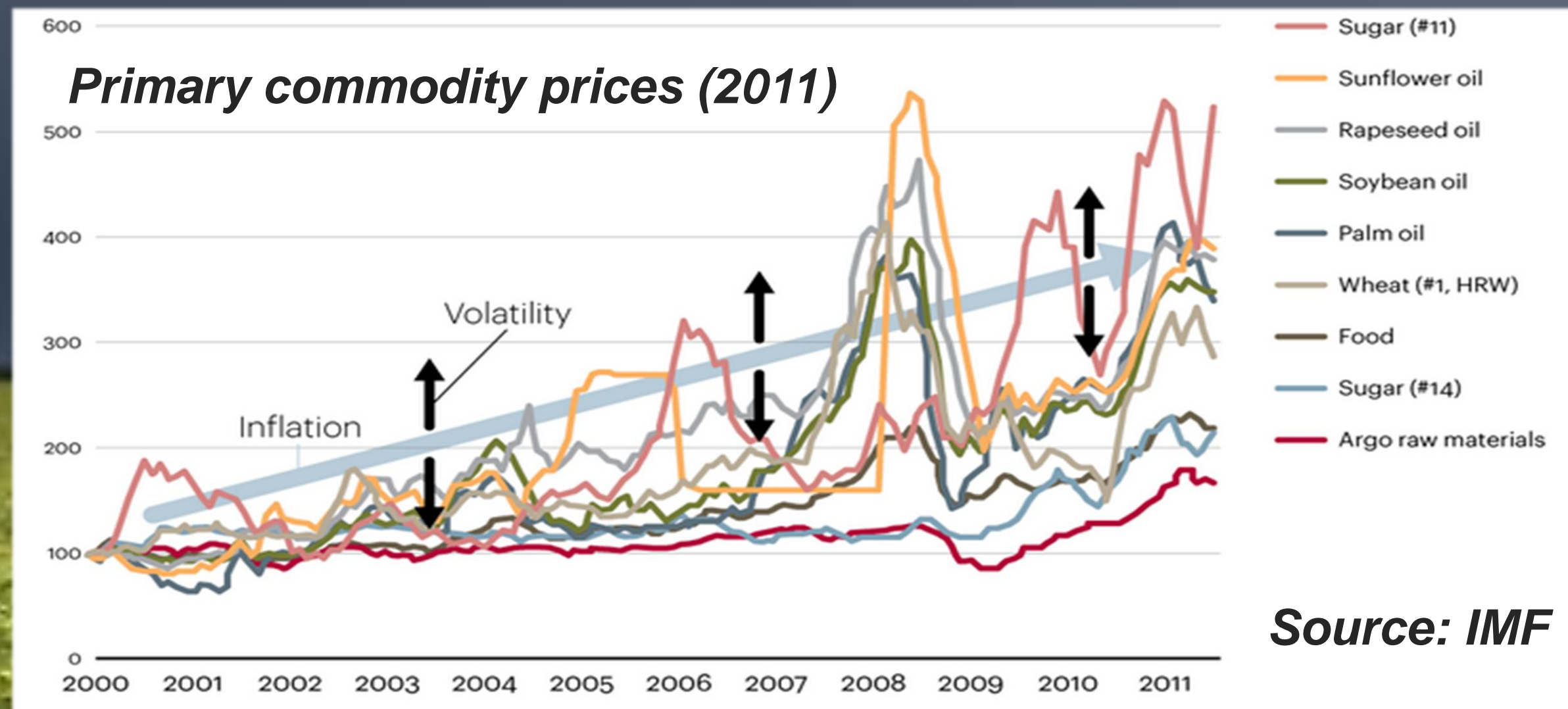
