

Italian Agriculture in the Framework of the New Customs Tariff

by

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We are by now (1) in possession of sufficient data to enable us to form an objective judgment on the most important probable economic-technical effects on Italian agriculture of the special customs regime which will shortly regulate our foreign trade.

An examination of the new customs tariff proves that the Italian Government, in drawing up the duties and fixing the rates for agricultural products, has followed those principles of liberal trend which are contained in the international agreements on this matter already accepted by Italy. Obviously, this judgment has to be considered in the light of some inescapable realities of our agricultural structure and of transitional contingencies, calling for a limitation of a free trade approach and therefore deserving to be emphasized at the outset.

Limiting Conditions for a Free Trade Policy.

1. — Firstly, attention should be drawn to the structural peculiarities of fundamental Italian agricultural branches as for labour and capital and the limited transferability of both of them. In a country like Italy, lacking in raw materials, with a very scarce natural productivity and a population ever on the increase, these limitations are effective factors of organic weakness especially in agriculture, which is the foundation of the life of the country.

I shall never forget the impression which I received, some years ago, on visiting some

agricultural farms in Kansas, one of the most important cereal growing regions in the United States. My eyes met vast extensions of highly productive flat land for which the advisability of artificial fertilisation did not yet need to be considered, although the yield was from 18 to 24 qtls. of wheat per hectare. There farm organisation is of the greatest simplicity: there is no need for any particular levelling or draining of the land, and there is a considerable lack of fixed investments and even of internal communications; tree plantations are almost unknown and the buildings reduced to the farmer's house and, at most, some sheds. The arable surface is destined as to 2/3 to the cultivation of wheat and 1/3 to lucerne meadows, utilized by dairy cows of high yield. Well, in that territory, where the farms have an extension of 200/250 hectares — the typical size of a farm in our Po Valley — the same person who administers the farm also provides the manual labour, since the extensive use made of mechanical equipment and operating machines requires little manpower. Wheat cultivation, on the whole, calls for two operations, at the start and at the finish of the cultivation cycle. The farmer, with his mechanical equipment, only goes over his field twice a year: in the late autumn, for the sowing (the tractors draw, at the same time, the three-phased ploughs, the disced harrow and the rowseeding machines); at the beginning of summer, for harvest (the combine leaves behind it the sack of wheat already tied up).

One instinctively compares that system with the series of operations which the cultivation of wheat calls for in our regions, rendered fertile by centuries of work on reclamation and soil improvement, but above all by assiduous

(1) This article was written in April 1950 and was based on the results of the Ancey Conference and the Draft of the new Italian Customs Tariff approved by Decree of July 7, 1950, N. 441, and due to come into force on July 15, 1951. During the period July 15, 1950 - July 15, 1951 a temporary interim tariff system is in force.

manual labour. In Lombardy, in Emilia, in order to relieve heavy unemployment, the farm which operates from 200 to 250 hectares is obliged to give steady employment to at least 50 regular labourers, in spite of the considerable use made of machines. In our farms, at the present day, wages alone represent, roughly speaking, about 2/3 of the total cost of production. In Kansas the farm, which is generally rented, can still yield a rent equal to about 1/3 of the market value of output, and this rent can be calculated as net rent, after taxes have been deducted, as the owner has not to provide for replacement of capital while administrative requirements are negligible.

The different possibilities of reducing the costs in both cases is also evident: in our country it would affect a wage already reduced to the lowest possible terms, whilst in Kansas the reduction would fall upon an income derived almost entirely from the land, without producing any disastrous consequences.

The same conclusions apply to another product of fundamental importance for our agricultural economy and also an object of considerable foreign trade: I refer to meat. Last year, in the heart of the Argentine Pampas, in the typical « *granadera* » zone, I visited farms principally given over to breeding cattle for slaughter: the classical « *novillos* » utilized at the age of 20/24 months, when they attain the live weight of 350/450 kilos, by the large frozen and canned meat export industries; cattle bred in the wild state on lucerne meadows and wild flower pastures so nutritive as to ensure the best meat conditions of the animals for slaughter, without any need to complete their diet with concentrated feeds; herds of cattle of 8/10,000 heads, characterised, among other things, by striking uniformity of type and degrees of development, handled — or more simply, guarded — by one or two men. In this case also the income comes prevalently from the soil.

These are two out of many striking examples of the different conditions in which a given product may be obtained, and of the very different measure in which soil, capital and labour contribute to form the cost. This contrast would hold good even if the comparison were made between products which can replace one

another in competition on the market; for instance, if we compare the characteristic features of our sugar production from sugar-beet with those of the similar product obtained from sugar-cane, or the conditions in which our production of olive-oil is carried on, compared with those existing in North and South America and even in Asia for the production of oil from oil-seeds.

