

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

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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

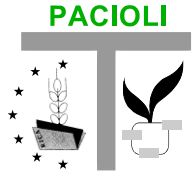
NET VALUE ADDED
= Payments to stakeholders (employee, rent, interests, fees)
+ Residual Net Income

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**
- **1st 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

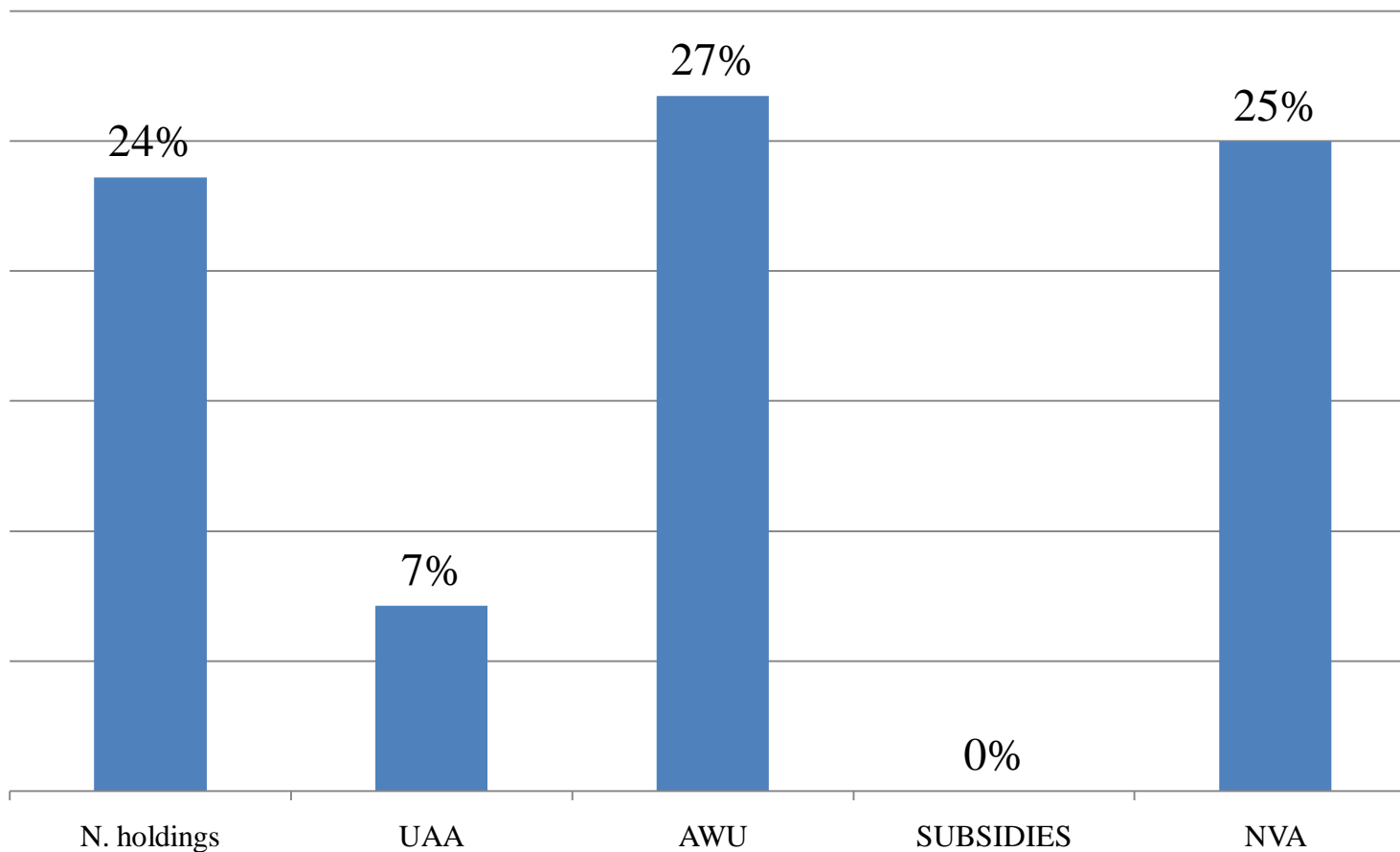
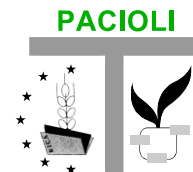
Subsidies of Italian FADN farms

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



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

Farms without subsidies (1st Pill.)



How well off are farmers w/ subsidies



North	30.000 €
Centre	20.215 €
South	16.925 €
Total	22.737 €

NVA/AWU

Mountain	18.040 €
Hills	18.320 €
Plain	30.009 €
Total	22.737 €



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 €
Total	22.737 €

NVA increases with ESU

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

Granivores are profit-sharing farms.

