

# THE AGRI-FOOD SYSTEM IN EMILIA-ROMAGNA

## SUMMARIZED REPORT 2006

### 1. Aspects of the international scenario

The year 2006 was a positive year for the world economy. In 2006, the increase in its GDP was equal to 3.4%, higher than that of 2005 (+3.2%). The European economy began to grow again. In the Union as a whole, there was growth of 2.9% against the 1.7% of the year before. The exceptional growth of the GDP in emerging economies continued, especially in China (+10.7%) and India (+8.6%). Despite this, the scandal of poverty has not abated. Rather, the number of those in the world who suffer from hunger has increased.

At the same time, problems with energy safety and the defence of the climate from greenhouse gases have been priorities in the agendas of national and international policies. These have considerably strengthened the interest in biofuels. Bioethanol and biodiesel can offer great advantages, but when they are the products of first-generation technologies they can also be the cause of severe risks.

### 2. Community and national policies

The year 2006 was notable for the end of the programming period of Agenda 2000 and the start of a new seven-year period of community policies for 2007-2013. Over the course of the year, the reformed CAP (Common Agricultural Policy) came into full function, and a renewed and definitive shift in interest was shown for rural development, quality development and environmental conditions.

The year 2006 was also important for the definition of guidelines concerning rural development in the Union, and in particular for the allocation of funding for the 2007-2013 period. Of the 69.75 billion Euros provided for in the new programming period, another 33 have been reserved for the 12 new Member States. Based on the current criteria, Italy will be allocated approximately 6,167.4 million Euros by the EAFRD (European Agricultural Fund for Rural Development) for the programming period 2007-2013, (14.3%) less than the previous period.

Another theme that has transversely been crossing the European scene concerns energy crops, for which financial support had been introduced in 2004. In 2006, a bill of regulations bringing about some important amendments to provide further incentive for energy crops production was presented. Participation in the energy crops financial aid scheme was consistent in 2006 with 1.2 million cultivated hectares. The European summit of government leaders in March 2007 brought up the problem of alternative and renewable sources of energy, with a general agreement to reduce the production of polluting substances by 20% and to increase the production of energy from renewable sources. This should be done through a round of negotiations involving all Member States.

Since January 2007, another two countries have entered the European Union: Bulgaria and Romania. For these countries, there is provision for a transitory adjustment period in order to bring safety levels of the productive facilities in line with the EU regulations.

Finally the process of redesigning Common Market Organizations is still under way, with the intention of creating a single CMO that brings together in one group the 21 existing CMOs. In 2006, negotiations for the reform of wine, fruit and vegetable growers CMO began.

In the national sphere, 2006 was a demanding year for the agricultural sector, which saw the completion of transformations that had begun the previous year. The State-Regions Conference at the end of December approved the "National Programme for restructuring the sugarbeet sector," with a financial allocation for the triennial period of 2007-2009 of 85.27 million Euros. Related to the problem of restructuring and reconverting the sugarbeet sector, the theme of bioenergy "exploded" into the attention of the agricultural world and not just in Italy.

Under the auspices of measures to deal with the avian crisis, the Law 244/06 makes provision for the State to purchase 17,000 tons of poultry and poultry products for humanitarian aid purposes. The quantity of milk produced in Italy (over the 2005-06 period) exceeding the available national quota was approximately 641 thousand tons, which will result in the payment of fines amounting to approximately 200 million Euros.

The first published data from the survey on farms in 2005 brought to light that between 2000 and 2005, farms have diminished by approximately 20%, while the corresponding reduction of the SAU, agricultural surface utilized, was 2.7%. The average farm size between 2000 and 2005 grew considerably, passing from 6.1 to 7.4 hectares. The decline in farm employment reached nearly 12%. Data on the facilities reveals that in Italy only 10.3% of farmers are younger than 40, and this results in difficulties in finding members of younger generations to take over.

For the first time after ten years, according to the INEA (National Institute for Farm Economics) survey for 2005, a drop in the price of land is recorded (-1.8%), probably assisted by the climate of uncertainty provoked by the CAP (Common Agricultural Policy) reform coming into force. This would favour the increase in the number of farms with land to rent, also to ensure complete coverage of the new payment rights.

In the Italian financial budget for 2007 (Law 296 of December 27, 2006) the allocations for the agricultural sector reached to approximately 805.6 million Euros. The measures contained in the law can be subdivided into eight specific axes of intervention: competitiveness in the farming industry, with a specific emphasis on business and tax aspects; internationalization of the agrifood industry; development of the agrifood and forestry industries; agri-energy and no-food industries; launching of new investments, innovation and research, support for competitiveness in the territory and sustainable development; transparency and safety for the consumer and simplification and efficiency in administration; employment, renewal and increase in the sector's credibility.

### **3. Production and profitability in the agricultural sector**

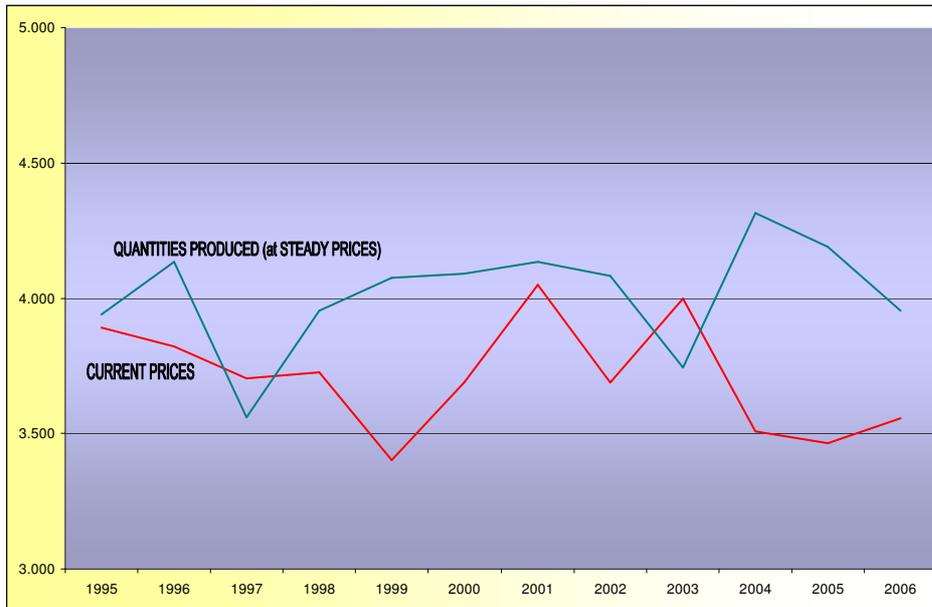
Agricultural revenues in the European Union, measured as value added at factor cost per work unit, grew on the average by 3.8% in 2006 (in 2005 they were calculated at approximately 7%), while in Italy a decrease of more than 3% was recorded.

Italian agricultural production showed a decisive drop in 2006: almost 44 billion Euros (-1.3%) with respect to 2005. The year 2006 closed with a reduction in the agricultural added value of 3.6 percentage points (at current values), a downward trend that follows an extremely negative trend in 2005 (-12%).

In Emilia-Romagna, the situation went against the prevailing national trend. The value of agricultural production over the course of 2006 was recorded as having a consistent increase after two consecutive years of decrease and exceeded the 3,550 million Euros, with an increase of 2.6% with respect to 2005 (figure 1 and 2). This value is still lower than the average of the last five years, but it is undoubtedly an important reversal of the trend, thanks to more favourable price dynamics than the last two years, marked by great difficulties and significant losses for various types of production.

