

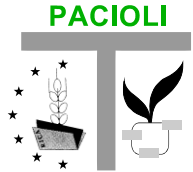
# **The effects of regional flat rate on farm return in Italy. An analysis of FADN data.**

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18<sup>TH</sup> PACIOLI WORKSHOP  
Ghent (Belgium) 5<sup>th</sup>-8<sup>th</sup> September 2010

# Content



**Objectives**

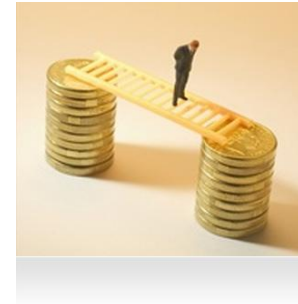
**Caveat**

**Method: data selection and economic key figures**

**Economic results of Italian FADN farms: current situation (2007)**

**Economic results of Italian FADN farms after regional flat rate**

**Discussion**



# Objective

To analyse the effects of the adoption of regional flat rate  
on farm income

**NET VALUE ADDED**  
= Payments to stakeholders (employee, rent, interests, fees)  
+ Residual Net Income

as **economic key figure:**

remuneration of all production factors  
and  
*proxy* for social role of agriculture

(Poppe *et al.* 2007)

# Caveat



## Good Representativeness and reliability on trends analysed (**UAA** rather than number of holdings)

FADN data: No data on entitlements. Special rights cannot be distinguished

FADN 2007: decoupling process only partially implemented

- **UAA is used as simplification to evaluate subsidy/hectares**  
→ **all UAA is eligible**
- **1<sup>st</sup> Pillar subsidies per hectares as a *proxy* to evaluate**  
→ **all coupled payments will be decoupled**

# Method and Data selection

Structure and economic results of Farms with and without subsidies

Subsidies taken into account:

1st pillar = SPS + Modulation + Coupled payments (SAPS)

- Excluding investments
- Excluding 2nd Pillar (RDP)

According to **farm types** and **economic size** (standard analysis)

According to **altitude area** (relevant to Italy)

Exercise on 2007 economic results

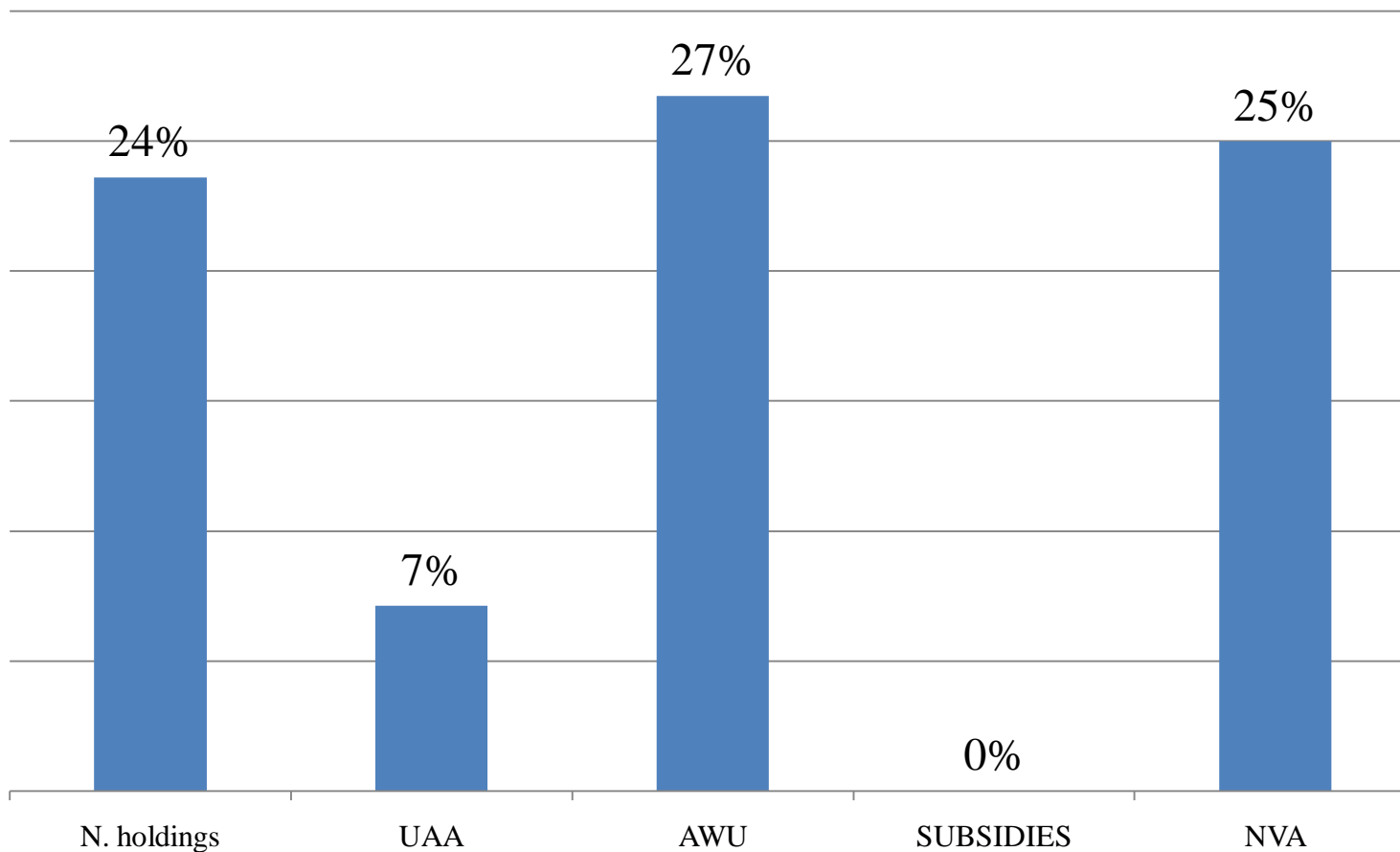
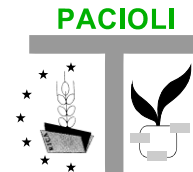
# Subsidies of Italian FADN farms

on working capital	96%
on investments	4%
total subsidies	100%
<i>Subsidies excl investments</i>	
<b>1 st pillar</b>	
SPS + MOD	78%
Coupled paym. (crops)	12%
other	1%
	<b>91%</b>
<b>2 nd Pillar</b>	
Agro-Environment paym.	6%
Less Favoured Area	2%
Other	1%
	<b>9%</b>
<b>Total European subsidies (excl invest)</b>	<b>100%</b>

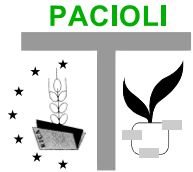


**Exercise on regional flat rate on “extended” 1° Pillar (87%)**

# Farms without subsidies (1<sup>st</sup> Pill.)



# How well off are farmers w/ subsidies



North	30.000 €
Centre	20.215 €
South	16.925 €
<b>Total</b>	<b>22.737 €</b>

**NVA/AWU**

Mountain	18.040 €
Hills	18.320 €
Plain	30.009 €
<b>Total</b>	<b>22.737 €</b>





# How well off are farmers w/ subsidies



ESU	NVA/AWU
4 - < 8	9.743 €
8 - < 16	11.692 €
16 - < 40	18.400 €
40 - < 100	30.610 €
>=100	56.384 €
<b>Total</b>	<b>22.737 €</b>

