



International conference

**“Using Evaluation to Enhance the Rural Development Value of Agri-
environmental Measures”**

PÄRNU (ESTONIA), JUNE 17-19, 2008

HIGH NATURE VALUE FARMING SYSTEMS: AN ECONOMIC PERSPECTIVE

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PURPOSE

- Investigation of the potential economic viability of HNV farming system through a set of basic economic indicators
- FOCUS ON:
- Economics of HNV farms
 - crucial level of decisions on land use and management
 - economic viability: condition for farms being at work

OUTLINE OF THE RESEARCH

- Step 1: identification of HNV farming systems in Italy
- Step 2: economic and structural specification of HNV farms
- Step 3: identification of classes of economic viability



STEP1

identification of HNV farming systems in Italy: methods

- Data: Farm Accountancy Data Network
- Commercial farms (> 4 Economic Size Units)
- 43% on total number of farms
 - 88% on Utilised Agricultural Area
 - 93% on Standard Gross margin
- Random sample
- Three years average (2003 - 2005)
- Typology: Andersen et al. (2003) maximum level for Southern Europe (vs min)
- Not large differences in economic results
 - Larger sample



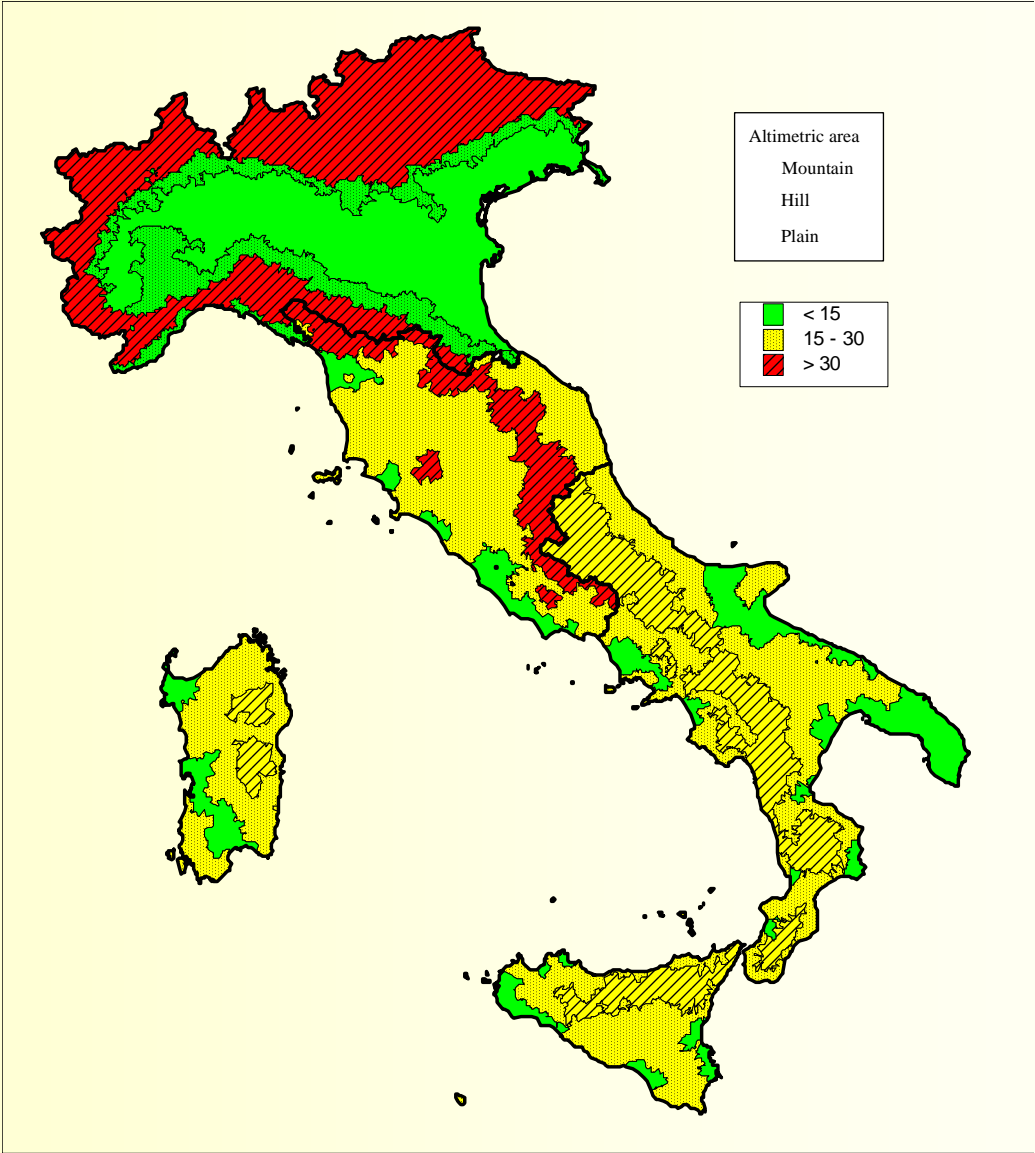
STEP1

identification of HNV farming systems in Italy: results

The extent of HNV vs non-HNV farms

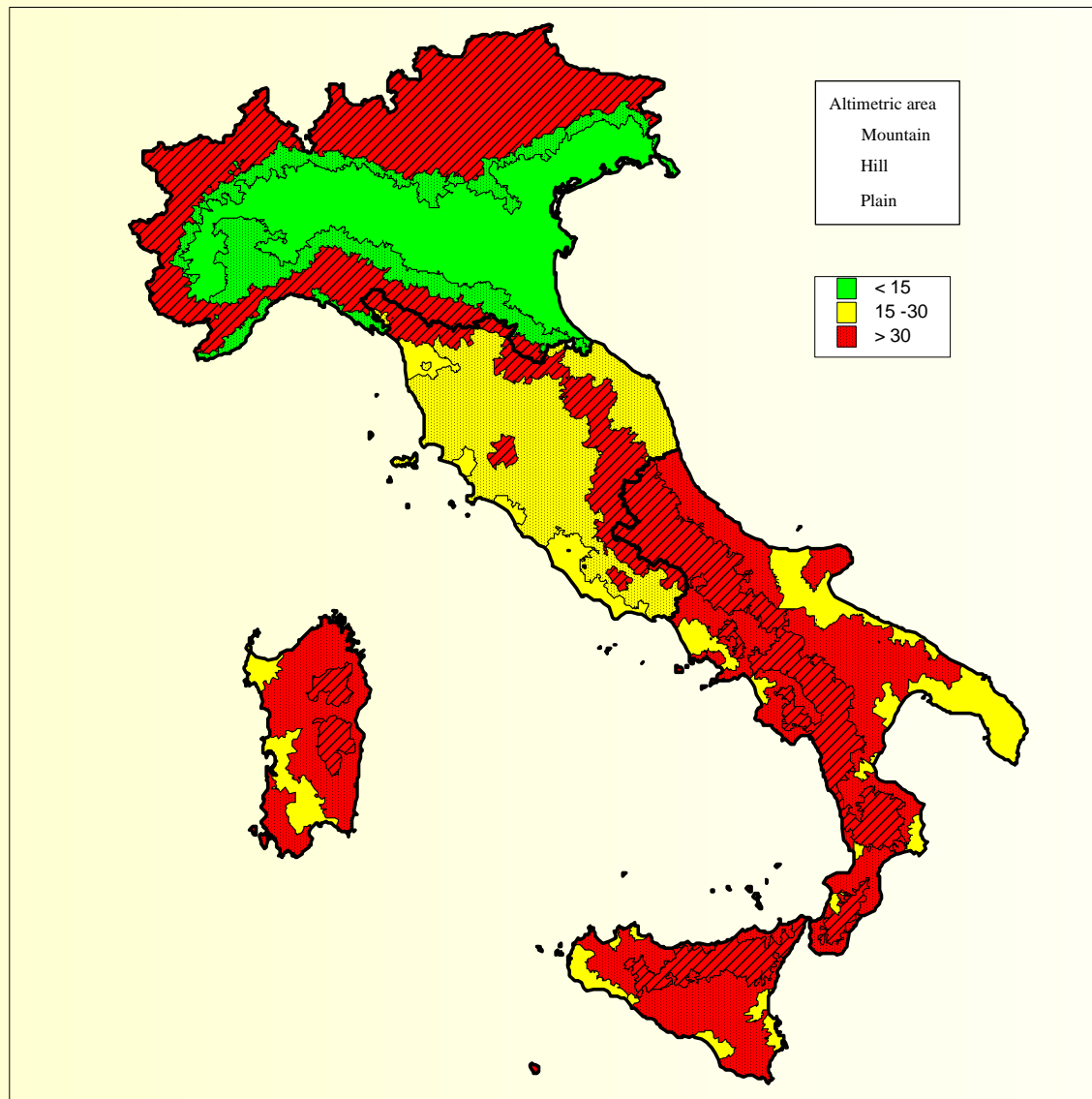
	HNV	non-HNV
Number of holdings	12,6	87,4
Utilised Agricultural Area (UAA)	23,6	76,4
Annual Working Unit (AWU)	9,7	90,3
Net Value Added (NVA)	7,5	92,5

Percentage of HNV farms (number)



