



ITALY

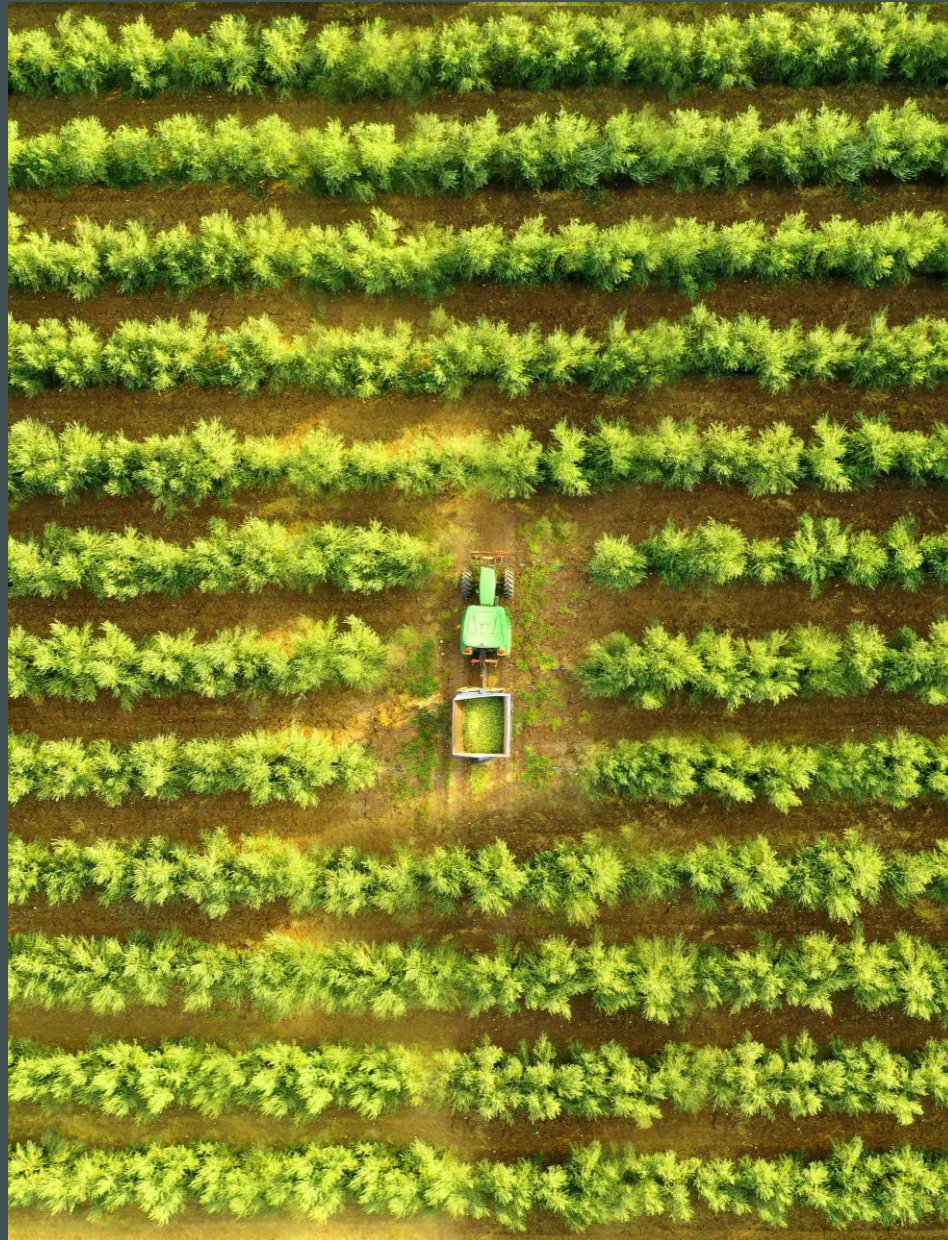
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**CBRE**

