Maria Patrizia Marino

Perspectives and role of agriculture in the contest of current worldwide crisis

Abstract

Common Agricultural Policy has kept fundamentally a supporting role to the farming productions in the several Countries in order to improve competitive capacity on international market but also to support the working position of human resources and guarantee the anthropic and environmental dimension of territories.
In the light of the fact that the worldwide financial crisis widened to the real economy causing a block of manufacturing system already damaged by competition from emerging Economies (BRICS), Agriculture could represent an important economic sector able to lead the reconstruction on the basis of a new model founded on centrality of Agriculture and economic recovery of human dimension.
Currently, in Italy Agriculture has an incidence on territorial GDP from 3-4% to 9-10% depending on the different considered regions, so that it has yet huge margin of growth and therefore it could represent a reserve for the development for an integrated economic system: territory with environment, agriculture, food processing products, creativity and culture.

Keywords: *Agriculture, Current worldwide crisis, Territorial development.*

Introduction

Current crisis is notcyclical but constitutes a structural transformation of the economic and productive system never experienced before. In this economic model, the industrial system and the services sector have been the driving force, relegating the primary sector to a complementary and marginal role. The result of that conception has meant for less developed Countries a strong backwardness in agriculture up to the levels of subsistence while for Europe the main objective of primary sector focused on production putting the valorization of agriculture in the hands of processing industry and distribution system.

Until the first half of last century agriculture was considered as a synthesis of negative connotations, because agriculture was field of poverty, hunger, ignorance, archaic social relations. Farmers were ashamed to be farmers, and citizens considered them as peasants, ignorant, hungry. Agriculture was also the place of technological backwardness. In 1962, when in Europe Common Agricultural Policy was established, the most of farmers still milked the cows by hand and were reaping the wheat with scythe.

The early CAP through market price support policies, was to encourage agricultural productivity, ensuring a stable supply of affordable food to consumers and ensuring a viable agricultural sector.

Since its creation, CAP has undergone several reforms. These reforms have almost always implemented gradually. Reduction of price support begun in 1992 (MacSharry reform) and was reinforced in 1999 (Agenda 2000) reform and moreover, coupled direct payments were introduced. In 2003 CAP reform, the decoupling of farm payments started and was pursuit with the 2008 Health Check, and the environmental aspects of agriculture became compulsory requirement in order to receive funds.

In the recent years, the structural changes, that took place in markets at a worldwide scale, affect also agricultural sector.

The most remarkable of these new developments for agriculture are: energy price rise, bigger commodities price volatility, increase of bio energy production, climatic changes, the shift of consumption types in developing countries.

These are very important for the sector because they affect policy needs besides policy effects and thus they might led to new revision reforms of CAP.

Indeed, a new CAP Reform proposal is being reshaped for future challenges. The policy will be fairer, greener and more efficient. It will be more innovative too. As it has tried to do over the last 50 years.

After almost two years of negotiations between the Commission, the European Parliament and the Council, a political agreement on the reform of the CAP has been reached on 26 June 2013.

This political agreement on new direction for common agricultural policy consists in making direct payments fairer and greener, strengthening the position of farmers within the food production chain and making the CAP more efficient and more transparent. These decisions represent the EU's strong response to the challenges of food safety, climate change, growth and jobs in rural areas. The CAP will play a key part in achieving the overall objective of promoting smart, sustainable and inclusive growth.

Hopefully that these proposals can be fully achieved and that therefore future audits can confirm these announced orientations.

Italian agriculture in figures

One of the big problems of Italian agricultureis that agricultural production (farming aggregate) is not adequately processed and commercialized in the place of production, since the processing and distribution processes (processing and distribution aggregate) are absorbed insignificant part, respectively, by manufacturing and commercial sectors. Therefore, significant percentage of added value of agricultural production are calculated in manufacturing commercial sectors.

The rapid expansion of the industrial and commercial sectors, in last decades, has been effecting on the distribution of national income in order to alter, to the detriment of agriculture, the proportion. For this reason, it's necessary to contrast highly speculative phenomena that take advantage of structural weakness of agriculture. Excessive fragmentation of agricultural property, strong seasonality of agricultural products, low level of technology use and delays in management determine intrinsic weakness of primary sector in Italy, especially with reference to the South of Italy which is area of Italy best suited to agriculture and in particular to Mediterranean one. Observing data (see Figg. 1.1, 1.2, 1.3, 1.4), it's possible identify two complementary phenomena:

- low levels of added value and production value are evidence of excessive inability of agricultural sector to hold substantial shares of wealth;
- tendency of the same to the substantially stationary with peakseven negative during the decade 2000-2011, once again testifies to the extreme weakness of agricultural sector but also inability of policies to determine an improvement.

