



interview with **Arturo Semerari**

President of ISMEA
The Italian Institute for Services
to the Agricultural and Food Markets
Rome - Italy

Farming land close to the city of Asis. Italy



Arturo Semerari was born on 21 October 1959 in Taranto, in the Puglia region of southeast Italy. Coming from a farmers' family, he had been concerned about the ups and downs of the agricultural sector from an early age. He graduated in Agricultural Engineering from the University of Padua, specialising in Agricultural Economics at the University of Milan. He held several posts in both the public and private sectors, in this case in the consultancy sector, before becoming President of ISMEA in 2002.

“Europe is the world’s biggest importer of agricultural products, surpassing even the United States”

“It is important that money for agriculture should not be subsidising speculative activities, and one way of doing this is through agricultural insurance”. This is the view of the President of ISMEA¹ who in this interview, tells us about the Italian system for protecting agricultural income and gives us an overview of the trends emerging in this field in the European Union.

Where are we right now in Europe as regards agricultural insurance?

We are working on reforming the Common Agricultural Policy, the CAP. This means that we have to know what systems exist in the various European countries, because right now, besides having national laws, it is important that we achieve a consensus for Europe and common legislation for all the countries.

How far can we compare what Europe is doing in relation to the movement of agricultural products with other countries or areas of the world?

Generally speaking, you have protectionist countries like Japan, Switzerland and Norway. In the European Union we also have a reputation for protectionism, but in fact, this is not true. Europe is the world’s biggest importer of agricultural products, surpassing even the United States. We import from Africa and Latin America with the prices differential. However, the products involved are not controlled in their countries of ori-

Vineyards at Piedmont Region. Italy



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¹ Istituto di Servizi per il Mercato Agricolo Alimentare.

gin but by the multinationals, so ultimately, they are the ones benefiting most from the business.

16% of GDP and after engineering, it is the second largest industrial sector.

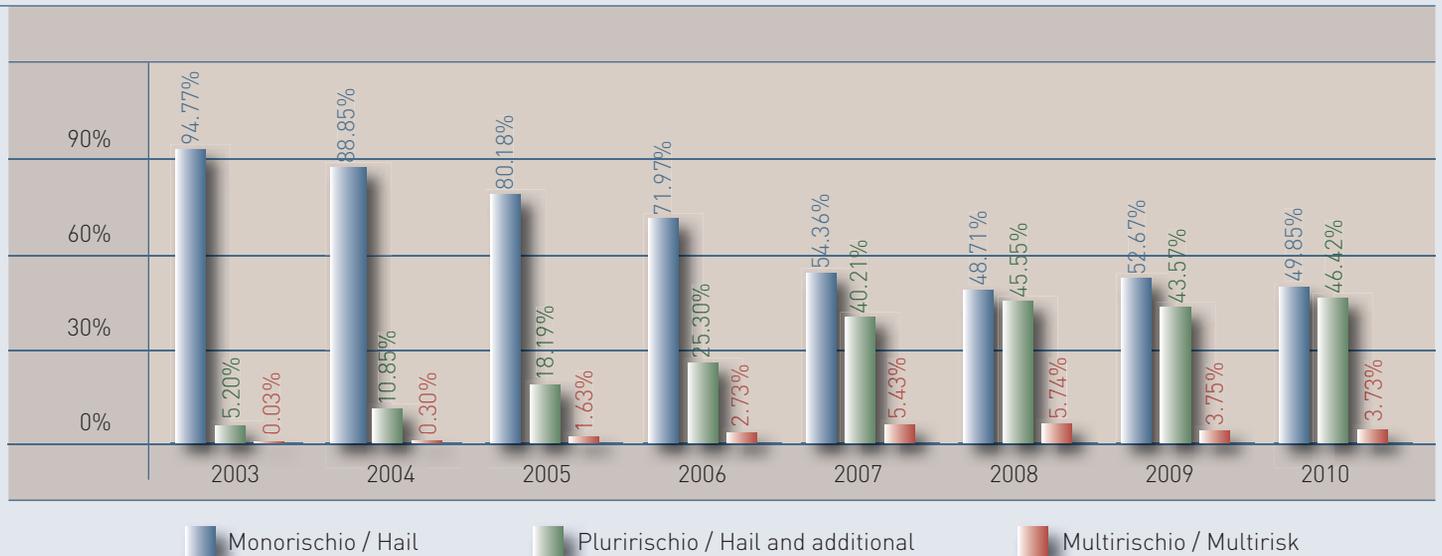
What proportion of Italy's gross domestic product –GDP– does Italian agriculture make up?

