6,0*	*2,0*	*2,0*
Permanent grasslands and pastures	*27.1*	*33.3*	*32.9*
UAA/total area %	*42.3*	*39.2*	*39.9*

Source: EUROSTAT.

Gross domestic product

Trend in GDP (million euro), 2002-2008



Trend in GDP per inhabitant (euro), 2002-2008

	GDP / Inhabitant (euro)	
Year	Current prices	Chain indexes[1]
2002	22,661	21,315
2003	23,181	21,146
2004	23,920	21,258
2005	24,391	21,239
2006	25,201	21,549
2007	26,020	21,726
2008	26,253	21,316

[1] Chain indexes express the real dynamic (in volume) of the economic aggregate with reference to 2000.

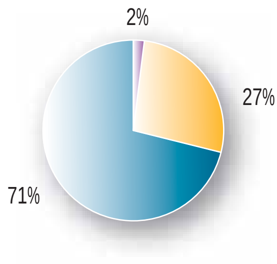
Trend in GDP per work unit (euro), 2002-2008

	GDP / WU	
Year	Current prices	Chain indexes[1]
2002	53,672	50,485
2003	54,992	50,164
2004	57,093	50,739
2005	58,557	50,991
2006	59,922	51,238
2007	61,736	51,549
2008	62,899	51,071

Value added

In 2008, value added (VA) at basic prices in the primary sector, including forestry and fishing, rose by 0.4% compared to 2007. Agriculture's contribution to total national VA remained at around 2%. In terms of volume, agriculture's impact on the national total dropped from 3% to 2.5% in the past decade. In the same period, value added from industry in the narrow sense declined, from 23.5% to 21.6%, while value added from civil service and other public services went from 20.7% to 20.2%. On the contrary, there was growth in the sectors of building, from 4.9% to 5.4%; in trade, transport and communications, from 23.4% to 23.8%; and in activities of financial services, information technology and research, from 24.5% to 26.5%.
The contribution of agriculture to Italy's overall economy reflects a marked dichotomy geographically: in the Centre-North, agriculture accounts for 1.6% of VA at basic prices and 3.8% of employment (measured in work units), while in the South these figures rise to 3.4% and 9.1%, respectively.

VA at basic prices by sector (million euro), 2008



TOTAL	1,371,834
Agriculture, forestry, fishing	28,442
Industry, including building	381,446
Services, including the public sector	1,003,021

Contribution (%) of agriculture to national economies, 2007

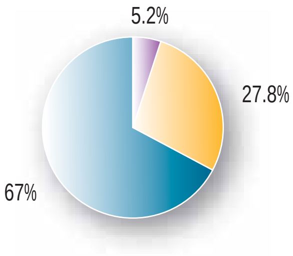
Country	Value Added[1]
Austria	1.0
Finland	0.8
France	1.5
Germany	0.6
Greece	2.8
Italy	1.6
Netherlands	1.6
Poland	2.7
United Kingdom	0.4
Spain	2.2
Sweden	0.4
Hungary	2.4
EU 25	1.2
Bulgaria	4.2
Romania	5.1
EU 27	1.2
USA[2]	1.0
Japan[2]	2.0

[1] Gross value added at basic prices.
[2] USA source USDA, 2007; Japan source World Bank, 2005.

Employment

In 2008, the total labour force employed in Italy, measured in standard work units (WU), remained stationary. Within the major production sectors, there was a drop of 1.7% in industry in the narrow sense (energy products and industrial processing) and 0.6% in the building sector, whereas there was a slight increase of 0.6% in services. Women in the workforce increased by 1.9%, while male labour remained unchanged.
In agriculture, employment dropped further, by 2.1%, following the decline in 2007 of 3.1%. This affected

WU by sector (000 units), 2008



TOTAL	24,996
Agriculture	1,290
Industry	6,958
Services[1]	16,748

[1] *Including the public sector and assimilating activities.*

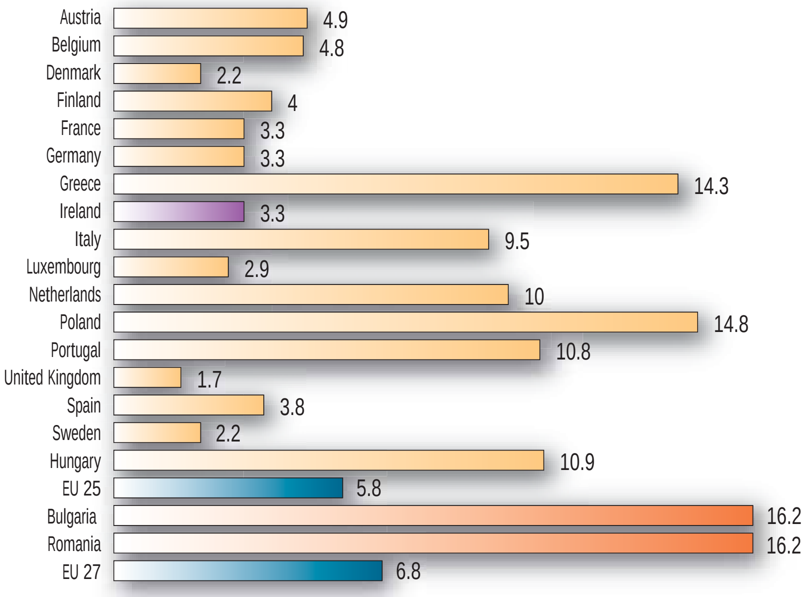
Full-time and part-rime agricultural labourers by gender and geographical area, 2008

Area	Full-time labourers		Part-time labourers	
	000 units	% women	000 units	% women
North	*302*	*23.5*	*44*	*59.1*
Centre	*99*	*30.3*	*17*	*58.8*
South & Islands	*398*	*31.2*	*36*	*58.3*
ITALY	*799*	*26.5*	*97*	*58.8*

Agricultural labourers by age and to total economy, 2008

Age	Agriculture		Total economy	
	000 units	%	000 units	%
15 - 34 years	*193*	*21.5*	*7,110*	*30.4*
35 - 44	*255*	*28.5*	*7,418*	*31.7*
45 - 64	*393*	*43.9*	*8483*	*36.2*
65 and over	*55*	*6.1*	*394*	*1.7*
TOTAL	*896*	*100.0*	*23,405*	*100.0*

Volume of employment in agriculture in the EU (AWU/100 hectares UAA), 2007



Source: EUROSTAT.
AWU: annual work units, converts the number of persons employed into equivalent full-time workers.

Employment in agriculture as % of total economy, 2007*

Country	Employed Total	Employed Women[1]
Austria	*5.7*	*5.9*
Finland	*4.5*	*2.5*
France	*3.4*	*2.1*
Germany	*2.2*	*1.6*
Greece	*11.5*	*12.3*
Italy	*4.0*	*3.1*
Netherlands	*3.1*	*2.0*
Poland	*14.7*	*14.2*
United Kingdom	*1.4*	*0.8*
Spain	*4.5*	*3.0*
Sweden	*2.3*	*0.9*
Hungary	*4.6*	*2.3*
EU 25	*4.5*	*3.5*
Bulgaria	*7.5*	*5.6*
Romania	*29.5*	*31.0*
EU 27	*5.6*	*4.7*
USA	*0.6*	-
Japan	*4.1*	-

** Including forestry, fishing and hunting.*
[1] Women employed in agriculture as % of total women employed in the economy.

mainly dependent labour (-1.8%), and independent labour (-2.3%). The share of independent labour in agriculture of the total independent labour component was 11.5%, whereas dependent agricultural labour accounted for 2.7% of the total.

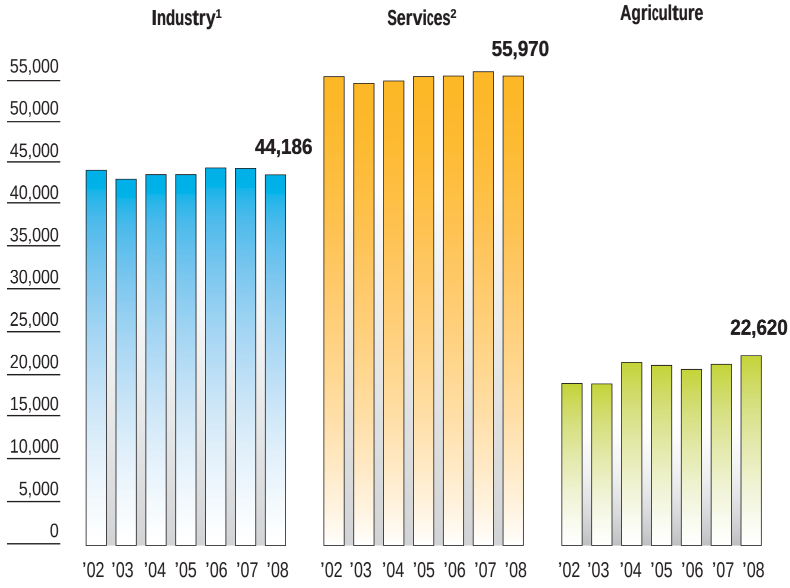
69.9% of farm labourers were male.

48.5% of total agricultural labour was employed in the South, 38.4% in the North and 12.8% in the Centre.

The ratio between agricultural labour and population has continued to change over time. In 1998 there were 2.8 agricultural work units per 100 inhabitants; in 2008, there were 2.2.

Productivity

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



In 2008, value added from agriculture at basic prices, by work unit, was 51.2% of VA from industry, 49.3% of VA from the food industry and 40.4% of VA from services. Compared to 2007, there was a 4.6% increase in productivity in agriculture, owing to the reduction in number of those employed and the rise in value added. Productivity continued to weaken in industry (-1.7%) and services (-0.9%); productivity in the food industry improved slightly (+0.4%).

** Chain indexes express the real dynamic (in volume) of the economic aggregate with reference to 2000.*
[1] Includes the building industry.
[2] Excludes the civil service, education, health and other public and social services.


RECENT TRENDS IN THE SECTOR

Following two years of substantial stability, the price of land in Italy rose significantly in 2007, showing an average increase of 1.9% for the year. The positive trend in agricultural markets improved investors' expectations, encouraging them to buy land, especially for cultivation of arable crops. Moreover, the trend toward lowering of the real value of land was reversed: considering the rate of inflation, it appears that there was growth, though modest, in land prices in real terms (+0.2%).

The average value of land nationally rose above 17,000 euro per hectare, though sharp differences may be observed geographically. Areas of the North show values more than double those in the South; similarly, land in lowland areas is valued at roughly three times that in mountainous regions. Farm areas with very high average prices are concentrated in the Po Plain, beginning with Lombardy, quality crop areas in Piedmont (the wine-growing parts of the Langa Hills), Trentino-Alto Adige (wine and apple regions of Val d'Adige and Val di Non), Liguria (flower growing along the coast), Tuscany (nurseries around Pistoia) and in the South & Islands (citrus growing in Campania, Calabria and Sicily). The lowest land prices were to be found in Alpine and Apennine mountain areas, but unevenly so, since fertile land with good infrastructure is also found in inland areas, especially in flatland valleys.

In 2007, according to ISTAT, rental land accounted for 3,186,000 hec-

Average land values, 2007 (thousand euro/hectare)

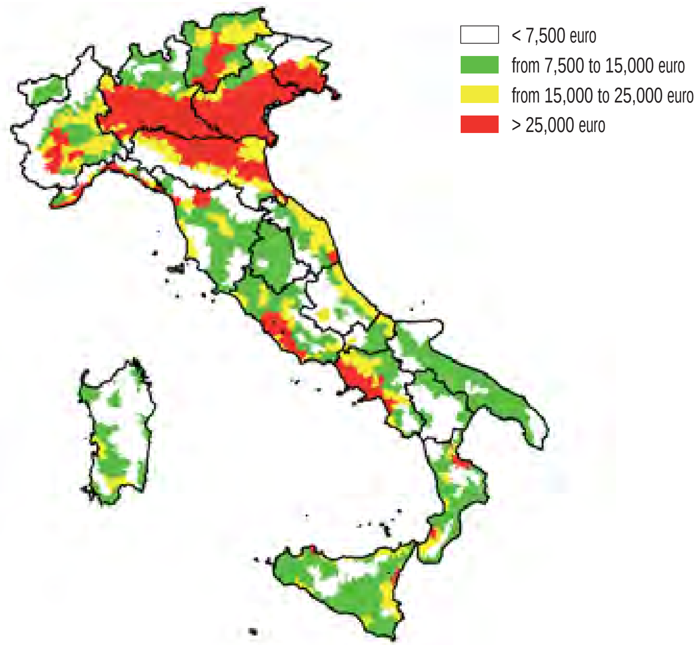
	Type of land (according to altitude)						
	Inland mountains	Coastal mountains	Inland hills	Coastal hills	Lowlands	Total	Var. % 2007/2006
North-West	5.4	23.6	20.0	72.7	31.6	22.8	1.6
North-East	18.4	-	29.8	21.4	38.7	31.7	2.6
Centre	7.7	9.6	11.4	15.9	19.9	12.2	2.3
South	6.7	9.5	10.6	16.5	14.5	11.5	1.0
Islands	6.1	8.8	7.7	10.2	14.5	9.1	1.0
TOTAL	9.1	9.6	12.9	15.2	28.3	17.1	1.9

Figures presented in this table cannot be compared with those published in the volume Italian Agriculture in Figures 2008, as the land values data bank is currently being updated.

Source: INEA land values data bank.

tares, with 25% of UAA. The rental market showed greater dynamism than in the recent past. The positive trend in agricultural markets drove a rising demand for land, and many renters accepted even large increases in rents in new contracts stipulated at the end of 2007. Some problems persist regarding informal rental contracts, which have led to cases contesting CAP allocations.

Average land values by farm region, 2007



Source: INEA land market data bank.

Investments

In 2008, gross fixed investments in agriculture, in real terms, showed a continuing drop (-4.3%), confirming the negative trend of the past few years (-4.7% in 2007 and -1.2% in 2006). The share of investments in agriculture to the national total remained nearly unchanged (3.6%), whereas the ratio to agricultural value added dropped (from 35.3% in 2007 to 33% in 2008).
Stock capital in agriculture, net of depreciation, dropped by 0.3%, following a stationary phase in 2007 and an increase in 2006 (0.4%).
Expenditures for machinery and equipment account for roughly 56% of total spending for investments in the sector. Investments in information and communications technology remained substantially stable compared to the sharp drop in 2007, though they accounted for a somewhat reduced share (0.4%).

Trends in gross fixed agricultural investments

Year	Current values million euro	Chain Indexes* million euro	% of[1] tot. invest.	% of[1] VA from agriculture
2002	10,559	9,974	3.9	35.4
2003	11,144	10,373	4.1	38.8
2004	12,249	11,084	4.2	36.6
2005	12,133	10,685	4.1	37.0
2006	12,346	10,559	3.9	36.9
2007	12,112	10,063	3.6	35.3
2008	11,967	9,630	3.6	33.0

* Chain indexes express the real dynamic (in volume) of the economic aggregate for the year 2000.
[1] Share of chain indexes; VA from agriculture at basic prices.

*Gross fixed investments: characteristic ratios by main sector, 2008**

	Agriculture	Industry	Services	Total
Investments per individual				
euro	7,500	11,200	10,700	10,700
%	70.1	104.7	100.0	100.0
Var. % 2008/07	-1.3	-4.2	-2.7	-2.7
Net capital stock per individual				
000 euro	123.8	114.9	190.2	165.8
%	74.7	69.3	114.7	100.0
Var. % 2008/07	1.9	2.4	1.1	1.5

* Chain indexes, 2000.
[1] Gross of housing investments.

Credit for agriculture

In 2008, the decline in production was accompanied by tightening of credit to farms: bank lending to branches of the economy increased overall by 6%, roughly half compared to 2007.

The agriculture sector recorded an even more marked slowdown, with a 3.9% rate of growth in investments, down 2 to 3 percentage points compared to the previous four-year average.

The share of lending in agriculture to the economy as a whole dropped below 4%.

By geographical area, bank lending in the agriculture sector showed different trends: in the face of considerable growth in the North-East (+7.5%) and North-West (+6.6%), there was a more modest increase in the South (+3.5%), accompanied by a slight decline in the Centre (-0.7%) and a more marked drop in the Islands (-4.2%). The ratio between

Bank lending for agriculture and share of total economy and agricultural production

Year	Agriculture[1] million euro	% of Total Economy	% of Agricultural Production[2]
2004	29,942	4.4	58.2
2005	31,831	4.4	67.1
2006	34,091	4.2	71.6
2007	36,002	4.0	73.0
2008	37,421	3.9	72.5

[1] Includes forestry and fishing.
[2] Production at basic prices in agriculture, forestry and fishing.

Source: Bank of Italy.

Lending beyond the short term for agriculture (disbursements in million euro), 2008

Lending	Total	% change 2008/07	Subsidised % of tot.
Machinery and equipment[1]	1,658	2.3	10.1
Purchase of rural property[2]	712	23.2	5.6
Structures and rural buildings	1,791	-36.8	1.2
OVERALL	4,161	-17.4	5.5

[1] Including transport vehicles and various rural products.
[2] Including agricultural land.

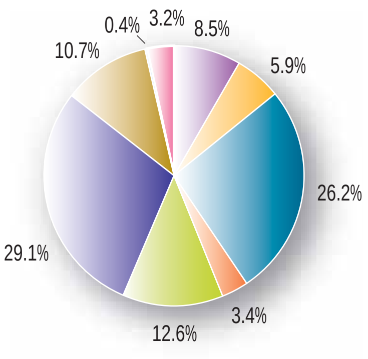
Source: Bank of Italy.

bank financing and agricultural output remained above 70%, confirming the sector's high exposure with regard to the credit system. For lending beyond the short term, disbursements declined by over 17%. Especially hard hit were investments in building and rural structures. Following the downturn of 2007, disbursements increased for purchases of other buildings and transport vehicles.

Intermediate consumption

In 2008, expenditure for intermediate consumption in agriculture, including forestry and fishing, increased in value by 10.6%, following a slight drop in input volume (-0.7%) and a significant increase in prices (+11.3%).
The drop in volume used affected mainly the inputs industry, especially motive energy (-3%), fertilisers (-2.6%) and feedingstuffs (-1/3%). On the contrary, growth was recorded for services and other goods (+1.7%) and seeds (+1.5%).
The rise in prices, already underway since 2007, continued at a sustained pace, affecting mainly fertilisers (+49.6%), motive energy (+19.1%), seeds (+13.3%) and feedingstuffs (+11.9%).
Intermediate consumption in forestry and fishing and aquaculture declined in volume, by 6.3% and 8.3%, respectively, but prices rose by 5.6% for forestry and 11% for fishing.
In terms of volume, the share of intermediate consumption to agricultural output, including forestry and fishing, dropped from 39.3% in 2003 to 37.3% in 2008.

Intermediate consumption in agriculture, forestry and fishing (million euro), 2008



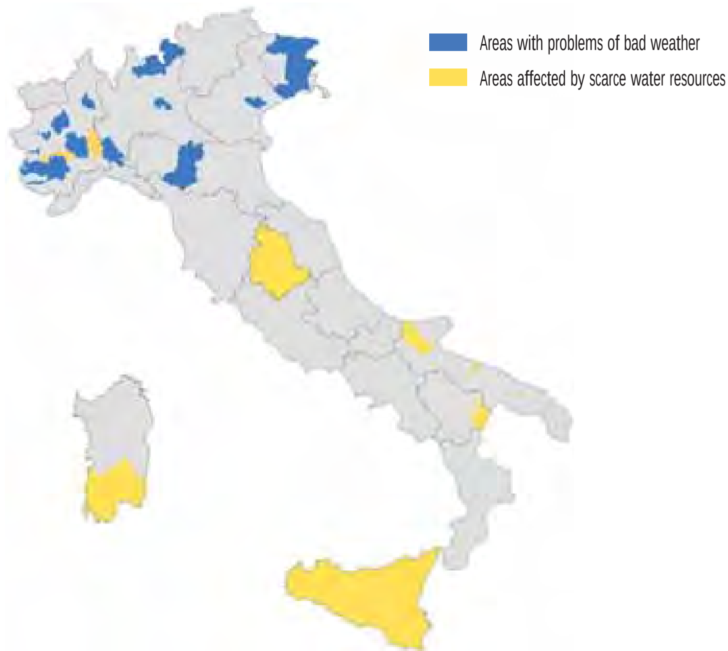
TOTAL	23,198
Fertilisers	1,961
Seeds	1,382
Feedingstuffs[1]	6,071
Pesticides	800
Energy	2,925
Other goods and services[2]	6,741
Redeployments	2,475
Forestry	102
Fishing	741

[1] *Including various expenditures for livestock.*
[2] *General expenditures, financial services, consulting, water, transport, association dues, maintenance, etc.*

Climate and water availability

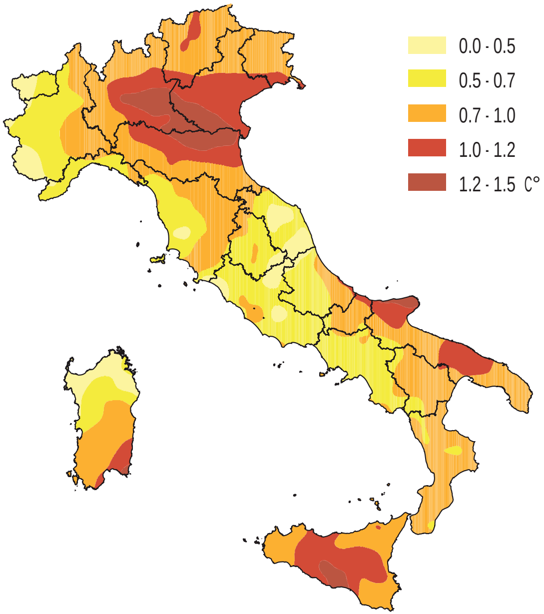
The trend in weather factors in 2008 did not create water shortages in the North of Italy, since the hydrological conditions of major sources of supply for irrigation were good, on the whole. On the contrary, agricultural production in some areas suffered damage because of bad weather. But there were some water shortages in the Centre and South.
There were abundant rains in the North, which caused a water surplus. As a consequence, compared to 2007, the water situation was satisfactory, and on the whole allowed the 2008 irrigation season to proceed in a regular manner, also owing in part to a cool, rainy summer. Water levels in lakes and rivers were not only higher than 2007 levels, but in many cases controlled drainage operations were undertaken to reduce volume.
While, on the one hand, abundant

Problems arising from climate trends in 2008

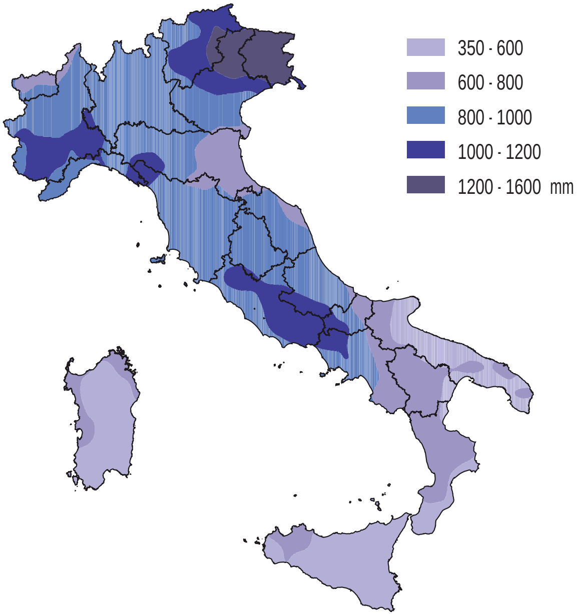


Source: INEA, Monitoring of irrigation season.

