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Full Research Article

A critical assessment of the implementation of CAP 2014-2020 direct payments in Italy

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Abstract. The Common Agricultural Policy (CAP) reform of 2014-2020 is characterized by a strong mandate of Member States regarding the 1st Pillar. This paper's objective is to elucidate the possible impacts of Italian choices on direct payments and their coherence with the specific objectives of the CAP, which was established by the Expert Group on Monitoring and Evaluating the CAP (EGMEC): food security and sustainable food production. Thus, an online survey was disseminated among Italian CAP experts in the spring of 2015. The results from a sample of 25 respondents show that Italian direct payments may positively contribute to viable food production by improving agricultural competitiveness. In addition, the combined effect of general direct payment schemes and Italian choices is to ensure sustainable food provision or, at least, to successfully allow the exploration of this new route in CAP history, which most likely represents future challenge for European agriculture.

Keywords. Common Agricultural Policy, direct payments, Italy, evaluation, Likert scale

JEL codes. Q18

1. Introduction

The Common Agricultural Policy (CAP) is currently organized into two pillars, with the first being related to direct payments and Common Market Organizations (CMOs) and the second being related to rural development policy. Historically, the First Pillar is the most important in financial terms, and it currently consumes more than 60% of the overall CAP resources (Erjavec *et al.*, 2011; Henke and Coronas, 2011). The current direct payments system, which is known as the Single Payment Scheme (SPS), has been redesigned by the CAP reform 2014-2020, which has a few similarities to the Swiss scheme (European Parliament, 2010).

The debate over the CAP 2014-2020 began several years ago. After an extensive public discussion, the European Commission (EC) began an inter-institutional debate by means

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of the 'The CAP towards 2020' report, which defined the challenges that were encountered in reform (Greer and Hind, 2012; Swinbank, 2012). In that text, the European Union (EU) attempted to respond to new economic, social, environmental, climate-related and technological challenges by identifying new objectives and new policy instruments that could improve the socio-economic conditions of European farmers (Huang *et al.*, 2010). In particular, analyses on future agriculture developments show an increase in production in addition to greater sustainability, which is better known by the slogan "sustainable intensification" suggested by Buckwell (2014).

The main result of the inter-institutional debate, which is known as the Trilogue, was the increase in national flexibility to implement the CAP (European Parliament, 2015). Most importantly, the governments needed to select the optional payments to be activated and their annual ceilings. These decisions represented a crucial turning point for orienting the political actions of every Member State (MS) because national flexibility should guarantee coherence between the national socio-economic targets and the policy instruments to be improved. It follows that the CAP 2014-2020 could offer an opportunity for the creation of a better-targeted policy action due to the First Pillar funds (Erjavec *et al.*, 2011; Westhoek *et al.*, 2013).

Because the last CAP reform was characterized by a strong mandate to the MSs to manage direct payments, this paper's objective is to assess whether and how Italian choices concerning the First Pillar are consistent with the following general objectives: food security and sustainable food production. It follows that the paper attempts to provide a sort of *ex ante* evaluation of the consistency between the policy objectives of the First Pillar of CAP 2014-2020 and the manner in which it has been implemented in Italy after the Government made final decisions regarding direct payments.

Against this backdrop, the following research questions have been addressed in this work:

1. Are the Italian decisions on direct payments consistent with the objective to enhance food security?
2. Are the Italian decisions on direct payments consistent with the objective to ensure sustainable food production?

2. Theoretical and policy framework

The direct payments system of the CAP provides income support for European farmers. The existence of such payments is justified by the need to provide income stability and compensation for higher production standards with regard to consumer protection, animal welfare and environmental conservation than many non-European countries (Uthes *et al.*, 2011).

In recent years, the most relevant innovation in terms of farm income support tools has been the introduction of decoupled payments by the EU beginning with the 2003 Fischler Reform of the CAP (Moro and Sckokai, 2013). This policy change was expected to make farmers' production decisions more market-oriented because their subsidy revenue maximization objectives could become profit-maximizing objectives as well and could induce efficient/productive farms to exit unprofitable businesses or reallocate resources to other sectors, leading to aggregate productivity gains for the sector as a whole (Kazukauskas *et al.*, 2010). In sum, the decoupling of subsidies was aimed to reduce the efficiency losses associated with coupled subsidies (Kazukauskas *et al.*, 2014).