Moreover, it's possible to identify a third aspect that relates directly to big agriculture potentiality not yet expressed that means an integration in the socio-economic and production system and diffusion and strengthening of sustainable dimension.

Situation above mentioned applies to all Italian geographic subdivisions. In fact, in territorial subdivisions of the North-West, North-East, Central and Southern Italy there is a stationary trend uniformly in the long run both in the case of production value and added value. In the South, characterized by more consistent spread of the Italian agricultural sector, added value of agriculture con-

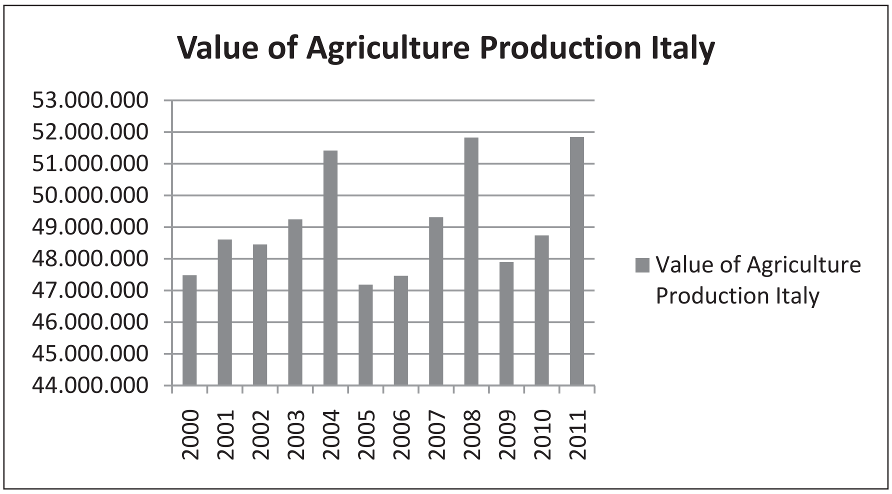


Fig. 1.1. Value of agriculture production in Italy (thousands Euro) (*Source*: elaboration on Inea data).

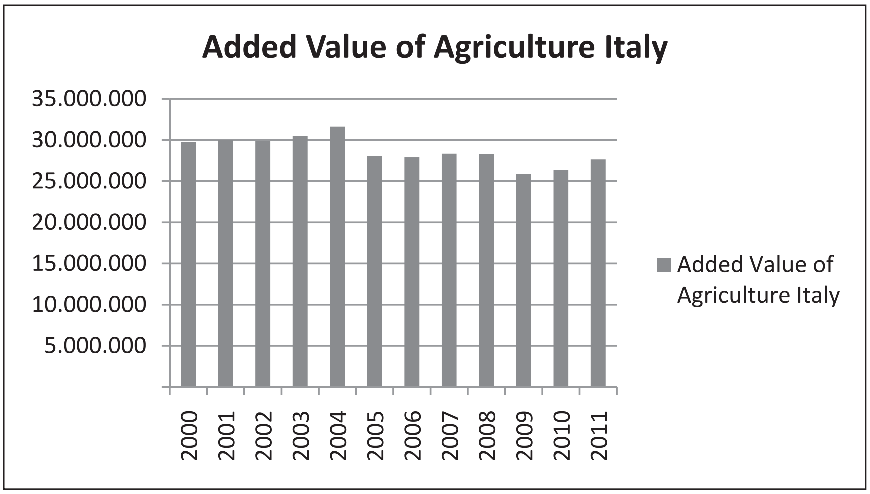


Fig. 1.2. Added value of agriculture –Italy (thousands Euro) (*Source*: elaboration on Inea data).