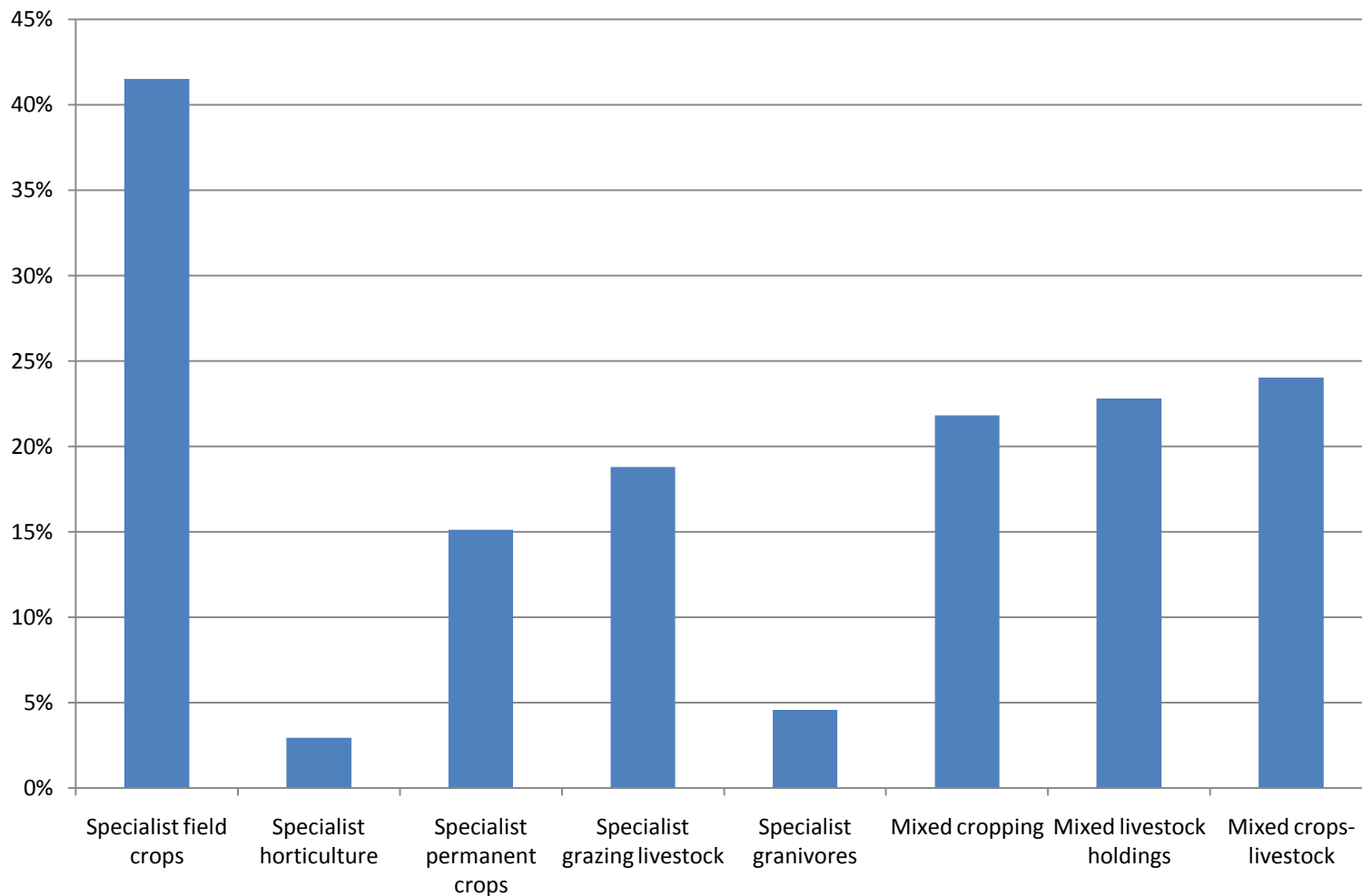
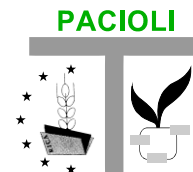
Subsidies per hectares

Mountain	187 €/ ha
Hills	311 €/ ha
Plain	491 €/ ha
Total	355 €/ ha

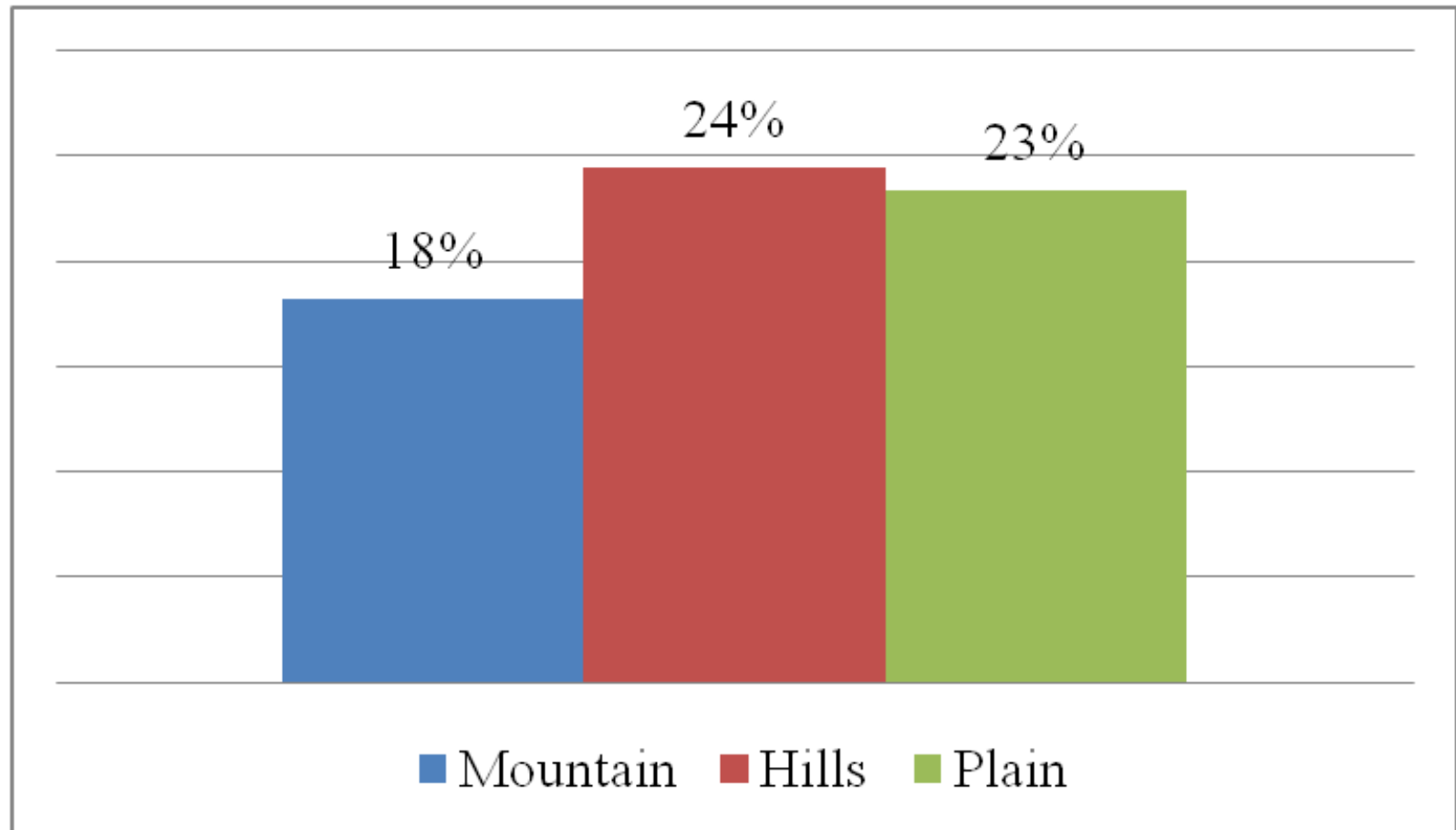


Specialist field crops	403 €/ ha
Specialist horticulture	241 €/ ha
Specialist permanent crops	358 €/ ha
Specialist grazing livestock	319 €/ ha
Specialist granivores	419 €/ ha
Mixed cropping	278 €/ ha
Mixed livestock holdings	306 €/ ha
Mixed crops-livestock	307 €/ ha
Total	355 €/ ha

