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DEVELOPMENT OF LAND PRICES IN ITALY

by

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1. Objectives and source of data

The aim of this introductory paper is to outline an overall trend of land prices in Italy, related to agricultural uses. Official statistics are compiled by INEA (Istituto Nazionale di Economia Agraria), which also provides information about the value of marketable production and estimates on gross farm incomes (including capital income and independent labour revenue). Trends observed since 1970 are shown in figure 1.

With regard to land prices, time series were revised in 1968, starting from 1956. The new methodology, set up mainly for statistical purposes [1], offers an estimate of "farmland values" over time at a national level, with a breakdown by agrarian zones, covering about 2/3 of the Italian territory (i.e. excluding "forested areas", but including "rough grazing land") (table 2) [2].

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[1] "Since only a small fraction of all the land is sold in any given year" (Dovring, 1982), in accordance with Barnards and Wunderlich's (1984) remarks, a similar procedure was developed in Italy for the setting up of aggregated figures of farmland values (Panattoni, 1976). The purpose of these statistics is really more designed to give general information on land value trends over time, than to give an accurate estimate of the effective price paid for a parcel or a farm sold on the market. Furthermore, because of the land market segmentation, we may observe different "types of values" in Italy (Bazzani, 1987), not only related to actual transactions on the free market: for example (for mortgage loans, administrative, fiscal and legal purposes condamnation procedures, etc.), (Grillenzoni and Occhialini, 1987).

[2] In view to obtain agrarian zones relatively homogenous, the INEA adjusted the cartografy by ISTAT

2. Development at national level

Cyclical movements occurred along the observed period 1956-88. Considering the values in table 1 at constant prices, we may identify:

- three downward trends in the first half of the '60s (from 1959 to 1963), of the '70s (from 1969 to 1971) and of the '80s (from 1981 to 1985);
- two upward trends in the second half of the '60s (from 1964 to 1968) and, with more evidence, of the '70s (from 1972 to 1980).

Several factors have influenced these movements:

i) adverse economic and political conditions (the well-known period of "negative conjuncture"), increasing restraints on land tenure and "stagflation" were likely those which have, mainly and respectively, influenced the three downward trends;

ii) expectations of economic growth, of future profitability of agriculture and possibilities for non-agricultural uses (due to population pressure on land and to related increase of wealth) may explain the upward trends in the inflationary climate of the late '60s and, mostly, of the '70s since 1973.

(Istituto Centrale di Statistica), dividing farmland by lying position: mountain (internal, coastal); hill (internal, coastal); plain (flat land, valley). Specifically the valley land, which covers only 3% of the surveyed area, is located at the bottom of the Alps and the Appennini ranges (INEA, 1968-1970).

Some of these trends are similar to other EEC countries (the USA too), because of the CAP (Common Agriculture Policy) impact (Grillenzoni and Maunder, 1987). The relative measures may have had the effect of either raising or lowering prices in the farmland market, as well as national variables (fiscal and financial conditions, exploding public debt, etc.) which may have determined different intensities of the observed phenomena (Grillenzoni, 1986).

The slight upward trend for the more recent years (since 1985) might, in particular, be accelerated by the presently changing economic conditions. The expected increase of inflation might produce a new demand of investment in "real" assets (Grillenzoni, 1989).

3. Internal variations

Within the cyclical movements of farmland values at the national level, there are however consistent disparities and dichotomic trends for these values at the regional level. In this context, the Italian regions are significantly better represented by "agrarian zones", according to land altimetry, which offers a certain degree of homogeneity, than by the geographic regions.

To comprenend this assumption correctly, I would suggest examining the following (and diversified) percentages of distribution of the Italian territory, by altimetrical zones (figure 2) and agrarian zones (table 2):

Zones	Altimetrical [3] (over a surface of 29.5 million Ha)	Agrarian (over a surface of 20.8 million Ha)
- Mountain	35	26
- Hill	42	36
- Plain	23	33
	100	100

The residual national surface of approximately 8.7 million hectares was covered in 1983 by "woods" (21.7%), "urbanized areas" (6.9%), rocks, mines, etc. (Merlo, 1988).

A close investigation of the figures in table 2 reveals that, from 1968 to 1987, current farmland values increased more in the plains and valleys (6.9 times and 10 times respectively) in comparison with the average (weighted) national trend (6.1 times). On the other hand, the increase was only about 3.5 times in the mountain zones and 4.5-5.8 times in internal/coastal hills. In real terms, the regional disparities are even more significant.

These regional imbalances can be mostly explained by the land use adjustments and structural changes which occurred in farming and in rural areas, due to economic development, not exclusively contined to the agricultural sector.

[3] Both surfaces exlude internal waters.

Many authors have analized these phenomena, from the general economic development side (Di Sandro, 1972 and 1977, Di Cocco, 1976 and Medici, 1976) and/or from the land use dynamics side (Grillenzoni, 1980, Agostini, 1984, and Merlo, 1981 and 1984).

The decreasing farmland values in the less favoured areas are certainly derived from more extensive processes related to the reduction of active agriculture, which is due to the cost inflation and the exodus of population, both of which considerably reduced the area of arable land, mainly along the Appennini range (Di Cocco, 1978 and CNR, 1982).