This comparative sketch of the profound structural and operating differences shows very clearly the conditions of organic and therefore unavoidable economic inferiority in which certain agricultural products of the utmost importance are produced in Italy. This is the fundamental justification for levelling the price of the product by means of customs duties when the particular productive activity cannot for a variety of reasons be abandoned or limited. Under productive systems whose flexibility is limited because they are strictly dependent on inelastic environmental conditions, the impossibility of replacing or of reducing the output of a given product is often the consequence of the technical requirements of the system rather than the expression of any economic expediency for the undertakings.

2. — Secondly, a certain prudence in the liberalisation of trade, more particularly in the case of some agricultural products is counseled by the agricultural depression from which Italy is now suffering, which originates in the marked difference between costs and proceeds, due to the fall in the market price of the products unaccompanied by a proportional fall in the cost of production factors.

If these two series of prices are referred to a pre-war basis, to the year 1938 which may be considered a year of fairly balanced economy, an approximate measure of the discrepancy can be seen. Last year the farmer sold his products at a price 55 times higher than the pre-war price, whilst he has had to buy his equipment, manpower, etc. at prices 62 times above the 1938 level. This ratio is of course merely a general indication. There are branches where the discrepancies range even higher: for instance, in the production of hemp, olive oil, potatoes, wine, etc., sales prices were respectively only 46, 42, 40 and 35 times the pre-war

figures, whilst wages, taxation, purchase prices of raw and auxiliary materials, etc., were 62 times above the 1938 level.

In the case of tenant farms operated with hired labour — such as are found over large areas in the Po Valley — where there is no possibility of offsetting the operating deficit by reducing the rent or the remuneration of labour (a possibility that exists in the case of owner-operated farms), the present situation cannot continue.

This discrepancy can and will be eliminated. The decreasing trend of prices for means of production, which has only just begun and is limited almost exclusively to raw and auxiliary materials (fodder, fertilizers, insecticides, fuel, etc.) will probably continue. But these items are only a small percentage of the total farm management expenditures of which wages and taxation represent the greater part, amounting to 2/3 or even 3/4 or 4/5 of the total. There are also possibilities of further improving the technical and commercial aspects of farm management. But all this requires time and therefore it is necessary, first, to avoid aggravating existing difficulties by a new fall in prices and, secondly, the farms must be given the time needed to rebalance their budgets, through an improvement of the market conditions for equipment, auxiliary materials and modernisation of production itself. Hence it is essential to safeguard our market — at least in the case of certain products — from sudden reactions which might strike it should it be immediately, and perhaps totally, inserted in the framework of international market conditions. In such cases protection is provisional and merely intends to assist our prices to adjust themselves to international levels by avoiding shocks during the process.

3. — Thirdly, some lines of agricultural production call for a certain degree of customs protection when facing the more or less hidden protective policy followed by certain countries, which usually takes the form of measures limiting the import of foreign goods or stimulating, by means of indirect aid, the expansion of their own exports on markets deemed to be of particular interest. Therefore, in many cases, our protectionism is nothing more than an effort

to restore the balance in a situation artificially and unilaterally modified; and it should be considered a weapon of legitimate defense against any attempt to place our economy in a condition of inferiority. This is a reality which cannot be ignored and to which we cannot but call attention, especially of those who wish to be the theoretical advocates of unlimited free trade.

The Ancey debates demonstrated the truly abysmal depth of the contrast that may exist between asserting a principle and putting it into practice. This contrast was shown more especially by the frequent recurrence of the paradoxical situation in which a country asked that its own characteristic products — characteristic because they could rightly boast of excellent technical and economic farm organisation and privileged environmental conditions — should enjoy a lower rate of duty than that by which the same country held that it should protect its own products from foreign competition. The expansion of our exports to hard currency areas, so insistently urged, and already made so difficult by the inferior conditions in which our agriculture has to work, becomes quite impossible because certain countries to which our surplus production might be sent levy on it prohibitive import duties.

For instance, citrus and other fruit crops in general have progressed by giant strides in the United States in these last ten years, both in quality and quantity, but especially as regards reduced production costs. These tree crops are cultivated on an industrial scale, assisted by a highly advanced technique. Now, the duty on lemons, though reduced by half at the Ancey Conference, is still high, representing from 40 to 50 per cent of the Italian *job* prices. The duty on almonds, cherries (sulphated cherries) etc., which has remained unaltered, makes our exports almost impossible since the duty amounts to 80%, 120% and sometimes even more of the producers' price. The dairy industry in the United States today produces a very wide range of articles, much the same variety which characterized till yesterday the similar European industry. The U.S.A. produces many of what used to be our typical cheeses and places them on the market under the same denomination. The raw material,

which in this case is milk, until recently cost in the U.S. only one third of what we paid for it: 18 to 20 Lire as against 55 to 60 Lire a litre. In such a situation, it would have been quite understandable if during the discussion on tariffs and customs we had insisted on subjecting the U.S. products (milk in its various forms: condensed, powdered, etc.) to a duty which would have mitigated our state of inferiority as regards the price of the raw material and our type of industrial organization. But we asked only, and in vain, that our cheese exports be not overburdened in the United States with a tariff higher than that adopted by us with reference to American dairy products.

