Dear friends,

before going into my today's report, allow me to thank, in the name of the Union of the Associations of the Semouliers of the EU, the President and the Secretary General of the IPO – our dear friends Simon Nobile Olivo and Raffaello Ragaglini – as well as the President of the National Pasta Association, Mr. Vermylen, for having invited the European Semouliers to furnish a contribution of its own to the proceedings of a day that represents, for the pasta industry, a time of particular importance in its work of assiduous and effective awakening to a product – pasta – whose nobility undoubtedly deserves to be celebrated.

Before getting to the heart of my speech, allow me to concisely illustrate to you the role of the Union of the Associations of the Semouliers of the Countries of the EU: our Union – which groups together the National Associations of the Durum Wheat Milling Industries of the Countries of the EU – sets itself as its principal objective that of ensuring the representation and promotion of the interests of the European Durum Wheat Semolina Industry at the European and international level. In this ambit, the Union ensures all the necessary relations with the Institutions of the European Communities and the Professional International Organisations that, directly or indirectly, can have an influence on the activity of the Durum Wheat Semolina Industry of the European Union.

From a structural standpoint, the European Durum Wheat Semolina Industry is characterised by a considerable number of Mills – 210 Mills, about 160 of which located in Italy – that annually process over 7,500.000 t of commodity for a production of over 5,000,000 t of durum wheat semolina, essentially for use by the Pasta Industry.

As concerns commodity supplies, taken as a whole EU production of durum wheat is insufficient to meet the quantitative/qualitative requirements of the Processing Industry, especially taking into account the production shortfall traditionally registered in Italy and become more marked during recent years, following the new EU regulation framework – characterised by a decoupling of aids from production. This option, which is essentially based on the substantial abandonment of exercising a policy of orientation of the markets, has been translated into a drop in the supply of those cereals that, previous to the Reform, benefited – particularly in order to obviate the diseconomies deriving from a low productivity of lands that do not offer crop alternatives – from direct EU subsidies of a greater amount than those disbursed for the benefit of other croplands.

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Before focusing my attention on the durum wheat sector, allow me to concisely recall the situation emerged in the course of recent years on the international cereals market: the growing imbalance between a substantially stabile cereal supply and a constantly growing demand have given way, during the last two campaigns, to a situation again distinguished, at least from the quantitative standpoint, by a greater market balance.

Nevertheless, this situation appears precarious inasmuch as it is the fruit of elements of a nature merely relating to the economic situation – I refer in particular to the outcomes of harvests unusually and generally conditioned by a favourable climatic trend, even if the latter has been marked by notable exceptions, such as that registered in Italy.

The structural elements underlying the crisis that reached its peak in 2007 – and I underline in particular the reduction of the surface area for cereals intended for human food and the general reduction of water supplies – remain, on the contrary, essentially unaltered, which situation does not allow foreseeing, for the next years, a lasting turnabout in the availability of the commodity, and therefore in the proper, adequate and steady provisioning of the First-stage Processing Industry.

I obviously do not intend to open a discussion – which would be endless – on the reasons, which are numerous, at the origin of a worrisome inadequacy of the supply in terms of the quantitative requirements of processing.

I cannot, however, fail to express and repeat my worries over a growing loss of competitiveness of wheat in comparison with other crops, which loss of competitiveness is traceable both to economic reasons that convince agricultural entrepreneurs to orient their choices toward other productions, and to an insufficient level of investments, public or private, in research on wheat.

Now focusing our attention on our sector of competence – durum wheat – the situation appears, if possible, even more complex and rife with dangerous uncertainties.

It seems appropriate to recall that, in quantitative terms, the durum wheat market represents about 2% of world cereals production – moreover excluding rice production – and can be unreservedly considered a secondary market, even if under just the quantitative profile, in comparison with the market of the other principal cereals.

In a context of growing interdependence:

- of not only the cereals markets but also of all the raw materials markets, including non-agricultural, on the one hand and
- of the commodities and financial markets, on the other hand,

the fluctuations – whether they are of a production, economic or financial nature – found in the primary markets inevitably get accentuated or exacerbated in the secondary markets, especially if the latter present structural conditions able encourage fluctuating processes.