2.1 A short review of direct payments

Decoupled payments are generally assumed to not distort market outcomes because they are considered to be essentially lump sum transfers, which do not produce any market distortions (O'Donoghue and Withaker, 2010). If these payments are non-distortionary, a government could use them in domestic policies without affecting either domestic or international markets. However, several theoretical avenues exist through which direct payments could alter behaviour and, by extension, market outcomes (Kazukauskas *et al.*, 2014). As a matter of fact, beginning with their introduction, the central research issue on decoupled payments has regarded their true non-distorting nature and their impact on farm choices (Moro and Sckokai, 2013).

Critics of the decoupled payment system argue that although such payments are not directly tied to production requirements, they may continue to have important effects on production. Hennessy (1998) asserted that direct payments often have purposes in addition to income support. In fact, in a very unstable world market, in which prices and yields fluctuate considerably from year to year, risk-averse producers may benefit considerably from income stabilization. This income-stabilizing attribute has a corresponding insurance effect, which may affect optimal decisions. In addition, there is a wealth effect on optimal decisions, namely, that the higher average income that arises from the support policy may affect producer decisions.

Risk attitudes and relaxing farmers' credit constraints are not the sole means by which decoupled instruments may influence production choices (Goodwin and Mishra, 2005). Decoupled support may impact the decision to exit the market, which would produce distortions in the supply. Within this framework, one justification could be that these payments are taken as rewards for the multifunctional role of agriculture (Moro and Sckokai, 2013). Moreover, whereas input suppliers usually capture a great part of the coupled support, decoupled payments are capitalized in land values/rents so that support to actual farmers depends on the share of land they own. Consequently, increases in the price of land inhibit the conversion of agricultural land to other uses as well as the entrance of young farmers into the agricultural sector due to the increased capital outlays required to purchase a farm (Patton *et al.*, 2008).

Various studies have shown that the CAP subsidies impact farm sector productivity as well. Theoretical studies suggest that subsidies may have a positive impact on farm production because they generate a selection process in which the less productive farms exit; however, at the same time, they generate a negative impact on farm productivity because they distort the production structure of recipient farms, which leads to allocative inefficiency (Kazukauskas *et al.*, 2010). Nevertheless, for the decoupled subsidies, the link to farm activities is weaker; in fact, farms receive CAP decoupled payments irrespective of their production decisions. Therefore, the subsidies are less likely to induce allocative and technical inefficiency (Rizov *et al.*, 2013). In particular, Kazukauskas *et al.* (2014) show that decoupling policy had positive and significant effects on productivity but that this did not lead to high cost product switching behaviour. On the contrary, it incentivized specialization in more productive farming activities that are less "painful" for farms in the short term (lower requirements of capital, knowledge and technology) and that may produce positive results sooner.

Certain economists have also argued that expectations of future programme payments may influence farmers' current production decisions (O'Donoghue and Whitaker, 2010). Nevertheless, predictions of the precise nature of long-term changes to the CAP are speculative because such changes will largely depend on the division of power between reformist and more conservative MSs (Erjavec *et al.*, 2011). For instance, pressure from the net contributor MSs to reduce CAP spending has recently increased; therefore, there has been considerable pressure for a re-nationalization of the First Pillar, in which all MSs would be required to co-finance CAP direct income support from national funds. Concurrently, in the context of the WTO trade liberalization agenda, the discussion centres on the distortionary impact of subsidies on agricultural markets and how the effects differ by types of subsidy. Uthes *et al.* (2011) analysed the impacts of abolishing direct payments showing that although rich regions, with a moderate dependence on direct payments and either a relatively competitive agricultural sector or a highly diversified sector, will find a means to cope with such a relevant policy change, poor regions, with less favourable conditions for agriculture and insufficient marketing, processing and sales structures as well as a high dependence on direct payments, will be most severely affected.

Overall, it must also be noted that the introduction of the decoupling policy coincides with a period of relevant increase in uncertainty. Specifically, in the past decade, developments in world markets, which have led to increasing volatility of global food prices and rising food security concerns, have also led to calls for maintaining agricultural support, stimulating farm investments and adopting productivity-enhancing modern technologies (Rizov *et al.*, 2013). Consequently, the debate on CAP post-2013 has focused on the contrast between food security arguments and the provision of environmental services.

Although the solutions proposed by the so-called "productionist frame" is to maintain a strong First Pillar to increase productivity and stimulate public goods provision, proponents of the "environmental frame" argue that the CAP needs to be re-focused and should consider both food production and the provision of environmental services as an integral part of European agriculture by means of better targeted income support and innovation incentives (Candel *et al.*, 2014). It is indeed not surprising that representatives of farmers, whose core business is to produce food, deploy the productionist frame and that environmental NGOs primarily use the environmental frame. It follows that the fractured consensus among stakeholders regarding food security and the provision of public goods has generated strong disagreement about the appropriate course of action and how a future CAP should facilitate such actions.