Indeed there is still a fundamental equivocation at the basis of the present conversations within the O.E.E.C. on the liberalisation of trade. This equivocation consists in that vast series of indirect protective measures which are to buttress the abolition of existing trade limitations. Prohibitions, quotas, etc. will be given up only to be replaced by discriminations between essential and non-essential goods, maximum sales prices or seasonal periods within which importation is allowed, etc. All this clearly means a change in manner but none in substance. Bearing in mind the original and acquired conditions in which our country has to work and which make it difficult for us to compete as regards costs and consumption, it must be recognized that Italy shows considerable courage in her earnest efforts to extend the application of the principle of progressive liberalization of trade.

Guiding Principles for the Agricultural Customs Tariff.

4. — Let us now pass on to a realistic study of the new duties. A logical basis for a policy of protection for our agriculture should be inspired by the following notions:

1) Refuse protection to the so-called characteristic lines of production, whose very denomination presupposes environmental conditions particularly favourable to growth and marketing. This principle has been admitted to the fullest extent and on the most positive terms. Thus, not only has there been no sug-

gestion of an import duty on almonds, hazel nuts, oranges or other fruit and vegetables, but there has also been no intention of letting our typical production benefit by the indirect protection of a duty on similar or substitute goods. If a different reasoning had been adopted, the request put forward by the hemp growers, for example, for a tariff on jute — a raw material which competes with hemp — would have been accepted. In granting this greater measure of freedom of trade, the advisability of making full use of competition in the quality of goods has been envisaged, not only in regard to different articles belonging to the same line but also in regard to products of the same type but possessing different characteristics. In the cheese sector, for instance, it is not merely a question of exporting « Gorgonzola » and importing Emmenthal, but also of exporting « reggiano emiliano » and importing the Argentine « reggianito », of exporting our nationally-produced Emmenthal to Germany whilst simultaneously importing it from Switzerland.

2) We have renounced protection for products which, even if not characteristic, cannot justify a claim to protection by pleading inferior environmental conditions.

This is the case for instance for all farmyard products, in particular poultry and eggs, the production of which amounts to about one hundred milliard lire and which in the past fed a considerable export trade. There seems to be no reason why poultry farming in Italy should yield lower results than, for example, in Turkey, Bulgaria and Denmark. Too much has still to be done in rationalizing poultry farming to justify a situation in which a T.B. patient must pay 40 lire for an egg which would cost only 20 lire if imported duty free. A more careful and efficacious control of the epidemics which so frequently decimate poultry, as well as more appropriate feeding, which can be had without raising costs, would be more than sufficient to halve present costs of production.

3) Protection by customs duties of some products which, even though obtained in conditions of economic inferiority, cover only a modest percentage of the national requirements, has been given up. The sacrifices imposed on

consumers would have been disproportionate to the advantages conferred on producers. A case in point is wool.

4) The trend of our agriculture — a trend which deserves encouragement — is to develop animal husbandry and especially the production of foods such as milk, meat, fats. The problem of marketing a growing output of such animal products is closely connected with the possibility of lowering costs; this holds good above all for products in demand on foreign markets. Hence the advisability of favouring stock-breeding by assuring feed supplies at low prices, as they are one of the principal elements in raising per weight costs. Therefore imports duty free or charged with very low rates, levied essentially for revenue purposes, have been allowed for maize, extraction meals, oilcakes and other cattle feeds.

The new Draft Tariff contemplates a 35% duty for the chief cattle-feed, maize. This decision gave rise in some agricultural sectors to quite groundless objections. There was a feeling that the economic basis of maize farming, extending over one million hectares and yielding 25,000,000 qls. p. a., might be jeopardized. Undoubtedly the costs of growing maize in Yugoslavia, Argentina, United States, just to mention a few of the markets drawn upon to complete our domestic production, are lower than in Italy. But we cannot disregard the fact that 4/5, not to say 9/10, of the domestic production of maize is consumed or processed on the farms themselves. The farmer who grows maize to feed his own cattle is not so much concerned with the price of maize — which he does not market — as in the price of milk, meat and fats into which that maize will be transformed. Therefore it is clear that imports of feed of high-nutritive value at a favourable price affords the best if not the only determining factor in assuring the much desired expansion of animal husbandry.

