

The present and future of small farmers in the European Union: Italy's scenario

Dziś i jutro drobnych rolników w Unii Europejskiej: scenariusz włoski

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Abstract. Using the data gathered by the AGEA (Italian coordinating body and paying agency) of the CAP payment system for the financial year 2009, and by the DG AGRI on the direct payment financial year 2009 as a case study, this paper explores the current status of small farmers concerning the CAP scheme for direct payments, and the strategy actions to be taken into account for the CAP reform towards 2020. The current official positions of the European Commission and the European Parliament are also presented as proposals to establish a simplified scheme for small farmers under the future CAP reform. An analysis shows that the majority of small farmers applying for direct payments are located in Italy, Poland and Romania. The simplified Small Farmers Scheme is welcome with the post-2013 CAP reform in order to increase their capital and income, and make them benefit in terms of the internal and external European market. In particular, small farmers need support through direct payments and other instruments and measures like training, communications, aggregation in producer groups and diversification of crops to avoid abandonment of agricultural activity. This applies especially to family farms which need support to become integrated into the competitive market and to respect the natural environment, which would be beneficial for all the European citizens.

Key words: CAP, small farms, direct payments, European Union

Streszczenie. W artykule oceniono obecny status małych gospodarstw rolnych w ujęciu dopłat bezpośrednich Wspólnej Polityki Rolnej oraz działań strategicznych uwzględniających reformy WPR do roku 2020. Jako przykład wykorzystano dane zgromadzone przez AGEA (włoski organ koordynujący dopłaty bezpośrednie) systemu płatniczego WPR w roku budżetowym 2009 oraz dane KE ds. Rolnictwa i Rozwoju Obszarów Wiejskich dotyczące dopłat bezpośrednich w tym samym roku budżetowym. Przedstawiono także aktualne stanowiska Komisji Europejskiej i Parlamentu Europejskiego jako propozycje ustanowienia uproszczonego schematu postępowania dla małych gospodarstw w kontek-

ście planowanej reformy WPR do roku 2020. Przeprowadzona analiza wykazała, że większość małych gospodarstw rolnych, które ubiegają się o dopłaty bezpośrednie, znajduje się we Włoszech, w Polsce i Rumunii. Ustanowienie uproszczonego programu dla drobnych gospodarstw w planie reform WPR po 2013 r. jest pożądane w celu zwiększenia kapitału i dochodu gospodarstw, tak aby zyskały w kontekście wewnętrznego i zewnętrznego rynku europejskiego. W szczególności, drobnym gospodarstwom potrzebne jest wsparcie poprzez dopłaty bezpośrednie, a także inne instrumenty i działania, w tym szkolenia, komunikację, łączenie się w grupy producentów oraz różnicowanie upraw, aby zapobiec porzuceniu przez nich działalności rolniczej. Wymienionych działań potrzebują zwłaszcza gospodarstwa rodzinne, ażeby móc włączyć się w konkurencyjny rynek i funkcjonować w poszanowaniu środowiska naturalnego, co stanie się z korzyścią dla wszystkich obywateli Unii Europejskiej.

Słowa kluczowe: WPR, małe gospodarstwa rolne, dopłaty bezpośrednie, Unia Europejska

Introduction

Before analysing the present and future of small farmers in the European Union, one should refer to the actions taken in the past. At the European level, the rules for implementing the Small Farmers Scheme (SFS) were adopted at the end of 2001 (European Commission 2002). By 2002, only Italy had applied (for the calendar year 2002, a reference amount was fixed on arable crop aid and on livestock premium granted to a small farmer during three years preceding the application). The conditions of the SFS were as follows:

1. Allocating of entitlements with a value “pro rata” in order to correspond to the maximum amount of 1250 EUR + annual payment starting from the 1st November of each year.
2. Voluntary (not compulsory) participation by the Member State’s authorities and by small farmers – one application valid for three consecutive years until the end of 2005.
3. Obligations to be fulfilled by small farmers: “good agricultural conditions” (today, “good agricultural and environmental conditions”, GAECs).
4. Administrative controls: 100% of the applicants through the Land Parcel Identification System (LPIS) or the Animal Identification and Registration System (I&R), respectively, for eligible land parcels and livestock units.
5. On-the-spot controls (OTSC): 2% of the applicants participating in the “simplified scheme” in the first year, and 3% for the next years.
6. Only Italy has applied for the “simplified scheme” for small farmers.
7. Expiration date of the “simplified scheme”: by the CAP reform 2003 (from 2004–2005).

