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List of Acronyms

AWU: Agricultural Work Unit	LDP: Local Development Plan for Leader Implementation
CAP: Common Agricultural Policy	LFA: Less Favoured areas
CDO: Controlled Designation of Origin	LRT: Large-scale Retail Trade
CGDO: Controlled and Guaranteed Designation of Origin	MA: Managing Authority
CMEF: Common Monitoring and Evaluation Framework	NEN: National Evaluation Network for Rural Development
CMO: Common Market Organisation	NMN: National Monitoring Network for Rural Development
CSF: Community Support Framework	NRN: National Rural Network
CSG: Community Strategic Guidelines	NSF: National Strategy Framework for Cohesion Policy
EAFRD: European Agricultural Fund for Rural Development	NSP: National Strategy Plan
EAGF: European Agricultural Guarantee Fund	NVZ: Nitrate Vulnerable Zones
EDI: Electronic Data Interchange	OGM: Genetically Modified Organism
EFF: European Fisheries Fund	PDO: Protected Designation of Origin
ENPI: European Neighbourhood and Partnership Instrument	PGI: Protected Geographical Indication
ERDF: European Regional Development Fund	PIGE: Plan for Innovation, Growth and Employment
ESF: European Social Fund	PLM: Pollution Level by Macro-determinant (index)
ESU: Economic Size Unit	PO: Producers Organisations
FT: Farm Type	PPS: Purchasing Power Standard
GAEC: Good Agricultural and Environmental Conditions	QWPSR: Quality Wines P.S.R.
GDP: Gross Domestic Product	RDP: Rural Development Programme
GP: Gross Product at Market Price	SCI: Site of Community Importance
ICT: Information and Communication Technology	SGM: Standard Gross Margins
IPA: Instrument of Pre-Accession Assistance	SME: Small and Medium Enterprises
LAG: Local Action Group within Leader	SMR: Statutory Management Requirement
LDAF: Less Developed Areas Fund	SPA: Special Protection Areas

TAA: Total Agricultural Area

TSG: Traditional Specialities Guaranteed

UAA: Utilised Agricultural Area

VA: Value Added

VAA: Value Added of Agriculture

WTO: World Trade Organization

Chapter 1 - Analysis of the Socio-economic and Environmental Situation

1.1 *The agroindustrial and forestry system*

In recent years (2002 and 2003), the Italian economy, after periods of sustained growth alternating with periods of slowdown, showed the first signs of stagnation, with a per capita increase of the GDP equal to only 0.35%. In absolute value, Italy's pro capita GDP amounts to approximately 22,612 euros (PPS) compared to the Community average of 20,478 euros (baseline indicator 1). However, a substantial difference must be highlighted between the Convergence Objective Regions (Calabria, Campania, Puglia and Sicily, plus Basilicata, which is in the process of phasing out), which register a pro capita GDP of approximately 15,163 euros, and the Competitiveness Objective Regions, with a pro capita GDP of about 25,432 euros. The national employment rate increased by 4 percentage points over the last decade (from 53.1% to 57.5%), while in 2003; the unemployment rate was 8.4%. In 2004, the two indicators measured 57.6% and 8%, respectively (baseline indicators 2 and 3).

Even taking into due account the disparities between Regions and administrative districts, the national primary sector is characterised by the slight dynamism of value added, above all concerning the 1990s and early 2000s, differing from what occurred in the rest of the economy, where this indicator shows a trend to growth in the last 25 years. However, compared to the Community average (UE-15), the average annual growth rate of value added of agriculture in the 1990-2003 period is slightly higher (+0.7 versus +0.3).

Following the widespread abandonment of agricultural activity owing to the attraction exercised by other productive sectors and the slight productivity of land, which distinguishes numerous rural areas in Italy, and technical progress, in the 1981-2002 period the value added per labour unit increased at an average annual rate (+4.3%) above that of the economy as a whole (+1.6%), while land profitability (VAA/UAA) shows a lower rate of increase (+1.5%). Here, too, the "delay" of the Convergence Regions is evident, with VAA/AWU growing by 3.8% and VAA/UAA by 1.3%. *Among the Convergence Regions, Basilicata stands out for its high percentage increase, similar to and sometimes higher than in Competitiveness Regions, as does Molise, evidence of the current economic convergence.*

All this contributes to labour productivity in agriculture above the Community average (*baseline indicator 6*: index number 148); nevertheless, the value added per employed worker still amounts to just 63% of the national average (2002), dipping below 50% in the Convergence Regions. This is an evident sign of the structural weakness of the primary sector, caused by the small average size of farms; the advancing age of the agricultural entrepreneurial class (*baseline indicator 5*: percentage of farmers under 35 years of age/over 55 years of age, equal to 6% compared to the Community average of 18%) and its members' level of education and preparation, which often is inadequate in terms of market dynamics and the development of suitable marketing and commercial strategies (*baseline indicator 4*: percentage of farmers with "training" of 8% compared to a Community average of 17%); the marked individualism of farmers and their incapacity to organise themselves and integrate both horizontally and vertically. In addition, the more stringent regulations, compared to the past, of both labour management, in terms of greater pension and insurance protection, and of the adequacy of farm facilities from the hygienic/health standpoint (not only those for the processing of agricultural products on the farm), even though representing a sign of the modernisation of the sector, have entailed a heavy burden of costs in the face of production prices that are ever increasingly more aligned with world production prices, as well as a substantial reduction of support to agriculture.

Value added per employee in the food industry is instead in line with labour profitability in other economic sectors. In absolute terms, in 2003 the value added per employee was approximately 52 thousand euros (*baseline indicator 10*); however, this value was substantially lower in the Convergence Regions (about 40 thousand euros). In the same period, the incidence of the agroindustrial system on the overall economy in terms of value added underwent a contraction attributable to both the primary sector and the food industry, bringing it to 5%, with the former contributing in the amount of 60%. The weight of agriculture was instead greater in the case of the Convergence Regions (+4,5%). In absolute terms, the value added of the agricultural sector in 2002 amounted to about 25 milliards of euros (*baseline indicator 9*), while that of the food industry in 2003 was about 26 milliards of euros (*baseline indicator 13*).

Moreover, the value-added trend of the agricultural sector at the national level varies considerably in single Regions, with both annual average growth rates of over 2% and Regions with negative variations. In particular, among Convergence Regions, only Calabria and Basilicata show a fairly good growth rate, while certain Regions, where agriculture has historically played a significant role in the regional economy, actually show an opposite trend, such as Sicily, Campania and Puglia. Among Competitiveness Regions, those in the Northeast confirm positive dynamics, while part of the “strong” agricultural Regions seem to be experiencing difficulty, as in the case of Emilia Romagna, Tuscany, Lombardy and Piedmont.

As regards foreign trade, the national agrifood industry trade balance is negative, especially concerning primary production. Consistent with the incidence of the value added of the primary sector and food industry at the administrative district level, Competitiveness Regions mainly place processed products on the foreign markets, while the Convergence Regions mostly place agricultural products, although certain southern Regions show timid signs of growth of exports of processed products. Nevertheless, in general the Italian food industry shows low and ever increasingly lower competitiveness on the foreign markets, where exports amounting to 16 milliards of euros represent just 14% of the turnover. Also, appreciable slowdowns are registered in the growth rates of the trade balance pertaining to key products. In addition, it must be considered that 60% of Italian exports regards just 10 products, above all wine, fresh fruit, pasta, olive oil and cheeses.

In contrast to the overall economy, which in the last decade recorded an increase in the rate of employment of over 4%, the primary sector, as previously mentioned, lost 214,000 units from 1995 to 2002, dropping to approximately 1 million persons employed (*baseline indicator 8*), while the food industry gained about 12,000 workers, reaching 504 thousand persons so employed (*baseline indicator 12*).

The growth of the profitability of land and especially of labour, which particularly characterised the decade running from the early 1990s to the early 2000s, was certainly influenced by an increase in fixed investments, both in agriculture and the food industry (*baseline indicator 7*: about 10.037 milliards of euros; and *baseline indicator 11*: about 6.2 milliards of euros), more evident starting from the second half of the 1990s, in connection with the second period of Structural Funds programming, both at the national and Convergence Regions level. This evolution was also accompanied by changes in the credit sector, where easy credits for agriculture were reduced and greater resort was made to credit at ordinary interest rates.

Finally, the composition of the GP has not undergone sharp variations during the last twenty years. The incidence of the zootechnic division (raising and breeding of livestock) in terms of GP actually is still around 35%, while wood growing increased and herbaceous crops decreased.

In this field, single Regions differ widely, with Regions that have a strong vocation for farming (Piedmont, Val d'Aosta, Lombardy, Veneto and Emilia-Romagna, as well as Sardinia, where this sector counts for more than 40% of the total). The same is true for forestry (in particular, Trentino Alto Adige and Calabria).

The evolution of food consumption in Italy. Recent years have witnessed a contraction of the volume of food consumption, especially regarding fruit and vegetables, as well as an increase in terms of value, which has translated into a decreased incidence of expenditure for the purchase of meat and an increased incidence of that for "potatoes, fruit and vegetables." The economic recession and the effect of the introduction of the euro have in fact caused an enormous reduction in purchasing power, leading to an increase in the number of poor families and changed consumption of different items on the shopping list.

Profound transformations have also affected behavioural patterns and styles of consumption. Prominent examples of changed behaviour, attributable above all to socio-demographic phenomena, including an increase in the number of meals consumed away from home, destructuring of the meal, identification of the main meal with supper, the spreading of single-dose packages and the search for products having greater value added (fourth and fifth range).

Regarding styles of consumption, in the past 10-15 years new trends have emerged in terms of both the demand and supply of agroindustrial products. Numerous consumers have in fact directed their choices toward the purchase of products:

- with strong ties to the territory, meaning PDO, PGI, CDO, CGDO, PGI and quality wines P.S.R. local products without Community or national recognition, as well as ethnic products;
- with distinct characteristics of healthiness and safety or obtained using production processes with low environmental impact (products that are biological, as a result of integrated agriculture and OGM-free);
- with high ethnic content, for which it is ensured that workers employed in the production or transformation process are not exploited and do not work in unsafe conditions, and that animals are respected.

Nevertheless, the demand for food products is rather segmented, depending not only on price, but also on the occasions and contexts of consumption. Consequently, the enterprises' marketing strategies, especially those of businesses engaged in processing, are oriented toward satisfying certain segments of the demand or toward highly differentiating production.

On the other hand, the enterprises have but little choice in the matter of production differentiation: since they operate in a globalised market, they are unable to compete with countries where labour has a lower impact on production costs, unless by producing food products with specific qualitative characteristics. Thanks to the development of new production technologies, a capacity for differentiation, the increased importance of promotion in the strategies of enterprises and ever increasingly more refined communication techniques, businesses, too, have thus contributed to changing the food habits of consumers.

The socio-structural situation of the Italian agroindustrial system. Farms in Italy number about 2.6 million, with a UAA of 13.2 million ha (ISTAT, 2000). The agricultural sector in Italy is characterised by a high degree of dualism, since professional farms, which is to say those with a SGM over 12 ESU, which constitute 12% of total farms, cover 80% of the UAA and produce 73% of the SGM. They are mainly concentrated in the Competitiveness Regions and in certain production divisions (rice,

vegetable/floriculture and dairy cattle), while those with an economic dimension under 4 ESU represent 72% of total farms, covering 24% of the UAA and accounting for 12% of the SGM.

As previously mentioned, the factors that hinder a re-equilibrium of the sector depend most of all on the low average UAA of the farms (5 ha), among the lowest in Europe, a situation which is even more pronounced in the Convergence Regions (3.1 ha), caused by a substantial immobility of the land market and by an insufficient generational renewal, which translates into a low percentage of agricultural entrepreneurs under 40 years of age (10%) and a large share of those over 55 years of age (60%). By now, it is a recognised fact that the economic dimension of farms tends to decrease as the age of the farmer increases. In addition, despite improvement the share of heads of farms holding at least a middle school certificate (19%) is among the lowest in Europe.

In 90% of the cases, family farms run by the owner are involved. Individual enterprises predominate in Italy, with partnerships or companies (2% of the total) being concentrated in Competitiveness Regions.

From the standpoint of type of production, farms specialised in sown crops and olive growing predominate. In the decade between the last two censuses, zootechnic farms instead have suffered a sharp decrease following the introduction of stricter hygiene/health standards to be observed, which have caused a considerable rise in costs for farms. Other factors include changes that took place affecting CAP markets, above all as regards bovine COM (both meat and dairy), as well as the abandonment of the activity due to a lack of generational renewal.

Despite the small size of most farms, many have activated more or less bold diversification processes, undertaking business activities relating to the processing and marketing of products, third-party work, tourist activities and, in general, activities tied to the territory, culture and socio-economic context. In particular, the agriturismo supply is highly dynamic in terms of quantity and services offered; however the number of guests has declined, including because of foreign competition in terms of prices and services offered. The most innovative activities, such as renewable energy sources, fish farming, forestry products, etc. are less developed than in the rest of Europe.

Those marketing their production on their own amount to 61%, for the most part involving values of less than 5,000 euros. In addition, only a few farms are included in *filière* circuits that would facilitate directing the production process on the basis of market demand, while even fewer (a total of 1,700 units) use more innovative marketing channels, for example “e-commerce.”

As instead regards the food industry, the period between the last two censuses witnessed an increase in local units (+7%), in the face of a decrease in the average number of workers, above all in the Convergence Regions, giving rise to a growing diffusion of small non-industrial businesses, which often favour production choices tied to quality and tradition.

The agrifood co-operative system deserves special mention, being represented by over 5 thousand co-operatives with more than 69 thousand employed; through it, numerous small farms have developed forms of aggregation of supply, which has made it possible to reach important critical masses. About 7% of the co-operatives are of medium-large dimensions (with turnover exceeding 10 million euros).

Production orientation is also characterised by certain changes, inasmuch as the incidence of enterprises in divisions involved in the processing of fruit and vegetables, fish products and “other food products” has increased at the expense of more traditional activities, such as the dairy division and grain processing. Except for divisions involved in the processing of fruits, vegetables and vegetable oils, agroindustrial enterprises are mainly concentrated in the north central Regions.

The major problems that the national food industry must deal with consist of the high degree of business fragmentation, which enormously hinders its capacity to position itself on foreign markets, insufficient competition in services, a scarce propensity to innovation, financing that is inadequate for supporting the businesses' internationalisation processes, fierce competition on the part of UE and non-EU countries, difficulties in stocking up in the national market because the insufficient organisation of farms makes it impossible to reach a certain critical mass and certain quality standards, and the poor financial situation which big businesses in particular find themselves in.

Forests and forestry activities. Preliminary results of the second National Forestry and Carbon Inventory¹ (IFNC, www.ifni.it) estimate that our country has total forestry resources area amounting to 10.7 million hectares, over 50% of which concentrated in the northern Regions. The Italian forestry area, amounting to 5% of the European total, covers 35% of Italy's territory (90.5% of which classified as "Forests" and 9.5% as "Other woodland," shrub areas undergoing changes, maquis and arboriculture systems for wood), represents 5% of total European forest area. In the last twenty years, the forest area in Italy has grown by 7.2%, in line with a process that has seen total Italian forest area nearly triple from 1920 to date. The lack of growth in forest productivity (only 3 m³/year/ha produced - FRA2005) and limited wood use (about 10 million m³) place Italy low in the European classification; this situation is in part determined by the small average size of the forest farms, which does not promote their optimal management.

However, the productiveness of national forests has not increased. Wood use amounts to approximately 10 million cubic meters (FRA2005), of which more than 65% used as a source of energy (firewood).

In addition to forest area, arboriculture for wood (218 thousand hectares) must be considered for purposes of wood production, particularly the commercial growing of poplar and high-grade broad-leaved species (cherry, walnut, ash, and oak).

The wood industry employs 420,400 workers and involves a total of almost 89,000 enterprises. Businesses making use of woodlands represent 3.7% of the entire *filière* and are characterised by an average of 3-4 workers per firm. First-processing firms (sawmills) represent 3.2% of all forestry industry businesses; firms engaged in second-processing of wood represent 93% of the total and procure supplies mainly abroad, although Italy is one of the world's leading furniture manufacturers. In north-east Italy, the forest/wood *filière* still constitutes an economic sector impossible to overlook in rural mountain areas, with interesting possibilities for growth tied to the development of environmental technologies, where there is plenty of room for wood.

For the most part, forest ownership at the regional level is private, especially in Regions where all where a tendency to valorise woodlands from an economic standpoint has developed over an extended period. An exception is found in the east central alpine Regions (Lombardy, Trentino, Veneto, Friuli Venezia Giulia) and those where particularly important National and Regional Parks are located (Abruzzo, Basilicata, Sicily and Valle d'Aosta). Slight active management of forestry resources is registered in rural and mountain areas. The average size of private agricultural/forestry enterprises is less than 7 hectares. That certainly does not encourage an optimal management of forestry resources; in addition, such management is hindered by an insufficient road system and the location of productive woodlands, 95% of which are situated in mountain and hill country, where

¹ IFNC, project carried out by the National Forestry Service in collaboration with the Ministry of the Environment, in the ambit of the Kyoto Protocol. The relevant data are still being elaborated.

accessibility is in any case at a disadvantage and more costly. *Product quality of Italian wood production is quite low, with 65% of national production in fact being used to produce energy (firewood).*

Thus, the role of forests and forestry production in the primary sector remains extremely marginal. In the last 20 years, the average value of primary forestry production (raw wood materials) amounted to little more than 1% of total primary sector production and 1.45% of value added. The businesses utilising woodland represent 3.7% of the total forest/wood *filière* and are characterised by an average of 3-4 workers per business. Labour productivity in the forestry sector is modest, amounting to 7 thousand euros (*baseline indicator 14*).

First transformation businesses (sawmills) represent 3.2% of forestry industry businesses; businesses engaging in second transformation of raw wood materials (involving the production of furniture, paper and cardboard, cellulose pulp and energy) represent 93% of the total. Businesses that are part of the wood/furnishings sub-*filière* account for 15% of the manufacturing sector and 8% of its workforce. The lack of linkage between the different links of the production *filière*, along with the low quality of Italy's wood materials make this sector of Italian industry highly dependent on foreign wood imports, with obvious effects on the trade balance, which remains positive only thanks to the high level of exports of finished products (furniture).

Noteworthy among activities originating in forestry is the production of a renewable source of energy in the form of biomasses of firewood and the like, which represents 20% of the renewable energy produced nationally (2004). In any case, the figure is underestimated, inasmuch as it does not include family consumption of firewood. However, compared with the rest of Europe, Italy is near the bottom of the list in terms of the share of overall energy requirements covered by the production of energy from biomasses, which amounts to 2.5% versus the European average of 3.5%.

In addition to its importance in economic/productive terms, forestry resources play a strategic role in the protection of the environment, the hydrogeological system and landscape, as well as in the mitigation of climate changes. While difficult to evaluate in economic terms, these functions performed by forests define the multifunctional nature of the forestry patrimony. The use of forestry resources areas, when knowledgeable and active, therefore involves multiple functions able to guarantee economic and occupational advantages, not only through the production of wood, but also through the appropriate valorisation of the environmental, historic/cultural and social role that forests play. The management of forests is thus ever increasingly more oriented toward the production of unpriced services, also directing wood production ever increasingly more toward sustainable forestry intervention measures and the adoption of sustainable management practices.

The most recent data of the CONECOFOR monitoring programme on the state of health of forests show a worrisome situation concerning Italy's forests. In the 255 observation points monitored (involving some 7,000 trees), defoliation was detected in 40% of the cases. Data for the last 10 years indicate an uncertain trend, ranging from 18% of trees severely defoliating in 1993 to 36% in 2004.

The historic series of forest fires beginning in 1980 shows how, despite sharp fluctuations tied to climate trends, there was a slow decline in the area affected. On the other hand, however, there was a steady increase in the number of the fires, which seems to have halted only in recent years. In 2005 alone, fires numbering just under 8,000 struck about 47,500 hectares (source: Corpo Forestale dello Stato, 2006)

Quality in the agrifood and forestry system. In recent years, there has been a sharp increase in the number of Italian PDO and PGI products, which now number 155, representing 21% of all Community products with designation of origin and gaining Italy first place in the EU (March 2006).

About 30% of such products come from the Convergence Regions. As for the consumption of products with designation of origin, 2004 showed signs of recovery following two years of appreciable contraction, above all in the cheeses division, despite a dip in cold meats and salami (-4.1%) and olive oil (-11.2%).

The consumption of such products, with a total value of 8.7 milliards of euros, is extremely concentrated in terms of product (with 65% pertaining to Prosciutto di Parma, Grana Padano, Parmigiano Reggiano and Prosciutto di San Daniele) and geographical area (76% of the areas are included in just the Regions of Emilia-Romagna, Lombardy and Friuli Venezia Giulia, which produce the products of highest consumption). Analogously, 60% of the exports, amounting to 1.5 milliards of euros, regards three products, namely Prosciutto di Parma, Parmigiano Reggiano and Prosciutto di San Daniele.

In addition, Italian quality wines P.S.R. are many, numbering 23 CGDO and 310 CDO, representing 33% of total vineyard area (ISTAT, 2000) and 31% of national production in terms of volume. Approximately 23% of Italian quality wines P.S.R. are produced in Convergence Regions. Wine consumption by Italian families has suffered a sharp decline starting from the second half of the 1970s. However, 2003 and 2004 marked a turnabout, with the consumption of CDO and CGDO wines standing out in terms of both volume and value. Different factors contributed to this, such as a trend to steadily improve the quality of the supply, the discovery of wine's many beneficial properties from the health standpoint, the perception of cultural and landscape/territorial values tied to wine's image, the diffusion of QWPSR with LRT and growing attention to the origin of wines. However, negative factors worked to impede a greater growth of consumption, including the excessive price increases of Italian wines in the early 2000s, which led to a contraction of QWPSR exports (-18% in the 2000-2004 period) and the lack of a widespread wine culture. Overall, 2004 registered a recovery, including wine exports, with the acquisition of new market shares in the emerging countries, in addition to a consolidation of market shares in the EU and USA.

As for biological agriculture, Italy is first in Europe and fourth in the world in terms of area so cultivated (over 1 million hectares in 2005, although more than 50% consisted of meadows, pastures and forage cropland, in part for purposes of biological zootechnics). From 2001 to 2004 a decline was witnessed in biological farm area and the number of biological farms, preparers and importers. The causes of this trend include reduced financial resources allocated for agro-environmental sub-measures of the RDP pertaining to the adoption of biological cultivation and breeding techniques. In addition, often a lack of recognition of greater value added compared to conventional products contributes in a significant way to the reduction of biological farm area, in turn caused by the difficulties of horizontal and vertical integration on the part of farmers, which diminishes their bargaining power vis-à-vis processing firms and distributors.

Although integrated agriculture has not yet been recognised as a national quality system and lacks a single regulation, its high level of production placed on the market is to be underlined, ascribable to the broad participation of farmers in the relevant agro-environmental measure, as well as the conditions the farms must satisfy for access to LRT (proliferation of regulation, control and standardisation of rules) and the regulations provided for access to certain regional marks.

Analogous to supply, the national demand for biological products is beginning to show the first signs of recession, above all due to high retail prices. Specialised shops account for 30% of the purchases of biological products, which in 2005 numbered 1,117 units, undergoing a reduction despite the positive trend that has characterised this indicator for several years. Most purchases (64%) are instead made from LRT, which the consumer has more faith in concerning the checks performed. In addition, "e-commerce" is steadily gaining ground and the number of biological farms with on-site sales points is increasing, which allows even consumers with less spending power to

purchase biological products. Moreover, the sale of “bio” products accounts for over 40% of the turnover of equitable trade shops. Finally, the number of school and hospital refectories/canteens that use biological products is increasing. Of total national production, 33% is exported, mainly citrus fruit, olive oil, dairy products and eggs. Imports are steadily increasing, mainly concerning the vegetable (vegetables and sugar) and zootechnic divisions. In addition, the demand for biological products is increasing in various European countries, which makes their market prospects good.

As regards the quality of business processes and especially the implementation of quality and environmental management systems, the number of certifications is sharply increasing in terms of both farms and businesses in the food industry, in accordance with ISO 9001 and ISO 14001 standards.

In recent years in Italy, forestry certification has also begun to expand, assuming an ever increasingly more strategic role for the management of sustainable models and proving of interest to both public and private partners (Regional Administrations, owners of woodland, industrialists involved in first, second and third processing of wood, co-operatives, independent professionals, firms and trade associations). For the forestry sector, the most frequently adopted certification schemes at the international level are certainly the “Forest Stewardship Council (FSC)” and the “Programme for Endorsement of Forest Certification” (PEFC) schemes, whose distinctive feature is regional certification. Of all national forestry resources, about 623,190 hectares are registered with one of these forest certification systems: 15,845 hectares of woods with FSC and 607,345 hectares with PEFC.

Logistics for the agroindustrial system. Logistics does not merely pertain to the transfer of goods from one place to another in the territory, but represents the whole of all organisational techniques and functions – concentration of the supply on platforms, storage, breakage and handling of the load, warehouse techniques, filling of orders, management of the refrigeration chain – that constitute the essential instrument for guaranteeing delivery of the product to the customer in the manner and at the time and cost desired by the same. Therefore, it is evident that logistics is ever increasingly more becoming a competitive factor for the entire agroindustrial system at all levels of the production, marketing and distribution chain. Some important aspects emerge from a recent ISMEA survey (2006), which deserve reflection when defining intervention strategies:

- the average number of commercial actors involved in marketing processes is high; excessively extended marketing channels lead to commercial and logistical inefficiencies that affect the final sale price;
- regarding transport, trips of less than 50 kilometres are especially frequent, demonstrating the need for much rationalisation of such traffic, including at the level of local territorial systems;
- food product shipments have a low percentage of full loads, which together with the difficulties of managing loads and return trips, causes high transport costs;
- in terms of transport returns, “freight on board” is still prevalent, which generally indicates the difficulty of the enterprises in the direct management of the transport chain;
- slight resort is made to intermodal systems, whether sea or rail;
- important problems involve the proper management of the refrigeration chain, keeping to the transport schedule and the non-conformity of incoming goods;
- the informatics resources (ICT) of the enterprises are unsatisfactory, just as the providers of high value added services are insufficient to support the enterprises in the integrated management of the entire “supply chain” all the way to the supply of so-called “door-to-door” services;
- the demand is highly generalised for new and specific professional skills related to logistics.

General problems of production filières. The *filières* analysed in the PSN are those that count most in terms of the GP of the national agricultural sector and/or the turnover of the Italian food industry (cf. Annex 2). The former ranges from 5% in the grape and wine division to 24% in the fruit and vegetable division. From the standpoint of food processing businesses, the range is from 2% in the milling industry to 13% in the dairy industry. The tobacco and sugar beet *filières* have instead been included inasmuch as, following the reform of the relevant CMO, part of the financial resources previously granted within the framework of the First Pillar will flow into rural development policy to be assigned to just the regions where these crops are concentrated. The needs of the principal regional *filières* will be evidenced within each RDP and in relation to the analysis of the specific characteristics of the regional agricultural and agroindustrial sector.

Generally speaking, the different agroindustrial *filières* in Italy are characterised by numerous common features, both positive and negative. Outstanding among the former is the widespread presence in the territory of quality products, involving both designations of origin and biological agricultural products, especially vegetables. The negative features are more numerous, such as the small size of farms in terms of area and number of animals raised, and the situation of processing firms in terms of turnover and number of workers. Others include the drop of prices at the origin, especially in the case of agricultural products and, as concerns the dairy industry, the drop in the price of processed products, all in the face of increased production costs; the high margins of intermediation to the detriment of basic producers and consumers; the difficulties of horizontal and vertical co-ordination; and the loss of competitiveness on the foreign markets, except in the case of wine, where market shares are being recovered and new ones are being gained in the emerging markets, as well as the case of floriculture and nurseries.

A first weak point regards the dimension of production costs owing to a lack of widespread mechanisation in the harvest phases in the grape and wine, olive, fruit and vegetable, and tobacco divisions; the restructuring and modernisation of processing facilities (above all in the case of wines, olive oil, meats and dairy products); and the introduction of technological and managerial innovations along all the different *filières*, as well as energy costs.

Such deficiencies entail a lowering of the quality standard of the agricultural and processed products, largely due to a lack of training and technical assistance. In the case of products of animal origin, the improvement of quality also involves the extension of animal farms and safeguard of local breeds. Analogously, in the ambit of *filières* involving vegetable products there is a lack of valorisation of native cultivars, especially regarding olive oil, fruit and vegetables, and floriculture/nurseries.

The realisation of activities in research, experimentation and transfer of know-how is particularly lacking in the ambit of the olive oil, wheat, floriculture, meats and dairy *filières*.

The need for the rationalisation and improvement of logistics is tied to the greater efficiency of the distribution network and upgrading of intermodal systems, indispensable for improving the competitiveness of all Italian productions.

1.2 Situation of the environment and landscape in rural areas

Biodiversity. The Italian peninsula is characterised by a substantial patrimony of biodiversity due to the great variety of habitats, many of which are tied to agriculture. The high nature value

agricultural areas cover a UAA of about 2.8 million hectares (*baseline indicator 18*), approximately 21% of all farmland, together with high nature value forest areas, and are concentrated mostly in protected areas (including the Natura 2000 network) which, overall, cover about 20% of the territorial area. Of it, 20%-25% involves agriculture, especially meadows and pastures. Agriculture, above all when tied to high nature value agro-forest areas and particularly Natura 2000 areas, therefore plays a very important role in the preservation of natural biodiversity, the structure of the traditional Italian landscape, traditional productions and diversification in the tourist/recreation sector.

However, basic analysis reveals a general trend to the decline of biodiversity in all its components (genetic diversity, diversity of species and diversity of ecosystems). The worrisome state of biodiversity in agricultural areas, indicated by the fact that about 47% of threatened or declining bird species (or 63% if rice fields and alpine pastures are also considered) are tied to the same, with an agricultural avifauna index, updated to 2003, of 67.3² (*baseline indicator 17*), is attributable to the banalising of the environment, principally due to the intensification of agricultural activity or the persistence of overly intensive agricultural activity, production specialisation, and the abandonment of marginal agricultural areas. In forest areas the problems of the preservation of biodiversity are instead mainly attributed to a lack of adequate strategic forestry planning, the difficulty of activating and maintaining active and ecologically compatible forest management, fires, fragmentation of property and, in some cases, of woodland ecosystems, as well as the abandonment of woods and woods-related and pastoral activities due to the depopulation of mountain areas.

Water resources. The northern regions principally suffer from problems tied to water quality, although in recent years there have also been problems of shortages. Water shortage instead predominates in the central and southern regions, where over 53% of the water drawn comes from tapping subsurface water tables, without counting private supply structures. The most critical situation at the national level regards the quantity and quality of subsurface water resources, while the quality of surface water resources, measured by the pollution level according to macro-determinants (LIM index), turns out to be sufficient on the whole, with the exception of critical localised situations (89.5% of the sampling points are rated as at least sufficient).

Agricultural activity exercises a pressure on water resources that produces negative effects on both quality and quantity. With regard to the worsening of quality, the principal causes are to be attributed to the use of fertilisers, pesticides and growing water consumption. The risk of water pollution due to excess nitrogen, whose average value in 2000 was 40.06 kg/ha³ (*baseline indicator 20*), was lower in the Convergence Regions (22.04 kg/ha). With regard to problems tied to quantity, the principal causes are to be attributed to the scarce efficiency of irrigation in its various technical aspects (irrigation systems, feeder networks, sources of supply) and managerial aspects (manner and schedule of administration, insufficient planning of the use of the resource and of the irrigation season) and crop choices unsuited to saving water. Nevertheless, in the face of an increase in UAA irrigated (above all in northern Italy), the general trend is to resort to more efficient irrigation systems, which favours water savings. Intervention is underway in this area within the framework of the National Irrigation Plan, the objective of which is to increase the water supply and to improve the efficiency of the irrigation systems, in addition to upgrading the quality of water resources.

² Source: EUROSTAT, Structural Environmental Indicators.

³ Source: ELBA Model, University of Bologna.

Climate change. In recent years, a sharp increase has been registered in the use of biomass as a renewable energy source, even though still limited by problems of a technical, economic and fiscal nature. For example, the fragmentation of land holdings and problems tied to logistics – especially transport – limit possibilities for market expansion. The activation of local markets and short *filières* could encourage the development of the great potentialities of the agricultural sector, particularly those of the forestry division, in biomass use and valorisation. In 2004, the quantity of bio-energy produced by waste and biomass was 5,220 Ktep (of which 1,305 from waste and 3,300 from firewood). In 2003, total bio-energy from agricultural and forestry sources amounted to 434.3 Ktep⁴ and 1,153 Ktep, respectively (*baseline indicator 24*).