Type of farming	NVA/AWU
Specialist field crops	22.700 €
Specialist horticulture	19.647 €
Specialist permanent crops	15.990 €
Specialist grazing livestock	<b>31.903 €</b>
Specialist granivores	<b>77.801 €</b>
Mixed cropping	14.704 €
Mixed livestock holdings	18.811 €
Mixed crops-livestock	23.450 €
<b>Total</b>	<b>22.737 €</b>

**NVA increases with ESU**

**Granivores are profit-sharing farms.**

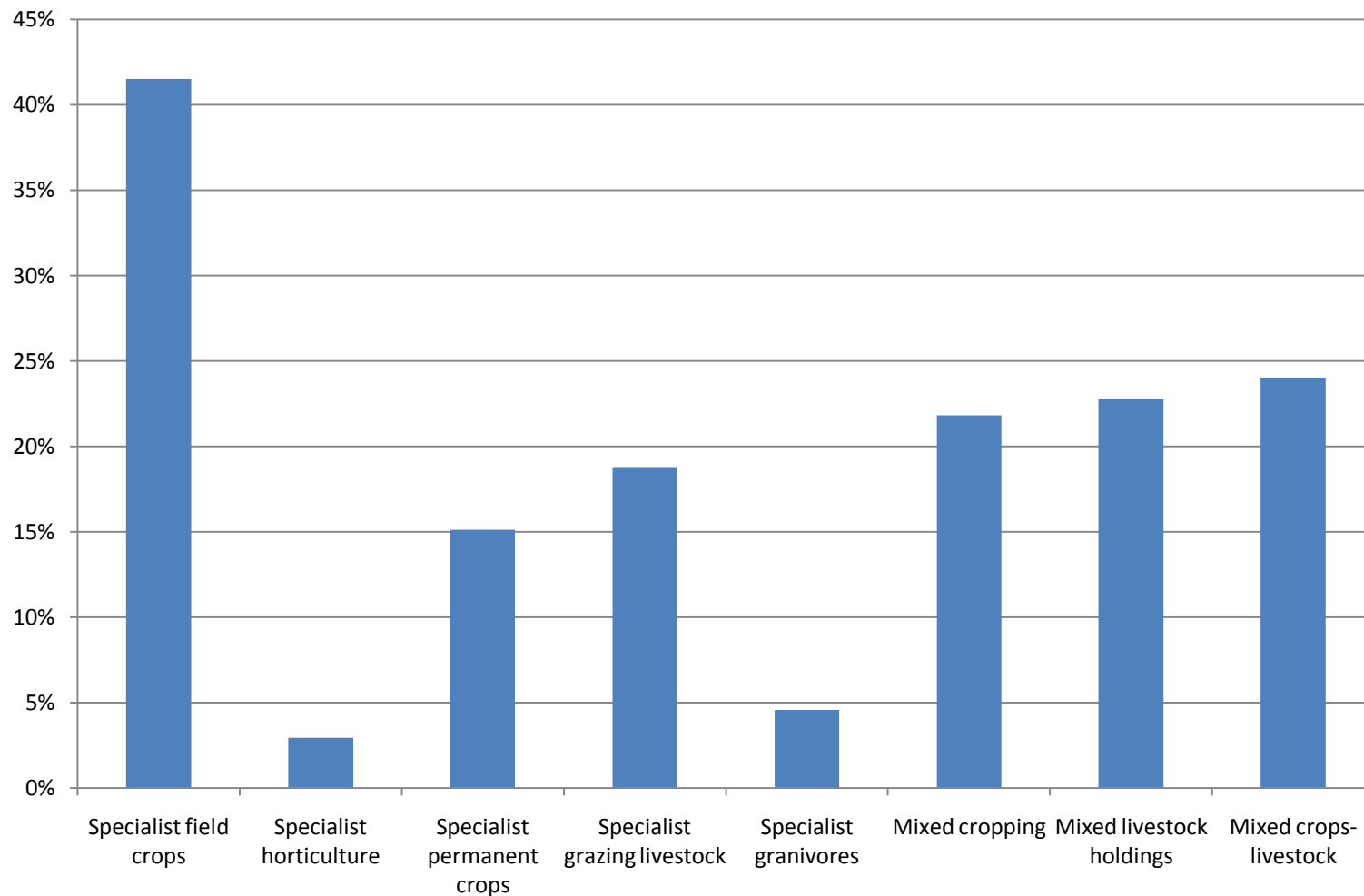
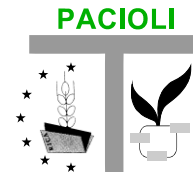
# Subsidies per hectares