# Agribusiness in Italy

FEBRUARY 2022

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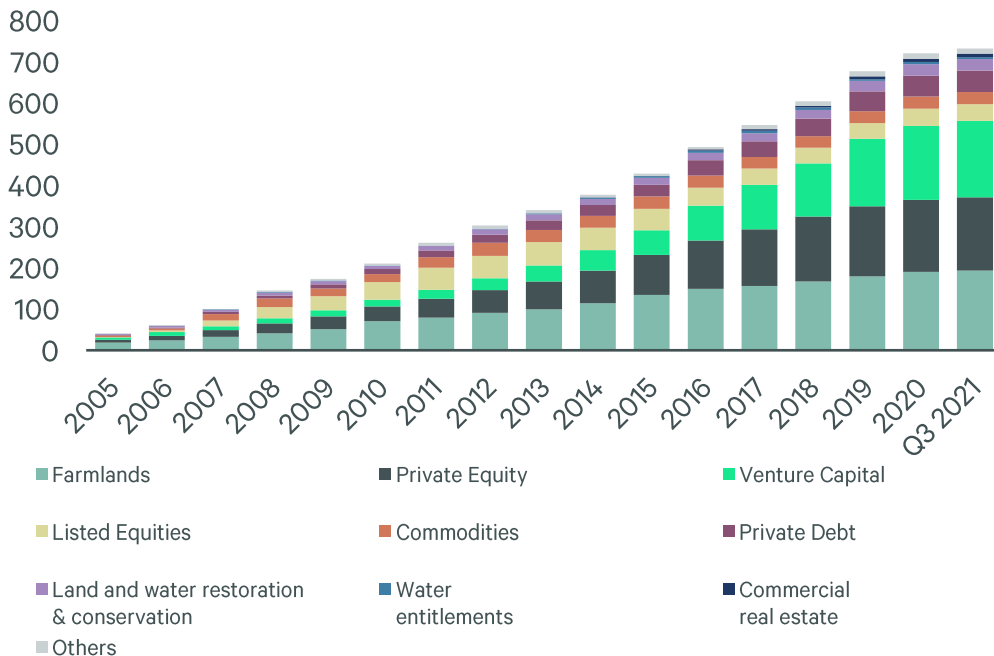


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# Why invest in agriculture now

The number of funds investing in the Food and Agriculture space have grown by 15x in the last 15 years to reach in 2020 more than 700. While 10 years ago most investors looked at Agribusiness (especially in Europe) as a volatile and high-risk investment, the mindset and paradigm have now changed. Part of the interest resides in the simplicity of the asset class (it is a basic need in our day-to-day life and it is easy to understand) but it is now proven that there are strong fundamentals supporting the exponential interest of investors in the industry.

Number of funds investing in the food and agriculture sector



## 1. STRONG ECONOMICS

It is not that common to find a sector that combines historical strong returns (up to 15%), good long-term cash flow visibility and recurrence, low correlation to most other assets with strong resilience to economic cycles and a hedge to inflation. The agribusiness asset class has become an attractive risk-return investment for a wide number of investors.

## 2. DEMAND GROWING

It is estimated that food production will need to grow by 60-70% to feed the global population by 2050 (9 billion people!).

## 3. POCKETS OF GROWTH & SUSTAINABLE SOURCES

The Agri space is a very large sector with multiple asset types and sophisticated investors are looking at the pockets of growth within the space (e.g. healthy habits, organic and sustainable).

## 4. SUBSIDIES

Subsidies are also an important piece in the game and cannot be forgotten. Common Agricultural Policy (“CAP”) is the EU largest budget item paying around €60 billion a year in subsidies.

# Why invest in agriculture in Italy

## PRODUCT QUALITY AND REPUTATION

The Italian agricultural and food production is widely recognized for its high quality and reputation. Olive oil, wine, fresh fruit and vegetables and many other products (pasta, tomato sauce, cheese, cured meat, etc.) are highly valued in international markets. The Italian agribusiness landscape comprises several trophy assets and high value niches that are performing very well both in the domestic and foreign markets.

## DEVELOPMENT POTENTIAL

Some regions (especially in the South of Italy), still have not expressed their full potential yet. The combination of scale, good land prices, availability of water, Mediterranean climate and fertile soils makes some of these territories suitable for greenfield investments.