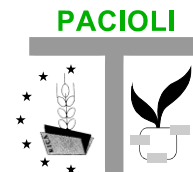
Subsidy per farm type % on NVA (2007)



Subsidy per altitude zone % on NVA



Subsidy per hectares (2007)

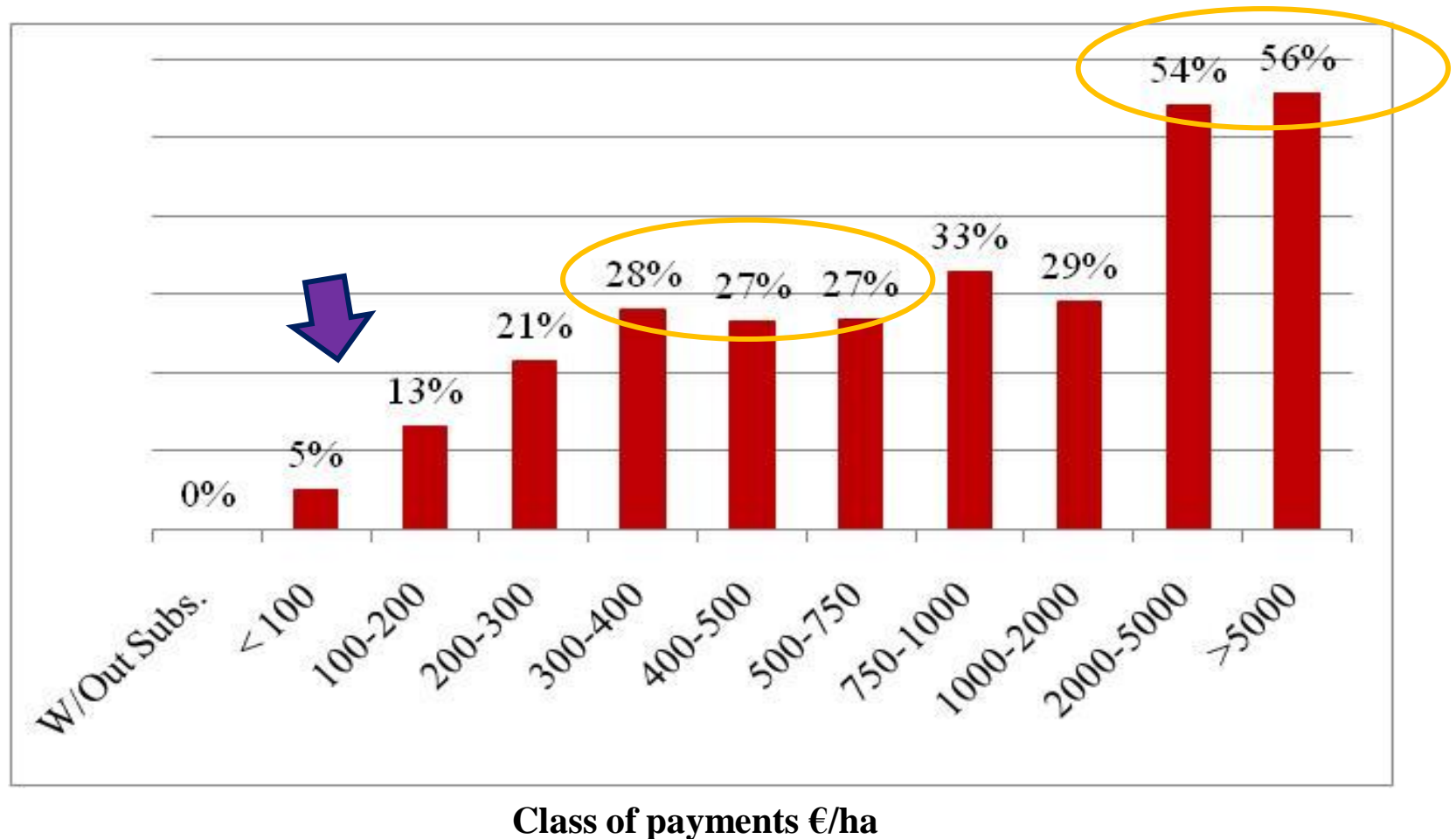


Subsidy €/ ha	NUM	UAA	AWU	NVA	SUBSIDIES
W/Out Subsidies	24%	7%	27%	25%	0%
< 100	10%	16%	11%	8%	2%
100-200	14%	15%	13%	9%	7%
200-300	15%	18%	14%	11%	14%
→ 300-400	14%	19%	12%	12%	20% ←
400-500	10%	11%	8%	9%	14%
500-750	6%	7%	6%	8%	12%
750-1000	3%	4%	3%	6%	10%
1000-2000	4%	3%	4%	8%	12%
2000-5000 5% →	1%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

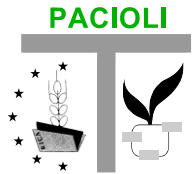
←20%

Subsidy /NVA (%)