Average annual temperature: deviations from the norm, 2008



Total annual rainfall, 2008



Source: UCEA.

rainfall allowed significant recovery of the now chronic water shortage in North Italy, it also caused damage within the agriculture sector, especially from April through August, a period characterised by rain, storms, hail and tornadoes. Especially hard hit were fruit orchards, vineyards, cereals and extensive field crops.
In many areas of Central Italy, the water situation, as in 2007, appeared critical for nearly all of 2008, especially in Umbria, where provisions had to be taken to discipline the amount of water drawn from Lake Trasimeno for agricultural and livestock use.

In the southern regions, there was a significant shortage of water, caused by scarce precipitation in spring and summer. This was not enough to fill storage capacities, the main source of supply. In some cases, as in some areas of Sardinia and Puglia, a state of natural disaster was declared. In Sardinia, especially in the southern part of the island, many crops were severely damaged (durum wheat, lesser cereals, dried pulses, grasses, meadows, pastures, citrus and olives), due not only to drought but also to African desert winds. A situation of severe drought also affected Puglia, where in October the major basins registered 20% less water than in 2007; the prolonged drought lasted into the autumn, causing serious damage to agricultural plantings. Basilicata also experienced shortages of irrigation supply, especially critical in the Ionian Lucanian arc served by the Monte Cotugno and Pertusillo storage capacities, with 46% less volume of water than the average for 2002 to 2007. In Sicily, where some storage capacities registered values as much as 50% lower than in 2007, there was a drought in September owing to persistent high temperatures, with damage to olive trees and vines.

Production levels

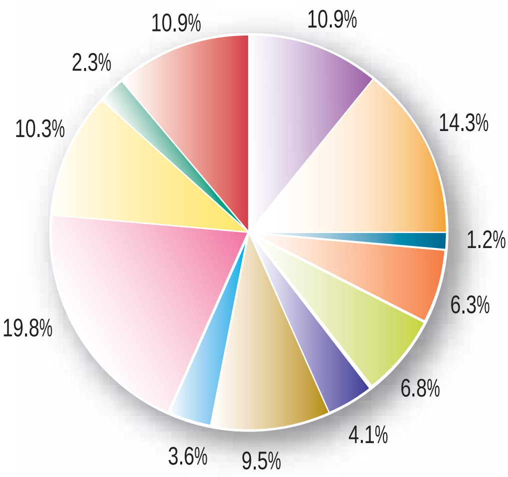
In 2008, agricultural output at basic prices, including forestry and fishing, grew in value by 4.6%, compared to 2007, thanks to increases in volume produced (+1.2%) and basic prices (+3.4%). By category, growth was seen in production of herbaceous crops (+2.3%) and especially tree crops (+4%). Fodder output was down (-3%), while livestock remained practically stable (+0.4%).
In the herbaceous crops category, cereals showed a strong recovery in output volume (+11.2%), thanks to increases in planted area (+2.5%) and yields (+5.8%). In particular, growth was recorded for durum wheat (+25.6%) and soft wheat (+12.2%), while rice dropped by 3.3%. Industrial crops continued to be planted on less area (-10% for oil-seeds), with a drop in output that mainly affected sunflowers (-5.4%). Output declined for tobacco (-6%) and especially for sugar beets (-3.8%).
In the flowers and ornamental sector, a slight drop was recorded for potted plants (-0.7%), whereas nursery output increased by 2.2%. The vegetable sector, including potatoes, declined overall by 1.7%, the combined though differentiated result of trends in various outputs: declines in output affected tomatoes (-9.4%), fennel (-6%), sweet peppers (-4.8%), aubergines (-4.5%), potatoes (-4.9%) and courgettes (-5.6%); increases were shown for carrots (+7.6%), cabbage (+7.7%),

Output and services at basic prices by sector, 2008

	Italy		Variation % 2008/07	
	million euro	%	volume	price
Field crops	*14,473*	*27.5*	*2.3*	*0.8*
Tree crops	*11,348*	*21.5*	*4.0*	*3.7*
Fodder crops	*1,752*	*3.3*	*-3.0*	*8.6*
Livestock	*15,783*	*30.0*	*0.4*	*5.6*
Connected services[1]	*5,298*	*10.1*	*0.5*	*4.1*
Secondary activities[2]	*1,506*	*2.9*	*3.3*	*4.8*
Forestry	*438*	*0,8*	*-11.1*	*0.9*
Fishing	*2,064*	*3.9*	*-11.7*	*1.6*
TOTAL[3]	*52,662*	*100.0*	*1.2*	*3.4*

[1] *Includes active and passive agricultural contract work, packaging of agricultural produce, maintenance of parks and gardens, services connected to livestock farming, artificial insemination, new production plants, etc.*
[2] *Agritourism, processing of milk, fruit, meat and other agricultural activities.*
[3] *Including secondary activities of an agricultural nature in other branches of the economy.*

Agricultural output at basic prices by main sector (million euro), 2008



TOTAL	48,653
Cereals and dried legumes[1]	5,295
Vegetables[2]	6,964
Industrial crops[3]	564
Flowers and ornamentals	3,061
Grapes	3,297
Olives	2,005
Fruit and citrus	4,635
Fodder crops	1,752
Meat	9,646
Milk	5,009
Eggs and other[4]	1,127
Connected services	5,298

[1] *Dried legumes account for 97 million euro.*
[2] *Includes potatoes (686 million euro) and fresh beans (291 million euro).*
[3] *Sugar beets (167 million euro), tobacco (230 million euro), sunflowers (51 million euro) and soya (90 million euro).*
[4] *Includes honey (20 million euro).*

cauliflower (+5.1%) and artichokes (+2%).
Among tree crops, output recovered for olive oil (+7.8%). Fruit production was also up (+1.5%), especially because of the increased output of nectarines (+7.4%), walnuts (+4.9%), kiwi fruit (+13%) and cherries (+29.7%).
In the wine-growing sector, production recovered for wine (+7.9%), accompanied by good quality results, and production of dessert grapes (+4.2%). Citrus output was down (-1.9%), in correspondence to a significant increase in production costs (+11%).
The livestock sector showed diversified trends, with increases in poultry (+9.5%) and sheepmeat and goatmeat (+3.4%), whereas output declined for beef (-2.7%) and rabbitmeat and game (-6.9%); pigmeat output increased slightly (+1.1%). Output of cow's milk dropped some-

*Main vegetable output, 2008**

	Volume		Value[1]	
	000 tonnes	var. % 2008/07	million euro	var. % 2008/07
Soft wheat	3,644	12.2	703	8.8
Durum wheat	4,961	26.5	1,498	25.5
Hybrid maize	10,357	5.6	1.832	2.8
Rice	1,460	-3.3	558	29.7
Sugarbeets	3,846	-23.8	167	-28.9
Tobacco	85	-6.0	230	-8.3
Soya	441	7.9	90	3.9
Sunflowers	262	-5.4	51	-15.6
Potatoes	1,693	-4.9	686	-9.8
Tomatoes	5,919	-9.4	1,069	-5.6
Dessert grapes	1,405	4.2	602	1.4
Sold wine grapes	3,688	5.8	798	0.6
Wine[2] (000 hl.)	19,276	7.9	1,886	12.9
Olive oil[2]	562	7.8	1,774	5.6
Apples	2,140	-3.8	793	7.2
Pears	859	0.4	560	21.5
Peaches and nectarines	1,655	1.5	734	3.9
Oranges	2,524	-0.1	666	3.3
Lemons	521	-6.3	345	28.2
Mandarins and clementines	781	-2.6	230	2.3
Kiwi fruit	471	13.0	370	41.9

* *Provisional figures.*
[1] *At basic prices.*
[2] *According to SEC95 methodology, agricultural output includes wine and olive oil produced from the farm's own grapes and olives, excluding those produced by coops and the food industry.*

what (-0.8%), associated with an increase in price paid to the producer (+11.7%); output of sheep's milk and goat's milk was up slightly (+0.6%). Honey output dropped sharply (-40%), as a result of persisting adverse weather conditions, infestations of varroa mites and the toxic effects of plant protection products.

Forestry output experienced a significant further drop (-11.1%) after that of 2007, caused by the decline in timber (-18.7%). Fishing also showed a decline in catch volume (-11.7%), which mainly affected Mediterranean output, whereas there was an increase in fishing in internal waters (+2%).

Services connected to agriculture and livestock showed a modest increase (+0.5%), partly affected by the downward trend in maintenance of parks and gardens, while increases continued for secondary and complementary services, including agritourism and farm stays (+3.3%).

Within the EU 27, the 2008 farm year reflected an increase in total volume of agricultural output (+3.8%), which was concentrated in the category of vegetable crops and affected production of cereals (+22.3%), olive oil (+9.6%), fruit (+2.5%) and vegetables (+1.8%). Output declined, however, for potatoes (-4%) and sugar beets (-12.1%). Wine and grape output remained stable. The volume of livestock output remained stable on the whole,

*Main livestock output, 2008**

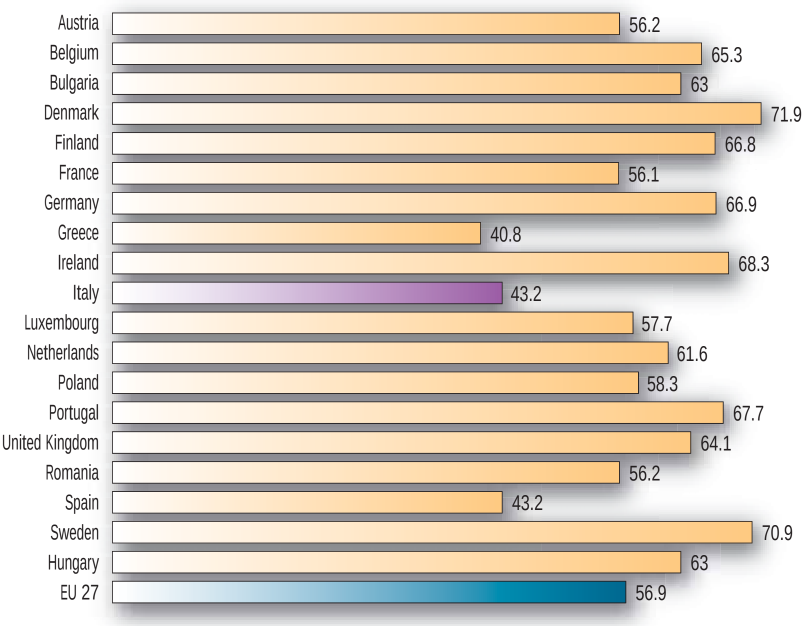
	Volume[1]		Value[2]	
	000 tonnes	var. % 2008/07	million euro	var. % 2008/07
Beef	1,470	-2.7	3,364	0.3
Pigmeat	2,009	1.1	2,574	8.5
Sheepmeat and goatmeat	70	3.4	225	-3.5
Poultry	1,546	9.5	2,382	5.0
Rabbitmeat and game	461	-6.9	1,035	-1.5
Eggs (millions)	13,070	1.5	1,096	6.9
Cow's milk[3] (000 hl.)	108,802	-0.8	4,431	10.8
Sheep and goat's milk (000 hl.)	5,994	0.6	578	18.6
Honey	7	-40.0	20	-24.4

* Provisional figures.
[1] Live weight.
[2] At basic prices.
[3] Includes buffalo milk.

Agricultural output at basic prices and intermediate consumption in EU countries, 2007 (%)

	Output	Intermediate consumption
Austria	1.8	1.8
Belgium	2.1	2.4
Bulgaria	0.9	1.0
Denmark	2.6	3.3
Finland	1.3	1.5
France	18.7	18.4
Germany	12.7	15.0
Greece	3.0	2.2
Ireland	1.7	2.0
Italy	12.5	9.5
Luxembourg	0.1	0.1
Netherlands	6.5	7.0
Poland	5.6	5.7
Portugal	1.9	2.2
United Kingdom	6.4	7.2
Romania	4.0	4.0
Spain	11.4	8.7
Sweden	1.4	1.8
Hungary	1.9	2.1
EU 27 (million euro)	355,810	202,294

Share of intermediate consumption to output (%)

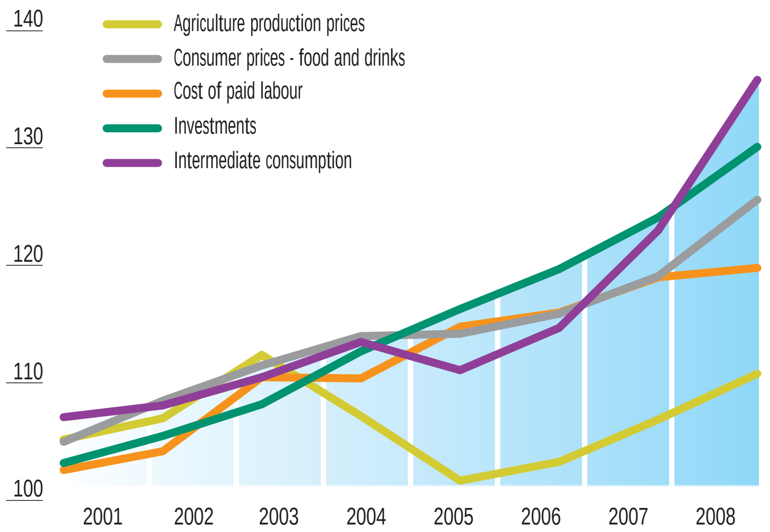


with increases for poultry (meat +3.3%, eggs +1.1%) and declines for pigmeat (-1.6%) and sheepmeat and goatmeat (-6%). Milk output rose modestly (+0.7%). Increases were shown for services connected to production (+2%) and secondary activities, including agritourism and farm stays (+1.8%).

Prices and costs

The development in agricultural trade, measured as the ratio of the production price index to that for intermediate consumption, deteriorated further (-6.2%), continuing the trend of 2007.
The prices of intermediate consumption in agriculture, forestry and fishing rose on average by 11.3%, the price of investments grew by 4.9% and the cost of paid labour increased by 0.7%.
Prices in the agriculture sector rose by 3.7% on average, strengthening the recovery that began in 2006. Increases were recorded for livestock rearing (+5.6%), in recovery after the stationary phase of 2007. Prices also rose for fodder crops (+8.5%), whereas tree crops showed a more moderate increase (+3.7%). Contrarily, herbaceous crop prices slowed on the whole (+0.7%), following the marked rebound of 2007.

Index numbers (basis 2000 = 100)



Source: ISTAT.

Agricultural income

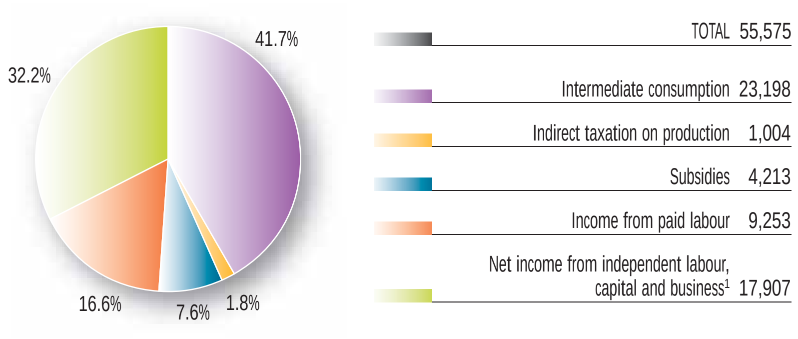
In 2008, the breakdown of agricultural production value, including production subsidies and direct taxation, shows a share of intermediate consumption of 41.7% (seeds, fertilisers, feedingstuffs, energy, services, etc.).

Income from paid labour accounts for 16.6%; remuneration for independent labour (farmers, family members, entrepreneurs, etc.), capital and business was 32.2% of production value, after depreciation.

Contributions and subsidies disbursed by the state, central administrations and the EU made up approximately 7.6%.

At the European Community level, according to Eurostat figures for 2008, real agricultural income per work unit (*) increased by 3.5%, on average for the EU 27, with marked differences among Member States. Sharp drops were seen in 19 countries, especially Denmark (-24.7%), Estonia (-23%), Belgium (-22.6%) and Lithuania (-19.4%). On the contrary, agricultural income improved in eight Member States, particularly Bulgaria (+28.9%), Romania (+28.4%), Hungary (+18.6%) and the United Kingdom (+16.5%). Italy had the lowest increase (+1.7%).

*Breakdown of agricultural income, 2008**



** Including forestry and fishing.*
[1] After capital depreciation.

* *Corresponds to net real value added from agriculture, at factor cost, per annual work unit.*

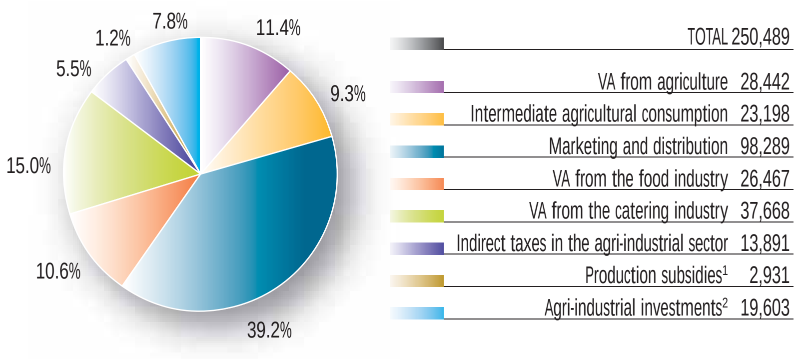
AGRI-INDUSTRIAL SUPPLY CHAIN

Breakdown of the agri-industrial system

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

The agri-food sector is estimated to have been worth some 250 billion euro, or 15.9% of GDP, in 2008. The main contributions were: approximately 28.4 billion from agricultural value added (VA), 23.2 billion from intermediate consumption in agriculture, 19.6 billion from agri-industrial investments, 26.5 billion from VA in the food industry, 37.7 billion from VA in the catering industry and 98.3 billion from marketing and distribution.

Main components of the agri-industrial system at basic prices (million euro), 2008*



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

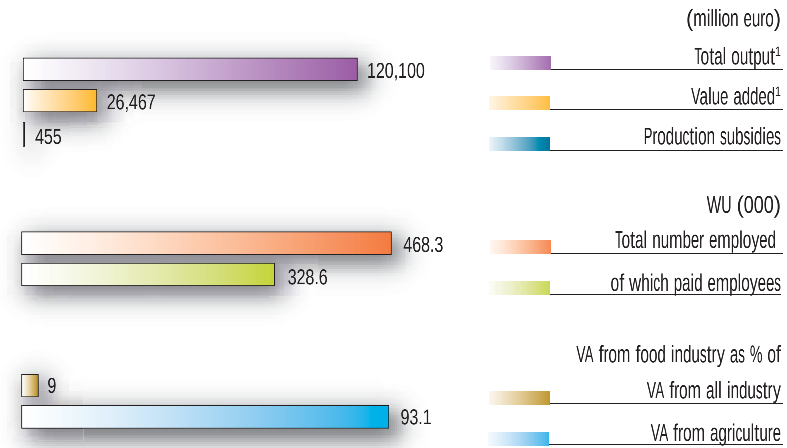
[1] Refers to agricultural subsidies for "production and business activities"; the share of subsidies to "agricultural products", equal to 1,282 million euro, is included in VA from agriculture at basic prices.

[2] Valuations from ISTAT figures.

Food industry

The food and drinks industry, including drinks and tobacco, numbered around 63,000 businesses (ISTAT - Structure and Competitiveness Business Survey - 2007). In 2008, those employed reached 468,300 work units, with a 9% share of industry as a whole. Strong imbalances persist geographically: 71% of labourers and approximately 78% of value added at basic prices were concentrated in the Centre-North.
Production in the food and drinks industry in 2008 remained practically stationary (+0.1%), in the face of a significant slump in the industrial sector (-3.2%). The decline in the tobacco industry continued (-13.2%), partly as a result of scaling down of tobacco plantings.
Value added in the sector dropped in volume (-1%) compared to 2007, but rose in value (+8.5%) as an effect of rising prices; the share of VA in industry in the narrow sense (mining and manufacturing) and in agriculture was 9% and 93.1%, respectively. Compared to 2007, production increased for meat (+0.7%), oils and fats (+1.1%), biscuits

Food industry: main macroeconomic aggregates, 2008*

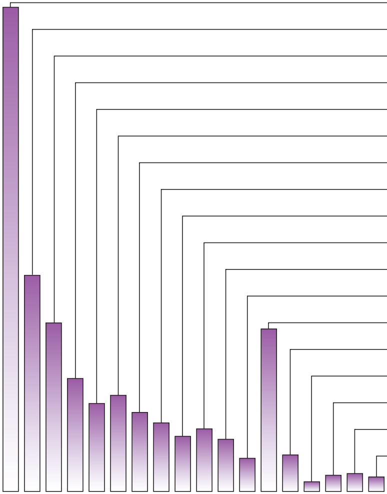


** Includes drinks and tobacco.*
[1] At basic prices.

Source: valuations from ISTAT figures.

Turnover in the food industry by sector (million euro), 2008

TOTAL 119,000



	million euro	(%)
Diet foods and other categories[1]	32,485	27.3
Milk and dairy	14,500	12.2
Confectionery	11,306	9.5
Processed meats	7,578	6.4
Beef	5,900	5.0
Animal feed	6,450	5.4
Poultry	5,300	4.4
Pasta	4,600	3.9
Processed vegetables	3,700	3.1
Olive oil and oilseed oils	4,200	3.5
Milling	3,500	2.9
Frozen foods	2,225	1.9
Wine[2]	10,900	9.2
Beer	2,450	2.1
Sugar	650	0.5
Fruit juices	1,086	0.9
Rice	1,200	1.0
Fish products	970	0.8

1 Of which: baby and diet food (2,800 million euro), soft drinks (1,800 million euro), coffee (2,350 million euro), mineral water (2,300 million euro) and other products (23,235 million euro).
2 Includes cooperatives and short supply chains (farmer-producer).

Source: Federalimentare.

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

	Var. 2008/07
Milling[1]	*-1.3*
Bread	*-0.1*
Biscuits	*2.9*
Pasta	*0.2*
Processing of fruit and vegetables[2]	*5.1*
Vegetable and animal oils and fats	*1.1*
Slaughter and processing of meat	*0.7*
Milk and dairy products[3]	*-1.8*
Sugar production	*-28.8*
Confectionery	*-0.5*
Condiments and spices	*9.7*
Wine[4]	*-3.7*
Beer	*-3.0*
Mineral water and soft drinks	*-0.5*
Animal feed	*1.9*
TOTAL	*-0.1*

1 Includes soft-wheat flour, durum wheat bran and starch products.
2 Includes vegetable and fruit juices (var. -3.4%).
3 Includes production of ice-cream (var. -9.4%).
4 From non-home-produced grapes.

(+2.9%), processing and transformation of fruits and vegetables (+5.1%), condiments and spices (+9.7%) and animal feed (+1.9%). Production dropped, however, for milling and flour (-1.3%), milk and dairy (-1.8%), sugar (-28.8%), wine (-3.7%) and beer (-3%).

In the EU, the agri-food industry, including tobacco, showed value added in 2006 of around 197 billion euro, with 4.7 million employed, which accounted for 11.5% of value added and 13.7% of employed in the industrial sector, respectively.