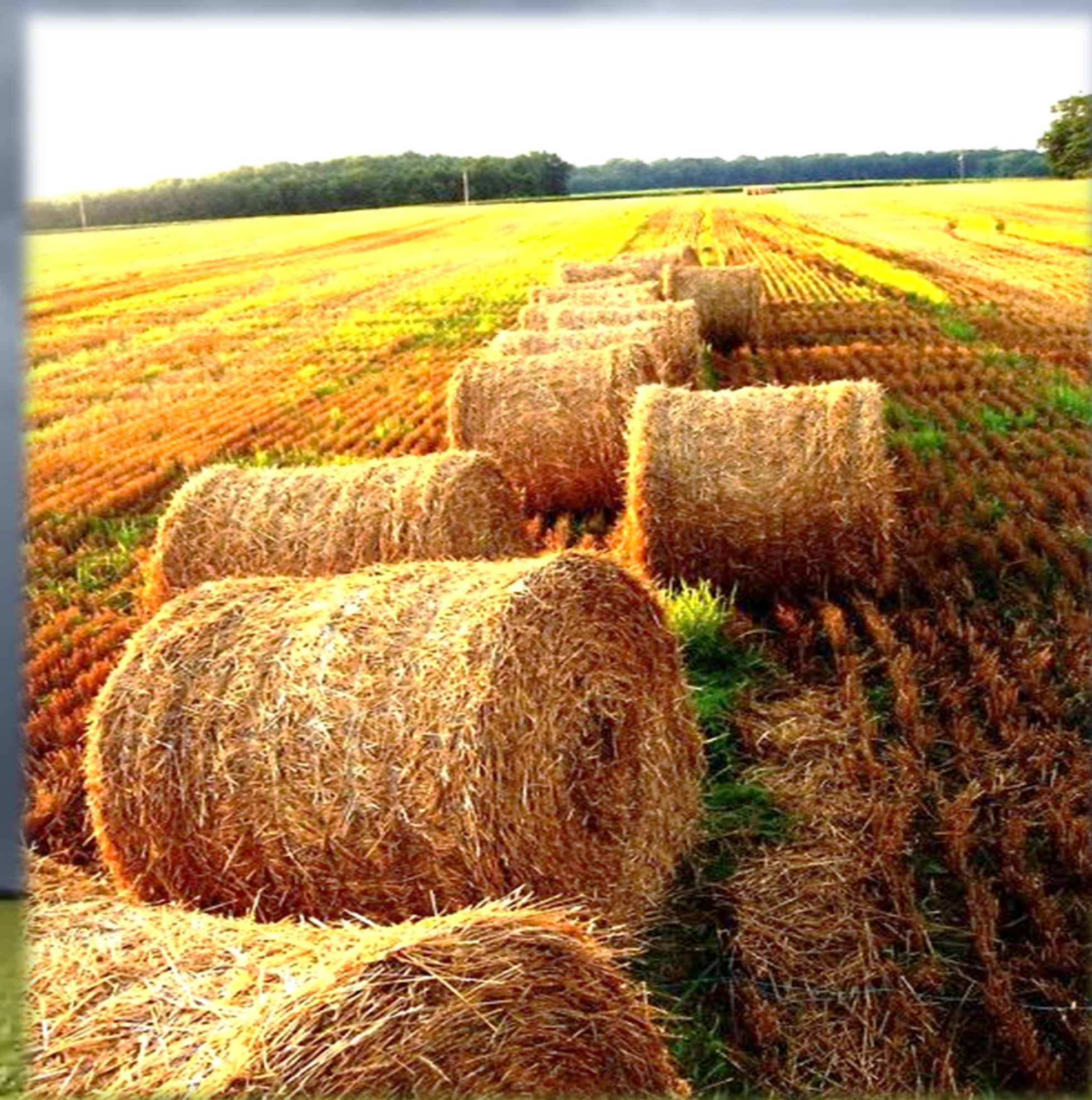