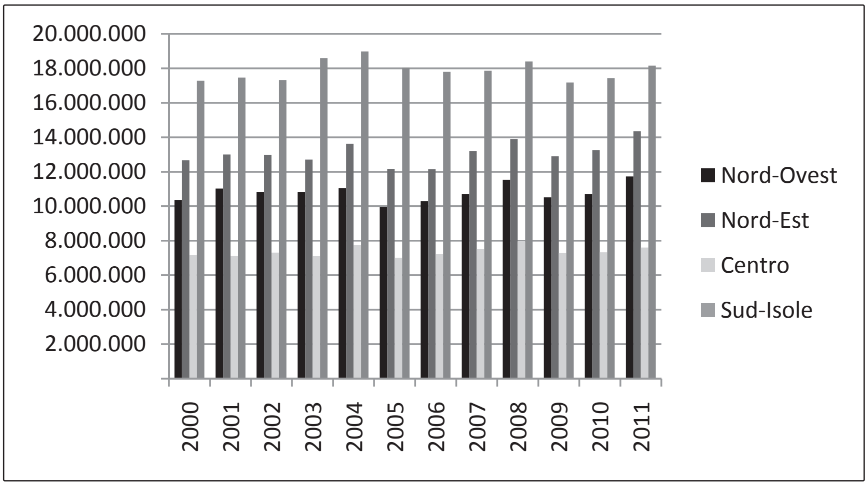


Fig. 1.3. Value of agriculture production - italian territorial division (thousands Euro) (*Source*: elaboration on Inea data).

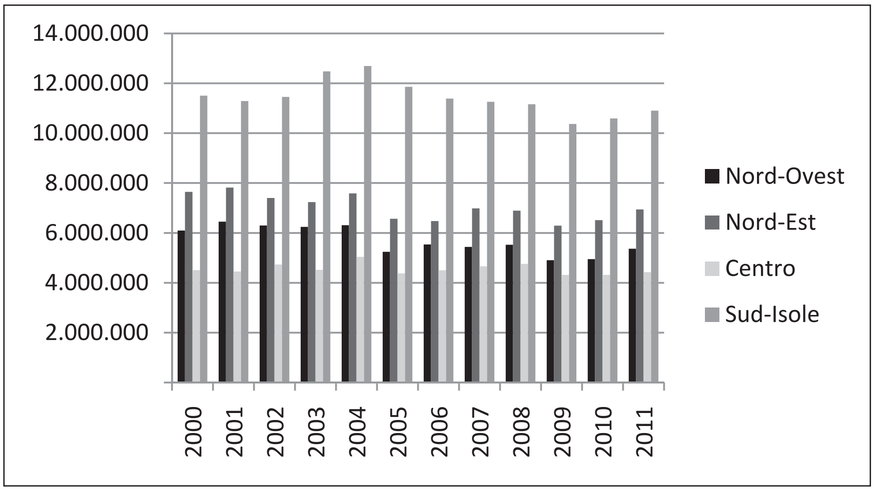


Fig. 1.4. Added value of agriculture – Italian territorial division (thousands Euro) (*Source*: elaboration on Inea data).

quers the maximum value in 2004, recording in later years a steady slowdown.

Food industry

As previously mentioned, the agricultural products are the basis for the development of food manufacturing industry that in Italy represents a fundamental branch of whole economic and productive system. The food industry has shown in 2012, revenue growth by 2.3 percentage points over the previous year, confirming the manufacturing food sector the most important in Italy after heavy engineering. The food sector accounts for about 10.7% of the entire manufacturing sector in terms of employment.(see INEA Report on the State of Agriculture 2013). Observing data about added value of Italian food industry, it's possible to notice that its value is similar in consistence to the added value of Italian agriculture production (see Fig. 2.1). In last decade, food industry has shown a strong tendency to increase. Moreover, food industry is the only sector that has observed positive performances, despite a slowdown ingrowth dynamics, even in the period 2008-2012, characterized by economic crisis. The difficulties of Italian food industry are in fact found to be smaller than the rest of the manufacturing sector. This situation high lights the extraordinary potentiality of agriculture that has growth prospects still now unexpressed and that may represent for future a key source of employment. Hence the need to redefine the basis on which restructuring the agricultural sector in Italy, focusing on quality, enhancement of local typical products, on technological diffusion, the aggregation of production phases, perhaps through a strong cooperation whereas it is not possible to proceed to the concentration of landed property.

The fragmentation of property is proposed as a further crucial problem because it reduces the bargaining power of farmers and make bad their capacity to compete on a par with foreign competitors, with a few exceptions (the cooperative model of apple growers, for example) and extreme cases such as the citrus, where 170,000 hectares of national production are divided among 126,000 companies. This "pulverization" also reduces the level of training of farmers often too small to invest in applied research.

