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Impact of direct payments convergence in Italy: a territorial and sector assessment

AUTHORS

PIERANGELI Fabio, RUSCIO Luca

CREA - Consiglio per la ricerca in agricoltura e l'analisi dell'economia agraria;
email: pierangeli@inea.it; ruscio@inea.it



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Impact of direct payments convergence in Italy: a territorial and sector assessment

Abstract

The CAP reform introduced a new architecture of direct payments. Within this new framework Member States can experience an extraordinary increase of flexibility: they have been called to choose on a wide menu of measures. One of the most sensitive issue concerns how to progressively achieve a more equitably distribution of direct support per hectare.

These choices may likely provide different farm specific effects even between similar farms. Thus specific tools and models able to evaluate the impact on individual farms need to be developed.

The paper proposes a simulation tool (CAP2020-Simulation tool) able to estimate the redistributive effect of the reform, based on data about 2 millions of farms from the Integrated Administration and Control System (IACS) and the National Farm Register in Italy.

The CAP2020-Simulation tool implements the mechanism of internal convergence concerning the decoupled direct payments, over the period 2015-2019.

The estimations show increasing amounts for holdings with low unit value and this transfer determines, at territorial level, a net reallocation of resources in favour of more marginal and mountain areas; at sector level, permanent crops and sheep&goat are expected to increase their amounts while the opposite trend is waited for rice, tobacco, citrus, olive and cattle fattening.

Keywords: CAP reform, direct payments, convergence, impact, IACS, FADN

Introduction

The agreement on CAP reform, reached at the end of 2013, introduced a new architecture of direct payments, replacing the Single Payment Scheme (SPS) with a list of both mandatories and voluntaries components. The new framework continues along a reform path: moving from product to producer support and now to a more land-based approach (EC, 2013a)¹. The conclusion of the negotiations between Member States, European Institutions and stakeholders, formally opened the way to national debates. Indeed, the new system of direct payments experiences an increased flexibility left Member States in the implementation of the I Pillar of the CAP (Swinnen, 2015; Matthews, 2015; Buckwell, 2015). Member States have been called to take decisions on a wide menu of measures, within defined regulatory limits. All these options represent a broad margin of action for policy-makers to shape (in principle) tools of the European agricultural policy in compliance with the needs raised by national agricultural models². It is the first time that so many

¹ European Commission (2013), *Overview of CAP Reform 2014-2020*, N°5* / December 2013, http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf

² Alan Matthews (2015) defined it an “unprecedented amount of national flexibility for MS”. For an analysis of the flexibility see Swinnen J. (2015).

choices, concerning the I Pillar, were delegated to national authorities. The combinations of all these options are able to provide meaningful effects at farm, territorial and sector level.

A sensitive feature of the aforesaid flexibility and an important element of the reformed CAP was the way to progressively achieve, over the period 2015-2019, a more equitable and balanced distribution of direct support per hectare between farmers, reducing disparities and link to historical references (EC, 2010b). Indeed, the reform – beyond the main objectives of the CAP (EC, 2011): 1) a viable food production, 2) a sustainable management of natural resources and climate action and 3) a balanced territorial development – aims to pave the way for convergence of the level of support within and across Member States.

The latter was one of the most controversial issue during the negotiations and particularly sensitive for those Member States still applying the historical model of SPS (including 11 countries: Belgium, Ireland, Greece, Spain, France, Italy, the Netherlands, Austria, Portugal, and Scotland and Wales). The successive integration of various sectors into the SPS determined the existence of wide individual differences in the level of support per hectare, resulting from the use of historical references for the quantification of payment entitlements³. Then the challenge was how to reach an equitable distribution of support within and across Member States, in a pragmatic, economically and politically feasible manner, avoiding disruptive changes. In the final agreement, beside the uniform payment per hectare – already existing in some Member States and included as a political choice in the European Commission proposal in 2011⁴ – a process of progressive and partial *convergence* of payments unit value to the national average was introduced. Its implementation in national legislations is one of those tasks assigned to Member States and represents an important example of that flexibility.

The combination of a broad margin of flexibility, on one side, and the feature of the new DPs characterized by a farm specific implementation, on the other side, makes the overall assessment of the CAP reform particularly complex. To face such an important challenge Louhichi *et al.* (2015) stressed the need to develop specific tools and models able to simulate and evaluate the impact of such reform on individual farms. Furthermore, the convergence process adds to this issue another element of complexity: it does not allow to deal with payment entitlements estimations separately, as each of them affects the value of all the others; thus they should be determined altogether, simultaneously. It implies that an accurate estimation of the convergence effects can be provided only exploiting administrative database with all recipients included (IACS and Farm Register

³ The reference period was generally based on the triennium 2000-2002, pursuant to Article 38 of Council Regulation (EC) n. 1782/2003 (OJ L 270, 21.10.2003, p. 1).

⁴ The European Commission proposal set that all payment entitlements in a Member State would have a uniform unit value as from 2015 or, at the latest, as of the claim year 2019 (Art. 22.1 and Art. 22.5 of COM(2011) 625 final).

databases). To our knowledge, there aren't any tools and models exploiting huge administrative databases, like IACS and National Farm Register.

The objective of this paper is to analyse the effects of the convergence process on the redistribution of DPs at farm, territorial and sector level in Italy, moving from the SPS to the new system of decoupled payments applied in Italy: the Basic Payment Scheme (BPS) and of the Payment for agricultural practices beneficial for the climate and the environment (Green direct payment). This purpose is carried out developing a simulation tool (*CAP2020-Simulation tool*), pursuant to the Italian DPs implementation, able to estimate the new payment entitlements and Green direct payment as from 2015 to 2019, at farm level, covering the whole country. The exercise is performed using administrative databases at farm level (IACS and National Farm Register). The methodology developed and the use of administrative databases permit analyses and evaluations at farm and/or territorial level; while the integration with the Italian FADN sample allows also to run analyses at sector level⁵.