The emissions of greenhouse gas coming from agriculture amounted to the equivalent of about 38.7 million tons of CO₂. In particular, agriculture is the sector most responsible for emissions of methane and nitrogen oxide, with the former mainly attributable to zootechnic activity, and the latter to fertilisation and the management of zootechnic manure and slurry. Increased mechanisation and the trend to placing production processes in air-conditioned environments are mainly responsible for the resort to fossil fuels by the agricultural sector. However, recent years have registered an overall reduction of agricultural emissions, mainly due to the reduction of emissions produced by the intestinal waste of livestock.

Soil. Soil plays a fundamental role in the regulation of water flows, in the protection of biodiversity, in the conformation of the landscape and in the absorption of greenhouse-effect gas. In addition, soil characteristics are a fundamental element for quality products tied to the territory, while conversely such products are important for soil protection.

Soil conditions and possible related environmental problems are closely tied to the evolution in soil use. Recent years have witnessed a progressive reduction of UAA (-16.5% from 1982 to 2003), mainly involving permanent meadowlands and pastures (-26%). In the proximity of urban areas (particularly in plains areas, along seacoasts and in inland valleys) agriculture is instead under strong pressure for land, which has led to the continuous cession of the most fertile areas for other uses, with negative and often irreversible effects on the soil.

In many agricultural areas, particularly plains and coastal areas dedicated to specialised agriculture, the risk of soil pollution and contamination is greater. For example, one source of agricultural pollution and alteration of biological and structural soil balance is tied to the excess of phosphorous released in the ground by organic fertilisers (manure, manure slurry) and mineral fertilisers (artificial fertilisers). Excessive phosphorous in the soil can reduce species diversity, altering competitive balance; moreover, it is the principal cause of the eutrophication of waters. The Regions with the greatest surplus of phosphorous per hectare, especially more than 30 kg/ha, are mostly in the North (Lombardy, Veneto and Emilia-Romagna). However, the Regions of Northern Italy are also the ones that reported the greatest reductions in this sense in the past six years.

Water erosion and decreased organic substance instead constitute a risk in all hill and mountain areas, although in the mountain areas of some regions the phenomenon is scaled down by the increase in wooded areas, which have replaced abandoned meadows and pastures. Average soil loss in Italy is 3.11 tons per hectare per year (*baseline indicator 22*); higher values have emerged in some central and Southern Italian Regions, pointing up a critical situation. Finally, the abandonment of forestry and pastoral activities plus unsustainable forest management have led to increased hydrogeological and fire risk.

⁴ Source: IRENA.

Ecologically compatible agriculture, such as biological agriculture, generally involves not just less release of pollutants in the soil, but also less cultivation with less harmful effects in terms of erosion and reduction of organic substance, which for that matter gets replenished with green manure practices. Reversing a trend of recent years, in 2005 the area dedicated to biological agriculture increased to 1,067,102 hectares⁵ (*baseline indicator 23*) or 7% of UAA, over half of which formed by meadows, pastures and forage land, in part used for biological zootechnics.

Air quality (ammonia). Among the principal atmospheric pollutants contributing to acidification and eutrophication, ammonia is the one deriving largely from the agricultural sector (94%), particularly from: a) zootechnic effluents (based on their composition, handling and use); b) mineral nitrogenous fertilisation (based on the quantity of fertiliser used, pedo/climatic features and the vegetative stage of the plant at the time of fertilisation). In Italy, agriculturally derived ammonia emissions (411,513 tons)⁶ register a flattening of the decreasing trend beginning from 2002; nevertheless, great variations are not to be found that are attributable to the agricultural sector. The greatest amounts of ammonia emissions are attributed to the Competitiveness Regions, particularly Lombardy, Veneto, Emilia-Romagna and Piedmont, where zootechnic activity is most intensive and where over 50% of the livestock units in Italy are located. On zootechnic farms, ammonia emissions most frequently take place in connection with animal shelters, storage of excrement and agronomic spreading of excrement, in addition to climate, soil conditions and the overall management modalities of the farm.

Landscape. Italy's rural landscape, the fruit of several thousand years of history, has always been recognised as one of the fundamental elements of the cultural identity of our country. It constitutes a fundamental resource, resulting in an added value for productions with designation of origin and forming a key element for the development of tourism and for biodiversity tied to the quality of the cultivated areas and species introduced by man, thus representing an aspect characterising the quality of life in rural areas. In recent decades, the Italian landscape has been affected by progressive deterioration, which is jeopardising its qualitative features. In areas most dedicated to agricultural activity due to favourable pedo-climatic characteristics suitable for crops and technical means proper to industrial agriculture, and therefore lending themselves to an intensification and simplification of production processes; agro-systems based on additional outside energy sources have spread, which are almost always efficient from an economic standpoint, but weak in terms of ecology and negative in terms of landscape, being unrepresentative of local cultural identity and lacking spatial diversity. In particular, the pronounced development of industrial single-crop cultivation, intensification (e.g. increased plant density in vineyards and olive orchards) and cancellation of mixed crop cultivation and arboreal components that once characterised much of the rural territory, albeit to a different extent from north to south, have negatively affected biodiversity, above all that of spaces tied to soil uses and species introduced by man.

In contrast, areas not suited to crop simplification and intensified production, such as mountain areas, have undergone a process of marginalisation, with the abandonment of previous activities and settlements, followed by a spontaneous return to nature and reforestation measures. Along with positive aspects, the increase in forests has further reduced spatial diversity, cancelling traditional soil uses and creating new parts of the landscape that are often alien to the local context, hindering wildlife management owing to expanses of compact, homogeneous forests that have reduced open spaces. Moreover, the suspension of traditional productions and forms of management tied to a wide

⁵ Source: INEA/SINAB.

⁶ Source: NAMEA (ISTAT).

range of wood and non-wood products has also contributed to reducing the structural complexity of the woods. Finally, the accelerated deterioration process of recent decades is likewise connected with inappropriate policies based on incentives and subsidies that have failed to take into consideration the conservation of the cultural landscape and the impact of the measures taken. To such processes must be added the characteristics of the new buildings in rural areas, which are often insufficiently respectful of the historical identity of the local landscape.

Less favoured areas. Currently, less favoured areas in Italy identified for purposes of the grant of compensation provided in the RDP for 2000-2006 represent 61% of the territorial area, ranging from 39% in Puglia to over 90% in Basilicata and the Autonomous Province of Bolzano, and 100% in Valle d'Aosta and the Autonomous Province of Trento. Overall, the less favoured areas are mostly (over 70%) constituted by mountain areas.

Especially in the case of mountain areas, the areas involved are sparsely populated: average population density in mountain areas (considering only municipalities completely delimited) is just 58 inhabitants per square kilometre, where the agricultural sector represents an important part of the local fabric. Farms located in partially or totally less favoured municipalities number 1,523,000 and represent 59% of all farms in Italy.

In the years between the last two censuses, these areas have been characterised by depopulation phenomena and the abandonment of agricultural activities, as evidenced by the steady decrease in population, UAA and farms. The total population showed a 1% decrease, with peaks of 2% in areas with specific disadvantages (considering only municipalities that are completely delimited), against an increase of 0.4% nationally. Farms decreased by 14%, UAA by 12% and TAA by almost 14%. In the face of this dynamic, it is evident that average farm size tends to decrease, which rules out the rationalisation of the sector, instead confirming the abandonment of agricultural activity. It must be underlined that this phenomenon primarily involves mountain areas, where TAA decreased by nearly 17% and farms by over 20%.

In these areas, in many cases the economic fabric is "thin" and phenomena related to the abandonment of agricultural activities and depopulation can create problems in terms of hydrogeological instability, conservation of the landscape and "desertification," especially in mountain areas, which are frequently very important from the nature standpoint. The administration of less favoured areas can play an important role with respect to the needs of such areas, but without a doubt in the current changing contexts the validity of the compensatory approach remains limited with respect to the objective of maintaining a vital rural community and conserving the natural environment at an equitable level.

1.3 Socio-economic conditions of Italy's rural territory

Rural development policy applies to all rural territories of the European Union, bar none. Nonetheless, along with a policy conceived for rural areas in a general sense, a non-homogeneous notion of "rural" has also caught on that is characterised within by differentiated agricultural and agrifood systems, as well as by different forms of integration with the urban and industrial context. The territorialisation of Italian rural areas therefore takes into account the relations of the same with the more general processes of economic and social development that characterise our country. Four macro-typologies of areas have been identified on the basis of the methodology reported in annexed form: a) *Urban poles*; b) *Intensive agriculture rural areas*; c) *Intermediate rural areas*; and d) *Rural areas with comprehensive development problems*, while it still remains true that in the single regional RDP it

will be possible to adopt articulations of the regional territory that employ additional indicators to identify the typologies most appropriate the specific features of the regions.

The rural areas are described below in terms of the main socio-economic variables characterising them.⁷

Urban poles. Municipalities (communes) falling under this typology number 1,035 with a very high average population density (about 1,035 inhabitants per square kilometre). Regional capital cities, most provincial capitals and the major metropolitan areas are included here, as are high population density agricultural areas of limited size (TAA/territorial area). They represent 43% of Italy's population and are characterised by the great importance of the service industry and a fair level of manufacturing activity; agriculture plays a limited role in production (12% of national value added) and covers outlying areas of large urban centres, which in turn form nearby markets for consumption able to absorb high-quality production, even though actual quality standards are not always up to the demand. The number of farm workers employed in these areas is about 200 thousand, while those employed in other sectors number more than 6.8 million (*baseline indicator 28*). In some areas, industrial activities are also concentrated in the immediate proximity of the urban fabric, among them agrifood activities, which represent 31% of the country's agroindustrial workers. In these areas, processing and marketing structures often constitute a capital investment that that is also important as an outlet for production coming from other areas. Self-employment in these areas represents 22% of total employment (*baseline indicator 31*).

Finally, it must be pointed out that in some cases the administrative unit of reference for official statistical sources (the municipality) does not allow particularly interesting situations to emerge involving agriculture closely tied to markets that could usefully benefit from RDP support. In this respect, emblematic cases must be mentioned, such as that of the municipality of Rome. The urban poles – above all those falling under the Convergence Objective – are characterised among other things by the high profitability of land (over 5,000 euros of VA per hectare of UAA) and powerful competition in soil use, witnessed by the significant reduction of total agricultural area (-19%) and of UAA (-15%) in favour of urban expansion and a series of indirect repercussions on farms (splitting up of crop units, restrictions on agricultural practices tied to the proximity of inhabited centres and roads, and instances of pollution caused by non-agricultural sources despite the not inconsiderable presence of protected areas).

From this standpoint, the areas vulnerable to nitrates represent about 19% of those identified at the national level, representing about 6% of total area. Nevertheless, high nature value territories are also present there, which are included in the Natura 2000 system (SCI and SPA); such areas represent just 4.9%, but cover about 9% of total area. Normally, their closeness to urban centres means that these areas have a fair supply of services for the population and economy. In these areas, the tourist infrastructure is well developed, having about 700 thousand hotel beds (*baseline indicator 30*) for a density of 31 beds/sq. km, needed to meet the high tourist demand. While figures are unavailable for the territorial breakdown, these rural areas are the ones best supplied with Internet services (*baseline indicator 32*). However, it is pointed out that farm operators with alternative gainful activities represent just 22.7% of the total (*baseline indicator 27*), a value far below the national average (26.5%).

It is opportune to underline that the emergence of this category of areas is functional not to its exclusion from RDP measures, but to the identification of the measures most appropriate for the particular characteristics of the same areas. In this respect, it is pointed out that in certain areas of the

⁷ *Baseline indicators 29, 32, 33 and 35 are unavailable with the degree of territorial breakdown necessary for a description of the areas. Therefore, the characteristics represented by the four indicators have been described qualitatively in the analysis of the different categories of areas.*

country the particular orographic and demographic situation leads to the concentration in those areas of residential, tourist and commercial districts, as well as highly specialised and intensive agricultural activities, which occupy relatively modest areas but represent both important economic resources and sources of employment.

In these areas, the resident population in municipalities involved in the Leader+ community initiative is about 4.4% of the total population (baseline indicator 36); this value decreases to 2.2% in the Convergence Regions.

B) Rural areas with specialised intensive agriculture. Falling within this group are all those plains areas that are characterised as rural, significantly rural or urbanised rural and certain immediately adjacent and particularly intensive hill areas, essentially located in the north and centre of the country. Overall, these areas cover 1,632 municipalities, which represent slightly less than a quarter of the total population of Italy (22%) and the “central” portion of the agroindustrial system: while these areas have about 24% of the UAA, 29% of agricultural workers and 30% of agroindustrial workers, they produce 38% of the country’s agricultural value added. In these areas, employed farm workers number about 340 thousand and employed agroindustrial workers number more than 130 thousand, while workers employed in non-agricultural sectors number more than 5.4 million (*baseline indicator 28*). Farmers with alternative gainful activities represent 25.4% of the total (*baseline indicator 27*). Finally, self-employment in these areas represents 24% of total employment (*baseline indicator 31*).

Densely populated areas are involved (253 inhabitants/sq. km), where the population is relatively younger than elsewhere and shows a sharp increase (approximately 10% in the last decade). The indicators for the sector in these areas have the highest values for the incidence of agricultural/forest area (62%) and UAA/TAA (87%), as well as for specialisation in agriculture and agroindustry. Agricultural production specialisation is pronounced, with true and proper specialised territorial agroindustrial *filières* and, in some cases, a typically district organisation. However, in many cases this organisation is still in an embryonic stage and in any case does not redound to the advantage of basic production as it ought to. Next to the agricultural sector, the tourist sector and micro-/small business sector appear highly structured, with over a quarter of hotel and crafts enterprises concentrated in these areas. In some specific areas, pronounced agricultural specialisation and recent immigration have caused problems related to competition in the use of primary resources, environmental impact and the sustainability of agricultural activity, all of which will require the implementation of policies for prevention and restoration. From this standpoint, the areas at issue are vulnerable ones with a greater presence of nitrates, representing more than 35% of those pinpointed at the national level or about 5% of total area. However, these areas include high nature value territories included in the Natura 2000 system (SCI and SPA); these areas represent only 7.7%, covering 6% of total area.

Notwithstanding favourable geomorphologic characteristics, these areas feel the effects of certain problems typical of more marginal areas in terms of services to enterprises and the populace, as well as infrastructure resources, all of which are amplified, among other things, by the marked anthropic process underway in the territory and by commercial and tourist traffic. The index of material and immaterial infrastructure resources is below the national average, placing powerful limits on businesses in terms of competitiveness. Deficiencies are also registered in terms of services, above all health services, with the number of hospital beds being equal to 70% of the national average, the number of pharmacies low and educational services inadequate for the resident population.

In these areas, there are good tourist facilities, with available beds numbering 1 million (baseline indicator 30) and sufficient density (21 beds/sq. km) to satisfy existing tourist demand.

In these areas, the population living in municipalities involved in the Leader+ community initiative is about 14.3% of total population (*baseline indicator 36*); this value in the Convergence Regions is a much higher 29%.

C) Intermediate rural areas. Included in this group are mainly hill and mountain territories that are predominantly or significantly rural, which have a certain level of diversification of economic activities and are places of widespread development. Also included is a portion of significantly rural mountain country in central and northern Italy, particularly the part that is more involved in non-agricultural development processes. Overall, the 2,676 municipalities in this category represent 24% of Italy's population and about 32% of the territorial area. Under the demographic profile, even though not presenting phenomena of abandonment (the population has grown 5,7% in the last decade), a high ageing index (135) is recorded. Agriculture plays a significant role in terms of area and employment, even if production intensity is more modest (about 2,200 euros/ha) compared to the previous areas. Nevertheless, in the last decade agriculture has registered strong signs of crisis, losing a considerable amount of area (-12% UAA and -14% TAA, which is even more pronounced in Convergence Regions (-18% UAA and -20% TAA). Above all, employment suffered (-27%). The causes of this crisis situation can be traced to high production costs, lower land profitability, and processes in connection with the ageing of the population and abandonment of the more marginal territories. The relatively low profitability of agriculture is not always caused by the geomorphologic characteristics of the territory, but sometimes also by problems of a commercial nature.

Employed farm workers in these areas number about 385 thousand and employed agroindustrial workers number about 118 thousand, while workers employed in non-agricultural sectors number about 5 million (*baseline indicator 28*). Farmers with alternative gainful activities represent 27.8% of the total (*baseline indicator 27*). Finally, self-employment in these areas represents 25% of total employment (*baseline indicator 31*). Agricultural activity in these areas is complementary to other activities, but constitutes a key factor for the growth of the local economic systems in an integrated form. In addition to the sometimes highly-qualified agricultural and/or agroindustrial sector, there are in fact landscape and nature resources present (21% of Italy's protected land is concentrated in these areas), as well as resources of a cultural, historical and wine/gastronomic nature that have been or are susceptible to valorisation in integrated form, creating a local integrated economic system characterised by a balanced development of service industry activities tied to tourism, commerce and specialised services. It is not by chance that these areas – above all those included in the convergence objective – have a propensity for self-employed work exceeding the national average. The preferred non-agricultural activities are tied to tourism (26% of beds for paying guests is concentrated in these areas) and crafts.

As regards environmental facets in particular, about 23% of the Natura 2000 areas (SCI and SPA) are concentrated there, with a total area of over 1 million hectares or about 10% overall. Areas vulnerable to nitrates instead represent 29% of those identified at the national level, but only 2.3% of total area.

The characteristics of these areas are the source of numerous problems of a socio-economic type. The infrastructure resources are typically rural, essentially tied to roads and railways with connections and services that often meagre. The same is true of telecommunications infrastructures, with wide band serving a minority of the population. The situation of services for the population is likewise problematic: there is one hospital bed for every 332 inhabitants and numerous municipalities lack postal and banking services.

Tourist facilities in these areas are inadequate. With 900 thousand beds available in the territory (*baseline indicator 30*), density is just 10 beds/sq. km. In these areas, the population living in municipalities involved in Leader+ represents about 37% of total population (*baseline indicator 36*); this value drops to 27.2% in Convergence Regions.

D) Rural areas with comprehensive development problems. In this group we find 2759 municipalities, primarily mountain or hill country, especially in southern rural areas, central and northern mountain country of a markedly rural nature, and certain plains areas of the South and the islands (Sardinia and Sicily). These are the least densely populated areas of the country (54 inhabitants/sq. km), characterised by the scarce presence of local development processes in all sectors and consequent phenomena of abandonment on the part of the population (-0.76% over the decade), above all in southern regions, where due to migration the demographic loss amounted to 6%. The ageing index is therefore far higher than the national average. In any case, from the standpoint of policy these areas deserve much consideration, since they represent 12% of the population, 43% of the territorial area, 42% of the TAA and 35% of UAA. In terms of sector, these areas represent 20% of employed agricultural workers and 18% of national VA (which percentage rises to 21% in convergence areas). The number of agricultural workers employed in these areas is about 225 thousand and employed agroindustrial workers number only 53 thousand, while workers employed in non-agricultural sectors total about 2.6 million (*baseline indicator 28*). Farmers with alternative gainful activities represent 27% of the total (*baseline indicator 27*). Finally, self-employment in these areas represents 24% of total employment (*baseline indicator 31*).

The widespread presence of extensive agriculture and the great variety of natural habitats signify the existence of high nature value areas. These areas are of particular importance from the environmental standpoint, inasmuch as 68% of Italy's protected areas are concentrated here.

It should be considered that more than 62% of Natura 2000 (SCI and SPA) areas are concentrated there, with a total area of over 2.5 million hectares and more than 21% of total area. Conversely, only 16% of the areas vulnerable to nitrates are located there, representing 1% of total area.

However, agriculture alone does not offer prospects of survival in the long run, in view of the fact that land profitability levels are too low (little more than 1,000 euros per hectare of UAA, which increases to about 1,500 euros/ha in convergence areas) and the presence of rather unproductive territories (on the average, for every 100 hectares of TAA only 56 get used). Processes in connection with the abandonment of agriculture are therefore particularly intense, especially in the inland mountain country. In these areas, traditional Mediterranean cultivation (olives, grapevines, arboreal cultivation mixed with sown crops, the same forest crops) do not succeed in representing an adequate source of income owing to the age of the equipment/facilities, fragmentation of holdings, use of traditional techniques, market outlet that is predominantly local or in any case short-range, etc. The possibility of the survival and growth of such realities is tied to the specific nature of the local resources and ranges from the valorisation of typical and/or quality productions to development based on the diversification of local economic activities or the exploitation of the potentialities for tourism through the valorisation of environmental, historical and cultural resources. In these areas, a number of problems are posed in any case, including the structural modernisation of agriculture, generational renewal in the agricultural production fabric, hydrogeological management of the territory, environmental protection and, more generally, the improvement of the quality of the life of the resident population. Areas characterised by extensive cereal growing and the raising of animals also fall under this typology, which are potentially subject to the CAP Reform. This reform will certainly bring about processes involving the reorganisation of current productions, which threaten to cut most deeply at the territorial level precisely in areas characterised by a weaker productive structure.

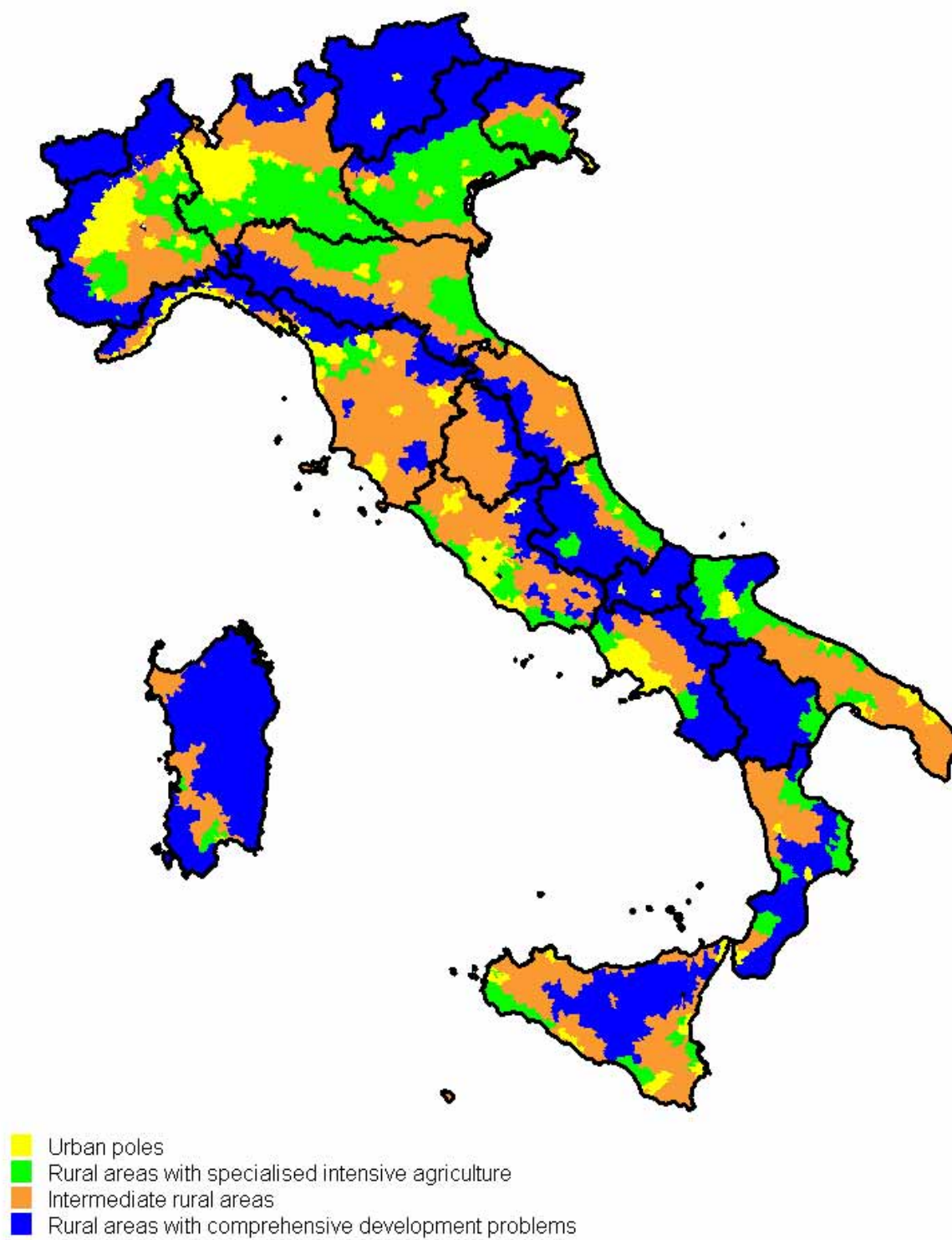
In addition to problems pertaining to sector, problems of a socio-economic nature must be pointed out, which especially in convergence areas translate into higher unemployment rates, slight capacity for accumulation, less disposable income, sluggish growth and development, and a gap in services resources compared to other areas of the country (*including the Internet services equipment, baseline indicator 32*).⁸ Despite the low profitability of the agricultural sector, the population dependent on it in these areas is greater (8% versus 5% nationally), while the manufacturing and tourist sectors appear less dynamic compared to other areas. It must further be pointed out that there are major material infrastructure and educational deficiencies in these areas, with indices far below the national average, which have repercussions on the quality of life and socio-economic vitality.

Tourist infrastructures in these areas are inadequate. Beds available number just over 1 million (*baseline indicator 30*), with a density of just 9 beds/sq. km.

At present, these areas are where the Leader+ community initiative is most concentrated. The population living in municipalities covered by Leader+ represents about 63% of total population (*baseline indicator 36*). A similar value is found in Convergency Regions (about 60%).

⁸ Cf. footnote 6.

Rural Areas in Italy



1.4 SWOT analysis

SWOT Analysis: The Agroindustrial and Forestry System

Strengths	Weaknesses
(1) Widespread presence of certified and/or quality products and an inclination to develop them	(10) Scarce dynamism of agricultural value added compared to other sectors of the economy
(2) Diffusion of biological agriculture	(11) Farm cost structure that does not allow competition in the prices of products
(3) Diffusion of integrated agriculture	(12) Value added per agricultural worker far lower than in the rest of the economy (particularly true of Convergence Regions)
(4) Value added per food industry worker in line with other manufacturing sectors	(13) Value added per food industry worker in Convergence Regions much less than in Competitiveness Regions
(5) Increase in food industry employment	(14) Reduction of production prices does not result in reduced retail prices
(6) Increase in gross fixed investments in agriculture and the food industry	(15) Small size of farms and forestry enterprises in economic terms (ESU) and area
(7) Dynamic agriturismo (farm holidays) supply	(16) Need to rationalise or modernise processing facilities
(8) Trend to increase national territorial forest area	(17) Need for production conversion following CMO Reform (e.g. durum wheat, tobacco, beet growing)
(9) Marked propensity to export agricultural and agroindustrial products	(18) Inadequacy of infrastructure resources, particularly in Convergence Regions
	(19) Ageing of agricultural and forestry sector
	(20) Educational levels in the agricultural and forestry sector inadequate for successfully dealing with market dynamics
	(21) Decreased employment in the agricultural and forestry sector
	(22) High number of actors involved in marketing processes
	(23) Scarce resort to intermodal systems (fresh products in general)
	(24) Scarce productivity of forests
	(25) Insufficiently profitable uses of wood (mainly used as a source of energy)
	(26) Difficulty of operators to organise and/or integrate both horizontally and vertically
	(27) Lack of concentrated supply of agricultural and quality products
	(28) Weak relations between agricultural sector and processing and marketing
	(29) Segmented markets and lack of adequate marketing strategies
	(30) Territorial and organisational fragmentation of biological agriculture
	(31) Lack of services to businesses

Opportunities	Threats
<p>(32) Greater attention of consumers to the healthiness, quality and “ethical” component of agrifood products</p> <p>(33) Change in consumption styles</p> <p>(34) Availability of a broad package of measures in favour of quality agrifood productions</p> <p>(35) Impulse of public policies to increase gross fixed investments (cf. 6)</p> <p>(36) Competitive development through support to agrifood co-operation and new company models in agriculture (limited agricultural companies)</p> <p>(37) Full implementation of the 2003 CAP Reform, taking advantage of opportunities to increase competitiveness and efficiency, and to simplify administrative duties</p> <p>(38) Increase integration of agricultural enterprises on the market, strengthen participation in <i>filières</i>, integrate new services that can be provided by the agricultural enterprise and support the direct sale of the products of the same</p>	<p>(39) Crisis in consumption and new spending habits</p> <p>(40) Competition on international agricultural products markets (UE , Mediterranean Basin countries, non-UE countries)</p> <p>(41) Lack of common integrated agriculture standards</p> <p>(42) New restrictions pursuant to environmental regulations</p>

SWOT Analysis: Environment and Landscape Situation in Rural Areas

Strengths	Weaknesses
<ul style="list-style-type: none"> (1) Substantial biodiversity patrimony tied to the variety of habitats characterising the Italian peninsula (2) Widespread meadows and pastures in protected areas, representing a great resource in terms of biodiversity and landscape (3) Typical productions, and landscape, historical and cultural features tied to certain local animal or vegetable species (4) Widespread trend to resort to more efficient irrigation systems (5) Presence of landscapes of great significance tied to traditional crop variety, pasture and forms of forestry management (6) Widespread trend to reduce the use of chemical inputs (fertilisers, pesticides, etc.) (7) Increased resort to biomass as a source of renewable energy (8) Reduced emissions by agricultural sector owing to less livestock intestinal emissions (9) Diffusion of biological agriculture 	<ul style="list-style-type: none"> (10) General trend to the decline of biodiversity in all its aspects (genetic diversity, species diversity, ecosystem diversity). (11) Worrisome state of biodiversity in agricultural areas (12) State of water quality, particularly the risk of water pollution deriving from an excess of nitrogen in subsurface waters (lesser risk in the Convergence Regions) (13) Water shortage, particularly in the Convergence Regions (14) Worsening water quality due to the use of fertilisers and pesticides plus growing consumption of water supply (15) Lack of efficiency in water use management (16) Deterioration in the quality of the landscape (17) Growing resort to fossil fuels by the agricultural sector (increased mechanisation and growing diffusion of production processes in air-conditioned environments) (18) Agricultural sector responsible for methane and nitrogen oxide emissions caused by zootechnic activity, fertilisation and the management of zootechnic manure and slurry (19) The still low use of biomass, attributable to problems of a technical, economic and fiscal nature (20) Reduction of organic substance in the soil (21) Inadequacy of breeding facilities in terms of the hygiene and animal welfare (22) Trend to abandonment of agricultural activity in less favoured mountain areas (23) High vulnerability of soils in mountain and hill areas insofar as erosion and hydrogeological instability
Opportunities	Threats
<ul style="list-style-type: none"> (24) High nature value agricultural and forest areas constitute important elements for the preservation of natural biodiversity, traditional productions, diversification in the tourist/recreation sector and structure of the traditional Italian landscape (25) Possibility to contribute to the reduction of the greenhouse effect by changing agricultural practices (26) Great potential for biomass in the agricultural and forestry sectors (27) Noteworthy availability of wood biomass utilisable through the activation of local markets and short <i>filières</i> (28) Protection of the traditional rural landscape confers important value added to quality products, tourism and the preservation of biodiversity 	<ul style="list-style-type: none"> (29) Pressure on the environment from factors external to the agricultural and forestry sector (30) Pressure on the environment and landscape in agricultural and forest areas deriving from factors tied to the agricultural sector: intensification of agricultural activity, production specialisation, abandonment of traditional practices in mountain and marginal areas, abandonment of agricultural and/or mountain areas, scarce diffusion of sustainable forestry management, and urbanisation (31) Problems tied to land holdings and logistics limit possibilities for expansion of the market for wood-derived biomass (32) Strong competition over land use in the proximity of urban areas, often leading agriculture to cede the most fertile areas in favour of other uses (33) Restrictions placed on agricultural and forestry activity by newly-introduced environmental regulations

SWOT Analysis: Socio-economic Conditions of Rural Territory in Italy

Strengths	Weaknesses
<p><i>Urban Poles</i></p> <p>(1) Widespread presence of agrifood processing and marketing structures in the vicinity of urban and agrifood centres that constitute commercial outlets for agricultural products</p> <p>(2) Presence of services for enterprises and the population</p> <p>(3) Great attention and sensitivity on the part of the urban population in the regards of rural territory and society, as well as its products and services</p> <p><i>Rural Areas with Intensive Agriculture</i></p> <p>(4) Presence of specialised <i>filières</i>, in some cases organised in typically district form</p> <p>(5) Presence of agriculture with high value added</p> <p>(6) Presence of a relatively youthful population</p> <p><i>Intermediate Rural Areas</i></p> <p>(7) Complementary agricultural activities and other economic activities</p> <p>(8) Presence of landscape, historical, cultural and natural resources</p> <p>(9) Presence of self-employment higher than the national average</p> <p>(10) Widespread presence of quality agricultural products</p> <p><i>Rural Areas with Comprehensive Problems of Development</i></p> <p>(11) Presence of high nature value areas</p> <p>(12) Presence of areas with high landscape value</p> <p>(13) Widespread presence of typical products</p>	<p><i>Urban Poles</i></p> <p>(14) Limited productive function of agriculture</p> <p>(15) Restrictions on agricultural activity due to urban expansion</p> <p>(16) Deterioration of the landscape in peri-urban areas</p> <p><i>Rural Areas with Intensive Agriculture</i></p> <p>(17) Deterioration of the environment and landscape deriving from agricultural specialisation</p> <p>(18) Infrastructure indices below the national average</p> <p><i>Intermediate Rural Areas</i></p> <p>(19) Lack of infrastructures</p> <p>(20) Lack of some services for the population</p> <p>(21) Ageing of the population</p> <p>(22) Deterioration of the environment and landscape caused by the abandonment of and/or overly intensive agricultural activity</p> <p><i>Rural Areas with Comprehensive Problems of Development</i></p> <p>(23) Depopulation and very low population density</p> <p>(24) Ageing of the population</p> <p>(25) Low land productivity</p> <p>(26) Abandonment of agriculture</p> <p>(27) High unemployment rates</p> <p>(28) Lack of material and immaterial infrastructures</p> <p>(29) Lack of services for enterprises and the population</p> <p>(30) Progressive disappearance of the traditional landscape</p>
Opportunities	Threats
<p><i>Urban Poles</i></p> <p>(31) Presence of logistical infrastructures</p> <p>(32) High value of residual rural landscapes</p> <p><i>Intermediate Rural Areas and Rural Areas with Comprehensive Problems of Development</i></p> <p>(33) High complementarity vis-à-vis Cohesion Policy</p> <p>(34) Importance of the landscape for the development of tourism and typical productions</p>	<p><i>Urban Poles</i></p> <p>(35) Deterioration of soils due to non-agricultural activities</p> <p>(36) Deterioration of the landscape deriving from urban expansion and expansion of infrastructures</p> <p><i>Rural Areas with Intensive Agriculture</i></p> <p>(37) CAP and CMO reform</p> <p>(38) Competition on international agricultural products markets (EU countries, Mediterranean Basin countries, non-EU countries)</p> <p>(39) Actual capacity to undertake measures complementarity vis-à-vis the policy of cohesion</p>

1.5 Needs by Axis

On the basis of the SWOT analyses and indices reported in the three preceding sections, the principal needs for intervention have been identified; the objectives by Axis reported in Chapter 2 have been developed on this basis.