Therefore with strategies aiming at getting a set of new technical and managerial skills as well as the provision of logistical infrastructure, innovation and capitals then agricultural production activities could strengthen even through activities such as direct sale of agriculture products. It was observed in literature that activity of this kind could have beneficial effects for both producer and consumer and what is more, it plays a positive role in several other spheres. It's an example of a "short chain" and a direct relationship between agricultural producers and consumers. It may have economic, social and environmental implication[1].

It is worth emphasizing that the support "for developing direct sales and local markets" as well as improving the functioning of food supply chain was defined as one of the aims of Common Agricultural Policy 2013-2020[2]. In this perspective it should be considered positively simplifications proposed in the margins of discussion for the approval of the so-called "do" decree-law of the Italian government put in place. According to these simplifications it will no longer be necessary the notice of business starting,(so-called SCIA), for out door retail sales in the farm, as well as it will be granted immediate consumption of agricultural products in the farm premises (no need to change destination of use), obviously in compliance with health standards and no table service. It will be also facilitate agriculture products e-commerce, for which it will be enough a notice to Municipality where the farm is located. This aspect is of particular importance in view of a decisive modernization of technical and organizational management of the farm. It will be encouraged a greater spread of information technology with positive feedback even on level of training of human resources, secondly it will favor a decisive shortening of the supply chain by bringing the consumer in direct contact with the producer in view of the enhancement of zero distance agricultural production. Finally, it may stimulate within farm a necessary attention to the essential aspects of logistics and distribution of agricultural products.

Dynamics

Observing the figures, it's possible identify two statements, first of all the structural weakness of the Italian agricultural sector; secondly, gap of development of agricultural sector compared to its potentialities. This is true both whole National territory and geographic single subdivisions. At this point the question is: what have been agriculture dynamics in the crisis years and what will be perspectives in future. At this regard, observing dy-

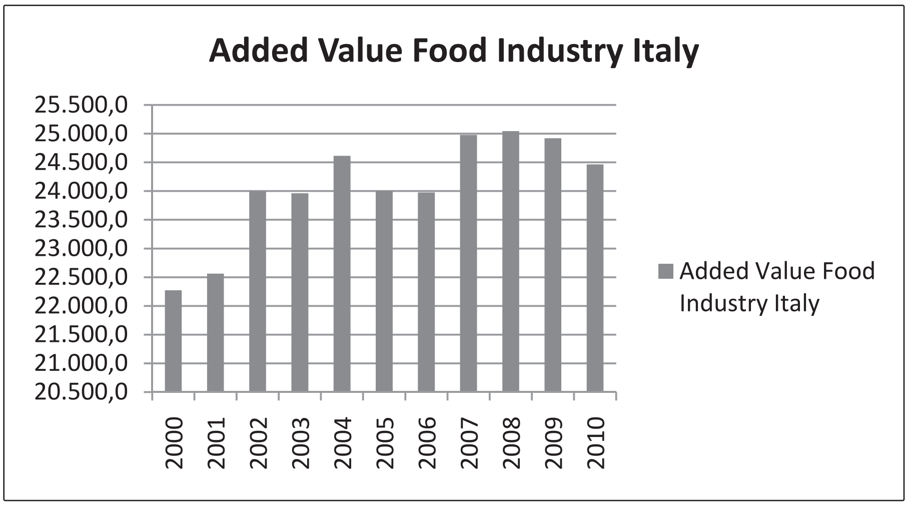


Fig. 2.1. Added value of food industry - Italy (millions Euro) (*Source*: elaboration on Inea data).

namics of agriculture added value in the different regions of Italy from 2000 to 2012 and projections up to 2016 (see cartography 3.a, 3.b, 3.c) they show that percentage annual variations express very low levels, of ten close to zero and in many cases negative values.