In the first part, the paper describes briefly the DPs framework, focusing on the convergence mechanism; in the second part the data implemented and the methodology is illustrated, while the results of our estimations are portrayed in the third part.

Context and literature

The regulations on DPs confers many options to Member States. This flexibility ranges from the minimum activity to be carried out on agricultural areas to the definition of “active farmer”, the minimum size and requirements for receiving direct payments, the degressivity and capping of higher amounts, the possibility to transfer large share of the national budget from a pillar to the other one, the activation of voluntary components of direct payments and the modalities of implementation of both mandatory and voluntary components and, last but not least, the way to achieve a more balanced distribution of support over the period.

It is not easy to sum up all the options delegated to and the choices taken by Member States, and actually it goes far beyond the aim of this paper⁶. In the following paragraphs we will focus on those measures and decisions relevant for the estimation of payment entitlements under the convergence constraints. In this context, Member States had to choose: the level of territorial implementation of the BPS, national or regional, where regions could be defined on agronomic,

⁵ Another example of integration of administrative database and FADN sample is in Solazzo et al. (2015).

⁶ For a focus on national implementations of DPs after 2013, CREA (2015), *Implementation of the First Pillar of the CAP 2014-2020 in the EU Member States*, study for the European Parliament's Committee on Agriculture and Rural Development (to be published).

socio-economic or administrative criteria; the share of financial ceiling to allocate to the different components of DPs⁷; the method of quantification of the Green direct payment, where the options concern either a uniform unit value or a proportion of the total value of the payment entitlements that the farmer received under the BPS for each relevant year; the method of quantification of the value of payment entitlements and the convergence mechanism. In the latter case, the choice ranges from an uniform unit value as from 2015 (flat rate 2015) or, at the latest, as from 2019 (flat rate 2019) to a gradual adjustment of the level of support per hectare by means of the internal partial convergence.

The internal partial convergence is a mechanism introduced by the regulation (EU) n. 1307/2013 to move towards a more similar level of support per hectare, according to which Member States with historic SPS were allowed to take historical references into account when calculating the value of support for farmers in 2019, provided that:

- payment entitlements with an initial unit value lower than 90% (or 100%) of the national/regional average in 2019 should, for claim year 2019 at the latest, have their unit value increased by at least one third of that difference (the so called “Irish model”)
- payment entitlements in 2019 should not have a unit value lower than 60% of the national/regional average in 2019 (the so called “minimum guaranteed level”)
- Member States should finance this convergence by reducing, on the basis of objective and non-discriminative criteria, the value of payment entitlements that exceeds the average. In this context and in order to avoid sharp losses for certain farmers, Member States could limit this reduction to 30% of the initial unit value, even if such a limitation does not allow for all payment entitlements to reach 60% of the average value for 2019⁸ (the so called “stop loss” or “maximum decrease”).

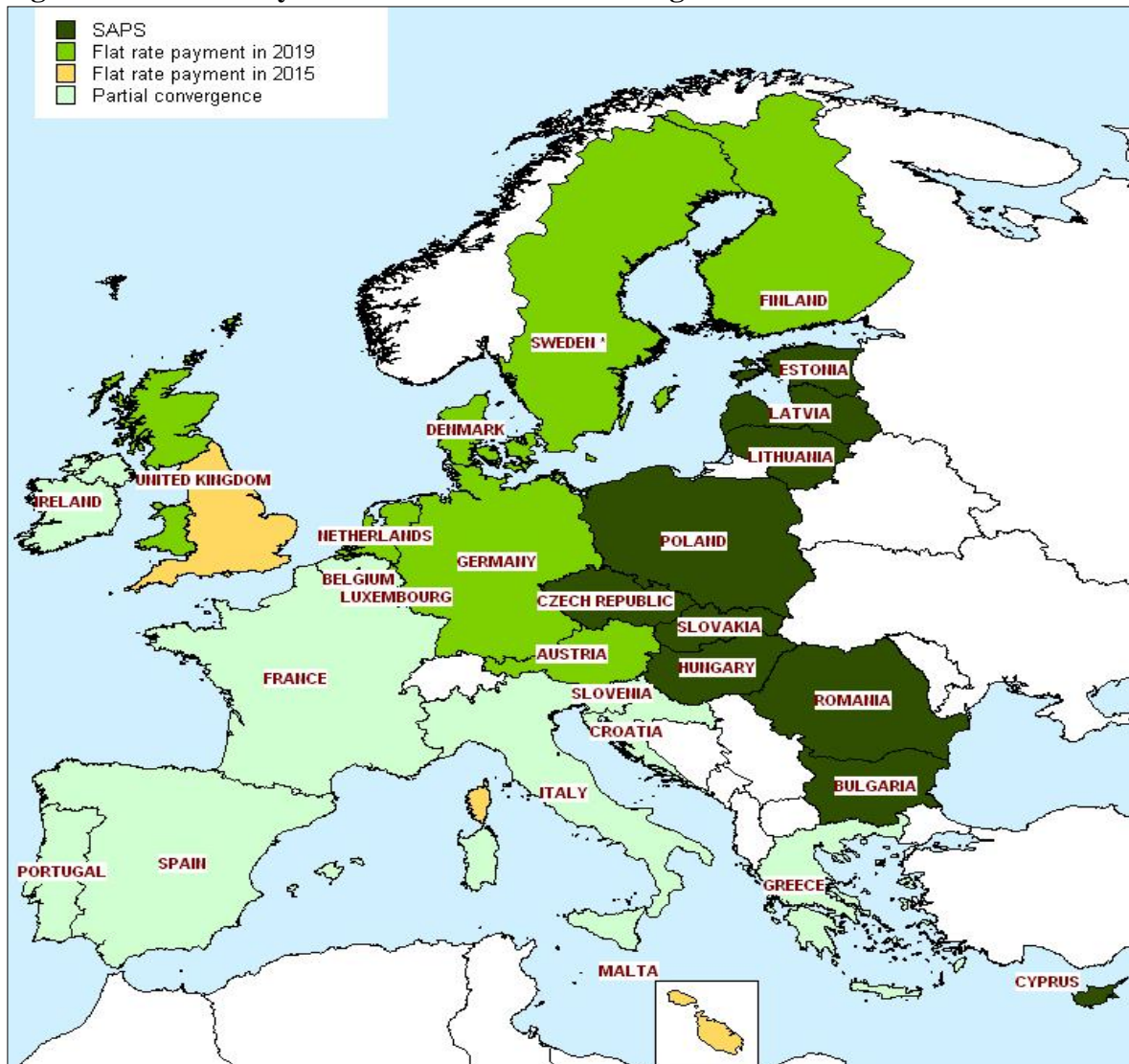
This convergence mechanism has been implemented in 11 out of 28 Member States, and this option was particularly appreciated by Mediterranean countries: Greece, Spain, Italy, Croatia, France