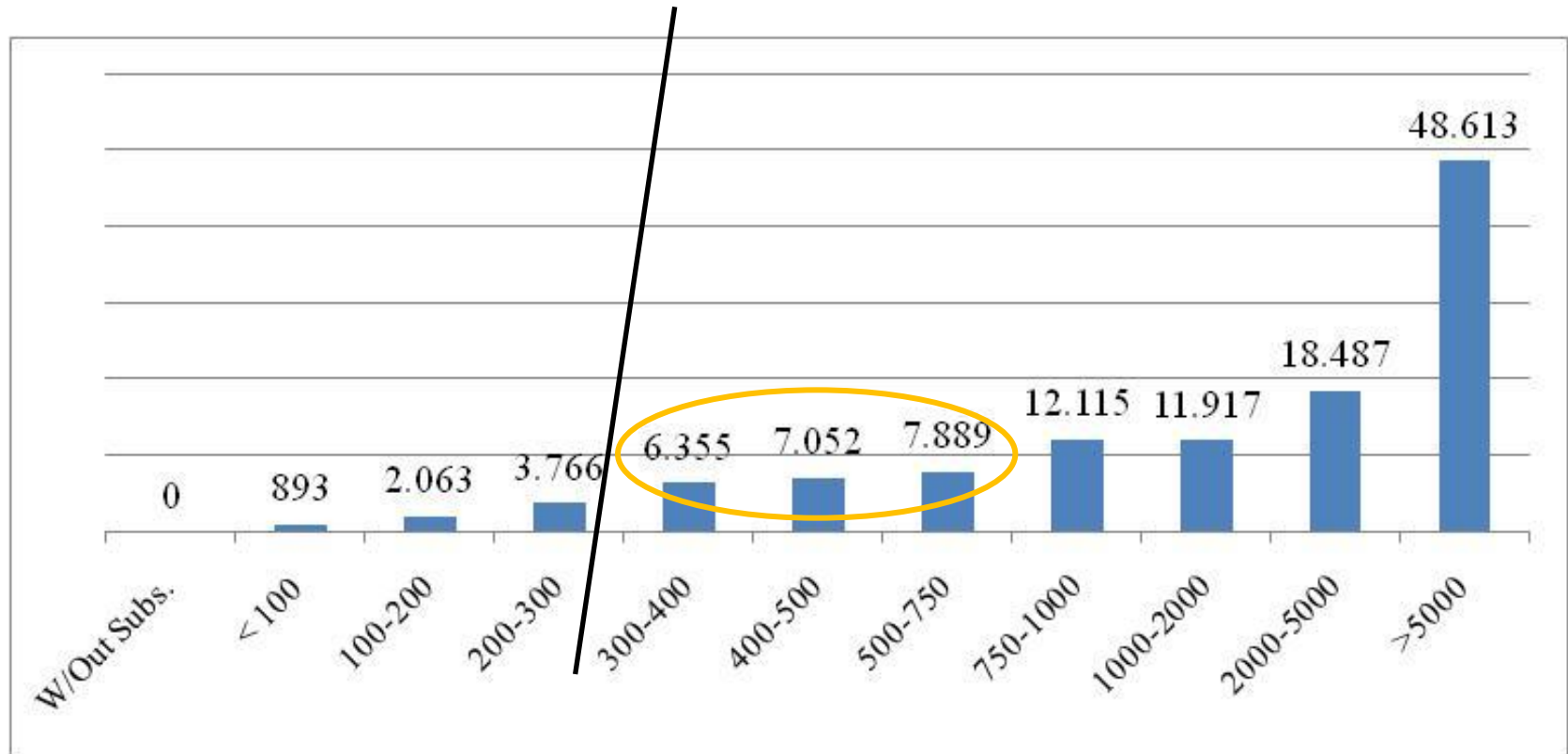
TOTAL AVERAGE 18%



Subsidy /AWU(€)

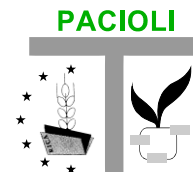


TOTAL AVERAGE 3.937 €

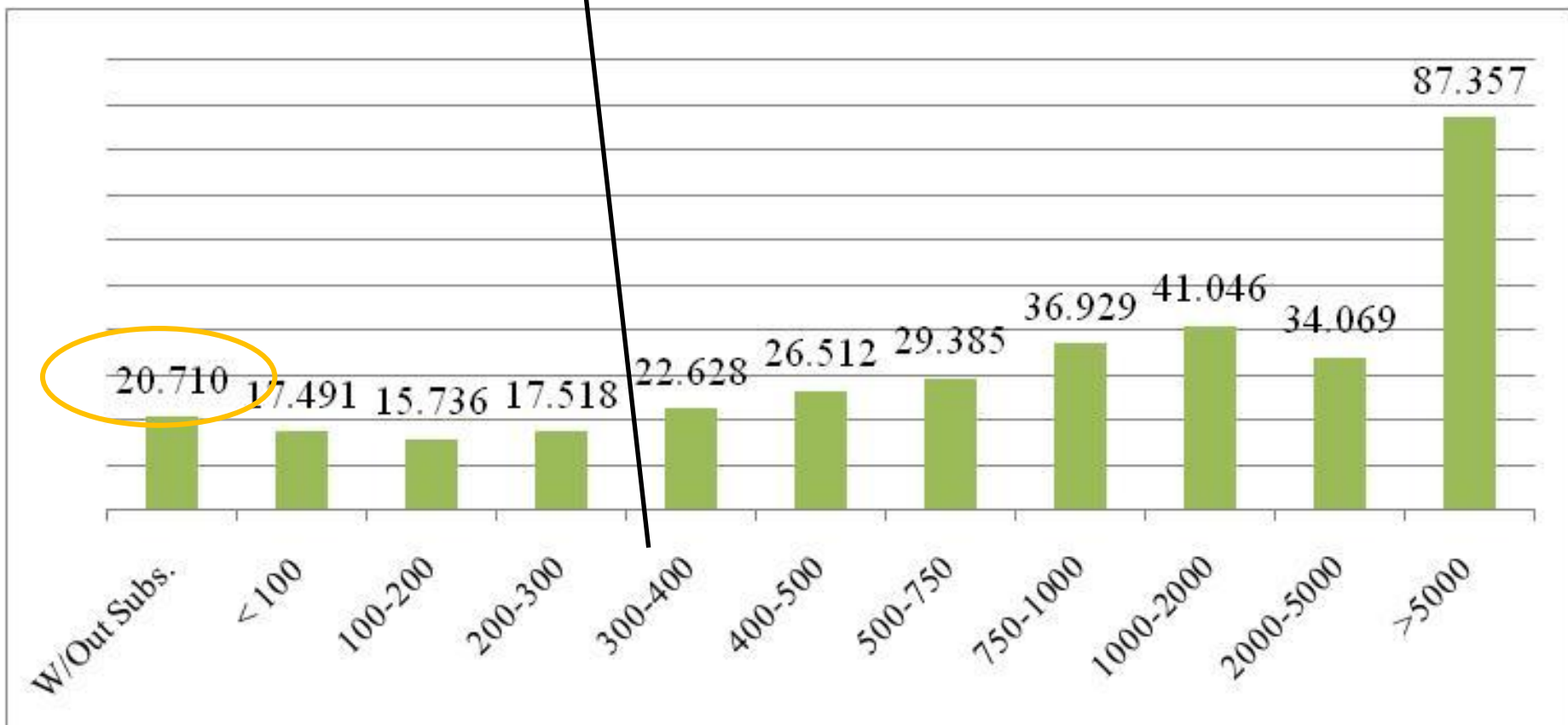


Class of payments €/ha

NVA/AWU(€)