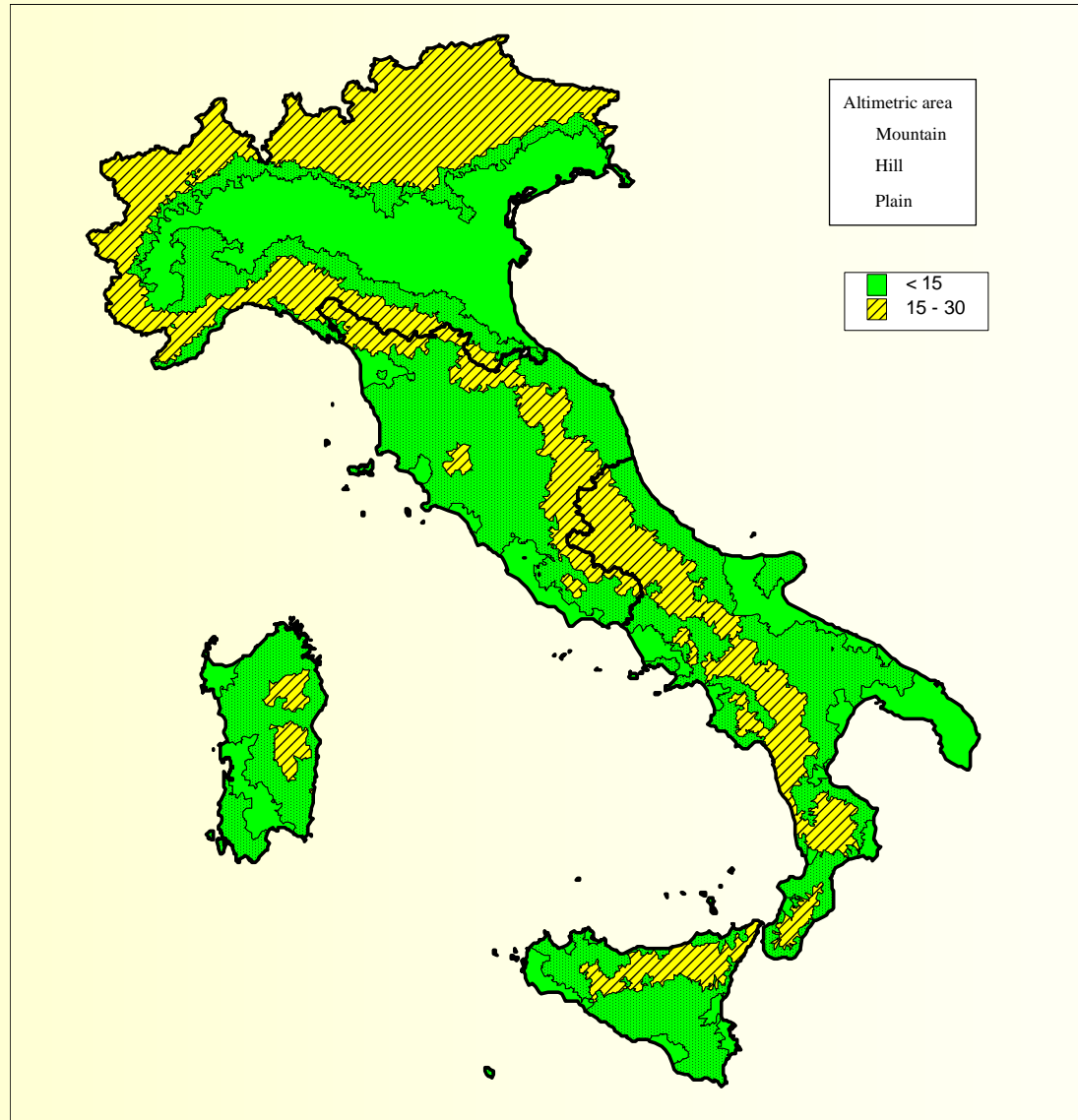


Percentage of HNV farms (Agricultural Area)





Percentage of HNV farms (Net Added Value)