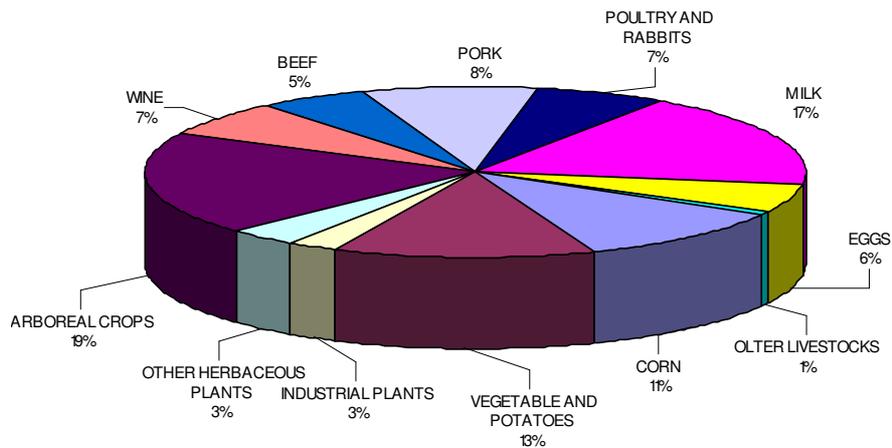
In 2006, the trend was also good for agricultural added value. It turned out to be higher than the previous year by approximately 1.7%, both in terms of revenue from agriculture and, according to an estimate based on a significant sample of regional farms, an improvement of 7.5% was shown compared to the previous year, although in current terms it was steady though lower than 2003. The profitability of the farms showed a pronounced disparity in the sector, with very positive results for arable land and fruit growers and negative results for cattle raising (fig. 3).

Figure 1 - GSP (gross saleable product) trend at current and steady prices (1995) in the 1995-2006 period in millions of Euros



Source: Emilia-Romagna Region – Department of Agriculture

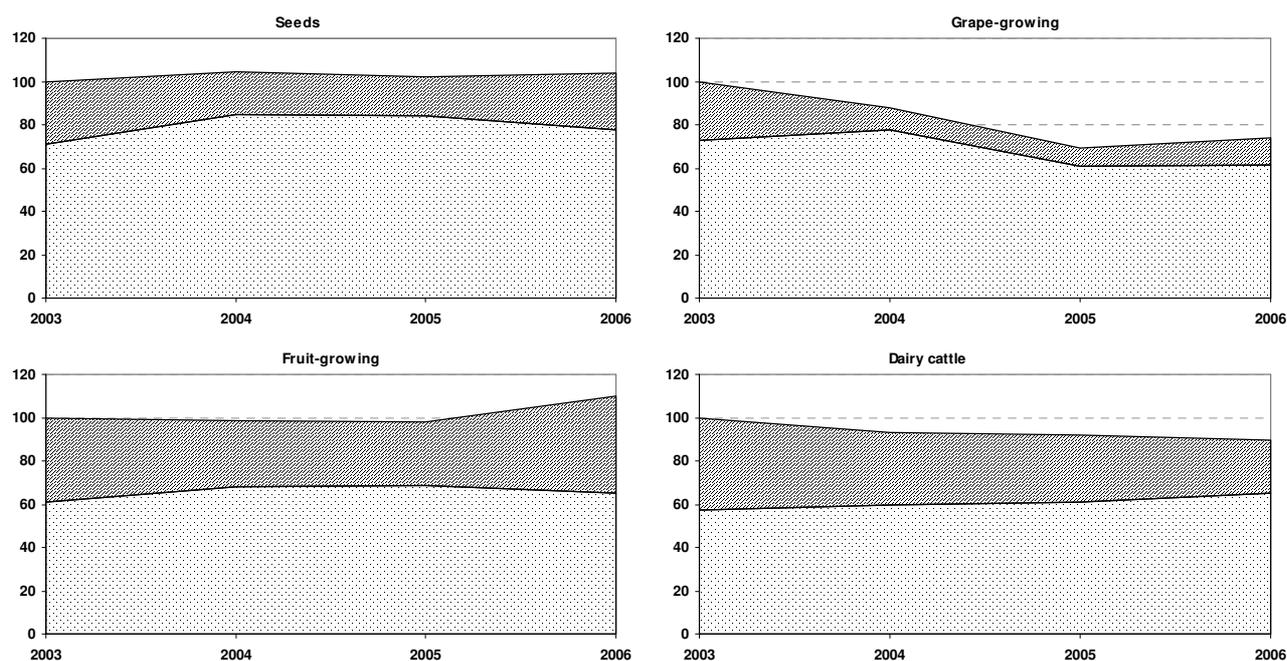
Figure 2 - Division by sectors of the GSP (gross saleable product) 2006 in Emilia-Romagna



Source: Emilia-Romagna Region – Department of Agriculture

The year 2006 had a recovery in productive values and quantities, which is much more significant if one considers the problems of the sugarbeet sector and the difficulties in finding alternatives. There are still problems and uncertainties for productive areas such as milk and industrial tomatoes, which are fundamentally important in Emilia-Romagna.

Figure 3 - Profitability trend



Source: Emilia-Romagna Region – Department of Agriculture

#### 4. Produce production

The year 2006 was notable for the climate trend that led to a lack of water in the first months of the year. Farming suffered from this, particularly in the areas of corn, soya, industrial tomatoes and fruit growing, recording losses and stress above all in the western and central western provinces, while the areas of Romagna were less involved.

The climate also influenced production in some of the main fruit growing sectors (apples, pears and nectarines), industrial farming (except for rape) and cereals (except for oats and barley) reducing it in comparison to the year before. For the invested hectares, even following the application of the European Union Agricultural Policy Reform, a significant reduction in chard investments and a subsequent increase in cereal seed plants, durum wheat, sorghum and barley (table 1), and other industrial plants such as soya and sunflower (table 2) was recorded. There was a reduction in the surface investment for tender grain, corn and industrial tomatoes. The grape growing sector produced well, both quantitatively and qualitatively, with grapes that raised the quality of the wines to a more than satisfactory level.

Table 1 -Surfaces and the main cereal production in Emilia-Romagna

Production	Surface (hectares)		Yield (100 kg)		Harvest (100 kg)		Var. % 2006/2005		
	2005	2006	2005	2006	2005	2006	sup.	Yield	prod.
Tender grain	176,800	164,450	65.1	63.8	11,507,780	10,494,720	-7.0	-2.0	-8.8
Durum wheat	22,256	32,90	66.1	60.4	1,470,480	1,943,800	44.6	-8.6	32.2
Barley	33,460	36,800	50.7	51.6	1,695,960	1,899,950	10.0	1.8	12.0
Corn- kernels *	109,086	109,540	86.3	80.5	9,409,152	8,819,413	0.4	-6.7	-6.3
Sorghum grain	19,509	24,370	65.4	63.4	1,275,450	1,544,650	24.9	-3.1	21.1
Oats	1,021	896	28.7	30.4	29,280	27,265	-12.2	5.9	-6.9
Rice	5,813	6,495	57.4	55.4	333,938	360,080	11.7	-3.5	7.8
TOTAL	367,945	374,741	-	-	25,722,040	25,089,878	1.8	-	-2.5

\* Net quantity of sweet corn.

Data source: Emilia-Romagna Region - Department of Agriculture.

From the point of view of the market, saleable production saw a fair increase in comparison to 2005. This was due to a good trend in the fruit growing sector (in virtue of the increase in prices in some of the main fruit farms) that overall compensated the negative production in herbs. This last result can essentially be blamed on the industrial farming for reducing the surfaces with the cultivation of the sugar beet, while for cereals the increase in hectares and the good price level achieved led to an increase of the GSP (Gross Saleable Product). It should be noted that over the course of 2006, a substantial change in the regional chard sector took place, leading to the demand to find production alternatives. This is a part of a national and world situation that is continually seeking alternative energy sources that heavily involve the agricultural world.

*Table 2 – Surfaces and production of sugar beet, oleic seeds and hemp in Emilia-Romagna*

Production	Surfaces (hectares)		Unitary yields (100 kg/hectare)		Harvest Production (100 kg)		Var. % 2005/04	
	2005	2006	2005	2006	2005	2006	sup.	prod. harv.
Sugarbeet*	82,762	35,080	571.5	554.7	47,298,397	19,457,787	-57.6	-58.9
Soya	18,722	34,610	39.1	24	731,626	829,420	84.9	13.4
Sunflower	6,423	11,230	28.6	25.2	183,404	282,500	74.8	54.0
Rape	25	40	20.0	22.5	500	900	60.0	80.0
Hemp**	50	133	26	23.5	1,300	3,119	166.0	139.9
TOTAL	107,982	81,093	-	-	48,215,227	20,573,726	-24.9	-57.3

\* Unofficial data from the associations 2006

\*\* Istat (Italian Institute for Statistics) - Growing 2005 and 2006 Emilia-Romagna Region

Data source: Emilia-Romagna Region-Department of Agriculture.

