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 receive, 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 fertilization did not yet need to be considered, although the yield was from 18 to 24 cwt. of wheat per hectare. There farm organization 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 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 200-500 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 disc harrow and the reseeding 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
manual labour. In Lombardy, in Emilia, in order to relieve heavy unemployment, the farm which operates between 200 and 250 hectares is obliged to give steady employment to at least 25 regular laborers, in spite of the considerable use made of machinery. 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 at 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 "granaderos" 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 lagoon meadows and wild flower pastures so nutritious 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 8,000 heads, characterized, 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 the income comes prevalently from the meat.

These are two 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 1918 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 1918 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 (fertilizers, insecticides, fuel, etc.) will probably continue. But these 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 farming 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 farmers must be given the time needed to rebalance their budgets, through an improvement of the market conditions for equipment, auxiliary materials and modernization 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 intended 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, etc., in order 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 Anency 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 Anency Conference, is still high, representing from 40 to 50 per cent of the Italian "tab" 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,
consumers would have been disproportionate to the advantages conferred on producers. A case in point is wool.

1) 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, and fats. The problem of marketing a growing output of such animal products is closely connected with the possibility of lowering costs; this holds good for all products in demand on foreign markets. Hence the advisability of favoring stock-breeding by assuring feed supplies at low prices, as they are one of the principal elements in raising per weight costs. Therefore imports of feed or charged with very low rates, lived essentially for revenue purposes, have been allowed for maize, exchange meals, oilcakes, and other cattle meals.

The new Draft Tariff contemplates a 5% duty for the chief cattle-feed, maize. This decision gave rise in some agricultural sectors to some groundless objections. There was a feeling that the economy of maize farming, extending over one million hectares and yielding 25,000,000 qts. 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 favorable price affords the best if not the only determining factor in assuring the much desired expansion of animal husbandry.

9) Protection has been reserved to those products which, owing to the position they hold in our agricultural economy and to the condition 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, beans 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 of the different zones but also with the requirements of home consumption and with the most probable state of trade under a régime of relatively free trade. The plans laid down provide substantially for the development of those crops and products which find in our country favorable natural and acquired conditions (high grade fruit and vegetable crops, hemp, rice, wine 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 immediately injurious 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 3,500,000 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
ever difficult to replace it by another crop
that could be grown under similar technical
conditions.

During the years when autocracy 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 equip-
ment and an ill-considered price policy seriously
damaged wheat cultivation, which became the
least profitable crop. In spite of the fact that
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 pres-
ent limits, which are those envisaged by the
definitive agricultural program, there would be
a deficiency of about 15 million qts., which
might fall to 3-10 qts. or rise to 20-22 respect-
ively, according to the more or less favourable
harvests depending essentially on weather con-
ditions. For the past 70 years, since a duty on
wheat first introduced in 1887, 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, 1888; 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 consid-
erable surcharge; for a long time before the
first World War it stood at about 40%
139
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 six-tenths of the home price of
wheat. Foreign wheat was even offered gratis
at the frontier, the exporter being granted sub-
sidies superior to the price on the
original market. In 1928 the incidence of the
customs duties (38 lire per qtl. 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 1,000,000 per qtl. on 15
million quintals of imported wheat automati-
cally raises by a like figure the price of the
30 million qts. of the home grown crop gold on
the domestic market (the additional 40-45
million qts. produced are used for seed or are
consumed on the farm). The duty that represents
for the public a charge of less than 45 milliard lire.

The formula adopted at Anency 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 regions cannot take shelter.

It is evident that the main object
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 enorm-
ous 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 Agree-
ment, the latter because she was not allowed
to contribute a quota of at least 40% of the
total to the general pool. Therefore the possi-
ibility of cut-throat competition between the
great exporting countries in 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 Anency provides
no precautions measures to protect our market
against sudden, serious upheavals. First,
the basic duty may be raised from 30% to
35%, secondly, the home price is not allowed
to fall from one year to another by more
than 10%, and in any case not by more than
30%. The duty has been fixed — 25 lire per
qtl. — at 35%. 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 con-
ditions, for instance, with a home price stand-
ing around 6,500-6,900 lire, which is consid-
ered adequate to meet costs and is fairly adjusted
to the prices of other products, and with a
minimum international price for wheat deliv-
ered at our ports of 5,257-5,517 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 55%, while she
also observes the right to raise the basic tax
by another 15% of the product value.