Around 2%. But the food sector accounts for

Are agricultural multinationals interested in investing in this field?

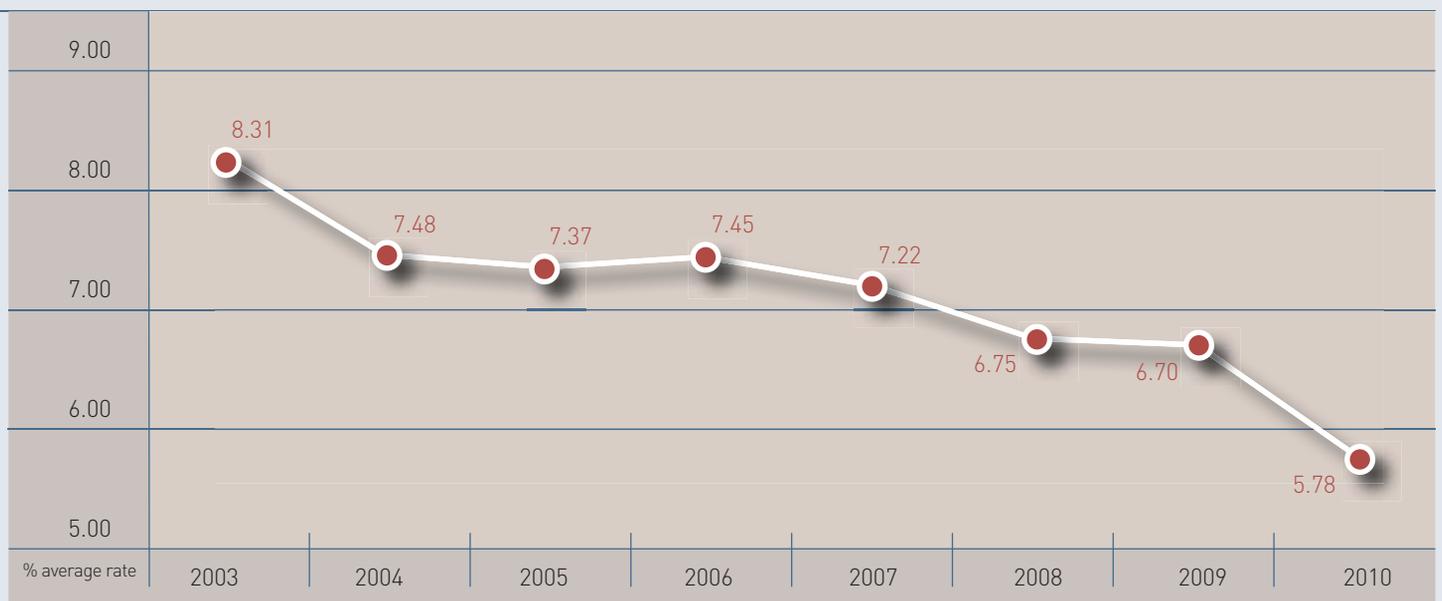
Not in Italy. One of the problems is that farm-

Subsidised agricultural insurance. Evolution of the market share by type of insurance product



Insured value. EUR Thousands							
2003	2004	2005	2006	2007	2008	2009	2010
3,333,901	3,710,212	3,810,222	3,789,132	4,379,809	5,436,140	5,131,045	5,312,829
Rural multirisk policies included							

Subsidised agricultural insurance. Average market rate (crops)





ISMEA

The Italian Institute for Services to the Agricultural and Food Markets, ISMEA, is a public body created when the Institute for Studies, Research and Information on the Agricultural Market² was merged with the Fund for the Promotion of Peasant Property³, under the Legislative Decree of 29 October 1999.



Through the companies that it controls, ISMEA offers information and research services and provides insurance and financial capacity, as well as guarantees, to agricultural enterprises. It also facilitates their relations with the insurance and banking sector, promoting competitiveness and reducing the risks inherent in their production and market activities.

ISMEA supports the consolidation of regions and their land through the expansion of farmland ownership and generational renewal in agriculture, based on specific aid approved by the European Commission.

² Istituto per Studi, Ricerche e Informazioni sul Mercato Agricolo.