⁷ The new architecture is characterized by different components; some of them are mandatory, while others are applied following national decision. The compulsory ones are: the Basic Payment Scheme (BPS) or the Single Area Payment Scheme (SAPS), the Payment for agricultural practices beneficial to the climate and the environment (Green direct payment) and the Payment for Young Farmers (PYF); while the voluntary components are: the Redistributive Payment (RP), the Payment for areas with natural constraints (PNC), the voluntary coupled support (VCS) and the Small Farms Scheme (SFS).

⁸ This process is similar to the external convergence experienced among Member States following the agreement on the Multiannual Financial Framework 2014-2020, according to which the national envelopes for DPs is adjusted to narrow the gap between Member States in the average payment per hectare.

(Hexagon) and Portugal, together with Ireland, North Ireland⁹, Luxemburg, Slovenia and Belgium (in both Flanders and Wallonia).

Fig. 1 – The Basic Payment Scheme and the convergence mechanism in EU28



Source: CREA (2015)

Among them 8 Member States opted for the possibility to limit the decrease to 30% of their initial unit value ("stop loss"), with the exclusion of Croatia, Luxembourg, Northern Ireland and Ireland. Furthermore, some of these countries selected a regional implementation of the BPS: Spain (50 regions), Greece (3 regions), Belgium (2 regions) while the others went for a country as unique region.

Italy has been one of the Member States opting for the internal partial convergence, in order to achieve a gradual adjustment of the level of support per hectare over the period. It should be taken into account that Italy moved from a SPS based on historic references, which substantially froze the allocation of direct support to the period 2000-2002.

⁹ The country will implement the regional flat rate in 2021.

Tab. 1 – Italian national choices into the CAP2020 – Simulation tool

Measure	Description	Reg.
Minimum size per holding	5.000 sqm	art. 24.9
Agricultural area	Eligible hectares	art. 32.5
Regionalisation	Italy as a unique region	art. 23
BPS ceiling	58% of Annex II annual ceilings (incl. National reserve 2015 and Small farmer payment)	art. 22.1
Increase BPS ceiling	3%	art. 22.2
National reserve	3% of BPS	art. 30.3
Convergence mechanism	1° step “Irish model”	art. 25.4 (1)
	2° step minimum guaranteed level: 60% of national average in 2019	art. 25.4 (3)
	3° step “stop loss”: -30% of initial unit value	art. 25.7
Contribution method to convergence	Proportional reduction (method experienced in the external convergence among MSs)	art. 25.7
Reference historic payment to quantify the initial unit value	Payments received under SPS and art. 68 for quality of tobacco, <i>danae racemosa</i> flowers and potato	art. 25.6 and 26.2
Green direct payment	30% of Annex II annual ceilings	art. 47
	Payment calculated as a proportion of the total value of the payment entitlements that the farmer received under the BPS for each relevant year	art. 43.9 (3)
Other measures not included in the tool, having effect on other components	Description	Reg.
Young farmer payment	1% of Annex II annual ceilings	art. 50
Voluntary coupled support	11% of Annex II annual ceilings	art. 53
Small farmer scheme	Payment calculated as an amount equal to the total value of the payments to be allocated to the farmer in 2015 under Titles III and IV, adjusted in subsequent years to proportionately take into account the changes in the national ceiling set out in Annex II	art. 63.2 (b)

Source: compiled based on Italian notifications to the European Commission

This DP reform represents the end of the SPS and allows to overtake the old reference period (mainly 2000-2002) in those countries still implementing the historic model, like Italy. It became increasingly difficult to justify the existence of individual differences in the level of support per hectare. As a matter of fact, the distribution of direct support among farmers is characterized by the allocation of disproportionate amounts of payments to a rather small number of large beneficiaries: on EU average 80% of the beneficiaries receive around 20% of the payments, with important differences among Member States (EC, 2013b pag. 5). This feature was already highlighted by the European Commission in 1991 (EC, 1991). Tarditi and Zanas (2001) spoke about a recurrent problem of equitable distribution between the beneficiaries of the policy which remained unchanged

within the EU15 until 2006. Chatellier and Guyomard (2010) highlighted that also the MacSharry reform (1992), considered as the beginning of the CAP revision, showed its disappointing element on the redistributive matter: starting the shift from product support (through prices) to producer support (through income support) the reform introduced direct payments in order to compensate for the decrease of the price support. The compensatory criteria didn't change also in Agenda 2000, while in the following reforms (Fischler reform in 2003 and Health Check in 2008) the redistributive issue is faced only through Member States decisions. More recently, Crescenzi *et al.* (2015) underlined *the ongoing link between the 'new' CAP, based on decoupled direct payments, and the 'old' one, based on market policy*, highlighting how previous reforms moving from product to producer support did not affect the distribution of direct support.