Agroindustrial and forestry sector

To overcome the structural weakness of the agroindustrial and forestry sector caused by the small dimensions of the enterprises and fragmentation of supply, mainly through:

- increase in enterprise size, including by encouraging associated management and new company forms in agriculture;
- greater integration within the production *filières* to improve trading efficiency, transparency among the different actors and balanced relations involving the agricultural sector, processing and the marketing phase;
- concentration of the supply of agricultural products, particularly quality products, whenever it proves difficult to reach a critical mass of product.

To increase business efficiency, principally through:

- business modernisation aimed at cost reduction, the introduction of technological innovation and adaptation to standards (environment, hygiene and welfare of animals, food safety, occupational safety);
- introduction at the enterprise level of logistical instruments;
- use of services for enterprises;
- diffusion at the enterprise level of ICT instruments.

To increase the value added of agroindustrial and forestry productions, principally through the improvement of the quality of the productions, and therefore:

- encouragement of processes directed toward the improvement of qualitative standards, safety and sustainability of the products;
- definition of a national quality certification with reference to integrated production, ensuring that certain existing limits are overcome;
- improved integration of measures favouring quality provided in the different Axes, particularly with reference to biological productions;
- adoption of actions directed toward concentrating supply;
- the carrying out of special commercialisation marketing initiatives for quality products, accompanied by actions designed to inform consumers.

To improve entrepreneurial and professional capacities in the agricultural and forestry sector, principally through:

- generational renewal, so as to reduce the ageing rate in the agricultural and forestry sector;
- improved knowledge on the part of the economic actors, particularly concerning matters tied to business efficiency, the observance of environmental standards, acquisition of communication and marketing techniques, and quality productions, especially biological agriculture productions;
- training for new types of professionalism;
- promotion of forms of direct sale by farms and of multifunctional and agro-energy business models.

To strengthen infrastructure resources whenever necessary, principally:

- collective infrastructures in support of marketing;
- technological infrastructures;
- realisation and/or modernisation of logistical platforms/poles;
- realisation and/or modernisation of irrigation and energy infrastructures.

Environment

To reduce the negative impact of the agricultural and forestry sector on the environment and landscape, principally through:

- diffusion of eco-compatible agricultural practices aimed at the reduction of the release of pollutants in the soil, surface and subsurface waters, and in the atmosphere;
- reduction, particularly in the most ecologically vulnerable areas, of phenomena of intensification and specialisation;
- diffusion of sustainable forestry management;
- diffusion of practices for improving the hygiene and welfare of animals.

To mitigate the negative impact of the agricultural and forestry sector on the environment and landscape, principally through:

- diffusion of eco-compatible agricultural practices, particularly directed toward increasing CO₂ absorption capacity;
- orientation toward soil use aimed at that increase of organic substance and capacity to absorb CO₂;
- afforestation with native species;
- diffusion of soil protection measures;
- naturalistic engineering, re-naturalisation and forest hydraulics systems measures;
- support for services for the management and maintenance of the territory, assigned to single and associated agricultural enterprises.

To valorise the function of the protection and conservation of the environment and landscape proper to agro-forestry activity, principally through:

- diffusion of eco-compatible agro-forestry practices;
- protection and safeguard of animal and vegetable genetic resources subject to genetic erosion;
- protection of the rural landscape and its distinctive features;
- defence of the territory, especially in agro-forest areas of high nature value and less favoured zones;
- reduction of the fragmentation of natural and semi-natural habitats;
- reduction of the simplification of the landscape;
- diffusion of measures directed toward the prevention of the risk of forest phytopathologies.

Socio-economic conditions of rural territory in Italy

The needs for intervention tied to the action typologies fundable under Axis III appear to prevalently concern areas with the most rural features (intermediate rural areas and rural areas with comprehensive development problems). Some of the needs identified are also present in other rural areas; nonetheless, the choice of measures to be implemented must be made on the basis of the specific need and potentialities for development in such areas.

To improve the attractiveness of the territory, principally through:

- valorisation and protection of the landscape, real estate patrimony, historical/cultural heritage and nature;
- diffusion of territorial marketing actions that associate the tradition and quality of the products with the places where they are produced and with the various natural and historical/cultural attractions of the rural territory;
- realisation of ICT infrastructures;
- realisation of infrastructures involving secondary networks that favour better connection with the main network.

To increase service resources for the population and rural economy, principally through:

- diffusion of information technologies (ICT) to facilitate the access of the population and local enterprises to the information society;
- encouragement of personal services, particularly for the benefit of women, the elderly and certain less favoured categories;
- promotion of services for the benefit of the economy (training activities to teach new professional skills, information counters, common services, etc.).

To improve the rural population's employment and income opportunities, principally through:

- diversification of business activities;

- development of alternative economic activities tied to the agricultural sector, traditional activities of rural areas and valorisation of historical/cultural resources of the territory;
- development of economic activities tied to the provision of services for the population and local economy (e.g. development of small power plants to exploit renewable energy sources);
- development of activities tied to tourism in rural areas;
- growth of human capital through training, information and animation activities.

Chapter 2 – General Strategy of the Plan

2.1 *General objectives*

The objectives of the National Strategy Plan (NSP) are addressed to the whole of rural areas in Italy. The starting point of the NSP is the concept of rural territory, which includes the agroindustrial and forestry sector in a strict sense. Concisely put, the basic analysis contained in Chapter I has made evident that the evolution of Italy's rural territory until the most recent years has been characterised by the following fundamental phenomena:

- a loss of competitiveness in the agroindustrial and forestry sector overall, albeit with important differences between regions and areas, particularly sensible in the most recent period;
- the presence of great potentialities tied to more professional quality agriculture, the typicality of the production and, more generally, the various ties of a cultural and productive nature linking agriculture, forestry, environment and territory;
- the growing importance of the protection and valorisation of environmental resources taken as a whole (biodiversity and landscape, water resources, soil and climate) for the development of agriculture and forestry and, more importantly, their very survival;
- the growing ties between agriculture and forestry and other economic activities within all rural territories, as a constant in the evolution of the sectors;
- the decisive role of technical/administrative and planning capacity in conditioning the efficiency and effectiveness of rural development programmes at various planning and management levels (national, regional and local).

Taken together, these phenomena must be dealt with using a strategy based on the three general objectives of Community support to development:

1. to improve the competitiveness of the agricultural and forestry sector;
2. to valorise the environment and countryside through the management of the territory;
3. to improve the quality of life in rural areas and to promote the diversification of economic activities.

These objectives will be accomplished through the four axes indicated in the next section.

2.2 *The Axes of the Plan*

Regulation (EU) No. 1698/2005 establishes four axes for the planning of rural development for 2007-2013:

1. Axis I "Improvement of the Competitiveness of the Agricultural and Forestry Sector";
2. Axis II "Improvement of the Environment and Countryside";
3. Axis III "Quality of Life in Rural Areas and Diversification of the Rural Economy";
4. Axis IV "Leader."

At the national level, each Axis is characterised by a whole set of core objectives, as shown in the following diagram, which illustrates the logical structure within the NSP:

CORE AXES	AXIS CORE OBJECTIVES
AXIS I - Improvement of competitiveness of agricultural and forestry sector	Promotion of business modernisation and innovation, integration of filières
	Consolidation and development of quality agricultural and forestry production
	Upgrading of physical and telematic infrastructures
	Improvement of entrepreneurial and professional capacity of workers in agricultural and forestry sector, support for generational renewal
AXIS II - Improvement of environment and countryside	Preservation of biodiversity and safeguard and diffusion of high nature value farm and forestry systems
	Qualitative and quantitative protection of surface and subsurface water resources
	Reduction of greenhouse gases
	Protection of the territory
AXIS III - Quality of life and diversification of rural economy	Greater attractiveness of rural territories for businesses and the population
	Preservation and/or creation of employment and income opportunities in rural areas
AXIS IV- LEADER	Upgrading of local planning and management capacity
	Valorisation of endogenous resources of the territories

The priorities for the National Rural Network must be highlighted along with those for the four axes (see Chapter 5).

The core objectives contained in each of the Axes shown in the above diagram are defined in close connection with the Community priorities indicated by the Community Strategic Guidelines (CSG) for rural development (2007-2013 planning period).

The Axis core objectives in fact represent a declension of Community priorities, taking into account the specificity of the needs that emerged in the basic analysis for the agricultural sector, forestry and

the world of rural Italy, as per Chapter I. In some cases, the Axis core objectives are identified with Community priorities.

The core objectives and key actions at the national level are made explicit in the following paragraphs. If regional strategies identify other key actions, they will be clearly linked to the community and national objectives.

The nature of these actions provides orientation for the definition of regional strategies.

Axis I "Improvement of the Competitiveness of the Agricultural and Forestry Sector"

Four core objectives are established in Axis I:

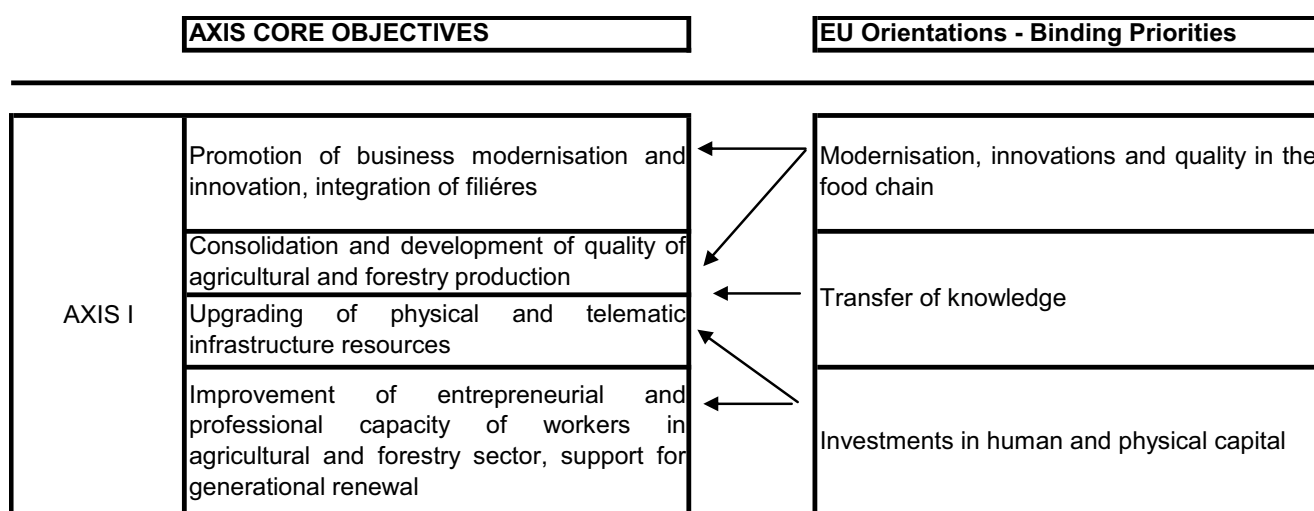
1. Promotion of the modernisation and innovation of enterprises and the integration of *filières*;
2. Consolidation and development of the quality of agricultural and forestry production;
3. Upgrading of physical and telematic infrastructure resources;
4. Improvement of the entrepreneurial and professional capacity of workers in the agricultural and forestry sector, and support for generational renewal.

In the case of Italy, the first two objectives represent a declension of Community priorities pertaining to "Modernisation, innovation and quality in the food chain."

In Italy's situation, the third and fourth objectives represent an articulation of Community priorities concerning "Investments in human and physical capital."

Finally, with reference to the needs of agriculture, forestry and the rural world in Italy, the Community priority regarding "Transfer of knowledge" is declined through all four of the objectives identified, inasmuch as all the actions foreseen for the application of the four objectives will have to contain a transfer of knowledge acquired through scientific and technological research, particularly for product and process innovations, as well as organisational innovations.

The following diagram summarises the relations identified between Axis objectives and Community priorities:



Axis I intervention measures are clearly directed toward the competitiveness of the agricultural and forestry sector. If not implemented according to territorial priorities, they will be articulated

according to sector and/or thematic priorities, in relation to problems and needs pinpointed in each RDP.

Promotion of modernisation and innovation in enterprises and the integration of filières

This objective is of great importance, as recognised both in national agricultural policy and the planning of the CSF of Objective 1 for 2000-2006. However, the evaluation activity of current planning has made evident the scarce integration of the different measures provided in the plans, despite the fact that they contribute to the development of the different *filières* involved.

The key actions to be carried out should involve:

- single enterprises, in order to meet the needs for modernisation of the same, restructuring (including with reference to the increased business dimensions), technological conversion and adaptation, compliance with standards (environment, hygiene and welfare of animals, food safety and occupational safety) and, more generally, the need to reduce the environmental and landscape impact of the agricultural and forestry sector. Particular attention will have to be given to enterprises that resort to forms of associated management that make the management of production factors more efficient and make it possible to overcome the limits imposed by a physical dimension and resources that are inadequate for the introduction of innovations, likewise promoting greater marketing capacity.
- production *filières* as a whole and territories that are identified with a rural and/or agrifood district. Actions will be carried out that aim at strengthening the competitiveness of the *filières* (agricultural, agroindustrial and forest/wood) and of the territories. The objective concerns both *filières* that have a limited territorial dimension and longer ones. In order to improve the competitiveness of the *filières*, it is also necessary to pursue a joint objective of greater integration within the same of the different phases and various actors that compose them. Particular attention will be given to support for the development of an effective logistical system through the funding of investments starting from the farm. In addition, appropriate attention must be given to *filières* with potentialities for growth of exports, that face a growing market demand or that are tied to technologies favourable for the environment. The development of bio-energy *filières*⁹ is to be pursued in accordance with the increased resort to renewable energy sources, based especially on the use of forest and other energy sources present in the territory.

This objective can be supported mainly through measures that provide incentives to investments in agricultural, forest and agroindustrial production structures combined with measures for upgrading human capital and production quality. Co-operation among different actors of a production *filière* can be begun for the purpose of ensuring a more complete integration of the different measures.

The single measures or combinations of measures to be preferred in the pursuit of this objective will be defined, within the Axis, by each RDP in relation to the strategy of the same and specific needs of the regional territory.

Consolidation and development of the quality of agricultural and forestry production

⁹ In particular, the possibility of taking advantage of the proximity of the place of production and the place of consumption and the great potentialities of processing *in loco* makes the development of short *filières* and the diffusion of medium- and small-size facilities opportune. Among the measures, business investments are to be favoured (e.g. for the use of bio-masses/bio-fuels in the enterprise) for the purpose of stimulating not just the "supply" but also the "demand" for biomass, out of respect for the environment.

The basic analysis (Chapter 1) has pointed out how in Italy serious deficiencies still exist today in the diffusion of quality products along with conspicuous potentialities for development yet to be explored. In addition, it must be pointed out that the planning for 2000-2006 has furnished only an indirect contribution to the consolidation of quality, through aids to investments in farms and agroindustrial firms and, to a lesser extent, through immaterial aids offered by the LEADER+ programme. Generally, the impact of the specific measure for the marketing of quality agricultural products has instead been slight.

The key actions will be able to be focussed on the start-up of processes directed toward improved quality standards of agricultural products and to ensuring *filière* integration. These processes will have to make it possible to differentiate the productions in terms of quality and to improve their competitiveness on national and international markets, thanks to measures involving production structures, as well as processing, commercialisation and marketing activities. The products involved will be those pertaining to Community quality systems (PDO, PGI, TSG, QWPSR and biological agriculture), as well as national/regional ones that are already recognised or eventually will be. In the case of biological products, integration of Axis I and Axis II measures, for purposes of strengthening and integrating the *filière*, constitutes a presupposition for the preservation and development of biological agriculture, in consideration of the strong tie between agricultural production and agro-environmental measure directed toward supporting biological agriculture. Among the national quality systems, it will be opportune to concentrate efforts on integrated agriculture. In particular, the objective will have to be to make uniform in their essential traits, at the national level, the normative instruments in force, so as to overcome the current structural deficiencies (excessive proliferation of rules, inhomogeneous productions, impossibility of certifying the system and making the qualitative features of the product recognisable). In this sense, the exploitation of the “landscape” value added can represent an important opportunity pursuable through activities toward the improvement and development of services for the promotion of products and tourism, promoting the linking of “quality product” and “typical landscape” with appropriate certification and marketing tools.

Under the profile of measures and/or combinations of measures, this objective can be supported through:

- specific measures provided by the regulation (compliance with the rules, quality systems, information and promotion);
- particular lines of action within the framework of other measures (business investments, growth of the value added of agricultural and forestry products, training and information, consulting services, etc.) for the purpose of encouraging business modernisation in accordance with adapting production processes in order to adhere to different quality systems;
- development and diffusion of ICT instruments;
- the making of investments directed toward encouraging the concentration of the supply of such products and the setting up of appropriate marketing and commercial strategies, so as to ensure an ever increasingly more pronounced market orientation on the part of the enterprises;
- the carrying out of initiatives for the promotion of quality products, also aimed at highlighting their characteristics of healthiness and food safety;
- encouragement of systems for the forestry sector designed to modernise the home market and make it more efficient and transparent, by promoting business consulting systems favouring the aggregation of forest holdings through the creation of new models of organisation for such properties, including forms of association. The promotion of quality wood products cannot be

successful without the adoption of Community and national criteria of Sustainable Forestry Management,¹⁰ product innovation and participation in forestry certification systems.

It is appropriate in the identification of the measures to go beyond the logic of the single Axis, by integrating such measures in the forms deemed most opportune at the regional level and measures offering premiums for biological agriculture and integrated agriculture and/or for the protection of breeds risking extinction or crops subject to genetic erosion employed in the production of quality products (Axis II); in addition, the valorisation of such products can be tied to that of environmental and cultural resources, the diversification of business activities and the valorisation of rural areas (Axis II and Axis III). The same holds true for the forestry sector.

Upgrading of physical and telematic infrastructure resources

This core objective concerns the physical capital resources in the field of infrastructures at the service of enterprises. A horizontal objective is involved, in part tied to the previous two objectives and in part tied to the objective contained in Axis III pertaining to enhancing the attractiveness of rural territories for businesses, workers and the rural population.

Among the key actions, special attention must be given to investments in collective infrastructures in support of marketing and, above all, encouraging the diffusion of technological innovations and communication (ICT), both in the production *filières* and the rural territories. Up to now, both typologies of intervention have had slight weight in the planning of measures in favour of rural areas. They must be co-ordinated with the actions promoted by ordinary policies and the unitary cohesion policy (Structural Funds and Less Developed Areas Fund, Chapter 5).

Irrigation and energy infrastructures deserve particular attention. As for the role of water resources for irrigation and the relevant infrastructures, actions should be undertaken to increase availability, improve the functionality of the water systems to minimise losses and to improve the efficiency of distribution methods. A priority role in this field is to be assigned to the irrigation districts most affected by water shortages, particularly in Convergence Regions. This typology of measures must be co-ordinated with the provisions contained in national planning instruments, such as the National Irrigation Plan.

Likewise to be included among key actions are those involving logistical infrastructures, with particular reference to the realisation of logistical platforms for agrifood and forestry products. Other typologies of investment directed toward the improvement of the logistical infrastructures will instead have to be supported under the responsibility of the ERDF, in the Convergence objective field, in accordance with the principle of demarcation described in Chapter 5.

Generally speaking, in the use of financial resources greater integration must be achieved of the ERDF and available national resources (in this regard, see Chapter 5).

Improvement of the entrepreneurial and professional capacity of workers in the agricultural and forestry sector and support of generational renewal

Experience with the current planning of rural development intervention measures is marked by a conspicuous underestimation of the role of human capital, in terms of actions undertaken and resources dedicated to them. This objective aims at redressing a serious deficiency, also pointed out

¹⁰ European Forestry Strategy, European Council Resolution 1999/C/56/01, Plan of Action for Forestry of the European Union [COM (2006) 302 final], May 2006.

in the basic analysis, pertaining to the quality of human capital in agriculture from both the entrepreneurial and manpower standpoint.

The improvement of the entrepreneurial and professional capacity of workers regards not just farms, but forestry and agroindustrial businesses as well.

The key actions must be directed toward the improvement of the quality of human capital under the profile of economic business management, characterised by criteria of sustainability and a capacity to accept innovations; in addition, the use of assistance and consulting services must be functional not only to the transposition of rules on cross-compliance and the observance of Community standards, but also to the improvement of management and the transfer of knowledge, with particular reference to the quality and sustainability of the processes and products.

The pursuit of this objective entails the use of different measures provided by the regulation, according to a principle that views public action as intended to improve not only the technical/professional capacity of entrepreneurs, but also a capacity to orient themselves in an ever increasingly more open market and to evaluate the opportunities that may derive from such growing openness, as well as to help meet the needs expressed by society for environmental protection through improved performance on the part of enterprises in environmental matters and production processes. In addition, it is necessary to also involve manpower in this process of professional upgrading so as to improve the quality level of the same and to diversify the professional figures in terms of the real needs of the agricultural and forestry sector.

The most significant human capital investment measures include not just professional training, but also a widespread information and updating activity, and the upgrading and more effective use of innovative assistance and consulting services, including to promote the diffusion of innovations designed to bolster the quality and sustainability of processes and products, as well as modern management techniques in farming and forestry enterprises, ease of transfer of research results, training of entrepreneurs with emphasis on themes pertaining to commercialisation and marketing, and generational renewal in agricultural enterprises.

Axis II “Improvement of the Environment and Countryside”

In Axis II, four core objectives are established:

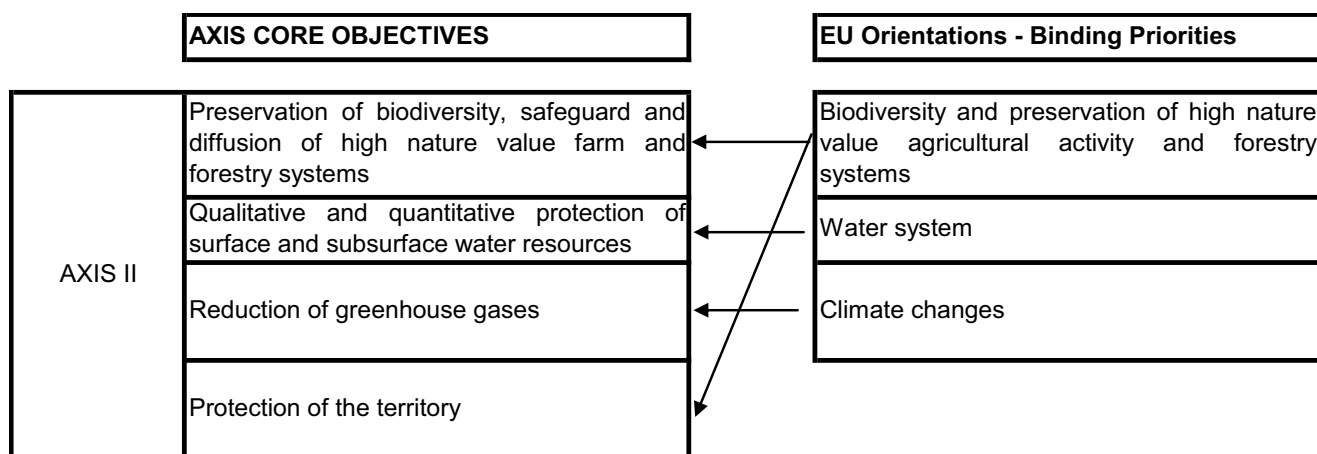
1. Preservation of biodiversity and protection and diffusion of high nature value added agro-forestry systems;
2. Qualitative and quantitative protection of surface and subsurface water resources;
3. Reduction of greenhouse gases;
4. . Territory conservation

The first two objectives coincide with the corresponding Community priorities.

The third objective represents the declension of the priority concerning “Climate Change.”

The fourth objective represents an additional national priority, which can be particularly tied to the Community priority concerning biodiversity and the preservation of high nature value agricultural activity and forestry systems.

In short, the relations between Axis objectives and Community priorities can be represented by the following diagram:



Preservation of biodiversity and protection and diffusion of high nature value agro-forestry systems

The basic analysis has made evident that the principal threats to biodiversity tied to agricultural habitats are attributable to two distinct phenomena: the intensification of agricultural activity and/or the continuation of intensive agricultural activity; and the abandonment of rural areas due, among other things, to the scarce economic convenience in their utilisation, particularly widespread in less favoured areas and protected areas (including Natura Network 2000), where agricultural areas with high nature value are concentrated.

As instead regards forest habitats, the principal threats that emerged are the abandonment of active and ecologically incompatible forest management, forest fires and other damage to woodland (meteoric and biotic). In addition, the safeguard of biodiversity in agriculture does not regard just habitats and wildlife species, but also the genetic diversity of species that are cultivated and raised.

The following are among the key actions to be considered in the pursuit of this objective:

- introduction and continuation of support for extensive and biological production methods;
- protection and safeguard of animal and vegetable genetic resources *in situ* and/or *ex-situ* for alimentation and agriculture;
- encouragement of actions for the hygiene and welfare of animals;
- diversification of agricultural and forestry activities toward the creation of new environmental services;
- functional link between residual natural habitats and restored habitats and the enlargement thereof, through a naturalistic upgrading of the agricultural matrix and creation of new natural environments (e.g. temporary and permanent wetlands, meadows, pastures, etc.);
- forestation of agricultural lands where agriculture is intensive and where the woods have practically disappeared, or where forested areas are highly fragmented, causing the disappearance of woodland species; except when the Management Plans for each site so provide, forestation is to be avoided in agricultural lands such as meadows, pastures and environments where it might lead to decreased biodiversity. Native species are to be preferred for forestation, while exotic species are to be avoided, above all when the intention is to create naturalistic woodland;
- support for sustainable forestry management in forested areas. For managers of woods in Italy, this means precise lines of intervention aimed at the preservation and structural and functional improvement of existing forest floors, maintaining and/or restoring their state of conservation

and capacity for renewal, preserving the natural diversity of the species and habitats. In this regard, it is also necessary to support associations for this purpose;

- defence of woods in forested areas from fires and other damage, above all through actions of forecast and prevention;
- in high nature value agro-forestry areas, with particular attention to the protected areas system (particularly in sites included in the Natura 2000 network) and to less favoured areas:
 - preservation and valorisation of semi-natural habitats where extensive agriculture is practised (especially permanent meadows and pastures), special habitats (e.g. rice fields) and natural structural features (such as hedges, rows, grassy and wooded strips, ponds);
 - development of ecological corridors, strengthening of crucial points of the ecological network and greater connection between protected areas through the safeguard and diffusion of natural features (rows, hedges and copses), handmade features (e.g. ditches, small dry walls), restoration of natural habitats and diffusion of appropriate eco-compatible agricultural practices;

In particular, in the protected areas system it is opportune to adopt planning and management encompassing a vast area, so as to take into account the dynamism of the ecosystems and their functional relations, through integration with the external territorial matrix. In addition, it is opportune to activate other measures, particularly those contained in Axis I and Axis III, especially with reference to the preparation of plans for the protection and management of Natura 2000 sites and other places of great natural worth, in accordance with the indications provided by the national guidance instrument (Minister's Decree of 3/9/2002) and in operational guidance support, toward the development of which a positive contribution can also be made by actions for the development of administrative capacities promoted by the unitary cohesion policy. The prearrangement of such plans and conservation measures is in fact of decisive importance and constitutes a prerequisite for the undertaking of specific measures for the agro-forestry management of Natura Network 2000 (Natura 2000 payments), directed toward the safeguard and valorisation of the different habitats and relevant animal and vegetable species to be protected;

- protection of breeds and species of agricultural interest that risk extinction, including in consideration of the fact that certain quality products recognised at the Community level are tied to breeds risking extinction, as well as cultivars subject to genetic erosion, the safeguard of which can therefore make possible the contemporaneous valorisation of local productions tied to them.

As regards the measures and/or combinations thereof, this objective can be supported through:

- agro-environmental measures and support for non-productive investments;
- compensatory allowances and Natura 2000 payments;
- afforestation, forestry/environmental measures, restoring forestry potential and introducing preventive actions;
- animal welfare payments.

In the process of identifying the measures, it is opportune to go beyond the logic of the single AXIS, integrating said measures, in the forms deemed most appropriate at the regional level, with those of AXIS I concerning the valorisation of quality agricultural products and with those of AXIS III

concerning the possibility of diversifying agricultural and forestry activities in the direction of creating new environmental services.

Qualitative and quantitative protection of surface and subsurface water resources

This objective is to be pursued through the following key actions:

- support to agricultural, zootechnic and forestry enterprises that undertake to implement agronomic practices compatible with the qualitative conservation of water resources, among which the low use of inputs, particularly nutrients (nitrogen and phosphorus) and pesticide products, as well as biological and integrated agriculture. It is desirable to favour the concentration of intervention measures in areas that are especially “environmentally critical” (in particular, areas vulnerable to nitrates), where the particular conditions of the agro-environmental system (from soil to climate and production systems) favour the contamination of surface and subsurface bodies of water;
- forestry intervention measures, such as: a) environmental forestation activity; b) creation of buffer zones, copses and rows, which in addition to qualitative protection, contribute to facilitating the infiltration of waters, feeding of the water tables and creation of areas for the expansion of rivers;
- support of agronomic practices designed to save water and provide more efficient irrigation management (calculation of irrigation requirements, adoption of low-consumption systems, improved efficiency of the distribution system and introduction of meters/gauges).

These actions also gain particular relevance with reference to the need to adapt to future climate change.

As regards the measures and/or combinations thereof, this objective can be supported through:

- support for non-productive investments;
- payments linked to EC Directive 2000/60;
- afforestation and forestry/ environmental measures.

