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THE ROLE OF SMALL FARMS IN ITALY: BETWEEN SUBSISTENCE AND DIVERSIFICATION

Abstract. The paper explores the role of small farms in Italy, by analyzing the significance of on-farm farming and non-farming activities on the basis of the Italian FADN database (Farm Accounting Data Network), covering the period from 2003 to 2009. Small farms were classified into six mutually exclusive and homogeneous groups (two groups of micro-farms and four groups of small farms) according to their degree of diversification and differentiation of production and, for each group, the economic sustainability as well as the role of public support were assessed through a set of indicators. The results of the analysis confirm the non-economic role of micro-farms, whose justification needs to be rather found in territorial and social objectives. With regard to the small farms, the results show that, even though conventional profiles are still predominant, a significant number of small farms shows some sort of interest towards diversification and multifunctionality. The majority of farms in the panel focused on the strategy of differentiation through quality products, which is a key aspect for Italian agriculture performance and competitiveness. Finally, the indicators on public support seem to confirm the complementary role of rural development policies to the first pillar of the CAP, by highlighting the need of implementing more effective policy tools aimed at preventing the exit of small farms from the sector, also by supporting the entrepreneurial skills necessary to react and reverse the marginalization process.

Key words: small farms, FADN, multifunctionality, income diversification, CAP

INTRODUCTION

At the EU level it is emerging an increasing number of studies on the role of small farms in rural areas, emphasising their important functions in terms of environmental protection, livelihood of local communities and landscape care. While there is a strong recognition of the contribution of small farms in enhancing the social and

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environmental role of agriculture, their role in strict production terms is not always clear. At the same time, their economic performance is crucial to preserve, in the medium and long term, the environmental and social role of small-scale agriculture.

Since multifunctional strategies, based on specialisation in quality output (differentiation) and on the production of non-agricultural goods and service (diversification), are increasingly adopted by a significant percentage of European farms, it is interesting to explore whether these strategies are also relevant for small farms and to what extent they may contribute to their economic sustainability.

In the current academic and policy debate, these issues are very relevant for two main reasons. The first one has to do with the role of the small farms in the context of a changing role of agriculture in modern European societies. The second one refers to the general design of the public support in agriculture and the space granted to the small farms. Clearly the two points are tightly interrelated and one sets the space of the other: if there is a role for small farms in contemporary agriculture then we need a proper set of policies to address it. On the other hands, if the CAP does not include a proper set of tools for small farms, then their survival is seriously at risk.

In this debate on the economic role of small farms and on the related role of public support, Italy is a very interesting case, given the relevant number of small farms in its agriculture. Besides, Italian agricultural sector shows features that swing between those of the other big Member States of the EU, and those of the Mediterranean countries and, to some extent, of the New Member States. For this reason, the scientific debate on small farms in Italy has seen periods of intense discussion, mainly focused on their role in the process of agricultural development and on their future.

The article aims at adding some new insights to this debate, by providing a categorisation of small farms in Italy through FADN (Farm Accounting Data Network), and by assessing their economic performance, also in relation to their degree of differentiation and diversification. Small farms were classified into six mutually exclusive and homogeneous groups (two groups of micro-farms and four groups of small farms) according to their degree of multifunctionality of production and, for each group, the economic performance was calculated through a set of indicators. The same indicators were also calculated for the 2003/2004 and 2008/2009 period, in order to follow the economic performance of the different farm groups over time. It is worth to remark that the two periods chosen correspond to two different moments of the CAP implementation: before and after the Fischler reform. This allowed reflecting about the effects on income of the changes in policies, with specific regards to the diversification tools, and, more in general, on the effectiveness of public support to income diversification aimed at increasing the economic sustainability of small-scale agriculture.

THE ROLE OF SMALL FARMS IN ITALY

The issue of small farms in Europe is a relevant one, since the average dimension of farms in the 27 EU Member States is very different, ranging in 2010 from less than 1 hectare in Malta, up to 160 hectares in the Czech Republic. In Italy, in 2010 the average farm size was 7.9 hectares, quite increased from the previous Agricultural

Census (2000), where the average size was settled at around 6 hectares. As a consequence of these disparities, there is a wide and differentiated spectrum of "small farms" in the EU, that is the consequence of a large structural inequality among countries and of the economic history behind each of them.

