# The new Cap Reform: an analysis of impacts at sub national level. The case of Tuscany.

UNIVERSITÀ DEGLI STUDI FIRENZE
GESAAF
DIPARTIMENTO DI GESTIONE DEI SISTEMI AGRARI, ALIMENTARI E FORESTALI

**Leonardo Casini, Caterina Contini, Gabriele Scozzafava**

# Struttura presentazione

- Aims of the research
- Framework of the new CAP
- The case study
  - Scenario simulation
  - Data analysis
  - Results
- Conclusions

# Aims

- Outlining a critical framework of the current reform evolution (payments distribution)

- Simulating the distribution of the new payments evaluating their impacts on the farms in Tuscany

# Framework

- Adjustment of agricultural policies and redefinition of decision-maker’s objective.
- The draft Report "The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future" (Deß A., 2011) of the European Parliament highlights the general principles on which it will develop the new proposal:
  - Step A) Importance of a European agricultural system which is **sustainable, productive and competitive**. Moreover, it should face new political challenges such as food security, energy, climate change, environment protection and biodiversity, health and demographic changes .

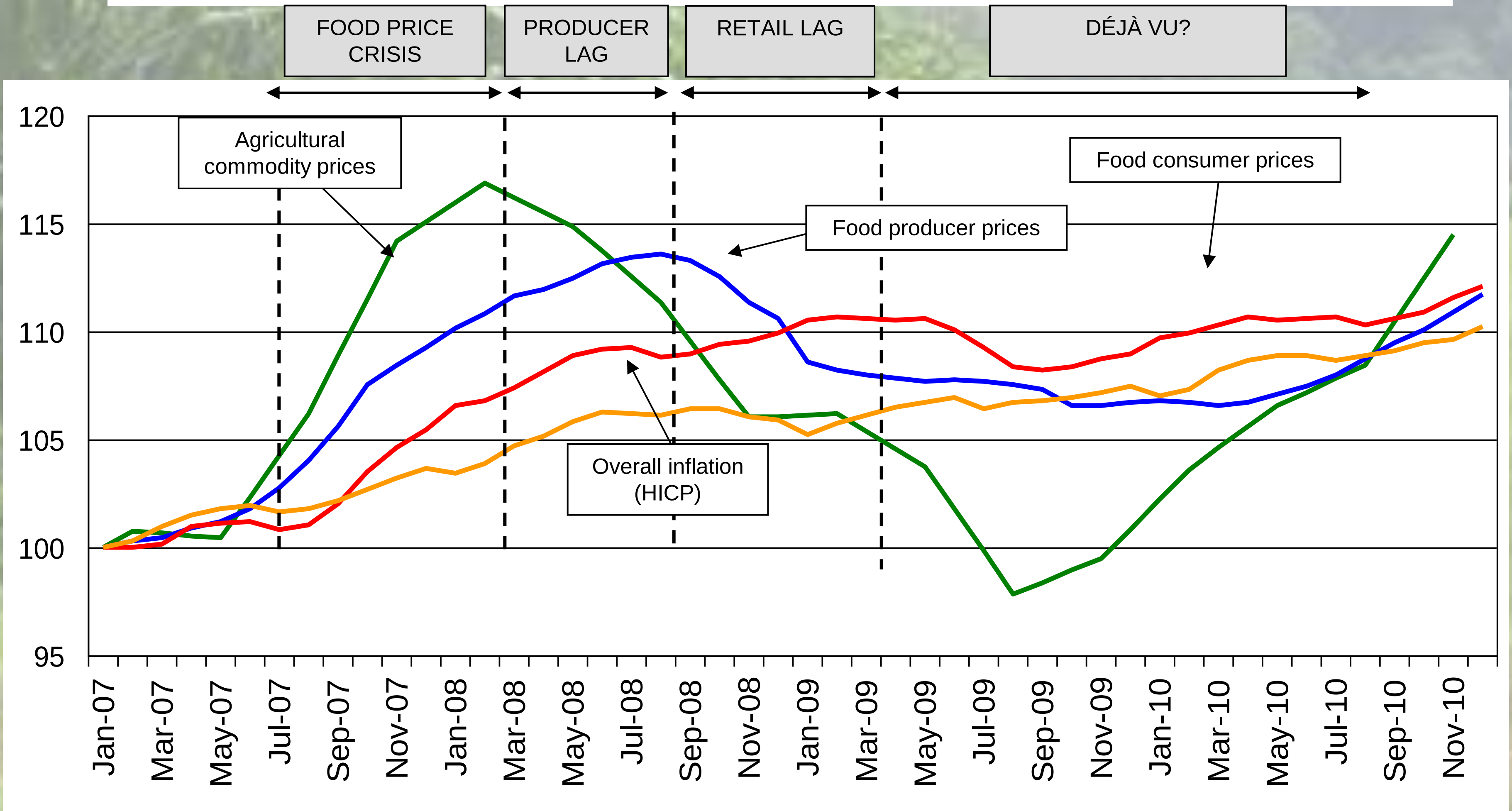
# Framework

## .... What are the causes that hinder sustainability, productivity and competitiveness of the agricultural system?

1. **Price volatility**
   - After 2005, price volatility has grown so strongly that has become a structural element of the world agricultural market, including Europe;
   - It is the result of two factors that have emerged in the last decade: the evolutionary dynamics of world markets and the elimination of price support policies of the European Union.
2. **The loss of bargaining power in the supply chain**
   - in all cases, the supply concentration is much lower than the concentration existing at the processing level;
   - serious deficiencies in the adaptation of supply to demand and unfair trade practices;
   - the long-term prospects of agriculture will not improve if farmers will not be able to reverse the steady decrease in the proportion of the added value that they represent within the entire food chain.
3. **The compensations for the production of public goods**