Because agricultural and, increasingly, environmental interests are traditionally the most dominant interests in European agricultural policy formation, EU institutions have attempted to respond to new economic, social, environmental, climate-related and technological challenges by identifying new objectives and new policy instruments that could improve the socio-economic conditions of European farmers (Huang *et al.*, 2010). Therefore, the need for better targeting of support, which would improve spending quality and remunerate farmers for the public goods that they provide, led to an innovative scheme of direct payments (Westhoek *et al.*, 2013).

2.2 The new direct payments: aims and structure

The CAP 2014-2020 will address a set of challenges, with a few being unique in nature and a few being unforeseen, which press the EU to make strategic choices regarding the long-term future of its agriculture; these are: 1) guarantee viable food production and 2) promote the sustainable management of natural resources and actions to mitigate climate change. Based on these main targets, certain priorities have been acknowledged for each pillar. The intervention logic for the First Pillar involves some specific objectives that must be achieved by direct payments (EGMEC, 2015):

a. contribute to farm incomes and limit farm income variability in a manner that includes minimal trade distortion;
b. improve the competitiveness of the agricultural sector and enhance its value share in the food chain;
c. maintain market stability;
d. meet consumer expectations;
e. provide public goods;
f. pursue climate change mitigation and adaptation.

The need for improving the effectiveness of the public resources spent requires a clear link between policy decisions and CAP targets (Grant, 2010; van Ittersum *et al.*, 2008). Obviously, these choices must also be related to the national context and priorities and, therefore, should be adopted after a deep analysis of the primary sector's socio-economic indicators. Article 110 of the Horizontal Regulation[1] proposed the establishment of a common monitoring and evaluation framework that includes a set of indicators to measure the performance of the CAP. Thus, the Expert Group on Monitoring and Evaluating the CAP (EGMEC), which assists the EC in the preparation of legislation and in policy definition, has provided a set of result indicators. Table 1 shows a selection of indicators that are referred to as the First Pillar and that can be used to create an *ex ante* evaluation of the results of national decisions on direct payments schemes (Ciliberti and Frascarelli, 2013; van Ittersum *et al.*, 2008).

The new direct payments system will preserve certain features of the current SPS (Tranter *et al.*, 2007). Farmers must own or obtain entitlements and possess eligible hectares as well as observe the cross compliance rules. The new scheme is composed of an income support component (the basic payment and young farmers' scheme) and a public goods provision component (greening) (Overmars *et al.*, 2013). As shown later, MSs are able to activate other optional payments (Table 2). These policy choices determined the financial ceilings for each payment because the greening percentage has solely been established directly by the EU[2].

The basic payment, the greening and young farmers' scheme must necessarily be activated by each MS. The basic payment scheme ceiling is obtained by deducting from

[1] Regulation (EU) no 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008.

[2] Regulation (EU) no 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009.

Table 1. First pillar objectives and result indicators.

General objectives	Specific objectives	Result indicators
Viable food production	Enhance farm income	- Share of direct payments in agricultural income - Variability of farm income
	Improve agricultural competitiveness	- Share of value added for the primary producers in the food chain - Share of exports in world markets - Share of high value-added products in exports
	Maintain market stability	- Commodity price compared with that of the rest of the world - Commodity price volatility - Commodity price volatility compared with that of the rest of the world
	Meet consumer expectations	- Share of organic area in total UAA - Share of organic livestock in total livestock
Sustainable management of natural resources and climate action	Provide environmental public goods	- Share of (permanent) grassland in agricultural land - Share of arable land - Share of Ecological Focus Area (EFA) in agricultural land
	Climate change mitigation and adaptation	- Net greenhouse gas (GHG) emissions from agricultural soils

Source: 6th meeting of the EGMEC (2015).

Table 2. The architecture of direct payments 2014-2020.

Payment	Mandatory/ Optional	Financial ceiling
Basic payment scheme	Mandatory	Residual (68%-18%)
Redistributive payment	Optional	30% max
Payment for agricultural practices that are beneficial for the climate and the environment (greening)	Mandatory	30%
Payment for young farmers	Mandatory	2% max
Payment for areas that have natural constraints	Optional	5% max
Coupled support	Optional	13% max + 2% (support protein crops)
Small farmers' scheme	Optional	10% max (sourced from direct payments scheme)

Source: Regulation (EU) 1307/2013.

the national ceiling the amounts that are utilized for the other (mandatory or optional) payments. The payment for agricultural practices that are beneficial for the climate and the environment shall receive a fixed percentage, 30%, of the annual ceiling. To receive this payment, the farmers must implement three standard measures[3]. The young farmers' scheme shall receive a percentage of the annual national ceiling that is not higher than 2%; it provides a payment to farmers with specific features.