Mountain	187 €/ ha
Hills	311 €/ ha
Plain	491 €/ ha
<b>Total</b>	<b>355 €/ ha</b>

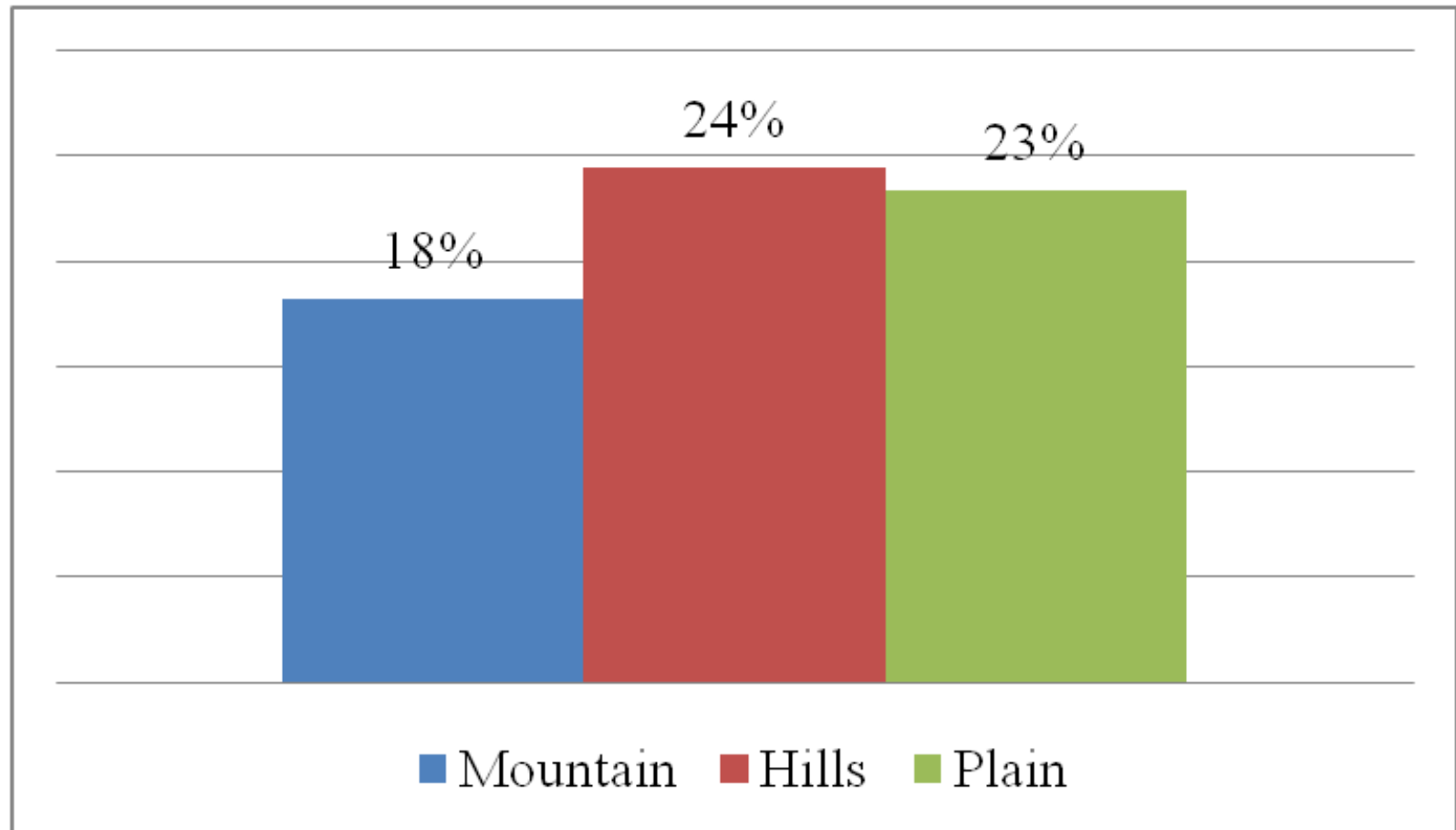


Specialist field crops	403 €/ ha
Specialist horticulture	<b>241 €/ ha</b>
Specialist permanent crops	358 €/ ha
Specialist grazing livestock	319 €/ ha
Specialist granivores	<b>419 €/ ha</b>
Mixed cropping	278 €/ ha
Mixed livestock holdings	306 €/ ha
Mixed crops-livestock	307 €/ ha
<b>Total</b>	<b>355 €/ ha</b>

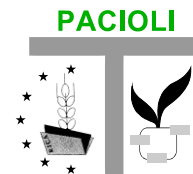
# Subsidy per farm type % on NVA (2007)



# Subsidy per altitude zone % on NVA



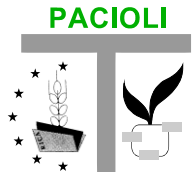
# Subsidy per hectares (2007)



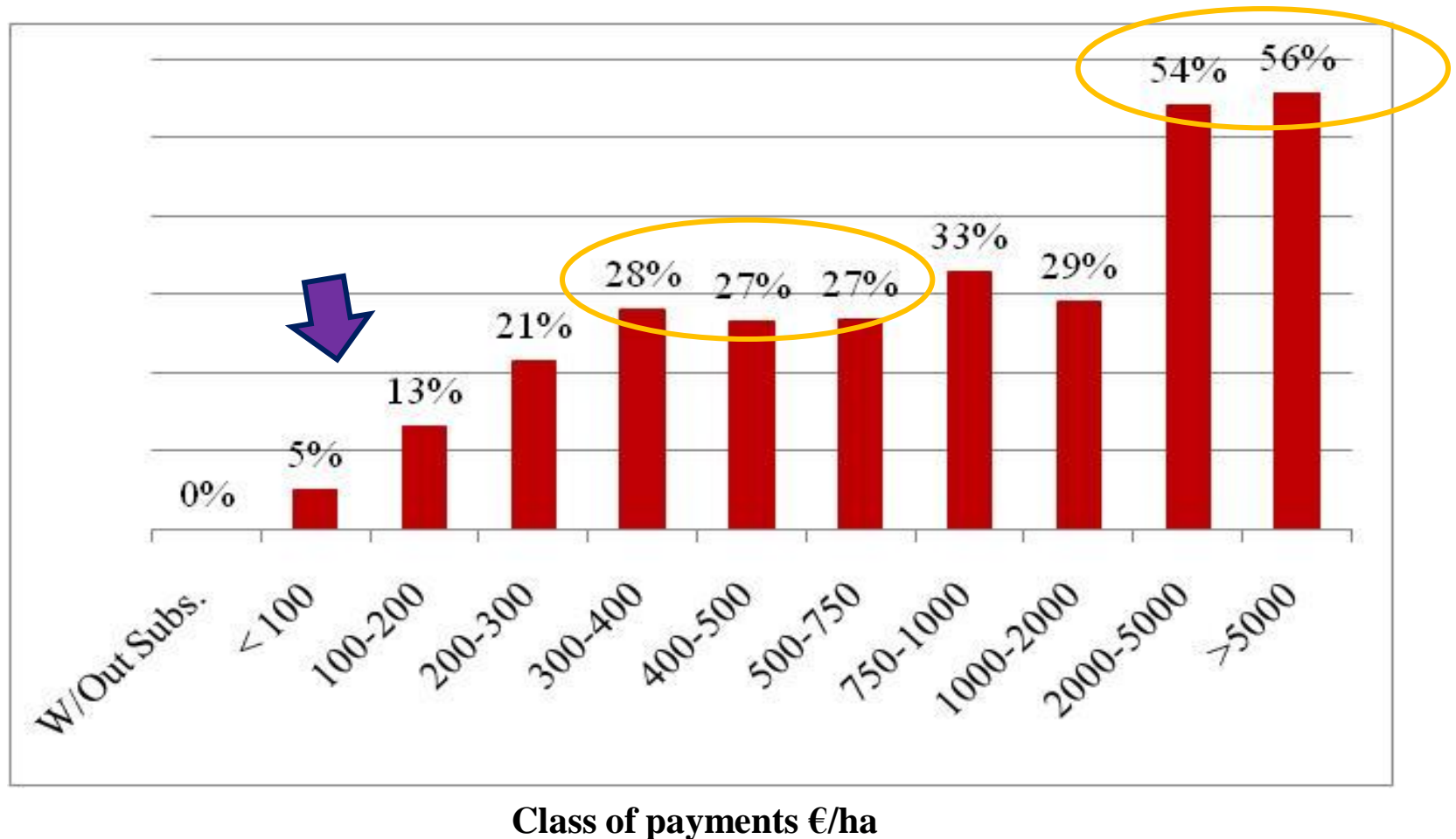
Subsidy €/ ha	NUM	UAA	AWU	NVA	SUBSIDIES
<b>W/Out Subsidies</b>	<b>24%</b>	<b>7%</b>	<b>27%</b>	<b>25%</b>	0%
< 100	10%	<b>16%</b>	11%	8%	2%
100-200	14%	15%	13%	9%	7%
200-300	15%	18%	14%	11%	14%
→ 300-400	14%	19%	12%	12%	<b>20%</b> ←
400-500	10%	11%	8%	9%	14%
500-750	6%	7%	6%	8%	12%
750-1000	3%	4%	3%	6%	10%
<b>1000-2000</b>	4%	3%	4%	8%	12%
<b>2000-5000</b> 5% →	1%	1%	1%	2%	6%
<b>&gt;5000</b>	0%	0%	0%	1%	2%
Total	100%	100%	100%	100%	100%