Integration functional to Axis II objectives should be pursued through certain Axis I and Axis III measures, particularly with intervention of a infrastructure and business nature, as well as actions in matters of training, information, animation and consulting in the area of environmental protection.

It is necessary to provide for measures furthering medium-term implementation of the framing directive for waters 2000/60/CE, which at the same time are consistent with the cross-compliance provisions. In this regard, the importance is underlined of favouring participatory processes in choices having to do with the government of the territory with the use of agreements.

Reduction of greenhouse gases

The basic analysis has made evident the great potentialities that exist for the agricultural and forestry system in the expansion of biomass and bio-fuel production in Italy. However, the “eco-compatible bio-energy” potential or the quantity of biomass technically available must be developed without creating pressure on biodiversity, the soil, water resources and, more generally, on the environment that is greater than would be the case in the absence of bio-energy production. Therefore, bio-energy cultivation must not be realised in environments where it might lead to decreased biodiversity.

At the same time, an increased resort to renewable energy sources could limit pollution processes due to the emission of greenhouse gases and acidifying substances. The achievement of a zero CO₂ emissions balance or even a net saving (negative balance), depends to a considerable extent on cultivation methods used, distance between place of production and place of use, type of fuel used for transport and previous use of the land used for biomass cultivation. These factors must be considered for the purpose of favouring biomass production with a negative or zero CO₂ emissions balance. In addition, the use of scrap materials from agro-forestry production for energy purposes is to be encouraged.

The importance of the role of agriculture in the mitigation of climate changes is likewise attributable to the capacity of farmland and especially forests to absorb carbon. The following are among the key actions that can be provided to increase this capacity:

- conversion of sown fields into permanent meadows and, wherever possible in terms of biodiversity, into forestry and/or agro-forestry systems;
- increase of organic substance through correct agronomic management;
- active forestry management oriented toward the sustainable use of existing woods. In this ambit, it is opportune to provide for Forestry Management Plans, possibly funded within the framework of the other Axes.

The key actions for the reduction of emissions, especially of methane and nitrogen oxide (which together with carbon dioxide are the most important greenhouse gases) – that agriculture is chiefly responsible for – are represented by support for agronomic and breeding practices designed to contain gaseous emissions, particularly of ammonia and methane, as well as similar practices for the management of zootechnic manure and slurry.

Key actions toward decreasing ammonia emissions include zootechnic and breeding management practices specifically designed for the purpose and agronomic practices directed toward the rational use of nitrogenous fertilisers. Further pointed out is the opportuneness of supporting farm modernisation actions, with particular reference to animal shelters, storage of zootechnic liquid wastes and the realisation of small biogas production facilities (Axis I).

The contribution that the agricultural and forestry sector can furnish toward this objective should be supported through a combination of measures providing, above all, for investments in forestry and the diffusion of agricultural and forestry practices such as to effectively reduce greenhouse gas emissions and maximise carbon “sinks” in forests and farmlands.

As regards the measures and/or combinations thereof, this objective can be supported through:

- support for non-productive investments;
- restoring forestry potential and introducing preventive actions;
- animal welfare payments.

Protection of the territory

Three principal key actions are provided for in this objective, directed toward:

- soil protection;
- protection of the rural landscape;
- the preservation of agricultural activity in less favoured areas.

The three actions involved are to be considered contemporaneously, inasmuch as the dynamics of agricultural activity, soil deterioration processes and landscape conservation are closely intertwined. It follows that the intervention measures that should be carried out in furtherance of this objective have a close relation to those undertaken to achieve the other Axis II objectives.

As highlighted in the basic analysis, the measures necessary for the safeguard and protection of the soil appear rather articulated, in that they have to do with problems of erosion, decrease of organic substance, contamination (local and widespread), soil consumption, increasing soil impermeability and compacting, decreasing biodiversity, increasing salinity and landslides.

Soil intervention measures in connection with this action should tend to further:

- protection of the soil from erosion and hydrogeological instability;
- preservation and increase of organic substance in the soil;
- preservation and improvement of soil structure;
- prevention of widespread soil contamination;
- protection against fires and other damage to woodland;
- anti-desertification measures;
- promotion of territorial balance between urban and rural areas;
- infrastructure works in defence of the soil (naturalistic engineering, forestry hydraulics arrangements).

An important part of these measures can be implemented in a combined manner through techniques proper to biological agriculture.

In addition, the importance must be underlined of active forestry management in safeguarding the hydrogeological balance of the territory, in such a way as to also guarantee the regularisation of the runoff of waters into basins.

In this regard, it is necessary to concentrate intervention measures in areas where the problems of the deterioration of soil resources (e.g. erosion, contamination, and salinisation) are most serious and pronounced. It is also crucial for such intervention to be complementary to those provided for in the Plans for Hydrogeological Organisation as provided by national regulations, which also constitute the frame of reference for planning the actions carried out in relation to Structural Funds, particularly the ERDF.

Therefore, a far-reaching strategy is involved which, in line with the European framing directive on soil, intends to strengthen what is provided by cross-compliance requirements. In this context, a progressive integration is necessary of rules for integrated and biological production, conservation elements and defence of the soil.

As regards the measures and/or combinations thereof, this objective can be supported through:

- support for non-productive investments;

- restoring forestry potential and introducing preventive actions;
- animal welfare payments.

Integration functional to the objective of soil protection also should be pursued with certain Axis I measures, particularly with actions for:

- training, information and consulting on soil protection and conservation practices;
- support for investments for business modernisation that have a positive impact in terms of soil conservation.

In connection with Axis I measures, it is likewise necessary to bear in mind the importance of the soil and its characteristics for quality products tied to the territory (PDO, PGI and QWPSR) and, conversely, the role of the latter for the safeguard of soil resources.

The modern conception of landscape as a result of the evolution in space and time of economic, social and environmental factors (biodiversity, soil, water, forests, etc.), leads the actions directed toward its protection to influence many sectors in transversal fashion. This represents at once a strong point and difficulty for the development of effective strategies and actions that must necessarily be integrated with other directions in rural development. The protection of the landscape in any case represents an important competitive factor for the promotion of rural territory, in addition to constituting a fundamental element of the biodiversity that characterises the territory.

It is appropriate to underline that the protection of the landscape cannot automatically made to overlap with other policies, such as the conservation of nature, water or soil, inasmuch as this key action may, according to the situation, coincide or conflict with such purposes. In this sense, any action contemplated must first deal with the verification of the local identity for the purpose of selecting the intervention measures functional to its conservation, if possible by integrating them with landscape planning.

The following actions, some of which are fundable in the ambit of Axis I and Axis II, are directed toward the protection of the landscape:

- support for investments aimed at the conservation of the landscape and promotion of the relation with products with designation of origin and tourist activities;
- restoration and preservation of typical arrangements and elements of the landscape (mosaic landscape patterns, linear features, artefacts, etc.);
- support for productive activities able to conserve the typical landscape (e.g. grazing in the natural state, chestnut growing, traditional olive growing);
- support for the development of activities and services for the purpose of developing local landscape resources.

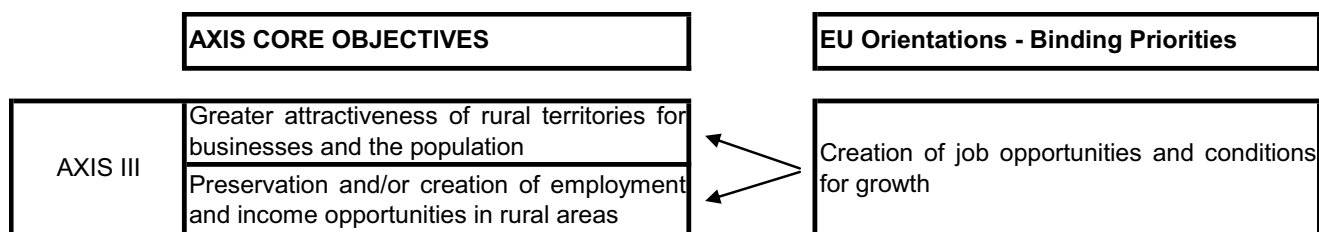
As regards the preservation of agricultural activity in less favoured areas, it is to be pursued through compensation allowances and other typologies of measures provided for in this and other Axes.

Axis III “Quality of Life in Rural Areas and Diversification of the Rural Economy”

In Axis III, the priority objectives established are as follows:

1. Enhancement of the attractiveness of rural territories for businesses and the population;
2. Preservation and creation of employment and income opportunities in rural areas.

The first objective concerns the improvement of the general conditions of the context for the development of rural areas (infrastructures and services), favouring the sustainable use of natural resources in a way that is coherent with the characteristics of the rural landscape, while the second concerns support for investments in agricultural and non-agricultural enterprises for the preservation and/or creation of gainful employment. Both represent the modality with which the Community priority of “Creation of job opportunities and conditions for growth” is declined, as summarised in the diagram below:



Enhancement of the attractiveness of rural territories for businesses and the population

This objective aims at creating external economies that favour the establishment of new economic activities and the maintenance of minimum standards in the quality of the life of the resident populations in rural areas. The experience with 2000-2006 planning has made evident that, aside from certain interesting initiatives in the field of services for the population and the recovery of rural villages, the whole of the measures included in this Axis has absorbed an inadequate share of resources and has not generated a significant impact on the territory.

As pertains to the attractiveness of rural territories for businesses and the population, forms of intervention must be conceived that make possible a clear improvement in the social and economic context within which the local populations work. In this ambit, the key actions might be as follows:

- creation of an adequate network of services for the population that in and of itself contributes to creating local micro-enterprises. The supply of services for the population will be calibrated according to the different potential target groups and may involve, for example, information about employment opportunities, culture and leisure time, health, home care for persons, local transport systems, aid to children and help in entering the world of work. Among the target groups deserving particular attention are youth, women, the elderly, seasonal and non-EU workers, and persons in situations of hardship and exclusion. Concerning the latter, a trend that appears worth promoting and supporting is tied to productive enterprises, including agricultural and service, that operate in the field of so-called social agriculture (use of the farm for the satisfaction of social needs, such as the recovery and inclusion of less favoured subjects, didactic activities for school, etc.);
- creation of an adequate network of services for the local economy (e.g. training activities for acquiring new professional skills, information counters, common services, etc.);
- realisation and/or modernisation of small rural infrastructures to serve the local population; extensive diffusion of information and communication technologies (ICT), including in support of businesses, to allow the same to overcome the obstacle of geographical isolation;
- recovery, protection and valorisation of the landscape, real estate patrimony and historical/cultural heritage existing in these areas and the promotion of initiatives for the valorisation of the natural features and excellent qualities of agriculture and wines/gastronomic products. Also included in this ambit are actions aimed at the definition

of plans for the protection and management of Natura 2000 sites and other high nature value areas, in addition to all the initiatives for their valorisation.

As regards the measures and/or combinations thereof, this objective can be supported through:

- basic services for the economy and rural population;
- village renewal and development;
- conservation and upgrading of the rural heritage.

All the intervention measures foreseen in this objective will have to be planned and implemented in strict complementarity with the action of the ERDF and ESF.

Preservation and/or creation of new opportunities for employment and income in rural areas

This objective aims at encouraging investments in existing or yet-to-be created economic activities in the same areas. The key actions might involve:

- creation of initiatives that allow a real diversification of agricultural activities, concentrating attention in relation to the potentialities of the territories on the qualification of the farm holidays supply, production of energy, valorisation of the territory's quality products, the previously-mentioned social agriculture initiatives, etc. In particular, as regards renewable energy sources, specific support will have to be furnished for the development of facilities for the use of such sources (including in connection with intervention measures carried out in pursuit of Axis I and Axis II);
- maintenance and development of the different typologies of local micro-businesses in the crafts and manufacturing sectors, valorisation of the cultural and environmental patrimony, etc.;
- maintenance and development of initiatives in the field of rural tourism and local recreational services.

These objectives must be pursued by modifying the approach taken up to now and trying to:

- concentrate intervention measures at the territorial level, particularly in areas that, in the classification adopted in this context, have been defined as an intermediate rural area or rural area with comprehensive problems of development. This does not rule out that it may also be convenient and opportune to implement such intervention measures in the other areas;
- combine typologies of different intervention measures (diversification, creation of business enterprise, investments for the benefit of the landscape, cultural patrimony, and local services and infrastructures) pivoting on a catalytic theme (e.g. valorisation of the historical/cultural heritage of an area or small centre);
- accompany the intervention measures sketched above with horizontal measures aimed at the growth of human capital in the rural area, strengthening training and information activities.

As regards the measures and/or combinations thereof, this objective can be supported through:

- diversification into non-agricultural activities;
- support for the creation and development of micro-enterprises;
- encouragement of tourist activities.

The objectives described cut across different sectors and can be reached including with other regional, national and Community funds. Therefore, it will be the responsibility of the Regions to select in their plans the objectives perusable with the resources made available by EAFRD.

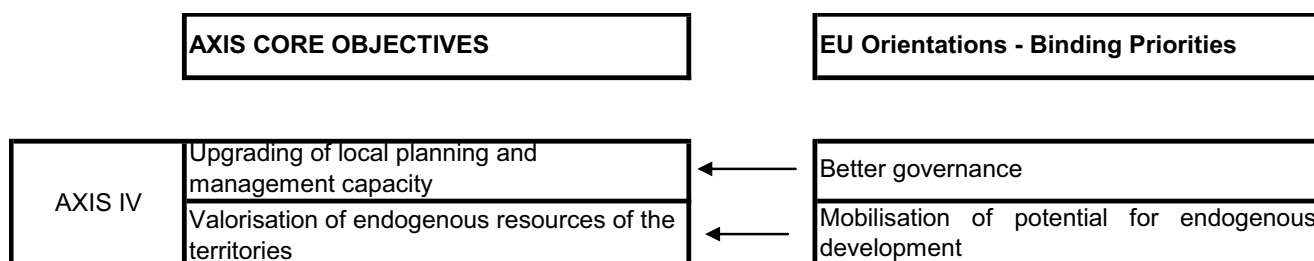
All the intervention measures provided for in this objective will have to be planned and implemented in strict complementarity with ERDF and ESF action.

Axis IV “Leader”

In Axis IV, the core objectives established are as follows:

1. Upgrading of local planning and management capacity;
2. Valorisation of the endogenous resources of the territories.

In the case of Italy, these two objectives are a declension of Community priorities concerning “Improvement of Governance” and “Mobilisation of the Potential for Endogenous Development.”



Upgrading of local planning and management capacity and valorisation of the endogenous resources of the territories

The pursuit of these two objectives is functional for making the desired results in the other axes more effective.

Experience gained in the 2000-2006 planning period has in fact demonstrated that when the LEADER method has been correctly interpreted and implemented, it has succeeded in achieving important results through:

- the strengthening of competencies in the rural areas;
- the drawing closer of outlying territories to the decision-making centres;
- the valorising of often little-known resources;
- the involvement of institutions and organisations deeply-rooted on a local scale.

For this new phase, the LEADER method constitutes a further possibility for the rural areas in relation to the broadening of the fields of investment and revision of duties and functions. Nevertheless, in this new scenario it appears decisive to establish certain key points toward which to direct the action of the Axis:

- a. quality of planning. Particular attention will have to be dedicated to the choice of the local development plans, the strategy of which will have to be well defined, choosing themes and objectives powerfully anchored to the territory. The Local Development Plans will be able to draw on the different measures provided for by the three Axes in relation to the vertical axis objectives, specific themes of area development defined by the RDP and further specific indications provided by the same programmes. In addition, it will be possible to finance typologies of intervention different from those provided for in the ambit of Regulation (CE) 1698/2005, if directed toward the achievement of the objectives of the three Axes for purposes of realising innovative intervention measures. Finally, it appears opportune, in order to increase the effectiveness of the Plan's

intervention measures, for the strategy for local development to concentrate on a few themes with well-defined contents and closely tied to the core objectives of the Regional Programmes;

b. capacity to manage development programmes. It has been pointed out how well organised structures succeed in better interpreting needs and are able to manage the allocated resources with greater effectiveness and efficiency. For areas without previous “LEADER type” experience or that have shown difficulty in the management of Local Development Plans, it will be of strategic importance to activate the measure for the acquisition of competencies and at the same time let LAG adopt a more agile structuring, as per Regulation (CE) 1698/2005 (Art. 62, section 2), which in any case provides for an administrative and financial head;

c. size of the areas. The passage from LEADER II to LEADER+ has entailed a territorial aggregation designed to obtain a greater critical mass. Without gainsaying the evaluations concerning the most consonant aggregation formulae, in 2007-2013 planning as well particular attention will have to be reserved to the search for the most appropriate territorial dimension able to ensure operativeness to LAG. In any case, whatever the territorial dimension chosen for the Local Development Plans, it will have to be commensurate with the public contribution for the benefit of LAG, so as to avoid having very large territories with financial resources inadequate for putting a development strategy into practice.

As regards co-operation, it is necessary to aim at better and more careful selection of projects that will bring a real value added to the rural areas that are characterised by an adequate critical mass in terms of financial resources and partnership.

As pertains to the configuration of the partnership, particularly the public part, it appears necessary to ensure an active involvement of the local authority with planning competencies in the territory involved in the LDP, for the purpose of guaranteeing the integration of the intervention measures promoted by the LAG and those of the local authorities.

The evaluations of the LEADER Programme, in its different editions, have made evident the crucial role of animation, information and the providing of qualified staff for planning and managing local development actions. The performance of these functions on the part of the LAG is closely tied to the financial resources available, particularly the budget for operating expenses. It therefore appears opportune to provide for, at the time when the LDP is being defined, an adequate funding of such outlays, while at the same time ensuring that this choice does not work to the detriment of the overall resources for Axis IV.

2.3 Territorial priorities

To identify the territorial priorities by axis, the general reference for the identification of the needs for specific intervention at the territorial level is that adopted for the analysis of the basic situation (Chapter 1.3), which classifies Italy's territory in four broad categories:

- A. urban poles;
- B. rural areas with specialised intensive agriculture;
- C. intermediate rural areas;
- D. rural areas with comprehensive problems of development.

In general, the use of territorial articulation in the NSP is functional for the identification of the principal internal differentiation of rural territory, including to target the initiatives provided for by

Regulation (EU) 1698/2005 in a more precise way, which will be able to be combined according to the differentiated needs that the areas show and the specific purposes of the single intervention measures. The articulation proposed can thus be functional for making territorial priorities explicit in the regional programmes and for a definition of “rural” compatible with that adopted by the programmes financed with the Structural Funds, in order to make the integration and complementarity of programmes financed by the EAFRD and Structural Funds more evident and effective.

With reference to AXIS I, from an analysis of the needs and specific requirements of each area, the need emerges for intervention using the tools provided in all four macro-categories, with special emphasis on areas affected by the crisis of the sector caused by changed market conditions or EU policy (in particular, Tobacco and Sugar CMO). Therefore, Axis I can also represent sector or thematic priorities.

As concerns Axis II, territorial priorities are to be identified within each of the four area categories with reference to zoning provided for by specific Community regulations (e.g. less favoured areas, SCI and SPA, NVZ, etc.).

Taking into account the specific objectives provided for by Regulation (CE) 1698/2005, such territorialisation turns out to be particularly functional for the identification of the regional needs and lines of intervention in relation to Axis III and to Axis IV. The interventions provided for these Axes will be mainly addressed to areas category C and D.

While the necessity to identify lines of intervention clearly retraceable to structural and territorial needs within each RDP remains unchanged, those delineated below with reference to the four area typologies are of an indicative nature for the definition of regional strategies, included the opportunity for the Regions to outline other intervention guidelines.

A Urban poles

In accordance with what has already been made explicit in Chapter 1, here the major problems and needs that have emerged in this typology of area are concisely recalled, to then proceed to the consequent definition of specific lines of intervention.

Among the problems and needs that have emerged, the following must be mentioned:

1. High consumption of soil and water resources, mostly as an effect of the powerful competition exercised by other sectors of the economy;
2. Processes of the pollution of natural resources;
3. Fragmentation and scarce quality standards of agricultural and agrifood production;
4. Congestion of agrifood industries in urban and peri-urban areas;
5. Low level of technological and organisational innovation;
6. Low diffusion of multifunctional activities on peri-urban farms;
7. Scarce development of short *filières* for the local market with high marketing penetration potentialities.

It remains true that the very high consumption of agricultural soils in these areas, rather steady even in the last decade, must induce the public authorities to more action in the matter of protection and

conservation, above all through a careful territorial planning policy. In the face of such problems and needs, and on the basis of the instrumentation made available by the regulation on rural development, the most suitable lines of intervention may particularly regard:

- a) actions in the area of consulting, training and support for low-impact agricultural policies. That implies, if possible, a combined use of the relevant measures provided by Community instrumentation in the ambit of Axis I and Axis III;
- b) improvement of the quality standards for agricultural and agrifood production through measures aimed at improving the quality of agricultural production;
- c) support for technological innovation and integration of the agricultural and agrifood *filière* (fruit and vegetables, floriculture, nursery, etc.), particularly with measures directed toward human and physical capital in accordance with a principle of *filière* integration;
- d) training in agrifood companies, transfer of innovations, services for businesses (agricultural and agrifood);
- e) support for investments for diversification in farms toward multifunctional activities, especially environmental and social services, through the corresponding measure contained in Axis III.

B Rural areas with intensive and specialised agriculture

In accordance with what has already been made explicit in Chapter 1, here the principal problems and needs that have emerged in this typology of area are concisely recalled, to then proceed to the consequent definition of specific lines of intervention.

Among the problems and needs that have emerged, the following must be mentioned:

- 1. Inadequacy of the logistical and infrastructure resources;
- 2. Inefficiencies in the irrigation network infrastructures of the reclamation and irrigation districts;
- 3. Shortcomings in the organisation and integration of agricultural and agroindustrial *filières*, which produces a constant substandard return on agricultural production;
- 4. Shortage of technological resources and insufficient modernisation of agricultural and forestry enterprises;
- 5. High negative impact of agricultural activity on the environment and the management of natural resources in some areas.
- 6. Inadequate and inhomogeneous development of services for businesses and the population.

Faced with these problems and needs, and on the basis of the instrumentation made available by the regulation on rural development, the most suitable lines of intervention may particularly regard:

- a) support for the structural adaptation of agricultural and forestry enterprises and the strengthening of certain crucial points of the *filière*, including for purposes of the greater integration and commercial valorisation of agricultural productions;
- b) improvement of the logistical infrastructures and functioning of existing irrigation networks;
- c) diffusion of systems for the certification of quality and promotion of products on national and foreign markets;
- d) diffusion of low environmental impact production techniques and systems, and intervention measures in favour of the preservation of biodiversity;
- e) actions directed toward the maintenance and improvement of the agrarian landscape;

- f) accompaniment of the above-mentioned lines of intervention with actions in favour of human capital, particularly through training and business consulting;
- g) support for business diversification wherever particular problems of production conversion exist, and improvement of services for businesses and the population, including through integrated projects.

Structural intervention measures for the benefit of businesses must be closely tied to the possibility of introducing and/or upgrading technological innovation processes (regarding product and/or process), conditioning their support on the basis of eco-compatibility, improvement of quality, introduction of certification systems and/or the capacity to positively affect the environment and landscape.

C Intermediate Rural Areas

In accordance with what has already been made explicit in Chapter 1, here the principal problems and needs that have emerged in this area typology are concisely recalled, to then proceed to the consequent definition of specific lines of intervention.

Among the problems and needs that have emerged, the following must be mentioned:

1. Presence of inadequately valorised agricultural, agroindustrial and forestry productions with a potentiality for qualitative growth;
2. Relatively high production costs and the ageing process of workers;
3. Inadequate marketing channels, which favour the local market;
4. Problems deriving from the conversion of certain productions sensitive to the CAP and COM reform (tobacco, sugar, etc.);
5. Lack of organic, integrated initiatives in support of the protection of the landscape and existing natural, cultural and wine/gastronomic resources;
6. Deficiencies in infrastructures, including telematic, and in services for the rural population.

In the face of these problems and needs, and on the basis of the instrumentation made available by the regulation on rural development, the most suitable lines of intervention may regard in particular:

- a) actions for support of the structural adaptation of agricultural and forestry businesses;
- b) diffusion of associations, including for purposes of the concentration of supply and promotion on the markets;
- c) setting up of integrated actions for the valorisation of agricultural, natural and cultural resources in support of the competitiveness of the territory;
- d) setting up of actions complementary to those of the COM for the conversion of sensitive productions;
- e) protection of the landscape and natural resources, and support for compatible agricultural and forestry activity in high nature value and protected areas;

- f) creation of further opportunities for the diversification of agricultural income in connected sectors in the same territory, as well as the organisation of an adequate supply of tourist, environmental, recreational and social services, etc.;
- g) accompaniment with territorial training and animation actions;
- h) application of projects and actions for local development.

D Rural Areas with Comprehensive Problems of Development

In accordance with what has already been made explicit in Chapter 1, here the principal problems and needs that have emerged in this area typology are concisely recalled, to then proceed to the consequent definition of specific lines of intervention.

Among the problems and needs that have emerged, the following must be mentioned:

1. Processes of pronounced depopulation and ageing of the labour force; lack of generational renewal and growing abandonment of agricultural activity, especially in inland mountain areas;
2. High production costs, old facilities, traditional techniques and little convenience in investment;
3. Relatively few opportunities for the diversification of agricultural income;
4. Absence of organic initiatives aimed at safeguarding the landscape and the existing natural, cultural and wine/gastronomic resources;
5. Absence of services for the rural population.

In the face of these problems and needs, and on the basis of the instrumentation made available by the regulation on rural development, the most suitable lines of intervention may regard in particular:

- a) support for production conversion in the direction of new products and markets, particularly through support measures for business investments and investments for income diversification;
- b) modernisation of agricultural enterprises accompanied by actions in support of agricultural activity;
- c) actions involving the training of human capital and territorial animation, as well as support for generational renewal and early retirement;
- d) upgrading of services to the rural population;
- e) integrated actions for the valorisation of agricultural, natural and cultural resources in support of the competitiveness of the territory;
- f) protection of the landscape, biodiversity and natural resources and support for compatible agricultural and forestry activity in high nature value and protected areas;
- g) creation of opportunities for the diversification of activities and agricultural income (integrated with the Structural Funds);
- h) adoption of projects and actions for local development.

2.4 Typologies of integrated actions

To ensure the effectiveness of the intervention, modalities and instruments must be identified that make it possible to improve the planning and management of the intervention measures promoted by rural development programming for 2007-2013, compared to the experiences so far.

The actions may refer to measures of a single Axis or a combination of measures of different Axes. Some typologies of integrated actions that might be adopted are described below. These action typologies fundamentally go in the direction of ensuring a better integration of the different measures contained in the Regulation at the single business level, production *filière* level and territorial level.

These integration modalities responding to the different needs of the businesses and the territories are not alternative to the approach in terms of single funding applications and are to be used jointly and also employed in complementary fashion at the thematic and/or territorial level in order to improve their effectiveness. These operational modalities will have to be based on a management procedure that observes the principle of the integration of the intervention measures and/or beneficiaries, and will have to be inspired by operational modalities offering easy access.

The operational procedures for implementing the proposed integration modalities are defined in the ambit of the single regional rural development programmes.

Here below the principal typologies of integrated actions are illustrated:

- packages of measures for the business;
- integrated territorial or *filière* projects.

The use of packages of measures and integrated projects will always have to guarantee the observance of the rules of competition among the economic operators of the sector.

Packets of measures for the business

The realisation of certain priority objectives in some cases requires a mobilisation of measures and instruments that go beyond the competencies of the single Axis. The fact is that the effectiveness of the separate measures can be enormously increased by resorting to a combined use of a set of measures, even though provided for in different Axes.

In parallel with the procedures for access to the single measures, it may therefore be appropriate to provide for a modality that encourages the combined adoption of the same on the part of the business. The choice of the most suitable implementation procedures will be up to each RDP Management Authority.

By way of example, some strategic themes are reported below, which because of their transversal nature vis-à-vis the RDP objectives might require intervening with modalities that encourage business integration. The RDP Management Authorities will have to select one or more themes from among those identified, while the possibility of identifying new ones at the regional level is still holds true.

1) *“Package for Quality”*

Included in this theme are all the measures and actions provided for quality (except for those intended for producers' associations), business investments, use of consulting services, training actions, and agricultural and forestry/environmental payments. In the event that such actions are carried out in conjunction with the setting up/settling of a young person, the package also includes the pertinent premium.

2) *“Youth Package”*

The purpose of the specific package for young people should be to provide a set of specific incentives for farmers under 40 years of age who wish to settle on farms located in special

territories where a powerful stimulus for generational renewal is required. Thus included is not only the settlement premium, but also support for the business investment plan, support for the assistance service, aid for business consulting and early retirement incentives, in addition to the other business measures deemed most opportune in terms of the farm's characteristics and the production techniques adopted (e.g. agro-environmental premiums). Certain measures contained in Axis III directed toward business diversification might be included among them.

3) "Package for Women"

The purposes of this package are to remove any obstacle to the inclusion of women in the economic fabric of the rural world. In addition to some of the intervention measures provided in the two previous examples, the measures that can be activated through the ERDF and ESF (training, substitution services, assistance to minors, etc.) are strategic.

Integrated territorial or filière projects

Whereas the packages described above have a purely individual business nature, the integrated territorial or filière projects have an inter-business nature; in any case, their purpose is to involve more than one subject (private and public) existing in a given territory and/or in a given *filière*. In this case, too, different measures can be combined from among those provided in the RDP.

Certain themes indicated for the formulation of business packages may also take an inter-business approach. For example, in the case of quality the package of measures may have significance not only for the business, but for the *filière* and/or territory as well. In fact, the possibility can be provided to participate in the different measures functional for improving the quality of products and their marketing on the part of not only farms but all rightful subjects under the regulations who operate along the *filière* of a certain product or territory, for the development of specific quality products, whether or not in conjunction with the valorisation of other local resources (environmental, cultural, etc.), similarly to what took place in the current planning period in the ambit of integrated *filière*, rural or territorial projects or of LEADER.

It is instead opportune that an inter-business approach be taken toward other themes. By way of example, such is the case with the theme of environment. The theme of environmental integration (which can be differentiated according to the specific objective, e.g. biodiversity or soil) is designed to deal in an organic and integrated way with critical situations or environmental emergencies identified in the territory, at the same time encouraging the concentration of intervention measures in the local ambit. Measures that can potentially be integrated may include major agricultural and forestry/environmental measures; non-productive investments for the financing of intervention accessory to agricultural and forestry/environmental measures; Axis I measures for financing all investments necessary to trigger or strengthen rural economies that contribute to the achievement of conservation objectives through the realisation of infrastructures, services and marketing networks; Axis III measures for stimulating eco-tourism activities, use of natural resources functional for environmental objectives, naturalistic enjoyment and compatible recreation in protected areas and Natura Network 2000 sites and, in particular, the valorisation of the restoration of habitats carried out through Axis II measures; actions relating to training, information, animation and consulting concerning environmental protection; and the promotion and support of forestry associations.

1) *Integrated territorial projects*

If intervention measures applied to the single business can be more effective when conceived in the form of packages of measures, effectiveness can likewise be increased if a greater

concentration and integration of such measures is encouraged in homogeneous territorial ambits. The specific purposes and contents of the integrated territorial projects will be defined within the ambit of the RDP.

2) *Integrated filière projects*

The *filières* involved may be of an agricultural, forestry or agroindustrial nature. They may be localised *filières* or cover the entire regional territory. The choice of the most appropriate measures for the realisation of such projects will be made in the RDP. The identification of the *filières* may also regard the matter of bio-energy. In the latter case, the measures that potentially can be integrated include Axis II measures, with particular attention to those for the sustainable use of forested areas (within the ambit of Plans for Forestry Management and Organisation), without overlooking those provided for the sustainable use of farmlands; all measures intended to restructure and develop physical capital and to promote innovation, to finance investments necessary for the realisation of small- and medium-size facilities for the combustion of biomass and small heating systems, to encourage access to forests and farmlands; Axis III measures for the diversification of the rural economy, for the improvement of the quality of life in rural areas; actions in connection with training, information, animation and consulting in the matter of the production and use of biomass energy in the observance of environmental sustainability.