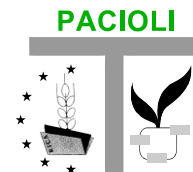


TOTAL AVERAGE 22.156 €



Class of payments €/ha

Regional Flat Rate Approach



GIVEN THE REGIONAL PLAFOND

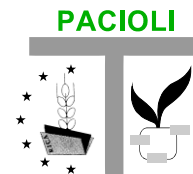
for each Italian region
we **reallocated** the subsidies
to **all** agricultural holdings

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

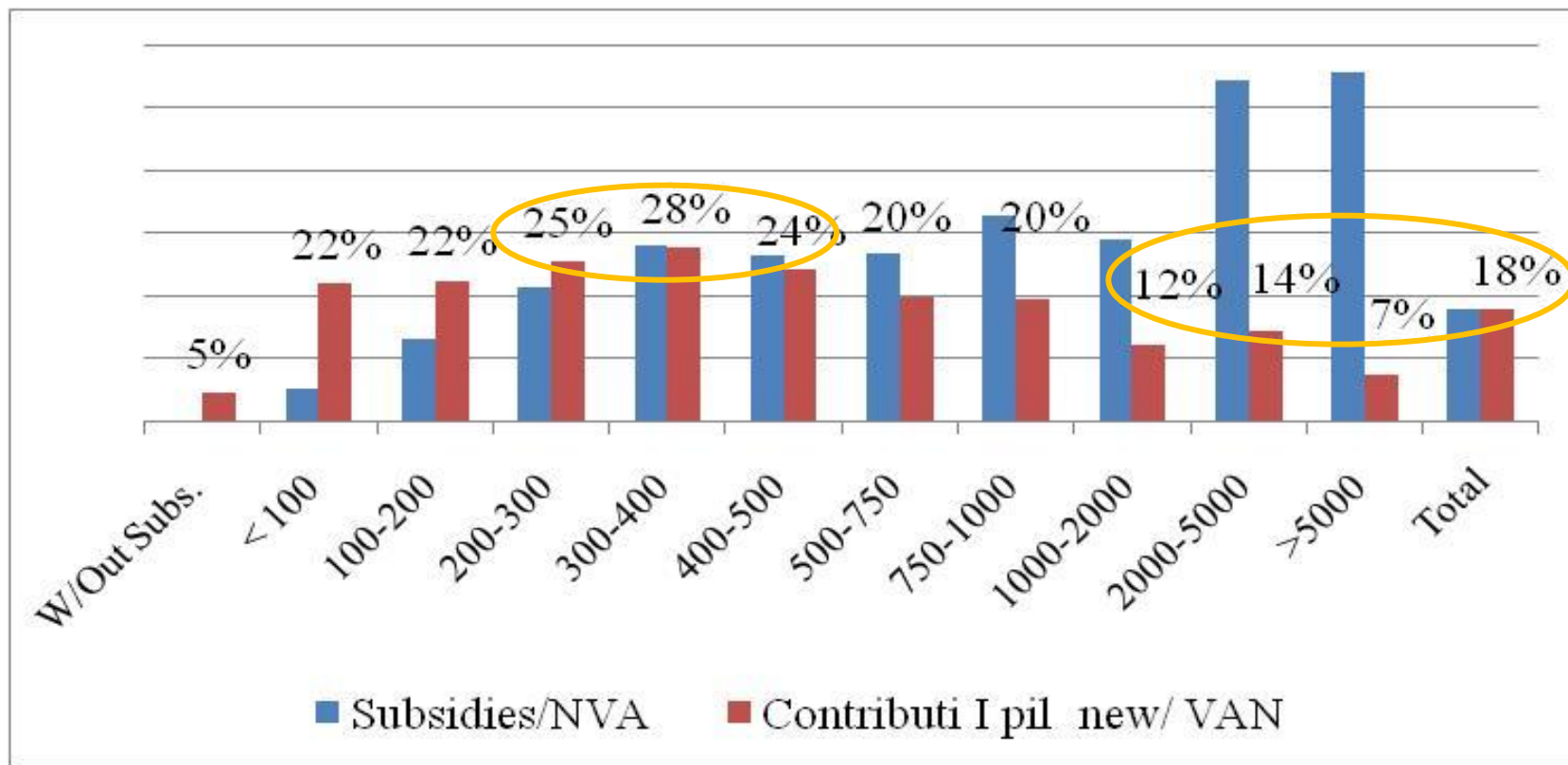


• **REDUCED** amount of first pillar
(70%)