Agriculture is a risky activity...



Farmers face risks

Types

Production risks

- *Climate variability*
- *Animal diseases*
- *Plant pests & diseases*

Market risk

- *Price variability*
- *Price volatility*

Level of damage

Non-severe

- *< 30 % (normal)*

Severe

- *> 30 %*

Scope

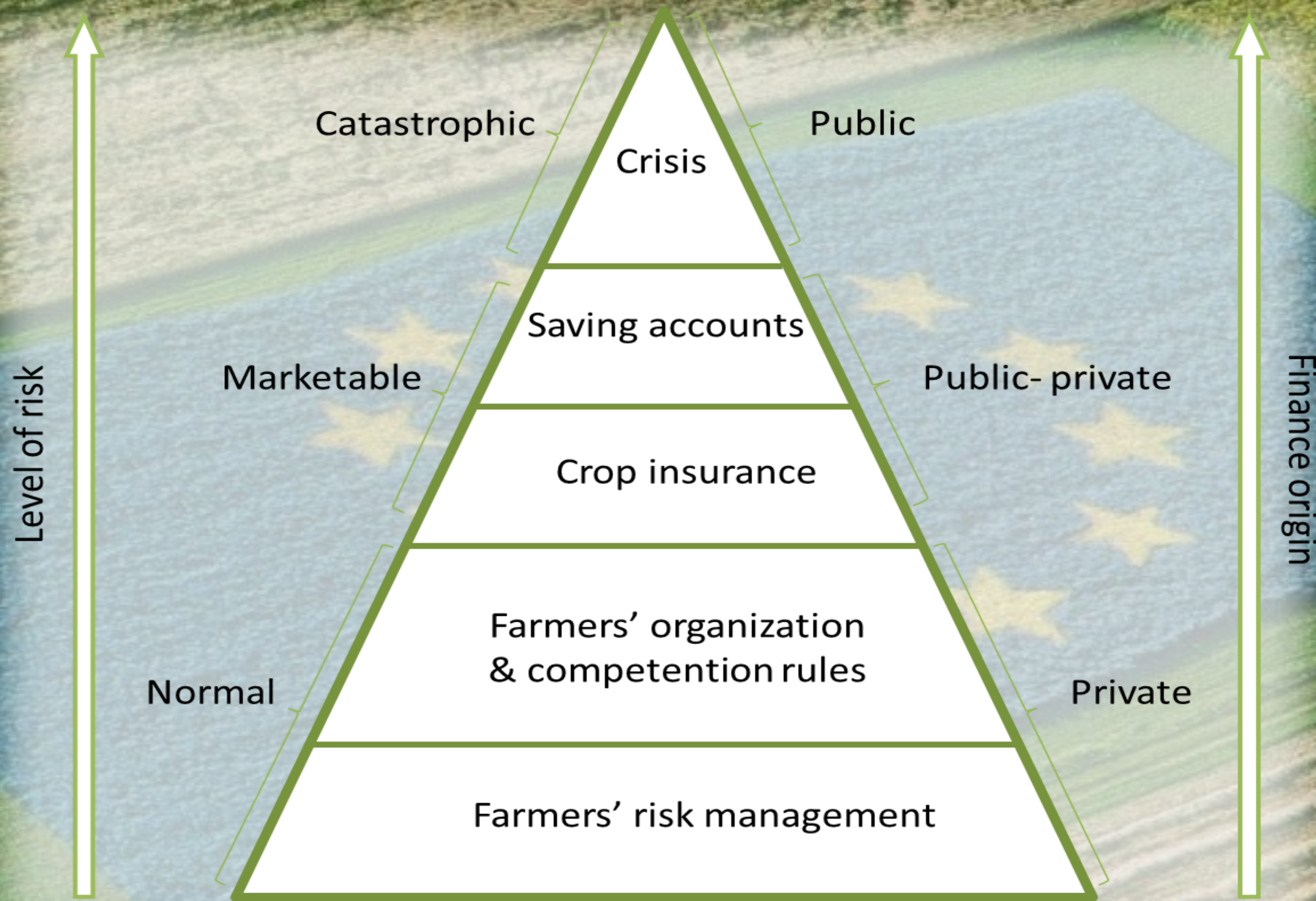
Systemic

- *Generalized*

Non-systemic

- *Localized*

Levels of intervention to address those risks?



