On-farm and regional factors affecting the decision of direct selling in Italy.

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In the last twenty years the study of alternative food networks (AFNs) has gained growing attention. AFNs rely on mechanisms such as farmers' markets, community supported agriculture, direct sale on the farm, informal groups of consumers, community gardens, vegetable box schemes, etc.

In this paper, we study the on-farm and regional factors affecting the farmer's choice to directly sell their products to the consumers in Italy, on and off farm. Using a different approach to previous studies we use micro-data on the entire farm population in Italy which is available from the Census of Agriculture carried out by Istat (Istituto Nazionale di Statistica) in 2010 (about 1,653,000 farms), which is to say that we have information on every single farm in Italy. The analysis of the entire farms population allows us to go beyond the dichotomy between conventional and alternative because if it is true that direct sale is described in the literature as a typical feature of AFNs (Sonnino and Marsden, 2006; Donald et al., 2010), it also true that it often takes place in very conventional farms and today it is not anymore a niche farm strategy but rather a marketing strategy within an evolving agri-food system. The Census Questionnaire asks the respondents to quantify the share of different marketing channels, including on-farm and off-farm direct selling to consumers. We use this information to understand determinants of direct sale strategies.

In order to understand the determinants of direct sale strategies, we will test two sets of variables. The first considers on-farm characteristics both in terms of structural features (such as farm size, farm type and utilization of hired work) and the farmer's subjective characteristics (such as age, sex and education). The second group of variables addresses the geographical, social and economic context of the farm's location.

In this paper we argue that geography plays an important role in determining farmers choices. In our view, geography is not only a factor of differentiation of competitive space, but also a driver of different trajectories in regional development. Also the empirical setting of the analysis reflects our focus on the geographic determinants of farmers' choices as we estimate our model adopting a multi-level approach (including municipality, province and regional level) that allows us to better capture, besides the impact of on-farm characteristics, also the influence of the geographic context where each firm operates. Moreover, we pay great attention to the spatial dimension of data, also including in the regressions spatially lagged variables, acknowledging that the characteristics of the neighbouring areas are also important.

The research questions that this paper then answers are: Which farm and/or farmer characteristics increase the probability of directly sale their products? Which regional context and characteristics positively affect the farmers' decision to start a direct sale?

We are able to present here some preliminary results. A first set of factors fostering the transition are the specific farmers' and farm's characteristics. To be competitive in a re-localised agro-food system the farmer needs some selected capabilities such as the use of IT. These capabilities appear to depend more on the farmer's field of education than on farmer age and, in particular, a specific knowledge of production methods accessed through secondary and tertiary education in agricultural studies. From this point of view the path towards a more sustainable food system appears to be a social phenomenon deeply shaped by the peculiar characteristics of agriculture as a production process.

The fact that small farms and organic farms are more likely to join AFNs may suggest that the transition towards a re-localised food supply is the outcome of a broad process of change propelled by a diversity of social, ethical and cultural rules and values. At an early stage of development, large industrial farms are less interested in entering these new niche markets. Furthermore, the results may also suggest that large farms do not have the right reputation according to conventions of quality governing transactions in the AFNs and possibly that their hierarchical internal organization doesn't allow them to share the relevant knowledge about food the consumers are looking for.

A second set of factors that can foster the transition are embedded in the geographical context where the farm is located. The role of FMs and SPGs is relevant (confirming Hypo 1 and 5), and positively affect the decision of farmers to enter AFNs.

We believe that, in an early stage of development, these "spaces" of interaction among producers and consumers have a greater effect on the diffusion of the innovation (direct selling) and of the knowledge related to it than the increase of local demand. The geographical proximity facilitates the circulation of knowledge required to foster such a co-produced innovation process. A farm located in such a geographical context, run by a farmer with a high absorptive capacity and a cognitive proximity, has more probability to step into AFNs.

Population density has a positive effect at the municipality level (confirming our Hypo 7), while the spatially lagged coefficient is not significant. This result confirms the strategic role of networking within innovative spaces and with skilled consumers rather than the access of a mass consumption that probably will continue to refer to large retailers. These insights support the idea that the diffusion among farmers of direct sale strategies is a localised process of social innovation, based mainly on knowledge sharing among actors (farmers, consumers, local institutions).

Within this process of growth what is the role of the current sector policies? The results of our analysis suggest a controversial outcome of the European CAP at the farm level, showing that the more the direct payments become an important share of farm receipts, the more the inclination to innovate marketing channels declines. In addition, the non-significant coefficients related to the expenditure intensity both for the First and the Second Pillar provide evidence that the geographical distribution of CAP support is unlikely to counterbalance the lock-in mechanism working at the farm level. The current CAP policy is still mainly designed to support larger industrial farms in plain areas (such as Pianura Padana in Italy).

Where the policy is less effective in transmitting the economic incentives, as in hill and mountain areas, small and organic farms are more successful in the transition towards alternative forms of food supply chain, due to the mutual support and trust with municipalities and local communities (of which FM and SPG variables can be considered a proxy). The main policy lesson is that an effective promotion of a multifunctional agriculture should create spaces of opportunity to market "non-commodity outputs" that are a joint output of farming, such as environmental sustainability or local cultures on food. Such a result is more likely to be pursued by a policy designed to spread the relevant knowledge and enhance the institutional framework for local initiatives rather than by the direct monetary support of farm income.

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