³ Cassa per la Formazione della Proprietà Contadina.

lands are being abandoned. In Italy, plots of land are very expensive because we have very little space and a large population – bigger than Spain's. We have many hills and mountains, areas where nothing can be grown. With these determining factors and the price of land, farming is not noted for its profitability.

Third presidential term with ISMEA

How did you get into insurance? And how did you become the President of ISMEA?

Before the year 2000, ISMEA had embarked on a series of reforms. The then Minister, who is now Chairman of the European Commission on Agriculture, appointed a Commissioner to unite the various institutions that were to shape the new ISMEA. Through my knowledge as a

farmer, I could see that the Italian agricultural insurance system was not good – it was inefficient. In 1998 I worked as a consultant to the Ministry of Public Administration, which was in charge of several economic reforms, including agrarian reform. I was the one responsible for drafting the report on the reform of ISMEA, in which I included the reasons for having agricultural insurance and also the need to reform credit. One consequence of all this was that I was appointed President of ISMEA in 2002, a position that I have held ever since. I am now its President again for the third and final time.

What were ISMEA's functions before and after the reform?

Before the reform, ISMEA was an institution devoted to performing studies for the Ministry of Agriculture on agricultural, market, development and shopping-basket issues amongst

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other things. After the reform, it began working on agricultural insurance and credit. In the insurance field, it acts as a public reinsurer in Italy. It carries out studies for the Ministry and defines the performance parameters, statistics and various forms of insurance. In the credit field it manages two guarantee funds, one for banks working in the agricultural sector and another for peasants and farmers wanting guarantees.

Are there any other functions besides these?

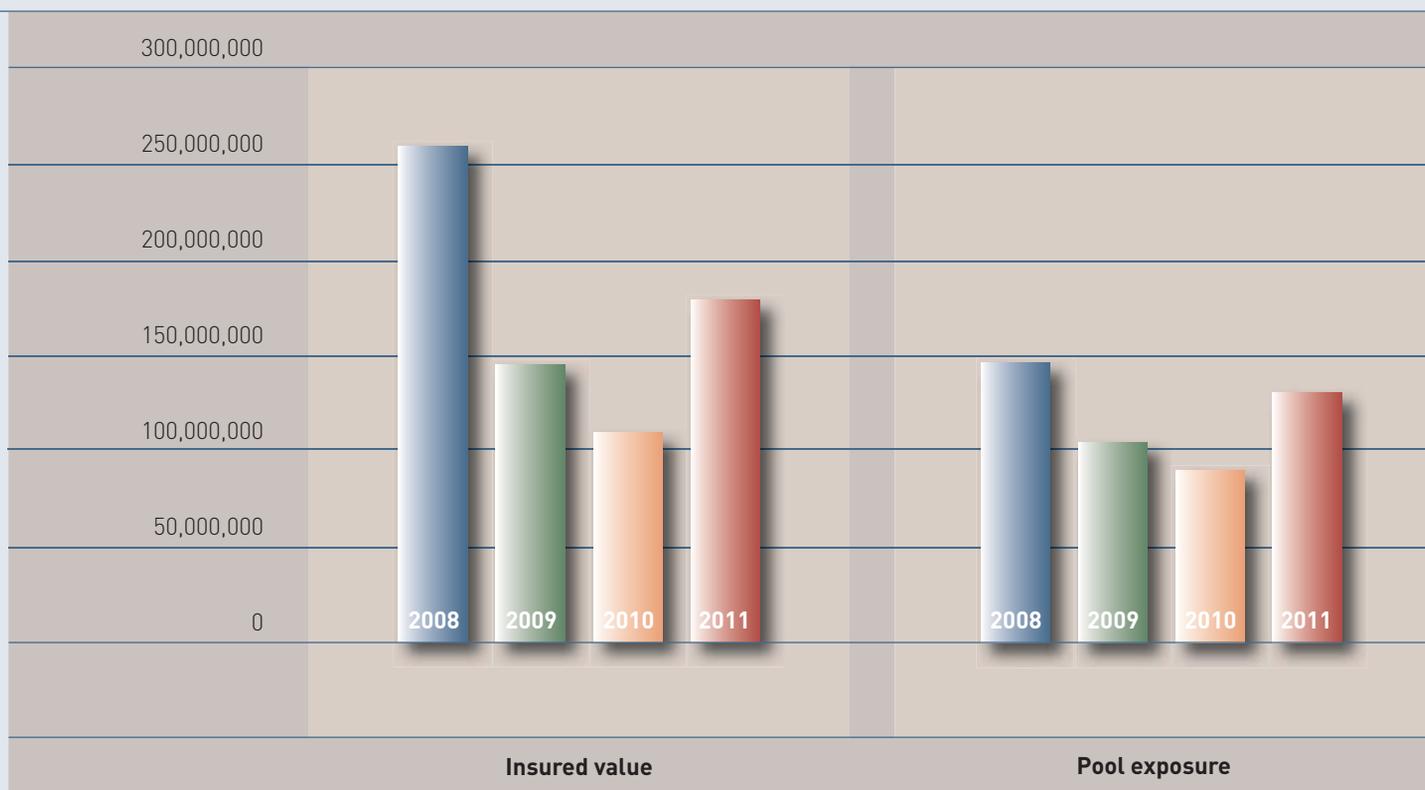
Yes, we manage a purchasing fund. We pay for farms and then, the farmers make repayments over a period of fifteen to thirty years.