With regard to the optional payments, the coupled support scheme could be used to maintain levels of production in certain sectors or in certain regions where specific types of farming or specific agricultural sectors experience difficulties and are particularly important for economic, social and/or environmental reasons. Because Italy allocated more than 5% of its available payment amount to granting the specific supports to Article 68[4] for the 2014-2020 period, it may decide to use the maximum percentage (13%) of the annual national ceiling. This percentage may be increased by up to 2 percentage points in those MSs that decide to support the production of protein crops. Payment for areas that have natural constraints could be granted to farmers whose holdings are either fully or partly situated in disadvantaged areas, which are designated by MSs. To finance this payment, a maximum of 5% of the annual national ceiling could be used. The redistributive payment could receive up to 30% of the amount that is available for direct payments. If Italy adopts this option, no more than the first thirty hectares of each farm will receive a supplement, which could attain a maximum of 65% of the average payment per hectare. Finally, if introduced, the small farmers' scheme must replace other direct payments. To finance this payment, MSs shall deduct the amounts to which the small farmers would be entitled from the other direct payments funds.

2.3 The application of direct payments in Italy

The Italian budget for direct payments for 2013-2019 totals 27,090 million €, or nearly 3,800 million € every year. The main national choices of the Italian government are summarized in table 3 and are described in detail below.

First, to address a number of legal loopholes that have enabled a limited number of companies to claim direct payments although their primary business activity is not agricultural, the reform tightened the rule on active farmers. Italy extended the so-called "negative list" to include further business activities that should be excluded from receiving direct payments (covering airports, railway services, water works, real estate services and permanent sports and recreation grounds). In addition, the government established criteria to identify active farmers, with flexible requisites for farmers in mountain areas and selective conditions for other areas. Regarding the minimum requirement for receiving direct payments, Italy decided not to grant direct payments to a farmer when the total amount of direct payments claimed is less than 250 € (regardless of the farm size) in 2015-2016 and less than 300 € after 2017.

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[3] These include crop diversification (which involved cultivating at least two or three crops, depending on the amount of arable land that is owned), permanent grassland (which does not allow farmers to plough the designated, environmentally sensitive areas), and ecological focus areas (EFAs) (which involves maintaining at least 5% of arable land that is recognized as an EFA).

[4] Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003.

The Italian government decided to apply the so-called Irish model for internal convergence, which is based on the calculation of the Initial Unit Value (IUV). In practice, the 'value' that is carried forward from 2014 is spread across the 'number' of entitlements that is allocated to the farmer in 2015. This IUV forms the basis of all subsequent convergence calculations for the value of those entitlements for each year of the scheme. All entitlements held under the basic payment scheme are subject to convergence. In simple terms, those who hold entitlements with an IUV that is above the basic payment scheme national average will observe the value of their entitlements decrease over the five years of the scheme, whereas those with entitlements with an IUV that is below 90% of the national average will observe the value of their entitlements increase gradually over the five years of the scheme. Those who hold entitlements that have an IUV between 90% and 100% of the national average value will observe no change. In addition to the standard level of convergence outlined above, a further test is applied whereby all farmers must achieve a minimum entitlement value of 60% of the national average by 2019. If a farmer does not reach 60% under standard convergence, then the value of his entitlements will be increased in equal increments to ensure that the level is reached by 2019.

The allocation of national resources across seven components of direct payments was as follows (Table 3): the basic payment scheme received 58% of resources, greening received 30% of the budget (as established by Reg. 1307/2013), the young farmers' scheme

Table 3. Italian choices on direct payments.

Decision	National choice
Active farmer (exemption threshold to be an active farmer)	<1250 € for other areas; <5000 € for mountain areas.
Minimum requirements for receiving direct payments	<250 € direct payments in 2015-2016; <300 € direct payments in 2017
Type of regionalization/model of internal convergence	National/Irish model
Basic payment scheme	58% of national budget
Redistributive payment	No
Greening (amount of payment)	30% of national budget (calculated as 30% of payment entitlements held by the farmer)
Areas that have natural constraints	No
Young farmers' scheme	1% of national budget (value: 25% of the average value of payment entitlements)
Coupled support	11% of national budget (of which: 25.1% for beef, 20.8% for milk, 16.4% for olive oil, 14% for cereals, 8.3% for protein crops, 5.3% for rice, 4% for sugar beet, 3.5 for sheep, 2.6% for industry tomato)
Small farmers scheme (max. payment)	Yes (<1,250 €)
Degressivity and Capping (% reduction of direct payments)	50%, if dir. paym.> 150M €; 100%, if dir. paym.>500M €; salary costs deducted.