One of the main problems facing when dealing with the issue of small farms is that they are often invisible to the official statistics, so the picture emerging is merely a partial one. This is the case for the EU farm universe, referred to farms over 1 hectare and considering only farms smaller than 1 hectare whose marketed output is over 2,000 euro. In the same vein, the FADN data base cuts off the "small unprofessional farms": in Italy, the FADN sample includes only farms with a "standard output" over 4,000 euros.

According to Eurostat, on average in the EU slightly less than 50% of the farms are smaller than 2 hectares (Table 1). Such figure, quite high per se, includes a very wide range of figures that go from 1,7% in Ireland to 88.8% in Malta. Italy is merely above the EU average, with a percentage of 50.9%. An indicator that goes along with

TABLE 1. Farms per size brackets (percentage values) in the EU-27
TABELA 1. Gospodarstwa według grup wielkości (wartości procentowe) w UE-27

Country	< 2 ha	2–5 ha	5–20 ha	20–50 ha	50–100 ha	> 100 ha
Belgium	12.2	10.4	28.0	28.4	15.8	5.3
Bulgaria	83.2	8.2	4.7	1.6	0.8	1.5
Czech Republic	9.9	5.5	35.6	19.1	10.6	19.3
Denmark	5.0	2.3	37.6	21.9	14.1	19.2
Germany	5.2	3.9	36.9	25.4	17.3	11.2
Estonia	12.0	21.7	38.4	13.5	5.6	8.8
Ireland	1.7	5.3	35.3	39.6	14.8	3.4
Greece	51.6	25.4	18.4	3.5	0.8	0.2
Spain	29.6	23.5	25.5	10.9	5.3	5.2
France	14.7	12.1	18.8	17.2	18.9	18.3
Italy	50.9	22.1	18.9	5.4	1.8	1.0
Cyprus	75.1	14.5	7.8	1.7	0.6	0.3
Latvia	11.9	22.1	48.1	11.5	3.3	3.1
Lithuania	16.3	42.4	30.7	6.3	2.4	1.9
Luxembourg	10.0	7.3	17.7	16.4	29.1	20.0
Hungary	79.0	8.0	8.0	2.7	1.1	1.3
Malta	88.8	8.9	2.2	0.1	–-	–
Netherlands	13.4	15.2	29.1	26.6	12,6	3.1
Austria	11.5	20.1	39.4	21.5	5.6	1.9
Poland	24.1	31.1	36.7	6.3	1.1	0.6
Portugal	50.4	25.2	17.1	3.8	1.4	2.0
Romania	74.3	18.8	5.9	0.5	0.2	0.4
Slovenia	27.4	33.4	34.5	4.0	0.5	0.1
Slovakia	38.7	25.7	17.5	5.8	3.2	9.0
Finland	2.9	6.8	33.4	34.0	17.0	6.0
Sweden	1.8	10.7	42.2	21.3	12.8	11.2
United Kingdom	4.6	4.3	29.7	22.7	17.7	21.0
EU 27 total	49.1	20.1	18.4	6.4	3.3	2.7

Source: Elaboration on Eurostat data.

the size of farms is their average size: behind the average 14 hectares of the EU, the rank goes from less than 1 hectare in Malta all the way up to 152.4 hectares in the Czech Republic. Italy, in this case, is well below the EU average, with its 7.9 hectares.

If this is the overall pictures, two main questions arise. The first one has to do with the role of the small farms in the context of a changing role of agriculture in modern European societies. The second refers to the general design of the public support in agriculture and the space granted to the small farms. Clearly the two points are tightly interrelated and one sets the space of the other: if there is a role for small farms in contemporary agriculture then we need the proper set of policies to address it. On the other hands, if the CAP does not include proper set of tools for small farms, then their survival is seriously at risk.

As far as the role of small farms is concerned, Italy is a very interesting case to study since its agricultural economy shows features that swing between those of the other big Member States of the EU, and those of the Mediterranean countries and to some extent, even though for totally different reasons, in some cases similar to those of the New Member States [Borsotto and Henke 2007, Davidova et al. 2009]. For this reason, the scientific debate on small farms in Italy has seen periods of intense discussion, mainly focused on their role in the process of agricultural development and on their future [Saraceno 1994, De Benedictis, ed. 1995, De Benedictis 2005, Sotte 2006].