The increasing farmland values in the plains are due, on the other hand, attributable to intensification processes since good soils, irrigation facilities and accessibility permit constant technological advancement and, in some areas, a structural evolution of farming (Barbero and Mantino, 1988). In this context, we may point out that almost 3/4 of the added value of the agricultural sector is actually achieved from less than 1/4 of the "best" farmland in Italy. In addition, in these plain areas, there has been a relevant and continuous demand for land, supported by financial corporations, insurance companies and public authorities, for industrial, residential and social investment (Grillenzoni, 1982 and Prestamburgo, 1982).

In consequence, an increasing awareness for a new land planning policy has thus emnerged (Merlo, 1979 and

Galizzi, 1981), suggesting methodological proposals whose aim is to protect the use of the "best" farmland in the plain areas. (Franceschetti and Tempesta, 1983, Boatto et al. 1987). On the other hand, judging from statistical information concerning the '80s, we may finally observe a slight rise in values in the mountain and hill areas located primarily on the coast (tourist effect), secondly in internal zones both of which are probably due to a "new" demand for land for residential and recreational uses.

What about the effect of the EEC set-aside program for internal rural areas? Might it support a minimum level of stable population at a reasonable standard of living (Amadei, 1989) ?

4. Concluding remarks

The response to these questions is not feasible in the context of this short but fairly referenced paper, which has mainly focused on land price development [4].

Certainly, the consideration:

i) of competition for land between agricultural and urban systems in the more congested areas of plain

[4] The EEC set-aside program, just started this year, might produce adjustments - in the near future - in terms of farmland values too, but the response cannot actually be quantified by an "ex-ante" valuation. For other economic aspects of set-aside see the interesting reports:
- by O.Ferro, C.F.Runge and H.von Witzke, prepared for the Congress held in Padova, may 1989;
- by G.Amadei, G.Barbero and E.Di Cocco, printed by "Genio Rurale", n.5, 1989.

(CNR, 1988), and

ii) of multipurpose agriculture and forestry in the less favoured areas (Merlo et al. editors, 1987),

would be analized in an enlarged perspective, not only market-oriented, but also taking into account environmental features, for which market prices do not seem to be the "best" indicators. In other words, we need new data and statistical information "valuing land outside the market sector" (Raup, 1982).

This would be "one area in which - quoting Raup's suggestion (ibidem, page 95) - fruitful exchanges could take place" within the University of Minnesota and Padova agreement.

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Table 1. AVERAGE LAND PRICES IN ITALY FOR AGRICULTURAL USES (a)

YEARS	ACTUAL PRICES			CONSTANT PRICES 1985 (b)		
	000 Lit/Ha	Index	Var. %	000 Lit/Ha	Index	Var. %
1956	568	100	-	4571	100	-
57	554	98	-2,5	4963	109	8,6
58	549	97	-0,9	5006	110	0,9
59	548	96	-0,2	5150	113	2,9
60	519	91	-5,3	4833	106	-6,2
1961	501	88	-3,5	4656	102	-3,7
62	507	89	1,2	4573	100	-1,8
63	521	92	2,8	4467	98	-2,3
64	549	97	5,4	4555	100	2,0
65	592	104	7,8	4833	106	6,1
1966	647	114	9,3	5203	114	7,7
67	655	115	1,2	5278	115	1,4
68	741	130	13,1	5948	130	12,7
69	750	132	1,2	5794	127	-2,6
70	723	127	-3,6	5206	114	-10,1
1971	720	127	-0,4	5014	110	-3,7
72	797	140	10,7	5333	117	6,4
73	971	171	21,8	5514	121	3,4
74	1243	219	28,0	5014	110	-9,1
75	1448	255	16,5	5380	118	7,3
1976	1721	303	18,9	5204	114	-3,3
77	2042	360	18,7	5296	116	1,8
78	2484	437	21,6	5943	130	12,2
79	3176	559	27,9	6578	144	10,7
80	3998	704	25,9	6901	151	4,9
1981	4327	762	8,2	6405	140	-7,2
82	4169	734	-3,7	5418	119	-15,4
83	4160	732	-0,2	4928	108	-9,0
84	4159	732	0,0	4464	98	-9,4
85	4220	743	1,5	4220	92	-5,5
1986	4270	752	1,2	4308	94	2,1
87	4525	797	5,9	4448	97	3,2
(c) 88	4840	852	7,0	4542	99	2,1

(a) Excluding "wooded areas", but including "rough grazing land".

(b) For conversion, ISTAT coefficients have been utilized related to gross market prices index.

(c) Provisional

Source: Estimates by INEA, Rome.