For the purpose of pursuing an effective *filière* strategy that is both productive and territorial, it appears opportune to identify suitable modalities and procedures for financial support. These may be based on the following principles:

- a. identification of the production *filières* that require stimulation and public support action. In some cases, considering that the ambit of the *filières* goes beyond the regional territory, a concerted process should be provided for and promoted among the concerned regions;
- b. different measures provided by Regulation (EU) 1698/2005 can be activated in support of the *filière* project and therefore not just those contained in Axis I, which appear to be the ones most directly involved in the definition of the project itself;
- c. identification of synergies and complementarity with eventual forms of intervention funded within the framework of national planning (e.g. *filière* contracts) or Community planning for 2000-2006 (e.g. integrated territorial projects) and the cohesion policy for 2007-2013.
- d. finally, observance of the principle of competition among the economic operators that operate in the single *filières*.

2.5 *Contribution of rural development to the Lisbon Strategy*

In a logic of the complementarity of policies and strategic coherence, the intervention strategy proposed by the NSP contributes to the achievement of the objectives of the Strategy of Lisbon and that of Göteborg, as well as the strategy adopted in the matter by the Italian Government with the Plan for Innovation, Growth and Employment (PIGE) in October of 2005, in terms of economic growth, employment, competitiveness and sustainable growth. The actions provided for by the Plan's three core intervention axes and the implementation of the LEADER approach all contribute to a process of the renewal of the sector that aims, on the one hand, at economic and employment growth in the primary sector and rural areas and, on the other hand, at the development of

intervention strategies able to improve and valorise the socio-economic context of the rural territories.

The intervention strategies provided for by the NSP set themselves the following objectives, closely tied to those provided for by the Lisbon Strategy and PIGE:

- growth of the competitiveness of the agricultural and forestry sector through the promotion of innovation, *filière* integration and development of the quality of the productions. A strategy of action will be developed through the intervention measures provided for by Axis I, which will hinge on the introduction of innovations in process, product and management of the businesses, designed to increase the value added of the principal production divisions of Italian agriculture.
- growth of human capital through actions for the training and requalification of entrepreneurs and agricultural manpower. Thus, as is true of the PIGE, the NSP encourages the promotion of actions for training, technical assistance to entrepreneurs and generational renewal. As regards generational renewal in particular, the rural development policy action will not be limited to tools promoting access (the “setting up” of young farmers) and exit (early retirement of farmers) from agriculture, but will also encourage their integration with other tools promoting the growth of entrepreneurial capacity and the realisation of a business development plan, including through the Youth Package (cf. 2.5), in strict complementarity with the intervention measures proposed by the ESF. In this way, it will be possible to contribute to the improvement of the competencies of the operators, also affecting the potentialities for the development of the sector.
- development of the material and immaterial infrastructures (ICT) in support of agricultural activity and the rural populations. Coherently with the PIGE objective of “Adaptation of Material and Immaterial Infrastructures,” the strategy proposed by the NSP is firmly centred on the themes of innovation and improvement of the local context. That will guarantee intervention measures concerning material, immaterial and telematic infrastructures so as to guarantee the most suitable context for productive activities to rural businesses and populations.
- creation and conservation of new jobs through the diversification of agricultural activity and the promotion of innovative activities and services for rural populations. The measures aimed at the diversification of the rural economy and actions for the protection and valorisation of the natural and historical/cultural patrimony of such territories form the starting point for the relaunching of the local economies, above all when based on intervention measures capable of involving the local populations. In addition, agricultural activity can become a protagonist of territorial marketing actions that associate tradition and the quality of the products with the places of production, inviting the discovery of their numerous attractions.
- protection of the environment. As regards the safeguard of natural resources, the intervention strategy proposed by the NSP, above all with reference to Axis II, is centred on the sustainable use of natural resources and promotion of a type of agriculture that is respectful of the environment. It is therefore firmly centred on the theme of sustainable development envisaged by the Göteborg strategy.
- the objectives of the LEADER Axis arise from the will to improve the local development management system and to create the most suitable socio-economic context for improving living and job conditions and to promote innovative development processes in the rural territories of Italy. This objective is closely tied to the PIGE objective of “Broadening of the Area of Free Choice of Citizens and Businesses,” inasmuch as it intends to contribute to the simplification of the decision-making and normative processes, and therefore to encourage individual choice in the matter of the life and work of rural populations.

Finally, the modalities proposed for the activation of intervention measures, which are based on territorial concentration and the integration of the measures, could increase the effectiveness of the action, leading to focusing on specific themes according to the territories affected by the intervention.

2.6 Balance among the Axes of the Plan

In terms of financial balance among the Axes, the Plan, as a sum of the single RDP, will provide that the following minimum resources will be guaranteed:

	Minimum as per Regulation	NSP Average
Axis I	10%	41%
Axis II	25%	41%
Axis III	10%	14,5%
Technical Assistance		3,5%
Total		100%
<i>LEADER Axis</i>	5%	6%

This overall financial apportionment among the four Axes is indicative, inasmuch as the definitive financial balance will derive from the completion of regional planning process and the contextual definition of respective priorities and, subsequently, from the process of institutional concerted action between the State and the Regions, as well as that activated within by the same Regions and Autonomous Provinces.

This apportionment, compared with that one of the period 2000-2006¹¹, provides for a moderate shift in favour of Axes II and Axis III. This shift is justified by the need to provide financial support that is balanced and coherent with the objectives provided for in each of the Axes.

As concerns Axis IV, whenever it is thought that conditions exist for broadening the LEADER approach within the single RDP, since a “methodological” Axis is involved whose financial importance does not go to the detriment of the weight of the other Axes, the share reserved to it will be able to grow with respect to the minimum resource foreseen.

The total allocation for Technical Assistance will represent 3.5% of the share earmarked for the realisation of the National Rural Network, which will absorb 0.5% of the total amount allocated under the EAFRD for rural development planning in Italy.

The assignment of financial resources to the different Axes takes into account the following considerations:

- as regards Axis I, the first factor that justifies the assignment of 41% of the resources to it is that the agricultural, agroindustrial and forestry sector has a widespread need for modernisation in all rural areas of the country. This need, albeit with different characteristics in the four typologies of rural areas, particularly involves the realisation of intervention measures for the introduction of innovation that strengthens the policy of quality and accompanies environmental policy. The second factor is reflected in the potential composition of the outlay available to the Axis. In fact, while providing for the activation of the most part of the measures foreseen, the most important portion of intervention for the modernisation of business structures requires making investments

¹¹ Percentage-wise, the 2000-2006 planned public outlay reclassified according to the 2007-2013 priority Axes breaks down as follows: 47% for Axis I, 41% for Axis II and 12% for Axis III (including LEADER+ intervention measures).

with a unit value that obviously exceeds that concerning the disbursement of premiums and/or allowances. Naturally, this circumstance weighs upon the overall assigned resources of the Axis.

- the matter of 41% of the resources being assigned to Axis II confirms the attention given by NSP intervention strategy to the protection and valorisation of environmental resources. This attention is intensified by the increase in real resources sustaining this objective compared to planning for the 2000-2006 period. In addition to the lesser weight of previous commitments, reduced by about 6% compared to previous planning, the concomitant increased national co-funding for Axis II measures makes more public resources available for new commitments. The choice made concerning Axis II is further justified by the conviction that the effectiveness of agro-environmental policy can be improved if accompanied by intervention measures in support of the structural modernisation of the agricultural sector, particularly by means of support for investments, training and consulting services (Axis I) designed to increase the environmental services of agriculture and forestry, as well through intervention measures for the valorisation of natural resources (Axis III). Finally, it must also be considered that the measures in connection with this Axis mainly provide for the disbursement of premiums (mainly agro-environmental), the unit value of which weighs relatively less compared to the intervention measures funded within the framework of Axis I;
- the relatively low share of resources assigned to Axis III (14.5%) is justified in the first place by the fact that a sustainable rural development strategy for such areas is inseparable from support to intervention measures in the agricultural and forestry sector and the incentive of eco-sustainable agricultural and forestry practices that assign a central role to the endogenous resources of the same areas. The effectiveness of Axis III intervention measures also depends on the strategy adopted in the other two Axes. On the one hand, this circumstance strengthens the choices made concerning the assignment of resources to Axis I and Axis II; on the other hand, it means that Axis III intervention necessitates integration with the other Axes. Furthermore, it must not be overlooked that most Axis III measures will not intervene horizontally throughout the national territory and that the cohesion policy also intervenes in favour of the socio-economic development of these areas. Finally, it also must be considered that the EAFRD ambit of intervention is generally limited to small-scale measures owing to the characteristics of the potential beneficiaries (farms with a need to diversify agricultural income and micro-businesses), the *de minimis* system that applies to them and the local characteristics of the intervention.

Chapter 3 – Strategy by Axis

3.1 Balance within the Axes

Axis I “Improvement of the Competitiveness of the Agricultural and Forestry Sector”

In determining the balance among the different core objectives of the Axis, it is necessary to take into account that the objectives concerning the “Promotion of Modernisation and Innovation in Businesses and the Integration of *Filières*” and the “Consolidation and Development of the Quality of Agricultural Production” have major importance in the financial allocation within the Axis, inasmuch as, on the one hand, they respond to a compelling need to recover the competitiveness of the agroindustrial and forestry sector overall, while on the other hand, they must satisfy a demand on the part of a substantial number of potential beneficiaries. In the case of the Convergence Objective Regions, this need is more keenly felt and therefore assumes a higher priority. In the case of the objective of “Upgrading of Physical and Telematic Infrastructure Resources,” the relative importance of the same will have to be modulated at the regional level, taking into account that a higher priority will be assigned to it in the Convergence Objective Regions. The priority assigned to human capital (improvement of the entrepreneurial and professional capacity of workers in the agricultural and forestry sector and support for generational renewal) appears crucial for the pursuit of the other priorities of the NSP as a whole. With particular reference to generational renewal, the measures in support of setting up young people in agriculture and for their training and information will assume greater importance, while the measure relating to early retirement will be implemented in a residual manner. In any case, such intervention will be implemented by giving priority to the integration of several measures in a business development plan.

Axis II “Improvement of the Environment and Countryside”

In the balance among the different instruments having a premium provided for this Axis (agro-environmental and forestry/environmental payments, Natura 2000 allowance and compensatory allowances for less favoured areas), a greater importance in the financial allocation will be attributed to agro-environmental payments, which are included among the instruments provided for the pursuit of all the core objectives of the Axis. Among them, particular attention will be given to commitments for organic agriculture.

Axis III “Quality of Life in Rural Areas and Diversification of the Rural Economy”

In determining the balance between the two principal intervention priorities of the Axis, an adequate weight will be attributed to both the creation of new opportunities for employment and income, and the enhancement of the attractiveness of rural territories for businesses and the population, inasmuch as both can contribute in a significant way to the effectiveness of overall intervention in the socio-economic context of the rural areas.

Axis IV “Leader”

With reference to this Axis, the most significant weight is to be attributed to the implementation of local development strategies, but without ignoring that in certain realities the improvement of

governance, understood as a capacity for planning and management, will be supported with an adequate financial effort, just because of the lesser capacities that exist at the local level.

3.2 Identification of indicators

The capacity of the NSP and Regional Programmes to achieve the Axis core objectives will be verified and evaluated by means of special indicators of result and impact.

The proposed indicators are created by taking as a reference the indicators used by the Commission in the draft Common Monitoring and Evaluation Framework (CMEF). The indicator quantified during the implementation of the programmes will be compared with the *Baseline indicators for measurement of impact* provided in the said document.

In the following diagrams, whenever possible the indicators are linked to the single Axis core objectives. Nevertheless, the possibility remains of a joint effect produced by more than one measure on an objective/indicator of result and/or impact.

The quantification of the indicators will be completed once the Regional Rural Development Programmes are submitted.

In the implementation phase of the programmes, additional indicators of result and impact will be identified in concert with the RDP Management Authorities and the evaluators. These indicators will have to guarantee uniformity and comparability at the national level.

Diagram 1 – AXIS I Indicators

AXIS CORE OBJECTIVES		RESULT INDICATORS	
AXIS I - Improvement of competitiveness of agricultural and forestry sector	Consolidation and development of quality of agricultural and forestry production	Value of agricultural and forestry production with certification of quality	
	Promotion of business modernisation and innovation, integration of filières	Increase in gross added value in farms/businesses that have benefited from aids	
	Upgrading of physical and telematic infrastructure resources	Number of farms/businesses that have introduced new products and/or new technologies	
	Improvement of entrepreneurial and professional capacity of workers in agricultural sector and support for generational renewal	Number of farms/businesses served by new physical and/or telematic infrastructures	
		Number of participants who have successfully completed training activities tied to agriculture and/or forests	
		Number of farms that went on the market	
AXIS CORE OBJECTIVES		IMPACT INDICATORS	
AXIS I - Improvement of competitiveness of agricultural and forestry sector	Consolidation and development of quality of agricultural and forestry production	Net added value expressed in PPS Jobs created (equivalent to full-time) Gross added value per worker	
	Promotion of business modernisation and innovation, integration of filières		
	Upgrading of physical and telematic infrastructure resources		
	Improvement of entrepreneurial and professional capacity of workers in agricultural sector and support for generational renewal		

Diagram 2 – AXIS II Indicators

AXIS CORE OBJECTIVES		RESULT INDICATORS	
AXIS II - Improvement of environment and countryside	Preservation of biodiversity, safeguard and diffusion of high nature value farm and forestry systems	Area where land management successfully contributes to biodiversity and to high nature value farming and forestry systems	
	Qualitative and quantitative protection of surface and subsurface water resources	Area where land management successfully contributes to quality of water resources	
	Reduction of greenhouse gases	Area where land management successfully contributes to control of climate change/reduction of greenhouse gas emissions	
	Protection of the territory	Area where land management successfully contributes to soil quality	
		Area where land management successfully contributes to decrease marginalisation and abandonment of the territory	

AXIS CORE OBJECTIVES		IMPACT INDICATORS	
AXIS II - Improvement of environment and countryside	Preservation of biodiversity, safeguard and diffusion of high value nature farm and forestry systems	Avifauna in farmlands	
	Qualitative and quantitative protection of surface and subsurface water resources	Balance of nutrients	
	Reduction of greenhouse gases	Production of renewable energy	
	Protection of the territory	High nature value farming and forestry areas	

Diagram 3 – AXIS III Indicators

AXIS CORE OBJECTIVES		RESULT INDICATORS	
AXIS III - Quality of life and diversification of rural economy	Greater attractiveness of rural territories for businesses and the population	Population in rural areas benefited by improvement of services	
	Preservation and/or creation of employment and income opportunities in rural areas	Increase in Internet penetration in rural areas	
		Number of jobs created	
		Additional number of tourists	
		Number of participants who have successfully completed a training activity	

AXIS CORE OBJECTIVES		IMPACT INDICATORS	
AXIS III - Quality of life and diversification of rural economy	Greater attractiveness of rural territories for businesses and the population	Net added value expressed in PPS	
	Preservation and/or creation of employment and income opportunities in rural areas	Net jobs created (equivalent to full-time)	

3.3 *Monitoring and evaluation of strategy*

Monitoring of intervention

The system for monitoring the intervention measures is supplied under the responsibility of the Regional Management Authorities so as to guarantee the comparability and aggregation of the information at the national and Community level. For this purpose, a National Monitoring System (MS) has been established, to be considered an integral part of a broader “information system” embracing information about the monitoring of intervention measures financed by the Structural Funds, as well about the management and control systems of the Regions and Payment Agencies. The MS provides for the filing of information at the level of the single project financed in the ambit of the Rural Development Programmes. The information at project level must be classified in such a way as to guarantee their aggregation by Measure, just as identified at the regional, national and Community level. In particular, the monitoring information will regard aspects concerning:

- registry and structural characteristics of the subject that realises the project;
- procedural advancement of the project;
- financial advancement of the cost of the project;
- advancement of the physical realisation of the project.

With reference to the above-mentioned aspects, a minimum set of information will be defined in the ambit of MS activity, able to satisfy the cognitive needs of the European Commission, as established in the Common Monitoring and Evaluation Framework, as well as how the same will have to be presented in the annual reports.

The MS will likewise provide for a minimum set of information able to guarantee an effective strategic monitoring of the National Strategy Plan and to allow verification of the cost trend, so as to be able to take all corrective actions designed to avoid automatic disengagement (procedural and financial monitoring).

In order to allow free exchange between and among the different information systems, at the time of the definition of the minimum monitoring information it will be necessary to define the characteristics and coding and/or classifications for each piece of information identified, coherently with what has been defined at the Community and national level (SFC and RDIDIM). Within the ambit of their own programmes, the Regions define the additional information requirements with respect to the previous two levels.

At the regional level, the Managing Authorities of the Rural Development Programmes are responsible for the:

- gathering of monitoring information and definition of the most appropriate manner of gathering the same in terms of the regional organisational context, as well as the storage thereof in a regional databank;
- transmission of monitoring information to the MS, guaranteeing a “steady” and up-to-date flow of the same in accordance with the modalities established in concerted fashion at the national level;
- preparation of the annual reports on execution.

The Ministry of Agricultural, Food and Forestry Policy (MAFFP) verifies the coherence of the implementation of the programmes vis-à-vis the National Strategy Plan and is responsible for the

quality of the MS and, therefore, for the preparation of the summary report on the state of implementation of the NSP and the relevant objectives.

In addition, the MAFFP supports the monitoring activities of the MA of the regional RDP through the:

- setting up of consulting activities directed toward identifying, in concerted fashion with the Regional Management Authorities, the minimum monitoring information as described above;
- realisation of activities aimed at guaranteeing the quality of the monitoring information coming from the regional level;
- promotion of initiatives designed to improve understanding of the modalities for the gathering and use of the monitoring information, including through the exchange of good practices and specialised knowledge in this ambit.

A structure for the co-ordination of MS is established for the purpose, presided over by the MAFFP.

System for the evaluation of intervention

The responsibility for the activities for the evaluation of the RDP belongs to the Regional Managing Authorities. At the national level, the Ministry of Agricultural, Food and Forestry Policy supports the Regional Managing Authorities in order to guarantee the co-ordination of the methodologies and procedures for the evaluation of the RDP in coherent fashion with the methods and modalities that will be agreed with the European Commission. This will also make it possible to acquire elements useful for the strategic monitoring of the NSP, facilitating the satisfaction of evaluation needs vis-à-vis horizontal strategic themes.

To facilitate comparability of results at the national level for purposes of the reconstruction of a unitary picture of implementation, and to ensure growth in terms of the overall quality of the evaluations guaranteeing the use thereof at the national and Community level, a National Evaluation Network for Rural Development Policies (NEN) is established. In particular, the NEN sets the following objectives:

- to orient and direct evaluation activities at the regional level, promoting the adoption of methods, techniques and instruments that are shared and suitable for the analysis of the effects of intervention measures, without prejudice to the autonomy of the Regional Managing Authorities and independent evaluators;
- to promote the diffusion and use of evaluation activities, including through activities relating to training, information and the exchange of good practices;
- to establish the structure of reference for a comparison with the MA and RDP for the purpose of improving the comparability, quality and usability of the evaluations;
- to interface with the Commission as concerns the definition of the evaluation methods and modalities, specific actions on the initiative of the Commission and the summary of ex-post evaluations at the Community level;
- to promote the activation of ad hoc evaluation for intervention measures or themes that are significant and strategic at the national level (e.g. environment, integrated planning).

A link must be guaranteed with the activities of the National Evaluation Network for Regional/Cohesion Policies, ensuring co-ordination with the national structures of reference for the evaluation of intervention measures pertaining to unitary cohesion policy.

Chapter 4 – Rural Development Programmes and Financial Allocation

		Programmes	Millions of Euros
Competitiveness Objective	1	Abruzzo	168.911
	2	Bolzano	137.575
	3	Emilia Romagna	411.251
	4	Friuli Venezia Giulia	108.773
	5	Lazio	288.384
	6	Liguria	106.047
	7	Lombardy	395.949
	8	Marche	202.320
	9	Piedmont	394.500
	10	Tuscany	369.210
	11	Trento	100.652
	12	Umbria	334.430
	13	Valle d'Aosta	52.221
	14	Veneto	402.457
	15	Molise	85.790
	16	Sardinia	551.250
	Total Competitiveness		4,109.720
Convergence Objective	17	Basilicata	372.650
	18	Calabria	623.341
	19	Campania	1,082.349
	20	Puglia	851.327
	21	Sicily	1,211.163
Totals	Total Convergence		4,140.830
	Total Regional Programmes		8,250.550
	National Rural Network		41.459
	Total ITALY		8,292.009

Chapter 5 – Coherence and Complementarity

5.1 Internal coherence

As regards the internal coherence of each Axis and above all between/among the Axes, the proposed strategy provides for powerful synergy among the different instruments available for the achievement of the EU and national objectives, with a perspective going beyond the logic of the measure and the single Axis. From the general standpoint, as recalled more than once in the description of the priority objectives by Axis (Chapter 2), the capacity to achieve objectives is subject to improvement if several measure, even though they may fall under different Axes, work in tandem.

It is pointed out in particular that the promotion of modernisation and innovation in businesses, together with the integration of the *filières* and the improvement of the entrepreneurial and professional capacity of workers in the agricultural and forestry sector, plus support of generational renewal are factors that undoubtedly are of help in the pursuit of other objectives both within the framework of the Axis (e.g. the improvement of the quality of agricultural products) and external to it, such as the agro-environmental objectives of Axis II or those concerning development and the quality of life in rural areas of Axis III. It will suffice to recall in this regard that the training and information measures, as well as those pertaining to business consulting services, will often be centred on the improvement of knowledge concerning obligatory management principles and good agronomic practices.

As for the consolidation and development of the quality of agricultural and forestry production, the strong ties are pointed out between Axis I agro-environmental measures for the furtherance of biological agriculture and integrated agriculture, and Axis III measures concerning the diversification of business activities and the valorisation of rural areas, through which quality products can be valorised.

It is further pointed out that all of the Axis II environmental objectives are highly integrated with those of Axis III concerning the valorisation of natural and landscape resources in rural areas, and that a strategy for the development of rural areas cannot be separated from the protection of the different environmental components.

The two Axis III objectives are closely interrelated: on the one hand, they contribute to creating the conditions for attracting economic activities, population and tourism to rural areas; on the other hand, they ought to stimulate local operators to invest and to diversify income and employment opportunities.

The principal approaches that will make synergies and complementarity possible between the different intervention measures have been identified and illustrated in the description of national strategy (Chapter 2), including in light of the above considerations and with an awareness of stimulating the diffusion of modalities designed to improve the effectiveness of rural development policy, as follows:

- a) territorial priorities (section 2.3), which will make it possible to better focus rural development intervention measures in the different territories, guaranteeing closer correspondence between needs and policies;
- b) different typologies of integrated actions (section 2.4), which is to say *filière* projects and thematic packages of measures for the enterprise and/or territory, which will have to ensure a convergence

of different intervention measures for common needs (regarding different *filières*, specific territories or specific business themes).

5.2 Coherence and complementarity with other policies: national policies

With reference to national policies, the NSP represents a useful reference in view of the definition of the “strategic document for planning by sector” of the Ministry of Agricultural, Food and Forestry Policy (MAFFP), provided by the technical/administrative draft of the National Strategy Framework for Cohesion Policy, in the ambit of the process of planning regional, Community and National policy for unitary cohesion.

National policies for agriculture and rural development will have to limit intervention in ambits other than those proper to the Regions. Complementarity vis-à-vis national policies will have to be sought, in particular, through actions directed toward putting to systematic use what has been accomplished or is to be accomplished with regional policies or, instead, through actions that, even though being tied to national competencies, define the preconditions for providing greater effectiveness, including to the same development policies defined at the regional level.

These approaches and actions form a whole that is included within a framework of national policy for the sector that has taken shape in DPEF 2007-2011 and is implemented in the actions of the MAFFP, beginning with the 2007 money bill and continuing with various other intervention measures for the development of the sector. The national intervention measures are designed to provide conditions of transparency and certainty to operators in the sector, to create new opportunities for development in the different territorial and sector realities, including from the standpoint of creating competitive conditions suitable for transforming actions tied to the complete application of the CAP Reform into opportunities for development.

As regards investments in the agroindustrial and forestry sector, the national policies involve intervention measures:

- of a superregional and national nature for the development of *filière* and sector projects;
- of a national nature to promote efficient conditions in businesses (stability in terms of contributions and taxes) and innovation of business models (e.g. new company forms in agriculture), as well as the promotion of young entrepreneurs and new enterprises;
- in agroindustrial businesses not eligible for financing with Community co-financing of regional RDP and forestry sector businesses larger than a micro-business;
- aimed at promoting associations in the forestry sector, including designed to set up organisations for the benefit of forestry products and services;
- directed toward the improvement of logistical organisation;
- directed toward the development of innovative *filières* tied to agricultural products (for both food and non-food productions);
- directed toward creating national conditions for the development of multifunctional activities on the part of agricultural businesses (e.g. less stringent conditions for the direct assignment of services on the part of public bodies; higher ceilings for direct sale activity, definition of homogeneous national criteria for direct sales at farmers’ markets);
- aimed at improving the investment capacity of agricultural and agroindustrial businesses, favouring the financing of services directed toward risk control and easier access to the capitals market, with instruments directed toward participation in risk capital, more favourable interest rates and the coverage of bank guarantees.

As regards promotion policy, the national intervention measures will be directed toward promoting:

- national agricultural and agrifood products, giving priority to projects and models of development tied to the territory through both certification systems and the vertical organisation instruments defined by Law by Decree 102/2005;
- national rural areas.

As concerns research policy, it will be a priority objective to identify specific lines of research tied to the principal strategic priorities fixed in the ambit of the NSP, in close connection with the possibilities offered by the national sector policy and the unitary cohesion policy. In addition, it will be a priority objective to create national co-ordination and information instruments that join national experiences and initiatives to regional and local ones concerning research and technological transfer activities.

As regards the irrigation sector, the intervention measures at the national level will fundamentally regard infrastructure works, preferably to be financed in the ambit of the Framework Programme Agreements, and intervention, including of an experimental nature, aimed at improving water quality.

In addition, it is necessary to call attention to certain areas of intervention where the arrangement of national normative and/or guidance instruments for regulation will be concentrated, designed to provide a common framework of reference and implementation at the national and regional level:

- rules for national quality systems and products (e.g. reform of Law No. 164 on the wine sector, framework standards on certified quality products, national action plan for biological agriculture, etc.);
- definition of business consulting guidelines;
- reform of rules on modalities for the grant of incentives to businesses (capital account vs. interest account).

On the basis of these priority and non-exhaustive guiding principles for national policy action, in the course of planning for 2007-2013, complementarity will be sought with the core objectives established by the NSP, including through the actions of the National Rural Network programme, as well as other strategic direction instruments of the national policies of the MAFFP, particularly in the following way:

- a) Complementarity with the Axis I objectives of "Consolidation and Development of the Quality of Agricultural Production" and "Promotion of Innovation and Integration along the *Filières*."

The intervention measures promoted by *filière* contracts, programme contracts, financial engineering instruments, policies for the quality of agricultural productions, national intervention measures for business competitiveness and the development of innovative *filières* and multifunctional businesses integrated with the territory, will have to be assumed as priority objectives and link up on the functional plane with intervention measures promoted by the Regions with measures intended for this purpose in regional rural development programmes. In this sense, the national directions introduced by the Guideline Law for the development of agrifood and rural districts will also usefully take on synergy and coherence with the measures of the corresponding rural development plans when transposed through specific regional laws. In this picture, the completion and operational usability of the national databases of reference for the agriculture and food sector (fiscal aspects, contributions, land registry, etc.) will assume strategic importance to allow the Regions to activate specific cross-compliance requirements for

access to the measures, as well as to support *filière* projects and projects for the development of certified quality.

- b) Complementarity with the objectives of “Creation/improvement of Infrastructure Networks” (Axis I) and “Qualitative and Quantitative Protection of Surface and Subsurface Water Resources” (Axis II).

In this case, all investments promoted by the national planning instruments will have to be integrated with those defined in regional planning.

- c) Complementarity with the Axis II objective of “Reduction of Greenhouse Gases.”

In this regard, national planning or normative instruments aim at defining a certain framework of rules and incentives (tax exemptions, green certificates, direct support for investments) able to support the national setting up of agro-energy *filières* tied to national agricultural production. Within this framework, priority will be given to projects tied to a greater economic sustainability and a direct involvement of the agricultural entrepreneurs through framework *filière* contracts and agreements that involve direct participation, including company, in agro-energy projects. In this sense, attention will be focused first of all on *filières* and technologies tied to widespread micro-generation, with attention also given to new technologies and products (e.g. pure olive oil, forestry resources, co-combustion, etc.) and to “long” *filières* of bio-fuels and biomasses; within this framework are included projects in connection with the Plan for the conversion of industrial plants formerly used for sugar processing. Also included in the interest of reducing greenhouse gas are national intervention measures for supporting the development of biodegradable chemical products derived from agricultural products. Such forms of intervention can represent an important factor for making the production of bioenergy competitive, as well as a fundamental premise for supporting and making effective the development of specific regional policies for agro-energy *filières*.

With reference to biomasses, in particular the national intervention instruments will have to provide incentives for the diffusion of medium/small modules for biomass combustion, at the service of rural communities and groups of companies (single and co-operative), including in light of Law 266/2006, providing that the production and sale of electric power and heating energy from renewable agro-forestry sources performed by agricultural entrepreneurs constitute activities connected with the agricultural businesses and are to be considered productive of farm income.

- d) Complementarity with Axis I and Axis II objectives.

In this regard, it is preferable that the national programmes for the financing of agricultural research shall be directed toward the transfer of the results to the production *filières* with the greatest potentiality for development in terms of quality. In addition, it will be necessary to link the research to the objectives of the first pillar of CAP (cross compliance) and Axis II objectives.

5.3 Coherence and complementarity with other policies: the first pillar of CAP

The policy of sustainable rural development must act in a way that is complementary to the rest of common agricultural policy at the Community and national level, accompanying and integrating the intervention measures foreseen in the ambit of policies for the support of markets and income.

The aspects requiring joint intervention are the following in particular:

- the impact on the agroindustrial system due to the introduction of the single payment (Reg. 1782/03) and coherence with the application of Article 69 of the same Regulation;

- the impact of the reform of certain CMO;
- the structural intervention measures provided for in the CMO previously reformed and those undergoing reform;
- environmental cross compliance;
- the environmental consulting system;
- aids to energy crops.

In the course of planning for 2007-2013, complementarity with the core objectives established by the NSP will be sought, particularly in the following direction:

a) Complementarity of Axis I and Axis III objectives with the single payment system (decoupling)

In this regard, it is opportune to define rural development actions able to support the process of reorientation toward the market launched with decoupling, in the direction already marked out with choices regarding the application of the reform in Italy, which assigns greater centrality to the role of the agricultural enterprise and develops new needs in relation to their capacity to effectively compete on the market. In addition, the specific territorial realities must be identified and analysed where decoupling, in addition to giving greater freedom of choice to agricultural enterprises, causes a risk of abandonment of farmlands. It is thus necessary to analyse the possible synergies of the CAP with rural development policies, identifying a suitable direction for intervention measures for the competitiveness of the enterprises (not just of a company nature) and for the preservation of agricultural income and employment in rural areas (including through intervention measures favouring diversification and the development of multifunctional services), paying particular attention to the areas most exposed to the risk of abandonment because of their geographic/environmental conditions.

With reference to the Milk CMO, the specific premium for milk has been incorporated in the single payment system, for which reason the restrictions previously provided for must naturally be reconfirmed for all beneficiaries of the single premium. With regard to this, those who are the object of a procedure for the recovery and/or blockage of the rights will not be granted access to measures provided for by the RDP.

b) Complementarity of Axis I objectives and CMO

In this regard, it is necessary for the intervention measures foreseen in the ambit of rural development to be coherent and complementary vis-à-vis the structural intervention measures and those for quality of the productions fundable within the framework of certain CMO. The Regions identify the forms of complementarity of the intervention measures financed in the RDP and those financed by the CMO in coherent fashion with the strategic lines defined by each CMO, in the same way as they set the demarcation criteria for the single operation among the different ambits of intervention.

As regards complementarity with the Fruit and Vegetable CMO and the Nuts CMO, it is necessary to recall the need for coherence in the strategies set by the PO in the different Regions and the consequent ones of the RDP. Generally speaking, to guarantee the demarcation between the actions of the PO and those of the RDP, the material and immaterial investments made by the PO and/or the operators participating in the single PO will be fundable in the RDP only in the event that the relevant Operational Programmes do not provide for specific measures or have exhausted the relevant available financial resources and, in any case, in observance of the criteria defined by the PO.

The Wine CMO provides for specific measures toward the restructuring and conversion of vineyards on the basis of regional plans for the purpose. The RDP will be able to intervene to finance analogous actions only in the event that the available financial resources of the CMO and supplementary actions in favour of the vineyards and wineries are exhausted (e.g. intervention measures consequent to plant diseases), as well as in favour of the *filière* after the vineyard.