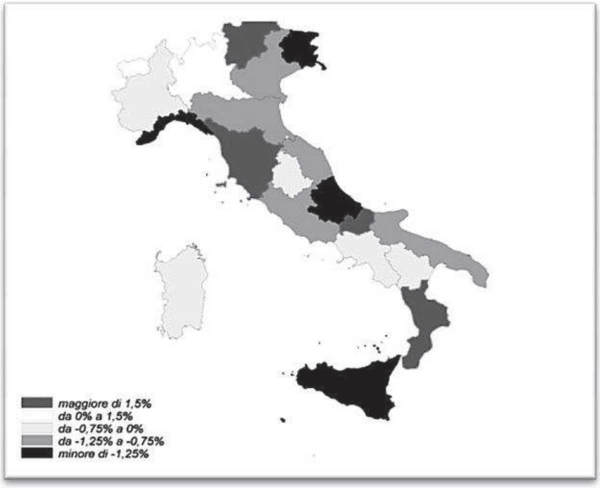
Pre-crisis years (2000-2008), record, in relation to agriculture added value, positive percentage changes above the 1.5% only for Calabria, Molise, Tuscany and Trentino Alto Adige; percentage changes, ranging between 0 and 1.5%, however, belong to the added value of the Aosta Valley and Lombardy; percentage changes of other Italian regions agriculture added value are negative.

During period over crisis (2009-2012), it has been recorded a positive increase in agriculture added value changes, contrary to what happened for the manufacturing sector. Regions that record percentage changes of value added with the positive sign are nine. Piedmont, Emilia Romagna, Molise and Basilicata are in pole position, having recorded a percentage change of value added greater than 1, 25%. Lombardy, Veneto, Lazio, Puglia and Calabria were among the regions that have show edinstead for the same period (2009-2012) a percentage change between 0.5% and 1, 25%. It can be said therefore, in the light of what has been observed for the period 2009-2012, that in four years covering full period of recession, the agricultural sector has shown greater resilience than other sectors of economy.

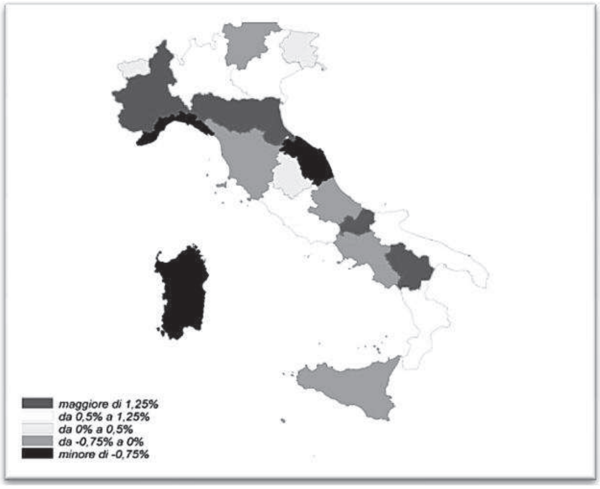
Agriculture added value figures about perspective (percentage change) underline, on the other hand, a potential weak growth that highlights a persistent structural difficulty of agriculture sector. Forecast data, indeed, show a slight positivepercentage change (greater than 0.25%) just for four regions (Trentino, Molise, Calabria and Tuscany. Forecast of agriculture added value of the Aosta Valley and Lombardy record prospects of percentage changes between –0.05% and 0.25%. While all other regions record variations with consistently negative sign between –0.5% and –2.25%.

A process to be strengthened: rural tourism

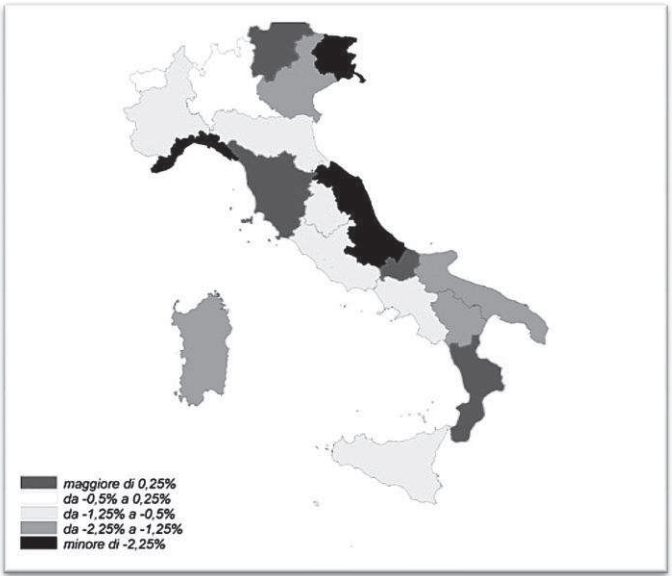
It is necessary to propose for agriculture sector, objectives of recovery, revitalization and enhancement of territorial specificities together with the diffusion of technological innovation, attraction of new and advanced youth employment. To this end, the new policies will aim to promote a decisive integration between agriculture, food, environment and territory in a process that reverberates its effects on tourism, in the name of creativity, culture and sustainability. In particular, in this context, the development of tourism flows both internal and external towards the discovery of territories, driven by the development of typical agricultural products, can inject new life (especially in Italy) and prospects for a sector such as tourism today exclusively tied to some excellent art cities (Rome, Florence, Venice) or beach holidays. It will therefore facilitate a process of seasonal adjustment of touristic flows catalyzed by new attractors related to the knowledge/discovery of new territories, (hamlets, farmhouses, farms, castles, countryside churches) through oil and wine tours to get in touch with Bacchus' art and the winemaking