## DIFFERENT CLIMATES

Climate is mainly Mediterranean however the geography and orography of the peninsula allow for the cultivation of different crops. From the intensive grain, dairy farming and cold resistant permanent crops (such as apples and pears) in the North, to olives, table grapes, vegetables, citrus and tropical fruit in the South.

## TAXATION

The Italian regulatory framework provides farmers with several financial and fiscal benefits. For instance, income from agriculture and forestry is defined as income from real estate properties thus fixed and not determined on actual yields or income generated.

Italy is the 5th major EU exporter of agricultural and food products and the 9th in the world

## Major products exported (value):

### AGRICULTURE

#### Apples



2° global exporter

#### Table Grapes



4° global exporter

#### Rice



8° global exporter

### FOOD&BEVERAGE

#### Wine



2° global exporter

#### Pasta



1° global exporter

#### Cheese



3° global exporter

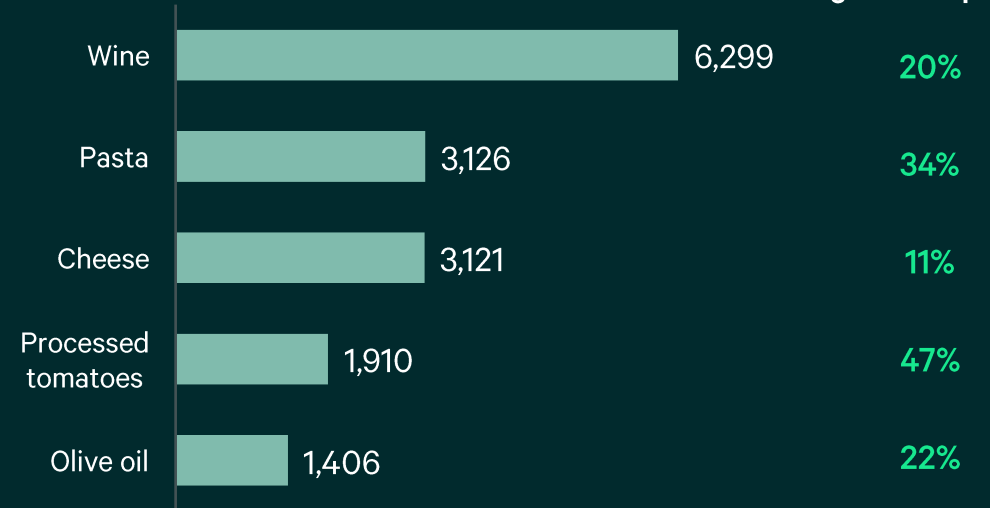
# The Made-in-Italy supply chain

The high quality and brand reputation of “made-in-Italy” agricultural and food products position these products to the high-end of the market. The average export price of many Italian agricultural and food products is significantly higher than the average global price, indeed.

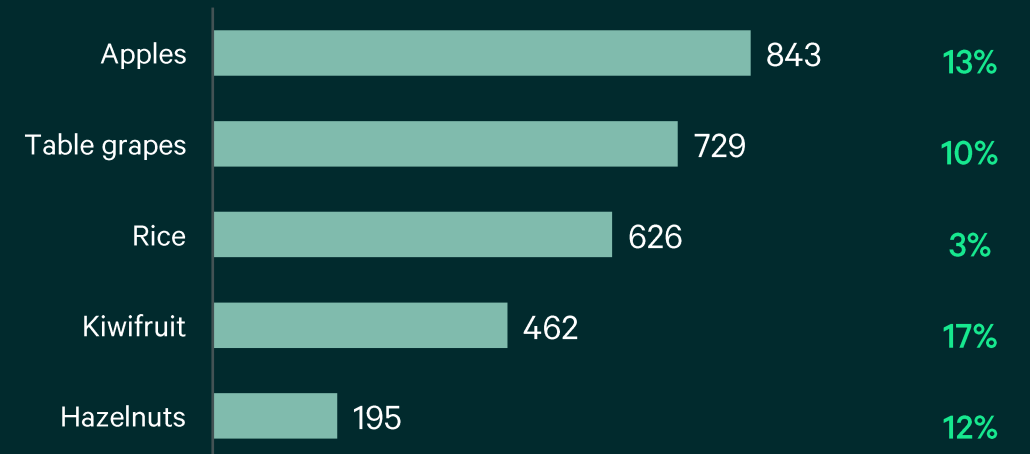
VALUE OF ITALIAN EXPORTS IN 2020

€46 BILLION

Italy's TOP 5\* exported FOOD products (€ mil, 2020)