Evaluation of risk management tools for stabilising farm income under CAP 2014-2020

Alba Castañeda-Vera^{a,b} and Alberto Garrido^a

Economía Agraria y Recursos Naturales. ISSN: 1578-0732. e-ISSN: 2174-7350. Vol. 17,1. (2017). pp. 03-23

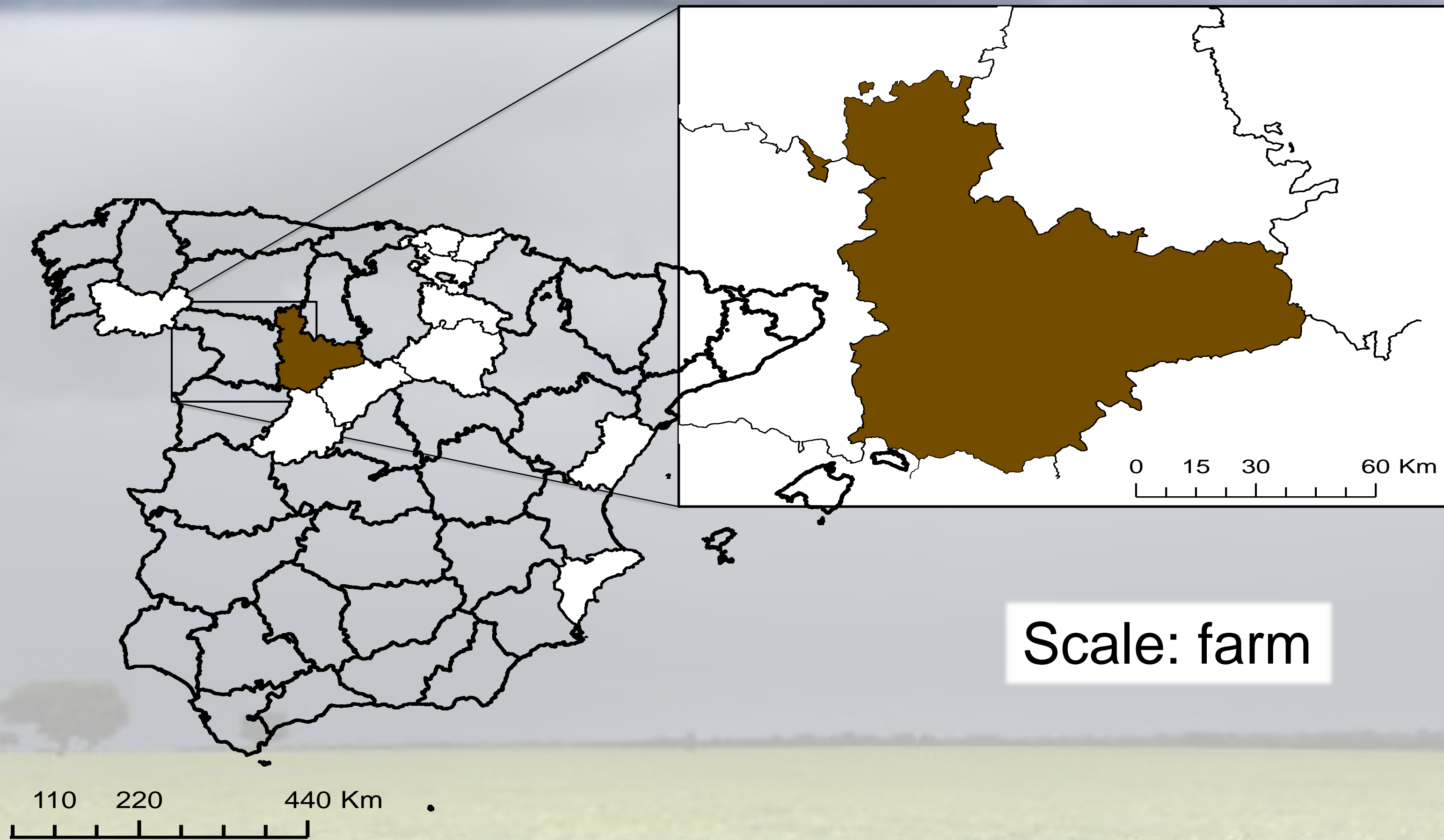
Objective

Estimate the effects of CAP 2014-2020 by analysing the role of alternative risk management tools and strategies