Food, drinks and tobacco industry in the EU 27, 2006

	VA million euro	To VA for industry %	Employment 000 units	To employment in industry %
Total EU 27	*196,666*	*11.5*	*4,708.9*	*13.7*
Meat	*30,000*	*1.8*	*1,000.0*	*2.9*
Fish products	*3,955*	*0,2*	*129.4*	*0.4*
Milk and dairy	*17,337*	*1,0*	*400.0*	*1.2*
Milling, processed starches	*6,644*	*0,4*	*121.2*	*0.3*
Processed fruit and vegetables	*11,402*	*0,7*	*280.6*	*0.8*
Vegetable and animal fats	*3,991*	*0,2*	*71.5*	*0.2*
Animal feed	*9,136*	*0.5*	*130.0*	*0.4*
Other food industry products[1]	*71,951*	*4.2*	*2.052,2*	*6.0*
Drinks	*34,000*	*2,0*	*460.0*	*1,3*
Tobacco	*8,250*	*0.5*	*64.0*	*0.2*

[1] *Bread, pasta, sugar, confectionery, tea, coffee, diet foods and baby food, condiments, spices, etc.*

Source: EUROSTAT.

Turnover in the food, drinks and tobacco industry in the EU 27, 2006

Country	Turnover million euro	%
Belgium	*33,301*	*3.5*
Denmark	*21,390*	*2.3*
France	*163,651*	*17.4*
Germany	*176,769*	*18.8*
Ireland	*24,300*	*2.6*
Italy	*119,754*	*12.7*
Netherlands	*57,064*	*6,1*
Poland	*41,518*	*4.4*
United Kingdom	*120,219*	*12.7*
Spain	*91,177*	*9.7*
Other EU countries	*93,292*	*9.9*
TOTAL	*942,435*	*100.0*

Source: EUROSTAT.

Distribution

There were 189,709 fixed retail outlets selling food as their main commercial activity at the end of 2008, a decrease of 2,219 businesses over the previous year (-1.2%). This decline was the result of the closing of butchers (-2.4%), fruit vendors (-2.3%) and other specialised outlets (-2.7%). There was also a drop in non-speciality shops (-0.3%), while growth continued among retail businesses selling wine, olive oil and drinks (+1.8%). Geographically, the number of food businesses dropped most in the North (-1.3%).

The value of food sales in fixed retail outlets rose by 0.7%, the combined result of growth in large-scale retail (+1.3%) and a decline in small shops (-1.7%). Sales increased in the North-East (+1.7%) and decreased somewhat in the Centre (-0.1%).

Food retail outlets, 2008*

	North		Centre		South & Islands		Italy	
	number	%	number	%	number	%	number	%
Fruit and vegetables	7,521	11.3	4,193	12.1	9,002	10.1	20,716	10.9
Meat and meat-based products	10,314	15.6	5,714	16.5	19,060	21.5	35,088	18.5
Fish and fish products	1,496	2.3	1,466	4.2	5,451	6.1	8,413	4.4
Bread and confectionery	5,782	8.7	2,113	6.1	4,483	5.0	12,378	6.5
Wine, oils and drinks	2,287	3.4	1,244	3.6	1,954	2.2	5,485	2.9
Other specialised foods	6,263	9.5	2,687	7.8	9,059	10.2	18,009	9.5
Other non-specialised foods	32,606	49.2	17,166	49.7	39,848	44.9	89,620	47.3
Total	66,269	100.0	34,583	100.0	88,857	100.0	189,709	100.0
% of total outlets	22.6		22.5		27.0		24.5	
DENSITY[1]	413		341		235		316	

* Main premises and local outlets.
[1] Inhabitants per outlet.

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

Large-scale retail trade

As of 1 January 2008, there were 8,814 registered supermarkets (+2.8% compared to the previous year). The number of sales points increased most in the South (+3.2%). The total area used for retail also increased, reaching nearly 7.7 million square metres (+4%), and the workforce increased to a total of around 158,000 workers (+1.1%). Hypermarkets also increased in number, to 520 (+6.1%), with total retail space of some 3.2 million square metres (+7.5%) and 82,000 workers (+2.8%). The South in particular recorded the greatest growth, in numbers (+13.1%), area (+17.3%) and number of workers (+10%).

In 2008, sales increased in value over 2007, by 1.1% for supermarkets, by 1.7% for hypermarkets in the food sector, and by 1.4% for hard discount stores.

*Large-scale retail food trade by geographical area, 2007**

	Outlets		Sales area[1]		Employees[1]		Number of outlets	Sales area
	number	var. % 2007/06	sq.m.	var. % 2007/06	number	var. % 2007/06	per 100,000 inhabitants	sq.m./1,000 inhabitants
North	5,010	2.9	6,263,510	4.2	145,316	1.1	18.5	231.0
Centre	1,768	2.6	1,989,798	4.1	47,307	0.4	15.1	170.4
South & Islands	2,556	3.6	2,677,582	7.6	46,863	4.9	12.3	128.6
TOTAL	9,334	3.0	10,930,890	5.0	239,486	1.7	15.7	183.3

* Supermarkets and hypermarkets. At 1 January 2008.

[1] Area and employees refer to both food and non-food departments.

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

Food consumption

In 2008, household expenditure in Italy on food and drink was approximately 144 billion euro, an increase in value of 2.9%. Total consumption by volume dropped (-2.4%). Compared to 1998, the share of food in families' total expenditure dropped from 16.9% to 15.4%. Expenditure for eating out amounted to around 71 billion euro, with an increase in value of 3.5% over 2007, mainly owing to increases in prices (+3.3%). Between 1998 and 2008, the impact of this figure, in relationship to the value of food consumption, rose from 40% to 49%.

The most important categories in terms of expenditure are meat (31.7 billion euro), bread and cereal products (26 billion), fruit and vegetables (24 billion) and milk and dairy products and eggs (17.8 billion). Compared to 2007, decreases in volume were recorded for all types of food, especially bread and cereals (-3.4%), fish (-5.4%), fruit (-3.2%), oils and fats (-3%), sugar and confectionery (-2.8%) and alcoholic beverages (-3.8%). Consumption remained the same for vegetables and coffee, tea and cocoa; it increased for diet foods (+3.3%).

Average family spending for food and drinks was higher than in 2007

Break-down of food consumption, 2008

Product	% of total food expenditure	Average annual % of change 2008/1998	
		volume	price
Meat	*22.5*	*0.7*	*2.4*
Bread and cereal-based products	*19.2*	*1.0*	*2.7*
Milk and dairy products and eggs	*12.8*	*0.1*	*2.3*
Vegetables and potatoes	*10.6*	*0.2*	*3.0*
Fruit	*6.6*	*0.5*	*2.5*
Fish	*6.2*	*-0.2*	*3.0*
Sugar and confectionery[1]	*6.2*	*0.7*	*2.0*
Wine and other alcoholic beverages	*4.8*	*0.1*	*2.4*
Mineral water and other drinks[2]	*5.1*	*1.0*	*1.6*
Oils and fats	*4.4*	*-1.4*	*2.7*
Coffee, tea and cocoa	*1.3*	*0.5*	*1.0*
Other foods[3]	*0.3*	*2.9*	*1.0*
TOTAL	*100.0*	*0.4*	*2.5*

[1] *Jam, honey, syrups, chocolate and cakes and biscuits.*
[2] *Fizzy drinks, fruit juices etc.*
[3] *Diet foods, spices, baby products etc.*

(475 euro per month as against 466). The greatest increase in spending occurred in the North (+3.3%) and the Centre (+1.4%), whereas expenditures in the South remained the same. Average family spending for food and drinks accounted for 19.1% of total monthly outlays, as compared to 18.8% in 2007.

Food consumption in some EU countries (kg per capita), 2007

Product	Bulgaria	France	Germany	Greece	Italy	Poland	Portugal	United Kingdom	Romania	Hungary
Cereals and cereal products	ng	112.9	111.1	206.4	158.8	140.8	128.0	125.6	ng	166.0
Refined rice	3.9	6.4	3.2	4.8	ng	2,0	ng	ng	3.2	6.1
Potatoes	38.3	50.6	68.5	93.5	44.7	120.7	88.6	96.9	91.2	59.4
Fresh and processed tomatoes	22.3	30.8	22.6	82.1	301.6	17.6	ng	16.2	36,0	18.5
Fresh fruit[1]	14.6	39.5	26.0	91.7	66.2	7.9	55.0	19.5	21.1	35.8
Citrus	10.2	116.6	41.9	89.5	62.7	13.2	30.6	5.4	13.7	15.2
Liquid milk[2]	ng	67.1	64.2	66.6	60.1	ng	92.2	115.6	ng	ng
Cheese	ng	23.7	20.5	35.7	22.6	ng	10.5	10.1	ng	ng
Eggs	ng	ng	13.0	10.3	ng	ng	ng	ng	ng	ng
Butter	ng	7.9	6.3	0.8	2.9	ng	1.6	2.6	ng	ng
Total meat	ng	102.0	90.0	83.0	91.0	ng	109.0	82.0	72.0	82.0
beef	ng	26.0	13.0	17.0	25.0	ng	19.0	21.1	11.1	3.0
pigmeat	ng	35.0	56.0	28.0	39.0	ng	47.0	23.0	33.0	46.0
Oils and vegetable fats	ng	15.2	ng	48.6	27.9	5.3	ng	ng	12.7	15.0
Sugar	26.0	31.7	37.4	38.1	43.6	33.8	30.4	23.7	30.3	42.9
Wine[3]	ng	47.9	24.6	28.8	40.0	1.8	42.7	20.1	24.3	32.2

[1] *Apples, pears, peaches, dessert grapes.*
[2] *Including other fresh products, except cream.*
[3] *Litres per capita.*

Foreign trade

2008 signalled a marked improvement in Italy's position compared to 2007, for both agri-food production and trade transactions. Agri-industrial production showed an increase of 6%, decidedly higher than the previous year; Italy's position in terms of exports improved from one year to the next, by 7.1%, in the face of a growth in imports similar to that of 2007 (+2.2%). Commercial trends had a positive influence on the balance of trade, which, though it remained negative, showed an improvement of 12.4 percentage points. The normalized balance also improved, by roughly 2 percentage points, registered at -12.2%.

When we look at main trade indicators, it emerges that the degree of self-supply increased by nearly 2 percentage points, as a result of the positive performance of agri-industrial production, which was greater than the increase recorded for consumption. Despite the positive export figures, the increase in propensity to export appears to have slackened off, again as seen within the context of the growth in production, showing only a slight change compared to 2007 (+1%). Favourable results in export flows were, however, exploited by an increase of nearly 5% in the degree of trade cover. As for the propensity to import, it dropped by almost 2 percentage points.

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

		2000	2007	2008
MACROECONOMIC AGGREGATES				
Total agri-industrial output[1]	(O)	67,899	73,705	78,108
Imports	(I)	25,358	33,112	33,826
Exports	(E)	16,867	24,732	26,482
Balance	(E-I)	-8,491	-8,380	-7,344
Volume of trade[2]	(E+I)	42,225	57,844	60,308
Apparent consumption[3]	(C = O+I-E)	76,390	82,085	85,452
INDICATORS (%)				
Degree of self-sufficiency[4]	(O/C)	88.9	89.8	91.4
Propensity to import[5]	(I/C)	33.2	40.3	39.6
Propensity to export[6]	(E/O)	24.8	33.6	33.9
Degree of trade cover[7]	(E/I)	66.5	74.7	78.3

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

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

[2] *Sum of exports and imports.*

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

[4] *Output-consumption ratio.*

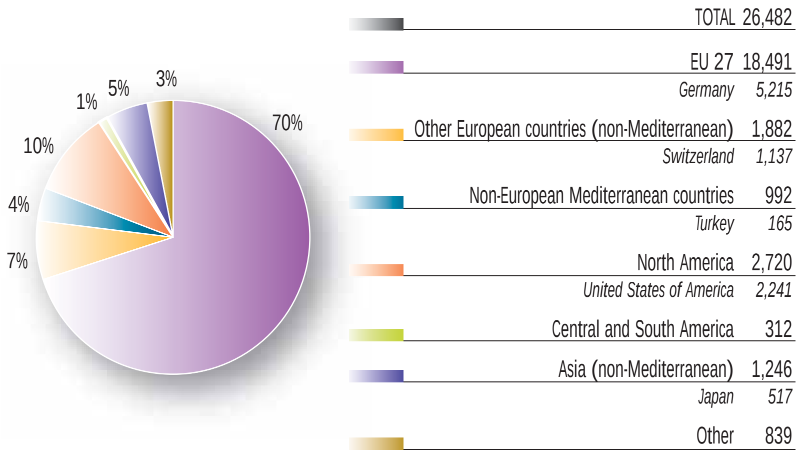
[5] *Imports-consumption ratio.*

[6] *Exports-output ratio.*

[7] *Exports-imports ratio.*

The share of agri-food to total trade in 2008 remained practically unchanged, accounting for 9% of imports and 7.2% of exports.
The 27 countries in the EU are Italy's most important trading partners, as they account for approximately 70% of both imports and imports, an almost stable share compared to 2007 for imports and a growth of 6% for exports. Again in terms of share, other areas of interest in Italy's trade transactions are, for imports, South America (9.4% of the total) and Asia (6.7%), and, for imports, North America (10.3%) and Asia (4.7%).
Italy's top five suppliers continue to be France, Germany, Spain, the Netherlands and Austria. The list of major importers also remains unchanged: Germany, France, the United Kingdom, the United States and Spain.
The percentage share of exports and imports, in terms of the primary sector and the food industry, show Italy's net competitive advantage in processed products: in 2008, in fact, industry claimed a 78% share of total exports and 66% of imports, figures that remained stable compared to the previous year. In dynamic terms, it was a favourable period for exports, both in the primary sector (+4.4%) and the food industry (+7.9%), in the face of changes in

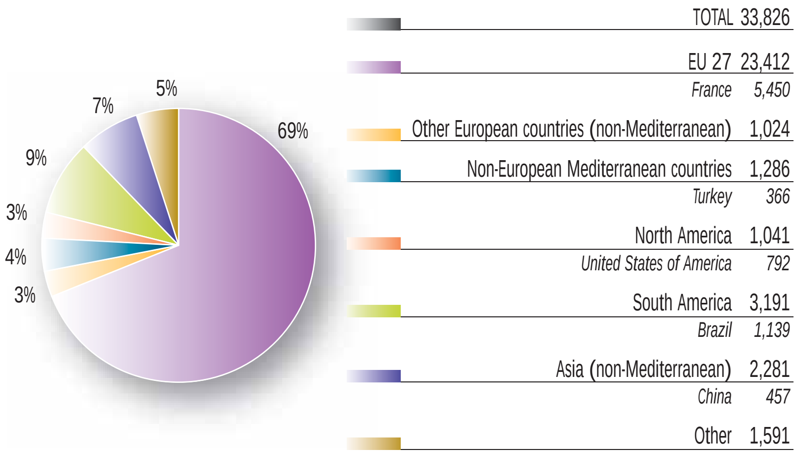
Destination for Italy's agri-food exports (million euro), 2008



imports of 2.2% and 1.7%, respectively for the two sectors. The normalized balance showed slight improvement for both categories, registering at -33.7% for the primary sector and -3.9% for the food industry.

Exports were concentrated on traditional Made in Italy products, given that the top 5 products sold abroad were pasta, tinned tomatoes, VQPRD red and rosé wines, cocoa-based sweet products and virgin and extra-virgin olive oil. The trend in 2008 was favourable for all products, with the exception of VQPRD red and rosé wines, which dropped by 0.8%. Particularly significant were the increases for the first two products, exports of which rose by 37.7% and 21.8%, respectively. For imports, dependence on foreign countries continued in some sectors, including livestock and fish. The list of imported products is topped by processed fish (+0.7%), followed by the category of oil-cakes, flour and feedingstuffs (+12.8%).

Source of Italy's agri-food imports (million euro), 2008



Foreign trade by main agri-food category (million euro), 2008

	Import	Export	Nb* (%)
Cereals	2,289	225	-82.1
of which from seed	77	25	-51.2
Fresh legumes and vegetables	667	934	16.7
of which from seed	145	64	-39.1
Dried legumes and vegetables	170	31	-69.4
Citrus	233	180	-12.9
Other fresh fruit	1,046	2,299	37.5
Dried fruit and nuts	506	240	-35.7
Raw textile fibres	111	7	-88.1
Oilseeds and fruits	805	40	-90.6
of which from seed	10	6	-23.3
Cocoa, coffee, tea and spices	1,015	38	-92.8
Flowers and ornamental plants	381	537	17.1
Uncured tobacco	38	202	68.3
Live animals	1,171	59	-90.3
of which animals for breeding	104	20	-67.8
of which animals for rearing and slaughtering	1,046	31	-94.2
of which other live animals	21	8	-44.3
Other livestock products	404	45	-80
Forestry products	781	74	-82.6
of which wood	422	12	-94.7
Fish products	822	213	-58.9
Game products	88	4	-92
Other products	119	158	14
TOTAL PRIMARY SECTOR	10,646	5,285	-33.7

	Import	Export	Nb* (%)
Cereal products	1,056	3,856	57
of which pasta	59	2,017	94.3
Sugar and confectionery	1,192	1,115	-3.3
Fresh and frozen meat	3,621	822	-63
Processed meat	798	1,018	12.1
Processed and preserved fish	2,850	320	-79.8
Processed vegetables	851	1,773	35.1
Processed fruit	501	909	29
Dairy products	3,284	1,748	-30.5
of which milk	730	8	-97.7
of which cheese	1,430	1,406	-0.9
Oils and fats	2,806	1,565	-28.4
of which virgin and extra-virgin olive oil	991	811	-10
Oilcakes and feedingstuffs	1,205	276	-62.7
Drinks	1,373	4,819	55.7
of which VQPRD white wine	10	429	95.5
of which VQPRD red and rose wine	12	1,070	97.7
of which other wine	303	2,087	74.6
Other food industry products	2,750	2,380	-7.2
TOTAL FOOD INDUSTRY	22,285	20,601	-3.9
TOTAL AGRI-FOOD BALANCE	33,826	26,482	-12.2
Cured tobacco	2,069	10	-99.0
TOTAL AGRI-FOOD	35,895	26,492	-15.1

** Nb = normalized balance.*

FARM STRUCTURE

Farms

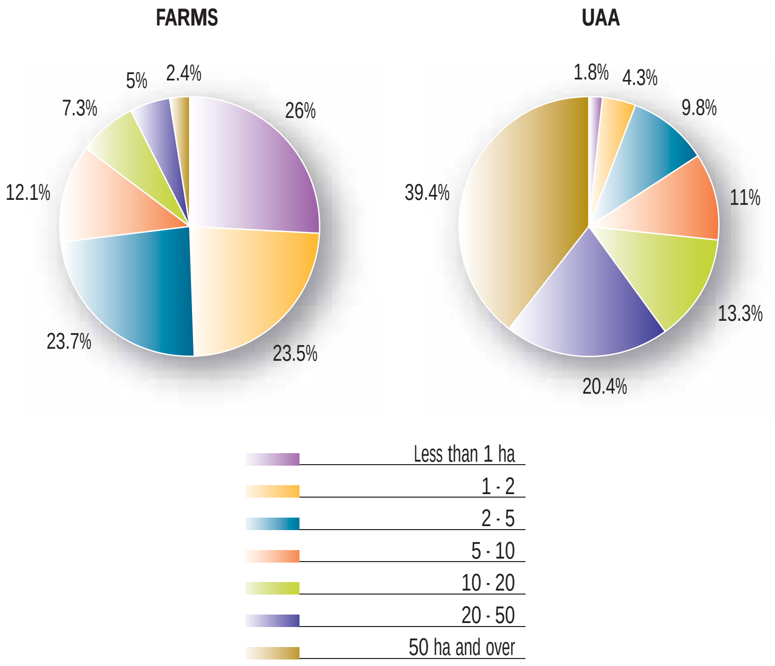
According to ISTAT figures in the most recent sample survey made on structures and production on farms (SPA), in 2007 there were just under 1.7 million farms in Italy, with UAA of 12,744 million hectares. Average farm UAA of 7.6 hectares continues to grow, showing an increase of 3.2% owing to the gradual decline in number of farms, in the face of substantially stable surface area. The decline in number of farms differs in intensity in different geographical areas: it is more marked in the Centre (-4.6%) and the South (-3.2%), and more contained in the North (-0.9%), the only exceptions being Valle d'Aosta (-17%) and Liguria (-10.5%).
Italian agriculture continues to be made up mostly of small and medium-sized farms: 49.5% of farms have less than 2 hectares. Nonetheless, these farms cultivate only 6.1% of total UAA, while farms

Farms and Utilised Agricultural Area, 2007

	Farms		UAA (ha)		Total area (ha)
	2007	var. % 2007/05	2007	var. % 2007/05	2007
Piedmont	75,445	-1.4	1,040,185	1.1	1,403,893
Valle d'Aosta	3,860	-17.0	67,878	-0.8	147,741
Lombardy	57,493	0.1	995,323	1.7	1,258,471
Trentino Alto-Adige	41,626	-5.2	399,140	-0.5	983,005
Veneto	144,604	1.1	820,201	2.8	1,121,386
Friuli-Venezia Giulia	24,206	1.5	228,063	1.6	361,868
Liguria	20,684	-10.5	49,408	0.7	135,065
Emilia-Romagna	81,962	0.6	1,052,585	2.2	1,340,654
Tuscany	78,903	-3.6	806,428	-0.4	1,458,301
Umbria	38,205	-2.9	339,404	0.4	585,144
Marche	49,135	-7.8	496,417	-0.1	671,481
Lazio	102,580	-4.4	674,011	-1.6	940,447
Abruzzo	60,070	-1.4	434,013	2.1	657,272
Molise	23,511	-6.1	200,257	-5.8	265,463
Campania	151,802	-3.3	562,880	-0.1	777,493
Puglia	245,374	-1.6	1,197,380	-1.6	1,317,444
Basilicata	57,282	-4.4	542,256	-2.0	715,784
Calabria	119,131	-3.0	514,047	-0.1	757,943
Sicily	237,270	-4.7	1,251,851	0.1	1,415,233
Sardinia	66,296	-3.5	1,072,469	0.9	1,527,457
ITALY	1,679,439	-2.8	12,744,196	0.3	17,841,544

with over 50 hectares account for 2.4% of the total number, but nearly 40% of UAA. On a regional level, Liguria has the highest number of small farms, which account for 75% of the total and use 24.5% of regional UAA; next are Campania, Puglia and Calabria, where farms with less than 2 hectares make up 60% of the total and occupy between 11% and 14% of UAA. On the other end is Lombardy, where the smallest farms make up 29% and cultivate only 1.5% of regional UAA. Lombardy, together with Sardinia, also stands out for having the highest percentage of large farms: in both regions, these represent 8.6% and involve roughly 56% of regional UAA.