←20%

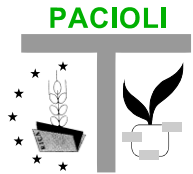
# Subsidy /NVA (%)



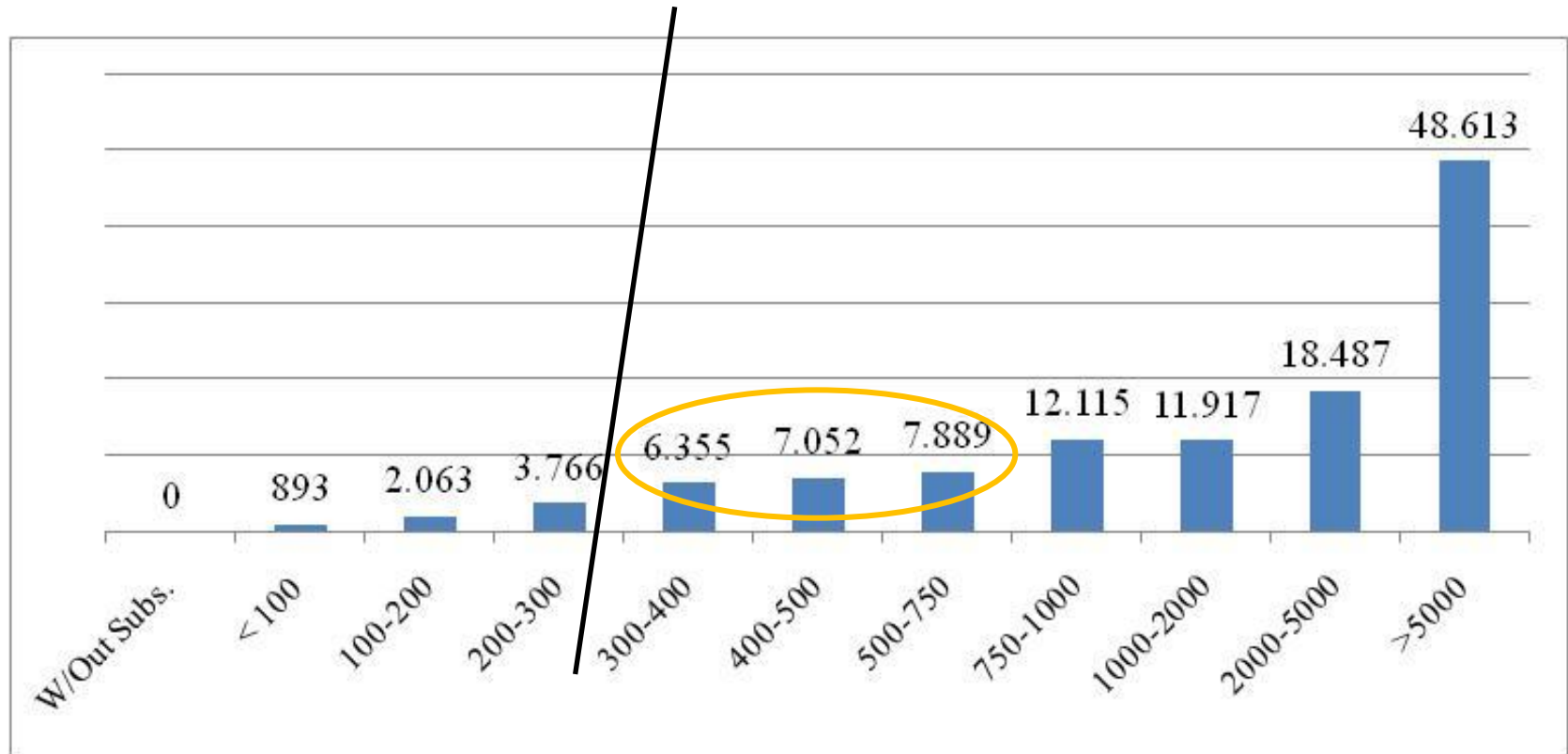
**TOTAL AVERAGE 18%**



# Subsidy /AWU(€ )

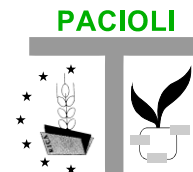


**TOTAL AVERAGE 3.937 €**

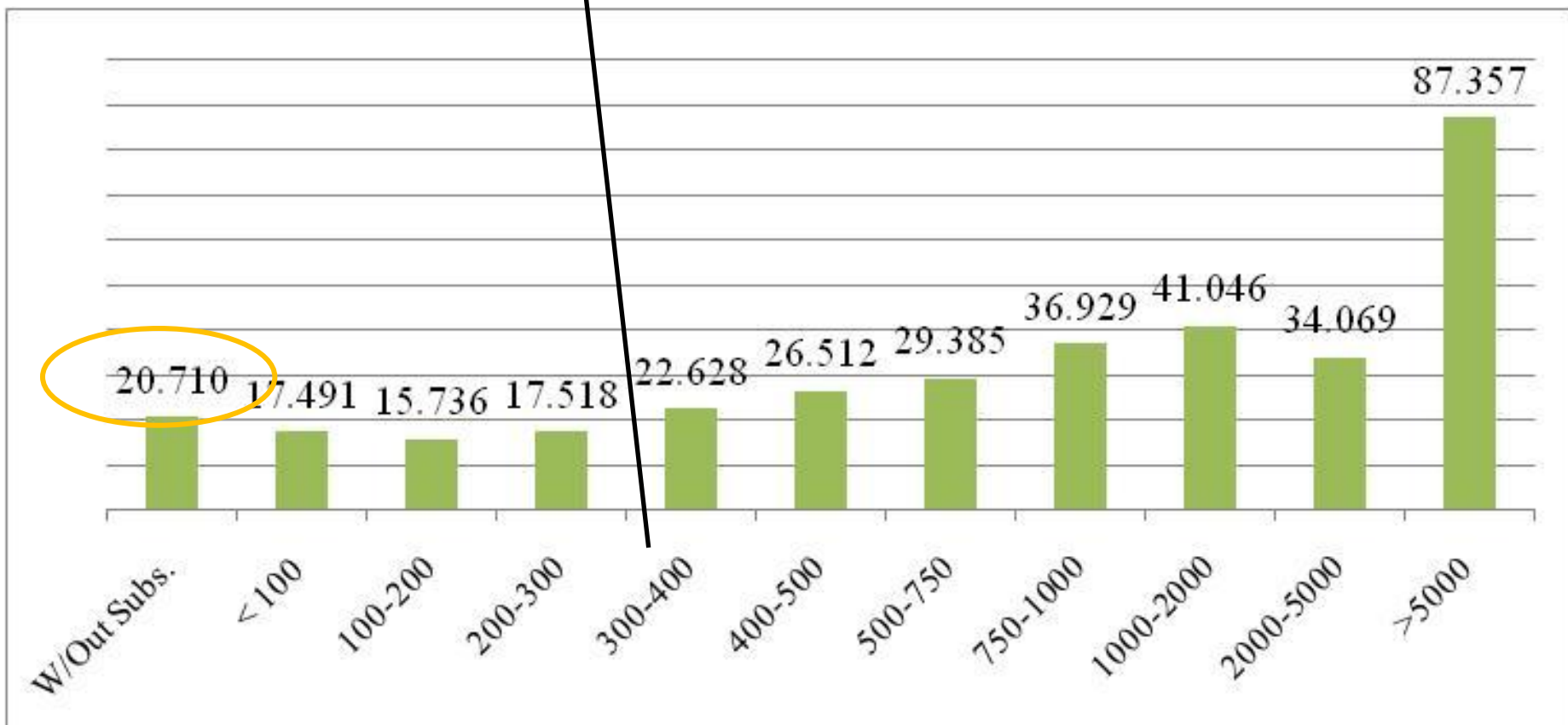


**Class of payments €/ha**

# NVA/AWU(€)



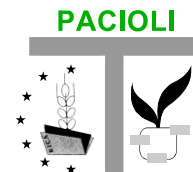