It is appropriate for the strategic choices established in such programmes and in the RDP to be complementary, particularly with respect to the objectives of “Consolidation and Development of the Quality of Agricultural Production” and “Promotion of Innovation and Integration along the *Filières*” and such as to guarantee the integration of the production, processing and marketing phase.

The Olive Oil CMO has recently been the object of reform. Following this reform, aids have been completely decoupled, being incorporated in the single payment system; also, a deduction of 5% has been put into effect for programmes for improvement promoted by operators’ organisations. In this case, too, it is necessary to provide for synergetic choices, especially with reference to the objectives of “Consolidation and Development of the Quality of Agricultural Production” and “Promotion of Innovation and Integration along the *Filières*,” as well as in relation to the need to reduce the environmental impact of olive growing. Generally speaking, in order to guarantee the demarcation between the actions of the organisations and those of the RDP, the structural intervention measures carried out by operators belonging to the single organisations will be fundable only in the event that the relevant Operational Programmes do not provide for specific measures for company intervention or have exhausted the pertinent financial resources available.

The Tobacco CMO has recently been the object of reform. Beginning in 2010, aid will be completely decoupled. The resources that will be transferred to the RDP will have to be used for financing restructuring measures within the framework of the rural development policy, in the ambit of producer regions only. In this context, it is therefore necessary to provide for area projects in support of the conversion and restructuring of tobacco farms.

As regards the Sugar CMO, among other things the reform provides for the passage to completely decoupled direct payment, grant of aids for the restructuring of the processing industry and the possibility of granting an aid for diversification through the elaboration of national restructuring programmes charged to EAGF resources, which provide for the implementation of intervention measures pursuant to Regulation 320/06. These aspects of the reform will make close co-ordination with the intervention strategies defined in the different RDP indispensable. With particular reference to the National Restructuring Programme, the intervention measures will have to be concentrated in the beet production areas and will be “earmarked in support of the conversion of beet farms and sugar industries that cease production” to the extent fixed by Art. 6 of Reg. 320/06. As regards the additional resources provided under Art. 7 of Reg. 320/06, “the entire amount is earmarked for beet growers who cease production.”¹²

- c) Complementarity among the vertical objectives of Axis I and Axis II and the application of the rules pertaining to cross compliance.

As regards measures concerning the agro-environment, the animal welfare and the forestry environment, in the first place it is necessary to provide for payments that involve only commitments that go beyond the specific compulsory standards deriving from environmental

¹² Annex 1 to Agreement 2581 of 20 April 2006 of the Permanent Conference for Relations among the State, Regions and Autonomous Provinces of Trento and Bolzano.

cross compliance. However, it is also necessary for the application regarding all Axis II intervention measures for which the regulation so provides to be implemented guaranteeing the necessary synergy between the environmental objectives laid down in the NSP and those of cross compliance, to be achieved through the observance of the statutory management requirements (SMR), good agricultural and environmental conditions (GAEC) and any further commitments defined at the regional level.

Complementarity must also be guaranteed with respect to the Axis I objectives of “Consolidation and Development of the Quality of Agricultural Production” and “Improvement of the Entrepreneurial and Professional Capacity of Manpower,” on the one hand by creating the necessary links with support measures for farmers so as to comply with the standards of Community legislation and for participation in certified food quality systems and, on the other hand, by giving consideration to the role of training, information and consulting services to improve the knowledge of farmers about these themes.

5.4 Coherence and complementarity with other policies: the policy of Cohesion

The Regulation on rural development policy from 2007-2013 and the one regarding the policy of Cohesion stress the need to proceed to a planning of the single policies that is coherent and complementary, as well as highly integrated in terms of objectives and strategy for action. At the same time, it is necessary to define the fields of action of the policies, defining a clear demarcation as regards the action and intervention measures of both the EAFRD and Structural Funds (ERDF and ESF).

If, on the one hand, rural development policy is directed toward intervening in a specific productive sector, on the other hand it is aimed at the development of the territories and protection of the environment, territory and local cultural identities. All this implies a direct connection with the policy of Cohesion in terms of objectives and strategy for action that actually both the MAFFP and the Ministry of Economic Development – Department for Development Policies have attended to defining, availing themselves of their respective consultation and partnership processes.

The result of this concerted approach of the Ministries provides the necessary guidance for the elaboration of regional strategies for the Rural Development Programmes and programmes concerning the policy of cohesion.

From a general standpoint, the regional rural development programmes (EAFRD) and the regional operational programmes (ERDF and ESF) will be barred from funding the same type of operation for the same typology of beneficiary in the same territory.

The following section explains the general demarcation criteria of the NSP. The exact demarcation criteria will be made explicit in the Regions’ respective Rural Development Programmes (EAFRD) and Operational Programmes (ERDF and ESF); the responsibility for the definition of meticulous demarcation criteria and the verification thereof in the course of the implementation of the programmes is up to the different Management Authorities.

Improvement of competitiveness in the agricultural and forestry sector

By its very nature, the intervention of the EAFRD, limited to the economic development of small- and medium-size businesses, can contribute to the development of the agroindustrial *filière* only with reference to the production divisions foreseen by Annex I of the Treaty. In addition, the margins for intervention are restricted insofar as support for the sectors before and after the production process

(communication, training, research, innovation, etc.). This implies a need for the policy of Cohesion to adopt an intervention strategy that touches on themes and sectors crucial for rural, agroindustrial and forestry development and contributes, among other things, to the linkage of economic operators in the *filière*.

The following ambits of complementarity and demarcation are identified within the scope of the objective aimed at improving competitiveness in the agroindustrial and forestry sector:

- territorial infrastructures;
- research;
- training;
- logistics.

As regards territorial infrastructures (e.g. rural roads, rural aqueducts, ICT) *rural development policy* will intervene exclusively in the event of intervention measures involving secondary networks at the service of farms and forestry businesses, with priority being given to intervention measures directed toward creating or improving the link with a major network.

As regards research, the *policy of unitary cohesion*,¹³ in its role of an additional policy, guarantees intervention in themes that are crucial for rural areas, agroindustry and forests, encouraging processes of innovation in the sector able to contribute to the growth of competitiveness and employment, improving the link in the territory between the economic operators that have to make use of research results and the actors that produce the same research, promoting the mobilisation of key actors for the creation and diffusion of innovation in rural areas (actors that are external bearers of extra-local interests, such as banks, universities and research poles). FRDF action will be limited to the funding of industrial research and technological development projects in the agroindustrial and forestry sectors, while EAFRD will be responsible for experimentation and making any related investments.

In the Convergence Regions, the *policy of unitary cohesion* intervenes with specific actions aimed at guaranteeing the on-going training of workers in the agroindustrial sector and creation of innovative professional figures in rural areas, as well as at broadening the supply of training in favour of professional figures able to support the diffusion of innovation in the agricultural world (public administrators, popularisers, consultants, etc.). In the event that the European Social Fund does not intervene, the financing of such actions in the Competitiveness Regions can be the responsibility of rural development policy.

As regards logistics, the agroindustrial system requires a coherent whole of accompaniment measures aimed at both the “sphere of business competitiveness” and the “infrastructure sphere,” where the policy of rural development and the policy of unitary Cohesion will have to intervene in complementary form. It is therefore necessary to support intervention measures directed toward:

- rationalisation of transport and resort to intermodality on the part of businesses (*policy of unitary cohesion*);
- rationalisation of the refrigeration chain, with innovative intervention measures in connection with storage, processing and transport of goods, whenever possible starting from the farm (*rural development policy for farm investments and for investments in agroindustrial business in relation to Annex I products of the Treaty, with policy of unitary cohesion applying to the rest*);

¹³ “Policy of unitary cohesion” is understood to mean the policy of cohesion co-funded by the EU (ERDF and ESF) and the intervention of the Less Developed Areas Fund (LDAF).

- creation of integrated service companies for logistics, including with participation by the agricultural part of different sector divisions, able to handle significant product volumes (*policy of unitary cohesion*);
- realisation and/or rationalisation of logistical platforms and logistical poles referring to farms and agroindustrial businesses, of a dimension defined at the regional level, in areas with a pronounced vocation for “redistribution and concentration of supply” in addition to a vocation for production: support measures for territorial marketing, policies for the reorganisation of the territory for the integration of agrifood logistical poles and intermodal junctions (*rural development policy and policy of unitary cohesion*);
- training of agricultural producers in matters of logistics (*rural development policy and policy of unitary cohesion*);
- training in new professional skills along the “supply chain” (*policy of unitary cohesion*);
- infrastructure investments in the field of ICT (*policy of unitary cohesion*);
- business investments in the field of ICT, within the sphere of which it is opportune to support investments for the implementation of new communication systems (EDI) and information management systems for the purpose of improving the efficiency of business and marketing processes, aimed in particular at product control all along the “supply chain”: retraceability, monitoring of quality, security (*rural development policy for farm investments and for investments in agroindustrial business in relation to Annex I products of the Treaty, with policy of unitary cohesion applying to the rest*).

The exact sphere of funding for the intervention measures mentioned above in favour of logistics will be defined contextually with the approval of the National Strategy Framework for cohesion policy.

Improvement of the environment and countryside

The defence, valorisation and promotion from an economic standpoint of natural and environmental resources is a core objective of rural development policy, as well as of national action strategy. Therefore, it is opportune for these intervention measures to be incorporated in the broadest strategic planning, in an attempt to pursue in a co-ordinated way the strategy of sustainable development affirmed at Lisbon and Göteborg, as well as the commitments envisaged by the Protocol of Kyoto. This implies that:

- *rural development policy* should intervene with agro-environmental and forestry measures, as well as through cross compliance, promoting a set of actions able to contribute to the innovative management of natural and environmental resources;
- In the Convergence Regions the financing of the management plans and conservation measures pertaining to Natura 2000 areas and hydrographic basins, creating a favourable context for effective intervention by means of the specific measures provided for rural development, *can be financed with national resources*. In the Competitiveness Regions, if not financed *with national resources*, such intervention measures will be supported by the *rural development policy*.

In the management phase is necessary for complementarity to take the form of localised intervention measures for upgrading infrastructures in line with environmental regulations. The *policy of unitary Cohesion* intervenes in this ambit as an additional policy, as a supplement to the intervention of ordinary policies, in the financing of:

- collective irrigation infrastructures designed to save water;
- facilities for the reuse of water resources;
- works for the defence of the soil in areas of greatest territorial deterioration.

ERDF aid in the above-mentioned fields of intervention is limited to Convergence Regions.

Instead, the policy of unitary cohesion is designed to be operational throughout Italy insofar as infrastructures relating to biodiversity and investments in Natura 2000 areas, on the basis of a common strategy in the matter of biodiversity.

Quality of life in rural areas and diversification of the rural economy

The third strategic axis of the EAFRD regulation, concerning the quality of life and diversification of the rural economy, rightfully fits into the policies of support for local economies promoted by the Structural Funds. This implicates the integration of the two policies under different profiles:

- for intervention measures for the benefit of local economies, the integration is of a horizontal type, in the first place involving material and immaterial infrastructures, which must guarantee the accessibility and attractiveness of all rural territories. Other key themes are the promotion of innovation and entrepreneurship, access to the job market and capitals, and services for businesses;
- in the matter of the quality of life, the integrated action must be concentrated on the theme of socio-economic services (education, health services, etc.) and the promotion of animation and social inclusion;
- promoting a common strategy in the matter of tourism and cultural resources leading to the definition of shared strategies and aimed at strengthening the potentialities of rural areas.

With general reference to this ambit, the main criterion of demarcation will be the scale of intervention (in terms of finances and size) to be defined at the regional level, as well as the type of approach adopted for carrying out the intervention measures, providing the exclusive intervention of only a Fund (ERDF and ESF) for the common measures if an integrated territorial approach is adopted. Additional criteria to be applied at the regional level might be represented by the area affected by the intervention measure and typology of beneficiary of the same.

Finally, instances of linkage with the corresponding objective of co-operation included in the ambit of the cohesion policies will also have to be sought within the framework of actions carried out by EAFRD in the field of interterritorial and transnational co-operation.

Organisation and instruments for favouring integration during the implementation of the programmes

In the planning period at the national level, the forms of interinstitutional collaboration already provided for have led to the sharing of coherent and complementary strategies. It is necessary to continue along this line, defining solutions for “governance” able to facilitate integration in the implementation phase of the programmes, including in agreement with the economic and social partnership. In this sense, the following will be provided for:

- the setting up of a National Co-ordination Table for national strategies, where Ministries playing a lead role in rural development policy, cohesion policy and European fishery policy will be represented;

- creation of forms of co-ordination between the Supervisory Committees for the integration of the programmes and cross-participation, as rightful members, in the respective Supervisory Committees. That should be accompanied by the definition of operational and organisational modalities that promote active participation and the possibility of thoroughly examining the contents of such co-ordination. For example, this can be done through arranging for audits on specific themes relating to the integration of the two programmes, workgroups, etc.;
- definition of inter-institutional workgroups on specific themes (integrated planning, information and communication, evaluation, etc.), concerning which policy integration can translate into greater effectiveness of the intervention measures;
- performance of actions regarding accompaniment, training and updating on themes pertaining to different policies; transfer of good practices and exchange of experiences in integrated local planning gained, for example, within the ambit of Leader; and technical assistance actions in the planning of local development intervention measures;
- sharing of forms of management and implementation of the programmes, directed toward the integration of funds within the integrated planning, the identification of specific modalities for financial incentives for projects that provide for a close functional connection between/among intervention measures financed by different programmes, and the use of instruments such as protocols of understanding or programme agreements for matters where it is necessary to employ national resources, Structural Funds and EAFRD as a system;
- carrying out of co-ordination actions in the ambit of the monitoring and evaluation of rural development, policies of cohesion and other national policies.

5.5 Coherence and complementarity with other policies: European fisheries policy

The major elements of complementarity with the action carried on through the EFF are to be found in the possibility of the latter to finance sustainable local development initiatives (Art. 45, Reg. (CE) 1198/06) through the action of groups that represent the public/private partnership of a fisheries area.

If a group financed by the EFF and a LAG operate in the same territory, they will have to guarantee the coherence of the local development strategies carried on by the two groups.

The financing of intervention measures concerning fish farming will be financed exclusively within the framework of the EFF.

Agro-environmental intervention measures will be limited to productive farmlands whose eco-compatible management can have a positive effect on the waters of a basin that is the object of hydro-environmental actions funded by the EFF. Hydro-environmental intervention measures will instead be activated in non-productive farmlands in the neighbourhood of each basin, as well as submerged surfaces.

From the organisational standpoint, provision will be made for the creation of forms of co-ordination between/among the Supervisory Committees for the integration of programmes and cross-participation in the respective Supervisory Committees.

5.6 Coherence and complementarity with other policies: other community strategies

The whole intervention strategy proposed by the NSP (Chapter 2) is centred on the sustainable use of natural resources, promotion of a type of agriculture respectful of the environment and valorisation

of natural resources. Therefore, coherently with what was declared in the Göteborg strategy, in its objectives the NSP integrates the principles of sustainable development and the core objectives defined in the major European strategies for the environment, particularly in the following:

- Sixth Community Framework Programme of Action for the Environment;
- Strategy for Sustainable Development;
- Thematic Strategy for the Sustainable Use of Pesticides;
- Thematic Strategy for Soil Protection;
- Framework Directive for Waters;
- Action Plan for Biodiversity 2010;
- European Plan of Action for Biological Alimentation and Agriculture;
- Fight against Climate Change;
- Bio-energy policy
- Forestry Strategy.

The contribution of the objectives of the different Axes of the NSP in achieving the principal objectives defined in the above-mentioned European strategies for the environment are shown in the tables contained in Annex 5.

Also found in Annex 5 are tables reporting coherence with:

- the Plan of Action and strategy for research and innovation;
- European ICT Strategy.

Chapter 6 - Construction of the Italian National Rural Network

6.1 *Objectives and strategy of the National Rural Network*

Regulation 1698/2005 provides for the establishment and financing of the National Rural Network.

Until the publication of the said regulation and consequent reform of rural development policies, the objectives and tasks of the Network for rural development were viewed mostly in terms of the LEADER programme. For the planning for 2007-2013, the objectives and tasks of the Network are instead to be viewed in terms of rural development planning as a whole, thus including all intervention measures activated with the RDP, including those pertaining to LEADER.

Therefore, in the future the Network will have to constitute an opportunity for better integrating the structural intervention measures for agriculture, forests, the environment and those having to do with the quality of life and economic diversification, increasing the effectiveness thereof.

The general objectives of the network can be summarised as follows:

- to improve national and regional governance of the policies;
- to upgrade national and regional planning and management capacity;
- to favour a process of spreading information about the planning and dynamics of rural areas to all actors operating in the rural world.

The experience of the two editions of the LEADER National Network (1994-1999 and 2000-2006) on the one hand, and the Technical Assistance operational programme and system actions 2000-2006 for the Objective 1 Regions on the other hand, have made it evident that, in support and technical assistance activities for the regional administrations and LAG, an intense effort is required in terms of human resources and funding in order to encourage both diffusion of information and improvement of “capacity building” at the national, regional and local level. At the same time, in order to ensure an adequate effectiveness of the said actions, it is necessary for the same to be performed with a certain continuity and over a rather long time that certainly exceeds the single planning periods, inasmuch as certain of the most significant results may become apparent only in the long-term.

In order to accomplish the said general objectives, a national operational programme will be presented that, at a minimum, will have to promote the actions listed below:

- co-ordination and liaison actions vis-à-vis the activities performed in parallel by the European Network;
- information actions for the benefit of all the actors of rural development, to be realised with specific instruments (Website, national and regional meetings and seminars, popular publications, etc.) and for the benefit of civil and economic society, in order to make rural development policy and the entire common agricultural policy more visible;
- system actions designed to support regional administrations in their capacity as management authorities for Rural Development Programmes (RDP), to be realised through exchanges of experiences and skills, training activities, methodological support, diffusion of information about instruments and policies of a national and Community nature, support for the activities of the National Monitoring and Evaluation System for Rural Development, etc. In realising such system actions, obviously the most useful synergies will have to be ensured with the activities implemented in the ambit of the technical assistance foreseen by the RDP;

- support actions in favour of local action groups selected in the ambit of the RDP for 2007-2013 or coming from previous LEADER experiences. Such actions will have to focus especially on the field of exchanges of experiences and skills, preparation of training programmes and technical assistance for interterritorial and transnational co-operation;
- actions for the identification, active involvement and promotion of synergies with informal networks already existing in the territory, for the purpose of improving collaboration among all operating networks. Great attention will have to be paid in this sense to the LAG networks, CARREFOUR network and all other networks that promote collaboration between public and private subjects operating in the Structural Funds field (e.g. the environmental authorities network);
- actions directed toward the gathering, cataloguing, analysis, spreading and transfer of good practices and innovations in the field of rural development or the field of other policies having a significant impact on rural areas, particularly with reference to interactions with the Structural Funds, CAP and environmental policies;
- actions involving the analysis and study of the territorial dynamics and transformations of rural areas, directed toward orienting the planning of rural development in a more effective way;
- technical assistance actions for interterritorial and transnational co-operation, in synergy with the corresponding objective provided for by the cohesion policies and additional Community instruments available (e.g. ENPI and IPA).

6.2 Organisation of the National Rural Network

The National Rural Network will operate under the responsibility and co-ordination of the Ministry of Agricultural, Food and Forestry Policies (MAFFP), General Direction of Rural Development, which represents the Management Authority for the operational programme.

In the execution of the actions provided for, the Ministry will set up a specific national animation unit and will ensure liaison and co-ordination with the European Rural Network.

On the operational and management plane, co-ordination of the actions provided for will be ensured by a national co-ordinating committee, which the Regions and principal subjects involved in the functioning and implementation of the Network will take part in.

For the planning and definition of the plan of action in detail, the Network will make primary reference to the MA of the RDP, according to the repercussions at the regional level.

For the performance of the actions in the territory, the Network will also be able to avail itself of special regional field offices, to be identified and located in close liaison with the RDP Management Authorities.

The Supervisory Committee of the National Rural Network programme will include the principal representatives of the rural world that are beneficiaries of the Network's actions. The Network's activities and results will form the object of information and discussion in the ambit of the RDP Supervisory Committees, including as regards their impact at the regional level.

6.3 Leading beneficiaries of the National Rural Network

In the execution of the actions provided for, the national Network must ensure the involvement of the principal subjects of the rural world, namely:

- regional and national administrations involved in the realisation of the rural development and Structural Funds programmes;

- the LAG, their informal and formal networks and other networks playing a role in the intervention measures for rural areas at the local level;
- trade organisations, forestry associations, co-operative associations, associations of local authorities (municipalities, provinces and Mountain Communities), environmental associations, the Chambers of Commerce Union, industry, associations of technicians operating in the agroindustrial sector and local rural development planning, etc.

The involvement of these actors, inasmuch as they are beneficiaries of the actions of the Network, must be ensured on an on-going basis both in the set-up phase of the activities and in the evaluation of the results of the action programme.

For this purpose, the Network's Supervisory Committee will have to include qualified representatives of all the actors listed previously, in such a way as to constitute a partnership that is really representative of the different demands of the rural world.

Considering the numerousness of the subjects involved, the proceedings of the Supervisory Committee will have to be organised seeking to ensure not only maximum participation, but also the most effective contribution of individuals in planning and the evaluation of the results.

6.4 Funding of the National Rural Network

As provided by the Regulation (Art. 66, section 3), the objectives and actions of the National Rural Network will have to be defined through a special operational programme.

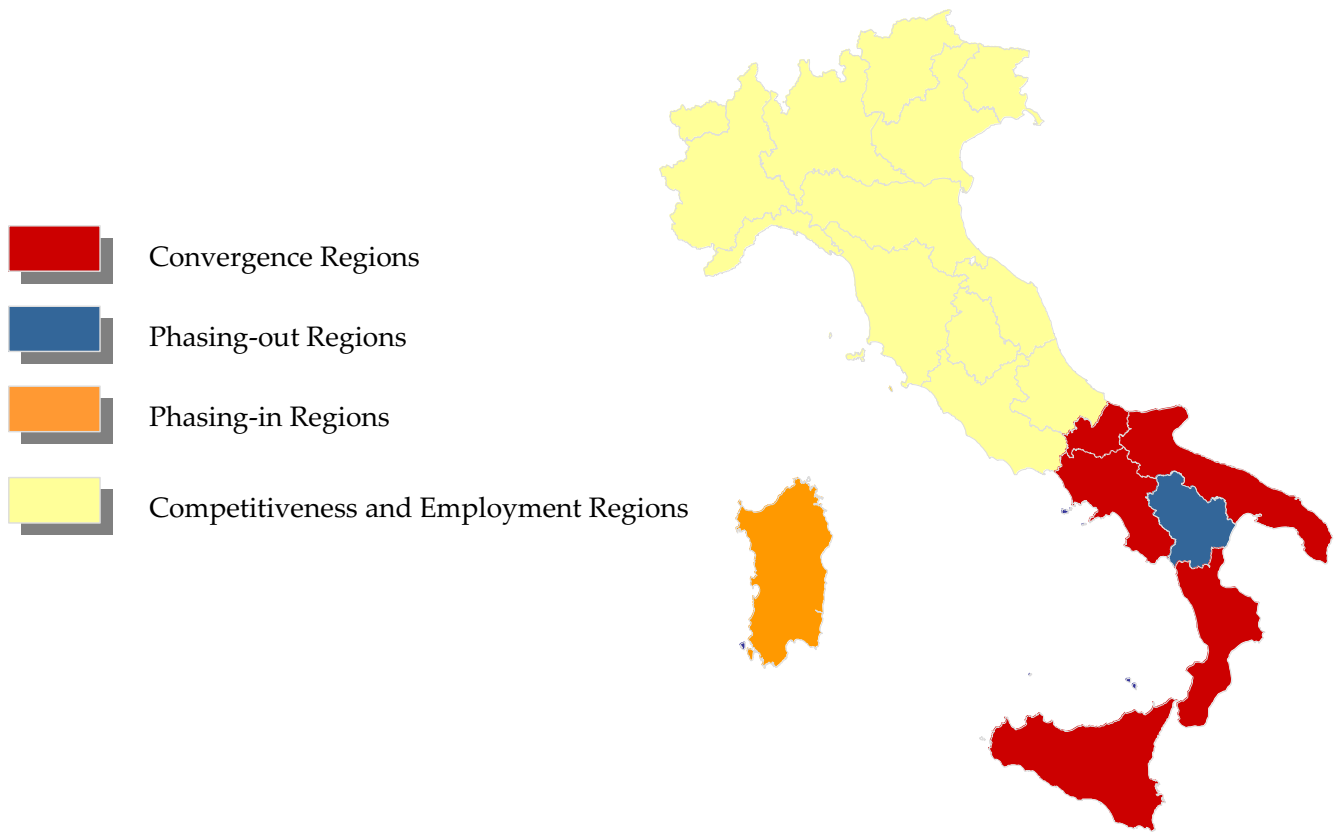
Since under the new planning the Network has considerably broadened its field of action, and at the same the duties and actions to be performed require an important commitment in terms of human resources and organisation, it follows that an adequate and congruous amount of financial resources will have to be earmarked for the realisation of the programme.

In light of the above considerations and the field of actions foreseen, the maximum amount of funding assigned for the establishment and functioning of the Network amounts to 0.5% of the total amount of funds assigned to Italy under the EAFRD for the 2007-2013 planning period.

Annexes

Annex 1

Convergence and Competitiveness Objective Regions in Italy



Annex 2

Principal Agricultural *Filières*

FRUIT AND VEGETABLE DIVISION

Fruit and vegetable growing constitutes one of the most important divisions of the Italian agrifood sector, on the average (2000-2004 period) representing 24% of the total GP of national agriculture, although it has been affected, especially in recent years, by a profound crisis that has regarded different stages of the *filière*.

In the 1998-2003 period, the area dedicated to growing vegetables (including dry legumes and potatoes) and fruit (including citrus) decreased 6.3% (ISTAT Structural Surveys). Among the reasons contributing to the reduction of vegetable and fruit area is the sharp decline in prices at the source and the increase in the prices of the principal production factors (fuels, combustibles, seeds and chemical inputs), which have thus generated a sharp drop in incomes.

However, the lower prices at the source have not been reflected in retail prices. In the 2000-2003 period, average fruit and vegetable retail prices actually grew 24%, followed by a reverse trend that has mainly involved the fruit division, with an 8% reduction from 2003 to 2005, compared to -1% for vegetables (source: Centro Servizi Ortofrutticoli).

It is evident that the increase in retail prices has been caused by higher prices put into effect in segments of the *filière* down the line from agricultural production, leading to retail price hikes, for certain products (e.g. carrots, radicchio, salad) as much as 25-30 times that received by growers. This in turn shows how the process of price formation is thus characterised by slight transparency to the detriment of farmers and consumers.¹⁴ In fact, in addition to reduced agricultural incomes, all this has caused reduced consumption, that began as early as 2001, which in five years has led to a drop in purchases in terms of volume amounting to 1.6 million tons (-16%), more evident for vegetables (-20%) than fruit (-13%). Therefore, the outlay for fruit and vegetables increased in value until 2003, then decreased in the following two years (Source: CSO). Nevertheless, there has been an increase in the consumption of frozen vegetables and range 4 products, above all regarding salads.

Overall, in 2005 approximately 27.4 million tons of fruit and vegetables were produced, 59% of which consisting of vegetables, on 1,337,000 ha. In 2004, the GP reached 10.7 milliards of euros, basically evidencing a trend to growth in the 1998-2004 period, dictated by increased supply in terms of volume that, in light of reduced home consumption, is an index of the scarce liaison among the various segments of the *filière*.

However, the positive fruit and vegetable trade balance increased by 61.4%, going from 420.5 million euros in 2004 to 678.7 million euros in 2005, caused by a rise in exports from 3.2 million tons in 2004 to 3.5 million tons in 2005 (+9.1% in volume) for a value of 2.9 milliards of euros (+15.3%). On the foreign front, the dangerous drop on exports to markets, such the German market,¹⁵ that historically form the most important outlet for Italian exports is cause for concern. In addition, there is powerful competition from countries able to produce at lower average unit costs,

¹⁴ It must be borne in mind that the intermediation margin in Italy is Europe's highest.

¹⁵ In the five-year period from 2000-2004, volume exports to Germany registered a -41% decrease for citrus; -22% for vegetables, legumes and potatoes; and -14% for fruit.

above all in terms of the labour factor, which involves both traditional competitors, such as Spain, and new ones, such as Egypt, Morocco, Turkey, Tunisia and, more recently, China and India.

In 2004, the turnover for processed fruit and vegetables exceeded 4.8 milliards of euros (at current prices), marking about a 4% decrease compared to the previous year. This trend is also reflected in the fruit and vegetable turnover compared to that for the agri-food industry as a whole, which dropped by about 6%.

The negative consumption trend and ever increasingly stiffer foreign competition require intervention measures aimed at relaunching the fruit and vegetable division from the standpoint of both supply and demand.

On the supply side, it is first of all necessary to act on the front of reducing production costs through the adoption of cultivation techniques having less intensive production inputs and, above all as regards greenhouse productions, a greater resort to alternative energy sources. In fact, the possibility of reducing the costs of regular labour is less likely, which, for example, are higher in Italy than in Spain. An increased orientation of producers toward the market can be facilitated by conducting courses concerning not just the production aspect, but also and above all the acquisition of adequate commercial and marketing techniques.

In addition, it is important to financially support varietal conversion for productions that are inadequate in terms of market requirements, as well as measures for the fight against phytopathologies. On the other hand, varietal conversion is opportune only in areas not characterised by the presence of a local genetic patrimony that must be safeguarded, which require the undertaking of suitable valorisation campaigns.

In general, there is a need to elaborate and support efficacious policies in support of quality. In this regard, it must be considered that Italian fruit and vegetable productions are the healthiest in Europe because characterised by the lowest presence of pesticide traces. In addition, biological farmland is once again increasing (Cia, 2006).

The level of market transparency can be increased through the promotion of *filière* agreements between producers and distributors, by means of which the acquisition by distribution of well-defined volumes of product each year is planned. In addition to allowing producers to plan production, such agreements lead to an optimisation of the *filière*, above all benefiting distributors and favouring price stabilisation to the advantage of consumers, facilitating *filière* integration and activities for the valorisation of products made in Italy.

Again for purposes of facilitating *filière* integration, it is opportune to attend to the promotion of higher levels of efficiency in the distribution network and intermodal transport systems, along with an optimisation of the logistical systems, objectives that are extremely important in the case of fruit and vegetables, which implies the management of fresh products and a refrigeration chain. Finally, it is deemed indispensable to realise modern polyfunctional marketing platforms, aimed at facilitating all commercial activities.

At the national level, it would be important to establish a fruit and vegetable land register in order to obtain reliable data on national production and for planning purposes.

On the demand side, instead it would be indispensable to proceed to realise a programme of food education and the promotion of consumption, including at sales points, as well as the relaunching of food culture through a purchaser's guide extolling the seasonal aspect, safety and convenience of Italian goods, and the positive effects on health of the consumption of fruit and vegetables.

DAIRY DIVISION

Despite the fact that in the 1998-2005 period the number of milk cows declined by about 13% and that of milk ewes by 12%, the dairy division still has strategic importance for the Italian agrifood industry. In 2005, this division, with its 4.3 milliards of euros, accounted for 9.5% of the production of the base prices of agriculture, while the turnover for processed dairy products, amounting to 14.1 milliards of euros, represented 13% of total turnover of the food industry (107 milliards of euros).

Analogously to the previous year, the trade balance for dairy products, although still negative, improved slightly, inasmuch as exports increased by 1.4%, reaching 1.2 milliards of euros, while imports, amounting to 2.2 milliards of euros, dropped 0.7%. However, if exports continue to increase from the standpoint of quantity (231,000 t. or +4.8% compared to 2004), they decreased in terms of unit prices (-3.1%), above all on the case of sheep dairy products, with sharp drops in quotations, as well as in the price of sheep milk at the source. In any case, it is important to point out that, after thirty years of steady increase of negative trade balances for cheeses, since 1994 a reduction in the same has been registered, thanks to the ever increasingly greater demand for quality cheeses (PDO and PGI) made in Italy. In this regard, it must be considered that 80% of cheese exports regard a small number of cheeses, such as Mozzarella, fresh cheeses, Grana Padano, Parmigiano Reggiano, grated cheeses, Gorgonzola, Pecorino Romano and Provolone, meaning that there are still ample margins for development for numerous still little-known Italian cheeses.