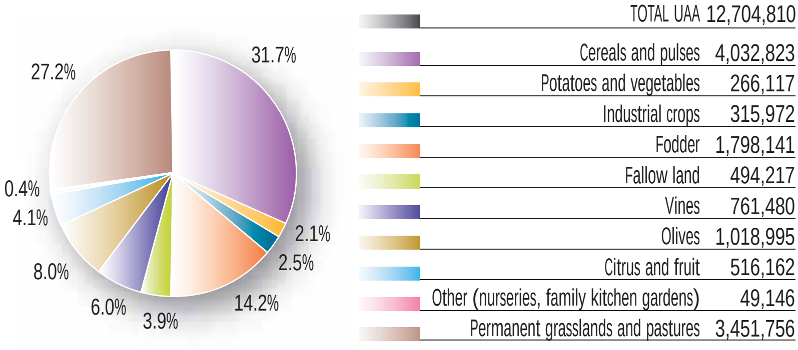
% Distribution of farms and UAA by size, 2007



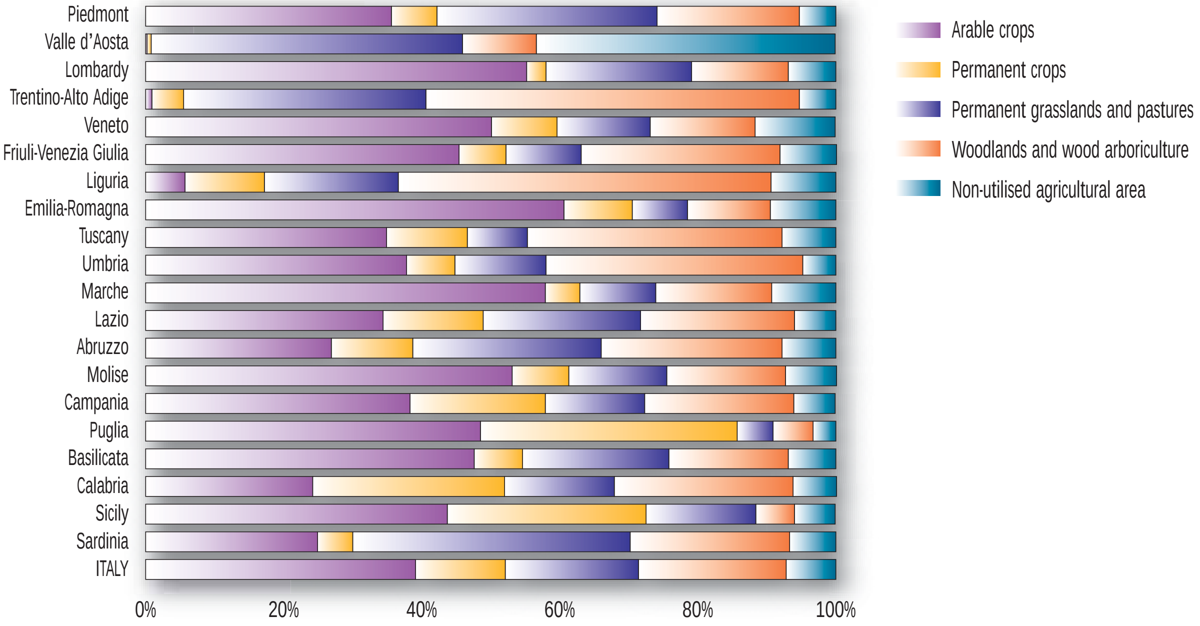
Crops

Among various soil uses, arable crops play a predominant role, involving roughly 39% of total agricultural area on farms; next come woodlands and wood arboriculture (21.4%), permanent grasslands and pastures (19.3%) and permanent crops (13%).
Land use differs widely among the regions: in the Po Valley, especially Emilia-Romagna and Lombardy, a significant amount of land is devoted to arable crops, while in Valle d'Aosta and Sardinia grasslands and pastures are predominant (18% of national area planted to grasslands and pastures is in Sardinia). Permanent crops are more common in the South (Puglia and Sicily have 21% and 17.5%, respectively, of total national area planted to these crops). Trentino-Alto Adige and Tuscany each have 14% of Italy's woodlands. Cereals and pulses make up more than half of the area devoted to arable crops, whereas over one-fourth of such area is used for fodder crops. The most common tree crop is olives (8% of UAA), followed by grapevines (6%).

Agricultural area by major crop (%), 2007



Total area by land use and region %, 2007



Livestock

In 2007, farms with livestock accounted for 18.4% of total farms, showing an increase of 2.4% over 2005. The increase mainly affects regions of the North, especially Piedmont (+57.7%), and slightly in the South, with Calabria showing the most marked growth (+15.5%), whereas the Centre recorded a drop in livestock farms, particularly in the Marche (-34.5%).
The increased number of livestock farms involved all sectors except pigs and rabbits. Number of head also increased for each type of animal reared, across the country, except for sheep (-2.9%).
Nearly half of farms in Valle d'Aosta raise livestock, followed by Lombardy (38.9%) and Piedmont (37.5%), whereas fewer than 2% of farms in Puglia practice livestock rearing.
Lombardy has the largest average herd size for both cattle (103 head compared to the national average of 42) and pigs, where the concentration of industrial rearing raises the average herd size to 1,003 head per farm, as compared with the national average of 90. Sardinia has the largest average herd size for sheep (226 head) and goats (80 head). In the poultry sector, the concentration of industrial rearing in some geographical areas raises sharply the average flock size in Emilia-Romagna and Molise, to 43,323 and 31,511 head respectively, compared to the national average of 2,089 head.

Farms with livestock and number of head per type of animal, 2007

Region	Farms with livestock	Number of head						
		Cattle and buffalo	Pigs	Sheep	Goats	Horses	Rabbits	Poultry
Piedmont	28,273	862,153	991,450	85,840	55,983	18,996	798,744	8,487,263
Valle d'Aosta	1,894	41,945	78	3,943	3,119	112	455	1,037
Lombardy	22,367	1,597,066	4,354,064	96,509	63,225	15,745	306,536	37,412,509
Liguria	3,982	19,320	804	21,862	7,308	3,745	14,655	55,889
Trentino-Alto Adige	13,202	188,743	14,010	52,878	21,275	6,832	80,127	1,274,090
Veneto	24,454	872,531	739,868	26,470	8,626	11,534	4,111,635	44,919,932
Friuli-Venezia Giulia	4,850	95,076	175,181	6,349	1,827	967	1,115,828	5,234,581
Emilia-Romagna	13,504	594,776	1,412,065	68,983	9,161	15,940	372,242	30,412,647
Tuscany	13,354	107,948	172,795	608,415	14,401	12,770	100,696	1,350,737
Umbria	9,617	67,463	226,085	143,341	6,942	5,733	56,793	5,955,007
Marche	11,071	74,138	87,799	194,116	7,568	1,363	383,834	5,411,264
Lazio	26,779	311,944	58,544	565,021	30,897	15,344	366,687	1,264,819
Abruzzo	17,957	84,728	122,177	288,804	7,997	8,272	387,089	2,158,668
Molise	6,052	51,050	35,938	91,613	5,557	1,773	7,143	4,064,949
Campania	35,020	418,097	133,641	253,593	48,019	3,824	312,554	2,859,568
Puglia	4,587	183,829	148,587	195,468	45,268	5,154	87,044	1,060,837
Basilicata	14,025	95,072	65,749	370,494	101,959	4,860	443,214	295,217
Calabria	23,812	116,918	77,022	258,591	151,981	3,751	35,573	735,482
Sicily	12,556	303,648	37,417	548,693	93,288	6,491	43,784	2,423,489
Sardinia	22,113	277,910	186,972	2,909,072	252,442	13,404	131,258	1,849,897
ITALY	309,469	6,364,355	9,040,246	6,790,055	936,843	156,610	9,155,891	157,227,882

Labour

In 2007, approximately 59% of persons employed in various ways on farms were concentrated in the South & Islands, with the highest levels in Puglia, Sicily and Campania.

Compared to 2005, farm labour dropped on the whole (-3.7%), mainly in the South & Islands (-5.7%) and the Centre (-4.2%), whereas there was a slight increase in the North (+1.5%). The most marked decreases were recorded in Valle d'Aosta (-22%) and Liguria (-16.6%), whereas increases were shown in Friuli-Venezia Giulia (+16%), Lombardy (+4.9%), Emilia-Romagna (+2.6%) and Veneto (+2.3%).

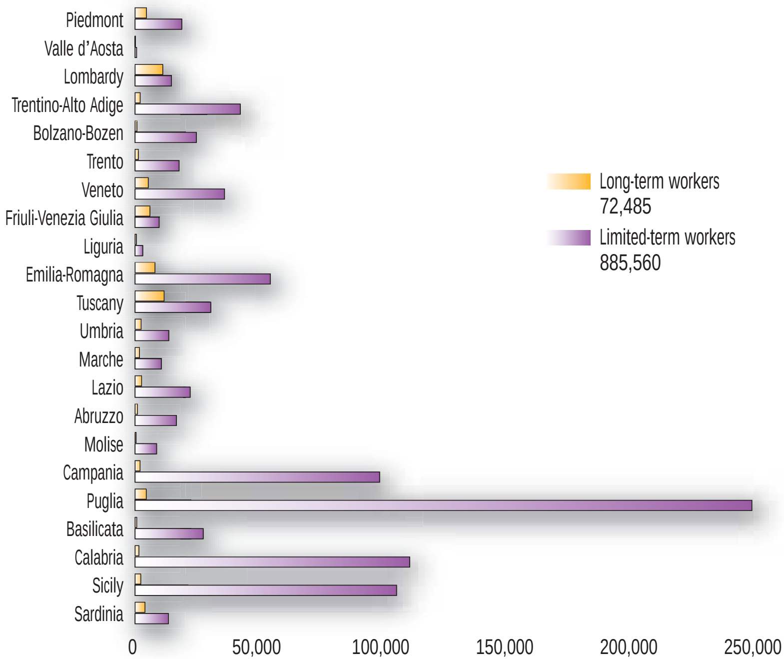
Compared to 2005, both family and non-family labour declined. For family labour, numbers decreased for farmers (-2%) and their spouses (-6%), while labour performed by other family members and relati-

Breakdown of farm labour by category, 2007 (number of persons)

Region	Farmer	Other family labour	Other farm labour	Total	Var. % 2007/05
Piedmont	74,298	63,936	23,348	161,582	-0.4
Valle d'Aosta	3,809	3,086	743	7,638	-21.9
Lombardy	56,231	49,335	25,784	131,350	4.9
A.P. Bolzano	20,396	34,303	25,383	80,082	4.2
A.P. Trento	20,368	28,545	19,036	67,949	-5.9
Veneto	143,572	118,602	41,329	303,503	2.3
Friuli-Venezia Giulia	23,605	23,828	15,650	63,083	16.0
Liguria	20,574	14,219	3,584	38,377	-16.6
Emilia-Romagna	80,189	78,001	62,482	220,672	2.6
Tuscany	76,957	72,744	42,170	191,871	-4.9
Umbria	37,011	29,636	15,961	82,608	-5.7
Marche	48,492	39,512	12,306	100,310	-4.1
Lazio	101,374	75,339	24,797	201,510	-2.8
Abruzzo	59,599	64,061	17,590	141,250	-0.6
Molise	23,397	20,034	9,070	52,501	-4.0
Campania	151,111	155,627	100,520	407,258	-4.3
Puglia	244,951	187,782	253,022	685,755	-6.9
Basilicata	56,881	40,502	28,088	125,471	-9.7
Calabria	118,509	100,997	112,141	331,647	-0.9
Sicily	236,279	142,843	107,630	486,752	-9.7
Sardinia	65,906	50,101	17,412	133,419	-1.7
ITALY	1,663,508	1,393,031	958,045	4,014,584	-3.7

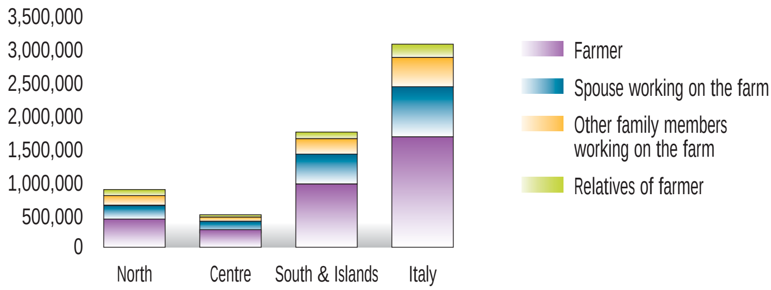
ves rose by 2%). Within the category of non-family labour, the decline was more marked for limited-term workers (-26%) than for long-term labourers (-6%).
Family labour is prevalent in all regions, with top percentages of over 90% in Liguria and Valle d'Aosta and the lowest percentage in Puglia (63%).
Besides the farmer, the spouse is the family member who contributes most to farm labour, in all regions, especially in the South; in Molise and Campania the spouse accounts for 32.5% and 29.5%, respectively, of family labour. The role of other family members and relatives is most significant in the North, at roughly 25.5%.
As compared to the high absolute numbers of non-family farm labourers in the South & Islands, the regions of the North show higher numbers of long-term workers;

Non-family farm labour by type of employment, 2007

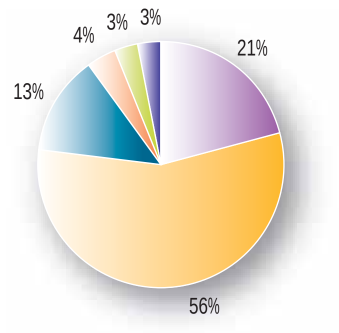


non-family labourers employed in the short term are concentrated in the South & Islands.

Number of persons by category of farm labour and region, 2007



% Breakdown of farm labour by UAA class, 2007



TOTAL	4,014,583
from 0 to 1 ha UAA	834,612
from 1 to 10 ha	2,273,353
from 10 to 30 ha	524,346
from 30 to 50 ha	159,001
from 50 to 100 ha	118,763
over 100 ha	104,508

Irrigation

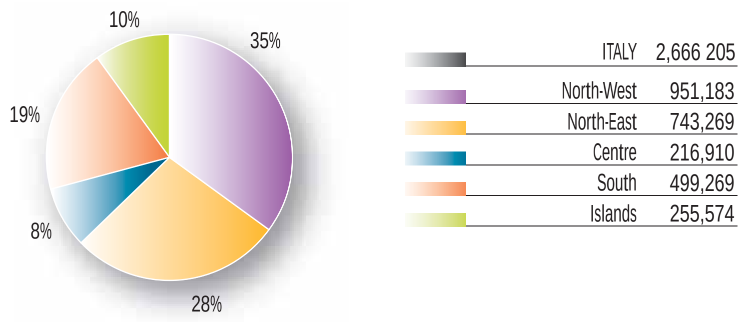
On average, 32% of farms practice irrigation, with higher percentages in the North-West (62%) and lower percentages in the Centre and South (21% and 29%, respectively). Compared to 2005, irrigated farms increased by roughly 60,000 units.
Irrigated surface area increased by around 2% compared to 2005 (53,000 hectares), with significant expansion in the North-East (+11%) and the South (+6%), as against decreases in the North-West (-4%) and the Centre (-6%). The most irrigated surface area is concentrated in the Po Plain: Piedmont, Lombardy and Emilia-Romagna account for 46%, with 1,225 million hectares of irrigated land. Irrigated surface area in the South amounts to roughly 19% of the total, concentrated mainly in Puglia.

Farms using irrigation, 2007

Geographical area	Number	Var. % 2007-05	% average to total farms[1]
North-West	*80,419*	*15.4*	*61.7*
North-East	*117,855*	*9.1*	*48.5*
Centre	*74,169*	*14.7*	*21.3*
South	*199,725*	*15.8*	*29.3*
Islands	*91,494*	*3.3*	*30.9*
ITALY	*563,662*	*12.0*	*32.9*

[1] *Total farms with UAA or wood arboriculture.*

Breakdown of irrigated area by geographical area, 2007 (% of UAA)



ECONOMIC RESULTS OF FARMS

Output and income

Results from the FADN[1] for 2007 show average total output (TO) of over 54,000 euro per farm; by subtracting fixed and variable costs from that figure – which includes subsidies received as well as the sale of products and services – net income (NI) for all factors brought in by the farmer and the farmer's family is around 21,000 euro, or slightly less than 40%.

Analysis of the figures shows better production performance among farms in the North-East and North-West, with productivity well above the national average, in absolute terms, per hectare and per work unit. In the North-West in particular, superior production is explained by the adoption of more intensive techniques and by larger farm size: farms in this area have an average of 21.7 hectares of UAA, as compared to the national average of less than 16 hectares.

However, in terms of income, the North-East, especially the share of farms in Emilia-Romagna, loses the advantage it enjoys in production, with a net income per farm that sinks to national average levels in absolute terms. Even considering profitability per family work unit, only the North-West achieved fully satisfactory income levels, whereas the North-East showed levels similar to those in the Centre, which however began with far lower levels of production.

Structural figures and main economic results by geographical area, farm averages 2007

	UAA ha	WU[1] n.	FWU[2] n.	TO[3] euro	VC[4] euro	FC[5] euro	NI[6] euro
North-West	21.7	1.5	1.3	97,545	42,232	22,019	42,525
North-East	15.0	1.4	1.2	71,739	33,352	20,381	21,904
Centre	18.5	1.3	1.1	51,369	19,158	14,127	19,995
South & Islands	13.3	1.2	0.9	35,315	14,329	6,862	15,623
ITALY	15.6	1.3	1.0	54,374	23,128	13,045	21,357

[1] Work units.
[2] Family work units.
[3] Total output.
[4] Variable costs.
[5] Fixed costs.
[6] Net income.

Source: FADN-INEA.

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

Going beyond the differing production potential and aptitudes across the nation, the South & Islands enjoyed the largest share of net income to TO (44%), though the area recorded lower levels of production and income, in absolute terms, per hectare and per individual.
The North-East and North-West recorded the highest fixed farm costs. In the case of the North-West, this can be traced to the larger size of farms in the area.

Structural and economic indicators by geographical area, 2007

	TO / ha	TO / WU	NI / FWU	NI / TO (%)	NI / ha
North-West	*4,502*	*64,252*	*34,017*	*43.60*	*2,374.38*
North-East	*4,770*	*50,562*	*18,719*	*30.53*	*1,676.90*
Centre	*2,776*	*38,603*	*18,791*	*38.92*	*2,920.25*
South & Islands	*2,659*	*29,216*	*17,916*	*44.24*	*2,750.06*
ITALY	*3,487*	*41,310*	*20,957*	*39.28*	*2,187.84*

Analysis of the economic performance of farm types in Italian agriculture shows outstanding production and income results for farms specialising in vegetables and nursery plants, which yielded the highest levels in both absolute terms and per hectare of planted surface area. But if we consider another parameter, the share of net income to value of production, fruit and olive farms showed superior results.

For livestock, analysis was made for the dairy cattle farm type (FT), a category in which farms with the largest land area achieved the best production and income levels; dairy farms have an average surface area of 30 hectares across the nation, but the average size is over 45 hectares in the North-West, the area that also shows the highest productivity and income.

Vegetable and nursery farms and dairy farms recorded the lowest share of fixed costs to total costs.

Structural figures and main economic results by FT, farm averages 2007

	UAA ha	WU n.	FWU n.	TO euro	VC euro	FC euro	NI euro
Cereals	23.5	0.8	0.7	39,672	13,890	11,536	14,617
Vegetables and nursery plants	2.3	2.4	1.4	98,014	42,465	16,734	38,866
Fruit	5.3	1.2	0.9	38,736	11,313	9,723	17,724
Grapevines	6.1	1.2	0.9	39,178	11,704	12,421	15,131
Olive trees	6.9	0.9	0.7	21,302	7,974	4,858	8,547
Dairy cattle	30.1	2.2	1.8	164,854	91,646	34,653	65,860

Source: FADN-INEA.

Structural and economic indicators by FT, 2007

	TO / ha	TO / WU	NI / FWU	NI / TO (%)	NI / UAA
Cereals	1,688	48,795	19,976	36.8	622
Vegetables and nursery plants	43,373	40,517	27,609	39.7	17,199
Fruit	7,278	31,213	19,161	45.8	3,330
Grapevines	6,452	32,040	15,954	38.6	2,492
Olive trees	3,094	22,573	12,978	40.1	1,241
Dairy cattle	5,476	75,399	35,987	40.0	2,188

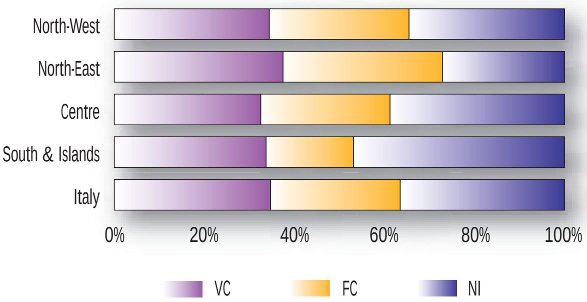
Structural and economic figures by geographical area, FT cereals, 2007

	UAA	WU	TO / ha	TO / WU	NI / FWU
	ha	n.		euro	
North-West	26.2	0.9	2,218	63,004	24,582
North-East	16.1	0.8	2,175	43,683	12,887
Centre	28.8	0.9	1,389	42,742	18,731
South & Islands	25.6	0.7	1,239	46,515	24,964

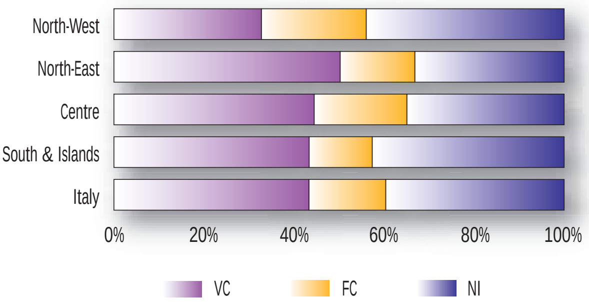
Structural and economic figures by geographical area, FT vegetables and nursery plants, 2007

	UAA	WU	TO / ha	TO / WU	NI / FWU
	ha	n.		euro	
North-West	1.8	1.8	37,523	37,094	19,897
North-East	3.2	2.9	55,398	61,043	35,899
Centre	2.8	2.5	34,991	40,636	21,393
South & Islands	2.1	2.6	45,350	36,380	32,030

Farms specialising in cereals - % breakdown of gross output, 2007



Farms specialising in vegetables and nursery plants - % breakdown of gross output, 2007



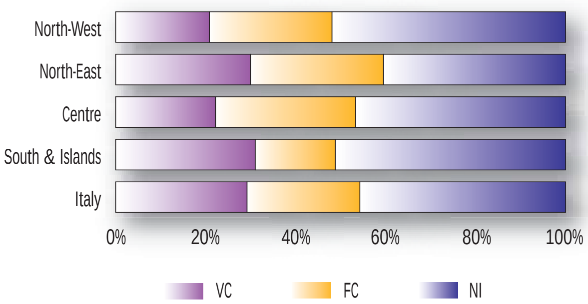
Structural and economic figures by geographical area, FT fruit, 2007

	UAA ha	WU n.	TO / ha	TO / WU	NI / FWU
			euro		
North-West	5.6	1.2	6,831	31,036	17,719
North-East	5.8	1.4	9,872	40,937	22,012
Centre	5.2	0.9	4,779	27,036	13,928
South & Islands	5.0	1.2	5,790	24,179	17,951

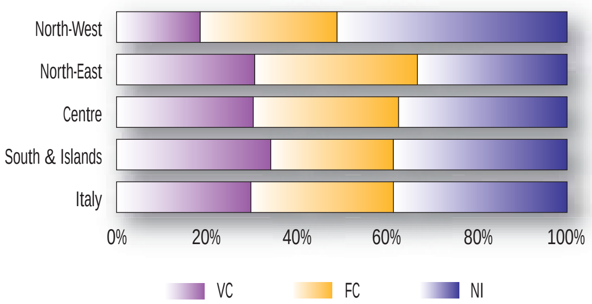
Structural and economic figures by geographical area, FT grapevines 2007

	UAA ha	WU n.	TO / ha	TO / WU	NI / FWU
			euro		
North-West	5.0	1.1	7,388	33,045	18,263
North-East	5.6	1.3	8,604	36,434	14,501
Centre	12.3	1.8	7,738	52,614	32,668
South & Islands	5.8	1.1	4,541	23,476	12,520