5) Protection has been reserved to those products which, owing to the position they hold in our agricultural economy and to the conditions of net inferiority under which they are produced — not because of the incapacity of the farmers but because of the special local conditions — cannot be abandoned to the fate

which would befall them were they to be immediately and fully inserted in the international price system. This would result in upsetting the whole national economy and therefore their protection is justified by general social considerations.

The extent of the protection has been strictly contained within the limits required to avoid the danger feared. This protection has been granted to *wheat, sugar beets, beeves and butcher's meat, and animal fats*. The regulation of the market of *vegetable fats* (oil-seeds and oils competing with olive oil) has a character of its own.

We may perhaps examine in detail the technical and economic position of each of the above-mentioned products, considering each in relation to the settlement planned for our agriculture at the end of the Marshall Plan: a settlement which should be consonant not only with the practical possibilities in the different zones but also with the requirements of home consumption and with the most probable state of trade under a regime of relatively free trade. The plans laid down provide substantially for the development of those crops and products which find in our country favourable natural and acquired conditions (high grade fruit and vegetable crops, hemp, rice, dairy products) and for the development of animal husbandry, partly by an increase in the area under forage crops. The development of animal husbandry must be considered as the most efficient indirect means for raising per hectare yields of cereal crops, where higher productivity should more than offset a reduction in wheat area.

Key Agricultural Branches and the New Customs Tariff.

5. — This change from excessive cereal farming to a progressive extension of artificial meadows, which has already successfully overcome the initial difficulties, might be irremediably injured and its completion and consolidation prevented by a sudden sharp fall in prices.

The characteristic features of Italian *wheat* farming are too well known to need any description. Wheat is grown on about 1,500,000 farms, of which about 1,200,000 market either all or part of their production. For many farms,

and they are among the smallest, wheat is the only marketable crop and by far the most important, the sale of which enables the farmer to meet the subsequent operating expenses of the farm and that part of his domestic needs not covered by home production. For many farms, especially large and medium sized and particularly in the agriculturally poor regions, wheat growing is the basis of production. At the present moment wheat crops cover a surface of 4.6/4.8 million hectares, in rotations which allow of little elasticity, so that it would be extremely difficult to replace it by another crop that could be grown under similar technical conditions.

During the years when autarchy was most in vogue, and allowing for favourable seasons, the requirements of the nation could be fully satisfied by home production, wheat was grown on an area of 5,300,000 hectares. As soon as the war was over the deficiency of technical equipment and an ill-considered price policy seriously handicapped wheat cultivation, which became the least profitable crop. In spite of this the surface covered by wheat did not fall below 4.4/4.5 million hectares. This is probably the lowest figure to which it is technically possible to reduce the wheat area, and this fact proves the very special character of that crop in the general picture of Italian agriculture for which it represents a fundamental element of stability. By maintaining wheat cultivation within present limits, which are those envisaged by the definitive agricultural program, there would be a deficiency of about 15 million qls., which might fall to 8-10 qls. or rise to 20-22 respectively, according to the more or less favourable harvests depending essentially on weather conditions. For the past 70 years, since a duty on wheat was first introduced in 1883, there have only been two brief intervals of a return to duty free imports: the first, for about two months between May 7th and June 30th, 1898; and the second, between February 1st, 1915 and July 23rd, 1925. On the other hand, there have been frequent periods of long duration in which the duty on wheat represented a considerable surcharge; for a long time before the first World War it stood at about 40% of the international price. There were also years in which, in consequence of the

commercial policy adopted by some producing and exporting countries, the most paradoxical situations arose and at one moment the duty accounted for nine-tenths of the home price of wheat. Foreign wheat was even offered gratuitously at the frontier, the exporter being granted subsidies superior to the price on the original market. In 1938 the incidence of the customs duties (38 lire per ql. for soft wheat) was 52% of the average import price.

A simple calculation shows clearly that a protective duty on a product of fundamental importance for consumers such as wheat requires the most careful attention, since the price of bread and edible pastes is a decisive factor in determining the cost of living of the working classes. Let us see how the duty works: a duty of Lire 1,000 per ql. on 15 million quintals of imported wheat automatically raises by a like figure the price of the 30 million qls. of the home grown crop sold on the domestic market (the additional 40-45 million qls. produced are used for seed or are consumed on the farm). The duty thus represents for the consuming public a charge of no less than 45 milliard lire.

The formula adopted at Annecy shows the anxiety not to weigh upon so widely consumed a staple product, whose price reacts so sharply on general living costs and wages, and clearly defines the nature of the solution adopted. The duty is certainly not a costly wall behind which backward cereal farming can quietly take shelter.