Italy's TOP 5 exported AGRICULTURAL products (€ mil, 2020)



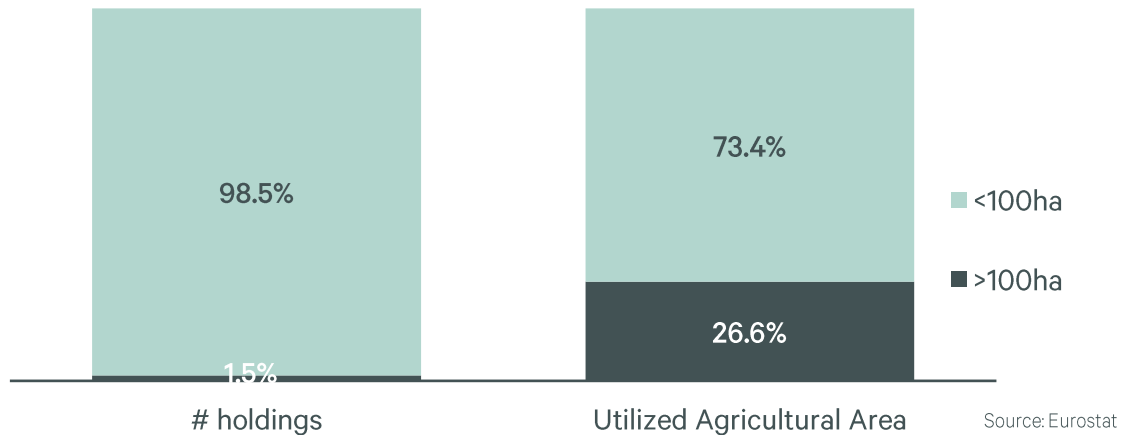
\*Mostly made with made-in-Italy agricultural products. In fact, Italy is also a leading exporter of bakery, coffee and chocolate products made with imported raw materials (soft wheat, coffee, cocoa)  
Source: UNComtrade/Istat

# Structure of the Italian agriculture

The Italian agriculture industry is known for being quite fragmented.

The average size of commercial farms is 20.3 ha. Unique productions and a strong cooperative system allow for a significant amount of relatively small farms to keep doing business.

Percent share of «small» (<100ha) and «large» (>100ha) farms in total number of holdings and agricultural area



Recent investments have showed that there is room for consolidation, development and growth of trophy assets

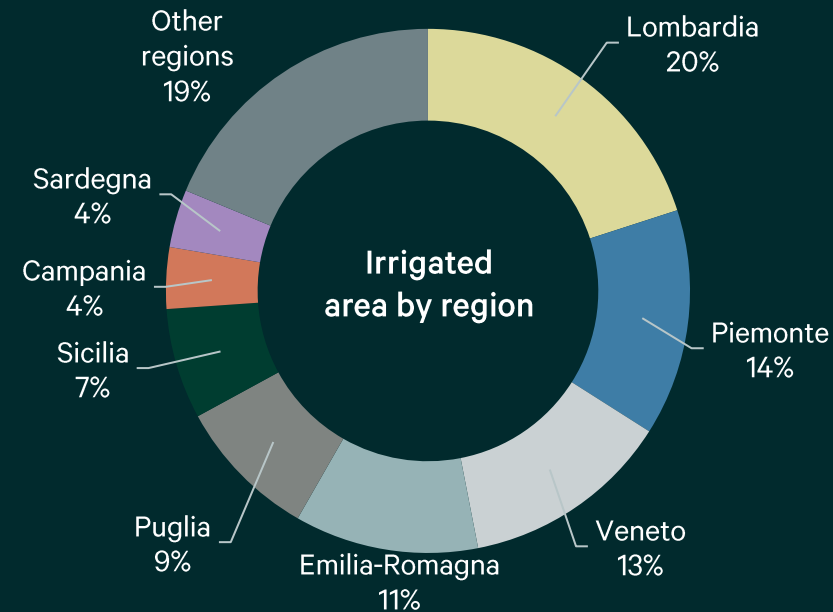
Recent agribusiness investments have mainly been focusing on:

- **Large arable croppings.** Large holdings (>200ha) with fertile soils, irrigation, optimal climate cultivated both with arable and permanent crops. There are about 15,000 agricultural holdings with an average size of 200ha currently operating in Italy.
- **Trophy assets.** Unique and highly performing agricultural businesses, vertically integrated (with well managed first-processing and commercial activities) operating in specific market niches (high-value wine, greenhouse vegetable, top rated cheese, etc.).

# Italy irrigated areas

On average, about 20% of the Italian agricultural area is irrigated. This figure doubles in Northern regions (Lombardia, Veneto, Piemonte and Friuli Venezia-Giulia) while the Southern regions are still behind. However, market demand, climate change, increased farmers proficiency have been changing the crops pattern across these regions thus increasing the share of farms with irrigated land in the South. In general, a growing number of farmers and investors are investing in large, high density and micro-irrigated fruit orchards (i.e. almonds, hazelnuts, olive oil).

2,255,040 HA



Region	Crops
<b>North</b>	
Lombardia	Corn, rice (paddy), alfa alfa, soft wheat, soybean, feed crops
Piemonte	Corn, rice (paddy), soft wheat, wine grapes, hazelnuts
Veneto	Corn, soybean, wine grapes, corn, alfa alfa
Emilia-Romagna	Alfa alfa, soft & durum wheat, fruit (pears, peaches, apples, kiwi), corn, wine grapes
<b>South</b>	
Puglia	Olives (non HD-SHD, non irrigated), durum wheat, wine grapes, fruit (table grapes, almond, cherry), horticulture (tomato for processing)
Sicilia	Durum wheat, olives (non HD-SHD, non irrigated), wine grapes, fruit (citrus, almond, avocado, pistachios), horticulture
Campania	Olives (non HD-SHD, non irrigated), durum wheat, wine grapes, fruit (hazelnut, chestnut, peaches), horticulture
Sardegna	Olives (non HD-SHD, non irrigated), wine grapes, feed crops, horticulture

Source: Istat

# The Italian farmland transaction market

Land prices have stabilized over the last few years. However, the EU recovery plan will bring additional resources (about €3 billion by 2026) to the national irrigation investment plan thus triggering land price growth in specific areas.

VALUE OF LAND TRANSACTIONS IN ITALY IN 2020

€4.8 BILLION

## Average land prices for irrigated crops across Italy

Irrigated crop	Region	Average Value 2020 (€/ha)
Vineyard - wine grapes*	Veneto	105,000
Subtropical fruit	Sicilia	94,000
Vineyard - wine grapes (Chianti Classico)	Toscana	90,000
Vegetable	Lazio	83,000
Vegetable – greenhouse	Campania	71,000
Vineyard - wine grapes**	Piemonte	59,000
Arable crops	Lombardia	48,000
Arable crops	Emilia-Romagna	48,000
Citrus	Sicilia	42,000
Olive – intensive	Puglia	41,000
Arable crops	Friuli Venezia Giulia	40,000
Fruit (pear, apples)	Emilia-Romagna	40,000
Table grapes	Puglia	40,000
Hazelnut	Lazio	35,000
Rice (paddy)	Piemonte	31,000
Arable crops	Marche	27,000
Arable crops	Lazio	26,000
Arable crops	Basilicata	22,000
Arable crops	Toscana	20,000
Arable crops	Sardegna	10,000

Source: CREA – Annual Survey on the Italian farmland market

# Investments in Italy

For the last three years, investments in rural properties in Italy have grown especially in the Center and South of the peninsula.

## Typical transactions and reference indicators

**TYPE OF TRANSACTIONS:** due to the average size of farms, it is more frequent to have sale transactions via land aggregation (consolidating neighboring farms), lease or managing contracts over land sites, or acquisitions of highly performing vertically integrated businesses.