6. — In the past the advisability of protect-
ing home produced beet sugar against the com-
petition of foreign cane sugar has been much
discussed. The problem has been and is still
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 con-
ditions, thus assuring a higher yield of cane
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 ex-
perts of free trade policies have had to admit
on the basis of an impartial study of facts that
beet sugar cannot claim that beet farming and
the sugar industry are not of the same general
character, especially in view of the technologi-

cal, economic and social conditions of the regions
where these special activities are carried on, is
no more 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 free
trade policies. In 1929 Italy placed 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 with a strict
protectionist character; Sweden and Denmark
of 14 centimes, Belgium of 11.90, 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 ex-
change) per qtl. Among present tariffs the
French one is the highest, amounting to 130%
ad valorem.

The supporters of the protective regime
claim to demonstrate historically, by means of
indefinable 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 — 108.38,380 qts. for a
total value of 5,48,867,83 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., 5,534,014,497 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 the true area under beets is only 120,000 ha., but they are distributed mainly in 6 provinces: i.e., Ferrara, Ravenna, Rimini, Padua, Venice, Verona (75% of the total), in which the cultivation of the sugar beets 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 million 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 million lire.

The Draft Tariff fixes the sugar duty at 10%. 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 sugar per ha., and the target can soon be raised to 50. Fifteen to twenty per cent of the farmers 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 farmers from securing the same yields as are now obtained by the more progressive farmers.

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 competition; 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: 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 qts. of which 700,000 were seed oil, for the most part imported. Owing to the same elasticity of consumption, the requirements for imported seed oil vary from year to year in proportion to the yield of the olive crop and the output of olive oil. Hence during the six years period between 1933-39 the import of seed-oil fluctuated between 443,000 qts. in 1933-34 and 322,000 qts. in 1936-37. In a now distant past, oil seeds and seed oil imports were offset by exports of edible oil. In the years before World War I the English consumed 650,000 qts. (109,000 qts. in 1907 and 619,000 in 1908).

At present olive oil accounts for about 4% of the total world production of vegetable oils, rising from 500,000 tons in 1903-1913 to 1,000,000 tons in the last pre-war period and falling to 800,000 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 1,400,000 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 500,000 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, sunflower, etc., the total area never exceeded 10,000 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 pluriseasonal. 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 industrialized 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 such a situation to be found, it is not unlikely that the solution which could only be a pisaller, 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-
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 encourage-
ment should be given to developing its agricul-
ture and related processing industries.
The menace hanging over our olive cultivation
is indeed a very serious one, though for the
reason 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
(represents by the licence fee and other minor
charges) and an excise duty recently raised
from 30 to 45 lire a kg., corresponding substi-
tially 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 16% on
ground-nut, sunflower and other seeds and
25-35% on the extracted oils. The difference
in the duty on seeds and oils tends to encour-
ge the importation of the raw materials, thereby
assuring work to our well-equipped pressing,
extracting and refining industries. The pos-
sibility of maneuvering the excise duty is held
as a reserve defence measure.

Compared to the pre-war duties on edible
vegetables the present tariff affords consider-
able relief in this sector also. The pre-war
duties ranged from 35% ad valorem on sun-
flower seed to 35% on soya seed and 15% on
ground-nut seed. The incidence on seed-oils
in 1938 was 15% for ground-nut and 15% 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 com-
peted with olive-oil. The duty has been levied
uninterruptedly since then and gradually ex-
tended to the other seed oils as they came on
the market.

At the Annecy Conference the Italian
Government announced its intention, as pro-
vided 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 technologi-
cal 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
important directions; i.e., by exploiting 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 million lire. Also in the
oil refineries there are really important pos-
sibilities 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 cul-
tivation and processing are renovated; the in-
tention 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 insurable environ-
mental difficulties.