Source: Our elaboration on European Parliament (2015).

received 1% of national funds, the coupled payment received 11% of funding and the small farmers' scheme was activated. The redistributive payment and the payment for areas with natural constraints were not activated.

Regarding the greening payment, the amount received by every farmer who implements the three standard greening measures will be calculated as an annual fixed percentage of the value of the entitlements activated by the farmer under the basic payment scheme. Regarding the young farmers' scheme, it is given (for a maximum period of five years) to farmers who participate in the basic payment scheme, who are aged no more than 40 years in the year when they first submit an application under the basic payment scheme and who are establishing an agricultural holding for the first time or establishing such a holding during the five years preceding the first submission of the direct payments scheme. In Italy, the young farmers' payment will be calculated as 25% of the value of the entitlements activated by the farmer under the basic payment scheme multiplied by the number of entitlements activated by the farmer (no more than 90 hectares).

With regard to the voluntary coupled payment, nearly 400 million € are provided annually to the livestock, arable lands and the olive oil sectors. In particular, nearly 50% of the coupled support budget is allocated to animal production (milk, beef, sheep and goat), 35% to arable crops (cereals, protein crops, tomato, sugar beet, and soybean), and the remaining funds incentivize olive oil production.

The small farmers' scheme establishes that farmers receive an annual payment of no more than 1,250 €, regardless of the farm size. Italy chose a method to calculate the annual payment whereby farmers would simply receive the amount they would otherwise receive. This method will be a considerable simplification for the farmers concerned and for the national administration because participants will be exempted from greening and cross-compliance sanctions and controls.

Finally, in Italy, the amount of direct payments support that an individual farm holding receives (not including the greening payment) is reduced by 50% for amounts above 150,000 € (i.e., degressivity) and by 100% for those above 500,000 € (i.e., capping); to consider employment, salary costs are deducted before the calculation is performed.

2.4 Methodology

The CAP Reform has offered an important opportunity to every MS to better adapt economic and financial instruments (direct payments) to their policy targets (Erjavec *et al.*, 2011). Therefore, national policymakers' choices on direct payments should be based on rational and objective criteria. As previously noted, this article's objective is to evaluate whether and how the decision made by the Italian Government may affect the main objectives of the CAP 2014-2020. According to this purpose, the following methodology was adopted:

1) a questionnaire was implemented and an on-line survey was disseminated to nearly one hundred CAP experts using Soscisurvey software during the spring of 2015;
2) a 7-point Likert scale was adopted to allow respondents to evaluate the potential impacts of Italian choices on direct payments 2014-2020 using appropriate indicators established by the Expert Group on Monitoring and Evaluating the CAP (EGMEC, 2015) for the common monitoring and evaluation framework of the CAP (Ciliberti and Frascarelli, 2013);

3) 25 questionnaires were collected, and descriptive statistics were provided to elucidate the possible impacts due to Italian choices for the First Pillar as well as to evaluate coherence with CAP specific objectives concerning food security and sustainable food production.

The survey was distributed to both academic representatives (professors and researchers) and stakeholders (both private and public), who were involved using contacts taken from different sources (personal contacts, institutional websites, and scientific papers). This choice allowed thorough information and evaluations to be obtained not only from the theoretical perspective but also considering the real implications and impacts of the Italian direct payments scheme on the primary sector. As shown in Table 4, the response rate was 25%, and the respondents are distributed among the different positions/roles with the sole exceptions of politicians. The academic world is sufficiently represented by professors (28% of the sample); private interests in the agricultural sector (private managers, private employers and stakeholders total 40% of the sample) and, to a lesser extent, public controllers (8% of the sample) are sufficiently represented as well. Finally, the remaining respondents ("others" are 28% of the sample) represent various positions/roles (e.g., consultants, researchers and agronomists).

Table 4. Characteristics of respondents: position/role (n=25).

Position/role	%
Professor	28.0
Other (consultant, researcher, and agronomists)	24.0
Stakeholder	16.0
Private manager	12.0
Private employer	12.0
Public manager	4.0
Public official	4.0
Politician	0.0

The low rate of response is not surprising because the issue is also not deeply known by the stakeholders, particularly regarding the consistency between decisions and policy objectives. The absence of politicians and the scarcity of answers from agricultural professional organizations represents a disadvantage. However, this scarcity is because policy makers have a lower opinion of completing a survey and most likely do not prefer to publicly evaluate the results of their decisions; these are very often strongly affected by the path dependence. In contrast, the fact that more than 50% of respondents are professors and researchers may be because, on the one hand, of the complexity of the issue (higher for policymakers and stakeholders than for scholars) and on the other hand, of the greater propensity to complete an on line survey. Nevertheless, the prevalence of answers from the academic world may have certain positive implications for the reliability of the results because they, in contrast to politicians, usually are not influenced by conflicts of interests and can therefore offer a more objective evaluation of the implications of the national choices on direct payments.

