

"Innovation, productivity and growth: towards sustainable agri-food production"



A CRITICAL ASSESSMENT OF THE IMPLEMENTATION OF CAP 2014-2020 DIRECT PAYMENTS IN ITALY

Stefano Ciliberti (DSA3), Angelo Frascarelli (DSA3)

OUTLINE



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DIRECT PAYMENT REFORM 15-20



- CAP promoted a new **target-oriented approach** aims at better linking each payment with a specific political objective
- Old SPS has been replaced by an innovative system of direct payments with **8 components** (3+5)
- CAP reform was characterized by **strong mandate to the MSs** in order to manage direct payments
- “National flexibility” offers the opportunity to (1) **improve consistency between national targets and political decisions** and (2) to pursue a **greater effectiveness of public resources spending**

ITALIAN CHOICES

Italian budget for direct payments 2013-2019 amounts to **27'090 million €**, that means almost **3.800 million € every year**.

Decision	National choice
<i>Active farmer (exemption threshold as to be an active farmer)</i>	<1250 € for other areas; <5000 € for mountain areas.
<i>Minimum requirements for receiving direct payments</i>	<250 € direct payments in 2015-2016; <300 € direct payments in 2017
<i>Type of implementation/ model of internal convergence</i>	National / Irish model
<i>Basic payment scheme</i>	58% of national budget
<i>Redistributive payment</i>	No
<i>Greening (amount of payment)</i>	30% of national budget (calculated as 30% of payment entitlements held by the farmer)
<i>Areas that have natural constraints</i>	No
<i>Young farmers scheme</i>	1% of national budget (value: 25 % of the average value of payment entitlements)
<i>Coupled support</i>	11% of national budget
<i>Small farmers scheme (max. payment)</i>	Yes (<1'250€)
<i>Degressivity and Capping (% of reduction of direct payments)</i>	50%, if dir. paym.> 150M€; 100%, if dir. paym.>500M€; salary costs deducted.

PRODUCTION VS ENVIRONMENT



- Debate on CAP post-2013 focused on the contrast between food security arguments and those dealing with the provision of environmental services.
- Contrast between “**productionist frame**” and “**environmental frame**” (Candel *et al.*, 2014).
- DP justified by the need to **provide income stability** and **compensation** for higher production standards with regard to **environmental conservation** compared to many non-European countries (Uthes *et al.*, 2011).

Aim: to shed lights on the possible impacts due to Italian choices on 1st Pillar as well as to **evaluate the coherence with CAP general objectives**

Methods:

- 1) CAP experts** (e.g. University professors, researchers, stakeholders, public officers, private managers and so on) were contacted by **on line survey** in **spring 2015**;
- 2) a 7- point Likert** scale was adopted in order to allow respondents to evaluate the potential impacts of Italian choices on direct payment 2014-2020 by **using EGMEC result indicators** established the (Ciliberti and Frascarelli, 2013);

EGMEC RESULT INDICATORS

- EGMEC which assists the EC in the preparation of legislation and in policy definition, has provided a set of **result indicators**.

General objectives	Specific objectives	Result indicators
<i>Viable food production</i>	<i>Enhance farm income</i>	<ul style="list-style-type: none"> - Share of direct payments in agricultural income - Variability of farm income
	<i>Improve agricultural competitiveness</i>	<ul style="list-style-type: none"> - Share of value added for the primary producers in the food chain - Share of exports in world markets - Share of high value-added products in exports
	<i>Maintain market stability</i>	<ul style="list-style-type: none"> - Commodity price compared to the rest of the world - Commodity price volatility - Commodity price volatility compared to the rest of the world
	<i>Meet consumer expectations</i>	<ul style="list-style-type: none"> - Share of organic area in total UAA - Share of organic livestock in total livestock
<i>Sustainable management of natural resources and climate action</i>	<i>Provide environmental public goods</i>	<ul style="list-style-type: none"> - Share of (permanent) grassland in agricultural land - Share of arable land - Share of EFA in agricultural land
	<i>Climate change mitigation and adaptation</i>	<ul style="list-style-type: none"> - Net greenhouse gas (GHG) emissions from agricultural soils

SAMPLE



Response rate is 25% and respondents are well-distributed among the different positions/roles.