STEP2

economic and structural specification of HNV farms: variables

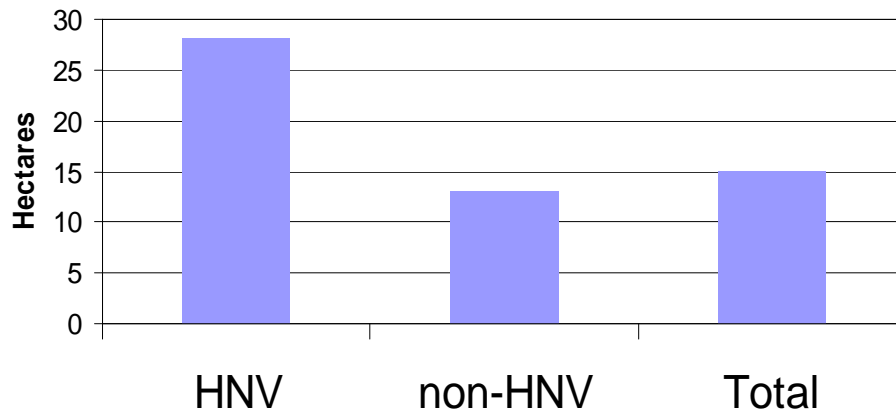
Structural and economic profile of HNV and non-HNV farms

	HNV	non-HNV	Total
Utilised Agricultural Area (UAA)	28,1	13,2	15,0
Net Value Added (NVA)	15.966	28.629	27.029
Annual Working Unit (AWU)	1,0	1,4	1,4
Net Value Added per ha	568	2.177	1.797
Net Value Added per AWU	15.299	20.388	19.893
Net Farm Income (NFI)	11.775	21.014	19.846
Total Assets (TA)	301.193	352.918	346.380
Return on Investment (NFI / TA)	3,9	6,0	5,7
Subsidies	6.823	5.673	5.818
Subsidies on net VA (%)	42,7	19,8	21,5
Family AWU (< 45 years old)	0,2	0,3	0,3
Farmer age	57,3	56,6	56,6

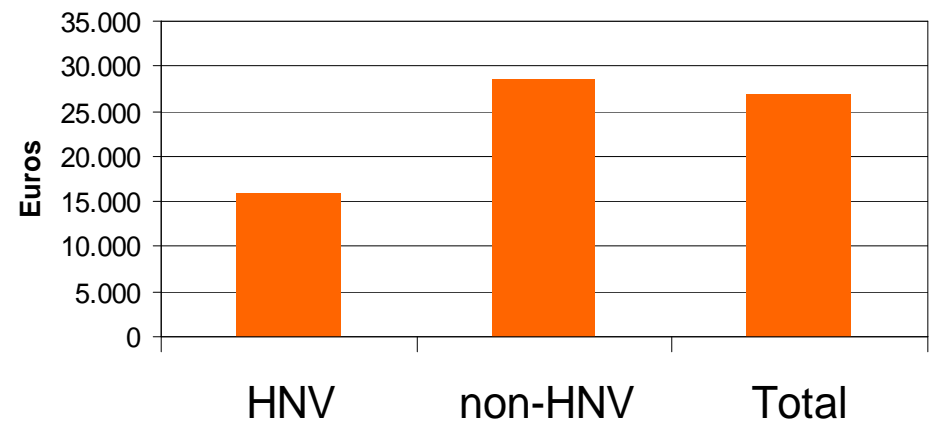
Source: FADN, Italy 2003-2005

The dimension of the farming systems

Utilised Agricultural Area (UAA)