3a. 2000-2008



3b. 2009-2012



3c. 2013-2016

Fig. 3a, 3b, 3c. Dynamic of Agriculture Added Value in Italian Regions (percentage variation) (*Source*: Osservatorio Banche-Imprese di Economia e Finanza - OBI).

process, to discover the secret of olive oil, to learn in general something about the other local agricultural products and food traditions.

Success samples of this kind of discovery/holiday can be found in Tuscany with its famous "casolari" typical countryside old houses, in Trentino Alto Adige with its trekking tours, or in Basilicata region with its rural routes to discover their strong feeling of identity[3].

Discovery of identity and culture of belonging to territories, on the other hand, may represent an additional element to support the integration of agriculture into the wider economic system. An example of success in this direction is certainly represented in Puglia by rediscovery of music and dances related to the phenomenon of tarantism (closely related to the phases of annual cycles of agriculture) in Salento[4]. In a such context also the same fashion system could have some advantages. Fashion system historically developed, especially in the South of Italy, downline of processes of modernization of the economic system characterized by the transition from agriculture to the industrial economy.

The full-blown crisis of Italian production system, in particular in South of Italy, linked to fashion system, displaced by the advent of new international producers (China, India and so on), could find in an integrated model of development of the territory, tourism, culture and creativity, a new season of reorganization and revitalization (see OBI, annual reports on enterprise and competitiveness and annual reports on GDP and added value).

It is necessary follow a new approach aiming at multifunction agriculture, that means supporting farmers to the diversification of their offer and upgrading their production processes in biodynamic terms, in order to integrate production with agricultural tourism, agro-food supply in a sustainable way. In this perspective it is necessary that the new CAP, national policies and especially regional ones can support the achievement of a diversified and differentiated agriculture in place of an offer centered on monoculture increasingly dominated by the expansion of intensive production and distribution of petroleum products with the risk of a very dangerous financial drift for a sector such as agriculture one which in the diversity, in specificity, in productive excellence has always had (and should have) its strengths.

Conclusions

It is clear that the future of European and Italian economic system as well is linked to developing a new economic and social paradigm that fix up failures produced by the system till now experienced.

It must be recognized that agriculture must have a central role in the development of the economic system as economic indicators showed. In addition, it is also argued that it's strongly required a strong integration between agriculture, territory, food, culture, creativity, with a renewed approach aiming at protecting environment, health and the ecosystem. In this perspective of integrated agriculture with economic system, is of great importance the role of tourism. Tourism, in fact is seen as a real opportunity, linked to ability to internalize landscape function of agriculture in the market, through the farms, quality products, certification, territorial marketing, communication. On the other hand, the tourist pressure if not properly managed, could lead to overexploitation of rural areas, loss of socio-cultural identity and a trivialization of territory. Therefore, EU, national, regional and territorial policies will have to design appropriate and functional strategies aiming at development of sustainable agriculture from an economic, social, cultural identity and environmental point of view.

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Note

[1] See Albisinni (2011), Masini (2007), Alabrese (2008).
[2] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "*The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future*", Brussels, 18.11.2010, COM(2010) 672 final.
[3] In Basilicata, one of the most emblematic attractors of identity is represented by the rural cinema-show "History Bandita", which takes place every year between August and September. The cine-show 'La Storia Bandita' tells the interesting history of brigandage in Lucania in Southern Italy, developed near the Unification of Italy. The history of banditry has found a discussion in the epic novel of NIGRO, 1987.
[4] It is predominantly a rural phenomenon characterized "by the symbolism of tarantula bites and poisons and by symbolism of music of dance and color that release from this poisoned bite". The phenomenon observed by the anthropologist De Martino still in the 50s in Salento (Apulia) countryside, had spread throughout the ancient kingdom of Naples since the Middle Ages (see De Martino, 1961).