# Framework

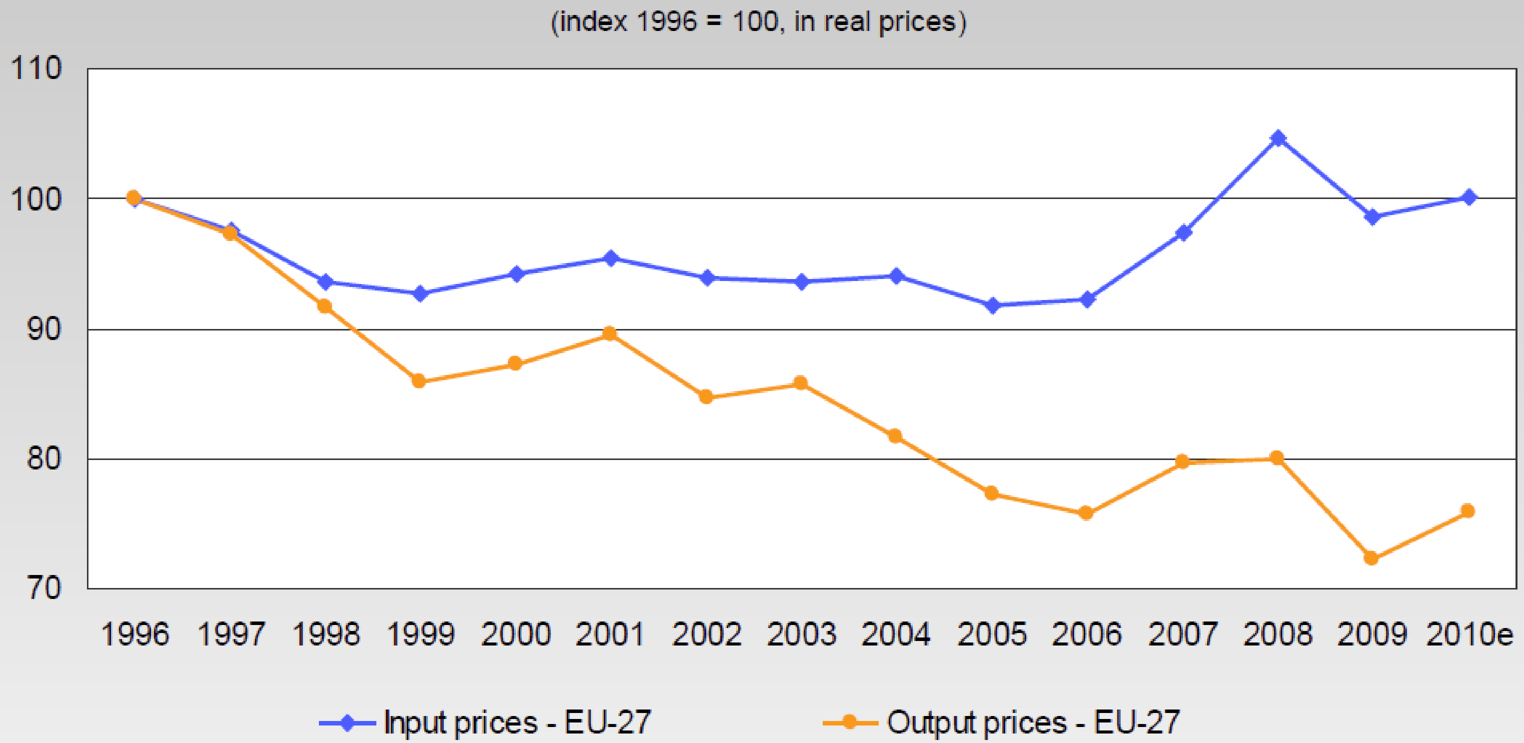
## Price transmission is slow, limited and asymmetric along the food chain




*Source: European Commission – DG Economic and Financial Affairs, based on Eurostat data*