In the process of agricultural development the role of small farms has often been neglected, as they are usually considered, in the view of sector modernisation, as a heritage from the past and doomed to disappear in favour of a sector structural change and the creation of large professional farms. This process have been quite evident everywhere in Europe, and partly in Italy too [Fabiani 1995]. although the pace it happened in Italy was rather different from the rest of the then European Community.

Many studies show that pluractivity and part-time farming were the main responsible of the slow pace of change in Italy, and that these specific features of the agricultural activity were to become permanent rather than temporary and a reply to the process of marginalisation and abandonment [Saraceno 1985, De Filippis 1985, De Benedictis, ed. 1995]. As a result, Italian farm distribution is still heavily polarised, with a high share of small and even micro farms [Russo and Sabbatini 2005].

A relevant issue about agriculture in general, and particularly crucial for small farms, is that of a new generation of farmers that will succeed in the farm activity. It is well known that most farmers in Europe are quite aged, and very often there is not any future for the succession in the farm activity. In Italy the share of young farmers is very low (5% are below the age of 35), lower than the average and similar to other Mediterranean countries. More significantly, the share of young farmers to older ones (over 55) in Italy is 0.08, against a figure 0.20 for Germany or France, or 0.52 for Poland [Cagliero and Novelli 2012].

It is quite interesting to note that the ageing of farmers is higher and more critical where farm size is smaller. That is, the future of agricultural activity is particularly at risk where farms are small and probably non attractive enough for younger farmers to start a profitable and stable activity. However, the recent Italian agricultural Census

shows a change in the trend of young farmers: that can be the result of the specific policies aimed at support a young generation of entrepreneurs in agriculture, but it could also be the effect of the stringent general economic crisis that makes agricultural activity more attractive than in the past [De Filippis and Romano, ed. 2010].

Many studies focus on the role these farms play in the rural areas more in terms of environmental protection, livelihood of local communities and landscape care rather than in strict production terms, since their contribution to the agricultural output is rather limited [Lipton 2005, Wilson 2007, 2008, Henke and Salvioni 2008, 2011, Mardsen and Sonnino 2008, OECD 2009].

Such a role has been supported by the recent approach of the common agricultural policy to the European agriculture, pushing for the coexistence of different models of European agriculture, in which different farm features are considered a strength rather than a weakness and each farm typology may find a scope in its existence and in its survival. Such approach has been defined "a qualitative modernisation", in which mixed elements coexist with the old and the new objectives of the CAP and of the more general issue of the role of agriculture in contemporary societies [De Benedictis 2002, 2005, Marsden and Sonnino 2008].

A milestone in this new approach in the CAP can be considered Agenda 2000, in which new objectives of the CAP were set and the current structure based on two pillars was defined. The discourse of rural development conjugated with a financial support granted to farmers in the shape of direct payments (progressively decoupled from production) laid the base for a new policy addressing the multifunctional role of agriculture, the revitalisation of rural areas as residential and consumption areas, the diversification of business in agriculture and rural areas.

From then on, more vital energies for small farms were observed, even though this is has not been a linear process, due to several structural constraints and to the decline pattern. One could maintains small farms and the CAP are at a cross-road: policies can take the way leading to a new and important role for them under the social and environmental boxes of a new post-modernist paradigm for agriculture; or they can accompany them to a slow phasing out so to liberate agricultural area to be used of a general process of structural adjustment in agriculture. Where we are at the moment, policies tend to "freeze" these farms in a "no way forward – no return" condition: the current post-2013 Cap reform proposal presents a small farm scheme that grants a little financial support maybe enough for short-term subsistence, but does not offer any long term tool aimed at creating new and solid occasions for a sound regeneration of the role of small farms in the contemporary agriculture (for an in-depth analysis of the recent CAP reform proposal, see: De Filippis, ed. [2012], the forum on CAP reform edited by Alan Matthews on "Intereconomics" [2012], and Mahé [2012].