A further far-reaching reform was decided in 2003 and 2004, with progressive implementation from 2005 onwards. Several sectors were reformed (milk, rice, cereals, durum wheat, dried fodder and nuts), and some fundamental changes concerning

direct payments were made. Later on, additional CAP adjusting measures/actions were taken, known as the 2008 Health Check (European Council 2003, 2009).

Different options of implementing the Single Payment Scheme (SPS) are offered to Member States. The main difference is whether they base the SPS on what direct payments individual farmers received in the historical reference period, thus producing different levels of SPS for each farmer, or whether all payments are averaged out over a state or region. With the latter (regional) model, some farmers may benefit from direct payments they were not entitled to in the previous period, increasing the number of beneficiaries of direct payments (but in general at a low level of support). Some Member States have implemented a hybrid model combining historical references and regionalisation. Italy has applied a historical model from 2004.

As a matter of fact, within the above-mentioned CAP reforms (2003, 2004 and 2008) no simplified schemes/measures for small farmers have been established. The issue has been recalled in the context of the CAP reform post-2013 (towards 2020), and it is recommended by the European institutions that a simplified "ad hoc" scheme for small farmers should be created.

The CAP payments system and the present status of small farmers in Italy

According to the AGEA (Agenzia per le Erogazioni in Agricoltura – Italian coordinating body and paying agency) indicative figures referring to the financial year 2009, in Italy there are 1 294 732 farmers – applicants for the CAP financing measures/schemes, who receive the total amount of 5 418 908 580.92 EUR.

Analysis of the above-mentioned AGEA data and extrapolation of the four classes of small farmers, described in Table 1 (assuming that small farmers are defined as those receiving CAP payments of up to 2000 EUR), shows that more than 72% (i.e. 938 365) of the farmers in Italy are small ones, and they absorb 10.29% (i.e. 552 241 003.53 EUR) of the total CAP payments linked to the land crops cultivation and the livestock units in the country.

Table 1. Four classes of small farmers identified in Italy within the 2000 EUR threshold of CAP payments received

< 200 EUR		201–500 EUR	
Number of farmers	Amount paid (EUR)	Number of farmers	Amount paid (EUR)
196 492	28 414 227.80	337 423	110 969 309.32
501–1000 EUR		1001–2000 EUR	
Number of farmers	Amount paid (EUR)	Number of farmers	Amount paid (EUR)
227 905	162 399 636.40	176 545	250 457 830.01

Source: AGEA data on CAP payments made for the financial year 2009

In addition, this study reports the costs associated with carrying out administrative control by the Integrated Administration Control System (IACS) and on-the-spot controls (OTSC) in connection with the CAP payments, according to the provisions established by the EU Regulation No. 1122/2009 (100% subject to administrative control by IACS, and 5% subject to OTSC), at the EU-27 level, and the actual weight of these costs in the direct payments made to small farmers in Italy, as follows (Table 2):

- 359.94 EUR – cost for a small farmer to comply with the control activities according to the EU rules,
- 28.35% – weight of total costs associated with the controls of the Italian population of small farmers in the total CAP payments (benefits) made to them.