**VALUE:** greenfield properties with irrigation infrastructures in the south of Italy can achieve €25,000/ ha (for permanent crops), but a newly planted, fully equipped, and irrigated table grapes orchard (brownfield) can exceed €80,000/ha.



### TOP investors in Agribusiness:

Dea Capital, Oxy Capital, Verteq Capital, Umbria Olii, Genagricola, Maccarese.

	1	2	3	4
Company	ARTEOLIO	TERRE DEL PAPA	ATENA	AGRO GOLD
Term	2019-2021	2018-2021	2019	2021
Investment	€20M	--	€12M	--
Surface	700 ha	600 ha	380 ha	160 ha
Zone	Toscana	Umbria	Toscana-Lazio	Lazio
Crop	Olive	Olive (HD-SHD)	Olive	Kiwi
Investor	Verteq Capital	Umbria Olii	Dea Capital	Dea Capital

	5	6	7	8
Company	AGRO NOCE	TARULLI	AGRO DUE	PODERI DUCALI RUFFINO
Term	2019	2019	2019-2020	2018
Investment	€10M	€9M	--	€30M
Surface	160 ha	156 ha	260 ha	144 ha
Zone	Emilia-Romagna	Puglia	Piemonte	Veneto
Crop	Walnut	Table grapes	Hazelnut	Wine grapes
Investor	Dea Capital	Dea Capital	Dea Capital	Ruffino (Constellation Brands)

# Taxation & main regulations

- Income from agriculture and forestry is defined as income from real estate properties. The taxable agriculture and forestry income is determined after the land register yield and not on the basis of the actual yield. The yields in the land register are estimated as average values of land and building with input of usual work and capital. The registered values in the land registers are stipulated very low
- Professional Farmers are exempt from the property tax\*
- Professional Farmers are exempt from the regional tax on productive activities\*\*

**SALE & TRANSFER OF AGRICULTURAL LAND.** Sale and transfer of agricultural land ownership is subject to Registration tax (Imposta di registro), Mortgage tax (Imposta Ipotecaria), Cadastral tax (Imposta catastale) and Stamp duty (Imposta di bollo). The normal tax rate of the registration tax is 15% reduced to 9% if the buyer is a farmer or a professional farmer enrolled in the registries of agricultural pension funds. Farmers or professional farmers pay EUR 50 for cadastral and EUR 50 registration taxes and are exempt from stamp duty.

**PRE-EMPTION RIGHTS.** Direct farmer-neighbouring owner's pre-emption right gives preference to a direct farmer owner in purchasing a land lot neighbouring his property among other buyers.

\*In the EU, beside Italy, this exemption applies only to farmland in the following countries: Finland, Slovenia, Sweden

\*\* In the EU, beside Italy, this exemption applies only to farmland France

# Who We Are

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CBRE Group, Inc. (NYSE: CBRE), a Fortune 500 and S&P 500 company headquartered in Dallas, is the world's largest commercial real estate services and investment firm (based on 2020 revenue). The company has more than 100,000 employees serving clients in more than 100 countries.

CBRE serves a diverse range of clients with an integrated suite of services, including facilities, transaction and project management; property management; investment management; appraisal and valuation; property leasing; strategic consulting; property sales; mortgage services and development services.

#1

"Fortune Most Admired Real Estate Company"  
(2021, 2020, 2019)

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\$+23.8B

2020 Global Revenue

100+

Countries

~500

Offices Worldwide

100,000+

Global Employees

---

33,000+

EMEA Employees

180

EMEA Offices

---

1,100+

Italian Employees

3

Italian Offices

# How can we help?

**CBRE**



## Thomas Teixeira da Mota

Senior Director South of Europe  
+351 910 016 938

[Thomas.mota@cbre.com](mailto:Thomas.mota@cbre.com)



## Stefano Baldi

Associate Director Italy  
+39 328 947 3797

[Stefano.baldi@cbre.com](mailto:Stefano.baldi@cbre.com)



## Lorena De Lorenzi

Associate Director | Valuation Services  
+39 3454588432

[Lorena.delorenzi@cbre.com](mailto:Lorena.delorenzi@cbre.com)

**Visit us online at [cbre.com](https://www.cbre.com)**

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