EVALUATION OF POLICY MEASURES IN AGRICULTURE

Presented by COGEA S.P.A

COGEA S.P.A Roma

Contact: fantilici@cogea.it


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COGEA S.p.A. is a private company, which has been working in the field of Management Consulting for over twenty-five years. COGEA is now one of the Italian leaders in the field of consulting for the planning, management and control of complex projects.

COGEA operates mainly in the following sectors: agriculture, tourism, agro industry, environment, small and medium-sized enterprises (SMEs) and services.

COGEA is specialized in the agricultural and agro industrial sectors. It operates on the entire product line and it applies advanced development strategies to sectors which are traditionally closed to innovating processes. In this context, the service that COGEA provides, both to the private and public client, is aimed at integrating the agricultural enterprises with the appropriate rural and local reality, and at optimizing the production process and the resources.

COGEA has also a significant experience in the tourism sector having realized promotion activities and integrated tourism development projects.

During the last decade, COGEA S.p.A. has developed specific expertise and acquired the necessary technical proficiency to undertake works/studies in the agricultural sector mainly at community level. COGEA has been doing studies of strategic importance for the definition of future community policies in the agricultural sector. COGEA has realized important evaluation works (ex ante, in itinere and ex post) of Public Policies as well as of Programs co-financed by the Structural Funds at national and community level.

**DEFINITION AND PURPOSE OF EVALUATION**

As defined by the European Commission, evaluation is “judgement of interventions according to their results, impacts and needs they aim to satisfy”.

The main purposes for carrying out evaluations are:

- contribute to the design of interventions, including providing input for setting political priorities,
- assist in an efficient allocation of resources
- improve the quality of the intervention
- report on the achievements of the intervention (i.e. accountability).

The evaluation projects examine the impacts of the measures of the Common Agricultural Policy on market equilibrium, farm incomes, production structures, the environment, and rural development.

**AN EVALUATION MUST ...**

Three examples of evaluation studies carried out by COGEA are presented in the following posters
EVALUATION OF THE MEASURES OF THE FRUITS & VEGETABLES CMO REGARDING PROCESSED TOMATOES

SCOPE
The objective of the study was to provide an assessment of the impacts of the measures concerning the processed tomatoes as defined in the Council Regulation (CE) 2201/96.

FINDINGS
Concerning the objective of stabilizing the Community market in terms of volumes, the 2000 reform encouraged the adoption of an expansion strategy, with a gradual growth in the quantity of the raw material delivered to processors, well above the thresholds provided for in the CMO. Thus the CMO as reformed in 2000 has not been effective in meeting the objective of stabilizing the market in terms of raw material volume.

Concerning the objective of stabilizing the Community market in terms of quality of the raw material, the system of aid via the POs has stimulated investment and encouraged the adoption of production methods aimed at increasing productivity to maximize the aid per hectare. This has led to a deterioration in the quality of the raw material (lower Brix degree) and consequently a general deterioration in processing yields.

Concerning the objective of stabilizing the Community market in terms of price fluctuations, the evaluation revealed the existence of cyclical movements coupled with a slight downward trend in wholesale processed product prices. After the reform of 2000 there was a sharp fall in prices as a reaction to the disruption of the balance between supply and demand.

Concerning the objective of maintaining production and processing activity, except for a few regions, the CMO has ensured the maintenance, and in some cases the development, of tomato production and processing both in the traditional producing regions and in new regions. This has also enabled non-agricultural activities linked to this sector to be maintained and in some cases developed.

Concerning the possible consequences of decoupling, the viability of continuing to grow tomatoes for processing will be determined by two crucial factors: a) the capacity of holdings to achieve higher levels of efficiency: holdings can be expected to react by implementing (or pursuing) adjustments of production structures and methods designed to reduce production costs; b) the price level in a liberalized market, which will influence the supply of raw materials: assuming that demand from the processing industry stays the same, an increase in raw material prices is foreseeable. Any rise in price (with a reduction in costs) will help growers to maintain or achieve positive returns.

For more details: http://ec.europa.eu/agriculture/eval/reports/tomatoes/index_fr.htm

EVALUATION OF THE CMO IN THE BANANA SECTOR

SCOPE
This evaluation aimed to provide a critical analysis of the Common Market Organisation in the banana sector and its implementation since 1 July 1993. The CMO is based on an internal component, an aid scheme for Community producers, and an external component, a common import system based on tariff quotas.

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Evaluation of the activation of direct payments on fruit and vegetables land in regional model

The aim of the evaluation was to contribute to a better understanding of the Single Payment Scheme (SPS) introduced in June 2003 with the CAP reform and to assess the effects of the exemptions to total decoupling, in terms of both:

- limits to eligibility for payment entitlements (land use rules – art. 51 of Council Regulation (EC) 1782/2003);
- maintenance of partially coupled subsidies (art. 64 of Council Regulation (EC) 1782/2003).

The evaluation was based on the results of the structuring phase resulting from the economic foundation which led to the drafting of hypotheses that were confronted with the results of the quantitative and qualitative analysis. The judgment was therefore based on the findings of the following analyses:

- statistical analysis
- simulations by means of Positive Mathematical Programming (PMP) Farm models;
- analysis of FADN data relating to real relative profitability (with support) and counterfactual profitability (without support);
- qualitative analysis on information gathered through field work in the six regions studied.

The study is based on the analysis of the model of the intervention logic showing the relationships between the measures, the expected impacts, the objectives of the measures, and the objectives of the policy as a whole.

The analysis on relative profitability of F&V/potatoes sectors of the situation with coupled aid showed that in some regions the existence of aid coupled with alternative crops has indirectly «protected» the F&V/potatoes sector. In other regions F&V/potatoes show FNVA/AWU higher than the alternative crops. However the link between profitability differences and re-allocation of surfaces is rather small, which confirms the importance of entry barriers that limit production reorientation.

The PMP models have shown that: A) the rules on land use appear to influence the production choices of farmers. Therefore these rules have, in principle, a market distorting effect; B) a limited expansion of cultivated areas of F&V/potatoes, even if this expansion should be greater in mixed production farms and in MS with historical model.

The combined effect of the 2003 reform and the CMO sugar reform appears to have favoured a drop of cultivated areas in all crops and a consequent extensification of agriculture. Therefore, the reforms have strongly influenced the production decisions of farmers, as well as the decisions whether to continue or stop production independently from the SPS model applied.

The integration of F&V/Potatoes is expected to bring a drop in cultivated land especially after the full decoupling. Nevertheless, everything that might happen in the future will depend on two key factors: a) the level of prices that industries will pay for the raw material, in relation to the growth in cereal prices; b) the internal organisation of farms: holdings that resort more to service providers will have a higher degree of flexibility compared with farms using their own equipment, which are more affected by exit barriers.