Farms specialising in fruit - % breakdown of gross output, 2007



Farms specialising in grapevines - % breakdown of gross output, 2007



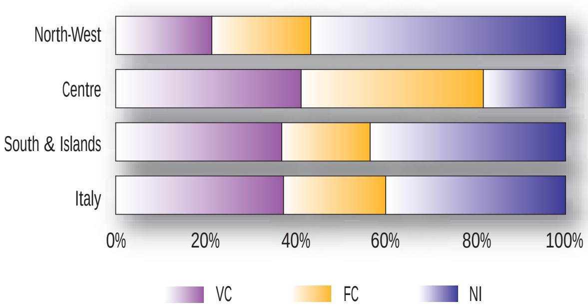
Structural and economic figures by geographical area, FT olive trees, 2007

	UAA ha	WU n.	TO / ha euro	TO / WU euro	NI / FWU euro
North-West	2.6	1.2	6,436	14,031	8,061
Centre	8.4	1.1	2,673	20,003	4,939
South & Islands	6.7	0.9	3,150	23,349	14,982

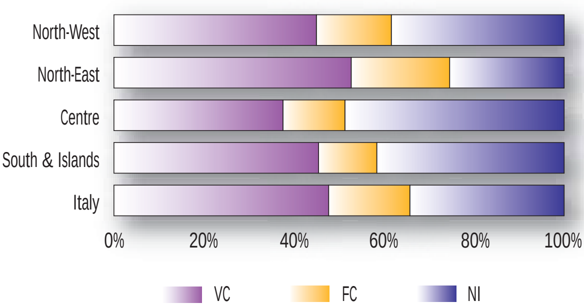
Structural and economic figures by geographical area, FT dairy cattle, 2007

	UAA ha	WU n.	TO / ha euro	TO / WU euro	NI / FWU euro
North-West	45.3	2.5	5,227	95,671	54,223
North-East	24.4	2.1	5,766	67,951	22,206
Centre	21.0	1.9	5,021	55,256	35,643
South & Islands	22.3	2.1	5,672	60,246	38,891

Farms specialising in olive trees - % breakdown of gross output, 2007



Farms specialising in dairy cattle - % breakdown of gross output, 2007



Productivity and profitability indicators of processed data about land and labour for the most common farm types, based on the latest EU FADN figures[1], reflect the diverse nature of European agriculture, within which major differences can be traced to differing production factors, as well as to differences in management efficiency among farms in various EU countries.
The peculiarity of these situations can be shown by examining categories which, as they impact gross output, serve to determine net family income, which sums up farm performance.
Net family income, or the remuneration received by the farmer and his family for production factors, plus business risk, which is derived by subtracting from the value of production all costs, intermediate consumption and depreciation, including external factors such as salaries, rents and passive interest, indeed produces quite different values among Member States within individual categories.
For horticulture, Italian farms boast higher productivity than the EU average, but lower than the group of the Netherlands, Belgium, Denmark and Germany. Italian farms also have outstanding profitability of land and labour. Whereas, for every hectare of UAA in Europe, horticulture farms record roughly 7,000 euro in net income on average, this value for Italian farms is more than 20,000 euro. These results are largely due to intermediate consumption, which impacts total output (TO) to a moderate degree (33% as opposed to the European average of 48%), as well as to the lesser availability of surface area (3.2 hectares as against the average of 4.7 ha). Figures for farms specialising in horticulture also confirm the strength of Dutch farms, which have the best results in terms of productivity for both land and labour, but not so in terms of income. Contributing to these results are larger-than-average surface area (8 ha) and labour intensity similar to that of other countries (0.8 WU/ha), but heavily weighted toward salaried labour: 73% of total WU, whereas the average share of salaried labour is 55% (Italy's is lower, at 42%). On Spanish farms, the opposite is true: as against decidedly lower-than-average productivity, they enjoy higher profitability than the average for all EU countries.

[1] *2006 data for Germany and Spain are provisional. Information about Community FADN data can be found at http://ec.europa.eu/agriculture/rica/index_en.cfm*

This is the result of a lower share of total costs to TO (especially in virtue of the lower share of depreciation, at 4.3% as opposed to 9.4%), which means nearly half of TO translates as income.

In the wine category, there is an interesting comparison between Italy and France, countries known for their wines and their competition for shares in the world market. Italian farms, which show lower productivity than farms in France, as to profitability per family member, are more profitable per hectare. This has to do with differences in size: French wine-growing farms have a larger average size (21 hectares, as compared to the Italian average of 7 ha, and the EU average of 12 ha), with a higher proportion of salaried labour to total labour (roughly 50% as compared to 22% on Italian farms) and labour intensity in line with EU averages (0.12 WU/ha as opposed to 0.17 on Italian farms). This reflects on costs, since external factors paid by French farms (salaries, rents and passive interest) are over 60,000 euro, whereas on Italian farms they do not exceed 8,000 euro.

Performance on farms specialising in olives also reveals differences; indeed, all countries have their own olive-growing characteristics, with differences in size, productivity and profitability of land, labour and cost structure. Yet they all employ family labour predominantly. Italian olive-growing farms, which average 6.5 hectares of UAA and 0.14 WU/ha, attain the best results for productivity and profitability per family worker, and have the lowest share of family labour (0.76 FWU/WU as opposed to 0.81), together with farms in Portugal.

The fruit category (including fruit trees, citrus, nuts, small fruits except strawberries, and related nurseries) also appears quite varied, with negative income in Denmark, Hungary and the United Kingdom, and above-average productivity in the Netherlands and Belgium.

Of the Mediterranean countries, Italy showed more-than-satisfactory results for both productivity and profitability of land and labour. This was due to smaller farms (5.7 ha as opposed to 7.5 ha), with labour intensity in line with the EU average (0.2 WU/ha), but more heavily weighted toward family labour, which accounts for 79% of the total, as opposed to the average of 69%, and greater management efficiency, which allows farms to employ only 33% of TO to cover intermediate consumption.

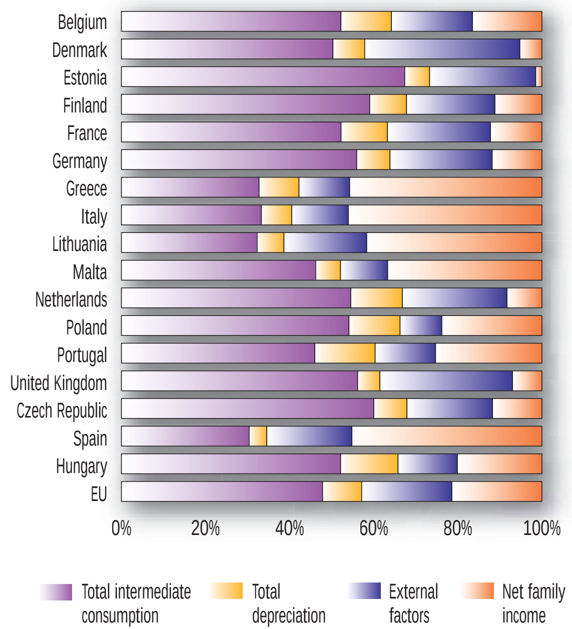
For arable crops (cereals, oil-seeds and protein legumes), the highest productivity was achieved by farms in Denmark, Germany, France and the UK. Italy's high indexes of productivity and profitability per hectare should be considered in the light of smaller farm size (22 ha as compared to the EU average of 68 ha), greater use of family labour (90% as opposed to the 80% EU average) and greater labour intensity.

Farms specialising in horticulture: average farm results in euro (2004-2006 three-year period)

Country	TO / HA	TO / WU	NI / HA	NI / FWU
Belgium	*46,863*	*75,385*	*7,781*	*24,707*
Denmark	*44,689*	*94,201*	*2,386*	*29,984*
Estonia	*4,214*	*22,372*	*67*	*1,733*
Finland	*66,014*	*50,992*	*8,587*	*15,170*
France	*31,685*	*55,116*	*3,954*	*18,877*
Germany	*62,281*	*59,808*	*7,442*	*22,964*
Greece	*19,952*	*22,836*	*9,325*	*16,709*
Italy	***43,156***	***50,729***	***20,044***	***40,888***
Lithuania	*2,089*	*9,346*	*992*	*10,494*
Netherlands	*85,148*	*109,335*	*7,062*	*34,136*
Poland	*19,995*	*16,940*	*4,705*	*7,642*
Portugal	*7,585*	*13,736*	*1,974*	*4,523*
United Kingdom	*28,503*	*66,287*	*2,005*	*30,152*
Czech Republic	*5,445*	*27,635*	*650*	*12,976*
Spain	*18,013*	*28,850*	*8,243*	*28,455*
Hungary	*5,371*	*16,473*	*1,116*	*6,386*
TOTAL	*32,120*	*46,283*	*6,948*	*22,344*

Source: processing of FADN-EU figures, European Commission, DG AGRI.

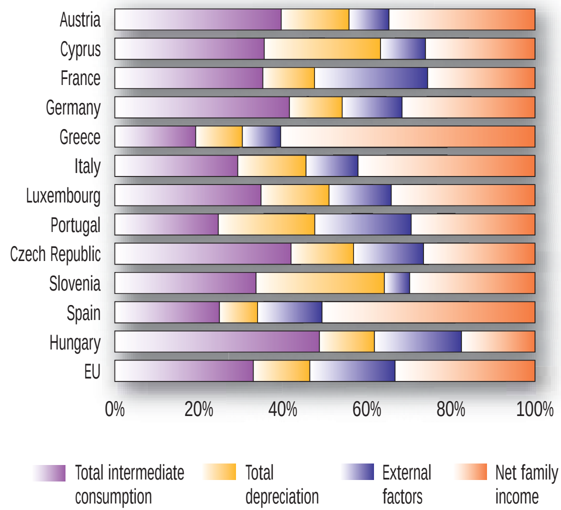
Farms specialising in horticulture: % breakdown of TO, 2004-2006



Farms specialising in wine: average farm results in euro (2004-2006 three-year period)

Country	TO / HA	TO / WU	NI / HA	NI / FWU
Austria	3,281	33,814	1,404	17,279
Cyprus	1,574	8,614	573	3,513
France	7,582	62,652	1,969	31,842
Germany	10,656	50,241	3,579	23,231
Greece	4,551	13,597	3,515	12,646
Italy	**5,722**	**33,391**	**2,549**	**19,014**
Luxembourg	12,928	57,266	4,886	34,725
Portugal	2,054	10,123	671	5,095
Czech Republic	2,703	18,730	777	10,686
Slovenia	4,344	9,180	1,365	3,090
Spain	1,622	19,126	861	12,876
Hungary	6,028	17,458	1,061	9,701
TOTAL	5,114	37,441	1,777	19,264

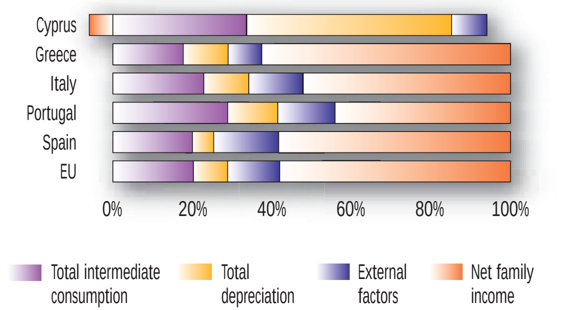
Farms specialising in wine: % breakdown of TO, 2004-2006



Farms specialising in olives: average farm results in euro (2004-2006 three-year period)

Country	TO / HA	TO / WU	NI / HA	NI / FWU
Cyprus	*1,335*	*4,784*	*-132*	*-509*
Greece	*2,426*	*10,072*	*2,012*	*9,472*
Italy	***2,483***	***17,491***	***1,633***	***15,032***
Portugal	*548*	*14,909*	*319*	*11,549*
Spain	*1,537*	*13,809*	*1,113*	*12,806*
TOTAL	*1,820*	*13,265*	*1,331*	*11,919*

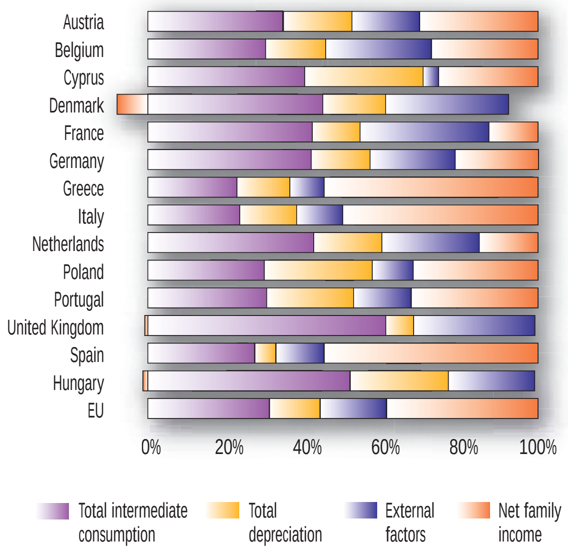
Farms specialising in olives: % breakdown of TO, 2004-2006



Farms specialising in orchards - fruits: average farm results in euro (2004-2006 three-year period)

Country	TO / HA	TO / WU	NI / HA	NI / FWU
Austria	5,774	29,774	2,028	17,361
Belgium	13,896	59,115	3,826	47,344
Cyprus	3,041	6,891	966	2,273
Denmark	2,994	59,531	-288	-8,301
France	6,763	41,419	898	17,957
Germany	7,611	44,774	1,663	21,292
Greece	5,414	16,266	3,168	12,250
Italy	**6,070**	**29,107**	**3,104**	**18,992**
Netherlands	16,050	68,794	2,377	24,195
Poland	2,841	10,661	942	5,757
Portugal	1,754	9,086	658	4,249
United Kingdom	7,323	53,193	-52	-1,767
Spain	3,550	20,481	2,037	14,741
Hungary	1,447	14,674	-16	-429
TOTAL	4,518	22,863	1,845	13,504

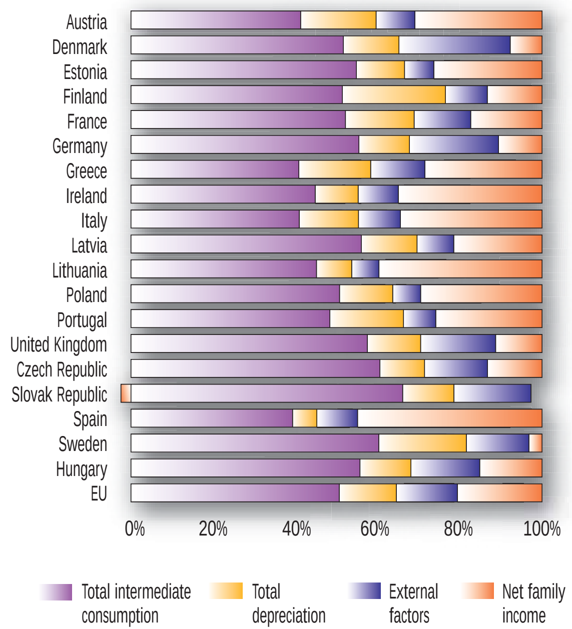
Farms specialising in orchards - fruits: % breakdown of TO, 2004-2006



Farms specialising in COP crops: average farm results in euro (2004-2006 three-year period)

Country	TO / HA	TO / WU	NI / HA	NI / FWU
Austria	789	43,725	422	24,096
Denmark	1,756	112,828	160	13,712
Estonia	301	27,391	112	15,800
Finland	412	34,837	132	11,835
France	813	62,241	203	17,545
Germany	958	81,501	135	18,672
Greece	789	15,795	353	7,843
Ireland	808	53,410	426	32,546
Italy	**1,302**	**29,900**	**587**	**15,014**
Latvia	310	19,050	99	12,182
Lithuania	315	17,884	195	15,123
Poland	567	19,248	218	8,993
Portugal	379	12,333	174	5,972
United Kingdom	860	85,036	135	21,284
Czech Republic	610	34,889	102	12,499
Slovak Republic	510	24,475	-17	-4,087
Spain	362	25,728	243	18,563
Sweden	683	75,847	30	3,780
Hungary	599	35,671	119	15,679
TOTAL	736	42,621	211	15,310

Farms specialising in COP crops: % breakdown of TO, 2004-2006

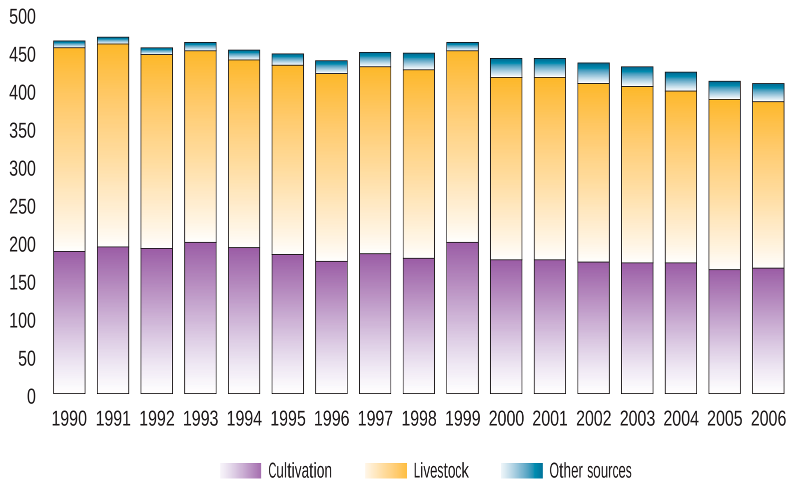


NATURAL RESOURCES AND MULTI-FUNCTIONALITY

Agriculture and atmospheric pollution

Agricultural activity contributes to atmospheric pollution with the emission of ammonia (NH_3), of which it is the principal source. The most significant noxious effects from ammonia emissions are acidification and eutrophication, caused by excessive deposits of nitrogen compounds in soil and water. Livestock is the main source of emissions (54% of total in 2006), followed by cultivation, which contributes 40% of total release of ammonia, mainly through the use of mineral fertilisers and burning of crop residue.
Between 1990 and 2006, ammonia emissions were reduced overall by 12%; the drop in emissions from agriculture was greater than the average (-16%).
The process of gradually integrating CAP environmental goals from 1992 to the present has certainly contributed to this reduction, by encouraging more careful use of nitrogen-based fertilisers and contributing to the process already underway of reducing the size of Italy's livestock industry.

Ammonia emissions in Italy (000 tonnes)

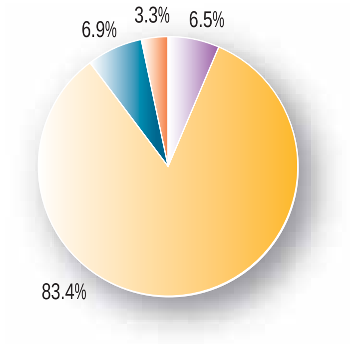


Source: ISPRA.

Agriculture and greenhouse gas emissions

The agriculture-forestry sector plays a strategic role in the battle against climate change. While deforestation and intensive agriculture are among the activities that contribute most to the release of greenhouse gases into the atmosphere, all activities of agriculture and forestation that increase the organic substance of land and aerial biomass contribute substantially to the absorption and accumulation of carbon dioxide.
From the standpoint of emissions, Italian agriculture in 2006 contributed to the release into the atmosphere of approximately 36.6 million tonnes of equivalent CO_2 (6.5% of total emissions), down 9.7% from 1990.
Agriculture is the major source of emissions of methane (39% of the total) and nitrous oxide (61% of the total). From 1990 to 2006, the emission of these greenhouse gases from agriculture dropped by 12% and 8%, respectively. The major cause of reduced methane emissions is the significant drop in livestock herds in Italy, especially cattle. The drop in nitrous oxide emissions, on the other hand, is due to better agronomic land management, especially as regards the use of nitrogen-based fertilisers.
As for absorption of greenhouse gases, the accumulation of carbon dioxide by Italy's agriculture-forestry systems was estimated at roughly 112 million tonnes of equivalent CO_2 for 2006. This contribution by the

Greenhouse gas emissions in Italy, percentage by sector, 2006

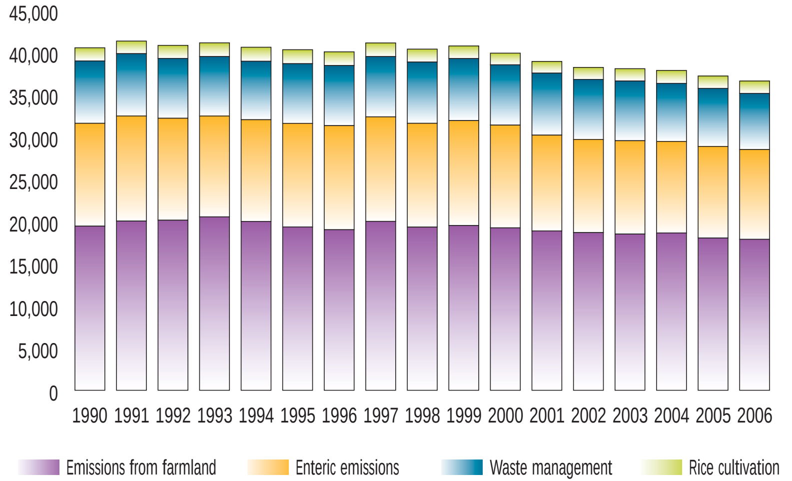


Agriculture	36,643
Energy	473,681
Industry	38,931
Waste	18,668

Source: ISPRA.

sector to reducing emissions plays a particularly strategic role for Italy, considering that from 1990 to 2006 the total release of greenhouse gases into the atmosphere in Italy increased by 10% compared to the goal of a 6.5% reduction set by the Kyoto protocol.

Greenhouse gas emissions in agriculture (000 tonnes of equivalent CO_2)

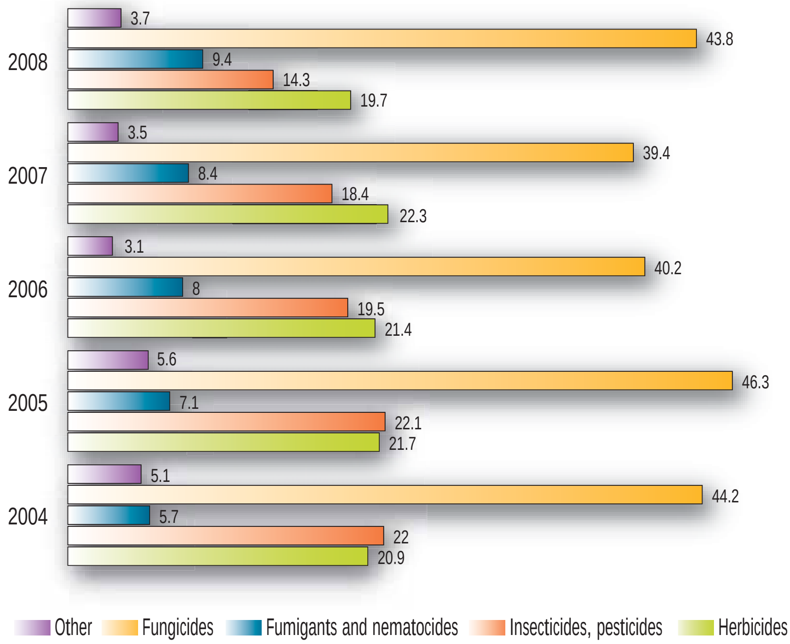


Source: ISPRA.

