Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

Synopsis of Non-Tariff Measures for the Protection of Agriculture or in Support of Incomes of Agricultural Producers

ITALY

I. NATIONAL AGRICULTURAL POLICIES

A. General Objectives

The principal objective of Government policy is to stabilize the prices and the market for the main products. The general long-term aims are to raise agricultural income, to lessen the gap between per capita income in agriculture and in other sectors of the economy and to improve conditions of production in the less fortunate regions.

The Government is trying, as far as possible, to raise overall and per capita income in the agricultural sector through the implementation of long-term programmes, including agricultural reform and large-scale land improvement projects. Direct action on prices or subsidies is resorted to only as supplementary measures.

There are no planned production targets. Nevertheless, the Government encourages the expansion of production in sectors in which there is a shortage in order to reduce the import requirement in certain foodstuffs. This policy of increasing production has in recent years been applied particularly to wheat, maize, sugar and olives. The Government's present policy on cereals is to avoid over-production, to reduce costs of production of soft wheat and rice and to encourage and support production of durum wheat so that the milling industry will receive regular supplies and be able to meet internal demand and thus reduce reliance on imports.

B. Special Measures

Prices of a number of important agricultural products are supported either by direct governmental action through price fixation or by the intervention of the Federation of Agricultural Associations in the form of voluntary pooling arrangements, usually without Government financial assistance.

1 Prepared by the secretariat. The principal sources for this synopsis are the OEEC Reports of 1956, 1957 and 1958, and documents L/784/Add.4 and L/1131.
As a result of the advances made in Italy in the production of cereals, which today is sufficient not only to cover the needs of domestic consumption, but also to provide some additional volume for export, the Government wheat policy has changed its course from a strict market protection to less stringent measures aimed, not so much at a hard and fast upholding of prices, but rather designed to boost the market, particularly at the time when the heaviest price fluctuations are likely to take place.

Accordingly, the system of total collection has been superseded by one of partial collection (based on quotas) whereby producers are required to deliver only part of their production, the balance (free quota) being freely marketable. The total quota for this partial collection, originally fixed at 16 million quintals, was later reduced to 12 million quintals, whereby the wheat trade was further liberalized.

Since the Italian wheat production now totals 90/100 million quintals, the above-mentioned partial collection quota represents hardly 12 per cent of the total production. The producers are, therefore, exposed to the danger of market fluctuation with respect to a large proportion of their production. With a view to alleviating this disadvantage, voluntary wheat collections are arranged yearly, to which any grower may deliver the free quota portion of his production against an advance payment based on the obtainable sales proceeds, any remaining balance being paid to him after final settlement of accounts. The net price payable is arrived at after deduction of administrative charges, including interest on the sums borrowed from banks at moderate rates by the official body in charge of wheat collection.

The purchases are made by the Government (at prices fixed beforehand by the Inter-Ministerial Price Committee) through an official body constituted for this purpose which controls distribution not only of the domestic wheat production, but also of imported wheat, the latter being still subject to State trading (see Sections II and V).

With regard to voluntary collection, the official body, in its capacity as guarantor, handles the wheat collections for the account of producers (it acts as intermediary between producer and consumer) and pays to them the proceeds from the sale of freely marketable lots after deduction of administrative charges.

Rice is under a system of total collection, administered under the supervision of the Ministry for Agriculture by the National Rice Office for the account and in the interest of the producers. The price for rice intended for home consumption - which absorbs two-thirds of total production - is fixed yearly by the Inter-Ministerial Price Committee, while the price for rice for export is determined by free-trading operations on the various export markets. When the minimum producer price, fixed by the Government each year, cannot be realized, the Government has the possibility of intervening on the market.

As a result of the re-organization of cultivation conducted over the past few years, the volume of rice production is now in the vicinity of 6 million quintals, of which 4 million are absorbed by domestic consumption, the
remaining 2 million quintals being allotted for export. The Government makes no contribution to the cost of operation of the collection organization, nor does it subsidize rice production (see Section V).

Hemp is also subject to total collection, the organization and administration of which are handled by the National Syndicate of Hemp Producers. The price payable at collection is fixed by the Inter-Ministerial Price Committee, owing to the necessity of safeguarding both the interests of the producers and those of the industry utilizing the product. The Government does not participate in the operating costs of collection, nor does it intervene in any way in the fixing of prices (see Section II).

The tobacco market is subject to the monopoly system operated by the Administration of State Monopolies which purchases the entire crop and controls imports and exports (see Section V).

The Inter-Ministerial Price Committee fixes sugarbeet prices and the prices of refined sugar at the factory. A collection system is organized by the Sugar-Beet Board (see Section II).

Intervention in the form of voluntary pooling arrangements, designed to regulate the market, is carried out by the National Federation of Agricultural Associations. These arrangements apply to that part of the wheat crop not included in the quota for compulsory deliveries, coarse grains, olive oil and certain types of cheese. For these commodities producers receive an advance on delivery to the co-operatives, the balance being paid at the end of the selling season. The Government does not take part in this process and the prices are those obtainable on the free market.
II.

SUBSIDIES

(Including all forms of income and price support)

The losses incurred through the purchase of the compulsory wheat quota, referred to above, together with the storage, transport and administrative expenses involved are met out of funds earmarked in the budget. Losses from measures taken to dispose of soft wheat surpluses are added to these costs. Such measures consist of the bartering of Italian soft wheat for foreign hard wheat, sales of home-grown soft wheat to millers at world prices for the manufacture of pasta and flour for export, free distribution for social reasons and sales for use as animal feedstuffs.