**TOTAL AVERAGE 22.156 €**



**Class of payments €/ha**



# Regional Flat Rate Approach



## GIVEN THE REGIONAL PLAFOND

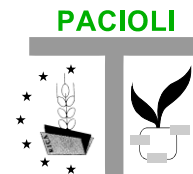
for each Italian region  
we **reallocated** the subsidies  
to **all** agricultural holdings

• **TOTAL** amount of first pillar  
(100%)

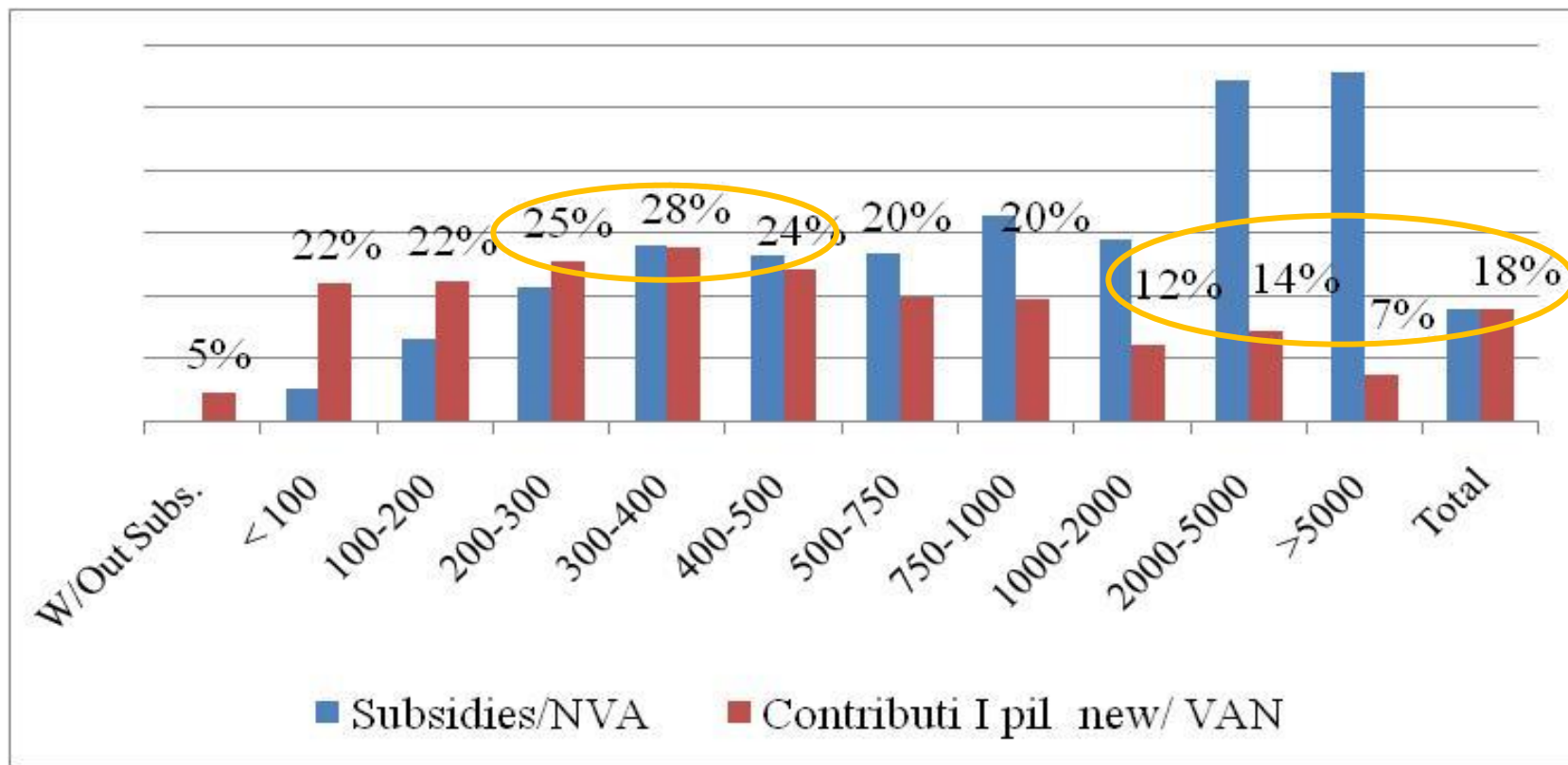


• **REDUCED** amount of first pillar  
(70%)