8. — And now we have reached the last
sector under consideration, that of animal hu-
standry with particular regard to meat and
animal fats. The more important of these
products are cattle and pigs. Other animal
products are either typically local (pecorino)
or should not enjoy customs protection (eggs,
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. Where the double advantage
(a) increasing the supply of animal products,
which consumption is too low in the Italian
die, (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
later period of the war, has increased with
surprising rapidity, encouraged by the favour-
able 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 reviv-
ing stock-breeding may slacken at the very
moment when its success should be consolidat-
ed 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 98 to
330 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
90% of 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 system-
atic 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 Anency. These
duties are notably lower than those applied
during the period of strict autarky, when they
stood at 45% on fats and 56% on lard.
In 1938 their incidence had risen to 135% and
137%, 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 pro-
ducts 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
distances, often of excellent quality and at
prices that are steadily falling. It may well be
that our possibilities of meeting such competi-
tion will soon be exhausted. The duties envisaged
are taking into consideration also the Anency
Agreements = 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 for-
cast, 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 food) 110,130 and 100%,
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 qhts. in 1930-31: 710,000 quintals in 1931-33.

The rapid rise 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.

The Railway Problem in Italy

by

GLAUCO DELLA FORTA

1. — In almost all countries the financial situation of the railways is deteriorating seriously and it is universally recognised that the dangerous developments in this direction are the direct result of the growing importance of road transports. This situation raises a whole series of problems of reorganisation that can no longer be postponed, among which, that of the coordination of road and rail claims special attention. For obvious reasons we shall limit our paper to stating the problem as it affects Italy.

2. — Let us examine first of all conditions on the transport market.

(A) Volume of traffic.

The data grouped in Table 1 show that the global passenger traffic in Italy has increased considerably from 1938 to 1949. This is mainly due to the average level of railway rates which has remained much below the general price level (as is known, railway rates which serve as the basis for those charged by many other carriers — are 16 to 30 times higher than the pre-war ones, as compared to 50 times for wholesale prices and almost 60 times for retail ones). The increase in the traffic has been unevenly distributed over the different branches of transport services, but has affected the State railways to a large extent, so that in 1949 the number of passengers carried was nearly 50% in excess of the figure for 1938. The importance of motor transports has also increased, but the heaviest relative growth is that registered for air transports, which are chiefly those of passengers travelling to and from foreign countries (1); for inland navigation and coasting vessels the figures have fallen off.

The global goods traffic in 1949, as can be seen in Table 2, shows a much smaller increase over 1938 figure; and, what is more, the movement of the leading branches has been markedly uneven. Thus the volume of goods carried on

1. It should be remembered that the world's air route mileage has risen from 726,955 km in 1938 to 1,400,372 in 1947, and the merchant air-fleet of the world numbered 364 air-ships at the beginning 1939, being an increase of 81%, as compared to 1938, while the traffic has increased about 100% (U. Air, January 1949).

<table>
<thead>
<tr>
<th>PASSENGER TRAFFIC IN ITALY</th>
<th>1938</th>
<th>1948</th>
<th>1949</th>
</tr>
</thead>
<tbody>
<tr>
<td>(000 passengers)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State railways</td>
<td>180,609</td>
<td>325,835</td>
<td>349,550</td>
</tr>
<tr>
<td>Lease railways</td>
<td>161,971</td>
<td>170,108</td>
<td>162,457</td>
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<tr>
<td>Extra-urban tramways</td>
<td>170,265</td>
<td>279,334</td>
<td>230,000</td>
</tr>
<tr>
<td>suburb</td>
<td>11,252</td>
<td>15,000</td>
<td>17,479</td>
</tr>
<tr>
<td>Air lines: departure</td>
<td>0,082</td>
<td>0,238</td>
<td>0,141</td>
</tr>
<tr>
<td>transit</td>
<td>0,019</td>
<td>0,115</td>
<td>0,052</td>
</tr>
<tr>
<td>Inland navigation</td>
<td>4,209</td>
<td>2,096</td>
<td>2,000</td>
</tr>
<tr>
<td>Coastal navigation</td>
<td>112,780</td>
<td>62,88</td>
<td>62,00</td>
</tr>
<tr>
<td>Total</td>
<td>577,493</td>
<td>919,696</td>
<td>918,883</td>
</tr>
</tbody>
</table>

Source: Relazione sul traffico, April 1930, General Management of the State Railways.