# Framework

## Recent evolution of agricultural input and output prices

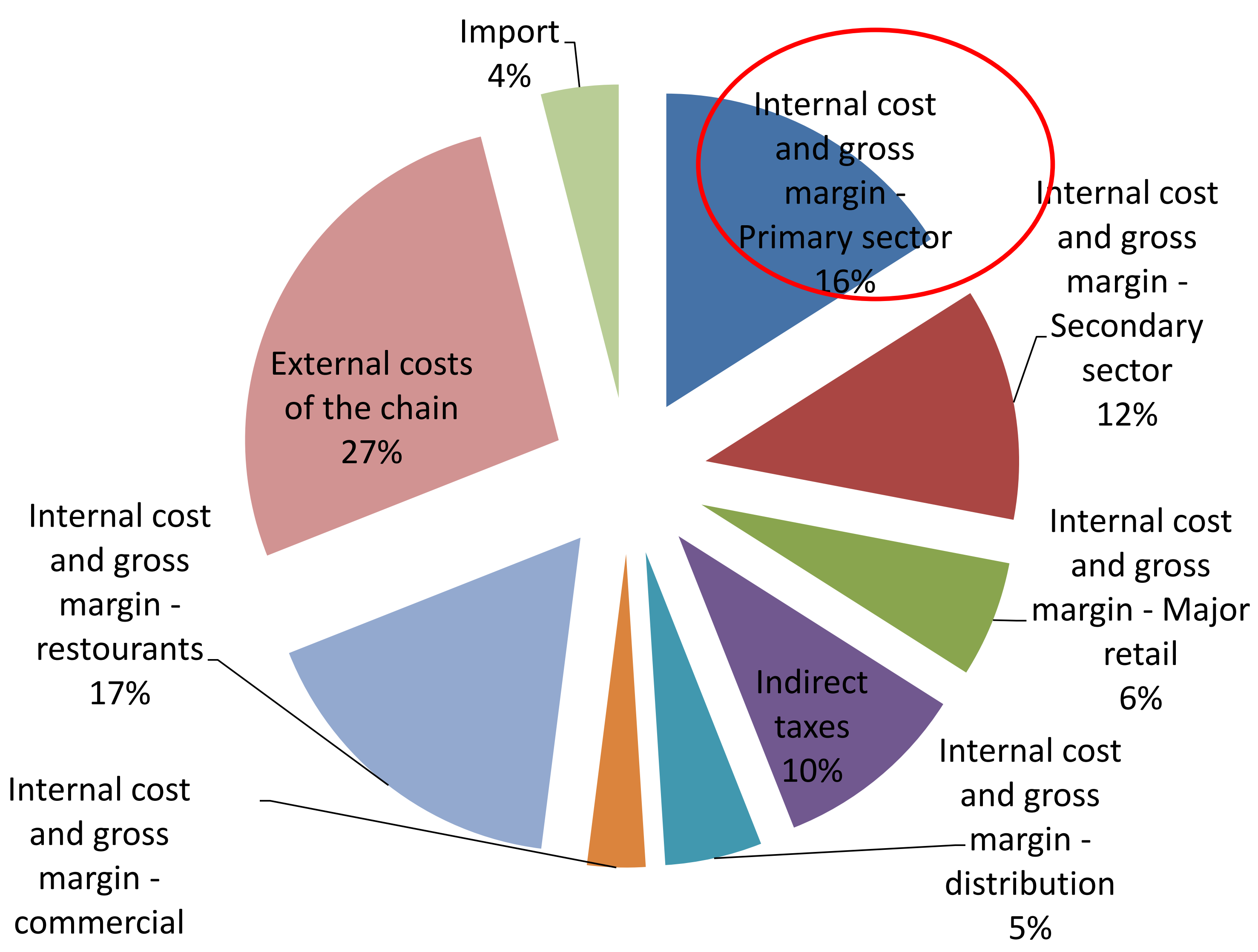



*Source: Eurostat*

Framework

# Creation of value in the supply chain

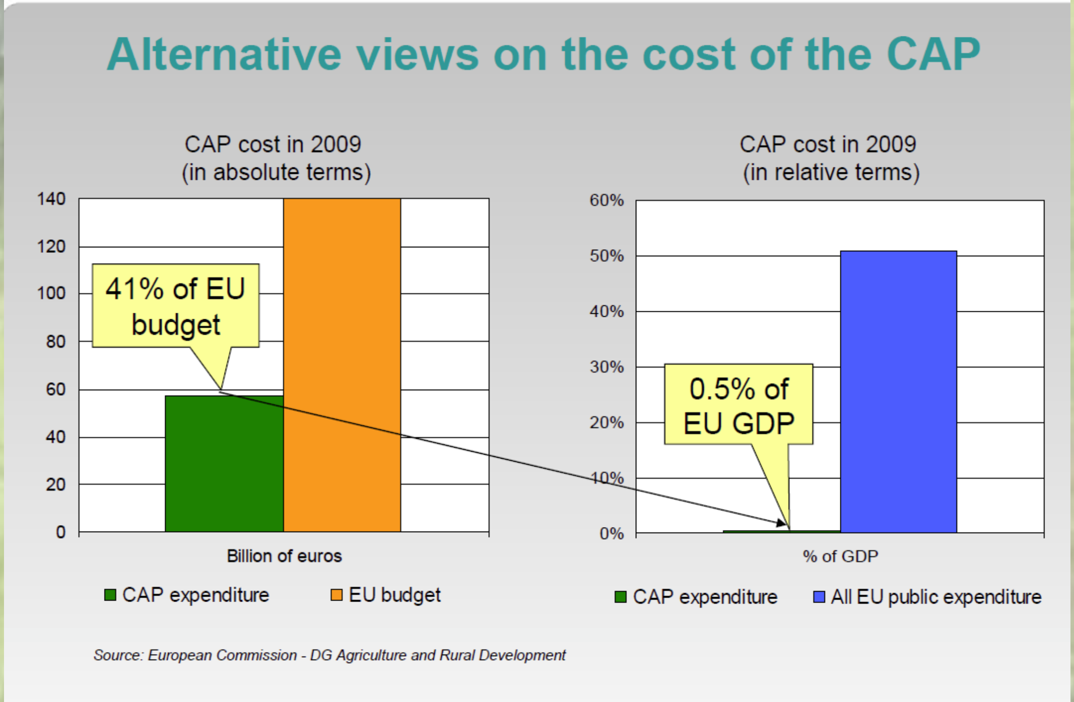
## Each 100 euros spent for food in Italy…



# Framework

## The operative responses of the Commission…

Commissioner Cioloş "……In the current context of economic and budgetary pressure, the European Commission is proposing to maintain CAP spending at 2013 levels, namely €371.7 billion, to which we add additional room for manoeuvre of €15.2bn, in total €386,9bn available for agriculture….."



Report **Deß A., 2011** :

- Crisis of the distribution system and the calculation of the single payment

Step 11) There is a need to overcome the calculation of the single payment on a historical basis and move to a regionalized support, associate to specific local measures. The complexity and spatial heterogeneity of individual Member States has to be taken into consideration;

# Framework

According to the Commission future direct payments will be based on **four components**:

1) **Basic** decoupled payment: uniform level of support to all farmers in a Member State (or Region). It is based on transferable entitlements, activated by associating them with eligible agricultural land, subject to the compliance requirements;

2) **aid to the greening**: direct payments supporting environmental measures applicable throughout the whole EU land (30% of the single payment);

3) Increase of the support  for farms located in areas with specific natural constraints. In these areas, in addition to the support provided under the second pillar, farmers would benefit from additional support, based on the size of the land,;

4) a voluntary coupled support, aimed at taking account of the specific problems in certain regions where particular types of farming are considered very important for economic and / or social reasons.

# Framework

The greening will represent 30% of the single payment. It will include:

- Vegetation cover;
- Productive diversification (crop rotation);
- Permanent meadows and pastures;
- Ecological set-aside;
- Organic farming.

# The case study

## Methods

- Construction of a database, as complete as possible, coinciding with the universe of farms that have received a payment (by aggregating databases Artea, Istat, Arsia etc..). The database contains information such as the main municipality, farm size, payments, uses of farm land, etc..
- Assessment of farm economic results. Assessment of profit from the database Artea, with and without public aid. This assessment is obtained in relation to farm location (plains, hills and mountains) and the various productions
- Simulation of the new payments for Tuscany, including greening payment, small farm scheme, basic direct payment:

