

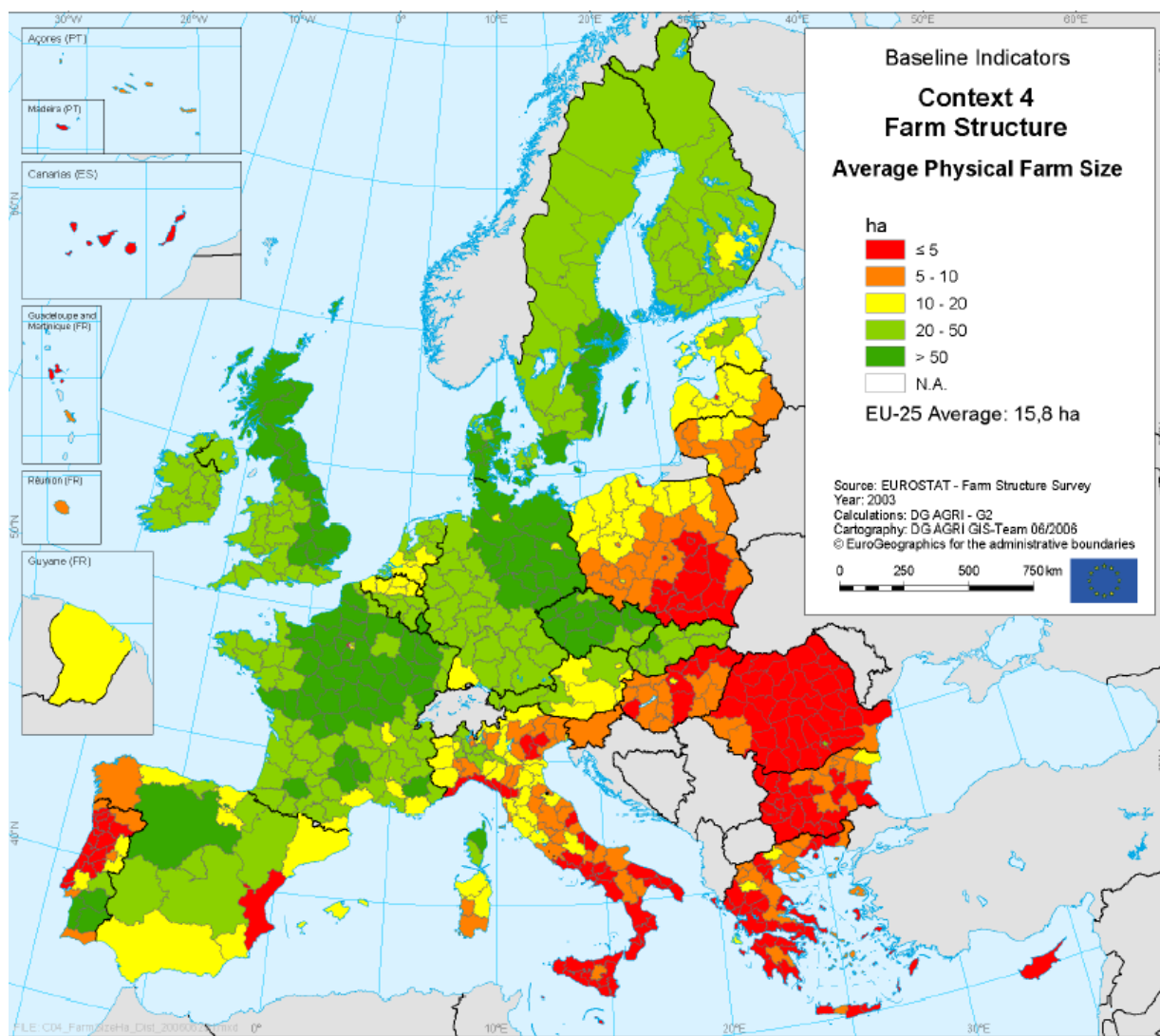
## **China-Europa Forum**

### **WT54 – Land management and land ownership policies**

*A contribution of Angelo Donato Berloco – ISMEA Italy*

#### **1 REFERENCE SCENARIO**

The following picture describes rural structures in Europe and highlights the same structural problems as mentioned above that distinguish several areas in a negative manner. The great structural criticality of numerous Italian areas emerges from an analysis of the picture, with particular reference to the Southern regions.



Similarly to provisions regarding other production sectors, also for the agricultural sector it should be extremely useful to provide for a specific action directed to facilitate a structuring of agricultural holdings so as to contribute in real terms to the widest objective of rural development.

