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LA SPESA PAC IN ITALIA (2008-2014)  
CAP EXPENDITURE IN ITALY (2008-2014)

MAIN RESULTS

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Collana Economia Applicata



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### **Il Comitato Scientifico CIA-AAB**

La Confederazione Italiana Agricoltori, in collaborazione con l'Associazione Alessandro Bartola, ha istituito il Comitato Scientifico CIA-AAB al quale ha affidato il compito di realizzare alcuni studi su temi cruciali dell'agricoltura e dello sviluppo rurale in Italia. Il Comitato Scientifico CIA-AAB è coordinato da Franco Sotte e ne fanno parte Antonio Cristofaro, Roberto Esposti e Benedetto Rocchi. Ai suoi lavori collaborano ricercatori CREA e dirigenti e funzionari della Confederazione. Il Comitato Scientifico CIA-AAB si avvale anche di istituzioni di ricerca e di esperti esterni.

Questa ricerca è stata realizzata da Franco Sotte e da Edoardo Baldoni, rispettivamente professore ordinario e dottorando presso il Dipartimento di Scienze Economiche e Sociali dell'Università Politecnica delle Marche. Franco Sotte ha scritto il testo. Edoardo Baldoni ha curato la gestione della base dati e realizzato le analisi statistiche.

# 1 MAIN RESULTS

The main objective of this research was to understand how CAP commitments translated into actual payments in the Italian agricultural and rural system. The major findings of the research are presented here:

In the seven years considered, total Direct Payments (DPs) averaged annually 4.012 million euro, i.e., the 58.9% of the overall CAP payments (national and regional co-financing of the 2nd pillar included). Commitments of this type of payments are easily converted into actual payments to beneficiaries. Therefore, time-series of commitments and actual payments exhibited the same trend and this trend is decreasing over time. An exception to this downward trend is represented by the first years of the series (2009 and 2010) in which the support for some reformed CMOs (especially sugar and tobacco) was included into Direct Payments.

Market policies under the so-called single CMO accounted for an annual average of 861 million euro, representing 12.6% of overall CAP expenditure. They underwent a substantial decline over time, becoming a minor component of the CAP budget.

Payments of the Rural Development Policy - including national and regional co-financing - amounted to an annual average of 1.936 million euro, i.e., 28.5% of the total CAP payments. In contrast to Direct Payments, total annual payments of the 2<sup>nd</sup> Pillar increased over time. The increase was particularly pronounced between 2011 and 2013. In 2013, total expenditure of the RDP was more than four times the expenditure in 2008. This trend can be explained by the specific features of the policy. The implementation process for RDPs is slow at the initial stage of the seven years programming period and this results into large differences in total payments per year between the first and the last years of the financial framework. As the uneven temporal distribution of funds could negatively affect farmers' decisions to invest, especially regarding investments in the structural transformation of farms, increasing the implementation efficiency of the RDP as well as assuring continuity in farm support should be a policy priority.

There is a large difference between the number of recipients of Direct Payments and the number of recipients of the other two spending aggregates. In the seven years considered, total number of yearly recipients' average for DPs totaled 1,233 thousand while beneficiaries for the single CMO and for the RDP were 44 thousand and 162 thousand respectively. These differences can be explained by the very nature of the policies: market measures of the 1<sup>st</sup> Pillar target few large beneficiaries such as associations (producers' organizations) or beneficiaries with an institutional role ( "milk and fruits in schools" scheme); Direct Payments are easily accessible to all kind of farms, either real enterprises or "non-enterprises" (this name encompasses in Italy a very wide range of farms: self-consumers, micro-exploitations, passive small owners, "farmers by telephone", etc.) and present no transaction costs; RDP are expensive in terms of transaction costs and for their nature are suitable to farmers with a highly entrepreneurial approach.

Within the Rural Development Program there are large disparities between the number of beneficiaries by types of measures. Measures that are not subject to tender or selective procedures have a significantly higher number of beneficiaries with respect to more selective ones. The agro-environmental measures of the 2<sup>nd</sup> pillar require no tender and, with more than 165,000 beneficiaries, are the most important measure of the RDP in terms of final recipients. The structural policy measures reach, in 2014, only a very limited number of recipients. With 13,799 beneficiaries, they represent a support for 7.9% of the beneficiaries of the RDPs and 1.1% of the net beneficiaries of the overall CAP. The measures for "training and technical assistance" and "diversification, quality of life and the LEADER initiatives" receive 15,228 (8,7%) and 8.176 (4.7%) beneficiaries respectively. Given these small numbers, it could be argued that the CAP has a limited impact in the creation of the structural, human, social and territorial capital necessary to pursue the objective of a competitive agriculture and for sustaining a balanced rural development.