| | Weight of regional budget on historical basis | New budget for direct payments on historical basis | Small farm scheme budget | UAA 2010 | Greening Pesato su Aiuto Storico | Peso Sau 2010 | Aiuto Greening Pesato Su SAU | Altre Misure | Totale Regionale | Differenza Rispetto A Pre-Riforma | Regionalized aid (Ha) | Greening (Ha) | Total (Ha) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Piemonte** | 8,7% | 160.416.864 | 33.320.180 | 1048350 | 99.480.540 | 8% | 93.798.598 | 39.984.216 | 327.519.858 | - 5.681.941 | 153,0 | 89,5 | 242,5 |
| **Valle D'aosta** | 0,1% | 1.351.884 | 281.642 | 55384 | 844.927 | 0,4% | 4.955.384 | 337.971 | 6.926.882 | 4.110.457 | 24,4 | 89,5 | 113,9 |
| **Lombardia** | 13,1% | 241.547.232 | 50.222.340 | 984870 | 150.187.020 | 8% | 88.118.889 | 60.266.808 | 440.155.269 | - 62.068.130 | 245,3 | 89,5 | 334,7 |
| **Liguria** | 0,2% | 3.687.744 | 768.280 | 43033 | 2.304.840 | 0% | 3.850.303 | 921.936 | 9.228.263 | 1.545.463 | 85,7 | 89,5 | 175,2 |
| **Trentino** | 0,5% | 9.219.360 | 1.920.700 | 380502 | 5.762.100 | 3% | 34.044.570 | 2.304.840 | 47.489.470 | 28.282.470 | 24,2 | 89,5 | 113,7 |
| **Veneto** | 10,0% | 184.387.200 | 38.414.000 | 806319 | 115.242.000 | 6% | 72.143.452 | 46.096.800 | 341.041.452 | - 43.098.547 | 228,7 | 89,5 | 318,2 |
| **Friuli** | 1,8% | 33.189.696 | 6.914.520 | 219909 | 20.743.560 | 2% | 19.675.885 | 8.297.424 | 68.077.525 | -1.067.674 | 150,9 | 89,5 | 240,4 |
| **Emilia** | 8,6% | 158.572.992 | 33.036.040 | 1066773 | 99.108.120 | 8% | 95.446.926 | 39.643.248 | 326.699.206 | - 3.661.193 | 148,6 | 89,5 | 238,1 |
| **Toscana** | **4,1%** | **75.598.752** | **15.749.740** | **755295** | **47.249.220** | **6%** | **67.578.187** | **18.899.688** | **177.826.367** | **20.328.967** | **100,1** | **89,5** | **189,6** |
| **Umbria** | 2,4% | 44.252.928 | 9.219.360 | 327868 | 27.658.080 | 3% | 29.335.225 | 11.063.232 | 93.870.745 | 1.677.145 | 135,0 | 89,5 | 224,4 |
| **Marche** | 3,6% | 66.379.392 | 13.829.040 | 473063 | 41.487.120 | 4% | 42.326.233 | 16.594.848 | 139.129.513 | 839.113 | 140,3 | 89,5 | 229,8 |
| **Lazio** | 4,4% | 81.130.368 | 16.902.160 | 648472 | 50.706.480 | 5% | 58.020.496 | 20.282.592 | 176.335.616 | 7.314.016 | 125,1 | 89,5 | 214,6 |
| **Abruzzo** | 1,6% | 29.501.952 | 6.146.240 | 449988 | 18.438.720 | 3% | 40.261.636 | 7.375.488 | 83.285.316 | 21.822.916 | 65,6 | 89,5 | 155,0 |
| **Molise** | 1,2% | 22.732.243 | 4.735.883 | 196527 | 14.207.651 | 2% | 17.583.835 | 5.683.060 | 50.735.023 | 3.376.183 | 115,7 | 89,5 | 205,1 |
| **Campania** | 4,5% | 82.974.240 | 17.286.300 | 547464 | 51.858.900 | 4% | 48.983.053 | 20.743.560 | 169.987.153 | - 2.875.846 | 151,6 | 89,5 | 241,0 |
| **Puglia** | 13,4% | 247.078.848 | 51.474.760 | 1280875 | 154.424.280 | 10% | 114.603.242 | 61.769.712 | 474.926.562 | - 39.821.037 | 192,9 | 89,5 | 282,4 |
| **Basilicata** | 2,9% | 52.666.398 | 10.972.166 | 512280 | 32.916.498 | 4% | 45.835.081 | 13.166.599 | 122.640.245 | 12.918.582 | 102,8 | 89,5 | 192,3 |
| **Calabria** | 7,3% | 134.602.656 | 28.042.220 | 551404 | 84.126.660 | 4% | 49.335.611 | 33.650.664 | 245.631.151 | -34.791.048 | 244,1 | 89,5 | 333,6 |
| **Sicilia** | 7,8% | 143.822.016 | 29.962.920 | 1384043 | 89.888.760 | 11% | 123.833.873 | 35.955.504 | 333.574.313 | 33.945.113 | 103,9 | 89,5 | 193,4 |
| **Sardegna** | 3,8% | 70.620.297 | 14.981.460 | 1152756 | 46.235.090 | 9% | 103.140.078 | 17.977.752 | 206.719.588 | 56.904.988 | 61,3 | 89,5 | 150,7 |
| **Italia** | 100,0% | 1.843.872.000 | 384.140.000 | 12885185 | 1.152.870.568 | 100% | 1.152.870.568 | 461.015.943 | 3.841.799.527 | 399.527 | 143,1 | 89,5 | 232,6 |

# The case study

| REGIONI | Aziende | | Variazioni assolute | Variazioni % |
|---|---|---|---|---|
| | 2010 | 2000 | | |
| Toscana | 75,459 | 122,409 | -46,950 | -38.4 |
| **ITALIA** | **1,630,420** | **2,405,453** | **-775,033** | **-32.2** |
| **Nord-ovest** | **144,678** | **221,640** | **-76,962** | **-34.7** |
| **Nord-est** | **253,169** | **369,525** | **-116,356** | **-31.5** |
| **Centro** | **256,059** | **426,972** | **-170,913** | **-40.0** |
| **Sud** | **696,252** | **930,718** | **-234,466** | **-25.2** |
| **Isole** | **280,262** | **456,598** | **-176,336** | **-38.6** |

## Farms- Variation2000-2010
## -38,4%


| REGIONI | SAU | | Variazioni assolute | Variazioni % |
|---|---|---|---|---|
| | 2010 | 2000 | | |
| Toscana | 755,295.11 | 855,805.89 | - 100,510.78 | -11.7 |
| **ITALIA** | **12,885,185.90** | **13,183,406.76** | **- 298,220.86** | **-2.3** |
| **Nord-ovest** | **2,131,638.76** | **2,243,420.06** | **- 111,781.30** | **-5.0** |
| **Nord-est** | **2,473,505.12** | **2,632,679.05** | **- 159,173.93** | **-6.1** |
| **Centro** | **2,204,699.89** | **2,435,905.43** | **- 231,205.54** | **-9.5** |
| **Sud** | **3,538,542.55** | **3,571,726.61** | **- 33,184.06** | **-0.9** |
| **Isole** | **2,536,799.58** | **2,299,675.61** | **237,123.97** | **10.3** |