The trend in the cement sector can be considered satisfactory, both in terms of the invested surfaces and the spiralling prices. However the yields were low. The multiplication of seed plants, in particular in some sectors, will have to face growing competition in the future from countries outside Europe. Finally, in the horticultural and hothouse sector, the strong international competition and the reduction in consumption, along with a particularly rainy seasonal trend, affected the performance in that sector, creating a slight drop in the GSP in comparison to the previous year, estimated for 2006, at around 94.43 million Euros.

## 5. Animal husbandry

For animal husbandry in Emilia-Romagna, 2006 was a positive year overall, with a good market trend that gave breathing space to sectors that in the past had undergone severe structural crises. The poultry sector is set apart from this picture due to the fact that it is still plagued by issues related to the avian flu'.

The beef cattle sector was able to "keep pace" with the national trend. After a 2005 in which the quantities produced underwent a drop of 5.2%, in the last year they decreased by barely 0.5%, showing a certain capacity to react when market quotations are of certain interest. In fact the annual average of prices is growing, both for commodities that recorded a positive trend in 2005, and for which growth is confirmed, and for those, such as slaughterhouse veal and cuts derived from it, that had lost ground the previous year.

The data on beef cattle value in the Region in December 2005 is shown in table 3.

The improvement in the market conditions for pork and thighs led to a wave of optimism and tranquillity despite this being a sector that only the year before experienced enormous difficulties. Despite this, the crisis for heads and livestock is still ongoing but has moved to other regions, primarily Lombardy where environmental regulations are less stringent.

The poultry market brings with it all the recent effects of the avian flu' with three important consequences: continuing distrust on the part of the consumer, resizing of the productive potential,

Table 3 - Beef investments in Emilia-Romagna and the quota on the Italian investment on December 1, 2001-2005

	2005	ER/Italy %	2004	ER/Italy %	2003	ER/Italy %	2001	ER/Italy %	Var.% 2005/04	Var.% 2004/03	Var.% . 2003/01
<b>Beef cattle of less than 1 year</b>											
- To be slaughtered as veal	11,736	2.3	9,880	2.2	10,255	2.5	7,593	1.5	18.8	-3.7	35.1
- Other:											
- males (calves and bull calves)	26,499	4.2	31,844	4.3	29,936	4.2	32,758	5.2	-16.8	6.4	-8.6
- females (calves and cows)	89,342	11.3	86,702	11.4	98,627	11.3	107,266	12.03	3.0	-12.1	-8.1
Total	127,577	6.6	128,426	6.6	138,818	6.9	147,617	70.4	-0.7	-7.5	-6.0
<b>Beef cattle from 1 to less than 2 years</b>											
- Males (veal calves, calves, bull calves and bulls)	42,945	6.7	47,321	6.8	43,790	6.5	44,619	7.2	-9.2	8.1	-1.9
- Females:											
- for slaughter (calves and cows)	13,093	7.2	10,880	7.3	11,218	7.1	13,861	7.6	20.3	-3.0	-19.1
- for breeding (calves and cows)	81,011	13.8	89,939	13.9	91,931	13.7	98,504	13.9	-9.9	-2.2	-6.7
Total	137,049	9.7	148,140	9.9	146,939	9.8	156,984	10.4	-7.5	0.8	-6.4
<b>Beef cattle of 2 and more years</b>											
- Males (beef cattle, and bulls)	7,593	7.4	5,150	7.2	6,069	7.7	4,909	6.5	47.4	-15.1	23.6
- Females:											
- cows: for slaughter	2,759	7.3	3,051	7.9	3,290	6.7	4,529	9.8	-9.6	-7.3	-27.4
for breeding	49,894	10.7	49,252	10.7	55,659	10.7	65,244	11.0	1.3	-11.5	-14.7
- cows: for milk	277,022	15.0	277,128	15.1	287,087	15.0	309,607	14.9	0.0	-3.5	-7.3
other	16,308	3.5	16,046	3.6	14,549	3.4	15,674	3.5	1.6	10.3	-7.2
Total	353,576	12.1	350,627	12.3	366,654	12.2	399,963	12.4	0.8	-4.4	-8.3
<b>TOTAL OF CATTLE</b>	618,202	9.9	627,193	9.9	652,411	10.0	704,564	10.5	-1.4	-3.9	-7.4

Source: Istat.

Table 4 – Dairy livestock in Emilia-Romagna

	2001	2003	2004	2005	2006	Var. % 06/05	Var. % 05/04	Var. % 04/03	Var. % 06/01	Var.% average 1996-2006	Monthly prices 2006	
											Minimum	Maximum
SALEABLE QUANTITY (.000 t)												
Cow's milk production	1,787.0	1,840.5	1,831.0	1,864.0	1,825.0	-2.1	1.8	-0.5	2.1	0.1		
Destination:												
- Parmigiano Reggiano	1,398.8	1,472.7	1,510.3	1,532.1	1,487.4	-2.9	1.4	2.6	6.3	1.0		
- Other	388.2	367.8	320.7	331.9	337.6	1.7	3.5	-12.8	-13.0	-3.0		
MAIN CHEESE PRODUCTION (.000 t)												
Parmigiano Reggiano	96.7	101.8	104.4	105.9	104.9	-1.0	1.4	2.6	8.4	1.2		
Grana Padano	16.2	17.8	17.5	18.3	18.3	0.5	4.6	-1.9	13.0	3.0		
MAIN DAIRY PRODUCERS' PRICES €/kg												
Parmigiano Reggiano	9.05	10.16	9.78	8.54	7.68	-10.0	-12.7	-3.7	-15.1	-3.5	7.48 (Apr)	8,15 (Feb)
Grana Padano	6.39	6.33	6.00	5.70	5.77	1.2	-5.0	-5.1	-9.7	-3.7	5.68 (Nov)	5,83 (Jan-Mar)
Butter	2.12	1.82	1.60	1.36	1.15	-15.5	-15.3	-11.9	-45.8	-8.0	1.05 (Jul-Aug)	1,29 (Jan)

Source: Emilia-Romagna Regional Department of Agriculture and the C.C.I.A.A. (Chamber of Commerce for Industry, Craft and Agriculture) in Reggio Emilia and Cremona.

financial difficulties for enterprises. For this reason too, special attention should be paid to the start of a new specific agreement for industry. Production quantities has reduced by 5-6%, especially because of the loss in productive capacity carried over from the previous year, thus falling to hardly 220,000 tons of live weight, although the recovery of the quotations translates into an increase in value estimated at 2-3%.

To talk about the dairy market in Emilia-Romagna primarily means talking about Parmigiano Reggiano cheese. This cheese absorbs more than 80% of the milk produced in the region and also influences the market trends in residual production. In 2006, for the first time in this decade, a reduction was seen in the production of Parmigiano Reggiano, although about the size of this reduction there is no agreement between the consortium that makes the cheese, that indicates -1%, and the Department of Agriculture of the Emilia-Romagna Region, that suggests a reduction close to 3%. Apparently this reduction in production, that takes place after a period of an ongoing decrease in prices, beginning in 2003, had no effect on improving market conditions, given that the average price was 10% lower with respect to 2005 (table 4). However the last three months of the year show significant recovery. In December the quotation reached over 7.7 €/kg, progressing from 3.5% since April. The growth of the quotations continued into the first months of 2007 as well, bringing the differential of the 12 months onto positive ground.