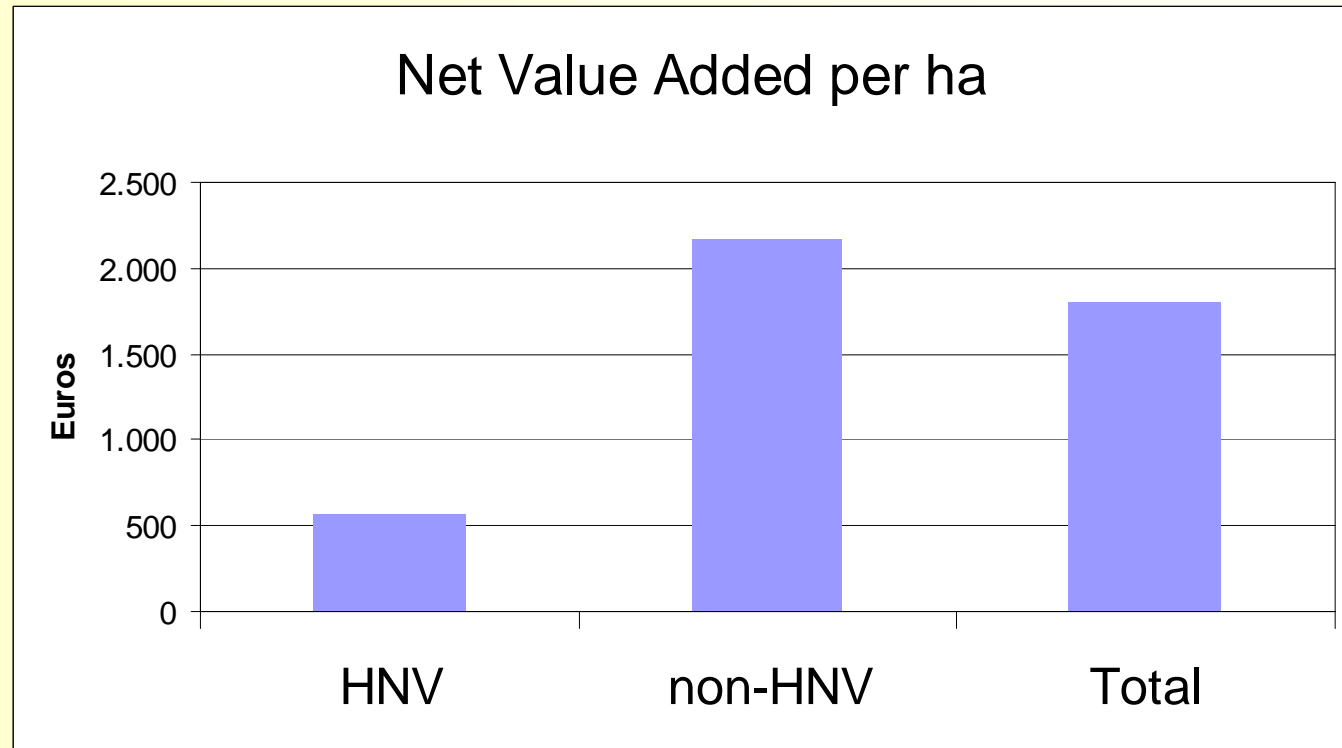


Net Value Added



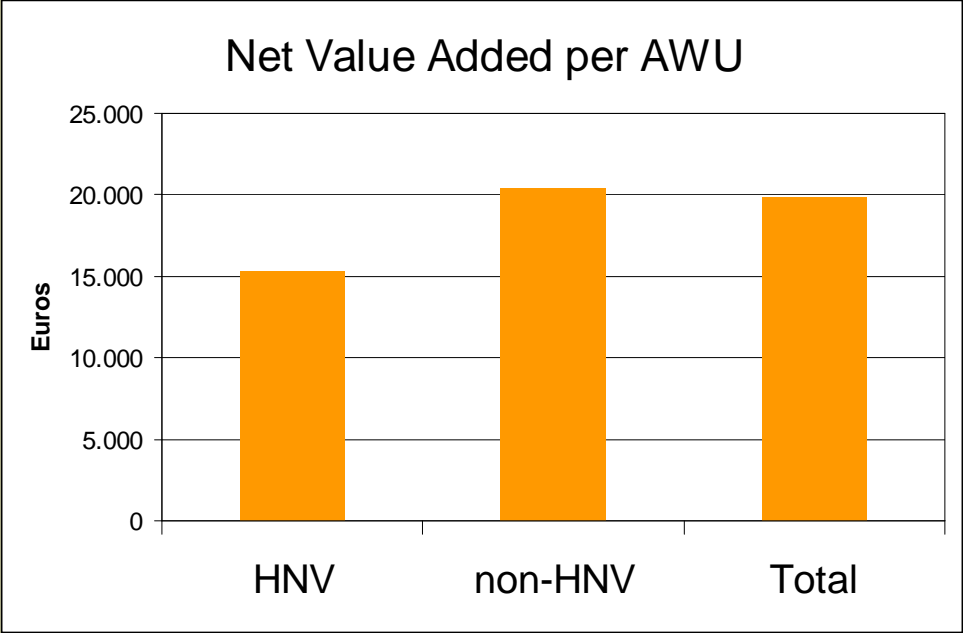


Land Productivity