Table 2. Activities to assist farmers in applying for direct payments (control system, EU Regulation No. 1122/09)

Activity	Costs (EUR)
Application process equipment/facilities for each farmer	28
Administrative controls by IACS and payment process per application	110
Photo-interpretation of results through the LPIS (cost 3.73 EUR per parcel × 5 parcels)	18.65
Cost (average) for OTSC (classic/RS) without or with GPS measurement (20.53 EUR per parcel × 5 parcels)	102.65
Meeting for each farmer if discrepancies are found during OTSC and/or administrative controls	50.22
Renting an office for the dispute with farmers in order to notify the final control report: 2520.45 EUR (monthly cost)/100 farmers involved (average) = = Total cost of office rent for each farmer/2 months	50.42
Total costs for a small farmer if all the above-mentioned control activities of the CAP payment system are applied	359.94
% weight of costs for the whole population of small farmers in Italy (No. 938 365 small farmers × 156.65 EUR costs if NOT selected for OTSC = 146 994 877.25 EUR; + 5% of No. 938 365 = No. 46 919 small farmers × 203.29 EUR costs if selected for OTSC = 9 538 163.59 EUR). Results: Total costs 156 533 040.84 EUR/total amount paid 552 241 003.53 EUR × 100 = 28.35%	

LPIS – Land Parcel Identification System, OTSC – on-the-spot-control

Source: AGEA data on CAP payments made for the financial year 2009

The farm types run by small farmers in Italy are relatively specialised in the wine sector (46%), olive oil sector (58%) with a traditional family-based mode of production, field crops (about 62%), and horticultural sector (95%); they also show a considerable share of self-consumption (15.9%). While small farmers use only 13% of the total utilised land and produce less than 10% of the total Italian agricultural production (Salvioni et al. 2009), they play an important role in society, preserving the quality products and the environment, therefore they need appropriate financial support from the EU and/or from the national budget to improve their livelihoods.

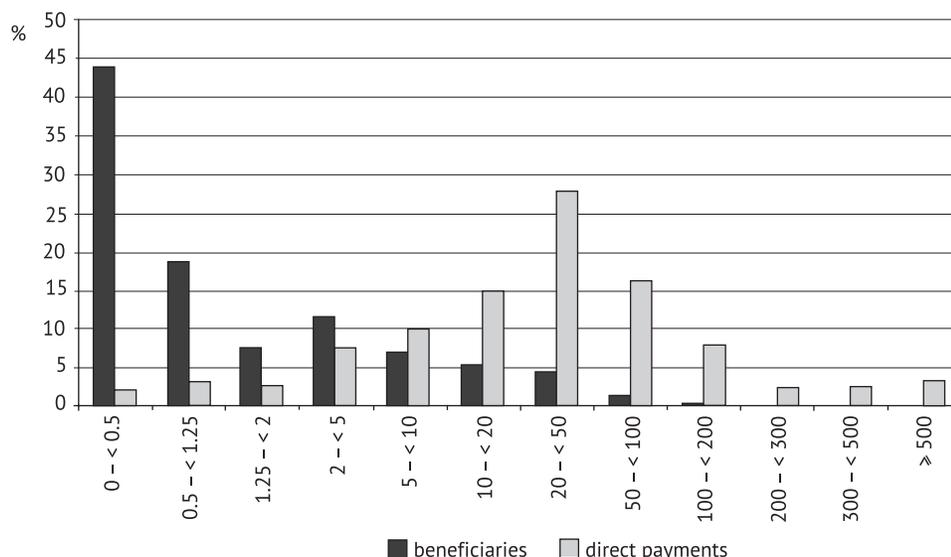
The context and the future scenario of CAP direct payments to small farmers in Europe

With particular reference to small farmers, using the data gathered by the Directorate-General for Agriculture and Rural Development (DG AGRI) on the direct payments in Europe in the financial year 2009 (Table 3, Figs. 1–4), this paper explores the CAP scheme of direct payments and the strategy actions to be taken into account for the CAP reform towards 2020.