Moreover, the European agricultural model, based on the concept of multi-functionality, environmental compatibility, economic sustainability, food safety, is a cultural model rather than a technical, economic and social one which requires to expand on the analysis of the structural evolution and of the composition of land assets and human resources in the agricultural sector with a view to identifying instruments that allow prospects of development for young people up to the new demands of society, with greater reason in a phase of general reconsideration of the CAP.

Therefore, if the human factor is the element that characterizes the development potential of the agriculture on the new scenarios, the need to encourage the installation of young farmers is one of the prerequisites. It is therefore necessary to create the proper conditions to make the installation of young people in agriculture “interesting”.

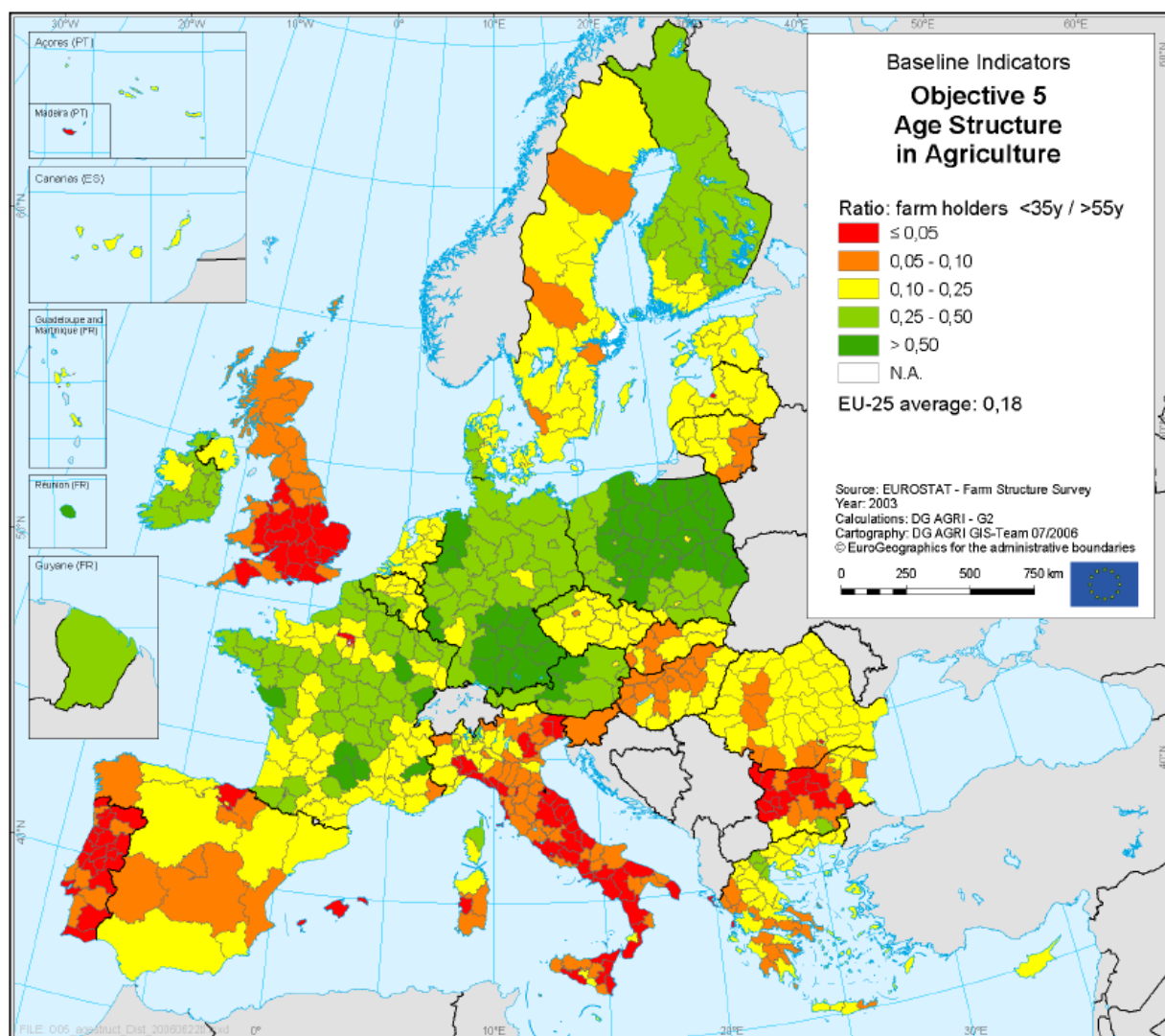
In this context it appears crucial for young farmers to overcome the difficulty in obtaining the purchase of agricultural lands, because of the high costs and the non-availability of land to rent.