Regional Flat Rate Approach 100%

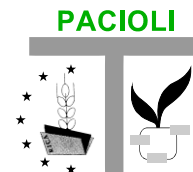


*Redistributed subsidies/ NVA ,
TOTAL AVERAGE 18%*

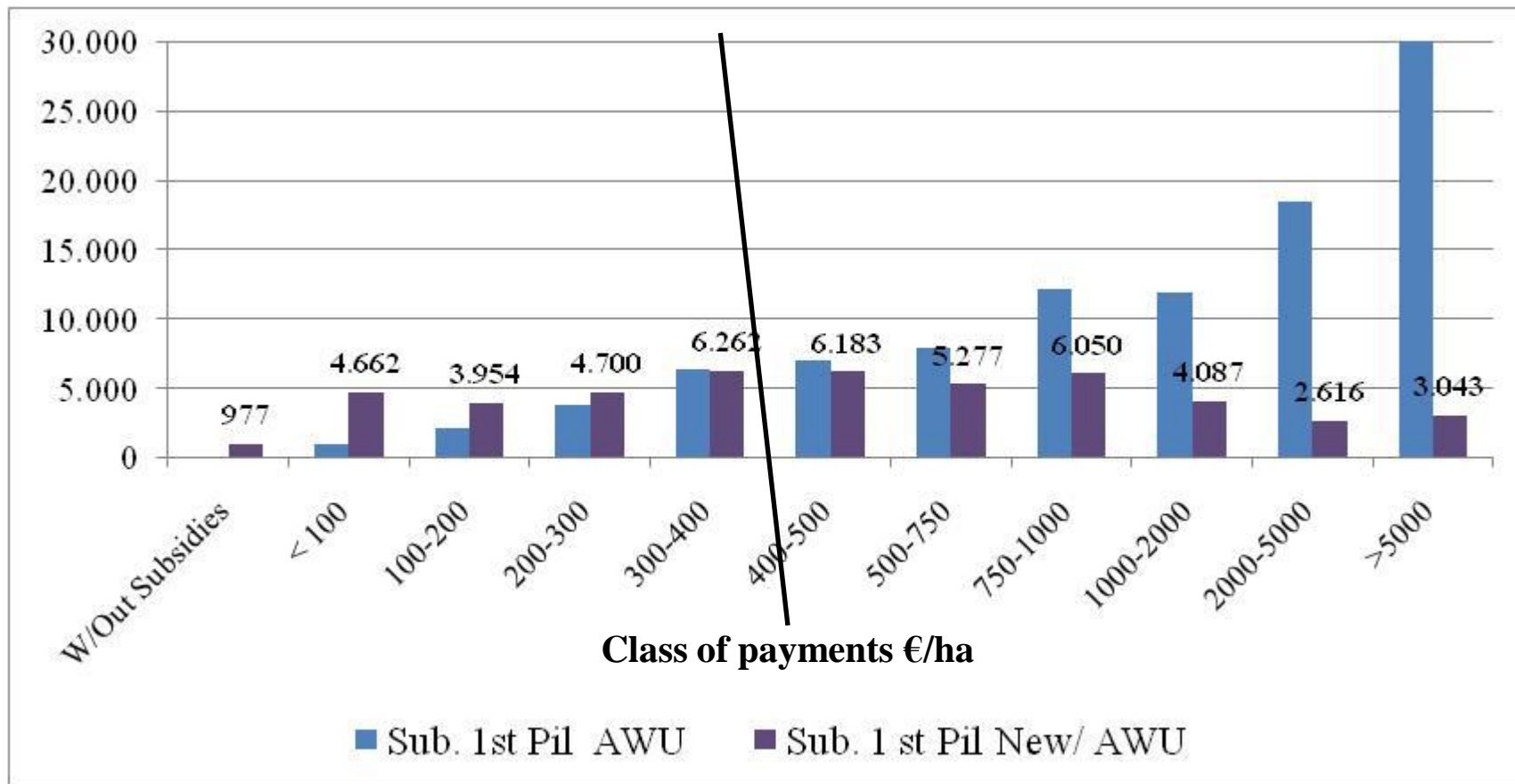


Class of payments €/ha

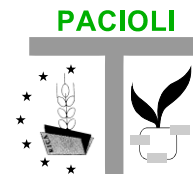
Regional Flat Rate Approach 100%



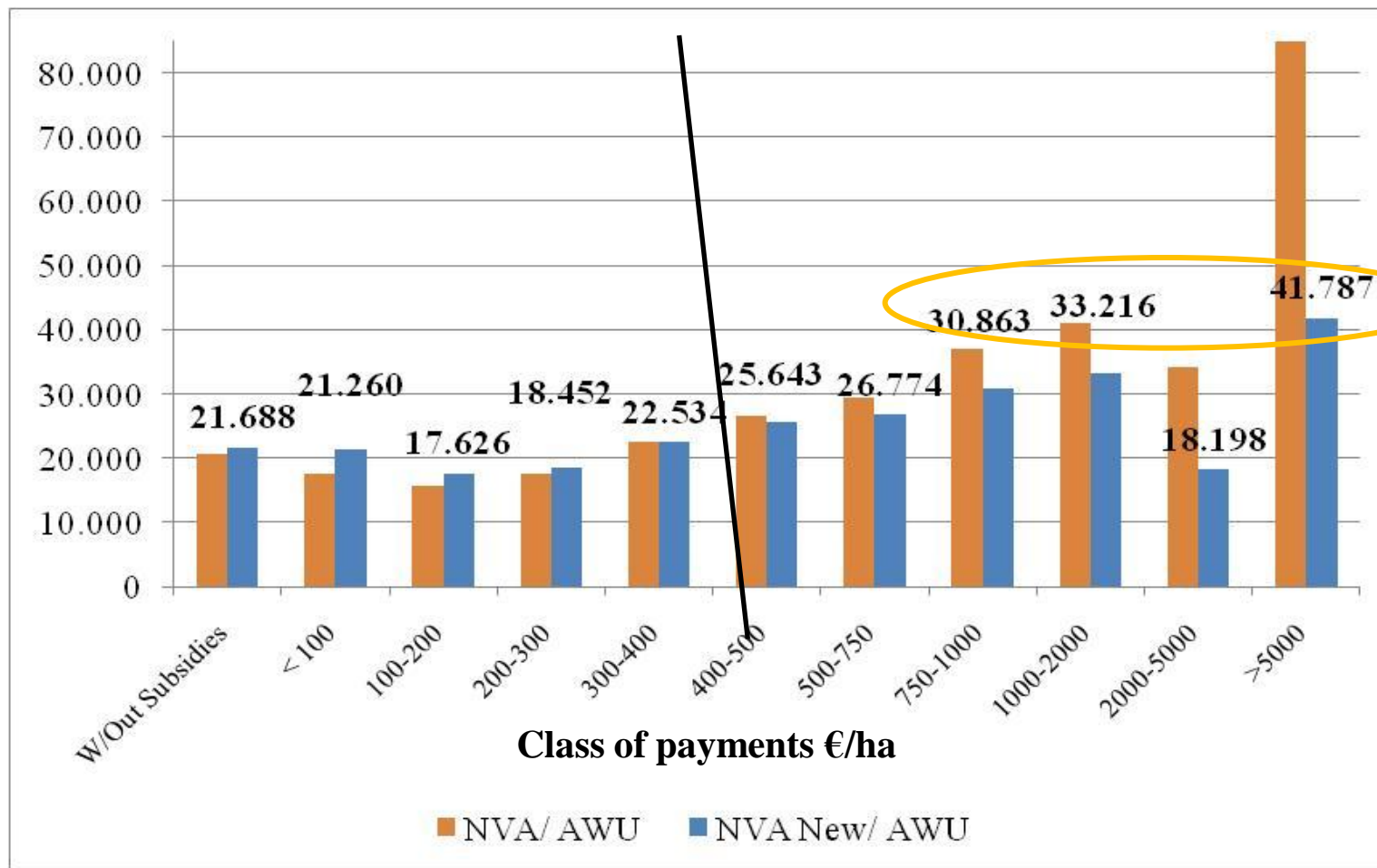
Subsidies /AWU
BEFORE and AFTER flat rate



