



# Risk Management Tools

funded by the European Agricultural Fund  
for Rural Development (EAFRD)

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European Commission, AGRI B.1 Economic Sustainability

# Risks are increasing...

- Farmers are increasingly exposed to threats outside their direct control



## Climate change

leading to extreme weather  
events with impact on  
production



## Sanitary and Phytosanitary risks

Consequences on  
production



## Market risks

Pressure on income

# Outline

- Risk Management Tools in Rural Development Programmes 2014-2022
- Risk Management Tools in CAP Strategic Plans 2023-2027 (EAFRD)

# Risk Management Tools 2014-2022

Rural Development Programmes

# Available tools (2014-2022)

INSURANCE PREMIUMS	MUTUAL FUNDS	INCOME STABILISATION TOOL
Financial contributions covering losses of production (more than 20% of the average annual production)	Financial compensation to farmers covering losses of production (more than 20 % of the average annual production)	a) Income Stabilisation Tool for all sectors b) Sectoral Income Stabilisation Tool
<b>Premiums for crop, animal and plant insurance</b>	<ul style="list-style-type: none"> <li>- administrative costs of setting up the mutual fund,</li> <li>- interest on commercial loans taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis;</li> <li>- supplementing the annual payments into the fund;</li> <li>- the initial capital stock of the mutual fund.</li> </ul>	<b>Financial compensations for less than 70 % of the income lost</b>
Caused by adverse climatic events, animal or plant diseases, pest infestation, environmental incident	Caused by adverse climatic events, animal or plant diseases, pest infestation, environmental incident	Drop of income: 20% - 30% for IST 20% for sectoral IST

- Article 36-39a of Regulation 1305/2013: EAFRD Regulation
- Regulation 2017/2329: “Omnibus” Regulation, amending R1305/2013.

# Uptake in RDPs 2014-2022

- Risk Management Tools in 14 out of 118 RDPs – 12 MS out of 27
- Total public expenditure (EU+national co-financing) : **~€4.0 bn**

**Breakdown:**

- Insurance premiums: € 3,8 bn
- Mutual funds: 56.5 M€
- Income Stabilisation Tools: 76.8 M€

- Holdings supported: ~639,000

# Submeasures and targets 2014-2022

RDP	M17.1	M17.2	M17.3	Share of total public expenditure (MS level)	Target: number of farmers participating	Target: share of farmers participating
	Insurance	Mutual Funds	Income Stabilisation Tool			
Croatia	X			2,76%	12.500	7,94%
Estonia	X			0,15%	2.100	10,71%
France (national)	X	X		4,58%	451.600	95,64%
Greece			X	0,12%	3.006	0,42%
Hungary	X		X	2,70%	25.212	5,13%
Italy (national)	X	X	X	8,08%	105.000	6,48%
Latvia	X			2,45%	5.100	6,12%
Lithuania	X			0,68%	1.450	0,73%
Netherlands	X			5,54%	3.000	4,15%
Poland	X			0,60%	15.636	1,04%
Azores-Portugal	X			1,29%	105	0,81%
Madeira-Portugal	X				3.500	25,72%
Portugal-mainland	X				5.419	1,95%
Romania	X			0,34%	5.400	0,14%

# Risk Management Tools 2023-2027

CAP Strategic Plans



# Risk Management Tools in CAP Strategic Plans 2023-2027

RISK MANAGEMENT TOOLS contribute to



## CAP Specific Objective 1

Support viable farm income and **resilience** across the Union to enhance food security

Could also contribute to SO2, SO3, possibly SO4-SO6



# Risk Management tools (Article 76)

- Voluntary type of intervention for Member States, funded by EAFRD
- Covering farmers' losses (production/income) of at least 20% of the average annual production or income\*

*\*In the preceding three-year period or a three-year average based in the preceding five-year period excluding the highest and lowest entry*

- Financial contributions:
  - to premiums for insurance schemes
  - to mutual funds (including administrative costs of setting-up)
  - to income stabilization tools
  - Other risk management tools (to be defined by MS in CAP Strategic Plans)
- Support is limited to 70% of eligible costs.

# Risk Management tools (Article 76)

- Member States can direct the support to specific agricultural sectors or types of farming systems or territorial areas (based on SWOT & assessment of needs).
- Member States shall establish
  - types and coverage of eligible insurance schemes and mutual funds
  - the methodology for the calculation of losses and triggering factors for compensation
  - the rules for the constitution and management of the mutual funds

# What's new in 2023-2027?

Higher flexibility in  
designing and  
implementing tools

All tools share the  
same set of basic EU  
eligibility conditions

- No longer a predefined list of production risks
- No longer a definition of income
- No longer recognition of the risk event
- No longer required that the actual loss of the individual farmer must be determined
- Rates not exceeding 70% of costs
- All tools can cover both production and income losses
- Use of indexes
- Threshold  $\geq 20\%$  for all tools

# CAP Strategic Plan proposals – state of play

- The Commission encourages MS to plan risk management tools in view of increasing risks
- 14 MS included EAFRD risk management interventions in first draft
- Observation letters
- Technical discussions, level of ambition

# The way forward

- Test and pilot different agricultural risk management strategies & tools
- Involve and engage stakeholders at national & regional level
- Reinforce capacities at all levels: competent authorities, research organizations, farmer's organisations
- Overcome technical issues related to the implementation of interventions
- Stimulate the exchange of good practices

# Thank you



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