# Regional Flat Rate Approach 100%

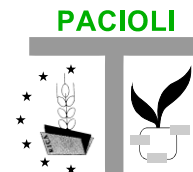


*Redistributed subsidies/ NVA ,  
TOTAL AVERAGE 18%*

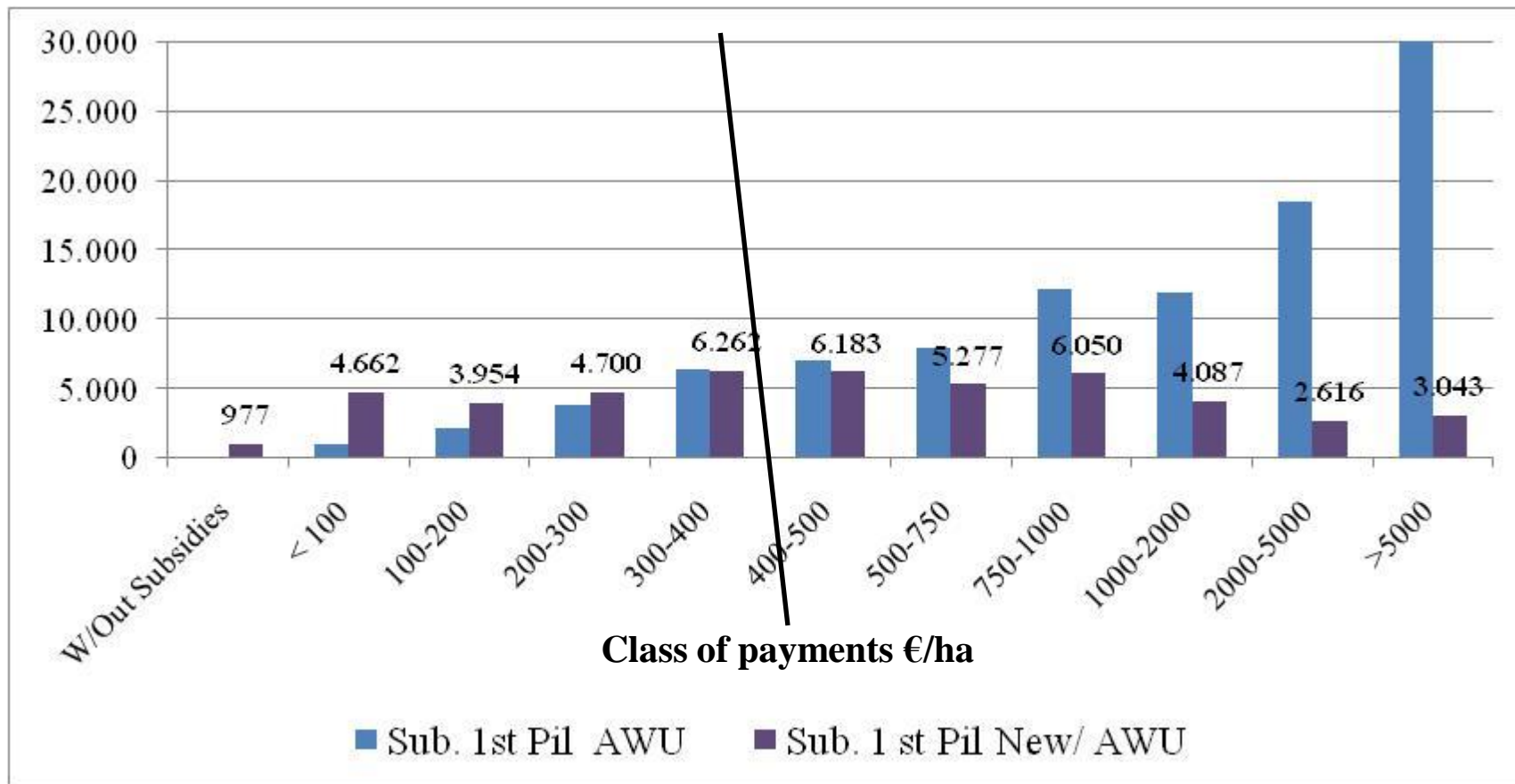


Class of payments €/ha

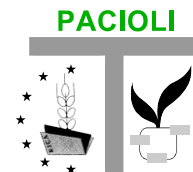
# Regional Flat Rate Approach 100%



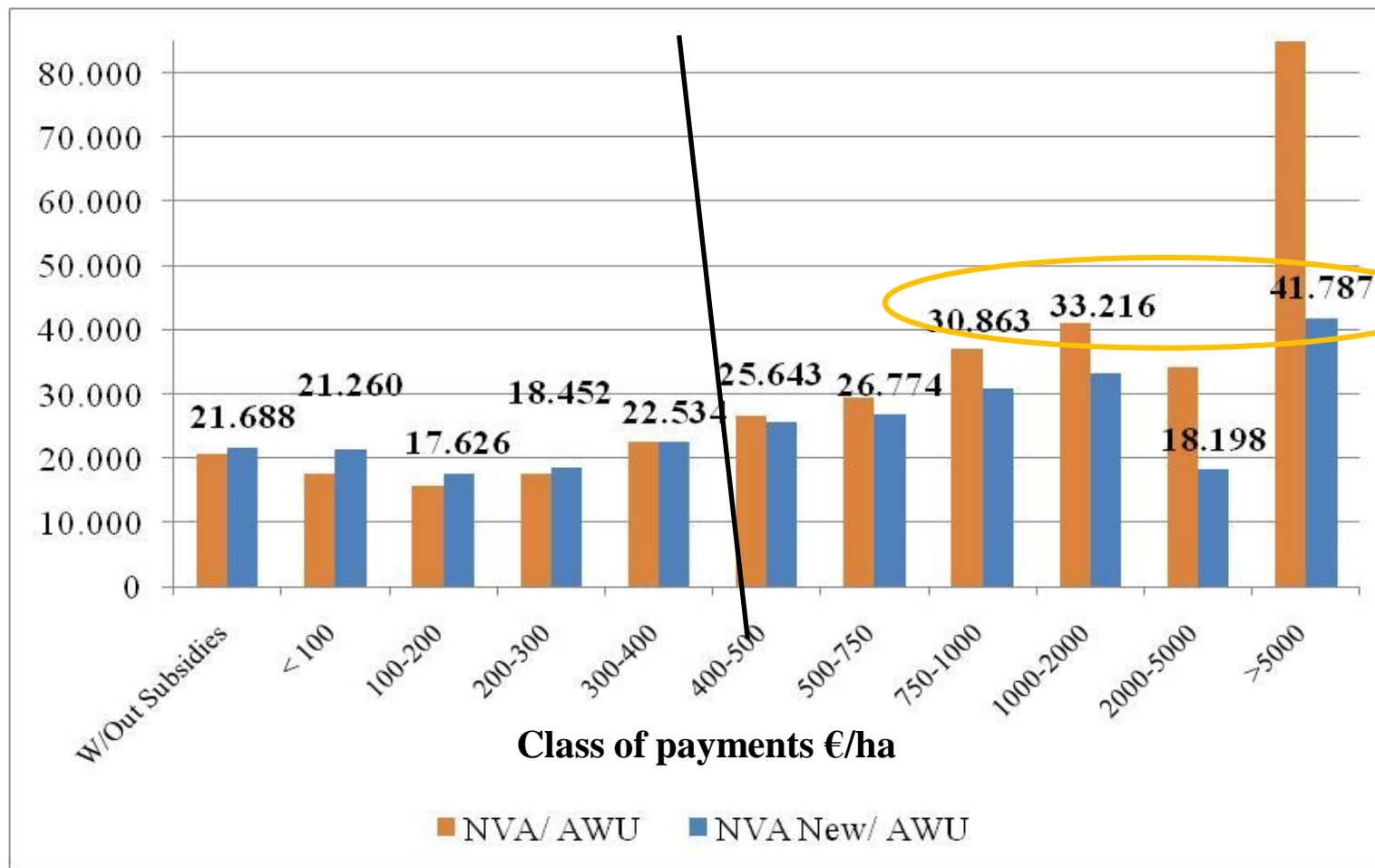
*Subsidies /AWU*  
*BEFORE and AFTER flat rate*