## UAA – Variation 2000-2010
## -11,7%

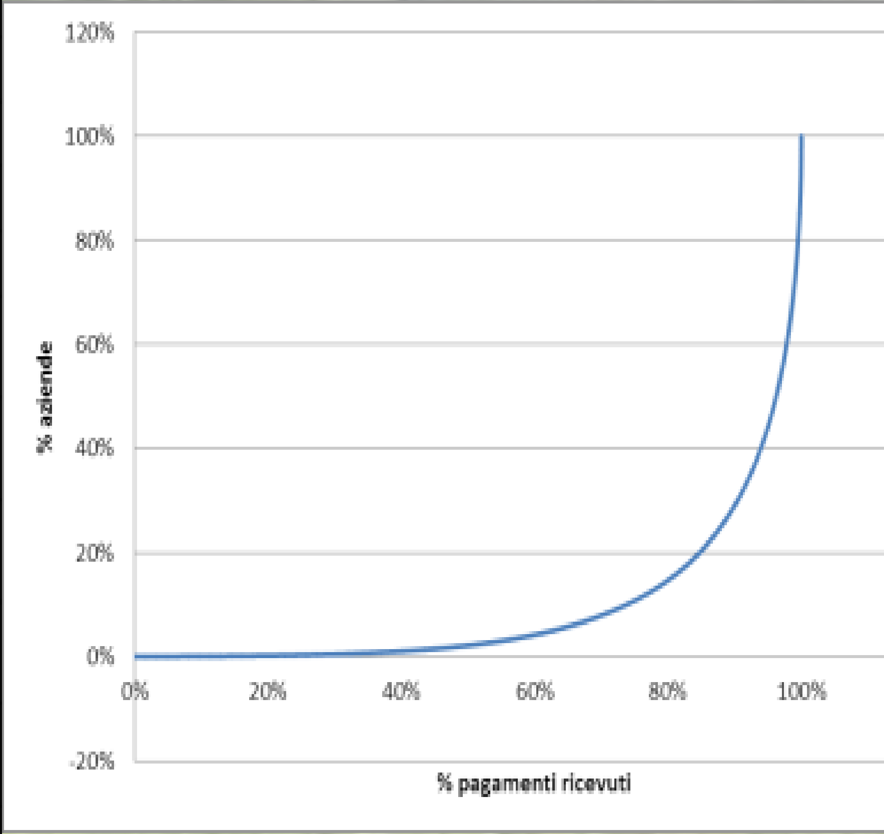

| REGIONI | SAT | | Variazioni assolute | Variazioni % |
|---|---|---|---|---|
| | 2010 | 2000 | | |
| Toscana | 1,377,113.60 | 1,558,103.17 | - 180,989.57 | -11.6 |
| **ITALIA** | **17,277,022.97** | **18,775,270.66** | **- 1,498,247.69** | **-8.0** |
| **Nord-ovest** | **2,808,633.66** | **3,130,032.06** | **- 321,398.40** | **-10.3** |
| **Nord-est** | **3,563,090.56** | **4,006,101.18** | **- 443,010.62** | **-11.1** |
| **Centro** | **3,471,534.73** | **3,901,346.44** | **- 429,811.71** | **-11.0** |
| **Sud** | **4,419,452.33** | **4,683,774.77** | **- 264,322.44** | **-5.6** |
| **Isole** | **3,014,311.69** | **3,054,016.21** | **- 39,704.52** | **-1.3** |

## TAA - Variation 2000-2010
## -11,6%

# The case study

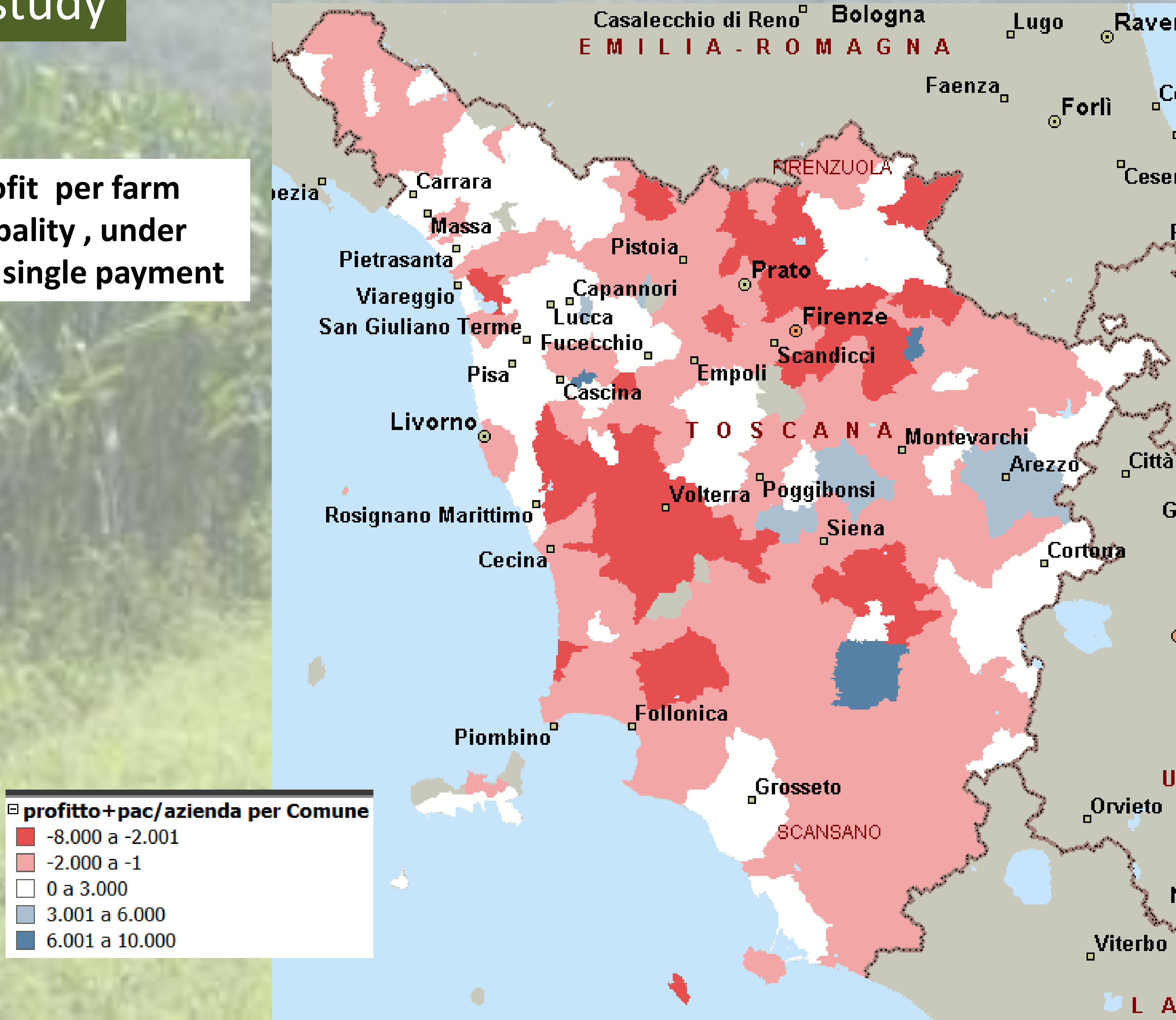
| Numbers of farm 2012 | UAA 2012 | Payments 2011 |
|---|---|---|
| 41.921 (95% universo) | 683.403 (98% UAA toscana) | 165.545.920 (92% tot) |

| *Id Classe* | *Classe* | *Baseline* | *% numero az* |
|---|---|---|---|
| 1 | 0 | 263 | 0,6% |
| 2 | >1<500 | 27 | 0,1% |
| 3 | >501<1.000 | 17628 | 42% |
| 4 | >1.001<5.000 | 6186 | 15% |
| 5 | >5.001<10.000 | 11265 | 27% |
| 6 | >10.001<20.000 | 3097 | 7% |
| 7 | >20.001<30.000 | 1863 | 4% |
| 8 | >30.001<50.000 | 677 | 2% |
| 9 | >50.001<100.000 | 483 | 1% |
| 10 | >100.001<200.000 | 313 | 1% |
| 11 | >200.001 | 117 | 0,3% |