Is the Common Agricultural Policy, the CAP, well orchestrated in Europe?

The situation in Europe has been complicated for many years. Apart from Spain, Italy or France, politicians do not consider agriculture

to be economically useful for Europe, and this is a problem, because we have a very powerful agriculture, which also keeps people in rural areas. It is a strategic sector, because agricultural development provides raw materials, something Europe has too little of to meet demand. The reform we now have is not the right one for Europe. After 2013, it may be possible to carry out major reforms with a different vision. Now is the time to consolidate the agricultural budget beyond 2013. It is very important that we should work for farmers who create business, not for ones who speculate and have no farms. How do we do that? With insurance that protects farmers' incomes and ensures certain conditions for carrying out the activity. The problem in Italy and Spain and elsewhere is that farmers face many difficulties when seeking finance from banks which do not understand their working conditions and the risks involved in their activity.

ISMEA Pool. Situation as at 30/09/2011 and comparative. Figures in EUR



Year	2008	2009	2010	2011
Capacity	207,300,000	197,300,000	185,000,000	168,500,000
Insured value	263,797,398	147,186,907	113,713,321	183,534,526
Pool exposure	149,441,455	108,040,274	93,672,869	134,681,254

Even so, France has major financial institutions linked to the agricultural sector, and Spain has its rural savings banks.

Yes, that helps. France has *Crédit Agricole*, and in Italy there are also some organisations that support farmers, like the ones in Spain.

A fringe benefit

Do Italian farmers value the benefits of ISMEA's work? Or do they demand more?

We do work for farmers' benefits, but we do not do so directly, because we work through insurance companies and banks. We are reinsurers and we offer guarantees to banks. ISMEA's work is known and recognised by farmers, and in fact, we have granted many guarantees in respect of loans to farmers – to the tune of over 10 billion euros.



In Italy, is there any pool of insurers that makes use of your financing and protection capacity as a reinsurer?

Not in Italy. Insurance pools are prohibited as they are understood in Spain. There is only one insurance pool, or rather, a reinsurance pool, which is of both a public (represented by ISMEA) and private nature. It is licensed by the competition supervisory authority and works with nine types of insurance.

Could you explain a little more how it works?

Our pool is the reinsurer for agricultural insurances. In 2004 it began working with ISMEA's insurance fund, and in 2008 that fund began working with private insurers who know the market. All this led to a new type of insurance, tailored to the needs of the target groups – that is to say, farmers. The first two years' results were not good. There were many losses due to weather problems. 2009 and 2010 were not good years either, due to the problem with financing the solidarity fund. The premium subsidy budget suffered permanent delays due to the impact of the crisis. 2011 is about to be closed.

Does ISMEA have any environmental protection aspect, given that European subsidies are pointing in that direction?

Not for the time being, although the trend in Europe is indeed to support environmental protection. It is important that money for agriculture should not subsidise other –sometimes speculative– activities, and one way of achieving this is through agricultural insurance. The role that farmers play is very important for a sustainable environment. But we must help farmers to work on farms and, indirectly, on the environment. Even so, the tendency is to think only about the environment, without appreciating the role of the farmer.

How often do you have to deal with catastrophic events, and which ones are most frequent?

Disasters happen every year. The effects of climate change are huge. Hail, ice and rain are the ones that affect us most.

How do you see Spain as far as agricultural insurance is concerned?

Agroseguro is a fantastic system for covering agricultural risks but, due to the nature of our legislation, it is not possible to work that way in Italy.

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