

# *The CAP in Italy: lessons for national and local agri-food sectors*

**Fabrizio De Filippis** (*Università Roma Tre, Roma*)

**Maria Rosaria Pupo D'Andrea** (*CREA - Politiche e Bioeconomia, Rende*)

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*Challenges to agricultural policies and implications for national and local agri-food sectors*

The 2014-2020 reform of the First pillar of the CAP gives the Member States a high degree of flexibility in defining

- ❖ Who are the beneficiaries of the direct payments (the players of the game)
- ❖ What payment schemes to activate (the playing field)
- ❖ How to implement the specific rules (the rules of the game)

The view of the national implementation shows a picture of high heterogeneity among Member States in terms of options implemented, goals pursued and farmers affected

- ❖ At the beginning of the CAP reform the support was unevenly distributed among beneficiaries (84% support to 21% beneficiaries) and among different productive systems, according to the historical levels of per hectare payments
- ❖ The attitude of different Member States was quite different
  - Continental countries, characterized by more homogeneous productive systems, were ready to redistribute, at least partially, the support between all farmers
  - Mediterranean countries, characterized by more heterogeneous productive systems (and very different levels of per hectare support), were not prepared to a dramatic and sudden change in the distribution of the direct payments

### In Italy:

- ❖ In 2014, 27% of beneficiaries of direct payments received near to 78% of the support
- ❖ Agricultural systems were highly heterogeneous with some of them heavily dependent on EU support (e.g. olive oil in the South, milk and beef in the North) and other less supported (soft wheat, fruit and vegetables)
- ❖ Average payment per hectare was little less than 400 euro, but highly differentiated by areas, ranging from 65 euro/ha in the mountainous regions of Northern Italy to 510 euro in the lowland regions of the Southern Italy

In this context, the implementation of the CAP reform in Italy was driven by the need to avoid dramatic and sudden changes in the historical distribution of support. Therefore, Italy has chosen:

- To apply the *partial convergence* of the basic payment
- To limit the number of beneficiaries, excluding those who are actually not involved in agriculture
- To exclude those who would receive small amounts relatively to the administrative costs of applying for support
- To apply a simplified scheme for “small farmers” (those who receive less than 1,250 Euro)
- To apply a strong degressivity (but not the redistributive payments)
- To apply the coupled support

In order to draw a *political geography* of the implementation of the new CAP, we can define different typologies of behaviour of Member States according to four reading keys:

- ❖ The **speed of transition** toward a flat rate payment, taking into account the starting and arriving point of different countries
- ❖ The **selectiveness of the support**, according to the degree in which it is tailored for specific beneficiaries and specific goals
- ❖ The extent of **redistribution of support** among farmers, sectors and regions;
- ❖ The overall “**national CAP tailoring**”, with reference to the degree of adjustment to the CAP baseline

The Italian implementation of the CAP reform is characterised by:

**A cautious speed of transition** towards a flat rate payment

- ✓ Italy moved from a historical farm-related payment to a partial convergence, in a process oriented to minimize the level and the speed of the changes, with respect to its former model of support
- ✓ In 2019 it is estimated an average payment of 272 Euro/ha (basic payment plus green payment).
- ✓ However, differences in per hectare payment received by farms will persist also after 2019