## **6. Credit and the employment of productive factors**

Farms in Emilia-Romagna are well supported financially by agricultural credit. In fact the amount of this credit, at the end of September 2006, was equal to 3,799 million Euros, representing 11.4% of the national agricultural credit. This percentage is greater than the quota of total regional credit on the national credit, equal to 9.4%. The dynamic of the consistency of this source of funding, in the 2001-2006 period, shows significant increase: with the agricultural credit at the end of September 2001 set at 100, the numbers index of the following years increased annually, arriving at a value of 127 at the end of September 2006. Growth is particular significant over the last 12 months, and it equals 5.6%.

Of this credit, 1,477 million Euros are related to the short-term component, which makes up 38.9% of the total amount. The remaining 2,322 million Euros correspond to the agricultural credit for a period of longer than 18 months, equal to 61.1% of the total agricultural credit. The two types of credit, in the last five years, both show a growing dynamic. However, it is medium to long-term credit that shows a more sustained increase than other types. In fact, taken the agricultural credit equal to 100 at the end of September 2001, and transforming into numbers index the amounts of the two types of credit in the following years, short-term credit reached a value equal to 109 while medium to long-term credit reached 141. It can be confirmed that agricultural credit in Emilia-Romagna is aimed, for the most part, at sustaining the financial needs connected to processes of innovation on farms.

The employment of non perishable goods (land, farm machinery), farming techniques (phyto-pharmaceuticals, seeds, fertilizers and feed), energy (fuels and electricity) and farm employment have shown, in 2006, diversified trends.

Quotations for farmland, though maintaining their values, experienced a slowing down in the bullish trend of the last decade. The values of these goods, still high, and the poor mobilization in land ownership continued to favour the recourse to rental, with rates showing a further decrease.

The negative trend in farm mechanization observed in 2005 grew worse, with consistent declines in tractor enrolment and reductions in more expensive machinery (combine harvesters, hay threshing machinery, and industrial harvesting machinery), of which farm mechanics businesses are the major purchasers. The sector has felt the effects of the CMO sugar reform and the new set of funding regulations for cereal production, that weakened the desire to invest in farmers, already penalized by the erosion of profitability in previous years.

The expenditure to purchase intermediate goods was conditioned, this year too, by the high cost of energy, due to exceptional high price markups in oil in the summer months, with the effects felt also in the cost of producing electricity. For agricultural fuels, farms had to bear an increase in expenses of 10% in comparison to the analogous period in the previous year. The "electric bill" was particularly high, with an increase in the first semester of 12% and made higher by the deficit in available water during the drought period. In farming techniques, there was a reduction in the volumes of phyto-pharmaceuticals and fertilizers, due to the favourable season and resizing of chard growers, with particularly high prices for nitrogen fertilizers. The recovery of quotations for raw materials led to a mark up in feed prices, although they were otherwise stable.

With regards to work, a further drop in farm employment (-1,2%) involved solely autonomous labour (from 58,000 to 56,000 units), while dependent labour increased, from 25 to 26 thousand workers (table 5). Among dependent workers, there is an increase in the number of men, sustained by immigrant workers at the expense of female workers, who are nonetheless becoming more important as entrepreneurs in farming. The food transformation industry was hit by some important restructuring, in the sugar and meat sectors, with employment repercussions and recourse to laying off employees.

Table 5 -Agricultural employees in Emilia-Romagna, 2000-2006 (thousands of units)

Years	Number				Variation 1995=100			
	Employees		Independent workers		total	dependent	independent	total
	total	males	total	males				
2000	33	18	72	51	105	100	100	100
2001	35	21	66	47	101	106	92	96
2002	33	19	66	47	99	100	92	94
2003	31	17	62	45	93	94	86	89
2004	24	17	66	46	89	73	92	85
2005	25	17	58	42	83	76	81	79
2006	26	20	56	41	82	79	78	78

Source: Istat.

## 7. The food industry

The Region, according to Unioncamere Association, in 2006 had an increase in manufacturing that reached +2.3%, an extremely positive result after five years of constant reductions, and it appears far superior to the +1.5% reached at the national level. If we analyze the trend of the food industry, we discovered that already in the second part of 2005, the data is positive, respectively +0.1% and +0.5%, even though the year's conclusion is negative overall. The growth in 2006 reaches +1.2%, and particularly in the last trimester arrives at almost 3%. The food sector shows a decidedly contained trend in exportation, although the trend is certainly positive, with an increase in the quota of enterprises that operate on the foreign market going from 14.2% to 19,75%.

In 2006, the business registry of the Chamber of Commerce of Emilia-Romagna recorded 57,879 manufacturers, of which 9,249 (16.0%) are in the food and beverages sector (table 6). From a comparison of the data over the different years, we can see a constant reduction in the number of manufacturers (-1.2%), while the number of those in the food sector has increased, +12.0% in five years.

The manufacturing and food industries in the region each represent 9% of the corresponding national aggregates. In certain divisions, Emilia-Romagna is a strong player, such as the meat division, with more than 22% of the national enterprises, dairy, that concentrates no less than 15% of the national enterprises in the region, on a par with the feed division. Sugar refineries are also important, making up 11.1% of the national total, while the pasta enterprises make up more than 9%. Emilia-Romagna's contribution to the national food industry is equal to 10.6%. Of these, 28.2% plans to hire new personnel. In terms of flows, in 2006 there were 2,550 workers hired while

2,280 exited the labour market, all amounts to a positive balance of 270 workers. This growth is still minor, but greater than last year when seasonal workers were needed.

*Table 6 - Evolution in the number of active enterprises enrolled in the "Emilia-Romagna and Italian Chamber of Commerce Business Registry*

<i>Number of enterprises</i>						
<i>Ateco 1991</i>	<i>Divisions</i>	<i>2006</i>	<i>quota % 2006</i>	<i>var % 06/05</i>	<i>var % 06/04</i>	<i>var % 06/00</i>
<i>Emilia Romagna</i>						
15.00	Generic	18	0,2	-14,3	-21,7	-43,8
15.10	Meat	1,106	12,0	0,3	-1,3	-0,6
15.20	Fish	20	0,2	-4,8	-20,0	-25,9
15.30	Conserved vegetables	126	1,4	-3,1	-11,3	1,6
15.40	Vegetable oils and fats	41	0,4	-2,4	5,1	2,5
15.50	Dairy	1,530	16,5	-0,5	-0,2	2,1
15.60	Granary products	155	1,7	-3,7	-7,7	-24,4
15.70	Feed	98	1,1	3,2	6,5	2,1
15.80	Other products such as	5,980	64,7	3,2	6,7	21,9
15.83	- sugar	3	0,0	-25,0	0,0	-25,0
15.85	- pastas	495	5,4	-3,3	-6,3	-20,4
15.90	beverages such as	175	1,9	-4,4	-9,8	-18,6
15.93	- wines	116	1,3	-8,7	-13,4	-23,7
15.98	- water and drinks	14	0,2	27,3	16,7	-6,7
<b>Food and Beverages</b>		9,249	16,0 (*)	1,8	3,5	12,0
<b>Manufacturers</b>		57,879		-0,3	-0,8	-1,2
<i>Italy</i>						
15.00	Generic	443	0,4	-23,9	-47,1	-61,5
15.10	Meat	4,937	4,8	-0,4	-0,7	3,5
15.20	Fish	581	0,6	1,2	0,3	8,2
15.30	Conserved vegetables	2,468	2,4	-0,5	1,7	12,7
15.40	Vegetable oils	5,002	4,9	-1,8	-3,2	-5,3
15.50	Dairy	10,578	10,3	2,1	5,0	23,2
15.60	Granary products	1,827	1,8	-2,9	-6,0	-20,8
15.70	Feed	634	0,6	-1,2	0,5	2,9
15.80	Other products such as	72,721	71,0	3,2	7,6	28,9
15.83	- Sugar	27	0,0	-10,0	-10,0	-28,9
15.85	- pastas	5,488	5,4	-1,2	-1,0	-4,6
15.90	Beverages such as	3,208	3,1	-3,0	-5,8	-6,0
15.93	- wines	1,836	1,8	-4,3	-9,7	-10,7
15.98	- water and drinks	410	0,4	-3,8	-4,4	-13,3
<b>Food and Beverages</b>		102,399	16,1 (*)	2,0	4,9	20,1
<b>Manufacturers</b>		636,219		-0,6	-1,1	-0,6

\* Percentage quota Food and beverages/Manufacturers.