Use of chemical products

In the face of a positive trend in market value, which in 2008 topped 759 million euro (+2.3% compared to 2007), the use of pesticides in agriculture continues to drop gradually, as products with innovative molecules and new crop defence strategies are introduced. In 2008, according to Agrofarma, 90,922 tonnes of active substances were employed, down 1.2% over the previous year, with a significant decrease in the use of insecticides (-22.3%) and herbicides (-11.6%).
In 2008, there was a decidedly lower percentage of irregularities in samples of fruit and vegetables in 204,285 tests run by the National Residue Observatory, with 87.5% of products showing no trace of residue, 8.9% within legal limits and 3.6% with irregularities not deemed detrimental to health. Equally positive results were seen in inspections made by the Ministry of Health on

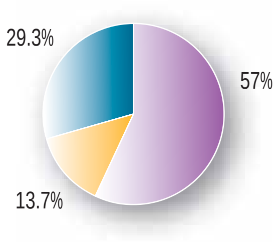
Development in the use of plant protection products (000 tonnes)



Source: Agrofarma, data refer to member farms.

over 8,000 samples of fruit, vegetables, cereals, olive oil and wine, with 99.1% of products within legal limits and 66.7% free of residue.
The use of specialised inputs with high nutritive features designed for high-income crops, and the rationalisation of amounts used, have contributed over the past three years to lower domestic consumption of fertilisers made from nitrogen, phosphorus and potassium. A total of 1.4 million tonnes of these substances were employed in 2008, significantly less than in 2007 (-4.5%) and 2006 (-5.8%).

Use of plant protection products by geographical area (tonnes), 2008

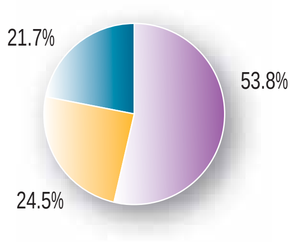


TOTAL[1]	90,922
North	51,826
Centre	12,413
South & Islands	26,683

[1] *Data refer to 99.1% of member farms.*

Source: Agrofarma.

Composition of fertilisers used (000 tonnes), 2008

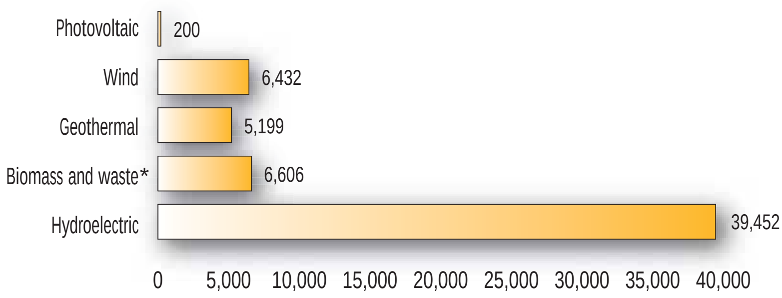


TOTAL	1,409.7
Nitrogen	758.3
Phosphorus	345.8
Potassium	305.6

Source: Assofertilizzanti.

More than 60% of the world's 5.7 million tonnes of biodiesel in 2007 was produced in the EU, an increase of 16.8% over the previous year (EurObserv'ER data). Italy produced 0.4 million tonnes in 2007, 80% of which came from imported rape and sunflower oils, according to the Biodiesel Producers' Union. As the result of the National Biodiesel Framework Contract, farmers were able to plant 115,000 hectares in the 2007-2008 two-year period, to sunflowers, rape and soy, making up 17.9% of total UAA planted to oil-seed crops.
The EU produces a fairly limited amount of bioethanol, 1,708 million litres in 2007 (+12.8%), 78% of which comes from France, Germany and Spain; Italy is in sixth place, with production of just 60 million litres.
The EU produced 98.5 TWh of electrical energy from biomass and waste in 2007, of which 49.2 TWh comes from crops and agri-industrial waste (+4.4% compared to 2006); Italy produced 6.9 TWh (+3.1%), of which 2.5 TWh comes exclusively from crops and agri-industrial waste, accounting for 5.1% of the electrical energy produced from renewable energy sources.
The EU's production of biogas from manure and waste reached 5.9 million tonnes in 2007 (+11.3%), with electrical energy production of 19.9 TWh. Of that amount, 1.4 TWh, or 7%, was produced in Italy. 60% of Italy's plants are fuelled exclusively

Electrical energy production (GWh) in Italy from renewable sources, 2008



** Solids (solid urban waste, crops and agri-industrial waste) and biogas (from waste dumps, mud, manure, crops and other agri-industrial waste).*

Source: Terna.

by livestock refluents, with electricity production of 0.2 TWh, whereas 1.2 TWh of electricity is generated by biogas from waste dumps.
According to data published by Terna, which operates the national electrical energy transmission network, electricity production from biomass and waste increased by 2.4%, while production of electrical energy from renewable sources rose by 20%, to 57.9 TWh.

Biomass facilities from renewable sources in Italy, 2007

	Number	Power (MW)	Producibility (GWh)
Combustible biomass	*56*	*1,287*	*3,733*
Liquid bio-combustibles	*159*	*894*	*6,778*
Biomass from waste	*11*	*366*	*265*
Biogas from waste dumps	*142*	*202*	*1,239*
Biogas from mud, manure, crops	*115*	*70*	*450*
TOTAL	*483*	*2,819*	*12,465*

Source: GSE.

According to the latest National Inventory of Forests and Forest Carbon Reserves (INFC-2005), Italy has 10.6 million hectares of wooded land (34.7% of Italian territory), of which 83.7% (8,759,200 hectares) can be classified as "forest" (according to the FAO definition) and the remaining 16.3% belongs to the category of "other wooded land".

Breakdown of wooded land in Italy

	High forests	Wood arboriculture plantings	Temperate areas with no topsoil	Total wooded land
Number of live trees (million)	*1,871*	*69*	*10*	*11,950*
Number of live trees/hectare	*1,383*	*561*	*182*	*1,364*
Current increase (cubic metres/hectare)	*4*	*8*	*1*	*4*
Number of dead trees standing/hectare	*139*	*13*	*70*	*137*
Surface area (000 hectares)	*8,583*	*122*	*54*	*8,759*

Source: processing of INFC figures, 2005.

Breakdown of wood arboriculture plantations

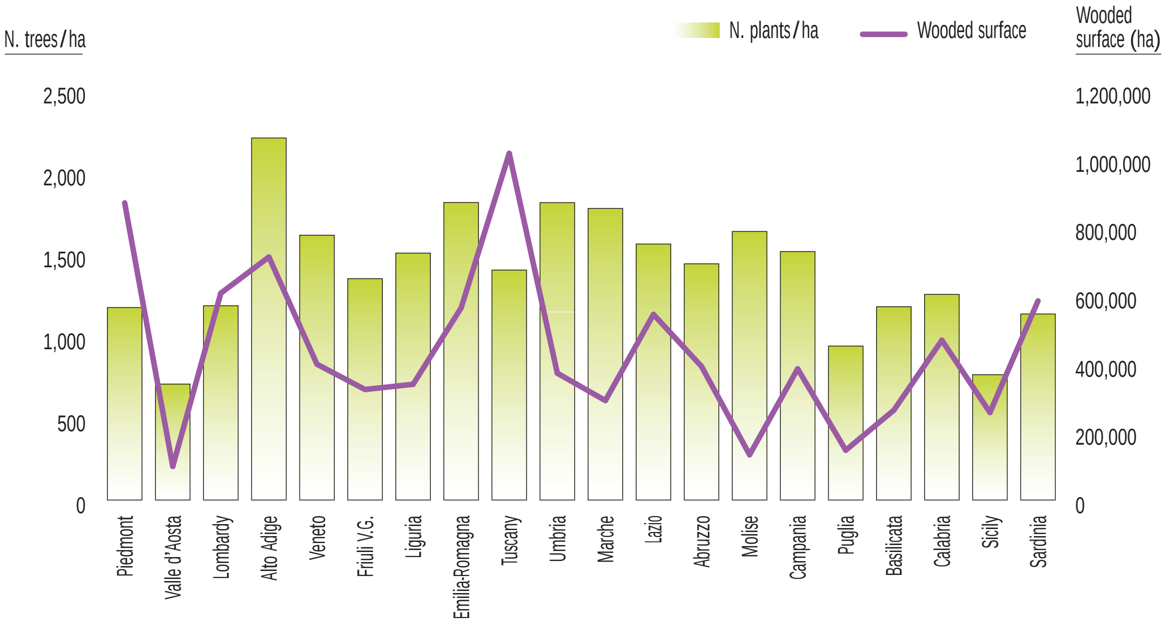
	N. trees	N. trees/ha	Curr. Inc. (cubic metres/ha)	Surface (ha)
Artificial poplar stands	*24,633,114*	*371.7*	*11.7*	*66,271.50*
Plantations of other broadleaved trees	*31,768,595*	*775.1*	*4.8*	*40,986.50*
Plantations of conifers	*12,173,991*	*811.7*	*8.1*	*14,998.10*
PLANTATIONS OF TIMBER TREES	*68,575,700*	*560.9*	*7.7*	*122,260.10*

Source: processing of INFC figures 2005.

As regards the measurement of forests in quantitative terms (live vegetation, deadwood and reforestation), which only involved the forested surface area classified as forest, many field surveys show that Italy is a "forested" country with a higher density index than its principal European partners (France, Germany and the United Kingdom), and moreover that its live woodland vegetation is gradually expanding.

The greatest tree density per hectare is in the forests of Tuscany and Piedmont. On a national level, the number of broadleaved trees (roughly 10.3 billion) on forested surface area defined in the Inventory as "high forests" (8.6 million hectares of natural and semi-natural forests) is 10 times greater than the number of co-

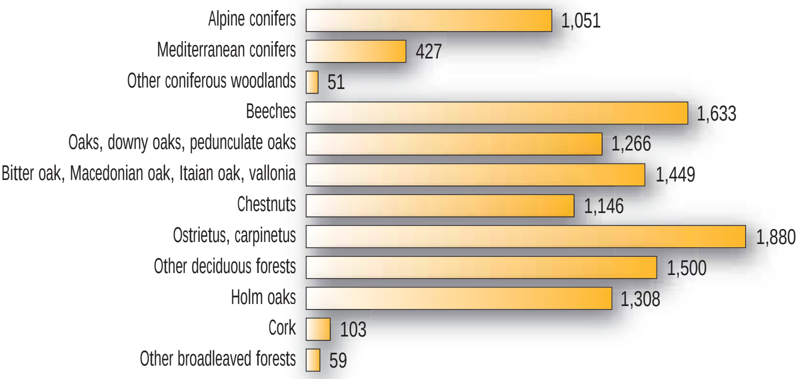
Regional distribution, High Forests



Source: processing of INFC figures 2005.

nifers, and with nearly double their density per hectare (conifers: 891.2; broadleaved: 1,505.9).
As for timber plantations (wood arboriculture), poplar stands, which occupy 50% of surface area, show average increments in wood volume (current increments) of 11.7 cubic metres per hectare, compared to the rest of "forests", which shows an in-

Breakdown of high forests in forest categories (milioni di alberi)



Source: processing of INFC figures 2005.

Increase per hectare of standing deadwood in Italian forests

	Curr. Inc. (cubic metres / ha)	N. standing dead trees / ha
Larix decidua and Pinus cembra	*3.4*	*42.6*
Picea abies	*7.8*	*96.6*
Abies alba	*8.3*	*68.8*
Pinus sylvestris and P. mugo	*3.5*	*110.3*
Pinus nigra, P. nigra var calabrica and P. leucodermis	*5.9*	*71.1*
Pinus pinaster	*3.7*	*58.7*
Coníferous forests, pure or mixed	*6.4*	*85.8*
Fagus sylvatica	*5.4*	*113.9*
Quercus petraea, Q. pubescens and Q. robur	*2.0*	*75.9*
Quercus cerris, Q. frainetto, Q. trojana and Q. ithaburensis	*3.2*	*86.2*
Castanea sativa	*6.3*	*481.7*
Ostrya carpinifolia	*2.9*	*185.3*
Hygrophilous forests	*4.2*	*129.5*
Other deciduous forests	*4.0*	*140.8*
Quercus ilex	*2.3*	*105.5*
Quercus suber	*1.3*	*15.0*
Other evergreen broadleaved forests	*2.7*	*43.4*
TOTAL HIGH FORESTS	*4.1*	*139.4*

crement of 4.4 cubic metres per hectare. In particular, the "high forest" category ranges from 1.3 cubic metres per hectare for cork plantations to 8.3 and 7.8 cubic metres, respectively, for silver fir and Norway spruce. Among deciduous broadleaved types, chestnut trees have the highest current increment, with 6.3 cubic metres per hectare. The highest estimates for standing deadwood per hectare in "high forests" are for chestnut groves (481.7 standing dead trees per hectare), as compared with 15 for cork. Ecologically speaking, deadwood in forests is an important source for safeguarding biodiversity, but from the standpoint of productivity it means a loss of production value, and is also a danger for starting and spreading forest fires.

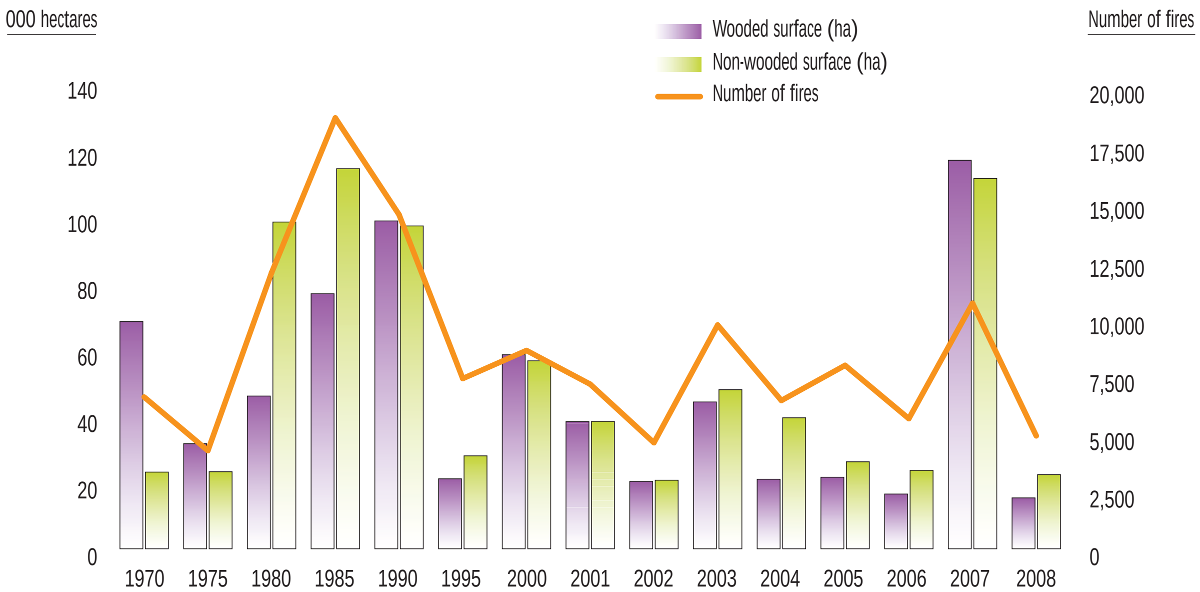
These figures show that Italian forests are increasingly poorly managed and in an advanced state of age, which however contrasts with the gradual expansion of surface area (newly planted forests) at the expense of former farmland and pastures.

Surface area affected by fire and number of fires in protected areas

National Parks	N. fires	Surface area affected by fire		
		Wooded (ha)	Non-wooded (ha)	Total surface (ha)
Dolomiti Bellunesi	1	-	0.05	0.05
Val Grande	1	0.04	-	0.04
Cinque Terre	5	0.52	-	0.52
Monti Sibillini	2	0.23	0.52	0.75
Gran Sasso-Monti della Laga	5	8.5	3.61	12.11
Maiella	3	0.05	1.39	1.44
Cilento e Vallo di Diano	166	242	275	517
Pollino	75	340.72	311.57	652.29
Aspromonte	23	169.2	154.8	324
Vesuvio	38	20.76	2.23	22.99
Arcipelago Toscano	3	0.22	0.23	0.45
Gargano	56	292.11	805.92	1,098.03
Sila	35	177.23	143.91	321.14
Alta Murgia	51	972.39	590.43	1,562.82
App. Tosco-Emiliano	2	3.32	0.3	3.62
Circeo	1	0.8	0.2	1
TOTAL	467	2,228.09	2,290.16	4,518.25

Source: processing of MIPAAF figures.

Surface area affected by fire and number of fires in Italy



Source: processing of MIPAAF figures.

Today, Italy is no longer “rich in poor forests” (A. Alessandrini; National Forestry Service, 1987), but increasingly “rich in forests that are ageing, abandoned or poorly managed” (D. Pettenella; University of Padua, 2009).

Forest fires

The most obvious threat to Italy’s forests is fire, with some 11,000 fires and an average of 50,000 hectares damaged or destroyed each year. Compared to 2007, which was characterised by extreme weather conditions, the 2008 forest fire prevention campaign saw a 50% decrease in the number of fires, with 4,897 forest fires and burned area of just 37,539 hectares, down 84% from the previous year. Southern regions (Campania, Calabria and Puglia) remain the worst hit. In 2008, fires in protected areas alone destroyed 4,518.25 hectares of forest, with over 467 blazes. The Cilento and Vallo di Diano National Park was the worst affected, with 166 fires on 242 hectares of burned surface. Though it had fewer fires (51), the Upper Murgia National Park suffered 972 hectares of burned forest area.

Products of designated origin

With 181 registered PDO and PGI products, Italy continues to boast the richest basket in the EU (more than 21% of total). Most of Italy's PDO and PGI recognitions are concentrated among vegetable products (32.7%), extra-virgin olive oil (21%), cheeses (18.8%) and prepared meats (16.6%). The latest recognitions went to: Sardinia Saffron (PDO), Vallerano Chestnuts (PDO), Verona Chicory (PGI), Chioggia Chicory (PGI), Roman Lamb (PGI), Sant'Angelo Salami (PGI), Dittaino Bread (PDO), Modena Balsamic Vinegar (PGI) and Roman Hazelnuts (PDO).

For 2007, Qualivita estimated 75,400 farms in Italy with PDO-PGI certified production, 48% of which alone belong to the milk and dairy category, 25% to vegetables and fruit and over 20% to olive oil. Production estimates, again for 2007, show further growth compa-

*Number of PDO and PGI products by region**

Region	Fruit, vegetables and cereals	Olive oil	Cheese	Processed meats	Other products[2]	Total
Piedmont	3	-	9	3	1	16
Valle d'Aosta	-	-	2	2	-	4
Lombardy	1	2	8	8	-	19
Trentino-Alto Adige	2	-	5	2	-	9
Veneto	10	2	7	6	-	25
Friuli-Venezia Giulia	-	1	1	2	-	4
Liguria	1	1	-	-	1	3
Emilia-Romagna	6	2	2	10	5	25
Tuscany	6	4	1	4	3	18
Umbria	1	1	1	2	1	6
Marche	1	1	1	2	1	6
Lazio	4	3	3	2	4	16
Abruzzo	1	3	-	1	2	7
Molise	-	1	1	1	1	4
Campania	10	3	2	-	1	16
Puglia	4	5	2	-	1	12
Basilicata	2	-	1	-	1	4
Calabria	2	3	1	4	1	11
Sicily	7	6	2	1	1	17
Sardinia	-	1	3	-	2	6
ITALY[1]	60	38	34	30	19	181

* As of 31 July 2009 (reg. (EC) no. 667/09.

[1] Some products are inter-regional.

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

*DOCG, DOC and IGT wines by region**

	DOCG	DOC	IGT
Piedmont	12	43	-
Valle d'Aosta	-	1	-
Lombardy	4	15	15
Trentino-Alto Adige	-	8	4
Veneto	6	25	10
Friuli-Venezia Giulia	2	9	3
Liguria	-	8	3
Emilia-Romagna	1	20	10
Tuscany	7	36	6
Umbria	2	11	6
Marche	2	15	1
Lazio	1	26	4
Abruzzo	1	4	10
Molise	-	3	2
Campania	3	17	9
Puglia	-	26	6
Basilicata	-	3	2
Calabria	-	12	13
Sicily	1	22	6
Sardinia	1	19	15
ITALY	43	316	120

** As of 31 July 2009.*

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.

red to the previous year (+27%), thanks to certified volumes of cheeses and fruit and vegetables. There was a marked decline in production of olive oil, which suffered heavy losses due to poor climate conditions. PDO-PGI production value, which also rose compared to the year before (+11.5%), was around 5.6 billion euro, and consumption value was roughly 9.7 billion euro (+5.8% compared to 2006): cheese alone accounts for over half of production value, followed by prepared meats; the fruit and vegetable category grew steadily, to cover nearly 14% of production value, thanks to good results for apples from Alto Adige and Val di Non.

A large percentage of PDO-PGI products are destined for foreign markets. It is estimated that over 33% of certified production is exported, mainly to EU countries (80%): cheeses remain in first place, but there is also a growing propensity to export fruit and vegetables and olive oil. Clouding these positive results is the persistent and widespread phenomenon of imitations and Made-in-Italy rip-offs, especially outside of Europe, which implies not only economic losses for producers and the consortiums that represent them, but also a loss of image for these usurped products. It should also be emphasised that the economic valence of PDO-PGI productions is based on a restricted number of registered products, with significant production volume: 88% of certified production value comes from only 9% of PDO-PGI varieties, led by Parmigiano Reggiano Cheese, Grana Padano Cheese, Parma Ham, Alto Adige Apples, San Daniele Ham and Campania Buffalo Mozzarella.

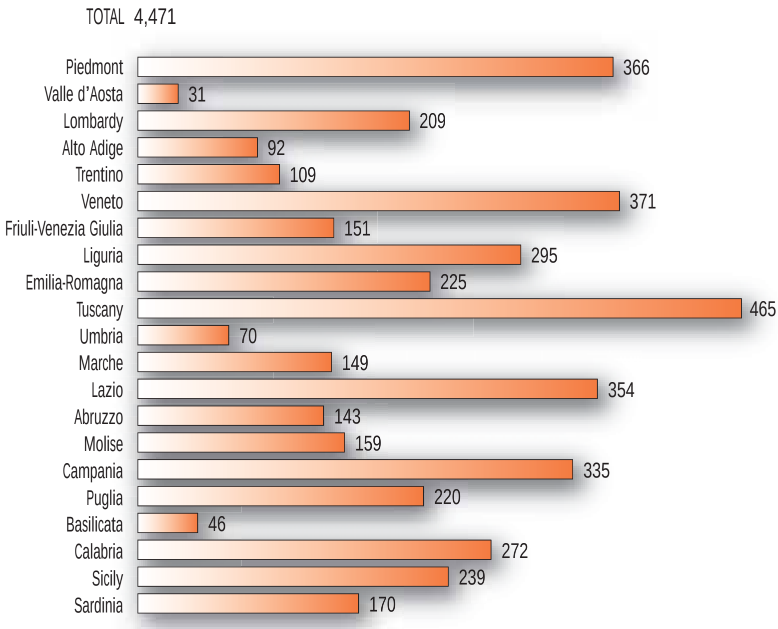
DOC Wines

The CMO wine reform (reg. (EC) no. 479 of 29 April 2008) calls for extending the procedure for registering and protecting PDO-PGI to wines of designated origin. As with PDOs and PGIs, there will also be a registry for wines of designated origin, to be managed at the European level. As regards Italy, the reform, though it preserves pre-existing denominations, imposes changes to the current national discipline of wines, based on the so-called pyramid of 5 classification levels, with DOCG wines at the top and table wines at the base.

There are 359 DOC wines, 43 of which are DOCG; Ovada Dolcetto, Conegliano Valdobbiadene-Prosecco and Colli Asolani- Prosecco were declared DOCG; Prosecco was made DOC.