1. Farm income and income stability
 - *farmers' perspective*
2. Efficiency of public expenditure
 - *society's perspective*

Study case

Valladolid (Castilla y León)



Methodology

Risk management tools

- ❖ None
- ❖ CAP direct payments
- ❖ Crop insurance
- ❖ Income Stabilization tool (IST)

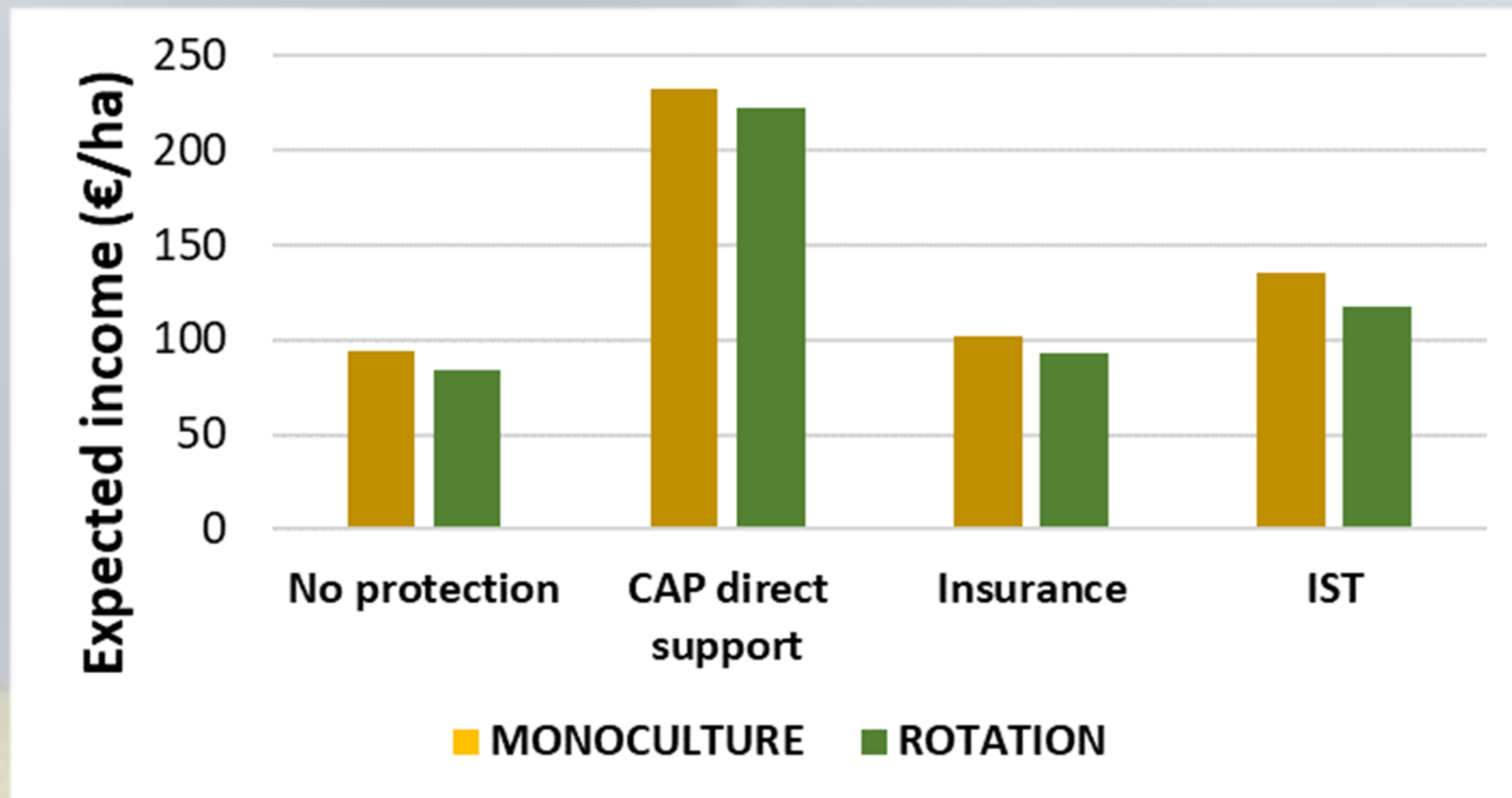
Farm strategies

- ❖ Wheat monoculture
- ❖ Crop rotation (greening requirements)