It is evident that the main intention is to protect our wheat economy from any sudden and serious fall in the international price level, which is not only possible but easy under present-day conditions in this economically unquiet world, wheat being a product for which countries having at their disposal enormous resources, such as the U.S., Argentina and the U.S.S.R., might for some reason or other engage in unexpected trade policies. In almost all the European countries, in spite of their declared intentions of following a liberal commercial policy, the trend is not so much to strengthen the position of national wheat farming as to increase progressively the output; in the American countries where, during the war years, the output of wheat was encouraged

to an extraordinary degree, hardly any effort is being made to bring production back to its previous level. It is true that the Wheat Agreement does not cover the full demands of the importing countries, but we cannot ignore the fact that the U.S. alone, whose exports have risen from the 10-12 million quintals of pre-war days to the present 120-130 million, would be practically able to provide the whole quantity foreseen under the Agreement. Nor can we neglect the fact that Argentina and the Soviet Union have not signed the Agreement, the latter because she was not allowed to contribute a quota of at least 20% of the total to the general pool. Therefore the possibility of cut-throat competition between the great exporting countries at a date in the near future cannot be excluded. This would mean the repetition, even if only temporary, of the sudden price slumps experienced in the past.

The formula agreed on at Annecy provides two precautionary measures to protect our market against sudden, serious upheavals. First, the basic duty may be raised from 30% to 45%; secondly, the home price is not allowed to fall from one year to another by more than 20%. The duty has been fixed — as we have said — at 30%. This cannot be considered an excessive level; it is, on the other hand, a first precautionary maximum, which perhaps will not need to be applied. Under present conditions, for instance, with a home price standing around 6,250-6,500 lire, which is considered adequate to meet costs and is fairly adjusted to the prices of other products, and with a minimum international price for wheat delivered at our ports of 5,251-5,511 lire, there is no need for recourse to the full duty in order to protect home production.

It is relevant to note that France, whose wheat farming is much less costly than ours, has fixed her duty on wheat at 35%, while she also reserves the right to raise the basic tariff by another 15% of the product value.

6. — In the past the advisability of protecting home produced *beet sugar* against the competition of foreign cane sugar has been much discussed. The problem has been and still is of great importance in the customs tariff policy of all the European sugar-producing countries,

including those in which beet-cultivation is carried on under particularly favourable conditions, thus assuring a higher yield of roots per hectare and a higher sugar content than in Italy. It seems that the discussion on the subject has lately cooled down; the opposition to protection, which would practically signify relinquishing beet-cultivation — as in no zone, however privileged, could beet cultivation compete with the costs of production of sugar cane — is no longer so strong. Eminent exponents of free trade policies have had to admit on the basis of an impartial study of facts that the protectionist claim that beet farming and the sugar industry serve interests of a general character, especially in view of the technological, economic and social conditions of the regions where these special activities are carried on, is no mere specious argument but a practical reality which cannot be left out of account.

It is significant that protection many times higher than ours was accepted in the past and is still maintained in all European countries, even in those traditionally favourable to liberal trade policies. In 1929 Italy replaced a customs duty of 36 gold centimes per kg. on imported sugar. There were, it is true, countries which levied a lower duty but always one of a strictly protectionist character; Sweden and Denmark of 14 centimes, Belgium of 11.50, Germany and England of 31, Czechoslovakia of 50.50 and Poland of 60! In the next 10 years there was a tendency to raise the tariffs and just before the war, in 1938, some countries, such as Germany and Czechoslovakia, levied duties of about 12-13 dollars (at the 1938 rate of exchange) per ql. Among present tariffs the French one is the highest, amounting to 130% *ad valorem*.

The supporters of the protectionist regime claim to demonstrate historically, by means of indisputable data, the advantages that accrued to our consumers from the fact that the Italian Government has provided for the country's essential sugar requirements. The proof would be afforded by comparing two data: on the one hand, the price at which home produced sugar from 1903 to 1948 — 108,381,880 qls. for a total value of 5,482,867,482 gold lire — was placed on the market, and on the other hand, the price the country would have had to pay

to purchase this quantity of sugar on the international market: *i.e.* 5,534,014,097 gold lire (2).

These figures would show that the advantages of a general nature connected with beet-growing and the sugar industry have been secured without entailing any loss to the consumer. These advantages consist in providing well-paid work for a very large number of people in densely populated regions with scanty industrial development, in better crop rotations and a generally improved farm economy.