The difficulties connected to the application in Italy of the benefits deriving from early retirement in agriculture, must be traced primarily to the fact that, besides the cessation of commercial farming activities, farmers had to carry out the transfer of the real estate.

It is therefore necessary to identify those procedures that may allow to facilitate the cessation of commercial farming activities, thus contextually encouraging the generational turnover in the agricultural sector, and making agricultural areas available by using all existing instruments (purchase, tenancy, and so on).

The critical aspect regarding the inadequate presence of young people in agriculture has been evaluated at European level by taking into account the rate of generational turnover that shows exactly the ratio between farmers who are less than 35 and farmers who are more than 55 years old.

In the following picture Italy is reported as having vast areas of criticality.



## 2 THE IMPORTANCE OF AN AID SCHEME FOR LAND REPARCELLING IN ITALY

With respect to the above-mentioned elements of criticality, a series of measures has been developed, at national and Community level, with a view to encouraging:

- an increase in the average size of agricultural holdings, connected to the decrease of the parcelling and fragmentation of agricultural holdings;
- the generation turnover with the entry of young people into the agricultural sector;
- the access to medium- and long-term credit for young farmers.

In particular, at domestic level, the application of Ismea's aid scheme no. **110/2001** allowed, by making use of leaseback contracts:

- a. to assure certified and objective land estimates (performed through the application of technical-evaluative transparent and harmonized assessing procedures – with UNI EN ISO

9001:2000 certification), being therefore of non-speculative type and exclusively connected to land productivity and to the profit-making capacity of agricultural holdings, rather than to other extra-agricultural factors;

- b. to encourage land assets ownership, in particular by young farmers, through long-term loans. This allowed to encourage the generation turnover and the setting-up or enlargement of efficient agricultural holdings, directed to the improvement of the firm's structural efficiency and the growth of its competitiveness;
- c. to grant the maintenance of the admission requirements and therefore the efficiency of the intervention for at least a minimum term (for instance, contractual obligations: 5-year tenancy; 15-year indivisibility);
- d. to improve the transparency of real estate market, thus representing a useful reference point with respect to land price quotations ("price-control effect").

### 3 TASKS, AIMS AND CONTACT DATA OF ISMEA

**ISMEA (Istituto di servizi per il mercato agricolo alimentare)**, is an Italian public economics body which was reformed in 2000 whit the unification of the Fund for the consolidation of the farm land property by the Institute for agricultural market analyses, research and information.

In accordance with Presidential Decree n° 200 of 31 March 2001, Ismea works in this sectors:

- ✓ Land reform, as national land organisation and in harmony with Regional programming;
- ✓ Agro-food market analyses, research and information;
- ✓ Commercial promotion of agro-food products on domestic and foreign markets;
- ✓ New insurance and financial instruments and services for farmers and farming associations.

Throughout Italy, ISMEA is involved in land reform in compliance with regional programming objects regarding agricultural and agro-environmental policies.

Through land reform programmes and new instruments targeted at the establishment and consolidation of efficient farming businesses – in compliance with domestic regulations and the EU regulations incorporated by the regions in their Regional Operational Programmes - Ismea carries out specific activities aimed at encouraging (Ismea land management support approved by EU Commission, n. 110/2001/Italia):

- generational exchange in the agricultural sector;
- development of farming businesses and their continuous structural improvement;
- transparency and mobility of the rural land market.

In order to implement land aims subject to the opinion of the relevant regional body, Ismea purchases land suitable for reform, development and expansion of farming property, carries out the division into lots and, if required, puts into effect or promotes the required land reform and sells the land to individual farmers or to members of farm lease-hold cooperatives, with

subsidised loans, six-monthly repayments over a 30-year period, tax relief and conditional right of domain.

In addition, Ismea provides assistance for the improvement of independently-established businesses through:

- extraordinary financing (granting of direct loans) and by guaranteeing structural improvement loans;
- technical and financial help for initiatives, with particular reference to technological innovation, crop orientation and conversion to alternative products and enhancement of the environment; in order to implement these aims, it participates in activities promoted by organisations that provide services for farming businesses.