Source: Chamber of Commerce Business Registry.

According to Excelsior forecasts, the hiring of new personnel for the most part regarded workers, including unqualified workers. Despite this, more than 30% of the businesses record great difficulties in finding personnel, due to insufficient career prospects and inability to find personnel who are willing to work at jobs that include night shifts and holidays, on the one hand, and on the other, a lack of the necessary qualifications and experience and the competitiveness of other businesses. This means it is necessary to use non-EU personnel in order to meet the enterprise's needs. There are also important signs of the demand for a growing level of education required by the new employees, and the prevalence of hiring aimed at increasing employment and not at substituting other personnel.

## 8. Foreign trade

The early data, still provisory, on foreign trade in agrifood products from Emilia-Romagna, shows a positive trend for 2006 compared to the previous year and better than the national level. Regional agrifood imports have grown by 6.6%, at current prices, while exportations grow by 9.4%, respectively reaching 3,963 and 3,464 million Euros. The balance for agrifood products alone,

therefore, continues to be negative, but there is a marked reduction, falling to -499 million Euros, with respect to the -551 million Euros of the previous year (table 7). The improvement in commercial performance of the regional agrifood system appears to be important, also because it reports the deficit at current prices to be the lowest of the last seven years.

*Table 7 - Foreign trade in agrifood products in Italy and Emilia-Romagna by main aggregates in the year 2006 (millions of Euros at current prices)*

	2006 *			Var.% 2006/2005		
	import	export	Balance	import	export	s.n. (a)
<b>EMILIA-ROMAGNA</b>						
Agricultural and horticultural products	610	610	0	0.8	6.2	2.6
Live animals and animal products	149	23	-126	10.1	1.5	-1.9
Forestry products, cut logs	38	1	-38	13.4	71.0	1.1
Fish and other fishing products	68	38	-30	-0.9	13.9	6.3
<b>Prime sector</b>	<b>866</b>	<b>671</b>	<b>-194</b>	<b>2.6</b>	<b>6.5</b>	<b>1.8</b>
Meat and meat based products	1,337	797	-540	15.1	9.0	-2.5
Fish transform. and conserv. and fish based products	515	46	-469	12.0	25.1	1.6
Fruit and vegetable preparations and conserves	186	369	183	-0.9	0.9	0.8
Vegetable and animal oils and fats	302	123	-179	4.4	33.7	9.6
Dairy products and ice cream	309	314	5	2.3	3.2	0.4
Granary and starch products	39	27	-11	13.5	23.1	3.9
Feed for animals	34	24	-10	-22.0	-5.4	9.2
Other food products	279	793	514	11.0	9.4	-0.6
Beverages	96	298	202	-32.5	28.6	27.3
<b>Food industry</b>	<b>3,098</b>	<b>2,793</b>	<b>-305</b>	<b>7.8</b>	<b>10.2</b>	<b>1.1</b>
<b>Agrifood</b>	<b>3,963</b>	<b>3,464</b>	<b>-499</b>	<b>6.6</b>	<b>9.4</b>	<b>1.3</b>
<b>Trade balance</b>	<b>25,257</b>	<b>41,262</b>	<b>16,005</b>	<b>12.3</b>	<b>10.5</b>	<b>-0.8</b>
<b>ITALY</b>						
Agricultural and horticultural products	6,171	3,872	-2,299	4.0	3.5	-0.2
Live animals and animal products	2,126	96	-2,030	3.8	3.7	-0.0
Forestry products, cut logs	550	104	-446	5.3	1.8	-0.9
Fish and other fishing products	842	240	-602	3.4	23.0	5.7
<b>Prime sector</b>	<b>9,689</b>	<b>4,312</b>	<b>-5,377</b>	<b>4.0</b>	<b>4.4</b>	<b>0.2</b>
Meat and meat based products	5,273	1,794	-3,479	9.4	6.0	-1.2
Fish transform. and conserv. and fish based products	2,895	326	-2,569	10.5	13.7	0.5
Fruit and vegetable preparations and conserves	1,260	2,018	757	4.9	5.1	0.1
Vegetable and animal oils and fats	2,832	1,587	-1,245	9.5	10.2	0.3
Dairy products and ice cream	2,880	1,494	-1,386	-0.9	2.3	1.4
Granary and starch products	594	767	173	21.6	-0.2	-9.6
Feed for animals	595	241	-354	3.9	23.6	6.8
Other food products	2,361	5,064	2,702	2.0	10.2	3.4
Beverages	1,276	4,362	3,086	0.1	5.9	2.0
<b>Food industry</b>	<b>19,968</b>	<b>17,653</b>	<b>-2,315</b>	<b>6.3</b>	<b>7.1</b>	<b>0.4</b>
<b>Agrifood</b>	<b>29,657</b>	<b>21,965</b>	<b>-7,692</b>	<b>5.5</b>	<b>6.6</b>	<b>0.5</b>
<b>Trade balance</b>	<b>348,348</b>	<b>326,992</b>	<b>-21,356</b>	<b>12.6</b>	<b>9.0</b>	<b>-1.6</b>

\* Provisory data.

(a) Simple difference compared to previous year.

Source: Our processing of Istat data.

The Emilia-Romagna Region is a major importer of agricultural products, even if over the course of the last two years, 2005 and 2006, the balance improved considerably, going from -465 million Euros in 2004 to the -213 of the following year and, therefore, to -194 of last year, the lowest value of the last 6 years. If the food industry products are considered as a group, on the other hand, we can see an improvement for the third year in a row. The balance for these products goes from -450 million Euros in 2003 to -305 million last year.

## 9. Retail food distribution

Emilia-Romagna is one of the confirmed leaders of modern Italian distribution. We only have to look at how the density of the modern sales outlets, for example, referring to all types, has exceeded 240 square meters for every thousand inhabitants, of which a good 186 square meters refer to the two main types (supermarket and hypermarket). This is relevant data, that taking into account the

fact that the regional territory has a consistent portion of hill and mountain zones, brings Emilia-Romagna close to being one of the most evolved European areas.

2006 records further growth in sales surface area (+9.6%), an increase that has involved nearly all the provinces, thus demonstrating how, once the phase of blocking authorizations related to trade reform had expired, there was intense activity in opening, expanding and requalifying sales outlets. This growth is essentially due to the development of hypermarkets (+17.1%, with a good six new openings) and discount supermarkets (+11.5%, with a positive balance between opening and closure of 31 new businesses). Supermarkets saw a more limited growth (+5.4%), however this data is still in line with the national average, which demonstrates how this segment is also continuing on a positive trend.

This data clearly shows how, despite the regional market that is close to saturation, the operators have continued to concentrate on creating big surface areas, inasmuch as the hypermarket is the main tool for the distributive chains located in a given territory. A positive dynamic of the other distributive formats is explained, on the one hand, by the consumer's rediscovery of discount supermarkets in times when the family's purchasing power is reduced, on the other hand, by the revitalization phase that supermarkets are going through, and which, thanks to huge investments in fresh high-quality products, are destined to gradually substitute the small markets as neighborhood businesses.

## **10. Food consumption**

Italian families, over the course of 2006, spent about 869 billion Euros, recording a nominal increase in the overall expenditure of 4.2% in comparison to the previous year according to national accounting data from Istat. Within a positive consumption trend, it is necessary to make note of some diversified trends. There is a pause in the reduction of real expenditure for alcohol, beverages and tobacco that was recorded in recent years, with a timid increase in 2006 (0.4% in real terms). The same occurs for real consumption of clothing and footwear, for expenditure related to household appliances and furnishings and transportation expenses. There was a massive reversal in the trend for expenses related to recreation and culture (with an increase of 3.8% in real consumption) and for education (increase of 2.7%). Finally, expenditure for health and restaurants and hotels saw a more intensive growth, whereas in 2005 it was much more limited. In food consumption, there is continual growth of the real expenditure (2.8%) greater than the overall expenditure. This is a situation that was seen for the first time in 2005, after many years of stagnation.