### A high selectivity of beneficiaries

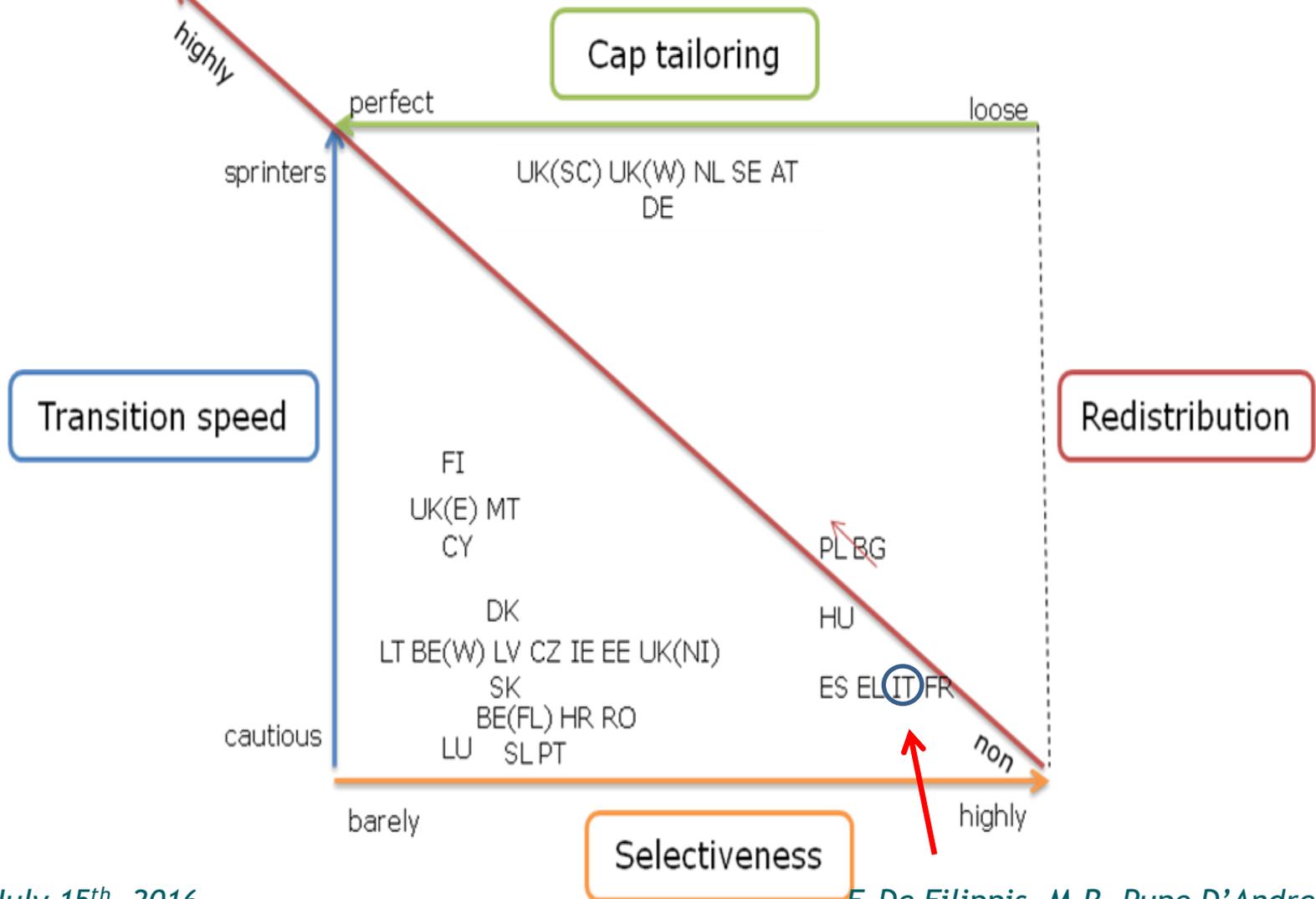
- ✓ Italy has applied restrictions connected to the *active farmer*
  - lowering the threshold to identify “active farmers by definition”,
  - adding economic and professional requirements to be met by those who remain above the threshold,
  - extending the negative list of persons non-active by definition
- However, these requirements are not really binding, and the majority of beneficiaries (64%) are “active farmer by definition”
- ✓ Raised the financial threshold (“minimum requirements”), excluding those who would receive less than 300 € (from 2017)
- ✓ Applied a territorial limitation/differentiation of unit payment for some products enjoying coupled support

## A barely redistributive attitude

- ✓ By applying the degressivity at a far higher level than 5% mandatory (50% reduction in the portion of the amount exceeding 150,000 Euro; 100% for the portion exceeding 500,000 Euro), but
- ✓ By not implementing either the flat rate payment (highly redistributive), nor the redistributive payment

Overall, Italy appears as a **loose fitter** of the CAP reform, having largely used the flexibility for tailoring the CAP to its structural needs, agricultural system and national political market constraints

# Similarities/differences among countries



## Coupled support

Italy decided to devote an important portion of the total Direct payments resources (11%) to ***coupled support***. This was due to

- ✓ The need of preserving historical production in some sectors
- ✓ the need of compensating some sectors and some regions for the impact of the convergence of the historical payments

In order to take into account specific situation, differentiation in the unit payments and territorial limitations of the support has been provided, according to:

- ✓ geographical localization of the farmers
- ✓ specific breed of livestock
- ✓ quality of the product (presence of PDO/PGI or national/regional quality system)

- ❖ The 2014-2020 CAP reform put the local agri-food systems in the face of a new support system of the First pillar
- ❖ From a single decoupled payment toward a new *menu* of more selective payments, oriented to remunerate specific behaviours or specific status of farmers, with special reference to environment (*greening*)
- ❖ From a centrally driven First Pillar to a direct payments system more tailored to national specificities: different national models of CAP implementation have emerged, with respect to speed of transition, selectiveness, redistribution and tailoring
- ❖ Common perceptions about new CAP are
  - the lack of market measures to address the volatility of prices
  - the increase in complexity of the new farm support system

## Open questions

- ❖ Italy has taken advantage from the flexibility granted by CAP reform. After first year of implementation there are some open questions which need to be answered:
  - ✓ How to conciliate the desire to make the CAP more selective and tailored to a differentiated agriculture with the high administrative burden that it involves?
  - ✓ How to answer to the strong demand for simplification of the rules, especially as regard the “greening”?
  - ✓ How to face in Italy the lack of adequate market measures to address the volatility (and the low level) of prices?
  - ✓ What judgment on the CAP reform in terms of impact on the different agricultural systems in Italy and Calabria?

# Thank you