The 2008 harvest produced 14.4 million hectolitres of DOC-DOCG

Number of traditional agri-food products by region, 2009



Source: National List of Traditional Agri-food Products, MIPAAF, ninth revision (2009).

wines, which accounted for 32.8% of Italy's total wine production. This was a slight increase (+1.4% compared to 2007) when compared to the total production of wine (+7.3%). The North was again in first place for quality production: 9.2 million hectolitres, or 64% of Italy's DOC production, though the greatest increases were in the Marche, Abruzzo and Sicily. Wines of designated origin (especially reds) were once again among Italy's best-selling exports, with a total value of nearly 1.5 billion euro.

Traditional products - Traditional agri-food products, a category designed to safeguard typical quality and traditional methods, now number 4,471 (+1.7% compared to last year). In the decade since the work of cataloguing began in 2000, the number of registered products has more than doubled. Heading the list of specialities are: 1,341 kinds of bread, pasta and biscuits, 1,254 vegetable products, 745 meats and prepared meat products, 460 cheeses and 153 drinks.

Production

In 2007, organic farmland and land under conversion (UAA) in the EU 27 reached 7.2 million hectares, or 24% of the world's organic total, involving nearly 190,000 producing farms.

Italy is in fifth place worldwide per hectare used for organic farming and under conversion, behind Australia (12.3 million hectares), China (2.3 million), Argentina (2.2 million) and the USA (1.6 million), and still leads Europe, in terms of both area and number of producing farms. Fodder crops, cereals, grasslands and pastures make up 71.3% of national organic UAA, with an increase over 2006 in area used for green fodder (+20.6%) and industrial crops (+7.9%). Area devoted to organic olive production increased (+2.6%), while land planted to organically grown fruits and vegetables dropped (-2.7%), despite in-

Organic farming in the EU, 2007

	Number of farms	Var. % 2007/06*	Area (ha)	Var. % 2007/06*
Austria	19,997	-1.0	372,026	0.3
Belgium	821	4.9	32,628	-1.3
Bulgaria	240	n.d.	13,646	n.d.
Cyprus	305	0.0	2,322	17.3
Denmark	2,835	1.5	145,393	5.3
Estonia	1,220	4.0	79,530	9.1
Finland	4,406	11.1	148,760	-0.4
France	11,878	2.0	557,133	0.8
Germany	19,824	9.8	911,385	4.4
Greece	23,769	-0.5	278,397	-7.9
Ireland	2,574	133.2	44,600	11.6
Italy	45,224	0.3	1,150,255	0.2
Latvia	4,108	0.3	173,463	-0.9
Lithuania	2,855	0.0	120,418	-4.0
Luxembourg	81	12.5	3,380	-6.9
Malta	30	200.0	12	-40.0
Netherlands	1,374	-6.2	47,019	0.0
Poland	11,887	0.0	285,878	0.0
Portugal	1,949	14.9	233,475	-13.3
United Kingdom	5,506	22.8	660,200	9.2
Czech Republic	1,318	0.0	312,890	0.0
Romania	2,238	n.d.	148,570	n.d.
Slovak Republic	280	0.4	117,906	-3.8
Slovenia	2,000	2.4	29,322	9.3
Spain	18,226	0.0	988,323	0.0
Sweden	3,028	27.2	248,104	10.1
Hungary	1,242	-20.0	122,270	-0.4
EU 27	189,215	3.0	7,227,305	1.0

** EU 25.*
Source: FiBL.

Organic farming as share of UAA, by region, 2007

	UAA[1] (ha)	Organic UAA[2] (ha)	Organic UAA (ha) / UAA (ha)
Piedmont	1,040,185	24,567	2.4
Valle d'Aosta	67,878	5,874	8.7
Lombardy	995,323	10,807	1.1
Trentino-Alto Adige	399,140	58,813	14.7
Veneto	820,201	32,707	4.0
Friuli-Venezia Giulia	228,063	5,171	2.3
Liguria	49,408	5,580	11.3
Emilia-Romagna	1,052,585	103,784	9.9
Tuscany	806,428	67,446	8.4
Marche	339,404	54,954	16.2
Umbria	496,417	101,532	20.5
Lazio	674,011	80,308	11.9
Abruzzo	434,013	31,768	7.3
Molise	200,257	3,192	1.6
Campania	562,880	26,360	4.7
Puglia	1,197,380	74,136	6.2
Basilicata	542,256	115,144	21.2
Calabria	514,047	95,282	18.5
Sicily	1,251,851	175,295	14.0
Sardinia	1,072,469	77,535	7.2
ITALY	12,744,196	1,150,255	9.0

[1] Source: ISTAT, Farm structure and production, 2007.
[2] Source: SINAB.

creases for citrus (+12.8%). The number of hectares used for organically grown grapevines also declined (-2.7%), though Italy is still Europe's leading producer of organic wines.
The region most involved in organic farming is Sicily, followed by Basilicata and Emilia Romagna. Producers are concentrated in the South of Italy (61%), whereas over 46% of processors operate in the North.
Despite increases in number of beehives (+32%) and cattle (+9.6%), organic livestock rearing dropped by 6.1% compared to 2006, owing to fewer head of rabbits (-62.8%), poultry (-14.8%) and pigs (-9.5%).

Market

The world market for organic farming in 2008 is estimated by IFOAM at around 26 billion euro, 50% of which is realised in Europe and 10% in Italy. Nonetheless, orga-

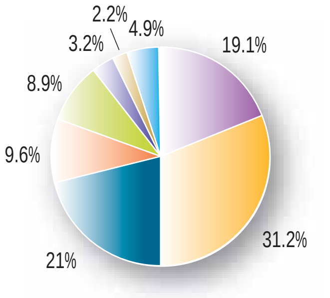
nic farming in Italy accounts for just 2% of the food products market.
According to Ismea/ACNielsen surveys, domestic purchases of packaged products rose in Italy in 2008 by 5.4% in monetary terms, mainly for fresh and processed fruit and vegetables (+20%), baby foods (+16%) and bread, pasta, rice and eggs (+14%). Purchases of organic products are concentrated in regions of the North, with percentages of 44.1% in the North-West, while the greatest growth in absolute terms occurred in the Centre-South (+20.8%).
Sales of organic products outside the organised distribution channel increased by 17%, according to Biobank, though prices were 20% higher; in the 2006-2008 three-year period, the number of specialised sales points increased (+2), and there were more activities associated with short supply chains, especially pur-

Operators in the organic sector, by region, 2007

	Production	Processing	Imports	Other	Total	
					number	var. % 2007 / 06
Piedmont	1,910	308	7	19	2,244	-11.0
Valle d'Aosta	74	8	0	0	82	6.5
Lombardy	835	463	12	19	1,329	-0.6
Trentino-Alto Adige	1564	107	1	5	1,677	77.3
Veneto	1,038	477	9	24	1,548	1.4
Friuli-Venezia Giulia	269	95	3	4	371	-1.9
Liguria	313	75	1	10	399	-4.1
Emilia-Romagna	3,062	694	5	40	3,801	-2.5
Tuscany	2,179	386	2	22	2,589	-9.6
Umbria	1,384	105	0	12	1,501	-44.4
Marche	2,654	155	0	13	2,822	86.0
Lazio	2,372	285	3	14	2,674	-3.2
Abruzzo	1157	126	0	7	1,290	-10.0
Molise	146	129	0	0	275	5.8
Campania	1,247	206	0	7	1,460	-4.5
Puglia	4,610	367	1	9	4,987	-12.0
Basilicata	4,611	68	0	1	4,680	-4.5
Calabria	6,814	148	0	1	6,963	2.2
Sicily	7,055	456	1	12	7,524	-7.2
Sardinia	1,930	124	1	5	2,060	45.4
ITALY	45,224	4,782	46	224	50,276	-1.5

Source: SINAB.

Organic farmland and land under organic conversion, by crop, 2007 (ha)

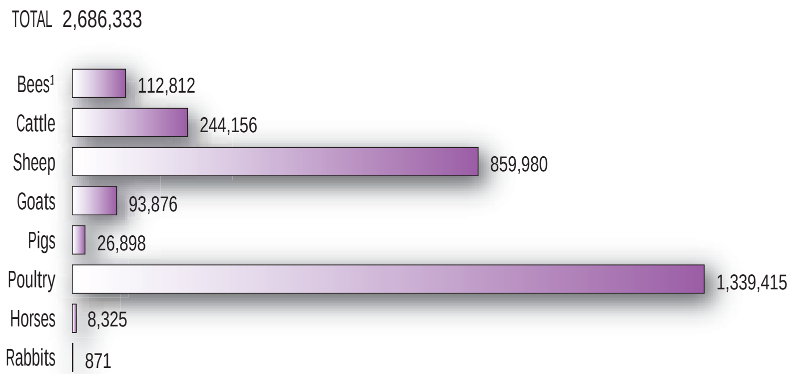


TOTAL	1,150,255
Grassland and pasture	219,438
Fodder crops	358,610
Cereals	241,430
Olives	109,992
Fruit & Vegetables	102,086
Vines	36,684
Industrial crops	25,210
Other crops	56,805

Source: SINAB.

chasing groups (+66%) and farms with direct sales (+47%). There were also positive signs in the last three-year period for extra-domestic channels, particularly school canteens (+20%) and restaurants (+12%).

Number of head raised by organic methods, 2007



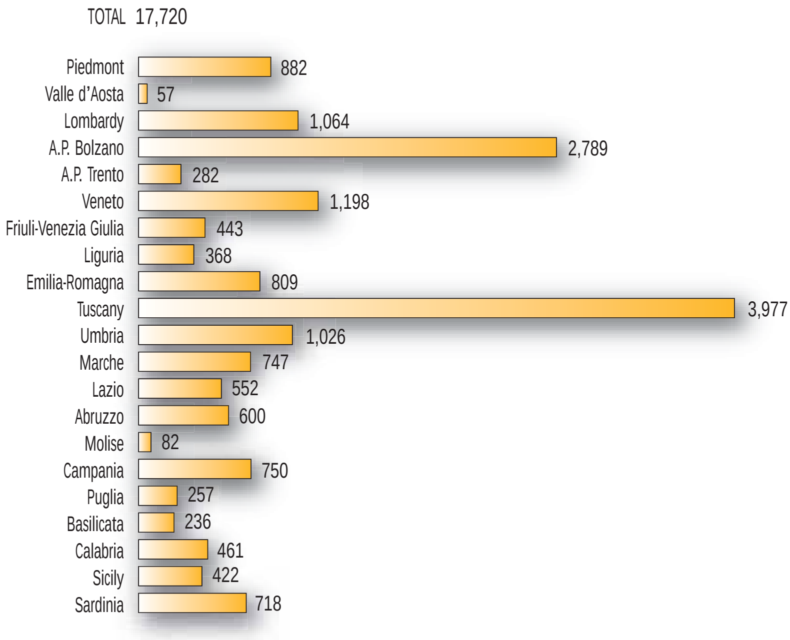
* Number of hives.

Source: SINAB.

Farm stays

According to ISTAT, agritourism (farm stay) farms continued to grow in number, to 17,720 units in 2007, 5.7% greater growth compared to 2006 and nearly double that for 1998 (+82.3%). Despite extraordinary growth in Calabria (+40%) and a significant increase in Sicily (+12%), 2007 again showed farm stay sites mainly concentrated in the regions of the North (44.5%) and the Centre (35.6%), with a strong presence in Tuscany and Alto Adige. Over half of farms are located in hilly areas (51.4%) and more than a third are in the mountains (34.5%); 35% of structures are run by women, up 2.3% over 2006.
The variety of hospitality offers increased. Alongside lodgings (provided on 84% of total farm stay sites) and catering (48.1%), both of which grew by over 7%, 18.5% of sites offer tastings of their farm products, an increase of 23% compared to

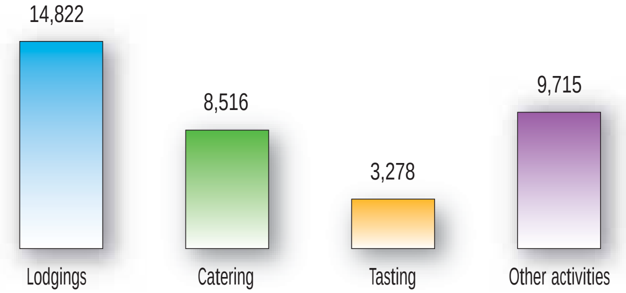
Farm stays by region, 2007



Source: ISTAT.

2006, and 54.8% provide other recreational and cultural activities, such as horseback riding, excursions, nature observations, cooking courses and herbal gardening. The number of beds increased by 7.7% compared to 2006, for a total of 179,985 and a per-farm average of 12.
With average proceeds per farm of 59,869 euro and turnover estimated at 1.1 billion euro in 2008 (-1.2% compared to 2007), the agritourism/farm stay sector, according to Agriturist, held its ground despite the crisis in the economy as a whole and in tourist accommodations in particular. The number of guests was 2.8 million, 29% of whom were foreign, for a total of nearly 13 million overnight stays. Guests stayed fewer days, however.

Agritourism farms by type of service, 2007*



** A farm may be licensed for more than one type of agritourism activity.*

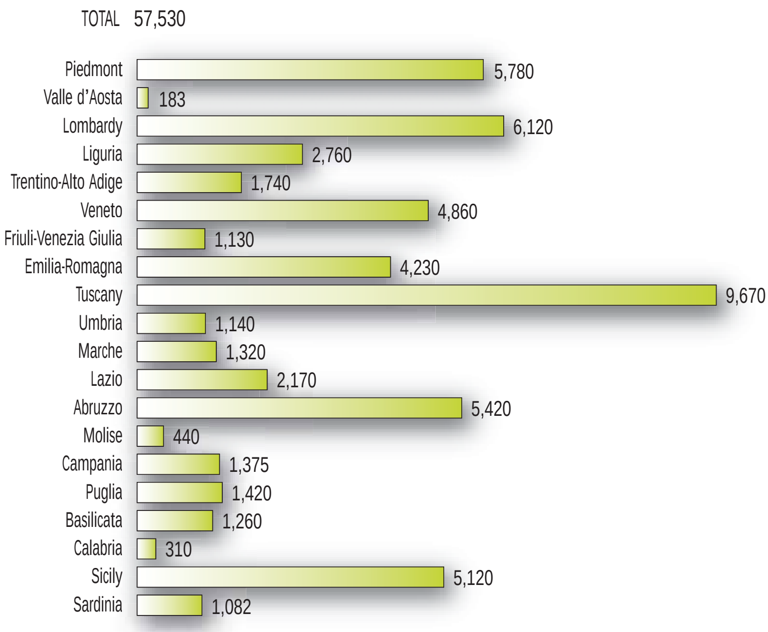
Source: ISTAT.

Direct sales

The term direct sales encompasses various activities: sales on the farm, sales in local farmers' markets, roadside stands, and supplying to shops, restaurants and local schools. Direct sales were codified by the guideline law of 2001 (Legislative Decree 228/01), which states that individual farmers and coops may directly retail products that come predominantly from their own farms.

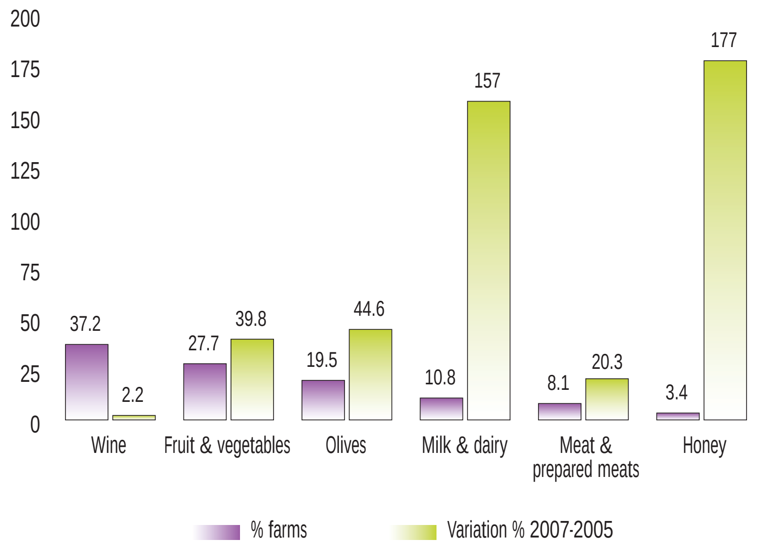
According to the second report of the National Direct Sales Observatory created by Coldiretti and Agri2000, 57,530 farms practised direct sales in 2007, an increase of 18% over 2005 and 48% over 2001. They account for 6.1% of total farms registered with the Chambers of Commerce. The regions with the highest number of direct sales farms, as percentages of the national total, are Tuscany (16.8%), Lombardy (10.6%) and Piedmont (10%). Direct sales are common especially on wine-gro-

Farms with direct sales by region, 2007



wing farms (37.2% of the total) and those growing fruit and vegetables (27.7%). In dynamic terms, the most significant growth between 2005 and 2007 was for cheeses and honey, with three-figure percentage increases in terms of farms. The most widely used site for direct sales is the farm itself (63.4% of total sales); local markets and fairs are important occasions for establishing contact (24%); some farms are also organising to set up their own farm shops (14%).
Value of sales in 2007 is estimated at 2.5 billion euro, 4.1% higher than the previous year. Wine and fruit and vegetables account for 75% of the overall value of the channel. Next come products of animal origin (meat, prepared meats and milk and dairy), with 12% of total value.

Farms with direct sales by merchandise category (%)



AGRICULTURAL POLICY

The Health Check of the CAP was completed in November of 2008, with the approval of the compromise within the European Union Council. The decisions taken are designed to strengthen the Fischler Reform, to allow for efficient functioning until 2013 and lay some foundations regarding the future of the CAP beyond that date. The main innovations concern: the decided push toward total decoupling of direct aid, by way of gradual integration of aid still partially or wholly decoupled within the single payment scheme (SPS); the increase in the mandatory modulation rate, to increase funding for rural development devoted to "new challenges" (climate change, protecting biodiversity, renewable energy, better water management, accompanying measures in the milk and dairy sector, and innovation); the expanded sphere of action of art. 69 of Regulation (EC) No. 1782/2003 (modified by art. 68 of Regulation (EC) No. 73/2009) to give greater flexibility to Member States in using their portfolio of national spending. On the market measures front, the most important decisions regarded the 5% increase in milk quotas in 5 years (for Italy, the increase will be introduced immediately in 2009/10) and the further gradual weakening of the principle of minimum price guarantees, by abolishing the scheme of measures for pigmeat and private storage for cheeses, and keeping the purchasing scheme for other products. Limits on volume were introduced (for powdered skimmed milk and but-

Budgetary ceiling for implementation of the single payment scheme, 2008 (000 euro)

· *Ceiling for the single payment scheme*	*3,827,342*
· *Art. 68ter tomatoes*	*91,984*
· *Art. 68ter pears, peaches, plums*	*9,700*
· *Art. 69 arable crops*	*141,712*
· *Art. 69 beef*	*28,674*
· *Art. 69 sheepmeat and goatmeat*	*8,665*
· *Art. 69 sugar*	*9,932*
· *Art. 71 esclusion of seeds*	*13,321*
*NATIONAL CEILING**	*4,131,330*

** The ceiling is 20 million euro lower than that set by Regulation (EC) 1782/2003. The difference was transferred to funding for national support programmes for the wine CMO.*

Source: Regulation (EC) No. 674/2007.

Application of Art. 69 of Regulation (EC) N. 1782/2003 in Italy, 2008

Sector	Deduction	Maximum sum (theoretical)	Surface / head allowable for aid	Sum liquidated	Difference between sum liquidated and theoretical maximum
Arable crops	*8%*	*180 €/ha*	*3,044,444 ha*	*46.547 €/ha*	*-74.1%*
Beef	*7%*	*180 €/head*	*998,451 head*	*28.718 €/head*	*-84.0%*
Sheepmeat and goatmeat	*5%*	*15 €/head*	*5,733,783 head*	*1.51 €/head*	*-89,9%*
Sugar	*8%*	*180 €/ha*	*50,566 ha*	*196.417 €/ha*	*+9.1%*

Source: processing of AGEA figures.

ter); no limit was set for fodder cereals.

In Italy, 2008 marked the first application of the CMO reform for fruit and vegetables and wine. For fruit and vegetables, the reform calls for keeping the “innovative” setup, based on the role of producers’ organisations, which are also charged with managing market crises. Each Member State is also required to work out a national strategy for drafting Sustainable Operating Programmes on the fruit and vegetable market. The most important aspect of the reform is the inclusion in the SPS of aid for transformation, leaving Member States the option to adopt a transition period prior to full integration. Taking advantage of this opportunity, Italy set a transition period of three years for tomatoes, peaches and pears (2008, 2009 and 2010) and five years for plums (until 2012), during which time producers will be given aid per partially decoupled hectare. In 2008, approximate aid was set at 2,200 €/ha for pears, 800 €/ha for peaches, 2,000 €/ha for plums and 1,300 €/ha for tomatoes destined for transformation. The final amount of aid per hectare will be determined based on surface area declared admissible. For citrus, however, no transition period is provided for, and related aid for transformation was already integrated into the SPS as of 2008. Moreover, Italy was authorised, only for 2008, to grant state aid of a total of 10 million euro in support of the industrial tomato transformation sector, to alleviate problems associated with changing over to decoupled aid.

The wine CMO reform calls for gradually dismantling distillation subsidies, a three-year programme of abandoning and abolishing planting rights beginning in 2015. New features of the reform include shifting a share of sector spending, to strengthen rural development measures in wine-producing regions (for Italy this will involve a transfer of from 13.2 million euro in 2009 to 39.4 million from 2011 onward) and assigning EU funding to each Member State to set up five-year national support programmes. Italy will be entitled to a national spending portfolio of just over 238 million euro in 2009, increasing to just under 337 million euro beginning in 2014.

Funding for Italy in 2008 for the direct payment scheme was 4,131 billion euro. As for the SPS, there was an approximately 6% increase in funding compared to 2007, because of an increase in the value of compensation granted to sugar beet producers for the most recent beet price cuts.

Once again in 2008, large numbers of producers signed up for art. 69 of Regulation (EC) No. 1782/2003 in the cattle, sheep and goats, and arable crops sectors, provoking drastic cuts in single payments compared to expected levels. On the contrary, thanks to the progressive application of the sugar CMO reform, there was a drop in surface area planted to sugar beets for which payment was applied for under art. 69. This meant supplemental single payments were higher than foreseen. In application of the sugar CMO reform, Italy has in fact renounced its quota by 1,049,064 tonnes, cutting back by 245,467 tonnes in the 2008/09 farm year alone. In application of the second sugar CMO reform (known as the reform-bis, or encore reform), 237.5 €/t in restructuring aid is earmarked for sugar beet growers who renounced quota in 2008/09, and, retroactively, for producers who participated in the programme in the two previous years.

For application of the scheme of milk quotas, results calculated at the end of 2007/08 again showed a situation of surpluses. In the face of a quota of 10,227,217 tonnes of milk, consignments were 10,804,457 tonnes, meaning a surplus of 577,240 tonnes. That corresponds to a penalty of 160.6 million euro, or 47% of the total of fines handed down by the EU to the 7 Member States that exceeded their quotas.

The EAOGF

EAOGF distribution by country shows that, in the 2008 budget, nearly all the 15 countries of the "old" EU have recorded considerable decreases in spending compared to 2007. This is because of the removal of rural development from measures financed by the fund. On the contrary, newer Member States, especially the two that joined in 2007, which are phasing in direct aid, show significant increases in spending.