The average level of total expenditure for Italian families, according to a consumer survey by ISTAT in 2005, is around 2,395 Euros a month, some 16 Euros more compared to the previous year. The Northeast maintains the highest level of total consumption with an average of 2,724 Euros. This data on the net increase in prices reveals a general drop in the average monthly expenditure of Italian families (-1.2%).

Emilia-Romagna continues to be among the regions with the highest consumption levels overall: 2,776 Euros monthly, only 16 Euros more in comparison to 2004. Taking into account the increase in prices means that in real terms consumption in Emilia-Romagna has dropped in 2005 by 1.3%, in line with the general national drop. But the total expenditure in Emilia-Romagna is clearly above the national average (377 Euros more), this is not due to food consumption, which continues to be beneath the national average. The increase in approximately 11 Euros is related to an increase in quantities consumed, given the stability of food prices.

Analyzing the percentage composition of the food expenditure in Emilia-Romagna, it can be noted that preferences have partly shifted toward the consumption of bread and cereals (today representing 16.3% of food consumption) and meat (22.6%) that was in progressive and almost constant decline since approximately 20 years ago. From 2002 there seems to be a new shift in the real expenditure quotes toward the consumption of fats, 3.8% of the total consumption, that in combination with the drop in the quota for fruit and vegetables (from 17.2% to 16.7% of the total

food expenditure) shows that the nutritional habits have grown worse with respect to those recommended.

## **11. Regional policies for the sector**

Region's action is mainly focused, also due to common agreed initiatives started up over the course of 2005, on the research of measures for cohesion and competitiveness in the agrifood system.

The implementation of the CAP medium-term reform brought about the definitive application of uncoupling and the creation of the single premium by the Agrea (Agricultural Supply Agency), that over the course of 2006 involves more than 51,000 beneficiaries (applications) in Emilia-Romagna, for a total commitment amounting to 209.5 million Euros for payment entitlements.

The year 2006, furthermore, brought about the definition of the lines of intervention for the Regional Rural Development Plan for the new programming period of 2007-2013, with an overall endowment of public resources (community, national and regional) that amounts to nearly 935 million Euros, more than 8% in comparison to the previous Regional Rural Development Programming.

The reform of the sugar CMO brought about some serious downsizing in the sector in Emilia-Romagna, with strong employment and production repercussions. In the region it is predicted that more than 50% of the national sugar beet production will be maintained, but with notable repercussions on the use of the soil. The surface cultivated with sugar beet was reduced to less than 35,000 hectares in 2006 (against the more than 80,000 hectares in 2005), and was substituted in large part by more extensive crops such as cereals, in particular durum wheat, but also soya and sunflower. The plan to restructure industrial facilities brought about the closure of six sugar refineries, of the nine located in the region in 2005. The re-conversion of the closed facilities includes, other than the application of social shock absorbers, plans for definitive projects that should be implemented within two years and therefore completed by 2009.

The regional budget, with more than 202 million Euros for the agricultural sector in 2006, saw a consistent increase in resources in comparison to the previous year (+10%), essentially due to the increase in the specific state allocations, while the drop in local resources continued in the Region. More than 102 million Euros are represented by "new resources". In 2006, the prompt allocation of funds allotted to the agricultural budget continued, with a degree of use that reached 85% of the available funds, as effective commitments that reached 72% of the available funds.

The most significant entries in the composition of the allocations are those related to the DPCM (Decree of the Presidency of the Council of Ministers), and more generally state funds with no specific legal bonds (a total of approximately 73.1 million Euros), and specific allocations. Services for the businesses, quality and traceability, consumption promotion and orientation, all represent a relevant part.

The year 2006 brought a reinforcement of the Producers' Organizations in the regional sphere. Due to the industry contracts for 7 projects that also involve our Region, 4 successfully completed the preliminary investigation, were approved by CIPE (Inter Ministries Committee for the Economic Programming ) and, in July 2006, formally signed contracts with Mipaaf (Ministry of Agriculture, Food and Forestry Policies).

The Emilia-Romagna Region continued with policies to enhance agrifood products, with objectives of quality and safety. In particular, it supports agrifood certification, related to territory of origin (DOP –Protected Denomination of Origin, IGP- Protected Geographic Indication, DOC- Controlled Denomination of Origin, DOCG- Controlled and Guaranteed Denomination of Origin, traditional products) and those obtained with productive methods that respect health and environment, such shows organic and whole products. Table 8 shows the DOP and IGP projects that are registered in the regional territory.

Table 8 – DOP and IGP registered in the territory of Emilia-Romagna

Cheeses	Parmigiano-Reggiano DOP, Grana Padano DOP, Provolone Valpadana DOP
Meats	White veal from the central Apennines IGP
Meat-based products	Prosciutto (seasoned ham) Parma DOP, Prosciutto (seasoned ham) Modena DOP, Culatello di Zibello DOP, Coppa piacentina DOP, Salame piacentino DOP, Pancetta piacentina DOP, Mortadella Bologna IGP, Zampone Modena IGP, Cotechino Modena IGP, Salamini Italiani alla cacciatora IGP
Oils and fats	Brisighella DOP, Colline di Romagna DOP
Fruits, vegetables and cereals	Pears from Emilia-Romagna IGP, Peaches and nectarines from Romagna IGP, Mushrooms from Borgotaro IGP, Chestnuts from Castel del Rio IGP, Scallions from Romagna IGP, Green Asparagus from Altedo IGP
Pastries and sweets	Coppia ferrarese IGP
Other products	Traditional balsamic vinegar from Modena DOP, Traditional balsamic vinegar from Reggio Emilia DOP

Source: Emilia-Romagna Region, Product Enhancement Service.

In the year 2006, a radical change took place for Italian agricultural tourism, with the approval of the Law number 96 of February 2006, "Regulations for agricultural tourism," that redefines the national regulatory framework in the sector. Many changes were made. In the year 2006, many operators opened a new agricultural tourism activity. The active businesses have reached the number of 774, increasing in just one year by 18.3% (table 9). This increase was also due to the completion of the PRSR- Regional Rural Development Programming- 2000-2006, that financed numerous activities.

Table 9 - Agricultural tourism businesses in Emilia-Romagna

PROVINCES	Active businesses:			Businesses in 2006 in:		Business characteristics in 2006		
	2005	2006	Variat % 2005/06	Mountain community	Plains	Nr. Beds authorized	Nr. Meals authorized	Active Businesses with restaurant
PIACENZA	88	104	18.18	47	57	830	321,347	88
PARMA	69	86	24.64	52	34	603	355,045	69
REGGIO EMILIA	44	45	2.27	19	26	258	106,200	28
MODENA	92	104	13.04	42	62	931	334,185	95
BOLOGNA	130	144	10.77	90	54	1,295	799,825	122
FERRARA	33	45	36.36	0	45	750	122,100	28
RAVENNA	57	70	22.81	28	42	797	406,050	53
FORLI-CESENA	97	127	30.93	82	45	817	445,025	89
RIMINI	44	49	11.36	9	40	290	163,400	43
TOTAL	654	774	18.35	369	405	6,571	3,053,177	615
TOTAL REGISTERED IN REGION	1,309							

Source: Emilia-Romagna Region

Research and experimentation, as emphasized by the same regional law of August 11 1998, number 28, on the "Promotion of services to develop the agrifood system", play a fundamental role in the correct development of the sector. For the research, in 2006, more than 4 million and 420 thousand Euros made possible to carry out nine new research projects and continue the 47 multi-annual projects started in the previous years. Approximately 32% of the resources were committed to

implementing and carrying out 24 strategic research projects, started up through a direct initiative of the Emilia-Romagna Region with general interest content or urgent material.

## 12. Measures in favour of regional agriculture

The European Union measures, after the medium-term reform of the CAP, is becoming increasingly more precise and diverse in comparison to the past.

The progressive change in the community agricultural policy tools is clear even in Emilia-Romagna. In fact, taking into consideration the payment commitment under the auspices of AGREA, in 2006, more than 424 million Euros in public aid were allocated, of which nearly 392 million from the European Union (table 10). The largest part of the commitment regarded the single payment scheme, which exceeded 236 million Euros, with the majority being for general entitlements and those covered by Article 69.