It is particularly the case in those countries still applying the historical SPS since 2014; the new CAP reform started a mandatory process of progressive approach to a more equitable distribution of direct support. As we will see in the following paragraphs, according to our simulation, this reform is a notable step towards a more uniform direct income support distribution at national level. The link to historic references will progressively weaken over the next five years and this process will determine a sensitive redistribution of direct support from those with a unit value historically high at the benefit of those with a unit value lower than the national average, and consequently among different territories and sectors.

Data and Methodology

The new CAP is characterized by a complex legal framework; the DPs reform is characterized by farm specific implementation and may provide different effects even between similar farms. Thus, tools and models able to simulate and evaluate the impact of such reform on individual farms need to be developed (Louhichi *et al.*, 2015). As already mentioned, the convergence mechanism introduced in the BPS adds another element of complexity: payment entitlements should be determined altogether simultaneously, as each of them affects the value of all the others. Hence, to run estimations properly, complete administrative database are needed.

To our knowledge, there aren't any models and tools exploiting administrative database; usually samples or farms types are considered in the analysis.

The *CAP2020-Simulation tool* was developed – in accordance with the Italian authority decisions – in order to assess the effects of internal convergence on direct support redistribution at farm level. The simulations are based on two national administrative databases, matched at farm level and belonging to: Integrated Administration and Control System (IACS), storing information for on

direct payments; National Farm Register, gathering information on land use and on potential eligible agricultural area. The two databases, managed by the National/Regional Payment Agencies, were matched by fiscal code or by VAT number.

The information collected concern:

- for about 1,196,000 farms (IACS, 2012), the payments received by each recipient under SPS and specific support of article 68 (regulation (EC) n. 73/2009) for quality of tobacco and *danae racemosa* flowers, representing the reference historic payments in Italy (Tab. 1)¹⁰;
- for more than 2 millions of farms (National Farm Register, 2014), the land use and the potential eligible agricultural area, taking into account both surfaces (farms) already accompanying (receiving) payment entitlements and farms not yet included in the DPs system since 2015, but potentially eligible to the allocation of new payment entitlements.

The *CAP2020-Simulation tool* is based on technical specifications, pursuant to the Italian implementation of the DPs regulation. The potential eligible farms identified were about 1,620,000 unit, including all the recipients of the direct support in 2012 and those farms included in the Farm Register satisfying the minimum dimension of 0,5ha of eligible area. In terms of potential eligible area the total surfaces summing up from the eligible farms amount to quite 12,3 million hectares.

The *CAP2020-Simulation tool* allows to simulate the transition from the SPS to the new DPs framework, quantifying the payment entitlements for each eligible farm registered in the national administrative context so far. It allows to estimate, for the whole Italy, the value of the Basic Payment entitlements and the individual Green direct payment, which each farm will receive as from 2015 to 2019. Indeed the tool, based on the Italian authority decisions and notified to the Commission in August 2014, implements the internal partial convergence of entitlements and the calculation for the Green direct payment. To do this, the simulation tool is structured into the aforesaid three steps and each step is made up of several stages.

1) Implementation of the so called "Irish model" of partial convergence, according to which payment entitlements with an initial unit value lower than 90% of the national unit value in 2019 shall, for claim year 2019 at the latest, have the unit value increased by at least one third of their difference; the main stages developed in this step are:

- a. Estimation of initial unit value (iuv) and of national unit value (nuv)

¹⁰ The claim year 2012 is a good approximation of the direct support for 2014, as in Italy the direct support was fully decoupled with the exception of Ente plums, whose recipients and amounts were anyway included in the analysis. The two years (2012 and 2014) differ only for minor elements: the main difference concerns the specific support for the quality of potato introduced only for 2014. Its ceiling amounted to 3 million of euro out of 4 billion of the national ceiling for DPs.

- b. Comparison between iuv and nuv by farmer
- c. Estimation of financial needs for farmer with $iuv < 90\%$ of nuv
- d. Estimation of potential contribution, for farmer with $iuv > nuv$, and its match with financial needs to quantify the real contribution by farm
- e. The effect of internal convergence on payment entitlements value
- f. The value of payment entitlements and the end of “Irish model”
- g. Check of total entitlements value against BPS national ceiling and (eventually) calibration to ensure compliance with it.

2) Implementation of the "minimum guaranteed level", according to which no payment entitlement shall have a unit value lower than 60% of the national unit value in 2019; the main stages developed in this step are:

- a. Quantification of 60% of nuv
- b. Check entitlements unit value in 2019 against 60% of nuv by farmer
- c. Quantification of financial needs for extra convergence for farmer with unit value in 2019 $< 60\%$ of nuv
- d. Estimation of potential contribution, for farmer with $iuv > nuv$, and its match with financial needs for extra convergence to quantify the real contribution by farm
- e. The effect of extra convergence on payment entitlements value
- f. The value of payment entitlements and the end of “extra convergence”
- g. Check of total entitlements value against BPS national ceiling and (eventually) calibration to ensure compliance with it
- h. Quantification of Green “individual” payment as a proportion of the total value of the payment entitlements that the farmer received under the BPS for each relevant year.