More precisely, the durum wheat market is distinguished not only by its narrow dimensions but also by certain other features, both of a production and commercial nature, not to be found in other sectors, which accentuate the peculiarity thereof and, consequently, also the limits and risks in the normal functioning.

Such elements cannot fail to be taken into due consideration in a necessary and urgent reflection on the future of durum wheat production and on its capacity to meet the quantitative and qualitative needs of the industry and of consumers.

But what are the elements that must necessarily be taken into consideration in the process of analysis of the durum wheat sector?

1. Durum wheat production is circumscribed, at the international level, to limited areas that often present climatic and agronomic characteristics such as to cause considerable fluctuations in the quantitative and qualitative levels of the commodity. These characteristics appear particularly important in the countries situated on the Mediterranean Sea, which countries form the principal durum wheat production area at the international level. By way of illustration, the IGC estimates the 2009 harvest to be about 38 Mt, of which about 18 Mt accounted for by areas around the Mediterranean (Italy, France, Spain, Greece, North Africa, Syria and Turkey), which productions therefore are characterised by great chanciness.

2. Durum wheat production is intended, almost exclusively, for human feeding, that is pasta production, and there are – owing to the qualitative, technological and nutritional characteristics of the commodity – no alternatives on the market able to guarantee the production of a pasta able to satisfy the needs of consumers. In other words, the interchangeability of the commodity for the production of the finished product, found in other sectors, cannot be applied to pasta without altering the nature of the very concept of pasta, which is – at least in the principal consumer countries – indissolubly tied to the processing of durum wheat.

The characteristics that are emerging on the international cereals market – and allow me repeat again the general loss of competitiveness of wheat intended for human feeding with respect to other crops – and the peculiarity of the durum wheat market therefore oblige us to begin to reflect on the strategies to be pursued for the safeguard and development of the cultivation of durum wheat in the world and particularly in the traditional areas of durum wheat production and consumption.

This strategy cannot fail to include *in primis* a responsible and intense information campaign aimed at making decision-makers aware of the need – in a context of market imbalances – to encourage, through the initiatives and decisions deemed most appropriate:

- cereal productions intended for human feeding rather than those that have caused a progressive conversion of land for food production to non-traditional uses;

- productions that contribute to the development of the concept of "sustainability," including environmental, which responsibly must be taken into consideration in the definition of national agricultural policies.

In other words, we ask that every aspect of every durum wheat policy be evaluated attentively and carefully, and that this cereal instead not be considered in the same way as the principal international commodities able to autonomously reach their own balance.

The overall strategy thus sketched nevertheless needs to be accompanied by:

- on the one hand, a greater transparency of the markets that can be brought about including through a profitable development of relations and an opportune increase in exchanges of information between the principal areas of production and consumption – Canada, the USA and the European Union. The confrontation, constant over time, between and among commercial partners, the selling party and the purchasing party, appears to be a condition *sine qua non* in the policy of the safeguard and development of the durum wheat commodity;

- on the other hand, the application of special instruments for the management of a market that we can rightly consider to be an atypical market.

These initiatives, I believe, cannot but facilitate the "governance" of the excesses that have punctually occurred during recent years.

Such excesses – and I refer in particular to the sudden and violent fluctuations of the quotations of the commodity – appear detrimental to all the components of a supply chain that, on the contrary, needs a high degree of integration able to guarantee, on the one hand, an adequate level of income to the world of agriculture and, on the other hand, steady and proper supplies of the commodity to the Processing Industry.

It therefore appears that the need can no longer be postponed to introduce elements of clear discontinuity with respect to the policies pursued up to now at both the EU and international level. Such elements can certainly not find an answer in the mere policy of the decoupling of aids pursued so far – both at the EU and international level – but that must provide for or encourage the use of instruments – such as supply chain contracts, futures markets and strategic stockpiling – suitable for limiting the instability of a market that constitutes the archenemy in the safeguard of durum wheat production.

These analyses and these consideration must form, I believe, the fulcrum of the reflection and the proposals that the Union of Semouliers will be called on to develop and formulate in the course of the next months and years both in the ambit of relations with the Commission of the European Communities and within the framework of the relations that the Union entertains, and that it intends to develop quantitatively and qualitatively, with the principal commercial partners.

We therefore hope that they can be widely shared and that they can contribute to the development of a debate among all those who have durum wheat in their heart.

Thank you.