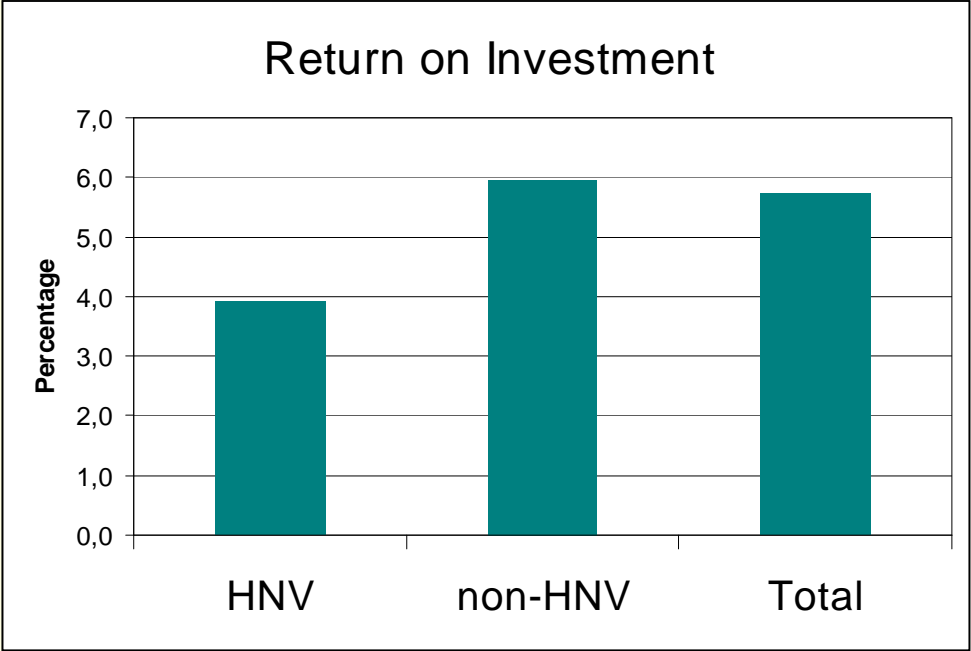




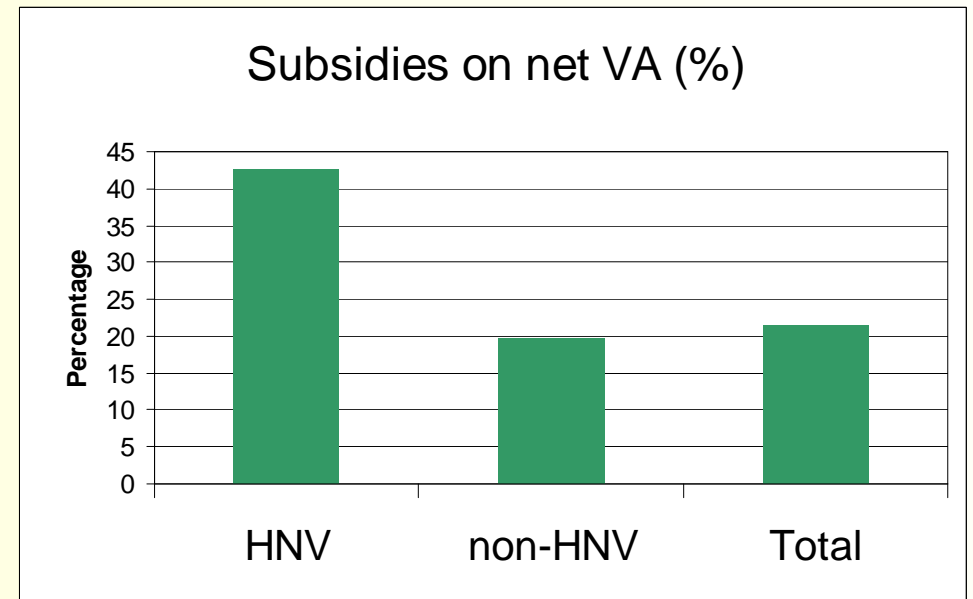
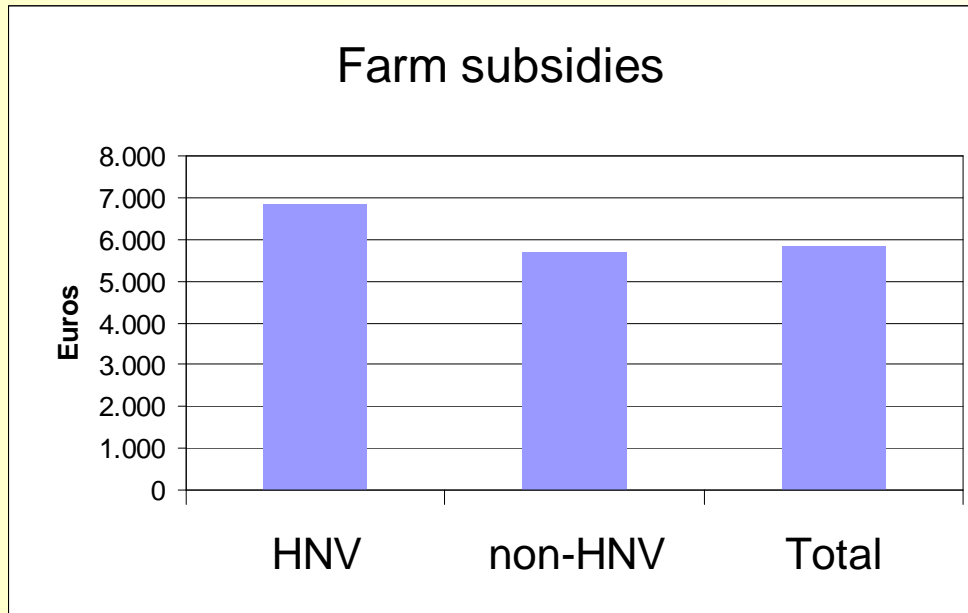
Labour Productivity



