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Around the success of EU agricultural risk management strategy among Italian farmers

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Abstract

Although farming represents a risky business per se, over the last years farmers have been increasingly threatened by the negative impact of both climate change and price volatility that strongly reduced their sustainability and viability (Adinolfi et al., 2011). To this purpose, the Common Agricultural Policy CAP 2014-2020 supports farmers in order to cope risks at farm level. Indeed, in addition to the previous instruments as insurances and mutual funds, aiming at coping yield losses caused by adverse climatic events, animal or plant diseases, pest infestation, or environmental incidents, CAP provides a new tool to specifically support farmers' severe income drops, namely the Income Stabilisation Tool (IST). However, although this renewed importance on risk management strategy, those tools and also financial instruments suffer a scarce success among farmers, nowadays. For instance, IST instrument, that would potentially provide an overall risk coverage for European farmers (Finger and El Benni, 2014), is not operational and only two Member States (Hungary and Italy) and a Spanish region (Castilla Y Leon) planned expenditures to establish it (for a total of 130 million €). However, since risk management starts at farm level, the main goal of this paper is to explore farmers' perception about the risk management toolkit currently provided by EU in order to face both yield (insurances and mutual funds) and income (IST) risks, with the broader aim of overcoming this stagnating phase of EU risk management strategy. To this purpose, we collected a total of 100 questionnaires among Italian farmers. In particular, the analysis investigated the role of some major aspects in influencing farmers' intention to adopt EU proposed tools, to gain a better understanding of the potential barriers preventing the adoption of such publicly funded instruments.

Based on a preliminary questionnaire, the final survey provided an explorative analysis of the investigated topic, by examining farmers' awareness, probability and knowledge about the impact of risks (both yield and income risks), their subjective knowledge about the existing risk management tools and strategies and their perceived availability. Moreover, farmers have been asked to elicit if they previously adopted any risk management tools and, if not, which barriers prevented this. Finally, the role of trust towards intermediaries and of the information about such tools have been also investigated, as well as respondents' risk preference. Structural equation modelling (SEM) analyzed the relationships among the above mentioned variables. To sum up the main evidences, farmers' perception of risk factors positively influences the intention to adopt risk management tools, as well as their previous adoption, their perceived availability of such tools on the market and their risk aversion. On the contrary, farmers' perceived barriers to adopt such financially supported tools negatively influences their intention. To conclude, some other useful information emerged from the analysis and some input for further research implementation as well.

Keywords: risk management; Common Agricultural Policy; rural development; risk aversion; farmer

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