But apart from any judgment on the consistency of this striking calculation, it can be safely said that in the present situation, when Cuban cane sugar reaches our ports at little over half the cost price of our best home produced sugar, the idea of abandoning this particular agricultural activity is inconceivable. It is true the area under beets is only 120,000 ha., but they are distributed mainly in 6 provinces: *i.e.* Ferrara, Ravenna, Rovigo, Padua, Venice, Verona (75% of the total), in which the cultivation of the sugar beet has now become traditional; it is considered impossible to replace it, and therefore it would be disastrous to suppress it, given its economic and technical importance for the farming systems of those regions. Such a policy would moreover greatly injure the capital investment represented by 65 sugar refineries, equipped in many cases with the most modern machinery, of an estimated value of 100 milliard lire. But the most important consideration has already been mentioned, *i.e.*, that the cultivation and processing of the beet crop calls for the employment of considerable numbers of workers who depend on these activities for their livelihood. It is estimated that 125 million hours of work are matched by a pay-bill of 20 milliard lire.

The Draft Tariff fixes the sugar duty at 105%. This is far from the pre-war rate, especially from that of the immediate pre-war years under a system of autarkic economy, when the use of beets for distilling alcohol to be used as motor-fuel was contemplated, and plans were being made to enlarge the area planted to beets,

which had risen to 175,000 hectares and was to have been extended gradually to lands less suited to it. In 1934 the duty stood at 175% and in 1938 at 370%. The comparison might make us doubt whether the duty now proposed (and not yet agreed upon) will effectively secure the ends in view. But this doubt is not well grounded. On the contrary, we may safely count on a progressive lowering of the duty in the course of time, for Italian beet cultivation and the ancillary sugar industry could engage in further technological and economic improvements; a cleverly regulated competition, secured by manipulating the duty, can be used to spur them on to further progress.

Crop yields can be raised in a marked degree. We can now aim at 45 quintals of saccharose per ha., and the target can soon be raised to 50. Fifteen to twenty per cent of the farms have already attained these yields. As this crop is grown under quite uniform conditions, heavier yields at lower cost are a matter not of soil or climate but a problem of farm organisation. There is therefore no serious obstacle to prevent all the farms from securing the same yields as are now obtained by the more progressive farms.

In the sugar manufacturing industry there are also marked disparities in costs, only partially due to the varying capacity of the plants and to the varying degrees of its utilisation. In this last respect the expected increase in the production of the raw material to meet the anticipated heavier consumption, should in itself be a factor in the reduction of costs by spreading overhead charges over a larger volume of production.

While we feel certain that we shall be able to reduce costs by introducing improved methods both in the cultivation of the beet and in the sugar refineries, on the other hand the competing sugar cane business will have to face, for reasons that can be easily guessed, heavier production costs. Also for this reason we may assume that in the course of time it will be possible to lower the duty to a considerable extent.

7. — The condition of our olive-oil production is now more or less similar to that of sugar. It also has been subject to indirect com-

petition; even if the competing product is not identical, it is used for the same purposes, and, as in the previous case, the substitute (seed oil) is obtained in the place of origin at much lower cost. In the course of time competition has become still more fierce owing to the greatly improved character of the product attained by the refining industry (to which seed oil must necessarily have recourse) so that the difference between the prices of the two types of oil has gradually decreased.

In the immediate pre-war period the Italian annual consumption of edible oils stood around 2.8 million qls. of which 700,000 were seed oil, for the most part imported. Owing to the scarce elasticity of consumption, the requirements for imported seed oil vary from year to year with the yield of the olive crop and the output of olive oil. Hence during the six year period between 1933-39 the import of seed-oil fluctuated between 443,000 qls. in 1935-36 and 932,000 qls. in 1937-38. In a now distant past, oil seeds and seed oil imports were offset by exports of olive oil which in the years before World War I reached the figure of 350,000 qls. (509,000 qls. in 1907 and 639,000 in 1906).

At present olive oil accounts for about 4% of the total world production of vegetable oils, rising from 590,000 tons in 1909-1913 to 1,000,000 tons in the last pre-war period and falling to 820,000 tons in 1949.

In the meanwhile there has been a much more marked increase in the production of seed oils: we need only recall the two most important kinds, ground-nut oil (which has risen from 1,150,000 tons before World War I to 2,240,000 tons in the six-year period previous to World War II and to 2,560,000 tons in 1949), and soya oil, ranging respectively from 600,000 tons to 1,275,000 and 1,600,000 tons. In Italy the cultivation of oil seeds, which was stimulated in all possible ways, especially by fixing highly remunerative prices during the period of autarky, is not favoured by environmental conditions. And even in the years when the Government urged the extension of the cultivation of ground-nuts, soya, sun-flower, etc., the total area never exceeded 20,000 hectares.