3. Findings and discussion

3.1 Findings

Experts were requested to evaluate Italian choices on direct payments for 2014-2020 to test the effectiveness and consistency of the CAP First Pillar compared to its specific objectives. As previously noted in the conceptual section, the need for viable food production and sustainable management of natural resources are the main general objectives of CAP reform 2014-2020. These two main goals generate many specific objectives; the means by which these latter could be achieved is verified by means of *ad hoc* result indicators that have been established by the EGMEC. Respondents provided a subjective assessment by means of a 7-point Likert scale based on their own knowledge regarding the new direct payments scheme in Italy. Overall, the evaluations provide an interesting picture of the possible consequences of the application of direct payments for the Italian primary sector as well as highlight certain incongruences between the CAP targets and their application in one of the most important primary sectors for the EU-28.

Descriptive statistics of the survey are reported in Table 5. Concerning the first general objective (viable food production), four specific objectives were adopted. With regard to the purpose of enhancing farm income, respondents criticize the capability of direct payments to both increase the share of direct payments of agricultural income (mean = 3.2; sd = 1.47) and limit the variability of farm income (mean = 3.68; sd = 1.47). In sum, more than 60% of respondents believe that the reform of decoupled payments will fail to increase farm incomes in Italy. Similar (negative) results concern the ability of the new direct payments scheme to maintain market stability, although the new Common Market Organizations also contribute to realizing this objective. In detail, a majority of experts negatively evaluate the impacts of the decoupled aid reform on i) stabilizing the prices of Italian agricultural commodities compared with those of the rest of the world (mean = 3.44; sd = 1.39), ii) limiting the price volatility of Italian agricultural commodities (mean = 3.48; sd = 1.53) and iii) limiting the price volatility of Italian agricultural commodities compared with that of the rest of the world (mean = 3.36; sd = 1.41). In addition, it must be noted that a large share of respondents (28% of the sample) claim to "have no knowledge" of such tricky issues due to the difficulty of expressing justified and reliable opinions.

As regards the third specific objective, experts very positively assessed the impact of Italian choices on improving agricultural competitiveness. In fact, many experts note that in the future, the share of high value added products of Italian agricultural exports may increase (mean = 4; sd = 1.32), perhaps following and strengthening the current positive trend of high-quality Italian foodstuffs exported all over the world. Conversely, regarding the impacts of new decoupled payments scheme on i) increasing the percentage of value added for primary producers in the food chain (mean = 4; sd = 1.61) and on ii) increasing the share of Italian exports in world agricultural markets (mean = 4.04; sd = 1.43), there is strong uncertainty (i.e., the share of those who say they "have no knowledge" total 12% and 36%, respectively).

Finally, with respect to the aptitude to meet consumer expectations, CAP experts evaluate the direct payments reform in Italy very positively. In particular, due to the greening payment and the internal convergence of the basic payment that will support extensive farming, the new scheme of direct aids could truly enhance high quality produc-

Table 5. *Ex ante* evaluation of Italian choices on direct payments for 2014-2020: descriptive statistics (n=25).

General objectives	Specific objectives	Result indicators	Negative (%)	Have no knowledge (%)	Positive (%)	Mean1	sd1
Viable food production	Enhance farm income	Increasing the share of direct payments in agricultural income	76.0	0.0	24.0	3.20	1.47
		Limiting variability of farm income	60.0	4.0	36.0	3.68	1.31
	Improve agricultural competitiveness	Increasing the percentage of value added for primary producers in the food chain	44.0	12.0	44.0	4.00	1.61
		Increasing the share of Italian exports in world agricultural markets	28.0	36.0	36.0	4.04	1.43
		Increasing the share of high value-added products in Italian agricultural export	32.0	24.0	44.0	4.00	1.32
	Maintain market stability	Stabilizing the price of Italian agricultural commodities compared with that of the rest of the world	48.0	28.0	24.0	3.44	1.39
		Limiting the price volatility of Italian agricultural commodities	48.0	28.0	24.0	3.48	1.53
		Limiting the price volatility of Italian agricultural commodities compared with that of the rest of the world	52.0	28.0	20.0	3.36	1.41
	Meet consumer expectations	Increasing the share of organic area in total Utilized Agricultural Area (UAA)	24.0	16.0	60.0	4.52	1.50
		Increasing the share of organic livestock in total livestock	20.0	24.0	56.0	4.32	1.28
Sustainable management of natural resources and climate action	Provide environmental public goods	Increasing the share of permanent grassland in agricultural land	44.0	24.0	32.0	3.84	1.31
		Increasing the share of arable land	64.0	16.0	20.0	3.16	1.25
		Increasing the share of Ecological Focus Areas (EFA) in agricultural land	20.0	16.0	64.0	4.56	1.29
	Climate change mitigation and adaptation	Limiting the greenhouse gas emissions from agricultural soils	24.0	16.0	60.0	4.36	1.25