Foreign demand for cheeses with a high level of typicality and value added is increasing, above all on the part of new areas of consumption of these products. Dairy products projections for demand over the next ten years, circulated by OCDE, FAO and the Commission, sketch a picture of great expansion of the demand for these products in many areas of the world, forming an important presupposition for the elaboration of a strategy for the development of the sector more oriented toward foreign markets, while greater participation on the international scene may entail a shift of competition on the world market from commodities to the more sophisticated plane of cheeses. In fact, it is well-known that the presence on foreign markets of products made in Italy and PDO products causes a series of difficulties due to the improper use of the mark, imitation and, more generally, a much more complex and articulated level of competition, which could become even more pronounced with new countries entering the scene.

Among the critical elements of the division is the weakness of Italian milk zootechnics structure which, despite a sharp drop in the number of dairy farms in recent decades, is still characterised by farms whose average size is too small to allow reaching the necessary levels of technical and economic efficiency. Naturally, ample surveys indicate exceptions to the rule, mainly in the heavily zootechnic areas of Lombardy, Veneto, Emilia, Piedmont and northern Italy in general.

It is further necessary to point out the profitability crisis that is striking Italian dairy farms, which are subject to increased production costs coupled with decreased sales prices for their products. Actually, the prospect is that cowshed milk prices may drop even more in the next years due to a natural alignment with the EU average, while milk production costs are ever increasingly more affected by increased crude oil prices and inflation in general regarding our economy. On the other hand, the CAP reform might also result in lower cereals and forages prices, which would partially compensate for the increase of other cost components.

The situation of the dairy industry is analogous, especially if one observes the dynamics of prices at the source, i.e. ex cheese factories/dairies, of leading dairy products. With due exceptions, it is pointed out that cyclical increased dairy production has clashed with a widespread weakness of home demand, causing a twofold spur to lower price lists for many products.

The price dip affecting both ovine and bovine milk requires appropriate initiatives aimed at increasing farm competitiveness through the promotion of quality, therefore reflected in cheese prices so as to maintain adequate income levels for farmers.

First of all, it becomes opportune to proceed to an extensivisation of dairy farming techniques, including through new forms of organisation with neighbouring farms, so as to make possible the use of former sown lands of other farmers. In addition, it is important to differentiate productions by adopting dairy farming techniques hinging on animal welfare, local breeds, grazing, etc.

The improvement of dairy farming techniques should also take place through the development of technical assistance and business consulting services, in any case including for the purpose of adapting such farms to new regulations in the matter of food safety, animal welfare and environment.

Competitiveness should also be stimulated in any case through increased funds for research, modernisation and simplification of the normative provisions regulating the division.

Once again for the purpose of stabilising farm income, support should be given to production diversification by performing activities that complement farming, such as energy production, processing in mini- and/or inter-farm cheese factories/dairies to be realised and direct sale. When the short *filière* does not represent a solution sufficient to ensure the adequate profitability of the dairy farm, it is important to adopt the necessary measures for redressing the balance of relations between the agricultural world and distribution.

The carrying out of training activities should be addressed to the operators of the entire *filière*, also directing the same toward fostering *filière* integration.

It is likewise opportune to provide incentives for the creation of short distribution chains, particularly in segments of the restaurant business, including catering, for the valorisation of traditional products.

Similarly to the other divisions, the need is recognised to implement intervention measures to improve logistics, including by the creation of synergies with other divisions in the management of the refrigeration chain.

On the demand side, the importance is underlined of implementing food education programmes and the improvement of the nutritional features of diet through consumption of milk and its by-products, aimed above all at young and old segments of the population.

WHEAT DIVISION

The wheat division plays an important role in Italian agriculture. However, if in 2004 wheat production value at current prices amounted to 2.15 milliards of euros, increasing by 20% compared to the previous year and representing 4.4% of gross national marketable production, in 2005, wheat production value dropped to 1.28 milliards of euros, representing 2.8% of total agriculture production.

This drop is mainly attributable to durum wheat. In the 1999-2003 period, the number of farms growing durum wheat decreased (-5.7%), while the average area so cultivated per farm increased (+3.7%), thus causing average durum wheat cropland per farm to increase (from 5.7 to 6.3 hectares). However, the recent reform of the cereals COM has had negative repercussions on

durum wheat, causing 2005 production to drop by 20% (from 55,457 thousand to 44,271 quintals). The 2005 performance of non-durum wheat was instead similar to 2004, with increased production compared to the previous year (+6.6%) totalling 32,978 thousand quintals. However, the 1999-2003 period witnessed a drop in both the number of producer farms (-38%) and area so cultivated (-28%), including because the crop was less remunerative in terms of Community support, particularly compared to maize, confirming the division's trend toward ever increasingly greater specialisation on the Po plain (Piedmont, Lombardy, Veneto and Emilia-Romagna) and certain hill areas of central Italy (Umbria and Lazio). In any case, this evolution appears destined to reverse itself due to the effect of the decoupling of aids, which ought to once more limit cultivation to the more traditional growing areas.

As instead regards industrial processing, despite a 1.2% production increase, the turnover of the milling industry – 2.2 milliards of euros – decreased by 11.3% compared to 2004 due to the drop in farm prices (-12.4%), confirming the negative trend of the previous year (-2.1%).

The slow restructuring process of the first processing division thus does not seem to affect the economic results of the milling industry enough to compensate for the negative trend of prices at the source; also, the industry is suffering from a loss of competitiveness in traditional foreign market outlets.

According to estimates of the Italian pasta manufacturers association (Unione Industriale Pastai Italiani or U.N.I.P.I.), the production value of dry and fresh pasta for 2005 totalled 3,409 million euros, a 1% increase over 2004.

The entire wheat *filière* is therefore driven by the confirmed good results of the second processing sector (manufacture of pasta, baked goods and biscuits), which over the last five years has gained new shares of the foreign market (the value of pasta exports to the USA actually showed a 10% increase, with positive signals coming from certain emerging countries, such as Russia, China and India, in addition to some of the new EU Member States) and has greatly broadened the range of the supply in an attempt to counteract the structural decline of national demand.

The production picture is reflected in the decided improvement in the trade balance of wheat and its by-products, which rose 11%, approaching the 1 milliard euros mark.

From the *filière* standpoint, the division's development in competitive terms is closely tied to the quantitative and qualitative level of the national wheat supply. The high variability of the harvests and product characteristics of the grain affect the price trend of the home market and also, in part, the resort to foreign markets by industrial processors. Today, our country must in fact import 30% of its durum wheat requirements and in the future may have to import as much as 50%-60% of its non-durum wheat requirements (ITALMOPA, 2006).

The improvement of quality along the *filière* rests on the improvement of cultivation techniques and on the storage and marketing of grain lots having homogeneous quality. The raising of the qualitative level of the wheat within the *filière* could turn out to be crucial for the purpose of counteracting the structural decline of commodities prices, guaranteeing an adequate national supply and remuneration level, reducing the resort to foreign markets for premium quality lots and protecting the characteristics of agrifood products made in Italy. Another objective on which attention must be focused is the reduction of logistical inefficiency in transport, which in any case is an objective cutting across the entire agrifood sector.

In parallel, in order to achieve cereal growing that is sustainable from the economic, environmental and food safety standpoint, it is deemed indispensable to invest in research, experimentation and the transfer of such know-how.

As regards processing, it appears necessary to accompany the needed profound structural and organisational restructuring of the milling industry, paying attention above all to cost containment and the improvement of management organisation, often involving family-run businesses.

Finally, on the marketing front it is necessary to encourage direct producer/user contractual relations, so as to reduce useless and costly brokerage, including by the supply of services to the milling industry, such as providing for homogeneous lots, storage, and the selection and transport of the product.

MEAT DIVISION

Cattle

In 2004, the cattle sector, with a production value at current prices in the amount of 3.5 milliards of euros, considerably exceeds that of hogs (2.3 milliards of euros) and poultry (approximately 2 milliards) and represents 7.7% of total national agricultural production, even though suffering a drop of almost 6% compared to 2003. Instead, in the industrial ambit a moderate growth in turnover is observed (+2%).

On the demand front, in the course of recent years the drop in beef consumption caused by the BSE crisis has been partially compensated for. In fact, in the 2001-2005 period, consumption increased by 8.7% (+11.2% in the EU-15), with a slight decrease witnessed in the number of purchaser families, but a modest increase in the amount purchased per family and per capita consumption (from 22.7 kg to 24.4 kg per capita per year for the same period), as well as a contrasting trend toward both high quality and best price products.

Foreign trade data for cattle in the five-year period from 2001-2005 shows a very slight increase in imports (+0.6%) and a much greater increase in exports (+131%), including due to the fact that Italian meat is considered safer. As for beef, both refrigerated and frozen, from 2003 to 2005 imports expressed in terms of volume increased (+3.8%), while exports instead decreased (-4%).

From the structural standpoint, in 2003 the beef division was characterised by the presence of about 80 thousand farms with non-dairy cattle and around 2.5 million head, considering the entire meat *filière*.

Despite the substantial recovery over the last two years, in the past five years average production prices dropped 8% owing to a significant decline in the calf and cow segment. Considering the contemporaneous growth in the prices of current means of production (+8%), rate of trade of breeders dropped by approximately 15%. However, in the 2000-2004 period average beef retail prices increased by 8%.

As regards the application of the CAP reform, the repercussions it will have are not yet clear. In the medium-term, it is reasonable to expect both a gradual reorganisation of production in the division in the direction of more competitive models in terms of costs, qualitative valorisation and differentiation, as well as a more or less considerable and rapid downscaling of production. Due to decoupling, application of the reform changes the economic convenience of breeders to a significant extent, bringing to light their competitive disadvantage vis-à-vis other EU countries. In the short-term, the market may show greater instability as a consequence of choices on the part of operators that are more tied than in the past to the evolution of prices and costs of production. Considering the underlying market, which is conditioned by the competitive pressure exercised by modern distribution, operators will be influenced primarily by the price of facilities and feeding, which will influence the profitability of the farms and slaughterhouses.

Hogs

With its approximately 120 farms (ISTAT 2003), the hog division is second in economic terms only to the cattle division. In 2005, national swine resources numbered almost 9.2 million head, increasing 2.5% compared to 2004 and 6.4% compared to 2000 (ISTAT). The value of hog production instead decreased by 11.4% compared to 2004, amounting to some 2.04 milliards of euros and accounting for about 5% of total agricultural production. Pork processing turnover instead exceeded 7 milliards of euros, accounting for almost 7% of the turnover of the agrifood industry.

The price trend has been generally stable in the retail market for fresh cuts, while greater difficulty was encountered by industrial cuts, with a hefty drop (-10%).

As regards foreign trade in 2004, the division's overall deficit showed further improvement (-2.4%), attributable to increased trade relations with Eastern European countries. The year 2005 witnessed a substantial increase in hog exports (+338.2%), essentially due to a sudden increase of such exports to Hungary, where it is likely that the pigs are processed on arrival, since that country's swine resources show but slight variation. Instead, pork exports decreased by 13.6%. An opposing trend is also observed for imports: while hog exports decreased sharply (-27%), confirming their decline (-56% since 2001), pork exports rose (+2.1%).

In 2005, pork consumption showed a 3.8% increase in volume and 5.3% in value compared to the previous year. Purchases were concentrated in supermarkets and hypermarkets (61%), similarly to cold meats and salami (70%), which increased 0.9% in volume and 2.1% in value. Overall, in the 2000-2005 period national pork consumption showed an annual average variation rate of 0.3% in volume and 1.8% in value (ISMEA-Nielsen data). In fact, in the same period annual pro-capita pork consumption rose by 3.8%, going from 36.5 kg per year in 2000 to 37.9 kg in 2005.

Italian pig farming is distinguished by its specialisation in "heavy" hog production (i.e. with a live weight at the time of slaughtering of over 160 kg), necessary above all for the production of Italian uncooked hams with PDO, of which Prosciutto di Parma and Prosciutto di S. Daniele are the two most important in terms of volume and fame.

The cold meats and salami segment has confirmed greater dynamism in foreign trade. Nevertheless, lower prices have caused difficulty for the market, burdened by a general slump in consumption primarily affecting the costliest products. The home purchase trend has in fact registered an increase only for the most economical cuts. On the other hand, hog prices tend to undergo cyclical fluctuations in the medium term due to the periodic failure of production and consumption to coincide in both the national and European market.

Sheep and goats

In the 2000-2005 period, national sheep resources – over some 70% of which is concentrated in southern regions – grew 17%; in 2005 alone, the increase was 11.9% over the previous year, reaching 7.954 million head, while goats increased by 2.4% to 945 thousand head (source: EUROSTAT). The year 2005 was a positive one for sheep exports, which rose 37% compared to the previous year, reaching 61,500 head, and for mutton and goat meat, with nearly a 27% increase for a total of 1,240 tons. Although sheep imports increased just 5.4%, they exceeded 1.8 million head. Similarly, imports of sheep/goat meat rose by 18.9%, reaching 28,292 tons (ISTAT data). The dependence of the division on foreign production is therefore evident. In addition, in the same 2000-2005 period the slaughtered meat supply registered a dip (ISTAT: -7.7%).

As instead regards home demand, it is pointed out that in the 2000-2005 period consumption suffered a 6.4% drop in volume for a total 85,600 tons, probably due to reduced spending power, which caused consumers to turn to the purchase of more economical products (source: European Commission). Following the changes made by the Commission in the system for the survey of production price, which provide for the definition of two categories of lambs – heavy and light – for Italy, these prices have been surveyed in the regards of the second category. It is therefore recorded that, owing to a short light lamb supply, the current average production price increased by 16.7% from 2001 to 2005, and by 10.6% in 2005 compared to the previous year.

An observation of the leading indicators evidences the numerous and enduring difficulties of the mutton and goat meat division. In fact, in recent years the rate of self-supply (production/consumption ratio), has dropped sharply, going from 51.4% in 2000 to 43.2% in 2005 (data: European Commission). In analogous fashion, export, which in 2004 amounted to 5%, is far below the average for the other meat divisions.

Poultry

In the last quarter of 2005, the “avian flu” alarm caused a serious crisis in the Italian poultry meat division. In fact, in the September-December 2005 period, a collapse of consumption was witnessed (-70%), with pro-capita consumption dropping from 18.42 kg to 16.67 kg and production prices dipping to half of production costs, which trend lasted until the first quarter of 2006. The chicken meat division was hardest hit by the slump, with 31% of the product remaining unsold (something that had never occurred in the previous 35 years). In the turkey division, overproduction was limited to 14%. Therefore, in this period losses for the entire *filière* exceeded 458 million euros.

The sole bright spot for the quarter consists of a 40% increase in exports for the division as a whole, inasmuch as abroad Italian poultry products were considered safer because of the greater controls performed. Overall, according to the estimates of the producers’ association (“Unione Nazionale dell’Avicoltura” or UNA), the incidence of poultry production, which for 2005 was estimated as amounting to 1.450 million euros (-17.6% compared to 2004), on agricultural GP went from 4% in 2004 to 3.3% in 2005.

In addition, again in 2005, turnover in the poultry meat division dropped to 2,450 million euros – compared to 3,150 million euros in 2004 and 3,500 million euros in 2003 – with a reduction of 22% compared to the previous year.

The 2005 trade balance shows clear improvement over 2004, with an increase in the balance of 68%, due somewhat to exports (+2.6%), which rose to 222.4 million euros, but far more to reduced imports (-41%), which dropped to little more than 75 million euros.

From the Structural Survey conducted by ISTAT, it emerges that in 2003 poultry farms numbered 90 thousand units.

Meat division needs

In order to promote the relaunching of the cattle and sheep/goat division, it would be opportune to encourage the reintroduction of such farms in the inland hill areas to valorise the forage resources that will be replacing cereals in the aftermath of the CAP reform, to reduce fixed costs and feeding costs, and therefore to increase national procurement (particularly cattleshed calves). Specifically, the raising of sucking calves should be encouraged in central and southern Italy.

Still regarding zootechnic farms, it is necessary to promote forms of association for the management of services for their benefit, as well as the development of specific insurance instruments for the division, for example against the spontaneous spreading of infectious pathologies (such as avian flu) and access to credit.

Another objective to be pursued is improved quality of products of animal origin, distinguishing Italian productions with collective marks and retraceability, then identifying new export markets for certified quality products.

In addition, it becomes necessary to introduce technological process and product innovations designed to valorise the front quarters (cattle and hog) and minor species.

Finally, in order to foster greater *filière* integration, it is necessary to encourage contractual forms involving breeders and fatteners at the interregional level.

OLIVE DIVISION

In Italy, the olive division has enormous importance. In fact, in structural terms, the farms dedicated to growing olives in 2003 totalled nearly 890 thousand units or 45% of total farms in Italy, while area – which increased between censuses (+4.6%) – amounted to 1,050,746 hectares or 6.8% of total UAA.

Instead from an economic standpoint, in 2004 base price production of the olive division amounted to 2,401 million euros, with a positive variation of 9.2% compared to 2003, confirming the growth trend that has characterised it in recent years, with a 5.2% share of total marketable production. The division's economic importance reaches peak levels in the southern regions, especially Calabria and Puglia, with almost 30% and 17% of the agricultural value produced by them, respectively.

Olive oil consumption shows a drop in volume, but an increase in terms of expenditure, which is an indicator of the consumer's ever increasingly more pronounced inclination to purchase extravirgin olive oil, which for the most part, however, is still considered to be an undifferentiated product. Therefore, there is an increasing awareness on the part of those in the business of the need to implement suitable strategies for the valorisation of the product and communication, including for the purpose of highlighting the enormous price differences of the various olive oils present on the final market, which large-scale retail trade for its part tends to attenuate with ever increasingly more aggressive sale policies, in order to counteract the possible negative effects on sales. Together with sharp fluctuations in production and stiff competition from imports, this clearly contributes to causing great variability in production prices, which is a much more pronounced than is the case with retail prices.

As regards foreign trade, Italy occupies first place worldwide among olive oil importer countries; in 2004, olive oil imports increased over the previous year in terms of quantity (+11%) and cost (+21%); in addition, the increase is continuous, including owing to the improvement in the composition thereof from the standpoint of quality (with a 33% reduction in the amount of imported husk oil). Exports also are on the rise (+5% in terms of price and +16% in terms of value), especially to countries that are not traditional producers, such as the United States, Canada and Japan, where the dynamics of consumption still offer the prospect of ample margins for development, particularly for quality olive oil, in the production of which Italy clearly distinguishes itself in terms of both biological and PDO.

At the European level, Italy in fact is the leader in typical olive oil production recognised in the Community ambit with 36 PDO and 1 PGI,¹⁶ which represent 43% of the olive oil designations of origin recognised by the EU. In addition, it must be considered that there are as many as 350 types of cultivars in production, confirming the enormous varietal patrimony of Italian olive growing.

At the industrial level, first stage processing is subject to a restructuring process, which is causing the number of oil presses to shrink and allowing the progressive introduction of technological innovations in the mills.

The operational provisions of the COM reform will have to encourage the orientation of businesses toward the market with greater conviction and resolution, something which is hindered by the small average size of commercial olive orchards (1.2 hectares). In particular, competitiveness along the different stages of the *filière* at both that national and international level will be tied not only to the containment of the costs of production and processing, but also to a whole set of other factors, such as:

- production capacity and efficiency of territorial production systems;
- capacity for the differentiation and qualification of the end product;
- efficiency of the commercial and logistical organisation;
- marketing strategies both individual and collective.

However, the payment of direct income aids to olive growers completely detached from production might lead to the abandonment of olive orchards that are less productive and more difficult to manage. It is therefore opportune to promote a high degree of co-ordination between Pillar I and II of the CAP, concentrating resources in favour of the less favoured areas and non-production investments where the continuation of commercial olive growing is unsuitable from an economic standpoint and, whenever possible, to encourage investments directed toward the mechanisation of activities in connection with the management of olive orchards, avoiding the replanting of age-old ones, which would risk jeopardising the environmental and social sustainability of olive growing without ensuring the stability of the agro-systems and the renewability of their fundamental resources. This entails the implementation of management strategies for olive growing activities based on the concepts of sustainability, multifunctionality, technological innovation and valorisation of the productions.

As for processing facilities, it is opportune to continue the process of restructuring and rationalisation, as well as to increase their storage capacity. Moreover, a set of measures should be directed toward implementing a system of agreements between packers and distributors in order to improve logistics and distribution, as well as a network for both technical assistance (for traceability, environmental impact management and certification) and services (for chemical and organoleptic analysis, labelling, product valorisation, etc.).

In addition, agreements among the different operators in the division should be promoted, including in order to ensure improved product quality all along the *filière*, supported by studies and research for the proposed and suitable commercial, marketing and communication strategies. In this regard, the importance of giving continuity to the segmentation process of the extravirgin olive oil supply must be borne in mind, in view of sharp growth in the consumption of biological and especially PDO olive oils, despite their appreciably higher price.

¹⁶ Register of Protected Designations of Origin and Protected Geographical Indications (Reg. EEC No. 2081/92 of the Council of 14 July 1992) as at 5/10/2005.

In addition, on the demand side it is opportune to carry out consumer information programmes concerning the characteristics of extravirgin olive oil, with particular attention to PDO and biological olive oils.

GRAPE AND WINE DIVISION

The grapevine is one of the most widespread types of arboreal cultivation in Italy. In 2003 (ISTAT Structural Survey), grape growing farms numbered 605,806 units (31% of all farms), with 773,177 hectares of vineyards (5% of total UAA, excluding data pertaining to public institutions).

In the 1998-2003 period, the area devoted to growing grapes for wine, especially table wine, shrunk, with the COM wine provisions in the matter of the restructuring and conversion of vineyards contributing to this.

In 2004, QWPSR wines – i.e. CDO wines (totalling 307) and CGDO wines (34) – represented over 31% of national wine production in terms of quantity, with 16.7 million hectolitres, showing a 15.3% increase compared to the previous year.

Overall, national base-price wine production (realised with self-grown grapes) showed a 15% increase over 2003 (current prices), attaining a value of 2.3 milliards of euros and representing 5% of national agricultural production value.

In 2004, overall turnover in the wine division instead reached 7.2 milliards of euros, with a 2.6% reduction compared to the previous year (“Federalimentare” estimates), confirming the division’s fourth place position (with a share of about 7%) in terms of importance in the Italian food industry, after the dairy, confectionery, and cold meats and salami industry.

As instead regards prices at the source, in recent years there has been a 10.4% drop, contrary to the expectations of investors.

Focusing attention on domestic consumption – in decline already beginning in the late 1970s – in 2004, the value of family wine consumption rose 3% compared to the previous year, reaching 1.5 milliards of euros. In particular, QWPSR consumption grew 5% over 2003, representing 42% of total family wine consumption. The year 2004 turned out to be positive in terms of foreign demand as well. Overall, exports amounting to 3 milliards of current euros increased by 3% (constant euros),¹⁷ which translates into a 2% increase to the EU, 2.5% to the USA and the acquisition of market shares in the emerging countries.

QWPSR exports instead exceeded 1.3 milliards of euros, of which 73% pertaining to reds and rosés. In this case, too, the major importer countries in terms of value are the United States, Germany, United Kingdom and Switzerland, in that order. Despite the fact that 2004 showed signs of recovery compared to 2003, in the 2000-2004 period QWPSR exports decreased 18%, primarily because of the sharp price increases that characterised the latter half of the 1990s and early 2000s, as well as stiff competition from untraditional producer countries, such as Australia, New Zealand, Chile and Argentina. Moreover, the safeguard of the product’s image is hindered by the great fragmentation of the supply and the small average size of the farms (1.3 hectares of vineyard per farm). The large number of Italian designations of origin and the low production volumes of many of them in fact do not easily jibe with the procurement policies of modern distribution chains and

¹⁷ The following wines are included in the aggregate: spumante, sparkling wines, QWPSR whites, QWPSR reds and rosés, non-QWPRS whites, non-QWPRS reds and rosés, other wines (dessert wines), musts and aromatised wines.

the penetration of new markets. It would therefore be opportune to undertake campaigns for the valorisation and promotion of quality wines, above all on the part of the single co-operatives/associations involved in their safeguard, as well as to promote forms of supply aggregation adequate for reaching a suitable critical mass, but always without debasing the specific features of the farms and areas.

The overall trade balance, which is traditionally positive for the division and shows considerable growth, registered a 4.1% increase in value in 2004 compared to 2003.

Among intervention priorities, with regard to agricultural production a progressive selection of areas is necessary with a reduction of the same when it is impossible to reach an adequate qualitative production level, as well as to proceed to an intensification of the process of valorising and improving native varieties for the purpose of optimising the plant/environment ratio.

Instead as regards the processing stage, it would be necessary to move ahead with the modernisation of processing facilities – including scaling them in terms of the actual quantity of grapes to be processed – as well as bottling facilities and conditioning warehouses/storerooms. The introduction of product innovations in the medium/low market bracket should instead be designed to achieve a good quality/price ratio for wine for “everyday” use.

A rationalisation of logistics would be opportune in order to reorganise physical and information flows and to optimise the costs of the entire production *filière*.

On the foreign front, export should be encouraged and supported, above all to the emerging markets, accompanying the presence of the Italian product with suitable promotion and communication actions.

FLORICULTURE AND NURSERY DIVISION

In 2005, the base-price production of the floriculture and nursery division represented over 7% of national agricultural production. From 1998 to 2003 (ISTAT), the number of businesses producing flowers and ornamental plants decreased drastically (approximately -19%), dropping to 31,159 units.¹⁸ UAA likewise underwent a sharp reduction (-29%), dropping to 35,651 hectares.

Generally speaking, in recent years sales of cut flowers have felt the effects of decreased demand, differentiated according to the area of production; furthermore, there is a basic trend marked by lower quotations, often affecting only the first link in the chain (producer/wholesaler) without being reflected in the retail price, which induces producers to increase a supply that exceeds demand. However, even when the prices of certain species of flowers and potted plants have dropped sharply, this has not sufficed to spur consumption.

However, in 2005 and the first months of 2006, sales of flowers and plants seemed to recover ground, coming to bear ever increasingly more on the family budget, even though basic necessities are not involved. On an annual basis, the average amount so spent is 115 euros per family and 40 euros per capita, a value that in any case is still modest if compared, for example, to Germany with its 100 euros per capita.

¹⁸ However the total number of businesses may be slightly overestimated, inasmuch as it includes businesses that produce young plants/seedlings which, in some cases, could be identified with those that also produce ornamental flowers and plants, in the open field and protected, and/or with nurseries. Clearly, this problem does not apply to UAA.

Unlike food products, the principal sale channel is represented by shops (44.2%), followed by garden centres and nurseries (20.2%), stalls (14.8%), and supermarkets and hypermarkets (7.2%), a channel not yet very developed in Italy when it comes to the sale of flowers and ornamental plants.

From 1999 to 2005, the flower and nursery division's balance continues to improve, going from -28 million euros in 1999 to +53 million euros in 2005. Italy primarily imports from Holland, trailed by Brazil, Thailand and Peru. Kenya is among the new countries that export to Italy.

For the purpose of safeguarding the interests of not just Italian flower and nursery businesses, but above all consumers, trade associations request the introduction of rules regulating a labelling system showing the origin of flower and nursery products, inasmuch as their place of origin may have an impact on the yield of the product (its duration once purchased) and on the conditions to which the plant has been subjected (more or less lengthy distances travelled, poor conditions of conservation, etc.) and be indicative of the manner of production in terms of chemical inputs employed and under the ethical profile (production of the product without the exploitation of child labour and with adequate pay for workers). This system would thus allow consumers to make more informed decisions about purchases.

Other aspects that attention must be concentrated on regard research and the introduction of technological innovations in businesses, above all for the purpose of rationalising production and reducing the costs thereof, including cultivation, and the introduction and improvement of the techniques of biological agriculture pertaining to the division, as well varietal, with the latter allowing producers to obtain higher prices, sometimes up to seven times more than for traditional products, as well as to meet ever increasingly more sophisticated consumer needs. In any case, not to be neglected is the need to valorise native species, which have unique characteristics and are often of very high quality, along with the need to encourage producer associations and their vertical integration for the purpose of reaching an adequate critical mass, facilitating relations with distribution and guaranteeing higher production prices.

As with other divisions, and above all in consideration of the highly perishable nature of floriculture products, the need is perceived to improve floriculture and nursery logistics, both by promoting the common development and management of services for the businesses and by rationalising existing structures and infrastructures.

The common organisation of the market in the live plants and floriculture products sector, instituted in 1968 with Regulation EEC No. 234/68, does not provide for subsidies in the home market or measures for the promotion of exports, such as refunds, but is essentially limited to defining quality standards. The core objectives of the regulation are in fact the following: to support the rational placement of such production with suitable measures and to ensure the stability of the market, to apply common quality standards and to provide for minimum export prices.

TOBACCO DIVISION

In the last decade, the Italian tobacco sector has been powerfully conditioned by the coming into force of Reg. 1636/98 (and in all probability also by the anti-tabagism campaigns), which contributed to the scaling down of the sector and the variation in the qualitative composition of the product.

Tobacco production is concentrated in five Regions: Campania (49%), Umbria and Veneto (17% each), Puglia (6%) and Tuscany (5%), while Lazio is also involved in the first processing of the product.

In the last decade, the number of farms fell 51%, from 34,178 to 16,618, while UAA dropped 35% to about 34,000 hectares. Downturns in quantities produced were registered, albeit on a more modest scale: - 4% between 2001 and 2003. The farms are medium/small in size, characterised by intensive labour and a low level of mechanisation.

The first processing of tobacco is also characterised by a structure that is highly articulated, fragmented and of modest dimensions. These characteristics of the pre-manufacturing sector induce tobacco farms to deal almost exclusively with the immediately post-agricultural stages having less value added.

Following the restructuring and privatisation of the businesses, industrial processing has instead been concentrated in a few market-oriented industries, with the number of businesses in this segment of the *filière* showing a 70% decrease in the last five-year period.

The structural scaling down has in part also been accompanied by a decrease in both raw tobacco exports (-21%), despite which it continued to register a positive balance, and the manufactured product (-22%), which instead registered negative balances, with a 13% increase in imports.

The restructuring of the sector has in part also modified the quality of the production, with preference being given to the light tobaccos more in demand on the market, although it must be pointed out that this conversion process has involved 100% of northern Italy's production, while central Italy and especially southern Italy have been slow to follow suit. However, to fully comprehend the conversion process, it will be necessary to await the effects of the COM reform (Reg. 864/04), which will cause a portion of the support for tobacco to flow into the single payment system.

Tobacco growing plays an important role both economically and socially, in view of its pronounced regional concentration, despite its limited weight (approximately 1%) in terms of agricultural VA. Therefore, the effects of the sector's general restructuring in connection with the coming into force of the new COM may create problems relating to the conversion of the farms/businesses and finding new work roles for the manpower involved in the various activities. These effects will be able to be partially mitigated, starting in 2010, by the shifting of resources deriving from COM direct payments to rural development policy, using such resources to support the processes of the restructuring and conversion of farms/businesses.

SUGAR BEET DIVISION

The cultivation of sugar beets in Italy is undergoing profound changes due to the reform underway. In recent years, sugar beet production has involved an area slightly over 200 thousand hectares, distributed over a few Regions (Piedmont, Lombardy, Veneto, Emilia-Romagna, Marches and Puglia). Moreover, this area is very small in terms of total UAA – just 1.7% – while at the regional level it represents an important share only in the case of the Region of Marches.

In the 2005/06 campaign, Italian sugar beet production registered a sharp increase, exceeding 1.8 million tons and succeeding, for the first time after three years, in covering the entire amount of the A and B quotas, plus a surplus not included in the quotas amounting to 420 thousand tons. The production surplus, caused by a resumption of investments in terms of cropland area (+37%) following the drop of past years, produced a glutting of the market with a consequent reduction of home market prices.

As mentioned, however, sugar beet production in Italy – and in Europe – is destined to undergo profound changes from the current campaign onwards. Indeed, in the month of September 2005, the Commission approved the declassification or reduction of the quotas assigned to the Member

States amounting to a total of 1.806 million tons, while a preventive withdrawal of between 1.5 and 2 million tons was established for 2006-2007. In the course of the 2006-2007 season, this will entail a reduction in the number of active sugar beet processing plants, which in the 2005-2006 campaign numbered 19, of which 12 were located in northern Italy, 3 in central Italy and 4 in southern Italy. This means that only 6 plants will remain active, in accordance with the abeyance of 50% of the national quota negotiated with the EU within the framework of the application of the reform in exchange for aids for the restructuring of the plants.