3) Implementation of the "stop loss", which allows to derogate from the previous point (b) if it would result in a maximum decrease exceeding -30% of the initial unit value. This step is made up of a routine. The stages in this part of the tool are:

- a. Consolidation of payment entitlements value for farmer with $iuv < nuv$
- b. *Routine* (1) → Check % of reduction: evidence of decrease larger than -30% of iuv in 2019
- c. *Routine* (2) → Set Stop loss to -30% of iuv for farmer with larger decrease in 2019
- d. *Routine* (3) → Redistribution of that part of contribution exceeding the “stop loss” among farmers with $iuv > nuv$ recording a percentage of reduction in 2019, at the end of the step 2, smaller than -30%

- e. Run the routine from R1 to R3 as long as R1 is “positive”, meaning that there is at least one farm experiencing a decrease in 2019 larger than -30% of iuv
- f. Consolidation of payment entitlements unit value for all farmers
- g. Check of total entitlements value against BPS national ceiling and (eventually) calibration to ensure compliance with it
- h. New quantification of Green direct payment, calculated as a percentage of the total value of the payments entitlements received by single farm ("individual payment").

The convergence of the payment entitlements with a value above the national average should also take account of the external convergence reducing the national ceilings for direct payment over the period.

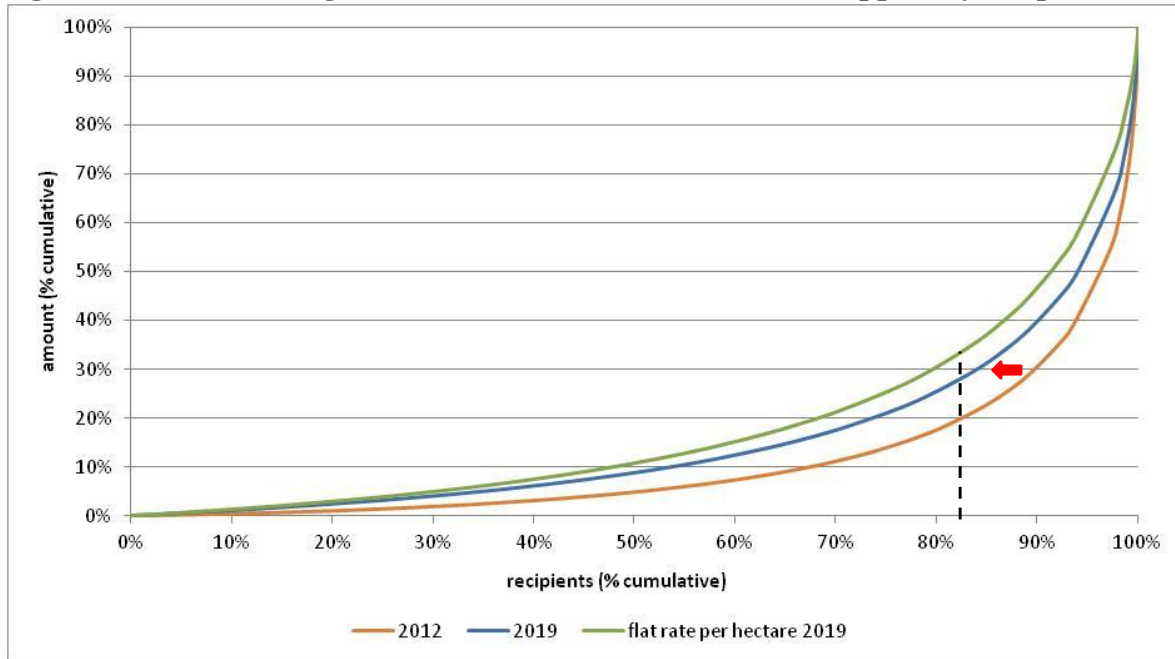
Finally, the integration of IACS data with data from the National Farm Register, by fiscal code or VAT number, and then the calculation of the new value of payments entitlements under the BPS by single farm allows to match the data potentially with all national database having information on fiscal code or VAT number stored. In this paper a match was run with the Italian FADN database in order to provide analysis at sector level too.

Results

The main findings of the simulations highlight an important redistribution effect of the internal convergence, involving the decoupled direct payments in Italy. Indeed, the convergence affects the level of payments by farm, but it determines a transfer of funds among different territories and sectors.

At farm level, holdings with a low (or null) value of historic payment are expected to receive an increasing amount over the period. It is highlighted in the figure 2 with the partial shift of the 2019 support distribution compared with the 2012 historic reference towards a flat rate allocation. Furthermore, the implementation of the "stop loss", if useful to avoid disruptive changes in the level of support, determines a wider sharing of the convergence cost among farms with higher amounts, to the detriment of farms with intermediate amounts.