Every one knows the importance of the olive for our agricultural economy, covering an area

of 800,000 hectares of specialized plantations — of which 3/4 are in the mainland of Southern Italy — and 1,400,000 hectares under mixed cultivation which is practiced both in Central Italy and the South. Fifty-six per cent of the output of olive oil comes from Southern Italy, 19% from the Islands, 17% from Central Italy and 8% from the North. Apulia and Calabria are the most conspicuous olive-growing regions; in the former olive groves occupy 1/4 of the productive and 1/3 of the cultivated land respectively. The total number of olive trees is estimated at 175 million, the life-cycle of which is plurisecular. The mode of cultivation varies considerably with the environment and so does the yield. Before the last revision of fiscal assessments made in 1937-39, the cadastral income ascertained for olive-groves ranged from a few lire per hectare (15 to 30) to ten times that figure if not more (300 to 400 lire). At both the lower and the higher of these income levels, the olive-tree now offers the only way of utilising lands of very low productive value. But for the olive such lands would be uncultivated grazing lands. The olive more than any other plant makes such poor lands productive and if planted in favourable conditions it can vie with the vine, with orchards and even with tree plantations of an intensive type.

Between these two extremes there are a whole series of intermediate situations, differing from the technical and above all from the economic standpoint. If a slump in the price of olive-oil, due to the competition of seed oils, made it uneconomic to grow olives (it is estimated that about one half of the crop is produced by industrialised agricultural undertakings and is therefore intended for the market), they would still continue to be grown to some extent, but the existence of a large percentage of the olive-groves would be irretrievably endangered and the lands might be quite abandoned, as there would be no alternative use for them. But even were an alternative use to be found, it is not unlikely that the solution, which could only be a *pis-aller*, would entail the same drawbacks as those that were to have been avoided by withdrawing protection from olive-oil. For instance, a market situation al-

(2) Sugar-beet cultivation and sugar industry: Report presented by the sugar manufacturers to the Interministerial Commission for the study of sugar problems.

ready difficult might be made yet more so, especially in depressed Southern Italy, if olive groves were to be replaced by wheat, which is a crop calling for even greater protection. This would represent a great drawback to the economy of Southern Italy, especially at a time like the present, when all possible encouragement should be given to developing its agriculture and related processing industries.

The menace hanging over our olive cultivation is indeed a very serious one, though for the time being it is potential rather than actual. Until now the olive-oil market has managed to protect itself by a 12% duty on seed-oils (represented by the licence fee and other minor charges) and an excise duty recently raised from 30 to 45 lire a kg., corresponding substantially to a further 12%; in all, therefore, about 25%. The market quotations for the two kinds of oil shows a difference of about 20%. The new customs duties are at the rate of 10% on ground-nut, sunflower and other seeds and 25-35% on the extracted oils. The difference in the duty of seeds and oils tends to encourage the importation of the raw materials, thereby assuring work to our well-equipped pressing, extracting and refining industries. The possibility of manoeuvring the excise duty is held as a reserve defence measure.

Compared to the pre-war duties on edible vegetable oils the present tariff affords considerable relief in this sector also. The pre-war duties ranged from 35% *ad valorem* on sunflower seed to 42% on soya seed and 108% on ground-nut seed. The incidence on seed-oils in 1938 was 152% for ground-nut and 196% for soya oils. Ever since it was introduced in 1881 the excise duty on production has had a definitely protective character. At that time cotton-seed oil was the only one which competed with olive-oil. The duty has been levied uninterruptedly since then and gradually extended to the other seed oils as they came on the market.

At the Ancey Conference the Italian Government announced its intention, as provided under Art. 64 of the Havana Charter, to reserve the right to regulate the excise duty, which is not discriminatory and is levied at the same rate on domestic and imported products.

It is, however, believed that the present increase in the price of seed oils will provide adequate protection in the future for our olive growers, and this belief is justified by the technological and economic improvements that can still be introduced. It must be frankly admitted that during the past 50 years our olive-growers have remained attached to traditional methods, unaffected by the progressive movements that have led to such great improvements in other branches of agriculture. We need only think of the results that could be obtained in three all-important directions: by cultivating the soil so as to conserve its moisture; by pruning the trees so as to assure a better balance between the growth of the plant and its yield; by the control of diseases and pests. On this last point we need only recall the fact that one single parasite, the olive-fly, causes an average annual loss estimated at over 5 milliard lire. Also in the oil refineries there are really important possibilities of lowering costs. The last census taken of the oil-mills and presses showed the very high percentage of oil still extracted and refined in establishments only provided with primitive means and lacking that equipment which alone can assure the quality of the product and the complete utilization of the raw material.