Large disparities exist in the distribution of funds. It is well known that, in the EU, the CAP is particularly unbalanced with a small number of recipients receiving a large portion of the total EU support. This is particularly true for the case of Italy where the concentration of the CAP expenditure is even larger than in the rest of the Member States. In Italy, the 20% of most important beneficiaries receive the 81.5% of the total DPs, 83.6% of all payments of the RDP, and 95% of the single CMO payments. Overall, 20% of beneficiaries in Italy receive 85.7% of the total CAP support while 80% of them receive the remaining 14.3% share. This inequality is the consequence of the diversified structure of Italian agriculture with a very large number of small farms and a small number of large farms.

Average payments per hectare of Utilized Agricultural Area amounted to 531 euro in the whole period. Direct Payments accounted for 313 €/ha, market measures of the first pillar accounted for 67 €/ha, and the Rural Development Policy

accounted for 172 €/ha. There are important geographical differences in the average payment per hectare of UAA:

At regional level, the average payment per hectare ranged from 244 €/ha in Sardinia to 814 €/ha in Liguria and 803 €/ha in Veneto. Northern regions as a whole, with around 600 €/ha, have an average payment per hectare well above the national average, followed by the Less Developed regions (formerly known as Convergence regions: Apulia, Campania, Basilicata, Calabria and Sicily) with around 550 €/ha, then by the central regions with 471 €/ha and, at the bottom, the Transition regions (Sardinia, Abruzzo and Molise) with 267 €/ha.

Regarding urban and remote from urban areas, results has shown a highly uneven distribution of funds per hectare. Urban areas receive up to 992 €/ha, peri-urban areas receive around 600 €/ha, peripheral areas receive around 352 €/ha and ultra-peripheral areas receive around 247 €/ha. The inequality of the distribution of average payment per hectare is mostly due to disparities in the allocation of Direct Payments. The expenditure under the 2<sup>nd</sup> Pillar in the North and in the Center partially compensates for the uneven distribution of DPs.

Large inequalities exist between average payments per hectare from DPs between areas in Valpadana (and some smaller plane areas in Central and Southern Italy specialized in cereals, olive oil and tobacco) and the rest of the country. The RDP, in the North and in the Center, tends to favor areas across the Alps and across the Apennines but do not fully make for the disparities from the allocation of DPs. In the South, there seems to exist no specific spatial patterns in the distribution of funds.

There are differences in the CAP expenditure by type of beneficiaries. Legal persons, that on average represent larger farms, represent 5.3% of the total number of beneficiaries of DPs and receive the 27% share of total payments. They represent 15.6% of the total number of beneficiaries of the RDPs and receive 52.5% of the total expenditure from the 2<sup>nd</sup> Pillar. Within natural persons, women receive the 36.4% share of the total expenditure for Direct Payments and the 24.7% share of the total expenditure of the RDP. In terms of average payments per beneficiary, women in average receive less with respect to males from both Pillars. This unsatisfactory result certainly depends on the smaller size of farms run by women, but it also testifies greater difficulties for women in accessing the CAP, especially its 2<sup>nd</sup> Pillar.

Age is an important determinant in explaining the distribution of funds from the CAP. The age of recipients of Direct Payments is particularly high. The average age of beneficiaries of Direct Payments is 62.2 years. The average age for recipients of funds for market measures of the 1<sup>st</sup> Pillar and for measures of the 2<sup>nd</sup> Pillar is significantly lower with 55.5 and 52.2 years respectively. The ten-year difference between the average age of beneficiaries of DPs and of RDPs supports the hypothesis that DPs reach all agricultural holdings regardless of their structure

while RDPs expenditure is dedicated to the most entrepreneurial farms. Additional support of this hypothesis come from the inverse relationship that exists between average age and amount received by beneficiaries. For the RDPs, the average age falls to 51.7 years for payments larger than 2,000 € and decreases to 47.4 years for payments larger than 20,000 €. Regarding the measures of the 2<sup>nd</sup> Pillar, the average age falls to 41.3 years for measures addressing the generational turnover, stands at 45.5 years for structural measures, and it is of 47.7 years for “training and technical assistance” measures and for “diversification, quality of life and the Community initiative LEADER” measures. The average age rises to 57.7 years for agro-environmental measures and to 62.1 years for forestry measures. These evidences constitute an indirect validation of the hypothesis that the issue of the lack of generational turnover is much less significant when farms are larger.