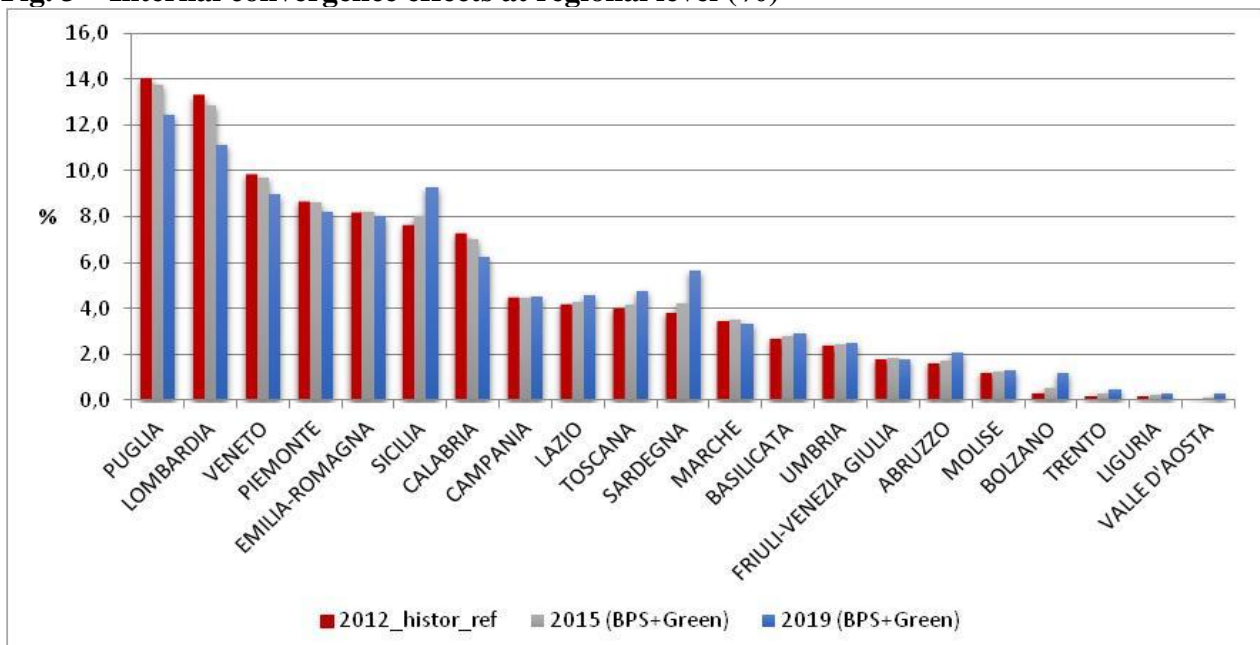
Fig. 2 – Internal convergence at farm level; concentration of support by recipient (%cumul.)



Source: CAP2020-Simulation tool based on data IACS (2012) and National Farm Register (2014)

At regional level, the regions mostly affected by the reform are those with a model of agriculture largely supported in the past. Among them, Puglia and Calabria, in the South, and Lombardy and Veneto, in the North, bear a meaningful reduction of decoupled support at the benefit of those region characterized by a large share of the agricultural surfaces covered by permanent pastures: Valle d'Aosta, Trento and Bolzano in the North, Abruzzi in the Central-East and Sardinia.

Fig. 3 – Internal convergence effects at regional level (%)

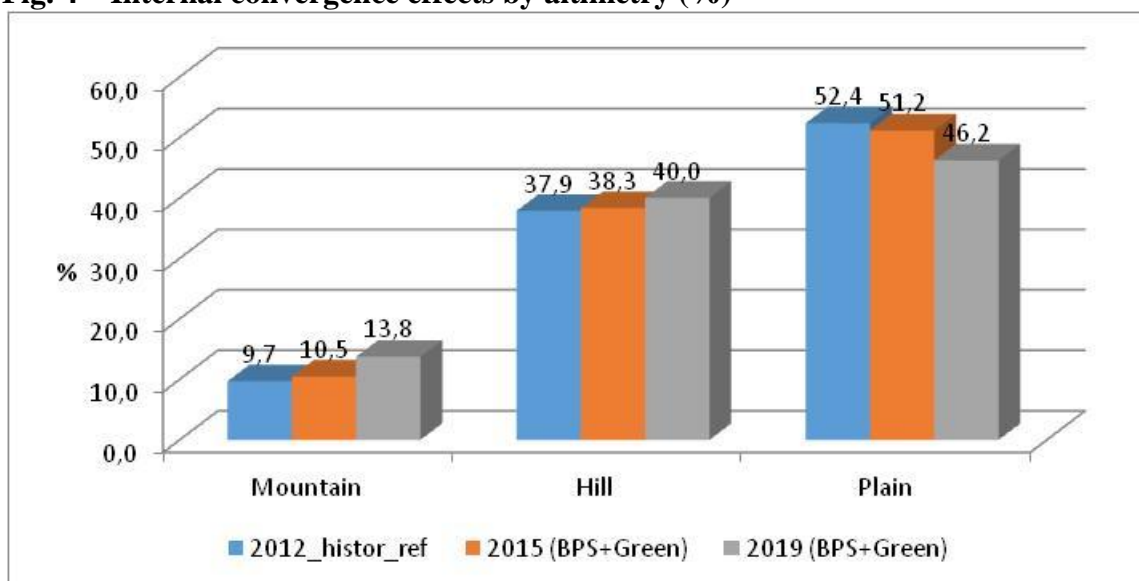


Source: CAP2020-Simulation tool based on data IACS (2012) and National Farm Register (2014)

At territorial level, the analysis shows that mountain and marginal areas will increase the share of resources received. By altimetry, the mountain areas will experience a net increase of resources from less

than 10% of the total amount for 2012 to almost 14% in 2019, at the expense of the other areas especially plain areas. The unit value per hectare increases of 25 euro/ha over the period 2012-2019.