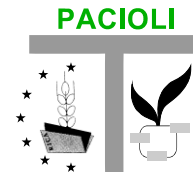
Regional Flat Rate Approach 100%



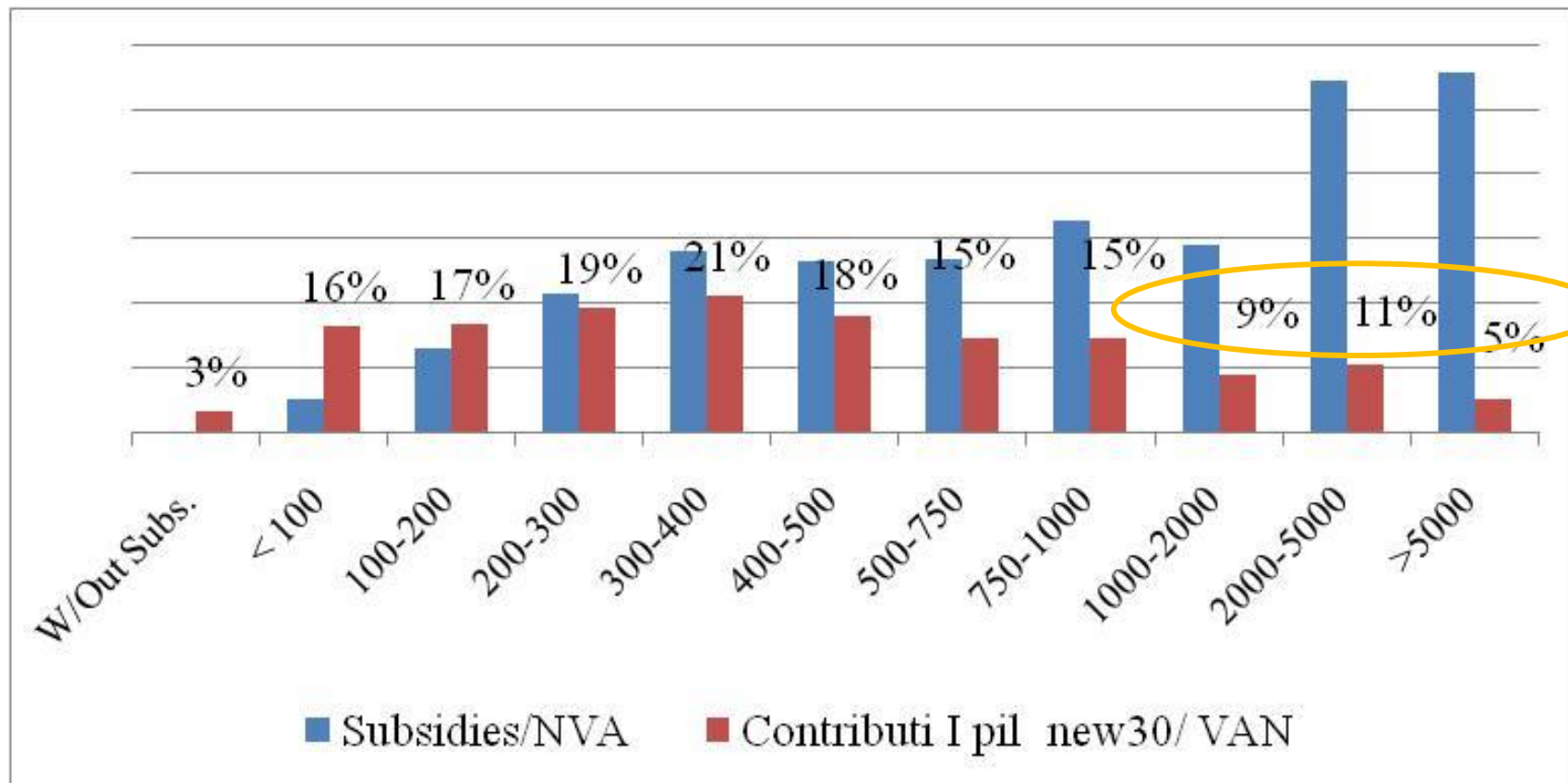
NVA /AWU
BEFORE and AFTER flat rate



Regional Flat Rate Approach 70%

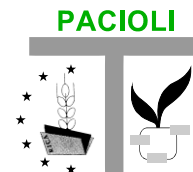


Redistributed subsidies/ NVA
AVERAGE 13%

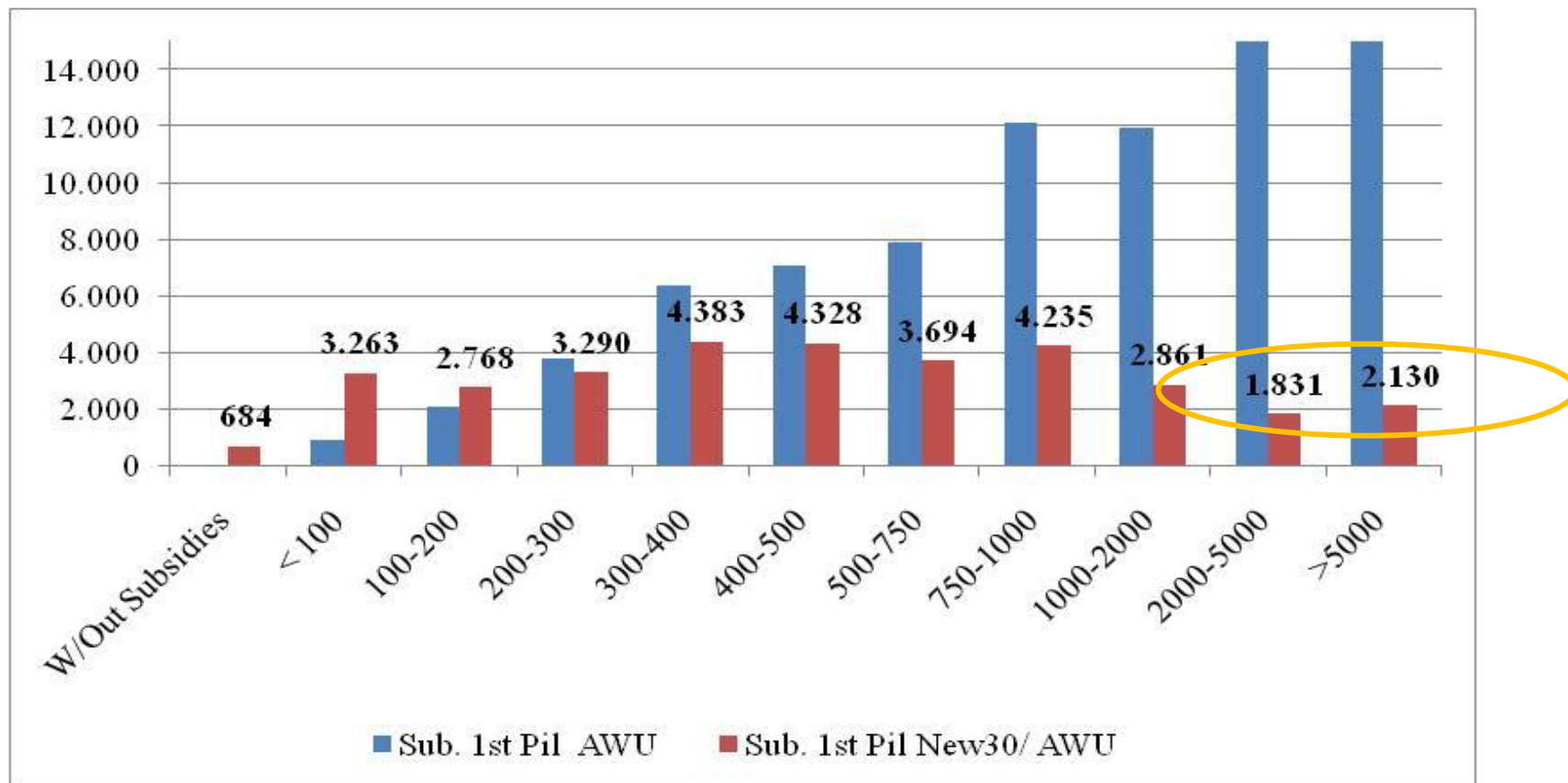