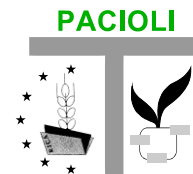
# Regional Flat Rate Approach 100%



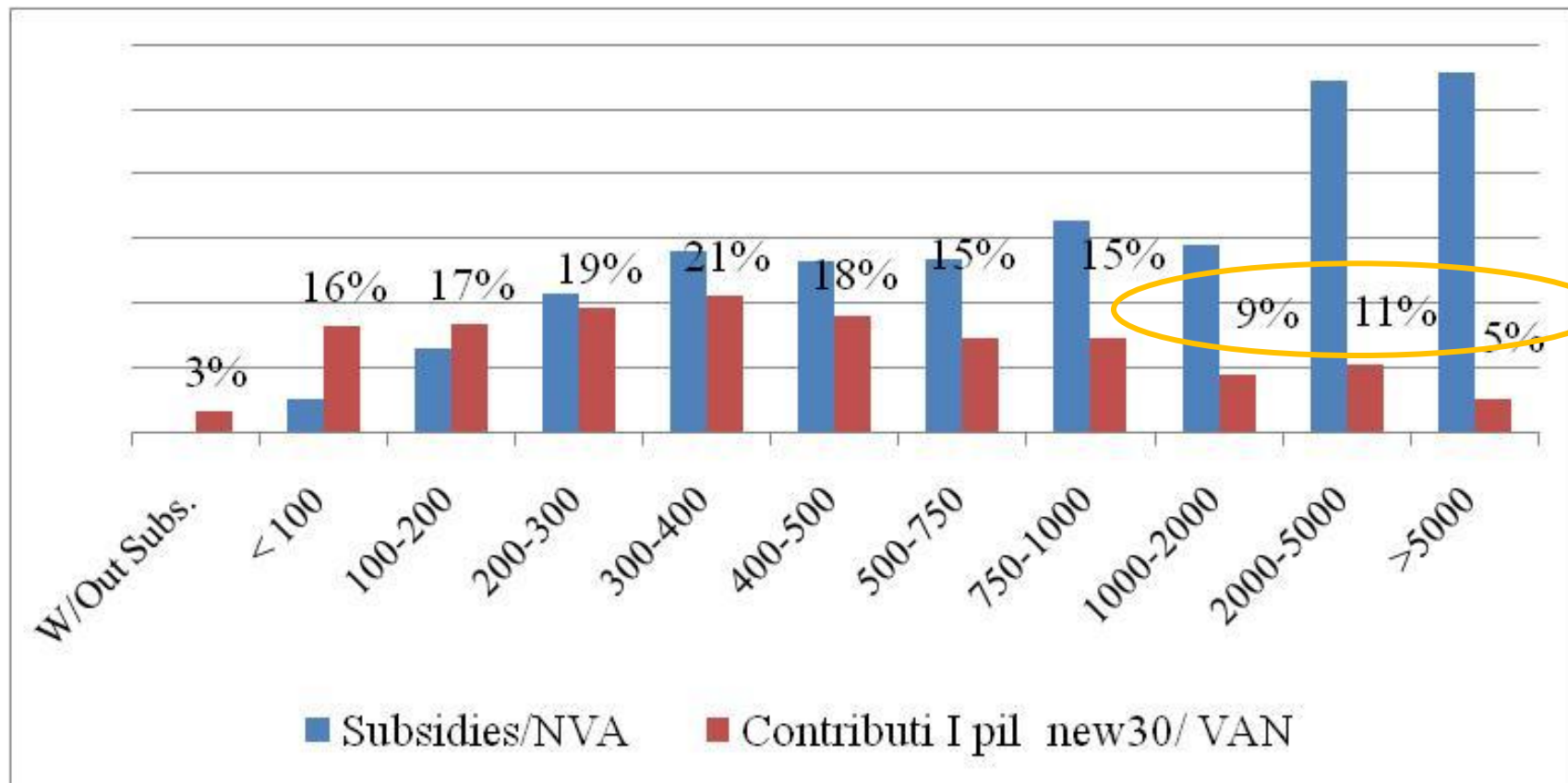
*NVA /AWU*  
*BEFORE and AFTER flat rate*