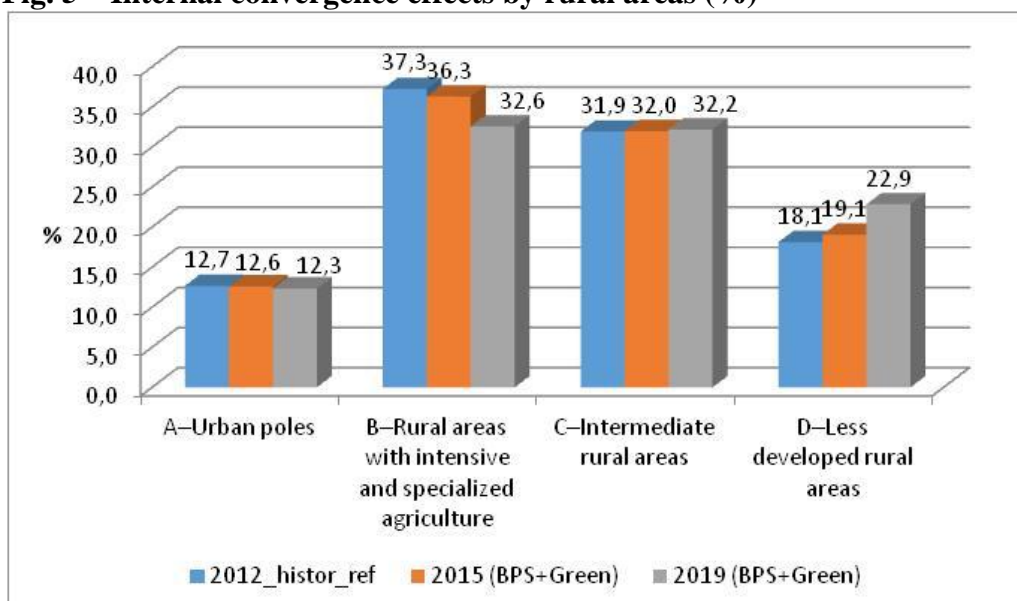
Fig. 4 – Internal convergence effects by altimetry (%)



Source: CAP2020-Simulation tool based on data IACS (2012) and National Farm Register (2014)

Also in terms of rural areas, it is possible to observe an important transfer of funds. This territorial identification was used for the first time in the 2007-2013 programming period (National Strategic Plan) and it is used still in the current programming period 2014-2020. The identification of rural areas has been used in order to implement territorial priorities in the programmes, classifying the national territory in: Urban poles (A), Rural areas with intensive and specialized agriculture (B), Intermediate rural areas (C) and Less developed rural areas (D). The convergence mechanism is at the benefit of the “Less developed rural areas”: they will explain 23% of the total amount in 2019 compared to the 18% in 2012. The higher reduction is waited for the "Areas with intensive and specialized agriculture".

Fig. 5 – Internal convergence effects by rural areas (%)

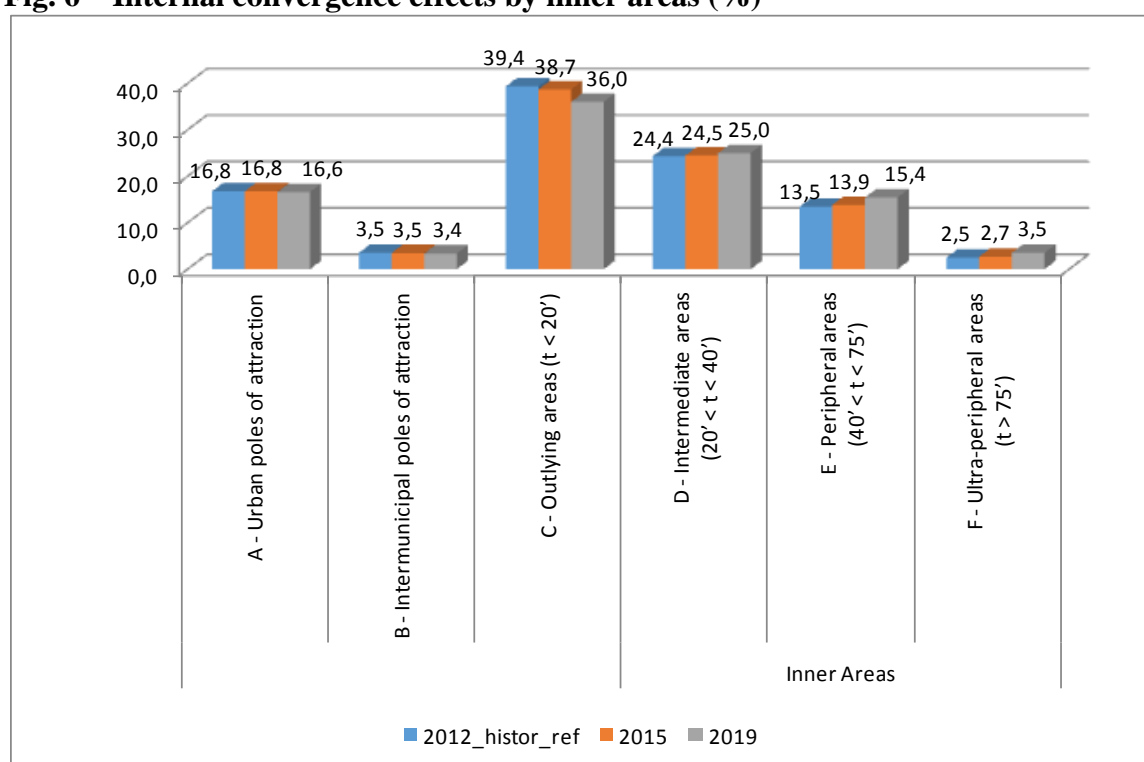


Source: CAP2020-Simulation tool based on data IACS (2012) and National Farm Register (2014)

Also in terms of Inner Areas, it is evident the impact of the convergence. This territorial identification is used for the first time in the 2014-2020 programming period and implemented in the National Partnership Agreement. The latter involves EAFRD and other Structural Funds and the territory is organised into: Urban poles (A), Intermunicipal poles (B), Outlying areas (C, with time distance < 20') and Inner Areas, further differentiated into Intermediate areas (D, with time distance among 20' - 40'), Peripheral areas (E, with time distance among 40' - 75') and Ultra-peripheral areas (F, with time distance > 75')¹¹.