[1] 1 = Very negative; 2 = Fairly negative; 3 = Somewhat negative; 4=Have no knowledge; 5= Somewhat positive; 6=Fairly positive; 7= Very positive.

tion by increasing the share of the organic area among the total utilized agricultural area (mean = 4.52; sd = 1.5) as well as by increasing the share of organic livestock among the total livestock (mean = 4.32; sd = 1.28).

The second main general objective of CAP 2014-2020, the sustainable management of natural resources and climate action, entails two specific objectives that must be achieved according to the EGMEC: provide environmental public goods and foster climate change mitigation and adaptation. Regarding the first specific objective, on the one hand, the CAP experts positively evaluate the manner in which direct payments reform may increase the ecological focus areas (mean = 4.56; sd = 1.29) as well as limit the increase in the share of intensive arable farming (mean = 3.16; sd = 1.25). On the other hand, the experts do not predict a relevant increase of the share of permanent grassland of agricultural land (mean = 3.84; sd = 1.31).

Finally, with regard to the potential impact of limiting greenhouse gas emissions from agricultural soils, the new decoupled payments scheme was evaluated to be capable of (at least) beginning to confront this large challenge (mean = 4.36; sd = 1.25), most likely due to the introduction of new direct payments components (e.g., greening) that for the first time in CAP history, aims to foster the provision of public goods instead of solely enhancing production.

3.2 Discussion

Experts' evaluations concerning the potential impact of Italian direct payments on result indicators established by the EGMEC offer the opportunity to test the consistency between the policy decisions and the specific objectives of the First Pillar. The descriptive statistics obtained by questionnaires collected in Italy provide interesting results. Although it is difficult to isolate and evaluate the effects of the new direct payments scheme in a real multifaceted sector, in which, among other things, world market dynamics are increasingly influencing farmers' outcomes, the results may represent a preliminary test of the capacity of the Italian Government to make decisions that are consistent with CAP 2014-2020 targets to confront the challenges of the 21st century. Considering the results of the empirical study, the research questions are discussed below.

Regarding the first research question, the findings highlight that the reform of direct payments is not able to enhance (or at least preserve) farm income in a very challenging economic framework, in which Italian farmers are now exposed to unpredictable price volatility and global competition. In fact, Italy is subjected to a clear reduction in direct payments budget (due to external convergence processes aiming to equilibrate the CAP among the EU-28) as well as to the internal convergence processes that will determine the decrease in direct support received by traditional Italian production (e.g., milk, olive oil, and arable crops), whose income strongly depends on direct aid. At the same time, the new direct payments regime cannot maintain stability in a turbulent world agricultural market. This finding is definitely consistent with the new CAP paradigm, which has progressively shifted from a protectionist approach towards a market-oriented approach since the 1990s and in which market stability tools have been progressively discarded or at least deeply reshaped.

Moreover, experts assess the decisions on direct payments made by the Italian government as partially suitable to improve agricultural competitiveness. More precisely, whereas there is much uncertainty regarding the capabilities of decoupled aid to foster an increasing value-add for primary producers as well as regarding the share of Italian foodstuffs exports in world markets, evaluators consider Italian choices on the direct payments scheme adequate for increasing the share of value-added products in agricultural exports. In sum, although all these potential effects are difficult to attribute to new CAP reform on decoupled aids alone, the survey shows that this type of support may at least maintain the current positive trend of Italian foodstuffs exports in world markets.

Another interesting topic is the capability of the Italian direct payments scheme to meet consumer expectations, namely, to foster farmers' action or to change their attitudes to fulfil market requests. The findings show that the reform of decoupled payments in Italy may significantly improve the manner in which the agricultural production is able to satisfy consumers' wants due to the incentivisation of both organic farming and livestock, which are widely perceived as synonymous with high quality and safe production.