*Table 10 - Framework of EU measures for agriculture in Emilia-Romagna in 2006 -commitments in thousands of euros (provisory data)*

Community action	Number of applications	Quantity (hectares or LU)	Public aid	
			Region, State, EU	EU quota
<b>Rural development plan</b>				
Business improvement plan (Measure 1.a)	-	-	-	-
Youth settlement awards (Measure 1.b)	308	-	6,330.69	3,165.35
Training (Measure 1.c)	-	-	-	-
Transformation/Marketing Agri Prod (Measure 1.g)	13	-	6,306.84	2,365.07
Compensation insurance (Measure 2.e)	1,374	-	3,836.34	1,918.17
Agri-environmental measures (Measure 2.f)	7,839	-	38,769.17	19,384.58
Reforestation farmlands (Measure 2.h)	-	-	-	-
Other forestry measures (Measure 2.i)	18	-	314.26	157.13
Environmental protection of forests (Measure 2.t)	-	-	-	-
Marketing of quality agricultural products (Measure 3.m)	-	-	-	-
Protection rural life and villages (Measure 3.o)	-	-	-	-
Agricultural diversification (Measure 3.p)	162	-	5,287.12	1,982.67
Agricultural water resource management (Measure 3.q)	-	-	-	-
Rural infrastructures (Measure 3.r)	3	-	244.33	109.95
Evaluation	-	-	-	-
<b>Total Regional plan for Rural development</b>	<b>9,717</b>		<b>61,088.75</b>	<b>29,082.91</b>
<b>Leader Plus</b>	-	-	<b>518.50</b>	<b>281.60</b>
<b>Single payment (Reg.(EC) n.1782/03)</b>				
General entitlements (beneficiaries)	51,027	588.616 ha	209,477.00	209,477.00
Set-aside entitlements (beneficiaries)	6,201	20.087 ha	6,018.00	6,018.00
Article 69 (beneficiaries)	33,217	277.820 ha	14,278.61	14,278.61
Title IV schemes(beneficiaries)	858	8,607	2,393.25	2,393.25
Modulation (beneficiaries)	51,781	-	4,357.15	4,357.15
<b>Total Single Payment</b>	-	-	<b>236,524.01</b>	<b>236,524.01</b>
<b>Market regulation features</b>				
Produce growers' associations (Reg.(EC) n.2200/96)	13	-	48,874.36	48,874.36
Produce set-aside operations (Reg.(EC) n.103/04)	-	12,569t	1,717.13	1,717.13
Industrial produce transformation (Reg.(EC) n.1535/03)	18	1,676,848t	56,356.77	56,356.77
Restructuring, reconversion of vineyards (Reg.(EC) n.1443/99)	-	1,534.58ha	8,162.56	8,162.56
Other Agrea supplies*	-	-	10,892.24	10,892.24
<b>Total- Market regulation features</b>	-	-	<b>126,003.06</b>	<b>126,003.06</b>
<b>GENERAL TOTAL</b>	-	-	<b>424,134.32</b>	<b>391,891.58</b>

\* includes cheeses and honey (data 2004/05).

Source: our AGREA data processing, Emilia-Romagna Region.

The aid referred to by the market regulations in the region involved more than 126 million Euros, subdivided among the fruit and vegetable products and industrial transformation. The commitments carried out under the Rural Development over the course of 2006, closing year of the 2000-2006 planning period, was limited to a little more than 61 million Euros, of which almost 39 million were for agri-environmental measures, more than 6.3 million for transformation and commercialization of products, and 6.3 million for youth settlement.

The profound structural change in the measures of the CAP in comparison to previous years was particularly clear over the course of 2006. In fact, the farming aid measures reached over 55% of the total of the region's financial commitments, while it was only 35% in 2005. Financial aid for market regulation in 2006 was approximately 30% of the total, against the 33.5% of the previous year. Finally, the allocations under the rural development plan, the so-called "second pillar", were approximately 14% of the total (30% in 2005), even though it is necessary to consider that 2006 represents the last year of the application.

As regards the fruit CMO, for the fresh produce sector, the amount of community aid went from 18 million Euros in the first year of application to approximately 49 million Euros in 2006, with an important annual percentage increase. The community measure for products undergoing transformation is relevant, with aid to being supplied to producers in 2006 for more than 57 million Euros.

Among the various initiatives that the Emilia-Romagna Region activated some time ago to support produce production, is the regional collective trademark "Qualità Controllata o Q.C." (Controlled Quality), whose aim is to enhance eco-compatible agricultural and food products, fresh and transformed, obtained both in the region as well as outside of it, in line with the regulations defined specifically in Regulations on Integrated Production (Disciplinari di Produzione Integrata or D.P.I.). The trademark enhancement campaign involved a total of fruit and vegetable products amounting to a little less than 3 million quintals, equal to 15.8% of the production which could be potentially labelled as Q.C.. The incidence of the labelled product compared to that which is publicized as "integrated", therefore potentially enhanceable, was equal to 19.6%.

### 13. The new regional rural development plan

The 2003-2004 reform of the European Agricultural Policy (CAP) notably increased the importance of rural development. With the approval of the Regulation (EC) number 1698/2005 of the Council, a new phase opened up for policies on rural development that must accompany and integrate the market support policies. The regional rural development programme, taking on the community objectives and the NSP objectives (National Strategic Plan - new programming level introduced by the community regulations), was approved with the resolution of the Council Assembly of January 30 2007, number 99 on the proposal of the Regional Council of December 4, 2006, number 1741 and subsequently put before the European Union for definitive evaluation. The Commission will have six months to examine it, and approve it definitively. The first public tenders should be communicated by the Region at the end of summer 2007.

Altogether the programme can count on 934 million Euros - considering both funding from the European Union with state and regional co-participation, a good 75 million Euros more than in the previous programming 2000-2006. It is divided into four Axes of intervention: **Axis 1** "competitiveness in the agricultural and forestry sector" where 383 million Euros go; **Axis 2** "improvement in the environment and rural space" with 397 million; **Axis 3** "quality of life and diversification of rural zones" that can count on more than 97 million and **Axis 4** "Community initiative Leader" with 48 million Euros. Approximately 9 million Euros should be allocated to technical assistance (table 11). These public resources will make it possible to activate private investments for an analogous sum, making nearly 2 billion Euros available to farmers and agricultural operators in Emilia-Romagna.

Among the priorities, there is the reinforcement of the role played by the mountain area, to consolidate the competitive agricultural businesses in the Apennines that show positive performance and contribute to the development of the economy. Among the measures provided for in this regard, is the doubling of the amount of workers' compensation for the mountain farmers. The major quota of agro-environmental payments will be concentrated in the mountain areas.

*Table 11 – Financial division of the resources between the axes*

<i>Axes</i>	<i>Public expenditure total</i>	<i>Quota EAFRD</i>	<i>Quota STATE</i>	<i>Quota REGION</i>
Axis 1 Improvement of environment	382.95	168.50	150.12	64.34
Axis 2 Improvement of environment	397.13	174.74	222.39	-
Axis 3 Diversification and quality of life	97.50	42.90	38.22	16.38
Axis 4 Leader	47.73	21.00	19.51	7.22
Technical assistance	9.35	4.11	3.66	1.57
<b>Total</b>	<b>934.66</b>	<b>411.25</b>	<b>433.91</b>	<b>89.50</b>

Source: Emilia-Romagna Region– Department of Agriculture

The regional rural development programme primarily aims at supporting, together with Axis 1, the competitiveness of the regional agricultural enterprises and farms, that are measured on an increasingly global scale against increasingly fierce competitors. This means promoting the more distinctive qualities of the Emilia-Romagna products, whose quality, healthiness, safety, and connection to the territory should be immediately identifiable. This means putting a new commercial strategy into play that can strengthen the product supply, build more effective relationships with large-scale distribution, improve industrial organization, because today added value depends not just on a single segment of production but on the entire process from producer to consumer. Among the specific objectives of the Axis 1 are investments for the settlement of young farmers and generational renewal, joining of the enterprises, the development of new products, processes and technologies, measures to favour processes of quality, innovation, and training.