Table 3. Direct payments distributed in Europe by 27 Member States

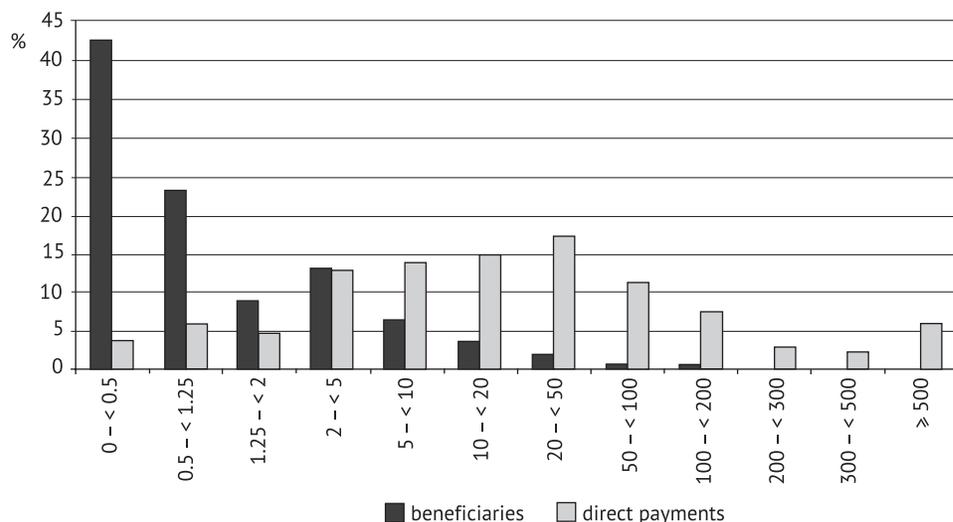
All direct payments	39.1 billion EUR
	7.88 million farmers
Decoupled direct aid, part of all direct payments	32.8 billion EUR
	7.66 million farmers
Coupled direct aid, part of all direct payments	5.8 billion EUR
	2.22 million farmers
Receiving 5000 EUR or less	% farmers = 82%
	% direct payments = 15%

Source: European Commission DG AGRI data on direct payments in Europe, financial year 2009



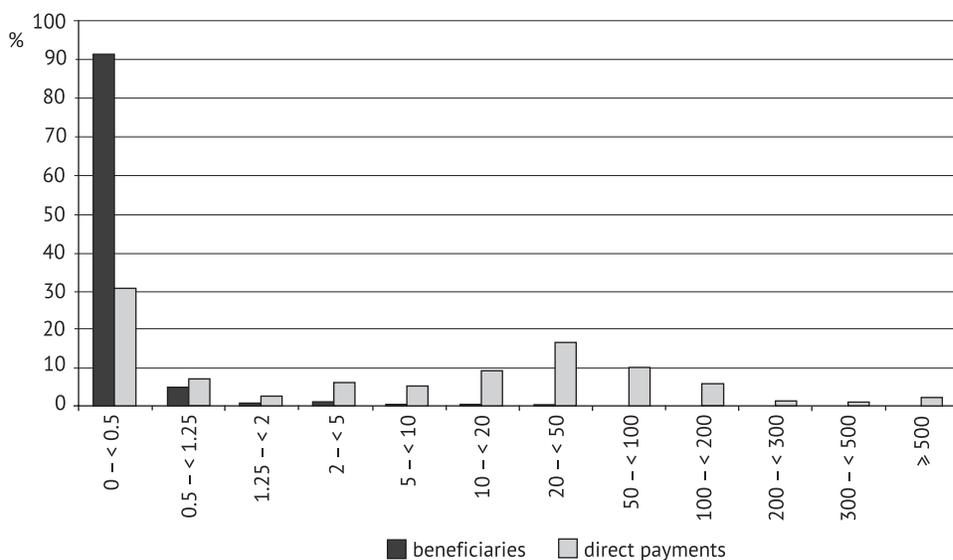
Source: European Commission DG AGRI data, financial year 2009

Fig. 1. Distribution of beneficiaries and of direct payments in EU-27 by category of payments (thou. EUR)