Class of payments €/ha

Regional Flat Rate Approach 70%



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



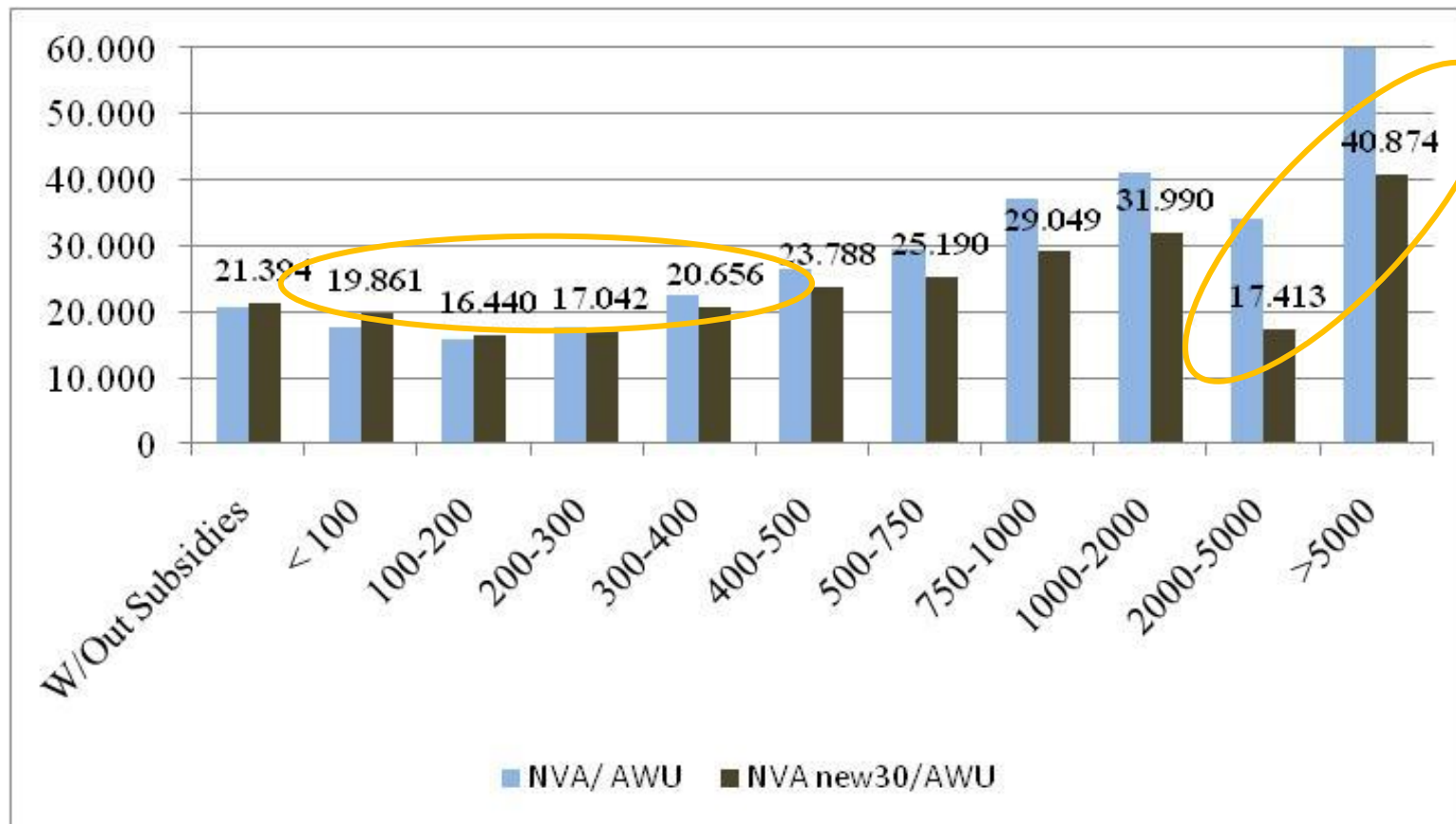
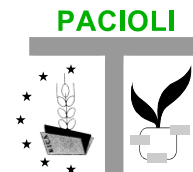
Class of payments €/ha

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

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