CLASSIFICATION OF SMALL FARMS AND RESEARCH OBJECTIVES

The classification of small farms adopted in this article is based on a typology recently developed by INEA [Ascione et al. 2011] based on information gathered by

the Italian FADN (Farm Accounting Data Network) from 2008. It classifies farms taking account both on farm agricultural and non-agricultural activities. Generally speaking, the reality in agriculture and rural areas has becoming increasingly complex and farm supply is less and less limited to "conventional" agricultural products, but includes new and more complex ones, such as quality products (intended in a broad sense, that is including organic products, denominations of origin, territorial brands and so on). Moreover, the idea of diversifying the production is increasingly diffused, and that explains the larger combination of goods and services supplied by farms (the so-called "connected activities"), such as agro-tourism, rural tourism, educational farms, therapeutic farms and so on.

In this regard the FADN survey provides information about the presence of qualitative differentiation and farm diversification. Starting from 2008 the survey recorded information about the value of total production due to products covered by quality certification and to agro-tourism and other recreational or processing activities.

On the basis of the farm typologies developed by INEA, small (commercial[2]) farms are here classified into 6 mutually exclusive and homogeneous groups according to the degree of diversification and differentiation of production, and by size.

The thresholds to discriminate the FADN farms in typologies were defined by a panel of experts.

The results of such effort often lead to the taxonomy of new and different farm typologies, which represent, more accurately, the new functions of agriculture and products associated to them.

The degree of differentiation and diversification is assessed on the basis of the quota of "gross production" (GP) associated to differentiated and diversified farm products. More in details, the "differentiation" strategies cover farms with at least 30% of total production originated by quality products. This category is used to identify the farms where a significant share of GP is originated from PDOs products, organic farming products and other certified products.

The "diversification" strategies cover farms with at least 30% of gross production originated by non-farming goods and services. These goods and services include agro-tourism, on-farm recreational activities, educational and therapeutic services and other services such as on-farm processing (wine, cheese, and so on).

The share of the value of these types of production to the total farm GP has been used to determine four main typologies: conventional, conventional quality, differentiated and diversified small farms.

The economic size is defined on the basis of the value of farm GP. According to this indicator two main categories were identified: "large farms", for which the GP was above 100,000 euro and "small farms", for which the GP was below 100,000 euro. While the broad category of large farms was excluded from our analysis, for small farms two main classes of size have been defined: the micro-farms, which are characterized by a GP below 15,000 euro, and the small farms (GP between 15,000 and 100,000 euro). The panel included 3,099 units, of which 2,256 were classified as micro and small farms (GP lower than € 100,000).

[2] Farms in FADN are by definition "commercial", meaning they are market-oriented and produce for sale.

The resulting farm typology clusters farms into the following categories (Table 2):

1. Micro-farms. This group includes very small farms that are classified as professional as all FADN farms, but they recorded a GP less than 15,000 euro. They are so small that their relationships with markets are marginal if not null. Some of these farms provide various functions so that they can be considered "multifunctional".

2. Small farms. This group includes farms with a GP larger than 15,000, but less than 100,000 euro. It is divided in four sub-groups: "conventional" farms, farms slightly and strongly oriented towards quality products (respectively "conventional quality and differentiated" farms) and "diversified" farms (farms running "diversified activities"). More precisely, the conventional farms do not have a strong orientation towards the quality of their products and a diversification of farm activities. Among the conventional farms, we have distinguished themselves in mixed groups, corresponding those types having a weight greater than 10% but less than 30% of certified products.

TABLE 2. The typologies of small farms (variables and thresholds)
TABELA 2. Typologia drobnych gospodarstw (zmienne i progi)

Variable	Micro-farms		Small farms			
	Conventional	Multifunctional	Conventional	Conventional quality	Differentiated	Diversified
TFGP	< €15,000		between € 15,000 and € 100,000			
Share of quality brands on GP	< 10%	< 10%	< 10%	between 10% and 30%	> 30%	< 30%
Share of other revenues on GP	< 30%	> 30%	< 30%	< 30%	< 30%	> 30%
Share agri-tourism	0	0	0	0	0	> 0
Share of processed GP	–	–	< 30%	< 30%	< 30%	> 30%

Source: Elaborations on Italian FADN.

In the rest of the paper we analyze the economic performances of the different typologies of small farms listed in the Table 2. The analysis is focusing on two different aspects, to which correspond two different sections of the paper: (1) the degree of the differentiation and diversification of small farms and their main economic features in 2008/2009, with a special attention to the presence and the performance of young farmers; (2) the economic sustainability of differentiation and diversification strategies, through an analysis of their economic performance as well as a comparison between some economic indicators of small farms between the years 2003/2004 and 2008/2009 (also by focusing on the role of public policies over this period).