Results

Farmers' perspective

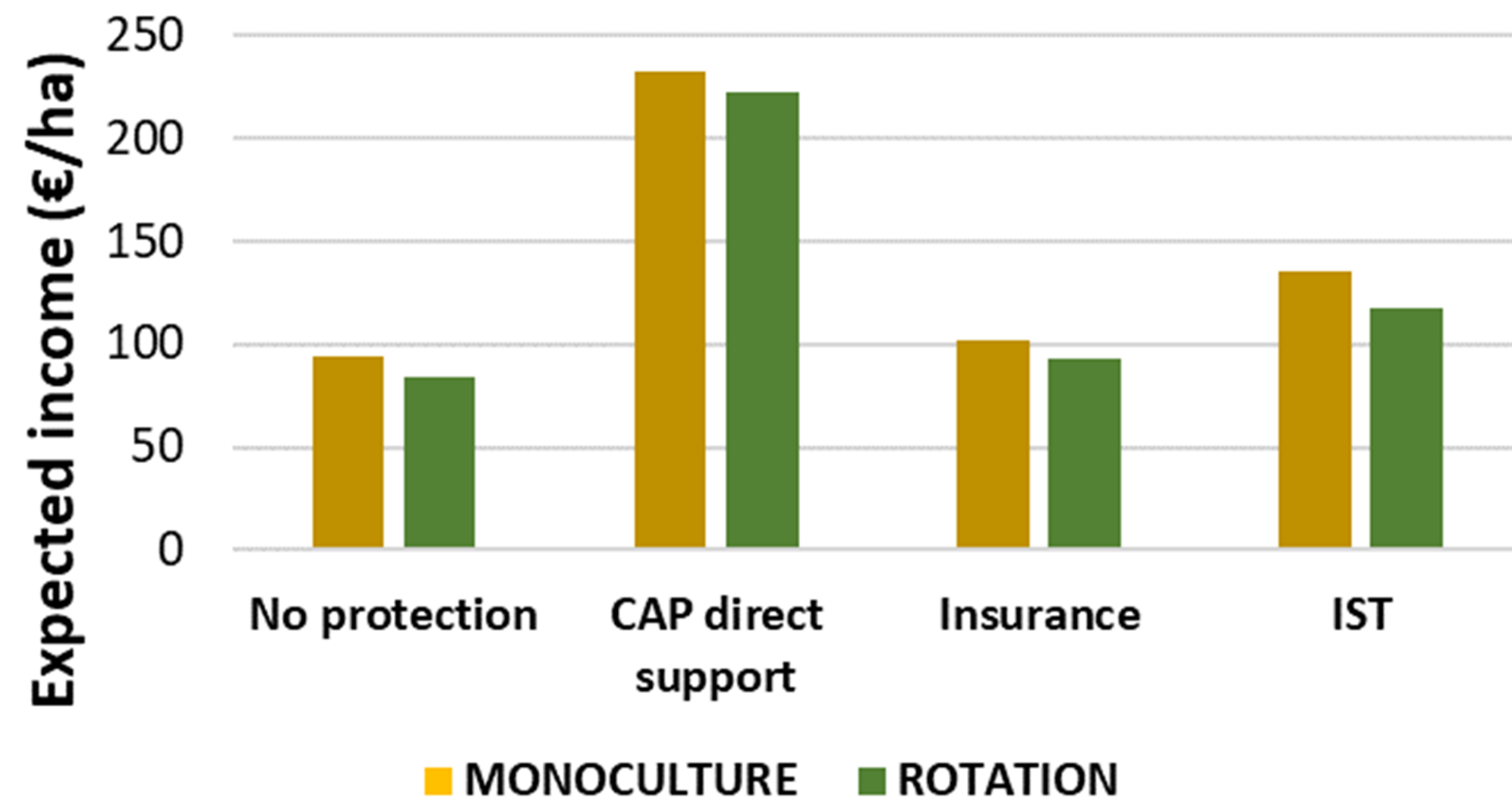
Expected income (€/ha)