The limit placed on protection in this case is intended to stimulate and rapidly ensure that considerable lowering of costs which can be obtained. Here again protection, which is an essential element for the survival of this special branch of agricultural and industrial activity, will be effective only if the methods of cultivation and processing are renovated; the intention is to grant the necessary time for this renewal and then to limit protection to what is needed to eliminate the differences in costs chargeable to objective and insuperable environmental difficulties.

8. — And now we have reached the last sector under consideration, that of animal husbandry with particular regard to *meat and animal fats*. The most important of these products are cattle and pigs. Other animal products are either typically local (*pecorino*), or should not enjoy customs protection (egg,

poultry), or the cost of protection would be disproportionate to the advantages, as in the case of wool.

As we have already stated, the present agricultural trend is to realize that premise which 40 years ago was declared to be at the basis of any substantial improvement of our agricultural economy, *i. e.*, more forage crops; above all more grass in rotation, and therefore more livestock, partly replacing sheep and goats by cattle. Whence the double advantage of (a) increasing the supply of animal products, of which consumption is too low in the Italian diet, (b) raising per unit yields of the other crops by introducing or extending the cultivation of soil-enriching forage crops, quite apart from raising soil fertility by the use of more manure.

Our livestock, greatly damaged during the latter period of the war, has increased with surprising rapidity, encouraged by the favourable trend of the market. Though direct returns are not yet available, we are inclined to believe, on the basis of reliable indications, that the two main species, cattle and pigs, have more than attained their pre-war levels. The only fear is that the energy displayed in reviving stock-breeding may slacken at the very moment when its success should be consolidated or developed. This would certainly occur should prices fall further without allowing time for the necessary adjustment of costs, or should they fall below the limit set by international competition.

The downward trend of prices for animal products has made itself felt for some time past. In some cases prices have really slumped. In the case of fat-pigs, the price fell in the space of 12 months, from 1947 to 1948, from 900 to 300 lire per kg. But in that special case the product was one whose prices had risen most sharply during the war, and 300 lire was still 50 times the pre-war price. But the prices have gone on falling, and are now (April 1950) down to 200 lire, without a corresponding adjustment in the prices of feeds (the price of the most important of these — maize — has fallen from 5,000 to 4,000 lire per quintal) and finished products. This market situation first stopped the expansion of stock-breeding and then led to a tendency to reduce the number

of breeding sows. But in regard to pigs these adjustments need not cause much anxiety: they were perhaps inevitable, in view of the very rapid rate of increase. Action is now being taken to ensure for the Italian market a systematic and steady supply of animal food products at low prices; when the first rigidities have been overcome the retail prices of fresh and salted meats will adjust themselves to the new trend and will react on the cost of living index.

In any case, with a view to protecting our animal husbandry against possible surprises due to foreign competition enjoying particularly favourable natural conditions, duties of 22% for lard and fat and 25% for butchers meat and suet have been fixed at Ancey. These duties are notably lower than those applied during the period of strict autarchy, when they stood at 45% on fats and 36% on lard. In 1938 their incidence had risen to 134% and 131% respectively.

The protection of cattle is a more difficult matter, as cattle-raising influences more deeply the formation and the working of the farm; on the other hand, it is less easy in this case to reduce costs, especially as wages enter into them to a greater degree. There has been a marked fall in the price obtained for the products of cattle raising (milk and meat) during the last few months. Our markets are more and more feeling the competition of foreign meat and butter, coming from the most diverse directions, often of excellent quality and at prices that are steadily falling. It may well be that our possibilities of meeting such competition will soon be exhausted. The duties envisaged — taking into consideration also the Ancey Agreements — are 32% for butter, 28-32% for meat. These rates will make it necessary for our stock-breeding industry to bring its methods and its economic organisation up-to-date. The industry is well aware that its former customs protection was both more prudent and effective. In 1938 the incidence of the duty on butter exceeded 150%; in the case of frozen meat it stood around 175%, in that of live animals (beef on foot) 110, 130 and 190%, according to the kind (heifers, oxen, calves).

It is not irrelevant to mention here that our

country has always imported large quantities of beef; during some periods one-fifth to one-sixth of the quantities consumed: 984,000 qls. in 1926-30; 710,000 quintals in 1931-35.

The rapid review we have just made of the main features of the new customs tariff affecting agricultural products, which is intended only to safeguard the legitimate interests of our agricultural economy, may be sufficient to prove that a new and reasoned notion of commercial

liberalism has replaced the former principle of absolute protection.

This new system will undoubtedly mean a period of much difficulty for our agriculture. We can however feel sure that these difficulties will be overcome and that our agriculture will emerge all the stronger. The farmers are well aware that this is the condition on which the new customs policy is willing to give them support in their efforts for development and survival.