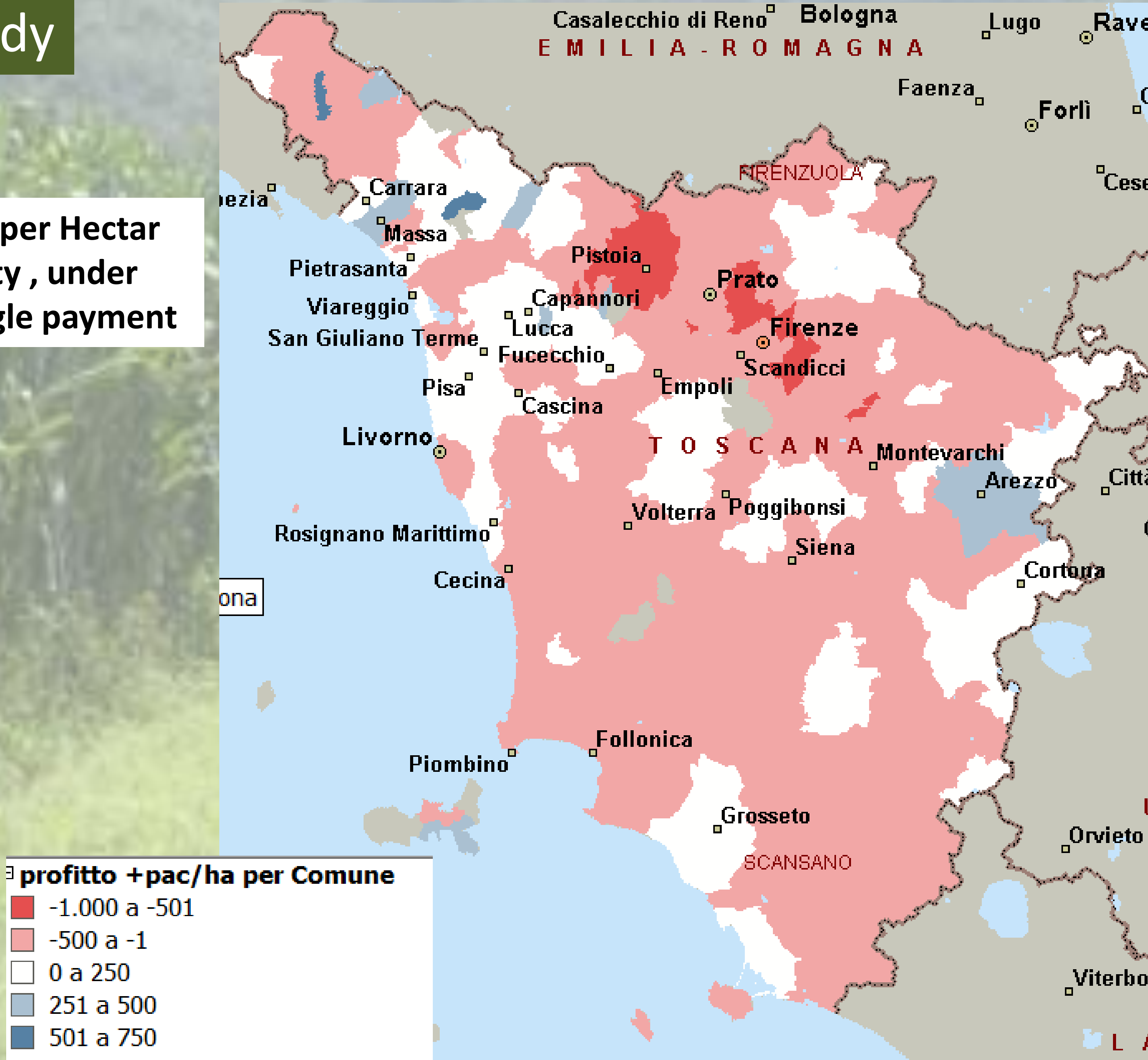
# The case study

**Average profit per farm and municipality , under the current single payment**



# The case study

**Average profit per Hectar and municipality , under the current single payment**



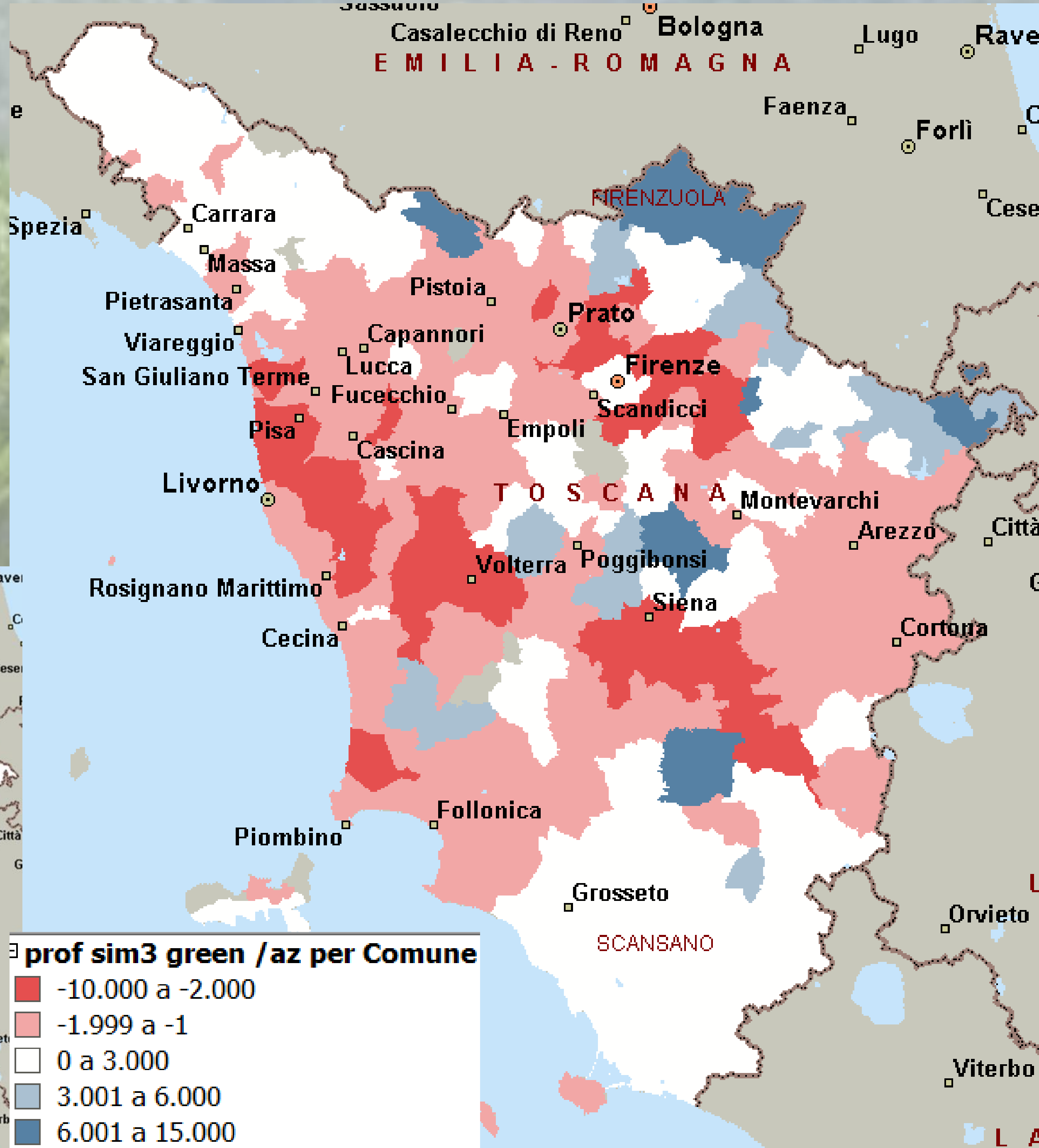
# The case study

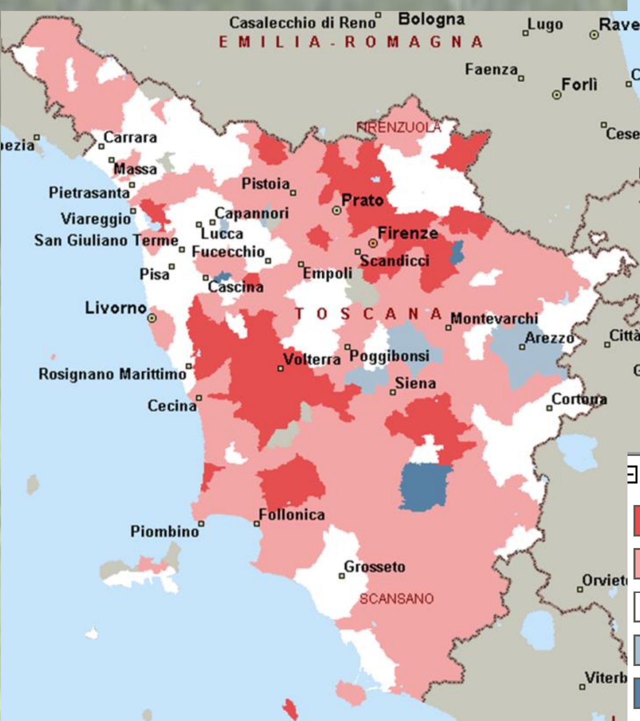
| Profit class (plus cap aid) | Size with the single payment (PUA) |