Axis 2 of the Programme aims at qualifying the rural territory and environment. Among the specific objectives: protecting the water and land resources, safeguarding biodiversity, protecting the agricultural landscape, contributing to improve the quality of the air, supporting animal husbandry methods that respect the well-being of animals, maintaining sustainable agricultural activities in the hill and mountain areas.

Axis 3 aims particularly at promoting the multifunctional role of the businesses, orienting them toward activities that complement agriculture, starting with the production of biomass energy or solar energy. Funding provision is also made for agricultural tourism and hospitality activities, and the restructuring of historical buildings.

A very new element in comparison with the previous plan is the greater emphasis put on the role of the territorial bodies. Provinces and Mountain communities will receive approximately 70% of the overall resources (in the previous programme it was 49%) for better enhancement of the specific and original local elements and characteristics of the territory. It is estimated that more than 80% of the available resources will go directly to farmers. The remainder will go to agrifood businesses, cooperatives and their consortia, bodies and institutions.

#### **14. Food behaviours in Emilia-Romagna: results of a public survey**

In May-June of 2006, the Department of Agriculture of the Emilia-Romagna Region promoted a survey to update knowledge on the behaviours of the people of Emilia-Romagna with respect to food safety, nutrition, use of labels with special reference to quality trademarks or brands (DOP/IGP, DOC, QC, etc.), the sense of belonging and relevance to territory, trust in the institutions and stakeholders of the food chain, consumption of organic products and attitudes towards new technologies and new products.

From the survey there emerged a positive aggregate picture of food behaviours in as much as the consumer from Emilia-Romagna spends increasingly more on food and particularly appreciates quality products. Although we can generally say that the taste of the products is a determining factor for all the socio-economic conditions, in the hierarchy of values, price exceeds it for families with financial difficulties.

The DOP and IGP trademarks are certainly the most appreciated. Approximately 15% of the families state that they regularly purchase products with the European quality trademark and more than half of the families (52%) purchase them at least occasionally. Generally, the survey shows that 15% of the interviewees stated that they purchased fresh fruit and vegetables every day, a percentage that rises to 43.2% if we add those that purchase 3-4 times a week and 84,1% taking into consideration those that purchase at least once a week.

Finally, from the survey it emerges that the broadest group of families ( 33% approximately) falls into the group that spends from 75 to 120 Euros weekly (table 12).

*Table 14.8 -Classifications of weekly family food expenditure, by province and region*

	Weekly family food expenditure				Total
	Less than 75 euros	From 75 to 120 euros	From 125 to 170 euros	Over 170 euros	
Piacenza	28.8	29.5	22.8	19.0	100
Parma	29.8	30.2	17.5	22.4	100
Reggio Emilia	29.9	32.0	19.5	18.6	100
Modena	30.1	35.7	15.1	19.1	100
Bologna	30.6	38.3	15.2	15.9	100
Ferrara	21.3	36.7	21.4	20.6	100
Ravenna	39.4	28.1	16.4	16.1	100
Forlì-Cesena	29.9	30.2	17.6	22.3	100
Rimini	29.5	28.0	20.0	22.5	100
<i>Emilia-Romagna</i>	<i>30.1</i>	<i>32.7</i>	<i>18.0</i>	<i>19.2</i>	<i>100</i>

Source: our data processing for the Emilia-Romagna Region Public Survey, MeDeC Agency and Department of Statistics, University of Bologna (2006)

The breaking down of groups by province shows that Ravenna has the highest percentage of families that spends less than 75 euros a month for their food. Rimini, Parma and Forlì-Cesena are the provinces where we find the greatest numbers of families that spend more than 170 euros a month. For all the provinces (with the exception of Ravenna) classification of expenditure where we find the majority of families is the group that spends 75 euros to 120 euros weekly.

## **15. The Parmigiano Reggiano Industry**

The Parmigiano Reggiano (PR) industry uses approximately 15% of the milk produced in Italy from 5,000 dairy farms (10% of the national total) and includes 466 cheese factories (24% of the Italian cheese factories). Over the course of the last few years, the number of dairy farmers has progressively decreased while the average size in terms of delivery has increased, primarily due to the scale economies related to the fixed costs of technological innovations introduced into the business. There have been two main changes in the cheese factories: the growth in size, and a progressive privatization of the productive units, with the growth of the market quota of private enterprises at the expense of the cooperatives. Over the course of the decade, from 1995 to 2005, the total number of cheese factories dropped by 17.4%, but the volume of milk transformed increased by almost 10%. The minimum efficient size of the facilities is approximately 5,000 tons of transformed milk. The first 49 businesses to promote PR have a total turnover of 3.9 billion Euros, of which 1.9 billion is for the sales of Grana Padano cheese, and covers 90% of the market. According to a CRPA (Research Center for Animal Production) survey on the 17 major producers, the sales of PR altogether have increased by 7.9% between 2004 and 2005, but this increase is the result of different trends for different types. While sales of the product of first seasoning have grown by 22.5%, with an increase of the relative market quota going from 8.4% to 9.6%, for cheeses of 18 months the increase was 17% and for the more seasoned product only 2.2%. The retail sales of PR declined from 2002 to 2005 by 14% in value. Countering this, in the same period, the value of sales of GP increased by 13.3%, although the growth stopped in the last year, -1.0%. This divergent trend led to a reduction in the market quota for PR, from 44.1% to 38.5%. The

diverse spending possibilities of the consumer for PR and GP emerges from the survey of average retail prices for the two cheeses (value/qty ratio): PR leads in price, with average values 40% higher than GP.

## **16. The Chambers of commerce in support of regional agrifood industry**

The commitment to promote quality, innovation and productivity in agrifood is one of the main directives of the multiyear strategies of the Chambers of commerce, at the regional, national and international level. The commitment to protect and enhance local production is particularly important. Alongside the traditional activities for the certification of wines with the denomination of origin, the Chambers of commerce have supported projects for community recognition or for collective trademarking of typical products and participation in initiatives – from wine to crafts routes– also aimed at enhancing production in special areas of the territory. The activity on the foreign markets takes advantage of the partnership between the Region and the Chambers of commerce, condensed into the framework agreement for competitiveness in the territory and a new development phase stipulated in April of 2006. The programming, whose objective is the enhancement and promotion of agrifood products under quality regulation (DOP, IGP, quality control, organic farming), took into account the following priorities: promotional multiyear actions; synergistic actions between subjects involved in selected countries; co-funded actions between the different subjects involved; institutional promotional actions associated with promotional trade actions. In the period 2003-2006 the initiatives were directed toward: United Kingdom and Ireland, Northern Europe (Sweden, Finland, Denmark, Norway, Iceland), Germany, Austria, Spain, Russia, and to a lesser degree, Canada, Japan and the Far East (Singapore and Hong Kong). Resources for all the regional measures amounted to, in the 2003 – 2006 period, 13.5 million Euros (to which should also be added the I.C.E. funds for the part related to the Programme Agreements, equal to 1.5 million Euros).

A special commitment is dedicated to the commodities markets and their operational improvement. At a regional level, the network includes four commodities markets and three bargaining rooms. The objective to pursue is to strengthen all the services (information, training, conciliation and arbitration, definition of agreements, contracts and regulations) that are part of the trade exchange of goods, in such a way as to launch these important structures.

To facilitate the recourse to credit for the small and medium-size enterprises, the Chambers of commerce in Emilia-Romagna created, with the collaboration of entrepreneurial associations, provincial and regional financial services Confidi, that make funding readily available, with advantageous terms and significant contributions to lowering interest rates, primarily thanks to the conventions stipulated with the credit institutes. Of the funding allocated in 2006 in favour of agricultural enterprises and guaranteed by Agrifidi (financial services for agriculture) in Emilia-Romagna, 45.6% was aimed at new investments, 34.6% went to support farming activities, while 14.9% was used to purchase land for expanding farms or agricultural enterprises.