Capital Productivity

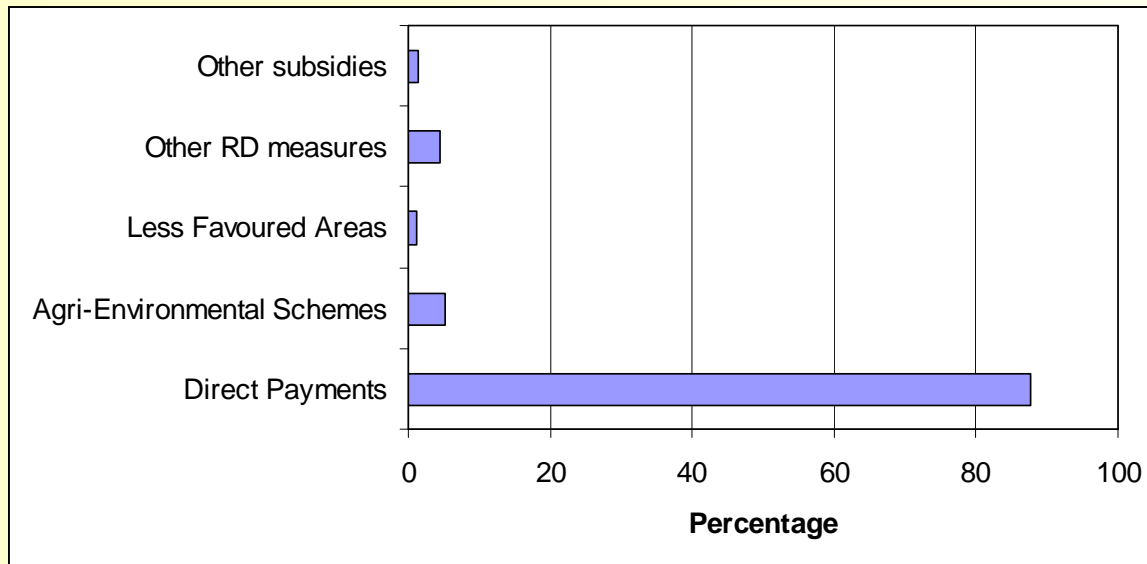


The role of farm subsidies



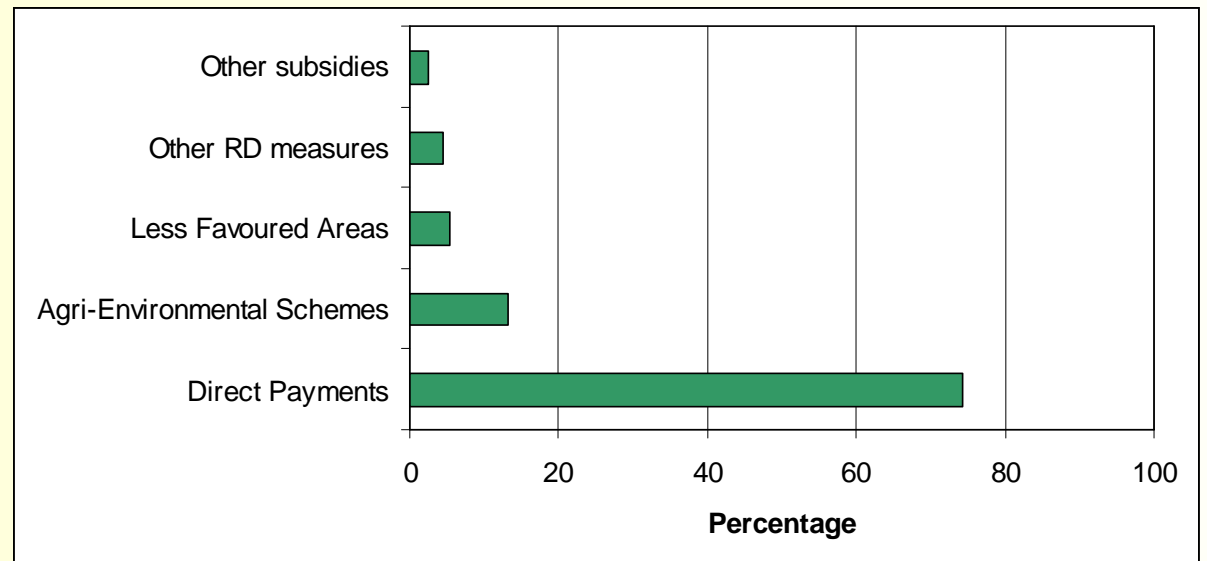


Non-HNV Farms



Distribution of subsidies (%)