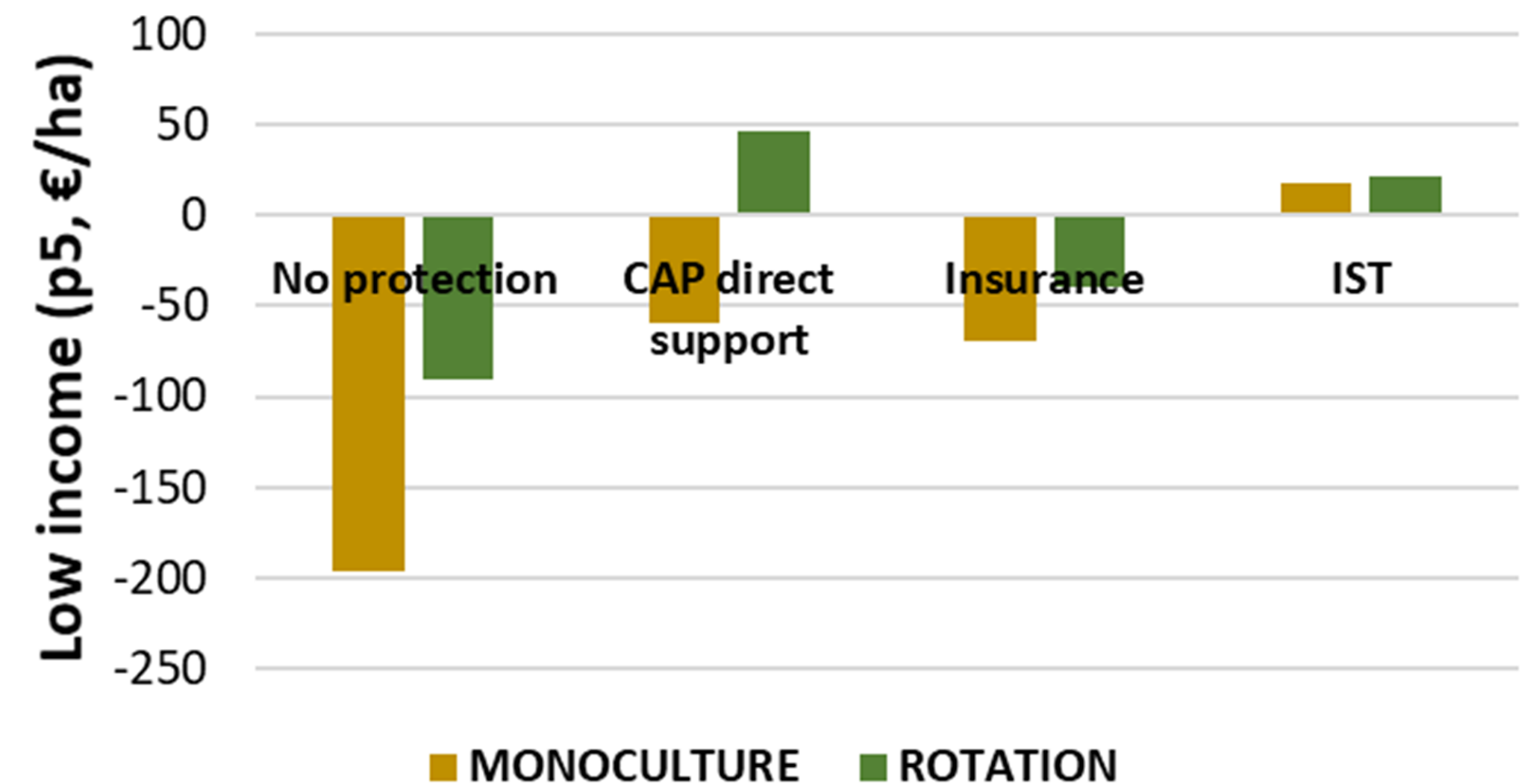
Results

Farmers' perspective

Expected income (€/ha)