|---|---|
| tra -20000 e -10000 | 1114 (3%) |
| tra -10000 e - 5000 | 2561 (6%) |
| tra -5000 e 0 | 16707 (40%) |
| tra 0 e 5000 | 19379 (47%) |
| tra 5000 e 10000 | 999 (2%) |
| tra 10000 e 20000 | 535 (1%) |

51% of farms have a positive profit

# The case study

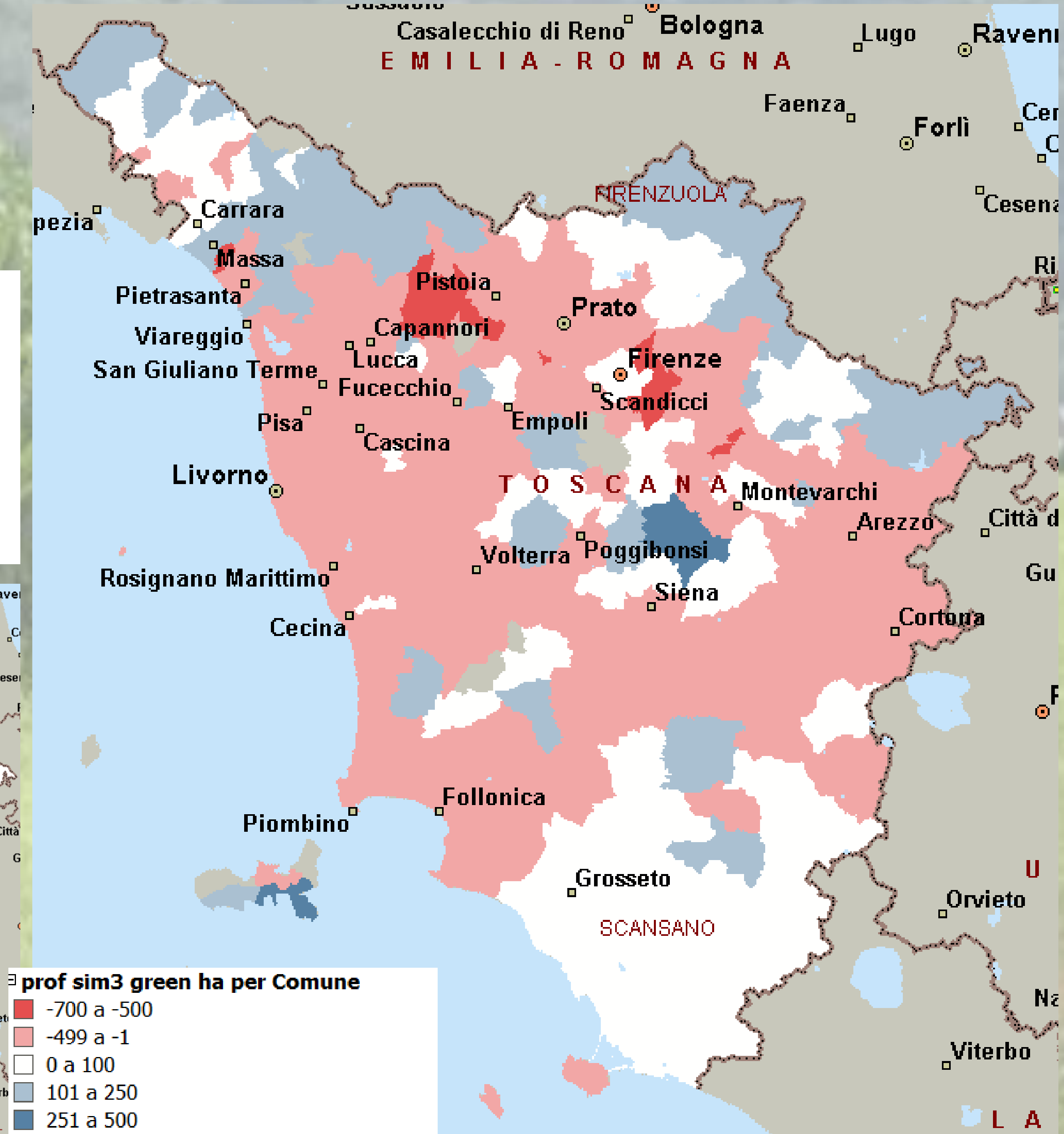
**Average profit per farm and municipality: simulation of new reform (regionalised payment, greening, SFS)**