Funding earmarked for Italy comes to 4,660.7 million euro, down 3% over last the previous year. Nonetheless, this does not change Italy's position relative to the other countries, and it remains in fourth place behind France, Spain and Germany. Direct aid is the major budget item, with a share of just under 82% of the EAOGF total. Within this category, spending for aid relating to the single payment scheme amounts to 3,207 million euro, making up a 10.2% share of EU spending for this item. Within the sphere of direct aid, a large share is aid still linked directly or indirectly to production, which now only includes specific aid called for in the Fischler Reform (for seeds, tobacco, rice, quality of durum wheat, protein crops and nuts, according to art. 69). Classic market intervention measures made up decidedly lower expenditures than in the past, for a total of 880 million euro, or 21% of the EU total for this item, and 18.9% of EAOGF spending for Italy. The listing "other" is quite significant, and includes spending for distillation, aid for must, and funds for restructuring and reconversion of vineyards (re-grubbing) within the sphere of the wine CMO and spending for the fruit and vegetable CMO. Export refunds and

*EAOGF spending by country, 2008**

	million euro	%	Var. % 2008/07
Austria	*741.6*	*1.8*	*-0.7*
Belgium	*747.9*	*1.8*	*-2.8*
Bulgaria	*178.3*	*0.4*	*98,955.6*
Cyprus	*28.1*	*0.1*	*2.3*
Denmark	*1,061.3*	*2.5*	*-2.0*
Estonia	*41.7*	*0.1*	*8.7*
Finland	*559.8*	*1.3*	*-4.4*
France	*8,946.9*	*21.3*	*-2.5*
Germany	*5,704.0*	*13.6*	*1.0*
Greece	*2,553.8*	*6.1*	*-4.7*
Ireland	*1,306.3*	*3.1*	*-1.0*
Italy	*4,660.7*	*11.1*	*-3.0*
Latvia	*63.3*	*0.2*	*15.6*
Lithuania	*173.9*	*0.4*	*3.4*
Luxembourg	*35.3*	*0.1*	*-4.0*
Malta	*2.6*	*0.0*	*32.0*
Netherlands	*977.4*	*2.3*	*-12.0*
Poland	*1,453.3*	*3.5*	*20.2*
Portugal	*717.7*	*1.7*	*1.8*
United Kingdom	*3,494.9*	*8.3*	*-11.5*
Czech Republic	*401.7*	*1.0*	*14.3*
Romania	*474.0*	*1.1*	*6,779.5*
Slovak Republic	*165.2*	*0.4*	*4.8*
Slovenia	*61.8*	*0.1*	*26.1*
Spain	*5,864.1*	*13.9*	*-0.2*
Sweden	*745.1*	*1.8*	*-1.8*
Hungary	*513.6*	*1.2*	*8.5*
EU	*381.4*	*0.9*	*13.3*
TOTAL EAOGF	*42,055.7*	*100.0*	*-19.4*

** 2008 provisional.*

Source: EU Commission.

storage together make up less than 3% of EAOGF spending for Italy. Finally, and of particular importance for Italy, though not part of the EAOGF computation, is the sugar restructuring fund, which amounts to 525 million euro, or 41% of the EU total. This is evidence of the intense process of restructuring the sector has undergone in our country, following the sugar CMO reform.

*EAOGF spending by category of measure, 2008**

	Italy		EU		Italy / EU
	million euro	%	million euro	%	%
Agricultural market measures	880.6	18.9	4,158.5	9.9	21.2
- Export refunds	46.8	1.0	927.3	2.2	5.0
- Storage	74.5	1.6	108.6	0.3	68.6
- Other	759.3	16.3	3,122.7	7.4	24.3
Direct aid	3,812.8	81.8	37,568.6	89.3	10.1
- Decoupled direct aid	3,206.6	68.8	31,414.5	74.7	10.2
- Other direct aid	516.0	11.1	5,620.4	13.4	9.2
- Modulation refund	90.2	1.9	533.7	1.3	16.9
Other measures	-32.9	-0.7	328.6	0.8	-
TOTALE EAOGF	4,660.5	100.0	42,055.7	100.0	11.1
Sugar restructuring fund	525.6		1,284.1		40.9
TOTAL SPENDING	5,186.1		43,339.8		12.0

* 2008 provisional.

Source: EU Commission.

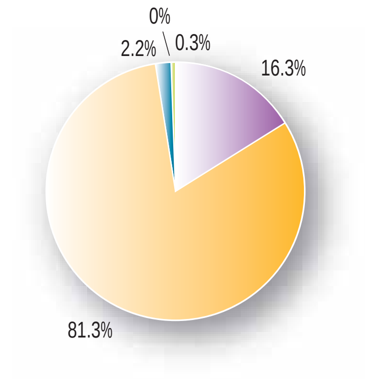
More than two years on from the beginning of the 2007/2013 programming period, RDPs in Italy are having difficulty taking off, from the standpoint of implementing measures. Figures on increases in public spending clearly show this situation of operational limitations in the regions, in launching their respective rural development programmes. In the face of approximately 16.6 billion euro of available funds nationally, total payments disbursed as of 31 March 2009 amounted to just over 8%, with substantial imbalances among regions, oscillating from 3.3% in Campania to 21.4% in Marche.
Between the two new objective areas, there is also a clear difference in terms of spending capacity. This capacity is 10.6% for regions included in the Competitiveness objective and nearly 5% for those in the Convergence objective. Nonetheless, it is

Increases in public spending for Rural Development Programmes (000 euro), 31 March 2009

Region	Programmed public spending	Disbursed public spending	% increase
Piedmont	896,591	88,788	9.9
Valle d'Aosta	118,684	14,173	11.9
Lombardy	899,757	127,962	14.2
A.P. Bolzano	312,670	65,139	20.8
A.P. Trento	256,153	46,182	18.0
Veneto	914,675	38,504	4.2
Friuli-Venezia Giulia	247,211	48,680	19.7
Liguria	276,562	39,311	14.2
Emilia-Romagna	934,661	85,815	9.2
Tuscany	839,114	67,623	8.1
Umbria	760,068	87,701	11.5
Marche	459,818	98,542	21.4
Lazio	655,418	40,018	6.1
Abruzzo	383,889	21,878	5.7
Molise	194,977	21,793	11.2
Sardinia	1,252,841	109,539	8.7
Total Competitiveness	9,403,090	1,001,646	10.7
Campania	1,882,346	63,224	3.4
Puglia	1,480,569	68,371	4.6
Basilicata	648,087	36,088	5.6
Calabria	1,084,071	64,286	5.9
Sicily	2,106,312	126,055	6.0
Total Convergence	7,201,385	358,024	5.0
OVERALL TOTAL	16,604,475	1,359,671	8.2

Source: MIPAAF.

Distribution of public spending by Axis - Payments made



	TOTAL	1,359,670,520
	Axis 1	221,249,017
	Axis 2	1,105,077,505
	Axis 3	29,737,943
	Axis 4	–
	Technical assistance	3,606,056

important to emphasise that the latter regions had greater difficulties to face in the transition phase to the 2007/2013 programming period. These were associated on the one hand with the closing of ROPs from 2000/2006, and on the other with adapting to the procedural rules of the new funding system, which centred on the paying agency.

But the main reasons for the delay are the complexities, including bureaucratic, of the agreement reached with the European Commission, which resulted in approval for nine regions (Valle d'Aosta, Autonomous Province of Trento, Marche, Lazio, Abruzzo, Molise, Puglia, Basilicata and Sicily) in the early months of 2008, with significant consequences regarding respect for spending commitments.

As regards the distribution of public spending by Axis, over 81% of payments made affected Axis 2 alone, 16% for Axis 1 and around 2% for Axis 3. No payments were issued for Axis 4 (the Leader method), for which many regions are still involved in selecting their respective LAGs. This confirms the facility of spending for premium-based measures compared to other measures that contribute more to achieving the objectives of Pillar 2.

What's more, referring specifically to Axis 2 (Environment), it must be clearly stated that nearly all payments can be traced back to so-called "spillovers" from the previous programming phase, meaning financial burdens from commitments over more than one year assumed under RDPs from 2000/2006. The latter also account for an overall share of 17% of total funding for all Italy's RDPs. These are mainly concentrated on agri-environmental measures, which, while on the one hand they guarantee the regions a

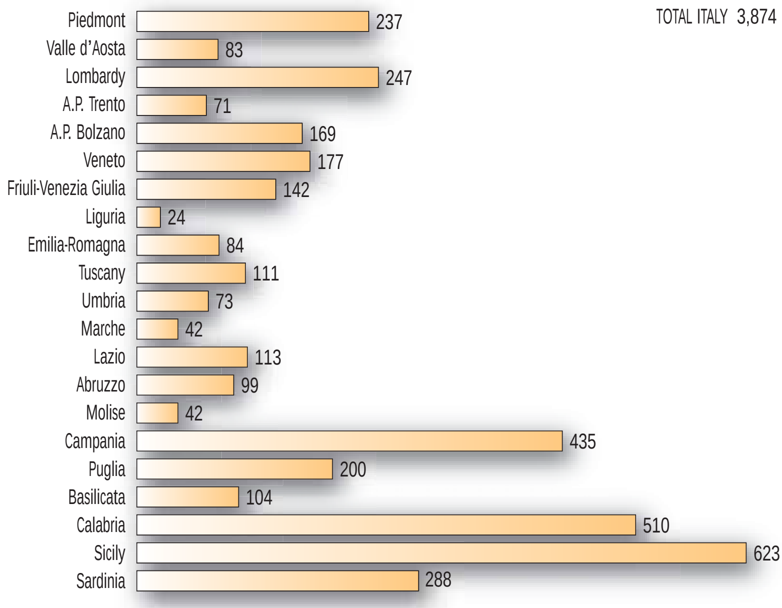
minimum level of spending in the first years of the programming period, on the other they place a high mortgage on the capital and interest of funds that can be spent on new measures.
The working of the EAFRD fund calls for applying a mechanism of automatic de-commitment at the level of individual programmes (the so-called "n+2 rule"). By virtue of this rule, every RDP must spend all funds programmed for each year by 31 December of the second year after the commitment is budgeted. Based on this mechanism, 2009 is the first year for de-commitment in the 2007/2013 programming period, but only for RDPs that were granted EU approval by the end of 2007. For the nine regions, however, whose RDPs were approved in 2008, the first year of de-commitment will be 2010, with a spending goal equal to the sum for the years 2007 and 2008.

As regards the distribution of spending among individual measures called for in the RDPs, over 50% of disbursement corresponds to Measure 214, "agri-environmental payments". Approximately 16% belongs to compensatory allowance in total (Measures 211 and 212) paid to farmers operating in less-favoured areas, especially in mountains. As for investments, a scant 7% is earmarked for Measure 121, "modernisation on farms".

Regional spending

In 2006, spending by the regions on agriculture generated measures for a total amount of 3,874 million euro, 49 million less than in 2005.
Two factors contributed to this reduction in spending: the provisions of the Finance Act of 2006, which instructed public bodies to contain current expenses (the largest item in regional budgets) and the shifting of funding of 2007/2013 RDPs, no longer through regional budgets, but directly through AGEA.
The distribution of spending for working capital shows further recovery in support for services, compared to the previous year: technical assistance, research and experimentation. The largest item in regional spending is for farm investments, infrastructures and forestry activities.

Regional spending for agriculture, 2006 - total disbursement (000 euro)



Source: INEA data bank on regional spending for agriculture.

In 2008, development policies in agriculture supported farms' competitiveness, placing particular emphasis on exploiting Italian products with mandatory indications of geographical origin, and on containing production costs by stabilising and simplifying the scheme of agricultural taxes and social security. As for diversification, special emphasis was placed on agri-energy.

Tax and contribution relief

Law of 24 July 2008, n. 126, called for the abolition of ICI (local council property tax) on first homes as of 2008.

Law of 6 August 2008, n. 133, to cope with the crisis of rising petroleum prices in some sectors, including agriculture and fishing, established the measure of the National Agency to Attract Investments and Develop Enterprise, until December 2008.

The Finance Act (F.A.):

- fixed a 1.9% IRAP subsidised rate

Major legal provisions 2008/2009

Law	Content
Law of 2 August 2008, no. 129	*Urgent provisions on monitoring and transparency for the allocation of public funding, tax matters and extension of time limits.*
Law of 6 August 2008, no. 133	*Urgent provisions for economic development, simplification, competitiveness, stabilisation of public finance and tax equalisation.*
Law of 22 December 2008, no. 201	*Urgent measures for adjustment of prices of building materials and support for auto-transport, agriculture and professional fishing.*
Law of 22 December 2008, no. 203	*Finance Act 2009, among various provisions, stabilises IRAP (Regional Tax on Productive Activities) and extends tax relief.*
Law of 30 December 2008, no. 205	*Urgent measures for competitive relaunching of the agri-food sector.*
Law of 30 December 2008, no. 219	*Ratification and execution of the Convention on the European Forest Institute (Joensuu, 28 August 2003).*
Law of 27 February 2009, no. 13	*Extraordinary measures for water resources and environmental protection.*
Law of 27 February 2009, no. 14	*Extends terms of urgent legislative and financial provisions.*
Law of 9 April 2009, no. 33	*Urgent measures to support industrial sectors in crisis and milk production.*
Law of 24 June 2009, no. 77	*Urgent measures for areas in the Abruzzo region hit by earthquakes in April 2009.*
Law of 7 July 2009, no. 88	*Community Law 2008, containing provisions for fulfilling Community obligations.*
Law of 23 July, no. 99	*Provisions for development and internationalisation of businesses, also regarding energy.*

(Regional Tax on Production Activities) for farmers and small fishing cooperatives and their consortiums (art. 2, comma 1);
- awarded tax and social security benefits to farms that practise coastal fishing or fishing in landlocked waters and lakes;
- extended to the end of December 2009 tax reliefs for training and adding to small rural properties to guarantee a living wage to the farmer and his family (art. 2, comma 8);
- extended to the end of December 2009 the exemption from excise duty for diesel fuel used in greenhouse agriculture, also extending relief to vegetable oils used for energy (art. 2, comma 14);
- introduced tax reliefs for the use of diesel and LPG for heating in mountain areas and other specific areas affected by severe climate conditions (art. 2, comma 12).

Law of 27 February 2009, n. 14:
- excluded rural buildings from ICI;
- extended to 31 July 2009 the suspension of judgement and execution of damages for farmers in Sardinia.

Finance Act of 2009: allocations for agriculture and comparisons with 2008 (million euro)

Allocations	2008	2009
Special current account fund (A)	*0.40*	*0.00*
Special capital account fund (B)	*0.20*	*0.00*
Allocations authorised through legal provisions (C) (AGEA, Fisheries Plan, CRA, various Public Bodies)	*365.90*	*286.90*
Re-financing of economic support measures (D) (national solidarity fund, sugar beet fund)	*70.00*	*0.00*
Long-term spending laws (F) (including re-financing in item D: national solidarity fund and Ministry investment fund)	*340.00*	*105.00*
Other allocations (F) (irrigation plan, internationalisation, tax credits, forestry plan, etc.)	*280.00*	*240.00*
TOTAL	*986.50*	*631.90*

Source: MIPAAF.

Natural disasters, health emergencies and market crises

Law of 30 December 2008, n. 205, increased the National Solidarity Fund - Insurance Incentives by 66 million euro for 2008.

Law of 24 June 2009, n. 77, called for the following measures for agricultural areas in Abruzzo hit by earthquakes:

- suspension of payment of land reclamation syndicate levies on farm and non-farm real estate, excluding those for irrigation;
- suspension of payment of mortgage rates and financing of whatsoever type;
- use of the National Forestry Service to carry out rescue measures and activities necessary to overcome the emergency;
- payment of compensation, equal to extraordinary treatment of wage supplement, to farmers and fisheries;
- easement of terms for implementing CAP and RDPs to producers who perform agricultural activities, regarding advance payment of monies due for present and future years;
- setting up a special section of the Guarantee Fund to guarantee bank loans free of charge to aid small and medium-sized businesses, including farms.

Environment and territory

Law of 30 December 2008, n. 205:

- introduced provisions for irrigation agencies, calling for a subsidy of 5,600,000 euro to the Agency for Development of Irrigation and Land Transformation in Puglia, Lucania and Irpinia. It also provided that national public irrigation agencies and the companies in which they hold stock may set up and manage hydro-electric energy production plants;
- called for reorganising the activities of the National Forestry Service to safeguard protected natural areas and fight forest fires.

Law of 30 December 2008, n. 219, called for ratification of the Convention on the European Forest Institute in Joensuu, Finland, on 28 August 2003.

Law of 27 February 2009, n. 13, extended the Basin Authorities to include setting up of new river basin districts.

Community Law 2008 contained provisions for bringing national laws into conformance with Directive 79/409/EC on conservation of wild birds.

Labour market and social security

Law of 6 August 2008, n. 133, simplified the categories of accessory work contracts, including as casual labour seasonal agricultural work performed by retired persons and young people, and agricultural activities with annual turnover of less than 7,000 euro.

Law of 30 December 2008, n. 205, called for social security tax relief until 31 March 2009 for agricultural employers operating in mountainous and less-favoured areas, as set forth in Law of 11 March 2006, n. 81. Successive Law of 9 April 2009, n. 33, extended until 31 December 2009 the above-mentioned reliefs, which are fixed at 75% for the entire year in particularly less-favoured mountain areas, and at 68% in less-favoured agricultural areas, including Objective 1 areas, as set forth in Regulation (EC) n. 1260/1999, as well as the Abruzzo, Molise and Basilicata regions.

Law of 9 April 2009, n. 33, changed the rules regarding casual labour of an accessory nature as set forth in the Biagi law (art. 70 and following of Legislative Decree 276/2003), further extending their sphere of application. Part-time work of an accessory nature, as part of seasonal agricultural activities, may also be performed by housewives, as well as by retired persons and students under the age of 25.

Development of agri-food and forestry supply chains

Law of 6 August 2008, n. 133:

- promoted activities of supply chains for agriculture, fishing and aquaculture, to attract investments and develop business, to be put into effect by MIPAAF decree;
- authorised spending of 2 million euro a year for 2008 and 2009, to establish sector projects to support production and livestock rearing of particular environmental, economic, social and labour-related importance.

The F.A. allocated approximately 9.2 million euro for 2009; 9.7 million for 2010; and 7.4 million for 2011, to put into effect the National Marine Fisheries Plan.

Law of 30 December 2008, n. 205:

- allocated 10 million euro for 2008, to aid farm production damaged by the Peronospora fungus (downy mildew) in grapevines;
- promoted an institutional campaign to encourage consumption of extra-virgin olive oil;
- called for simplifying the procedures for the granting and renewing of licenses to use public water for aquaculture. It also extended licenses for grantors for fishing and aquaculture activities to licenses in marine domain areas and territorial waters. Supply chain and district contracts will be promoted to encourage integration of the fishing system and reinforcement of fishing districts in underused areas.

Law of 23 July, n. 99 (development and internationalisation provisions) calls for actions protecting the production quality of agri-food, fishing and aquaculture, and to fight counterfeit agri-food and fish products; agri-food counterfeiting is now a criminal offence.

Community Law 2008:
- delegated common organisation of the wine market (Reg. EC 479/2008), to ensure full integration between Community and national laws;
- set forth rules for marketing olive oil, making it mandatory to indicate the origin of extra-virgin olive oil on the label;
- set forth provisions for egg production, in order to put into effect Community rules protecting brood hens and to improve production quality in the poultry supply chain.

Milk quotas

Law of 9 April 2009, n. 33, introduced urgent measures regarding milk production and instalment payment of debt in the milk and dairy sector, establishing rules for the assignment of added quotas agreed upon by the European Union, which will also partly apply to livestock farmers who in past years have exceeded their production quotas. Fines livestock farmers are required to pay for producing surplus milk may be paid in instalments. Payment by instalments is allowed for debts not lower than 25,000 euro. Livestock farmers who enter into instalment payments must renounce litigation.

Increases in national guaranteed quantities of milk revert to the national reserve, to be assigned prioritarily to farms that consigned milk not covered by quota in 2007/2008, and are still in production during the farm year of assignment.

Promotion and use of biofuels and bioenergy

Law of 2 August 2008, n. 129, established that synthetic fuels, made exclusively from biomass, will be added to the minimum quota of biofuels and renewable fuels to be made available on the market annually.

Law of 30 December 2008, n. 205, extended to 30 June 2009 the time limit, as set forth under the 2007-2013 long-term programme, which allows blending untaxed biodiesel with diesel, or transferring them to national blending plants.

Law of 23 July 2009, n. 99 (development and internationalisation):
- introduces measures for safety and expansion in the energy sector;
- sets forth provisions regarding sources for the production of electrical energy, and exploits energy produced at plants fuelled by biomass, making it possible for plants with installed power of less than 1 MW to apply an all-comprehensive rate of 0.28 euro per KWh produced.

Financial instruments
and business development

Law of 2 August 2008, n. 129, modified the tax credit rules for new investments in less-favoured areas, to monitor intervention strategies and guarantee financial backing.

Law of 22 December 2008, n. 201, called for support measures for credit and investments in competitiveness in some sectors, including agriculture and fishing.

Law of 30 December 2008, n. 205, awarded farms a tax credit of 50% of investments made in other Member States or non-EU countries to promote purchase of a determined agricultural or agri-food product of quality.

Law of 23 July, n. 99, introduces rules to simplify the discipline of farm cooperatives.

NOTES

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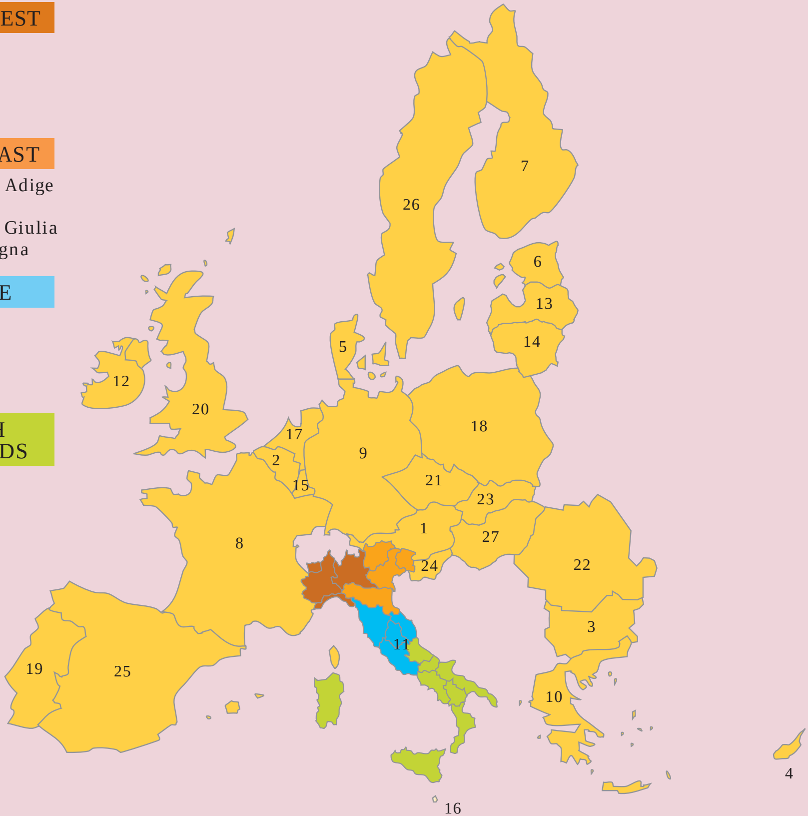

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