THE DIFFERENTIATION AND DIVERSIFICATION STRATEGIES OF SMALL FARMS IN ITALY

The data regarding the degree of differentiation and diversification of Italian small farms, which was calculated for the different by applying the classification described in the previous section (Table 2), show the large predominance of "traditional" farms

TABLE 3. The typologies of small farms in the FADN sample (2008/2009)
TABELA 3. Typologia drobnych gospodarstw w próbie z FADN (2008/2009)

Type of farm		Number	Percentage	Number	Percentage
		Total		Young	
Micro	Conventional	332	14,7	37	7,6
	Multifunctional	67	3,0	16	3,3
Small	Conventional	1 351	59,9	294	60,1
	Conventional quality	240	10,6	75	15,3
	Diversified	127	5,6	22	4,5
	Differentiated	139	6,2	45	9,2

Source: Elaboration on FADN data.

(small and micro "conventional" farms) rather than more "innovative" units such as the diversified and the differentiated farms (Table 3).

Indeed, conventional farms represented the 74,6% of the total panel of farms. Within the conventional profiles, the largest group is that of small conventional, which includes 1,351 units. At the same time, figures highlight that small farms also show some sort of interest towards diversification and multifunctionality, through the realisation of certified products and denominations and also through secondary functions connected to agricultural production. This tendency seems to confirm the idea that a certain level of multifunctionality and diversification is actually featured in most farms [Henke 2004, Wilson 2007, Henke and Salvioni 2008]. However, the share of inputs and resources devoted to differentiation and diversification activities is only marginal compared to the total production.

The number of micro farms in the panel is relatively high: 399 units, of which only 67 can be considered as following a multifunctional approach to the primary activity. This is a hint about the role of entrepreneurial skills necessary to undertake a path of farm diversification, which are easier to find in relatively larger farms than in micro ones.

When looking more in details at the "innovation" strategies (diversification and differentiation), the majority of small farms are focused on the strategy of differentiation through quality products, since the 10.6% of small farms can be classified as conventional quality and the 6.2% as differentiated farms.

With regard to the presence of young farmers amongst the different typologies of small farms, data show a lower percentage of micro-farms run by young farmers (10.8% compared to 17.7% of the panel) and, above all, higher percentage of farms run by young farmers with some differentiation or differentiation strategies (32.3% compared to 25.4% of the panel).

Table 4 shows the main features of the different typologies of small farms, by including structural indicators such as the Utilised Agricultural Area (UAA) and the Agricultural Working Units (AWU) and also economic indicators, both related to the farms' revenues (Gross Production and CAP support) and to the farm profitability (Farm Net Value Added and the Net Income).

TABLE 4. The main features of the micro and small farms of the panel (2008/2009)
TABELA 4. Najważniejsze cechy mikro i drobnych gospodarstw z panelu (2008/2009)

Type of farm		UAA [ha]	AWU [n]	GP [euro]	CAP I pillar [euro]	CAP II pillar [euro]	FNVA [euro]	NI [euro]
Total								
Micro	Conventional	5.6	0.8	8,636	1,152	120	4,026	2,927
	Multifunctional	13.1	0.7	10,108	1,613	681	5,072	3,568
Small	Conventional	18.6	1.3	43,312	4,504	1,174	23,790	18,823
	Conventional quality	19.2	1.3	35,447	3,598	1,658	20,851	17,000
	Diversified	11.1	1.3	35,476	2,062	348	23,726	17,854
	Differentiated	33.3	1.3	39,609	6,100	3,576	22,280	18,582
Young farmers								
Micro	Conventional	7.4	0.9	10,219	1,644	448	4,631	2,854
	Multifunctional	14.0	0.7	11,222	2,855	2,067	4,470	3,031
Small	Conventional	23.6	1.6	54,133	4,810	2,337	29,789	23,894
	Conventional quality	23.6	1.3	38,419	3,398	3,967	20,269	16,654
	Diversified	19.6	1.3	37,010	4,609	143	25,233	20,871
	Differentiated	55.5	1.7	55,194	11,925	3,041	20,532	14,231

Source: Elaboration on FADN data.