To summarize, the findings highlight that the new direct payments scheme is not able to directly enhance farm income or protect farmers from world market turbulence due to the external and internal convergence processes and the ongoing dismantling of old market policies. At the same time, new decoupled aids could positively contribute to viable food production by improving the agricultural competitiveness of Italian farms, supporting increasing exports of high value-added foodstuffs on the one hand and fulfilling consumer expectations (for instance, through high quality organic farming) on the other hand. These results confirm that in accordance with European trends, the implementation of direct payments in Italy no longer strives to directly support farm income, but seeks to foster Italian farm competitiveness to make them able to confront world market challenges.

Furthermore, because certain key targets of the CAP 2014-2020 reform process were the provision of public goods and the sustainable management of agro-ecosystems, experts were also requested to assess the potential effects of the new Italian direct payments scheme on these issues. Therefore, with regard to the second research question, the evaluations appear to reveal that Italy could succeed in containing intensive crop farming and increasing the share of ecological areas in utilized agricultural areas. These results may be due to the introduction of the greening payment on the one hand and to the combined effect of the internal convergence (that finally fosters extensive farming) and the decision to assign a relevant portion of coupled support to mountain livestock on the other hand. Overall, primarily for the same reasons previously noted, the application of direct payments in Italy may help limit greenhouse gas emissions from agricultural soils. In sum, the findings show that Italian choices for direct payments are capable of ensuring sustainable food provision or at least positively exploring this new route along the old CAP history, which is smartly summarized by the slogan "public money for public goods," and that which may represent the serious future challenges for European agriculture beyond 2020.

4. Conclusions

CAP reform 2014-2020 entails a deep revision of direct payments. In a general economic, financial and policy framework where public funds represent scarce resources, European institutions and MSs must carefully manage such a relevant policy, which involves millions of farmers across the EU-28. To realize a reform that is more targeted to recipients and to foster effective public spending, for the first time in CAP history, each MS received a strong mandate to manage the First Pillar. Obviously, this new approach involves Italy, where policymakers are strongly involved in making relevant decisions concerning the new direct payments scheme.

This paper offered a sort of *ex ante* evaluation of the ability of these Italian choices of direct payments to match the general and specific objectives of the CAP 2014-2020 reform. The EGMEC result indicators allow experts to assess whether and how newly decoupled support helps Italian agriculture achieve these targets. Although, on the one hand, the survey mainly involved scholars rather than politicians or agricultural professional organizations and, on the other hand, such an evaluation may be tricky and generic because it is usually very difficult to separate and clearly distinguish the effects of policy implementation from the impacts of markets dynamics, the findings show a discrete ability of the new Italian direct payments scheme to pursue the CAP-specific objectives, mainly ensuring viable food production and fostering the sustainable management of natural resources.

Findings (reported in Table 5) have shown that the evaluators considered that direct payment reform 2014-2020 will have specific impacts in Italy, which are described below:

1) a slight but negative effect on farm incomes caused by both the decrease in the Italian budget for direct payment and the regionalization of direct aids; however, such negative effects are counterbalanced by the so-called "Irish model" of internal convergence that may lessen the economic shock due to the redistribution of payments across farms and regions;

2) an improvement in farm competitiveness, increasingly influenced by a strong liberal and market-oriented approach and by peculiarities of the Italian reform of direct payment (e.g., the "Irish model", coupled supports). Consequently, Italian farms will need to rely on their main strengths (e.g., high-quality and high value-added products) instead of on direct aids to acquire a strong position in a competitive world market, enhance their incomes and indirectly contribute to viable food production;

3) no enhancement of global agricultural market stability because direct payments are not allocated to regulate market functioning, in contrast to the Common Market Organization (Reg.EU 1308/2013), which is properly devoted to such an issue;

4) a positive impact on the agro-ecosystem due to the increased ecological area and a decrease in greenhouse gas emission; in particular, Italian choices have not significantly modified the "environmentally friendly" approach of the direct payment reform to convince the CAP experts that such environmental goals will be achieved.

In conclusion, the evaluation of the impact of Italian choices on the EGMEC result indicators allowed the experts to emphasize that on the one hand, direct aid may contribute to improving agricultural competitiveness and fulfilling consumer expectations, whereas on the other hand, there are certain specific objectives that may not be achieved, e.g., the enhancement of farm incomes and the maintenance of market stability. Furthermore, the introduction of greening payments represents a very important innovation in the CAP; this manages to reinforce environmentally friendly practices in the primary sector or at least to begin diffusing the sustainable management of natural resources in Italy, to foster the provision of public goods and mitigate climate change by 2020.

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