The Inner areas are expected to explain 44% of the PEs allocation in 2019, compared with a share of 40% in the reference period. In particular, this increase is more evident in the Peripheral areas (E) and in the Ultra-peripheral areas (F) where it is expected also a growing unit value per hectare. The largest reduction are expected in the Outlying areas, known also as “belt areas” usually located outside the Urban and Intermunicipal poles.

Fig. 6 – Internal convergence effects by inner areas (%)



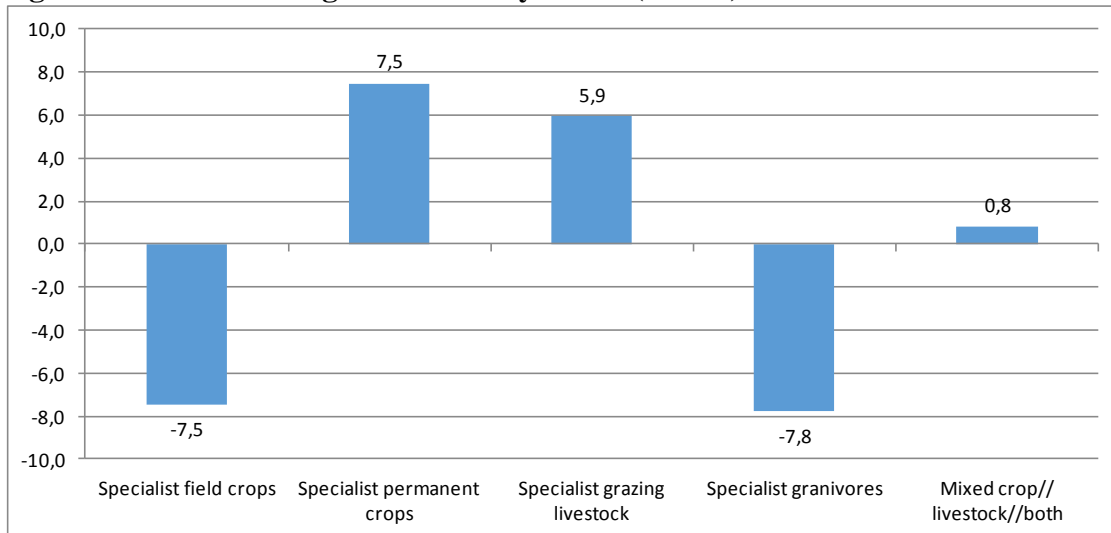
Source: CAP2020-Simulation tool based on data IACS (2012) and National Farm Register (2014)

For the analysis at sector level, results obtained by means of the CAP2020-Simulation tool are matched with the Italian FADN database by single farm (11,029 farms) using the weighting system. Farms affected, to a greater extent, by the convergence are those specialized in granivores or in cereals, oilseed and protein crops (-7.5%). In the latter case, the type of farms suffering a larger reduction are those specialized in rice or tobacco (-21%). For permanent crops, it is expected an increase of the funds received (+7.5%); however farm

¹¹ The Inner Areas covers 53% of the Italian municipalities (4,261) 23% of the population, and over 60% of the territory. For a description of the strategy for inner areas in Italy see UVAL (2014): http://www.dps.gov.it/opencms/export/sites/dps/it/documentazione/servizi/materiali_uval/Documenti/MUVAL_31_Are_e_interne_ENG.pdf

types specialized in citrus and olive are likely to experience a decrease (-14%). Finally, for specialist grazing livestock is waited growing amounts (+6%), but it should be underlined the different trends recorded, on one side, for dairying and cattle fattening (-6%) and, on the other side, for sheep and goat (+39%).

Fig. 7 – Internal convergence effects by sector (var.%)



Source: CAP2020-Simulation tool based on data IACS (2012) and National Farm Register (2014)

Conclusions

It is the first CAP reform providing a broad margin of action to policy-makers in order to shape the agricultural policy in compliance with the needs raised by national agricultural models. Its implementation in the national legislation was complex for several reasons, and in particular due to the wide menu of options and the countless combinations of choices, with trade-offs and side effects to be taken into account by policy makers.

To face such an important challenge, this reform demands assessment at individual farms. The utilisation of administrative database for management purposes and research activities, as well, presents important synergies to take into account for *ex ante* and *ex post* evaluations.

The *CAP2020-Simulation tool*, implementing the convergence mechanism in the BPS, estimates the new payment entitlements and the Green direct payment from 2015 to 2019 at farm level in Italy. Thus, it provides analysis about DPs redistribution at farm, territorial and sector level, following the CAP reform.

The internal convergence was criticized as a “conservative” choice; indeed it allows to take still into account – at least partially – the historic reference payments. However, it is the first CAP reform, after MacSharry (1992), determining an evident redistribution of DPs in Italy. This effect was due to the combination of the convergence mechanism with another national choice: the identification of the whole Italy as a unique region – instead of sub-regional classifications – which represents a “level play field” for all farms (see Tab. 1). This combination of choices determines important

transfer of resources. At territorial level, in particular, it is expected a shift in favour of mountain areas and more marginal rural areas, while opposite trends are waited for areas with intensive and specialized agriculture.

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