It is possible to observe that both conventional and multifunctional micro-farms, compared to small farms, have very low levels of Gross Production (from 8,000 to 10,000 euro) and Net Income (around 3,000 euro), which highlights their non-economic role, whose justification needs to be rather found in territorial and social objectives. On the opposite, small farms show interesting levels of Gross Production (from 35,000 to 43,000 euro) and of Net Income (around 18,000 euro). With regards to the different categories of small farms, data show that there are not significant differences, even though it is possible to observe a slight better performance of conventional and differentiated farms, probably due to the relatively larger size of these farms and, above all, to the public support deriving from both the first and the second pillar of the CAP. More in details, both conventional and differentiated farms shows an higher level of first pillar payments (respectively 4,100 and 6,500 euro), while the second pillar payments are particularly high for differentiated farms (3,500 euro), showing that rural development policies in Italy are supporting to a significant extent the production and commercialisation of high quality and typical products.

When looking at the same features for the farms of the sample run by young farmers, it is possible to notice even better results, since such their farms are on average larger and with more working units. In addition, young farmers seem also more able to obtain funding from both the first and the second pillar of the CAP.

THE ECONOMIC PERFORMANCE OF SMALL FARMS AND THE ROLE OF PUBLIC SUPPORT

The economic performance of small farms was assessed through a set of three indicators, namely through the ration between the Farm Net Value Added and: the Agricultural Working Units, the Utilised Agricultural Area and the Gross Production. Moreover, the role of public support was assessed through the ratio of the actual level of support coming from the both CAP pillars over farm net income, from which one can infer on the level of support ensured to each farm group (CAP I pillar/Net Income and CAP II pillar/Net Income).

As it can be observed in Table 5, the economic indicators referred to the 2008/2009 show better performances of small farms compared to micro-farms, while there are not significant differences regarding farms run by young farmers compared to the total sample.

TABLE 5. The economic performance of small farms in 2008/2009
TABELA 5. Efektywność ekonomiczna drobnych gospodarstw w 2008/2009

Type of farm		FNVA/AWU [euro/AWU]	FNVA/UAA [euro/ha]	FNVA/GP [%]	CAP I pillar/NI [%]	CAP II pillar/NI [%]
Total						
Micro	Conventional	8.245	1.862	41	14	1
	Multifunctional	7.667	1.075	33	22	–
Small	Conventional	24.240	7.322	52	34	1
	Conventional quality	18.706	3.879	58	20	11
	Diversified	19.921	4.665	67	14	1
	Differentiated	22.040	3.042	56	26	15
Young farmers						
Micro	Conventional	7.600	1.947	37	36	10
	Multifunctional	5.318	825	12	50	152
Small	Conventional	21.773	8.456	50	111	11
	Conventional quality	18.651	3.692	59	22	21
	Diversified	20.782	5.827	66	32	–
	Differentiated	17.233	2.044	41	–	21

Source: Elaboration on FADN data.

With regard to the public support, data referred to 2008/2009 shows how both micro and small farms usually integrate their revenues with support coming from the first pillar of the CAP, representing from the 14% of Net Income (conventional micro-farms) to the 34% of Net Income (conventional small farms). The higher component of support for conventional farms comes from the first pillar of the CAP, and this may be due to their prevailing specialization in highly supported sectors such as intensive livestock production. On the opposite, income for conventional quality, small diversified and small differentiated farms is relatively less supported by direct payments. The support from the second pillar of the CAP is less important

in integrating farms revenues, even though the rural development policies represents the 15% of net income for small differentiated farms (probably through the quality measures in the second pillar of the CAP). In the case of indicators on public support, it is possible to observe how certain typologies of small farms run by young farmers have higher level of the ratio between public support, namely the multifunctional micro-farms and the conventional small farms.

The economic sustainability as well as the role of public support of small farms was also assessed through for each typology over the 2003/2004 – 2008/2009 period (Table 6). This analysis was carried out on a constant panel of farms covering the period from 2003 to 2009 (the observations with incomplete and missing data were removed), obtained from the Italian FADN-RICA[3] sample.