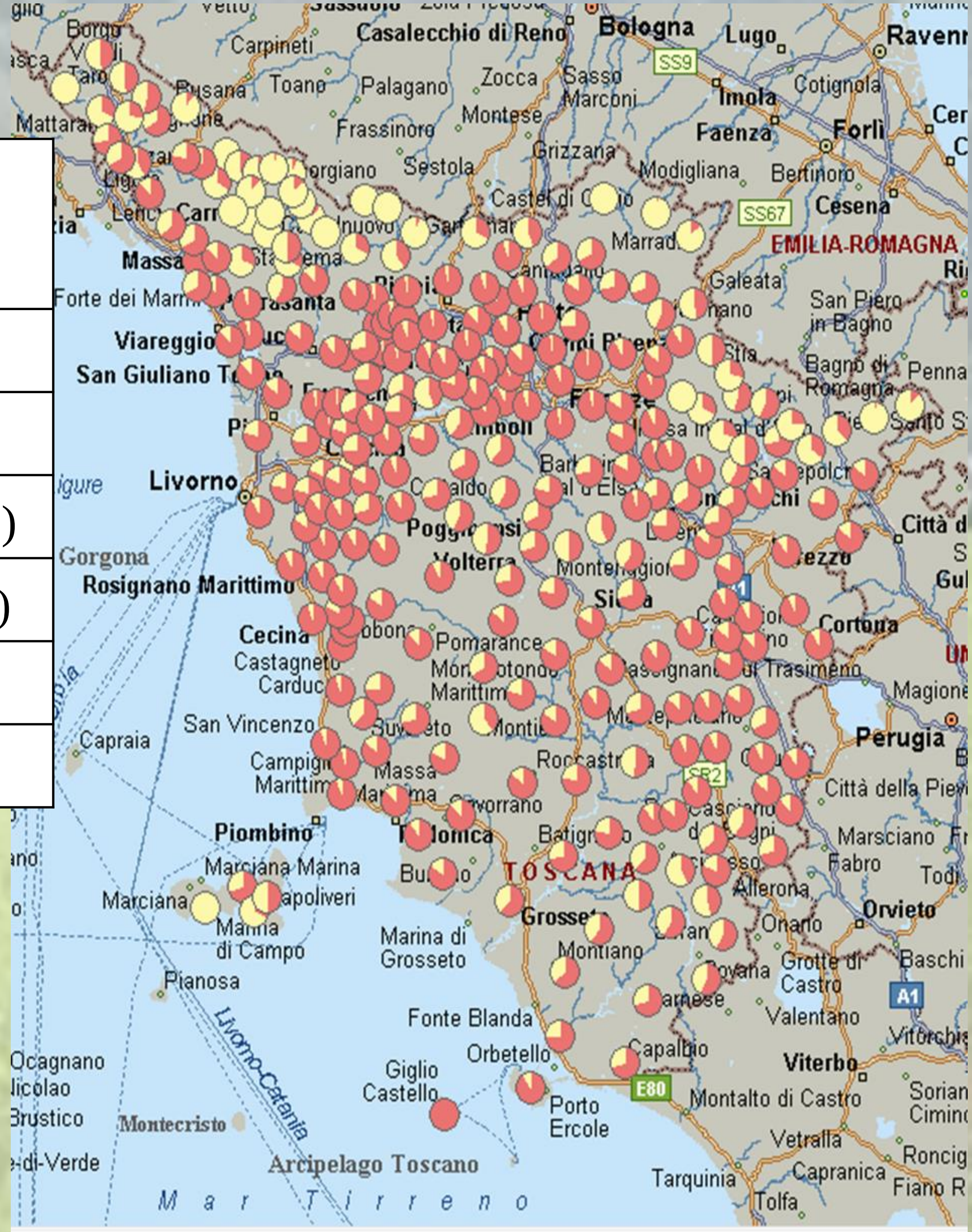
# The case study

**Average profit per Hectar and municipality simulation of new reform (regionalised payment, greening, SFS)**

| Classes of profit (plus aid) | New payments reform |
|---|---|
| tra -20000 e -10000 | 1052 (3%) |
| tra -10000 e - 5000 | 1689 (4%) |
| tra -5000 e 0 | 16832 (41%) |
| tra 0 e 5000 | 19760 (48%) |
| tra 5000 e 10000 | 1240 (3%) |
| tra 10000 e 20000 | 722 (2%) |

53% of farms have positive profit



# The case study

| Class payments | Baseline | % baseline | New reform (simulation) | % simulation | Variation referred to baseline |
|---|---|---|---|---|---|
| <1.000 | 17628 | 44% | 14580 | 35% | -22% |
| >1.001<5.000 | 6186 | 15% | 6301 | 15% | 2% |
| >5.001<10.000 | 11265 | 27% | 12670 | 31% | 11% |
| >10.001<20.000 | 3097 | 7% | 3614 | 9% | 14% |
| >20.001<30.000 | 1863 | 4% | 2192 | 5% | 15% |
| >30.001<50.000 | 677 | 2% | 719 | 2% | 6% |
| >50.001<100.000 | 483 | 1% | 521 | 1% | 7% |
| >100.001<200.000 | 313 | 1% | 253 | 1% | -24% |
| >200.001 | 117 | 0,3% | 73 | 0,2% | -60% |

# Conclusions

- The new proposal does not address properly the three main causes of the economic unsustainability of the sector: price volatility, dispersion of the value along the supply chain, production of public goods.

- The redistribution due to the new single regionalized aid favours only those areas with extensive farming and with woody crops. The greening further favours these areas: there is a risk of supporting farming which is too extensive, simply reversing the positions of income generated so far (based on the historical payments).

- The general principle of covering costs for the production of public goods is not addressed. This is the main cause of failure of an undifferentiated aid which is calculated only on the area.

# Conclusions

- The new aid partly limits the unbalanced distribution of the aid classes (-21% of the class between 0 and 1000 euro per year in favor of classes from 10 to 30 thousand euro)

- Further increase of the role of the second pillar as a tool which guarantees the production of public goods

- In theory it might be interesting the proposal of restricting the aid to active farmers only. However, this proposal encounters great difficulties in its application

# THANK YOU FOR THE ATTENTION!

gabriele.scozzafava@unifi.it