In exceptional circumstances the Government makes a limited contribution to the management costs of the co-operative organizations. In 1955 such contributions were made towards the management and stocking costs for olive oil and certain types of cheese. For olive oil, the Government contributes to the management costs of the collection at the rate of lire 2,500 per quintal of the product delivered, up to a ceiling of lire 600 million.

In 1956-57, 1,000 million lire was paid from the Budget to promote production of casein. By the terms of the law of 1 November 1957, a sum of 1,800 million was appropriated for the purpose of encouraging research and initiatives designed to improve methods of cultivation and to reduce production costs of hemp.

Fruit and vegetables for export are granted a reduction of 10 to 25 per cent on railway rates as far as the border for distances exceeding 200 kms. Transport by sea is also granted a reduction in rates up to 15 per cent. These reductions are granted by the Administration of the State Railways to all those exporting the products in question; the measures are applied on a permanent basis since 1955. For certain fruits, vegetables and citrus fruits for export a reimbursement of the turnover tax is granted to exporters under the Ministerial Order of 26 June 1959 (the amount of the reimbursement has been fixed at 0.80 or 0.40 per cent of the foreign selling price). This measure is designed to extend to the above-mentioned products the reimbursement facilities which the industrial sector has long been enjoying.

The reimbursement of the turnover tax is also extended to a number of other agricultural products. These include meat, cheeses, butter, sugar etc.

The Government subsidizes purchases by certain classes of farmers of selected seed of grains, fodder crops and vegetables, as well as purchases of fertilizers. Prices of fuel for agricultural uses are fixed at a level below that for other uses.

Note: The Government subsidizes the retail price of flour, bread and pasta in that it assumes part of the cost of storage and of organizing the compulsory collection, in order to reduce the retail prices of bread and pasta.
III.

COST OF PROGRAMMES AND FARM NET INCOME

A. Total Cost of Government Support Programme for each of
the last three years for which statistics are available
[To be furnished by the Government of Italy.]

B. Farm net income for the same years
[To be furnished by the Government of Italy.]

IV.

MIXING REGULATIONS

No mixing regulations are in force in Italy.

V.

STATE-TRADING OPERATIONS

(Including private enterprises enjoying special privileges)

The Tobacco Monopoly, introduced by a Royal Legislative Decree of 8 December 1927, has some protective effect due to the considerable amount of tobacco grown in Italy. The statistics of 1956 show a domestic production of raw tobacco of 714,000 quintals against an importation of 76,300 quintals and an exportation of 123,500 quintals. Operating under the control of the Minister of Finance, this Monopoly covers all stages of the marketing of this product from the cultivation and importation of raw tobacco to the distribution of tobacco products.

A Wheat Monopoly (covering wheat, spelt and rye) was introduced by a Royal Legislative Decree in 1936. As mentioned in Section I B, farmers may dispose freely of their wheat except for a quota which they are required to deliver at fixed prices to the Wheat Board, a private body (representing all the "Consorzi Agrari" of the provinces) acting on behalf of and under the supervision of the State. Importation is a State Monopoly. Imported wheat is delivered to the mills at the same price as domestic wheat. The quantity to be imported is controlled by the Minister of Finance who acts in agreement with the Minister of Agriculture and Forestry. It is provided that wheat imported temporarily from abroad may be handled differently.

All rice is taken over at fixed prices under the supervision of the Ministry of Agriculture by the National Rice Office. In 1954, however, to deal with a substantial surplus, coupled with a considerable decline in rice prices on the world market, the Government purchased 2 million quintals (i.e., 20 per cent of the crop). In 1956 favourable markets enabled the Government to dispose of a large part of its stocks at commercial prices.
The import of bananas is reserved to the State Banana Monopoly principally for the purpose of providing an assured market for Somali bananas, in connexion with Italy's trusteeship responsibilities. The State Banana Monopoly also imports bananas from other sources.

VI.

IMPORT RESTRICTIONS

The Italian Government is currently considering a programme of measures for the progressive reduction of discrimination and of restrictions. Restrictions were removed for a number of imports of dollar origin on 1 January 1960.

Imports which have not been expressly freed from control require individual licences which are issued either on an ad hoc basis or within the limits of import quotas established under bilateral trade agreements. The criteria for the issue of individual licences on an ad hoc basis are the essentiality of the goods, their nature and quality, their price and the method of payment, the time-limit for delivery, and the availability of foreign exchange. When bilateral quotas are fixed in trade agreements, import licences are issued until the quotas fixed for each product or group of products are exhausted. Imports in excess of the quota limits are occasionally authorized.

In exceptional cases, e.g. when import (and export) transactions could not satisfactorily be effected otherwise, private or global compensatory operations are authorized.

A. Restrictions Applied to Products for which Support Measures are in Force

Wheat and wheat flour

Imports are made on behalf of the State by the Federation of Agricultural Consortia in accordance with the terms of bilateral agreements or on an ad hoc basis and account is taken of Italy's commitments under the International Wheat Agreement.

Spelt and mixtures of wheat and rye, and semolina

The issue of licences takes place in accordance with bilateral quotas and on an ad hoc basis.

Sugar

Sugar beet and molasses (other than for the preparation of coffee substitutes and animal feeding-stuffs), beet and cane sugar

Imports from all sources are restricted and are governed by the terms of bilateral agreements or are admitted on an ad hoc basis.
Oilseeds and vegetable oils

Imports of oilseeds and vegetable oils intended for the production of edible oils are conditional on the purchase of certain quantities (which can be varied) of oil from Government stocks.

B. Other Restrictions Applied for the Protection of Agriculture

[To be completed by the Government of Italy.]

VII.

MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

[General statement to be furnished by the Government of Italy.]