TABLE 6. The evolution of the economic performance of small farms over the 2003/2004–2008/2009 period
TABELA 6. Ewolucja i efektywność ekonomiczna drobnych gospodarstw w okresie 2003/2004–2008/2009

Type of farm		FNVA/AWU [euro/AWU]	FNVA/UAA [euro/ha]	FNVA/GP [%]	CAP I pillar/NI [%]	CAP II pillar/NI [%]
Var % 2008/2009–2003/2004						
Micro	Conventional	13.1	–14.1	6	4	–2
	Multifunctional	–14.0	–15.7	–9	7	–-
Small	Conventional	19.9	10.0	3	28	–2
	Conventional quality	17.0	31.9	4	1	–-
	Diversified	8.6	39.3	8	–5	0
	Differentiated	2.1	4.7	1	19	2

Source: Elaboration on FADN data.

It is worth to remark that the two periods chosen correspond to two different moments of the CAP implementation: before and after the Fischler reform. This can also supply important reflections about the effects on income of the changes in policies, with specific regards to the diversification tools, and, more in general, on the effectiveness of public support to farm income diversification aimed at boosting competitiveness.

With regard to the evolution during the 2003/2004–2008/2009 period, data show a negative economic performance for micro-farms, especially for multifunctional ones. These negative economic trends highlight the risk of disappearing of this typology of farms if not supported by adequate and targeted policies. Indeed, the little changes of the indicators CAP I pillar / Net Income and CAP II pillar / Net Income in fact are the results of a quite significant increase of public support, in front of a high decrease of Net Income.

On the opposite, data show that all the typologies of small farms increased their economic performances over the period considered. More in details, conventional

[3] The Italian FADN survey started to be conducted on statistically representative sample drawn from the census in 2003. The sample is stratified according to criteria of geographical region, economic size (ESU) and farming type (FT). The field of observation is the total of commercial farms, that is farms with an economic size greater than 4 ESU (4,800 euro). The FADN sample size is approximately 15,000 farms covering 44% of total Italian farms and 99% of UAA.

farms improved their economic performances (FNVA/AWU + 19.9%; FNVA/UAA + 10%), but over the period concerned their economic results were also more dependent from the first pillar payments (CAP I pillar / Net Income + 28%), mainly due to the decrease of Net Income over the period considered. On the other end, conventional quality farms recorded positive trends for the main economic indicators (FNVA/AWU + 17%; FNVA/UAA + 31.9%) in front of a very small increase of the weight of first pillar payments on net income (+1%). Similarly, diversified farms showed a significant increase of the indicators FNVA/UAA (+39.3%) and FNVA/GP (+8%), while the weight of the first pillar payments decreased by 5%. A different behaviour was though observed for differentiated farms, which in spite of the important increase of the indicator CAP I pillar / Net Income (+19%), mainly due to the decrease of Net Income, recorded lower increases of the economic indicators.

CONCLUDING REMARKS

This paper moves from the consideration of the permanence of a significant number of small farms in many EU member States and particularly in Italy, in spite of decades of policies in favour of the modernisation of agriculture and structural changes. These small farms are often managed by ageing farmers, given that nobody from the original family is replacing them and they use the farm activity to integrate their pensions and for self-consumption.

Small farms, especially those available in the FADN data set, which includes only commercial farms, might not contribute in a substantial way to the quantity of production, but they may have found a renewed and vital role in agriculture specialising in quality output (differentiation) and in the production of non-agricultural goods and service (diversification).

According to our findings, this is a rather limited phenomenon, but it is expected to grow in the future and also to be more visible and measurable from a statistic point of view. The main issues that have emerged from the analysis presented here, in terms of characterisation and role of small farms, may be summarized as follows:

1. The results of the analysis confirm the non-economic role of micro-farms, whose justification needs to be rather found in territorial and social objectives. Their economic performance has worsened in time, in spite of a significant improvement of the public support coming from both pillars of the CAP. As a consequence, the opening of these farms to diversification issues has probably more to do with the possibility of having access to public financial resources rather than pursuing real diversification strategies. Their diversification path is preferably directed towards acquiring new functions in the agricultural chain, such as direct sale or farm processing, rather than diversified towards non-agricultural on-farm activities. This is probably due to the lack of start-up capital and of entrepreneurial skills.

2. Conventional profiles show, to some extent, some sort of interest towards diversification and multifunctionality, through the realisation of certified products and denominations and also through secondary functions connected to agricultural production. This tendency seems to confirm the idea that a certain level of

multifunctionality and diversification is actually featured in most farms, in spite of their size and their territorial relationship. The hypothesis of a "spectrum" of multifunctionality in post-productivist agriculture is confirmed by this analysis [Wilson 2007].