Position/role	% (n=25)
Professor	28,0
Other (consultant, researcher, agronomists, etc.)	24,0
Stakeholder	16,0
Private manager	12,0
Private employer	12,0
Public manager	4,0
Public official	4,0
Politician	0,0

MAIN FINDINGS – FOOD VIABILITY

General objectives	Specific objectives	Result indicators	Negative (%)	Have no knowledge (%)	Positive (%)	Mean ¹	S.d. ¹
Viable food production	Enhance farm income	<input type="checkbox"/> Increasing the share of the direct payments in agricultural income	76.0	0.0	24.0	3.20	1.47
		<input type="checkbox"/> Limiting the variability of farm income	60.0	4.0	36.0	3.68	1.31
	Improve agricultural competitiveness	<input type="checkbox"/> Increasing the percentage of value added for primary producers in the food chain	44.0	12.0	44.0	4.00	1.61
		<input type="checkbox"/> Increasing the share of your MS exports in world agricultural markets	28.0	36.0	36.0	4.04	1.43
		<input type="checkbox"/> Increasing the share of high value added products in your MS agricultural export	32.0	24.0	44.0	4.00	1.32
	Maintain market stability	<input type="checkbox"/> Stabilizing the price of your MS agricultural commodities compared to the rest of the world	48.0	28.0	24.0	3.44	1.39
		<input type="checkbox"/> Limiting the price volatility of your MS agricultural commodities	48.0	28.0	24.0	3.48	1.53
		<input type="checkbox"/> Limiting the price volatility of your MS agricultural commodities compared to the rest of the world	52.0	28.0	20.0	3.36	1.41
	Meet consumer expectations	<input type="checkbox"/> Increasing the share of organic area in total Utilized Agricultural Area (UAA)	24.0	16.0	60.0	4.52	1.50
		<input type="checkbox"/> Increasing the share of organic livestock in total livestock	20.0	24.0	56.0	4.32	1.28

MAIN FINDINGS – SUSTAINABILITY



Sustainable management of natural resources and climate action	Provide environmental public goods	<input type="checkbox"/> Increasing the share of permanent grassland in agricultural land	44.0	24.0	32.0	3.84	1.31
		<input type="checkbox"/> Increasing the share of arable land	64.0	16.0	20.0	3.16	1.25
		<input type="checkbox"/> Increasing the share of Ecological Focus Areas (EFA) in agricultural land	20.0	16.0	64.0	4.56	1.29
	Climate change mitigation and adaptation	<input type="checkbox"/> Limiting the greenhouse gas emissions from agricultural soils	24.0	16.0	60.0	4.36	1.25

¹ 1 = Very negative; 2 = Fairly negative; 3 = Somewhat negative; 4=Have no knowledge; 5= Somewhat positive; 6=Fairly positive; 7= Very positive.

MAIN FINDINGS



- New Italian DPs may **not enhance farm income** → cut in DPs budget and internal convergence impact.
- DPs do not seem able to maintain market stability → **stability tools progressively discarded /reshaped.**
- Italian choices on DPs adequate to at least **maintain** the current **positive trend of Italian foodstuffs export in world markets** (competitiveness).

MAIN FINDINGS



- DPs able **to satisfy consumer wishes** -> increase of high quality and safe productions (e.g. organic)
- Italy could succeed in containing intensive crop farming (GHG emissions) and **increasing the % of EFA on UAA** → **greening** payment, internal **convergence** (that finally foster extensive farming) and **coupled support** to mountain livestock.

CONCLUSIONS



- Italian farmers are going to be influenced by:
 - (1) the **CAP liberal and market-oriented approach**,
and
 - (2) by specific peculiarities of **Italian reform** of DPs (e.g. internal convergence, coupled support and so on).
- It is difficult to isolate and evaluate the effect **produced by new DPs** in a real multifaceted sector, where world market dynamics and different policy tools are increasingly influencing farmers outcomes

CONCLUSIONS

- Direct aids may really contribute to **improve agricultural competitiveness** as well as to **fulfill consumer expectation**.
- Italian farms will have to **strongly rely on their main strengths** (e.g., **high quality and high value-added products**), in order to acquire a good position in a competitive world market, enhance their incomes and **contribute to ensure a viable food production**.
- **Greening** payment represents a very important innovation of CAP, that would seem able to **foster the provision of public goods and mitigate climate change towards 2020**.
 - *TO BE CONTINUED (OTHER MSs, PLS-SEM)*

Thank you for the attention