Table 2 . VARIATIONS IN FARMLAND PRICES BY AGRARIAN ZONES

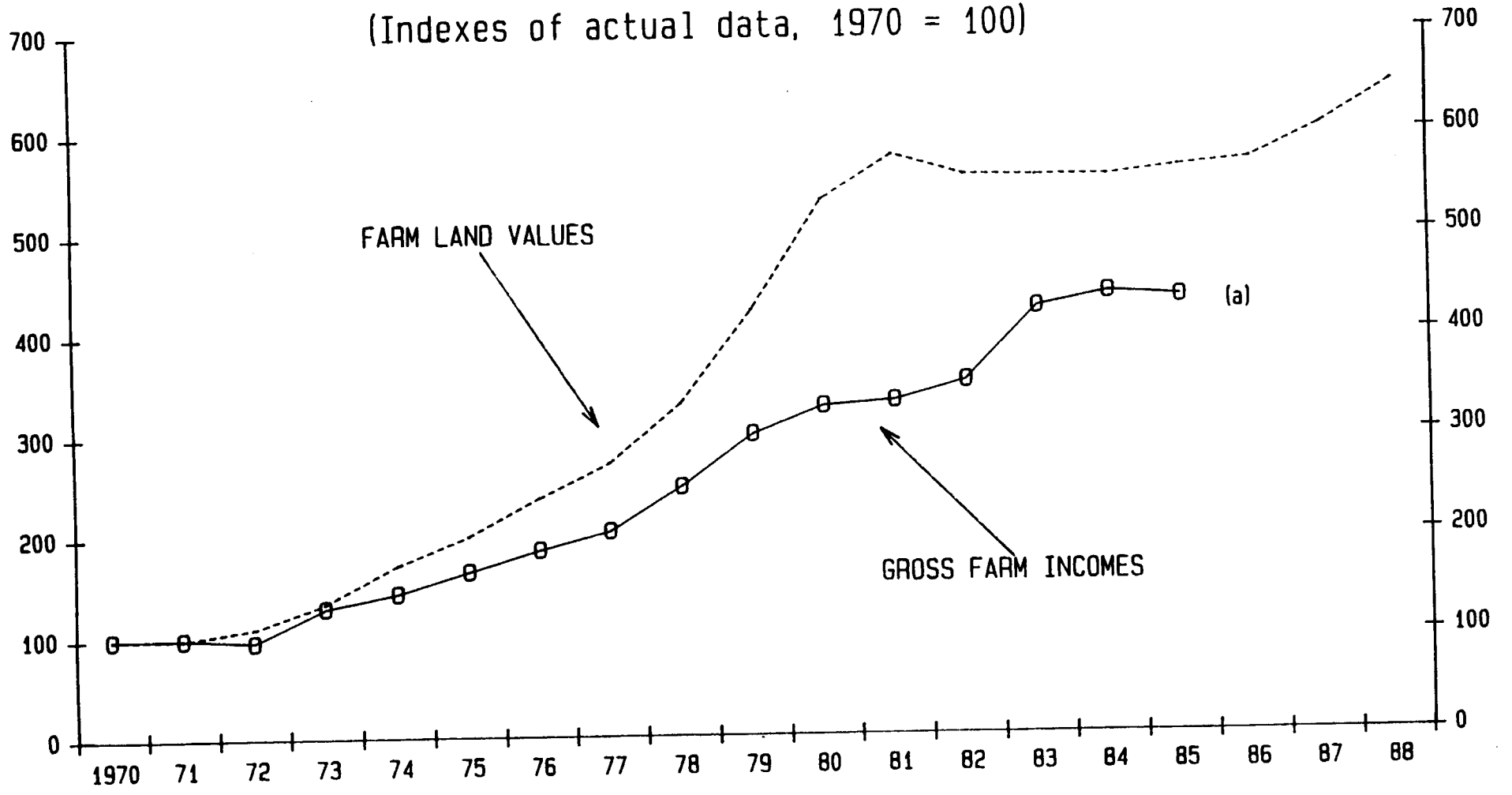
AGRARIAN ZONES	Actual prices (000 Lit per ha)					
	1968	1972	1976	1980	1984	1987
MOUNTAIN						
- internal	192	187	257	562	624	670
- coastal	580	599	897	1648	1846	1943
HILL						
- internal	487	509	896	1899	2050	2188
- coastal	639	695	1243	2839	3398	3705
PLAIN						
- flat land	1436	1564	3799	9121	9120	9902
- valley	1239	1399	3230	9369	10844	12409
ITALY	741	797	1721	3998	4159	4525

AGRARIAN ZONES	% (a)	Index of values by zones					
		1968	1972	1976	1980	1984	1987
MOUNTAIN							
- internal	25	26	23	15	14	15	15
- coastal	1	78	75	52	41	44	43
HILL							
- internal	25	66	64	52	47	49	49
- coastal	11	86	87	72	71	82	82
PLAIN							
- flat land	30	194	196	221	228	219	219
- valley	3	167	175	188	234	261	274
ITALY	100	100	100	100	100	100	100

(a) Relative importance of zones over a surface of 20.8 million hectares (2/3 of the Italian territory).

Source : Estimates by INEA, Rome.

Figure 1 - TREND OF LAND VALUES AND GROSS FARM INCOMES IN ITALY
(Indexes of actual data, 1970 = 100)



(a) Data not available after 1985

FIGURE 1 - SKETCH OF THE ITALIAN TERRITORY, BY ALTIMETRICAL ZONES