How much is for the Reduction of Income Insecurity? The Case of Wine Growers in the Region of Veneto in Italy

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Abstract:

The European Commission’s proposal for the CAP post-2013, October 2011, despite the strong smoothing in farm payments and reduction of coupled support level, it promotes the application of mutual funds, already introduced in specific common market organizations like wine, for the protection of farm income. The proposed Regulation for rural development innovates the instrument of mutual funds with the so-called Income Stabilization Tool (IST). The art. 40 describes the regulates its functioning and quantifies the public contribution: “proportionate to the amount paid by the mutual found as financial compensation to farmers”.

Based on data collected from the Farm Accountancy Data Network of the Veneto region in Italy, the paper aims to simulate the effects of the introduction of IST on the specialised wine growers’ incomes estimating the factor affecting the probability in income variability.

The research results allow to evaluate the applicability in the area of IST and the role of the size of the fund to reduce the risk of insolvency. On the farm side, it is possible to evaluate the effect of IST in reducing the variability of farm income as well as the cost of participation in the fund in relation to the production area, the type of product and the size of the fund.

Keywords: income stabilization, insurance, CAP reform, wine economics