Ismea, to encourage the privatisation of public land suitable for farming, acts as an advisor. Specifically, when appointed by the administrations involved, it evaluates the land and takes direct action in its purchase and sale. It also produces a land reform project based on the typical criteria of the activities involved.

The object of the land intervention programme envisaged by the regions in Regional Operational Programmes, is the development of the territory through the business training. Maximum support limits for interventions of this kind are established by the EU. Within this context, Ismea acts as an institute at the service of the regions, operating in the area of regional programming through special meetings with the individual regions in order to define operational methods based on the various territorial situations.

### **Ismea land management support**

#### **Land organisation aims**

- Increase the average size of farming businesses;
- encourage young people to enter farming;
- innovate production processes and products;
- increase competitiveness;
- post-assignment activity.

#### **Assignee's**

- Single farmers (small farmers etc.);
- cooperative farmers.

Priority criteria to obtain support under forty farmers. Other priority criteria to be defined in accordance with programs envisaged by regions (attentions, income level, environment respect etc., market analysis).

#### **Maximum investment**

- Up to 750.000,00 Euro for each "single farmer".
- Up to 2.000.000,00 Euro for co-operative farms.
- Minimum investment: **150.000,00 €**

#### **Help for the land sector**

- Sale with thirty-year leasing contracts, annual or six-monthly repayments, and special interest rates (3,0% fixed annual interest);
- tax relief (reduction of contract registration duty).

#### **Sources of the National Land Authority's funds**

- Ismea revolving fund (annual payments made by assignees).
- mortgages granted by the deposit and loan bank (State bank).

**Land sector general data**

- 35.000 businesses created;
- 7.000 businesses with amortisation in progress;
- 29,0 hectares actual average size (2006);
- 80% assignees under forty;
- average investment per farm 375.000,00 Euro.

**Benefits and contractual obligations**

Assignment of land with conditional right of domain (property leasing); the main benefits are:

- Repayment at special interest rates (in 2007: 3,0%);
- repayment in max 30 years;
- tax relief on purchase;
- post-assignment technical and financial assistance.

**Assignee's obligations**

- Repayment of the capital invested, plus costs and interest;
- the land cannot be divided for at least 15 years;
- minimum redemption time of at least 5 years;
- data must be provided for monitoring the business;
- intervention on behalf of farming businesses.

**Post-assignment activity**

- Technical assistance (in-house monitoring and assistance);
- financial assistance (Extraordinary funding);
- guarantees (Legal guarantee can reach 4/5 of the farm value after investments).

**Ismea's technical staff is formed by 40 units:**

- Agronomist
- Market analyst
- Real estate contract experts

**The principal elements for the evaluation of projects are:**

- Business model
- Financing sustainable
- Technological and innovation contents
- Respect of the standards for environmental protection

More detailed information about ISMEA is available on Ismea website at <http://www.ismea.it>

Our address is ISMEA (ref. Angelo Donato Berloco) – Via Nomentana 183 – 00161 Roma (Italy)

#### 4 TASKS, AIMS AND CONTACT DATA OF AEIAR

Ismea is member of AEIAR (ASSOCIATION EUROPEENNE DES INSTITUTIONS D'AMENAGEMENT RURAL), a European association of public institutions and organisations taking measures for the improvement of agricultural structures and rural development.

Now there are 25 five members and the aim of AEIAR is a sustainable exchange of information and experiences. In fact, in 1966 institutions and organizations of the member states of the then called European Economic Community working for public authorities, and recognized as such in their countries, merged into AEIAR. All members have the same objectives: to take measures for the improvement of agricultural structures and rural development.

Through exchange of experience and co-operation on a European level, they strive for more efficiency in their work for people living in rural areas.

Common goals of the members of AEIAR are the improvement of agricultural structures, strengthening of economic power and improvement of living, working and environmental conditions in rural areas.

The aim of AEIAR is a sustainable exchange of information among the members regarding the planning and particularly the implementation of the most different rural development measures as well on regional as on local level, for this purpose:

- the AEIAR maintains contacts with the institution of the European Union and is member in the "advisory committee for rural development" of the European Union
- study days are held every year
- the results are submitted to the decision-makers of the European Commission as well as to the national and regional rural management administrations of the EU member states
- on request, reports are drawn up and experts provided
- information is exchanged continuously

AEIAR is open for other institutions of the EU member states pursuing the same aims, namely, carrying out rural development for public authorities and which are recognized in their respective countries.

More detailed information about AEIAR is available on website at <http://www.aeiar.be>

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