The conversion requirements of farms operating in the filière will be taken into account as provided under the National Plan for Conversion and Diversification, and will receive support in the form of additional financial resources made available by the relevant CMO.

Annex 3

Baseline Indicators and Additional Indicators Used in the Analysis

Baseline indicators used in Chapter 1

<u>Indicator</u>	<u>Measurement</u>	<u>Source</u>	<u>Year</u>	<u>Unit</u>	<u>ITA</u>	<u>EU25</u>	<u>EU15</u>
1-Economic development	GDP (in PPS)/per capita (EU-25=100)	EUROSTAT - Economic Accounts	average 2000-2002	Index of PPS	110.0	20478 PPS	
2-Employment rate	Employed persons/total population (age 25-64)	EUROSTAT - Labour Force Survey	2004	%	57.6	63.1	
3-Unemployment	Unemployment rate (% active population)	EUROSTAT - Labour Force Survey	2004	%	8.0	9.2	
4-Training and education in agriculture	% farmers having attained basic/higher education in agriculture	EUROSTAT	2000	%	8.0	17.0	
5-Age structure in agriculture	% ratio of farmers under 35 years of age/55 years of age or older	EUROSTAT	2003	%	6.0	18.0	
6-Labour productivity in agriculture	GVA (in euros)/AWU (EU-25=100)	EUROSTAT - Economic Accounts for Agriculture	average 2002-2004		148.0	17,145.0	
7-Gross fixed capital formation in agriculture	Gross fixed capital formation in agriculture	EUROSTAT - Economic Accounts for Agriculture	2003	Million euros	10,037.1	44,012.4	
8-Employment development of primary sector	Employment development of primary sector	EUROSTAT - National Accounts	2002	Thousands of people employed	1,077.6	9,757.1	6,328.1
9-Economic development of primary sector	Gross Value Added in primary sector	EUROSTAT - National Accounts	2002	Million euros	25,363.9	184,681.4	170,715.3
10-Labour productivity in food industry	GVA/employed	EUROSTAT - National Accounts	2003	Thousands of euros / employed	70.5	50.5	
11-Gross fixed capital formation in food industry	Gross fixed capital formation in food industry	EUROSTAT - National Accounts	various years	Million euros	6,262.1		
12-Employment development in food industry	Employment development in food industry	National Accounts	2003	Thousands of people employed	504.0	4,559.0	3,640.0
13-Economic development of food industry	Gross Value Added in food industry	EUROSTAT - National Accounts	2003	Million euros	26,518.0	206,372.0	195,164.0
14-Labour productivity in forestry	GVA/employed	EUROSTAT -	2002	Thousands euros / employed	7.0		
15-Gross fixed capital formation in forestry	Gross fixed capital formation in forestry	EUROSTAT - National Accounts	2002	Million euros	127.0		

Indicator	Measurement	Source	Year	Unit	ITA	EU25	EU15
17-Biodiversity: Population of farmland birds	Index of population of farmland birds	EUROSTAT - Structural Indicators, Environment	2003		67.3		
18-Biodiversity: High Nature Value farmland and forested land	Ha of UAA of High Nature Value farmland	European Environmental Agency	2000	Millions of ha	2.8		
20-Water quality: Gross Nutrient Balances	Surplus of nutrient in kg/ha	Modello ELBA, University of Bologna	2000	Kg/ha	40.06		
24 a-Climate change: Production of renewable energy from agriculture	Production of renewable energy from agriculture	IRENA	2003	KToe (1000 tons of oil equivalent)	434.5		
24 b- Climate change: Production of renewable energy from forestry	Production of renewable energy from forestry	IRENA	2003	KToe (1000 tons of oil equivalent)	1,153		

Weight of single area/total: Italy

	A Areas	A Areas CONV	B Areas	B Areas CONV	C Areas	C Areas CONV	D Areas	D Areas CONV	Italy	Italy CONV
Population (no. inhab.)	25.056.767	7.221.477	12.852.205	2.423.742	13.862.222	5.142.351	6.967.556	2.096.504	58.732.463	16.884.074
(%)	43%	43%	22%	14%	24%	31%	12%	12%	100%	100%
Area (sq. km)	23.870	5.888	50.719	11.533	96.768	29.185	129.977	27.138	301.333	73.744
(%)	8%	8%	17%	16%	32%	40%	43%	37%	100%	100%
Average density	1.049,7	1.226,5	253,4	210,2	143,3	176,2	53,6	77,3	194,9	229,0
Agricultural employees (n.)	200.503	75.594	341.578	103.448	385.964	173.881	225.633	94.027	1.153.569	446.950
(%)	17%	17%	30%	23%	34%	39%	20%	21%	100%	100%
Agroindustrial employees (n.)	134.313	34.160	138.265	14.622	118.266	30.357	53.086	10.810	443.906	89.949
(%)	30%	38%	31%	16%	27%	34%	12%	12%	100%	100%
Agricultural VA (million of euro)										
(%)	12%	14%	38%	25%	33%	39%	18%	22%	30.882	9.410
									100%	100%

Socio-demographic characteristics

	A Areas	A Areas CONV	B Areas	B Areas CONV	C Areas	C Areas CONV	D Areas	D Areas CONV	Italy	Italy CONV
Ageing Index	132	79	121	82	135	99	141	122	131	90
Δ population	0,2%	0,9%	10,6%	3,3%	5,7%	3,5%	-1,0%	5,7	3,5%	1,1%
Migratory balance/1,000 inhab.	3,1	-3,1	9,0	-0,5	7,0	1,9	2,0	-2,4	5,2	-1,1

Characteristics of Agrifood sector

	A Areas	A Areas CONV	B Areas	B Areas CONV	C Areas	C Areas CONV	D Areas	D Areas CONV	Italy	Italy CONV
UAA (ha)	880.263	234.701	3.150.713	673.447	4.565.566	1.458.297	4.609.755	1.311.281	13.206.297	3.677.725
TAA (ha)	1.173.327	286.417	3.642.343	750.421	6.465.065	1.828.582	8.324.784	1.811.066	19.605.519	4.676.485
UAA/TAA (%)	75,0%	81,9%	86,5%	89,7%	70,6%	79,8%	55,4%	72,4%	67,4%	78,6%
Δ UAA	-15,5%	-25,5%	-5,7%	-12,6%	-11,7%	-17,9%	-15,9%	-13,5%	-12,2%	-16,0%
UAA in Less Favoured Areas (ha)	228.274	53.029	473.159	259.407	2.637.387	929.826	4.467.750	1.723.868	7.806.570	2.966.130
TAA in Less Favoured Areas (ha)	392.137	85.114	612.467	311.399	4.108.260	1.246.933	8.161.383	2.386.819	13.274.247	4.030.265
UAA/TAA in Less Favoured Areas (%)	58,2%	62,3%	77,3%	83,3%	64,2%	74,6%	54,7%	72,2%	58,8%	73,6%
Agricultural-Agroindustrial employees (n.)	334.816	109.754	479.843	118.070	504.230	204.238	278.719	104.837	1.597.608	536.899
(%)	21%	20%	30%	22%	31%	38%	18%	20%	100%	100%
Δ Agricultural employees	15,0%	9,4%	-15,2%	-8,0%	-26,5%	-28,9%	-24,9%	-25,5%	-17,4%	-19,1%
VA/UAA (euro)	4.273	5.703	3.674	3.483	2.215	2.489	1.177	1.599	2.338	2.559

Other sectors/services

	A Areas	A Areas CONV	B Areas	B Areas CONV	C Areas	C Areas CONV	D Areas	D Areas CONV	Italy	Italy CONV
Protected areas/Total Area (%)	7%	4%	3%	5%	6%	10%	15%	22%	10%	13%
Protected Area (ha)	162.005	23.519	150.660	54.430	620.422	296.495	1.993.277	607.522	2.926.364	981.966
(%)	5,6%	2,4%	5,2%	5,5%	21,2%	30,2%	68,1%	61,9%	100,0%	100,0%
Extra-agricultural employees (n.) ¹	6.866.793	1.288.309	5.415.963	480.926	5.081.033	1.583.808	2.640.841	695.002	20.004.630	4.048.045
(Δ2000-1991)	- 1.696.717	- 385.917	1.497.611	1.267	1.196.749	549.355	734.481	276.035	1.732.124	440.740
Craft WU/Total WU	18%	16%	28%	21%	26%	23%	24%	21%	22%	19%
Hotel bed places ²	744.968	132.400	1.071.066	110.122	975.494	189.294	1.211.590	242.674	4.003.118	674.490
Hotel bed places/ 100 inhab.	3,0%	1,8%	8,3%	4,5%	7,0%	3,7%	17,4%	11,6%	6,8%	4,0%
Tourist occupation/Hotel bed places	135,4	141,5	78,7	47,6	76,2	70,6	71,5	51,9	86,5	74,0
% self employed ³	22,1%	21,8%	24,3%	23,8%	25,0%	23,6%	24,7%	25,4%	23,6%	23,1%
Income /inhab. (Italy =100)	114	85	92	69	88	70	88	75	100	77
Farmers with other gainful activity (%) ⁴	22,7%	23,4%	25,4%	29,8%	27,8%	29,8%	27,0%	28,6%	26,5%	28,9%
LAG Population/Total population (%) ⁵	4,4%	2,8%	14,3%	29,1%	37,0%	27,2%	63,5%	60,7%	21,4%	24,2%

¹ Absolute value Baseline indicator n. 28

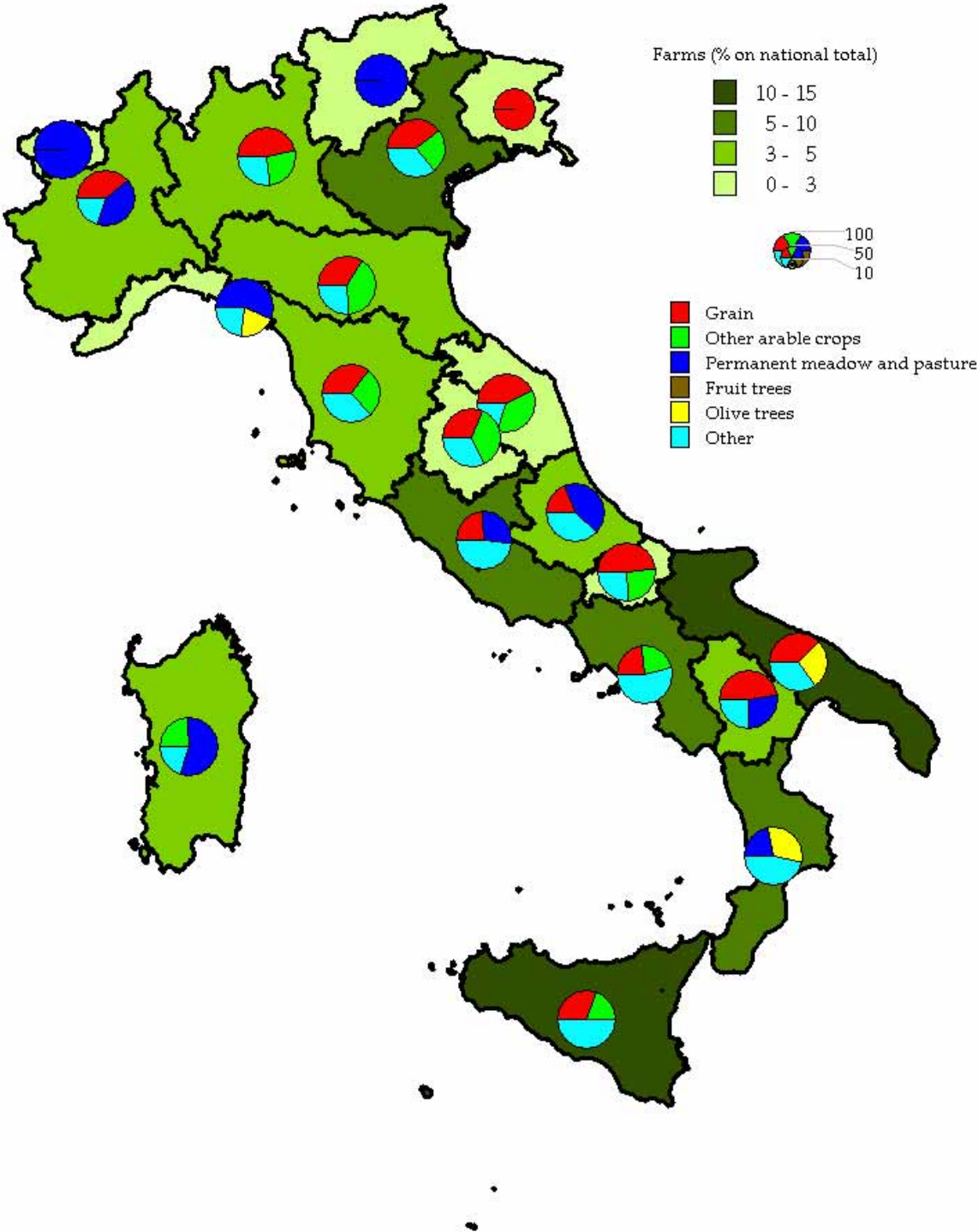
² Baseline indicator n. 31

³ Baseline indicator n. 30

⁴ Baseline indicator n.27

⁵ Baseline indicator n. 36

Percentage of Farms by Region and Prevalent Farm Type



Annex 4
Methodology Used in the NSP for the Identification of Italy's Rural Areas

OECD methodology for the classification of areas as urban/rural is based on population density, for which reason, in the first phase, the communes (municipal districts) are divided into urban (>150 inhabitants/sq. km) and rural (<150 inhabitants/sq. km). The second phase provides for a NUTS 3-scale classification of the areas in three categories (prevalently urban, significantly rural and prevalently rural), according to the percentage weight of the resident population in the rural communes compared to the total provincial population. This methodology does not make it possible to adequately perceive differences within the provinces, which are generally important in Italy, for which reason in the NSP it has been revised by making certain adjustments to adapt it to the situation.

First phase: the provincial capital communes with over 150 inhabitants/sq. km were selected, which can represent the major urban centres, where a good share of phenomena related to urbanisation and the major non-agricultural activities are concentrated, with agriculture representing a completely residual activity. At the national level, this group of communes can represent “urban areas in a strict sense” and has been excluded from subsequent elaboration, aimed at identifying a more pronounced articulation of the rural world so as to avoid excessive distortions in the assessments of its true extent.

Second phase: OECD methodology was applied to the remaining communes, identifying the prevalently urban areas (population of rural communes < 15% of total population), significantly rural (population of rural communes > 15% and < 50% of total population) and prevalently rural (population of rural communes > 50% of total population) not at the provincial level (OECD methodology), but rather by distinguishing the communes, in the ambit of each province, by altitude zone and calculating for each of the three (plain, hill and mountain) the incidence of the population of the communes classified as rural compared to total population.

Third phase: the category of prevalently urban areas has been further disaggregated, which includes sharp differentiation between a whole of communes more similar to provincial capitals (e.g. the communes ringing major Italian cities and/or certain coastal communes with a high degree of urban development) and a whole of densely populated communes, where a rich and intensive agriculture is present (e.g. the plains of Northern Italy). In order to distinguish these 2 groups, a reclassification has been performed within the prevalently urban areas, based on density (150 inhabitants/sq. km) and the incidence of total farmland compared to total territorial area. Thus, all communes have been identified that can be defined as “urbanised rural,” characterised by high population density but also by the important weight of agriculture (over 2/3 of the territorial area). Finally, again applying the altitude zone analysis, a further category of area was obtained, defined “highly urbanised rural,” inasmuch as rural communes have a significant weight (over 15% of total population) and urbanised rural communes have a prevalent weight (over 50% of the rural population).

Fourth phase: With the procedure described in the previous phases, by crossing the revised OECD areas with the three altitude zones and the country's three territorial districts (North, Centre and South), 36 types of areas are obtained (plus one pertaining to the provincial capitals). The need arose to present this classification in more concise form functional for the identification of the

priorities of rural development policy for the national territory. Therefore, the areas were then reaggregated in 4 homogeneous macro-areas:

- Urban Poles;
- Rural Areas with Specialised Intensive Agriculture;
- Intermediate Rural Areas;
- Rural Areas with Comprehensive Problems of Development.

The reaggregation of the said macro-areas was performed using the following procedure:

- verification of the classification obtained on the basis of the OECD method by altitude zone with the Autonomous Regions and Provinces;
- aggregation of the single areas in the four macro-areas identified, on the basis of additional cognitive elements essentially provided by the Autonomous Regions and Provinces;
- aggregation of the single regional maps in the national territorialisation as per Chapter 1 of the NSP, an object of verification with the Regions.

At the regional level, more detailed articulations of the regional territory may be adopted that are more appropriate for the specificity of the same, as long as they are always retraceable to one of the 4 aforesaid homogeneous areas.

Annex 5

Tables on Coherence and Complementarity with the other Community Strategies

Overall Objective	Strategic Objective	6 th Community Framework Programme of Action for the Environment	Thematic Strategies for Sustainable Pesticide Use	Thematic Strategy for Soil Protection/CO ₂ M(2006)232final	Framework Directive for Waters	Strategy for Sustainable Development	Action Plan for Biodiversity 2010	Fight Against Climate Change	Forestry Strategy
Axis 1 Improvement of competitiveness of agricultural and forestry sector	Promotion of modernisation and innovation of businesses and integration of <i>filières</i>					To improve communication and to mobilise citizens and businesses			Promotion of the forestry sector, conservation of forestry resources
						To limit climate change and to increase the use of clean energy			
		Art. 7.2(e) Sustainable use and high quality of waters							To encourage the utilisation of forestry biomass for energy use
		Art. 3.10 To encourage and promote efficient, sustainable use and management of the territory							
		Art. 6.1. To promote sustainable soil use, with attention to prevention of erosion, deterioration, contamination, desertification							
		Art. 5 To reduce emissions of greenhouse gases in the energy sector							

Overall Objective	Strategic Objective	6 th Community Framework Programme of Action for the Environment	Thematic Strategies for Sustainable Pesticide Use	Thematic Strategy for Soil Protection/CO ₂ M(2006)232final	Framework Directive for Waters	Strategy for Sustainable Development	Plan of Action for Biodiversity 2010	Fight Against Climate Change	Forestry Strategy
	Consolidation and development of quality of agricultural and forestry production	Art. 7(c) To encourage cultivation with reduced or nil use of pesticides				To make the safety and quality of food products the objective of all parties involved in the food chain		Forestry management to upgrade CO ₂ absorption capacity	Encouragement of the environmental value of wood and other forestry products.
	Upgrading of physical and telematic infrastructure resources				Art. 4(a) i) To prevent the deterioration of the state of all bodies of surface water Art. 4(a) iii) To protect, improve and reclaim all artificial bodies of water and those highly modified				
		Art 7.2(e) Sustainable use and high quality of waters			Art. 4(b) ii) To protect, improve and reclaim subsurface bodies of water and to ensure a balance between drawing and replenishment of subsurface waters to achieve good water conditions				

Overall Objective	Strategic Objective	6 th Community Framework Programme of Action for the Environment	Thematic Strategies for Sustainable Pesticide Use	Thematic Strategy for Soil Protection/CO ₂ M(2006)232final	Framework Directive for Waters	Strategy for Sustainable Development	Plan of Action for Biodiversity 2010	Fight Against Climate Change	Forestry Strategy
	Improvement of the entrepreneurial and professional capacities of workers in the agricultural and forestry sector and support to generational renewal			Art. 15 To increase awareness of the importance of soil for the survival of mankind and the ecosystem, and to promote the transfer of knowledge and experience regarding sustainable soil use					

Overall Objective	Strategic Objective	6 th Community Framework Programme of Action for the Environment (1)	Thematic Strategies for Sustainable Use of Pesticides (2)	Thematic Strategy for Soil Protection (3)	Framework Directive for Waters (4)	Plan of Action for Biodiversity 2010 (5)	Fight Against Climate Change (6)	Forestry Strategy (7)
Axis 2 Improvement of the environment and countryside	Conservation of biodiversity and protection and diffusion of high nature value agro-forestry systems	Art. 6.1 To conserve and reclaim the sea environment, coasts and wetlands in an appropriate manner, and to use them in sustainable fashion	To minimise hazards and risks to health and the environment deriving from pesticide use			To safeguard the most important habitats and species of the EU		To preserve forest biodiversity, conserving forestry resources
		Art. 6.1 To preserve species and habitats, preventing their fragmentation	To encourage cultivation with reduced or nil use of pesticides			To preserve and restore biodiversity and ecosystem services in the rural context of the EU		Upgrading of sustainable forest management systems
	Qualitative and quantitative safeguard of surface and subsurface water resources	Art. 6.2 To create the Natura 2000 network and to implement the necessary technical and financial instruments and measures required for fully carrying it out, as well as the protection, outside Natura 2000 areas, of protected species pursuant to the "habitats" and "birds" directives Art. 7(c) To encourage cultivation with reduced or nil use of pesticides			To prevent the deterioration of the state of all bodies of surface water and the introduction of pollutants in subsurface waters and to prevent the deterioration of the state of all bodies of subsurface waters			To encourage the use of native forest species Creation of special protected areas for the regulation of waters and hydrogeological defence

Overall Objective	Strategic Objective	6 th Community Framework Programme of Action for the Environment (1)	Thematic Strategies for Sustainable Pesticide Use (2)	Thematic Strategy for Soil Protection (3)	Framework Directive for Waters (4)	Plan of Action for Biodiversity 2010 (5)	Fight Against Climate Change (6)	Forestry Strategy (7)
Axis 2 Improvement of the environment and countryside	Qualitative and quantitative safeguard of surface and subsurface water resources				To protect, improve and reclaim bodies of subsurface water, and to ensure a balance between the drawing and replenishment of subsurface waters			
					To reverse the trends to the increase in the concentration of pollutants deriving from the impact of human activity in order to reduce subsurface water pollution			
	Reduction of greenhouse gases	Art. 5 To reduce greenhouse effect gases in the energy sector					Forestry management to upgrade CO2 absorption capacity	Promotion of the role of forests as systems for the capture of carbon and wood products as carbon reserves
							Soil management to upgrade CO2 absorption capacity	
	Protection of the territory (soil and landscape)	Art. 3.10 To encourage and promote effective and sustainable use and management of the territory						Improvement of sustainable forest management
		Art. 6.1. To promote sustainable soil use, with attention to the prevention of erosion, deterioration, contamination, desertification						Protection of forests against deforestation, fires and air pollution

		Art. 6. 1. To preserve and reclaim areas with significant values tied to the landscape, including cultivated and sensitive areas								Reconstruction of damaged forests
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Overall Objective	Strategic Objective	6th Community Framework Programme of Action for the Environment (1)	Thematic Strategies for Sustainable Pesticide Use (2)	Thematic Strategy for Soil Protection (3)	Framework Directive for Waters (4)	Plan of Action for Biodiversity 2010 (5)	Fight Against Climate Change (6)	Forestry Strategy (7)
Axis 3 Quality of life and diversification of the rural economy	Improvement of the attractiveness of rural territories for businesses and the population							To promote multifunctional forest management
	Preservation and/or creation of employment opportunities in rural areas							Promotion of the forestry sector for the development, creation and preservation of jobs in rural areas

- (1) European Parliament and Council of European Union, *Decision No 1600/2002/EC of the European Parliament and of the Council of 22 July 2002 laying down the Sixth Community Environment Action Programme*, Bruxelles, 22.07.2002
- (2) European Commission, *A Thematic Strategy on the Sustainable Use of Pesticides*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, Bruxelles, COM (2006) 372 final, 12.07.2006.
- (3) European Commission, *Thematic Strategy for Soil Protection*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, Bruxelles, COM (2006) 231 final, 22.09.2006.
- (4) European Parliament and Council of European Union, *Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy*, Bruxelles, 23.10.2000
- (5) European Commission, *Halting the Loss of Biodiversity by 2010 — and Beyond. Sustaining ecosystem services for human well-being*, Communication from the Commission, COM (2006) 216 final, 22.05.2006.
- (6) European Commission, *Winning the Battle Against Global Climate Change*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, Bruxelles, COM (2005) 35 final, 09.02.2005.
- (7) European Commission, *A Forestry Strategy For The European Union*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, Bruxelles, COM (1998) 649 final, 03.11.1998.
- (8) European Commission, *EU Forest Action Plan*, Communication from the Commission to the Council and the European Parliament, COM (2006) 302 final, 03.11.1998.
- (9) European Commission, *Implementing the Community Lisbon Programme. More Research and Innovation - Investing for Growth and Employment: A Common Approach*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM(2005) 488 def. del 12.10.2005.
- (10) European Commission, *Putting knowledge into practice: A broad-based innovation strategy for the EU*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM(2006) 502 def. del 13.09.2006
- (11) European Commission, *ICT - Information and Communication Technologies, A Theme for research and development under the specific programme "Cooperation" implementing the Seventh Framework Programme (2007-2013) of the European Community for research, technological development and demonstration activities*, Work programme 2007-08, Bozza.
- (12) European Commission, *Proposal for a Decision of the European Parliament and of the Council establishing a Competitiveness and Innovation Framework Programme (2007-2013)*, COM(2005) 121 def. del 06.04.2005.
- (13) European Commission, *European Action Plan for Organic Food and Farming*, Communication from the Commission to the Council and the European Parliament, COM(2004) 415 def., 10.06.2004.
- (14) European Parliament and Council of European Union, *Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market*.

(15) European Commission, *The support of electricity from renewable energy sources*, Communication from the Commission, COM(2005) 627 def. del 07.12.2005.

(16) European Commission, *Biomass action plan*, Communication from the Commission, COM(2005) 628 def. del 07.12.2005.

Annex 6

Method of Construction of the NSP and the Role of Partnership

Work method

The NSP construction process formally commenced on 3 February 2005 with the approval by the State/Regions Conference of the document called “National Guidelines for the Drafting of a National Strategy Plan in the Sector of Rural Development” (Act 2222 of 3/2/05), the purpose of which is to define the stages and functions of the different subjects involved in the identification of the national strategies. Among the indications provided in the Guidelines is a mandate to the MAFFP to set up a partnership table directed toward sharing the contents of the National Plan.

Therefore, the “National Table for a Concerted Approach to the 2007-2013 Planning Period Concerning Rural Development Measures” was set up in March 2005, with a Decree by the Minister of Agricultural Policies (DM 960 of 24/3/05). The Table’s main function is to ensure the contribution of the institutional, economic and social partnership to the elaboration of the NSP and to verify its state of advancement in the various phases of elaboration, prior to its approval by the State/Regions Conference and subsequent forwarding to the European Commission. Both institutional subjects and subjects representing the economic, social and environmental partnership took part in the proceedings of the Table. The institutional subjects represented include all Autonomous Regions and Provinces involved in rural development planning, the Ministries directly or indirectly involved in such planning (e.g. the Ministry of Economics and Finance, and the Ministry of the Environment), AGEA and ISTAT, in addition to INEA and ISMEA, which furnish the necessary technical assistance. As for the partnership, the professional and co-operative organisations in both the agricultural and forestry sector are represented, as are the major environmentalist associations, the National Observatory for Young Entrepreneurs in Agriculture (OIGA), open to males, and its female equivalent (ONILFA), the national associations that represent the LAGs carrying out the Leader + Community Initiative.

During the proceedings of the Table, both the institutional and economic/social partnerships were progressively extended to also include subjects not directly linked to the agricultural sector. Subjects representing sub-regional territorial institutions were invited to participate in the proceedings and to make their contribution (ANCI, UNCEM and UPI), as well as the major trade unions, representatives of consumer associations and representatives of the industrial and agroindustrial sector, commerce, handicrafts and banks, in addition to the professional association of agronomists.

The National Table has met 6 times:

- on 19 April 2005, the Table’s installation meeting was held, during which a document concerning the organisation of the work was agreed on, including a definition of the methodology for drawing up the NSP, based on different kinds of contributions, among which can be mentioned the Regions’ strategic orientation documents, strategy or discussion documents produced by other subjects participating in the Table, documents prepared within

the framework of the activities of the special workgroups set up and the results of seminars for the in-depth study of themes of strategic value.

- in the meeting of 7 June 2005, agreement was reached on the articulation of the NSP and on the regional strategy documents, in addition to some themes for in-depth study to be dealt with in the workgroups (forests, water, soil and biodiversity) and through seminars (business consulting, young farmers, agrifood logistics and quality, and diversification of business activities).
- in the meeting of 12 October 2005, a working document originating in the “forests” workgroup was submitted and approved, as was a working document to be submitted to the Ministry of the Economy and Finance (which co-ordinates the process of defining the NSF), where the elements of complementarity and integration of rural development policy and that of cohesion were made explicit.
- in the meeting of 17 January 2006, the first draft of the NSP was submitted. The main objective of this version, whose contents are to be considered provisional, was to induce discussion and to stimulate the submission of supplementary proposals.
- in the meeting of 21 April 2006, the revised version of the NSP was submitted, which was amended taking into consideration the suggestions made by the partnership.
- in the meeting of 26 October 2006, the third draft of the NSP was examined, which took into account the informal observations passed on by the European Commission and which received substantial appreciation on the part of the institutional, economic and social partnership.

In the meantime, the activities of the MAFFP, Regions, workgroups and subjects furnishing technical assistance continued, producing other documents that formed an object of attention in the preparation of the first draft of the NSP.

In addition, in consideration of Italy’s institutional set-up, the NSP was drawn up in close concert with all the Autonomous Regions and Provinces through a long series of meetings (about 20), as well as through the production of documents providing information and analysis. Moreover, in the months of September and October a series of bilateral meetings took place between the MAFFP and the Regions, for the purpose of perfecting the text on the basis of the needs expressed by the same Administrations.

Contributions used in the construction of the NSP

The following documents were produced in the ambit of the workgroups:

- summary document of the “Forests and Climate Change” workgroup;
- summary document of the “Water Resources and Rural Development” workgroup;
- summary document of the “Soil and Rural Development” workgroup;
- summary document of the “Biodiversity and Rural Development” workgroup;
- summary document of the “Landscape” workgroup.

The individuals who participated in the workgroups that produced the above-mentioned documents come from the world of scientific research, are sector technicians belonging to the central and regional administrations, or members of the partnership.

As regards the institutional and socio-economic partnership, it pointed out that, in addition to the contribution furnished within the said workgroups, various documents were submitted to the Table by the:

- Development Policy Department (MiSE, formerly MEF)
- Regions;
- professional organisations;
- environmentalist associations.

Four seminars were held, with the participation of a broad representation of both the regional administrations and socio-economic partnership. Furthermore, the seminars offered the occasion for a direct confrontation with the academic world and operators in the various sectors, thus contributing to promote ideas for the planning of rural development. The following seminars took place:

- “The Business Consulting System for CAP and Rural Development: Opportunities and Prospects”;
- “Young People and Business in the Future of Agriculture”;
- “Quality in Agrifoods”;
- “Logistics and Agrifoods.”

All the contributions described furnished useful suggestions for the drawing up of the various drafts of the NSP, the identification of needs and critical points, the identification of the core areas, the definition of the objectives and strategies of intervention, and the identification of the instruments for implementation.

It is deemed appropriate to point out that these contributions, in addition to the contribution furnished to the drafting of the NSP, shall have to be considered an important reference in the ambit of the preparation of regional planning documents as well.

All of the partnership’s contributions were assessed in the course of proceedings in connection with the preparation of the NSP, with most of them being included in the text. More specifically, the environmental partnership participated in the workgroups tasked with drafting the five thematic documents reported above; on that occasion, it expressed its needs in relation to the intervention and possible measures to be adopted. The contents of these documents, incorporated in the text of the NSP, have led to the highlighting of certain priority themes for the next phase of planning. Moreover, including thanks to the contribution made in this context by the environmentalist organisations, it was decided to set further priorities for intervention at the national level, in addition to those already defined in EU strategy (defence of the soil).

The need expressed by representatives of farmers and the co-operative sector for placing greater emphasis on the themes of quality, logistics, bio-energy and *filière* integration – the object of seminar investigation – were taken into consideration in the NSP, including by proposing an integrated planning approach able to ensure more effective intervention. A set of packages of measures for businesses (among which the quality package) and the promotion of integrated *filière* projects respond to the needs mentioned above. In addition, the theme of bio-energy, which by nature cuts across different areas, was fully developed in all three intervention Axes.

The integrated “packages for women and young farmers” instead respond to the needs expressed by the organisations that represent these categories of the agricultural sector. In addition, it was underlined that intervention measures referring to Axis III will have to be implemented with particular attention to women and young people.