HNV farms

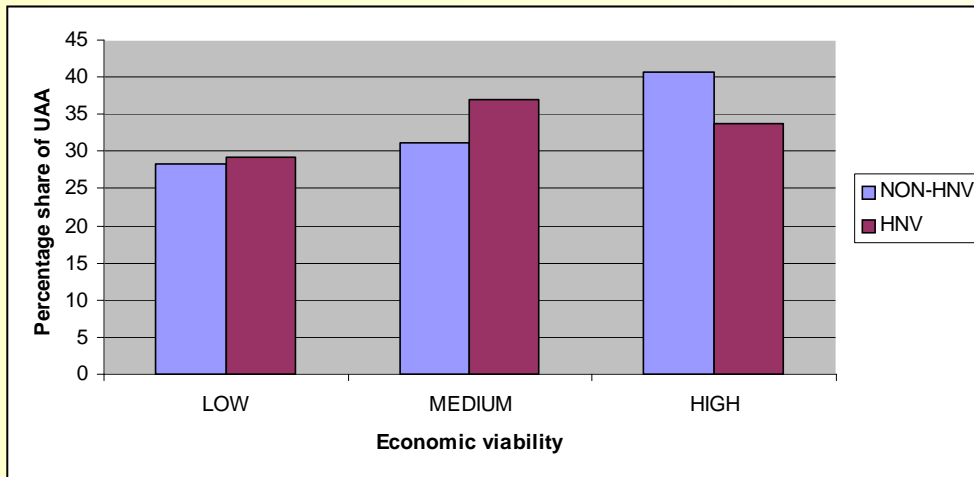




STEP3

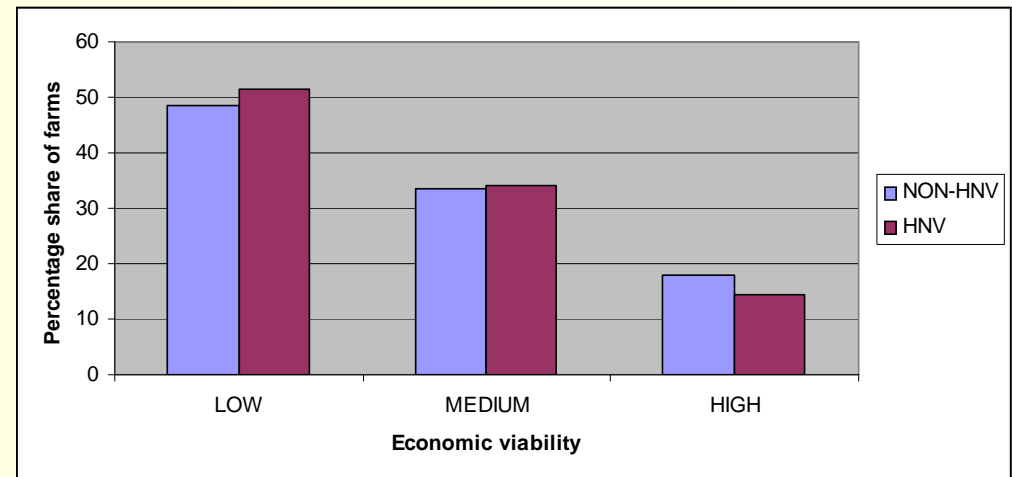
identification of classes of economic viability

Percentage share of UAA



Net value added per AWU

Percentage share of farms





STEP3

identification of classes of economic viability

- Lower class mainly in Southern regions and highlands
- Differences due to external factors
- Need for further investigation
 - focus on types of farming
 - efficiency analysis

Future work

- This is a first and basic investigation of HNV farming systems in Italy
- Future AIM: analysis of links between efficiency and environmental performance (and role of subsidies)
- Improving DATABASE:
 - FADN current data (weakness: accounting data and non technical)
 - FADN data integrated with technical data on farming practices and unfarmed features (within farms)
 - Geo-referentiation of FADN data (links between farmer behaviour/land use and biodiversity, i.e. collation with land use approach)



CONCLUDING REMARKS AND RECOMMENDATIONS

- Economic differences within HNV farms calls for different or targeted policy measures
- A better conservation of HNV farmland through voluntary measures (farmer choices should not be strictly bounded by mandatory measures)
- Subsidies should be better targeted: subsidies should not be only considered (by farmers and policy makers) as compensation for lost incomes and costs increase; but also as a compensation for relevant positive externalities.
- Other policy measures (i.e. market oriented)
- Both farmers and policy makers need a better information on the role of HNV farming systems



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