3. As regard to the "innovation" strategies (both diversification and differentiation), the majority of farms in the panel focused on the strategy of differentiation through quality products, which is key for Italian agriculture performance and competitiveness.

4. With regard to the role of public support for diversification and differentiation strategies, the indicators of economic sustainability seem to confirm the complementary role of rural development policies to the first pillar of the CAP, by highlighting the deep compensatory effect of the second pillar payments to the dynamics of income of the farm typologies identified.

From this perspective, many studies have shown that, although traditional structural policies have been largely ineffective in overcoming the structural problems of small farms and in adjusting them to modern standards and techniques, first pillar policies often result in little lump-sum payments that complement farm household income up to the survival level, but that do not allow farmers to become independent from the welfare redistribution sphere, to reverse marginalization and to solve the chronic low income problem. It is like they freeze the condition of farms, preventing them simultaneously from exiting from the sector but also from developing entrepreneurial skills so to react and reverse the marginalization process.

The economic sustainability of small farms could be better address through second pillar policy measures**,** especially those oriented towards diversification and differentiation of farming activities, because they require a pro-active attitude to farmers, which need to prove their ability to change and negotiate with institutions on their entitlements to access to public support.

Nevertheless, the results so far achieved through rural development policies could be largely improved by increasing the financial resources of the related measures, by decreasing the complexity in terms of accessibility to funding and, above all, by focusing more on improving farmers' skills, education and knowledge (i.e. to deal with production and markets).

From this perspective, it must be highlighted that, on one side, the EU Commission CAP proposal for 2014–2020 strongly emphasis the role of knowledge and innovation for farmers, also by focusing on the development of local networks of different stakeholders of rural areas which could have interesting implications also to increase the competitiveness of small farms. On the other side, the current proposal seems quite ineffective in identifying specific forms of support for small farms, tailored to the different territories and to the structural features of farms. On the contrary, the simplified scheme of support for small farms goes once again in the direction of offering a low but "safe" income integration, not enough to reverse the slow decline but enough to keep on a path of marginality and subsistence.

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ROLA MAŁYCH GOSPODARSTW WE WŁOSZECH: MIĘDZY EGZYSTENCJĄ A DYWERSYFIKACJĄ

Abstrakt. W artykule badana jest rola drobnych gospodarstw we Włoszech poprzez analizę znaczenia pracy w gospodarstwie oraz pracy poza gospodarstwem na podstawie włoskiej bazy danych FADN w okresie od 2003 do 2009 roku. Drobne gospodarstwa zostały zaliczone do sześciu, wzajemnie się wykluczających i homogenicznych grup (dwie grupy mikrogospodarstw oraz cztery grupy drobnych gospodarstw) – według poziomu dywersyfikacji i zróżnicowania produkcji, oraz dla każdej z grup – według żywotności ekonomicznej. Oceniona została rola pomocy publicznej za pomocą zestawu wskaźników. Wynik analizy potwierdza pozaekonomiczną rolę mikrogospodarstw, dla których uzasadnienie powinno być raczej znalezione w celach terytorialnych i społecznych. W przypadku małych gospodarstw wyniki wykazują, iż pomimo faktu, że większość zachowuje się w sposób tradycyjny, jednak znaczna ich liczba wykazuje zainteresowanie dywersyfikacją i wielofunkcyjnością. Większość gospodarstw w panelu skupiła się na strategii zróżnicowania działalności poprzez produkty wysokojakościowe, co jest podstawowym czynnikiem konkurencyjności włoskiego rolnictwa. Wskaźniki dotyczące pomocy publicznej potwierdzają komplementarną rolę każdej polityki dotyczącej rozwoju obszarów wiejskich wobec pierwszego filaru WPR, podkreślając potrzebę stosowania bardziej efektywnych instrumentów przeciwdziałających wypadaniu drobnych gospodarstw z sektora, a także wspierajac przedsiębiorość niezbędną dla odwracania procesu marginalizacji.

Słowa klucze: drobne gospodarstwa rolne, wspólna polityka rolna, polskie rolnictwo, aksjologia polityki rolnej, prakseologia polityki