# Regional Flat Rate Approach 70%

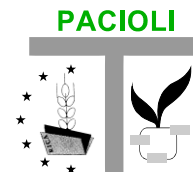


Redistributed subsidies/ NVA  
**AVERAGE 13%**

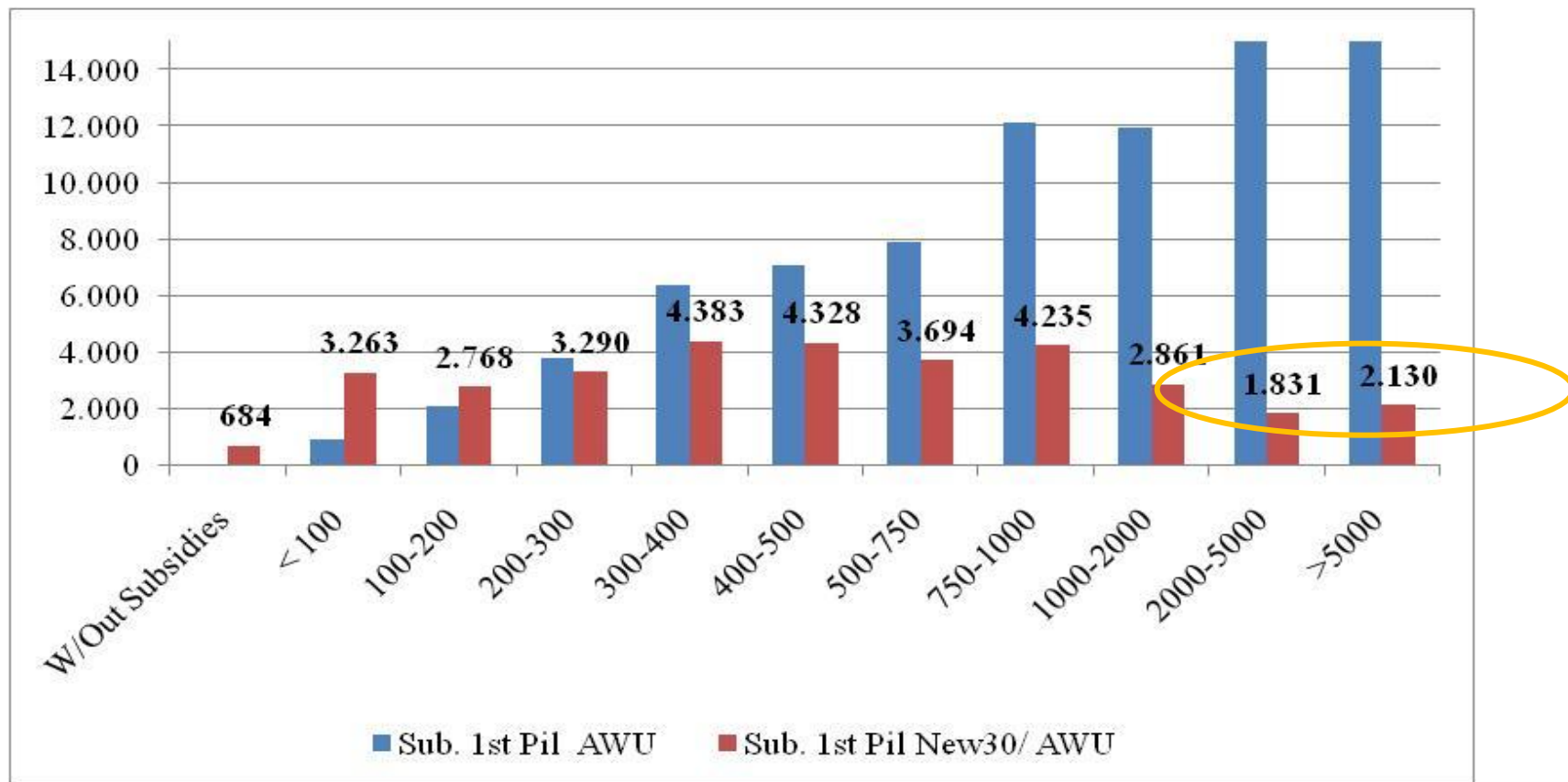


Class of payments €/ha

# Regional Flat Rate Approach 70%



Subsidies /AWU  
**BEFORE and AFTER** flat rate  
**total AVERAGE 2.756 €**



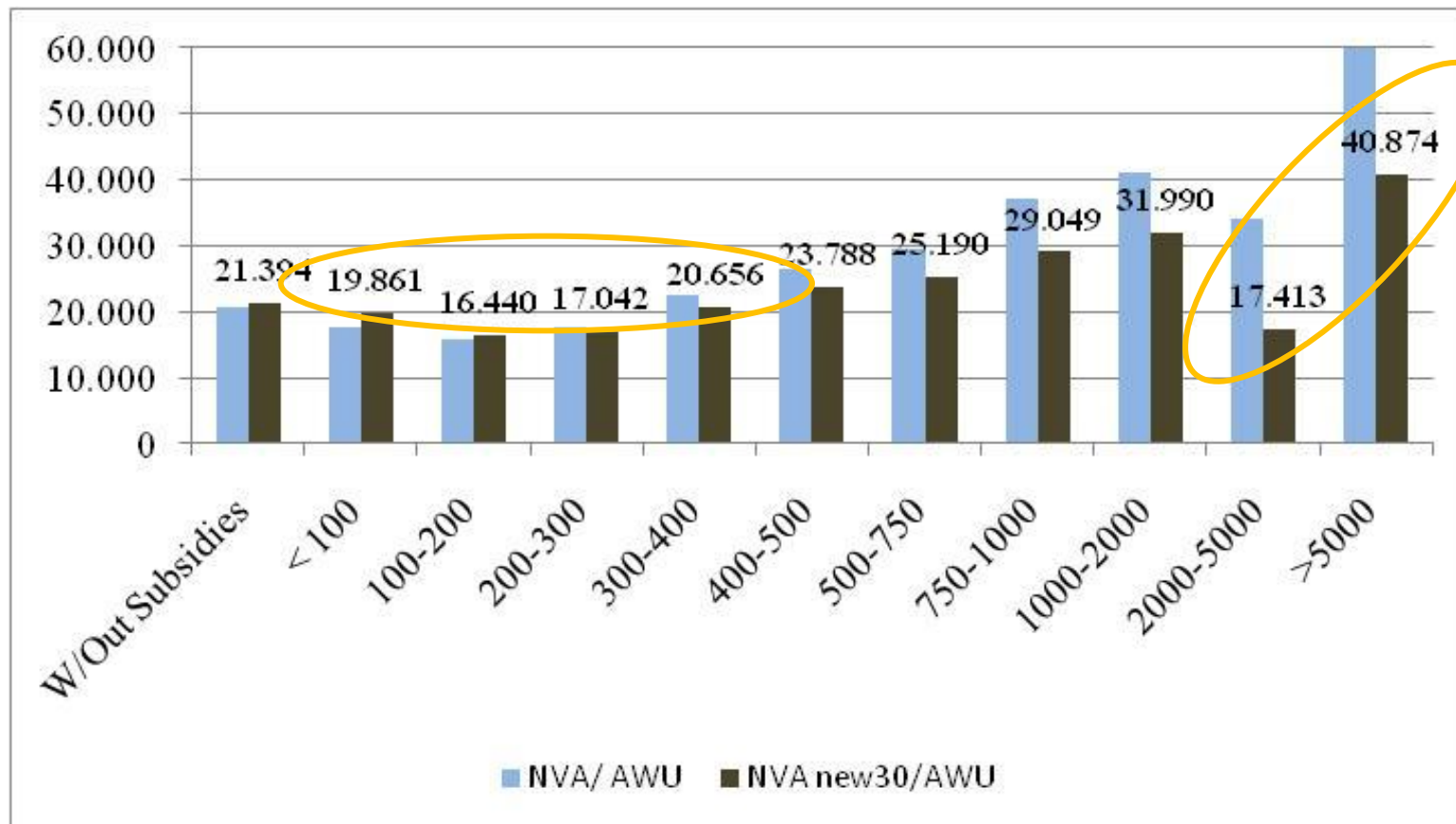
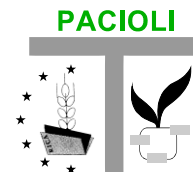
Class of payments €/ha

# Regional Flat Rate Approach 70%

NVA /AWU

BEFORE and AFTER flat rate

total AVERAGE 20.795 €



Class of payments €/ha



# How well off will farmers be?



**NVA/AWU: change after/before**

		<b>after flat rate 100%</b>	<b>after flat rate 70%</b>
<b>Winner →</b>	Mountain	8%	2%
	Hills	1%	-5%
<b>Loser →</b>	Plain	-3%	-7%
	<b>Total</b>	<b>0%</b>	<b>-5%</b>
<b>Loser →</b>	Specialist field crops	<b>-4%</b>	<b>-14%</b>
<b>Winner →</b>	Specialist horticulture	1%	<b>0%</b>
	Specialist permanent crops	2%	-2%
<b>Loser →</b>	Specialist grazing livestock	<b>-1%</b>	<b>-6%</b>
	Specialist granivores	1%	<b>-2%</b>
	Mixed cropping	4%	-7%
	Mixed livestock holdings	0%	-6%
	Mixed crops-livestock	2%	-5%



# Discussion



## Flat rate 100% vs Flat rate 70%

- **Off-farm activities** and **OGA** → **LESS** affected by redistribution
- High variability of farm **specialization** → **LESS** affected by redistribution
- **Eco-system SERVICES** supplied by mountain farmers are recognized



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