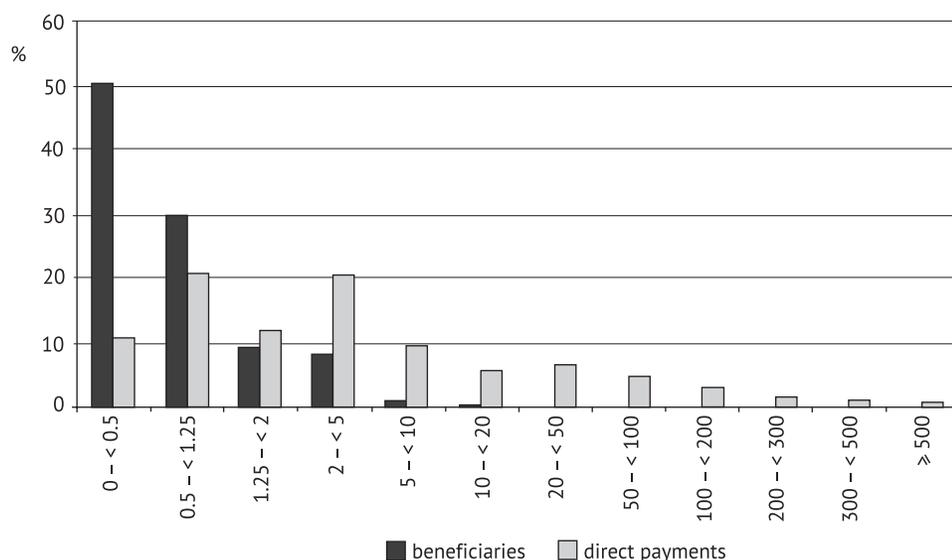
Source: European Commission DG AGRI data, financial year 2009

Fig. 2. Distribution of beneficiaries and of direct payments in Italy by category of payments (thou. EUR)



Source: European Commission DG AGRI data, financial year 2009

Fig. 3. Distribution of beneficiaries and of direct payments in Romania by category of payments (thou. EUR)



Source: European Commission DG AGRI data, financial year 2009

Fig. 4. Distribution of beneficiaries and of direct payments in Poland by category of payments (thou. EUR)

Additional analysis shows that the majority of small farmers (i.e. those receiving CAP payments of up to 2000 EUR) in Europe are located in Italy, Poland and Romania (more than 62% of the total number of small farmers).

Currently, the official positions of the European Commission and the European Parliament for the future of small farmers are also included as the following proposals to establish a simplified Small Farmers Scheme under the future CAP reform towards 2020:

- Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions states that “A simple and specific support scheme for small farmers should replace the current regime in order to enhance the competitiveness and the contribution to the vitality of rural areas and to cut the red tape” (European Commission 2010, p. 9).
- Report approved by the Committee on Agriculture and Rural Development of the European Parliament “Stresses the need for an adequate basic allowance for small farmers, which Member States can optionally determine in those Member States where these farms help to stabilise rural development; calls for these Member States to decide, in accordance with subsidiarity, what percentage of the direct payments to be incorporated in the new subsidy system should be made available to their small farmers; stresses, however, that this must not hamper the necessary structural change” (European Parliament 2011, item 13, p. 7).

Concluding remarks

The majority of small farmers in Europe are located in Italy, Poland and Romania where they represent more than 62% of the total number of Europe's small farmers (on the assumption that the definition of 'small farmers' includes those under the CAP payments threshold of 2000 EUR).

A simplified scheme of payments, called the Small Farmers Scheme, is welcome with the CAP reform towards 2020 in order to provide more capital and income to small farmers and make them the winning ones in terms of internal and external European markets.

More specifically, as regards the future support from Pillar I (direct payments), small farmers need the following:

- An annual payment made through a simplified scheme should be established at a threshold enabling small farmers to obtain income (after deducing the cost of controls to be carried out by the Member States authorities).
- Simplifications aimed to reduce the administration burdens and costs associated with the management of the simplified scheme by the authorities of the Member States should include:
 - administration controls to be applied to 100% of eligible land (Good Agricultural Condition) and livestock units, OTSC – to 2% of the population participating in the Small Farmers Scheme, and controls for cross-compliance – to 1%,
 - application/commitment made in the first year to be valid for three consecutive campaigns if no changes are made to the small farm's consistence.
- Opportunities should be created to increase the small farmers' income through the access to "green components", too, if they move towards diversifying crops and if their agricultural activity is located in a less favoured area.

Finally, support from Pillar II, including such instruments/measures as training, communications, aggregation in producer groups and diversification of the crops they cultivate, should be provided to prevent small farmers from abandoning agricultural activity. Special attention should be devoted to family farms which need support to become integrated into the competitive market and to respect the environment, which would be of benefit to all the European citizens.

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