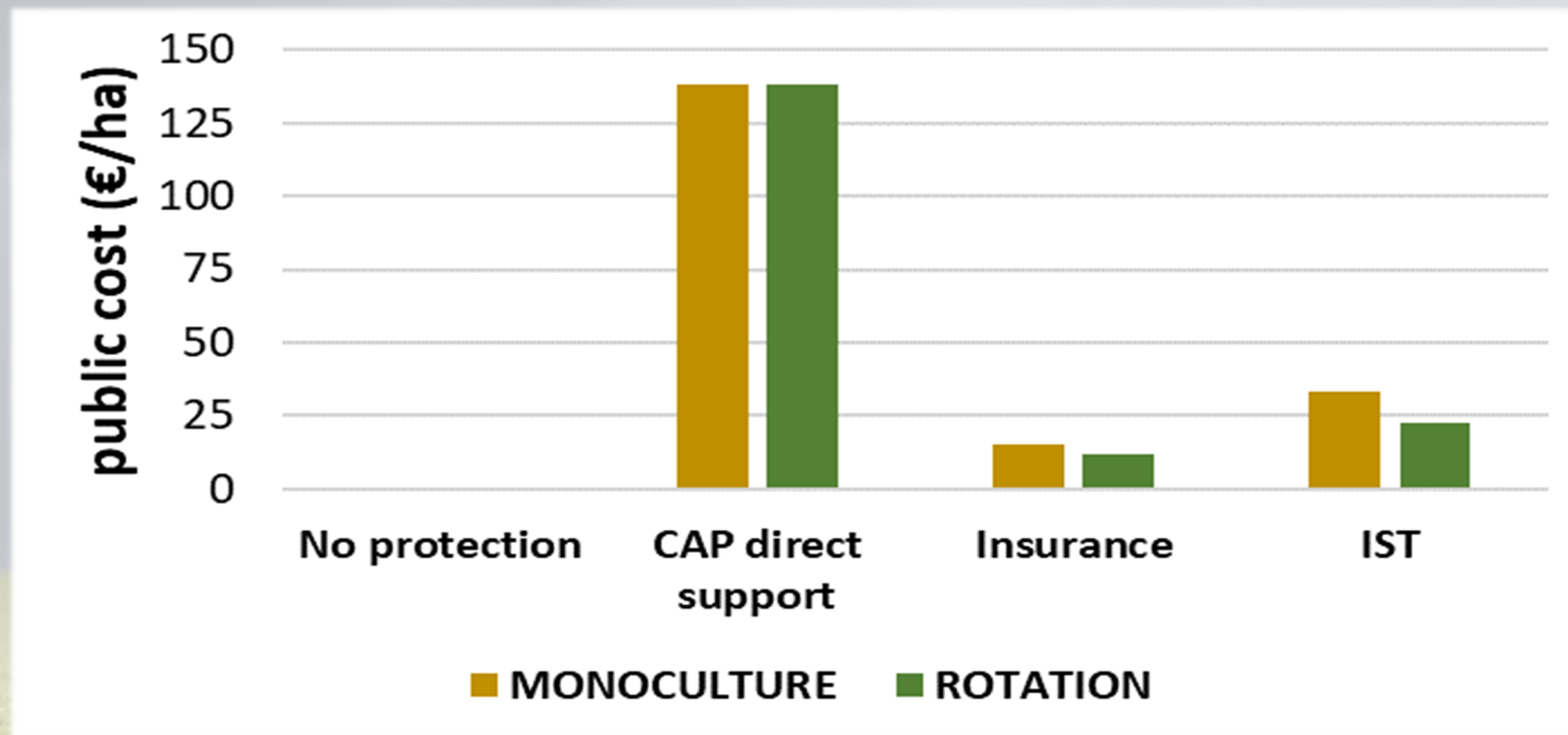


Likely low incomes in worst 5% of years (€/ha)



Society's perspective

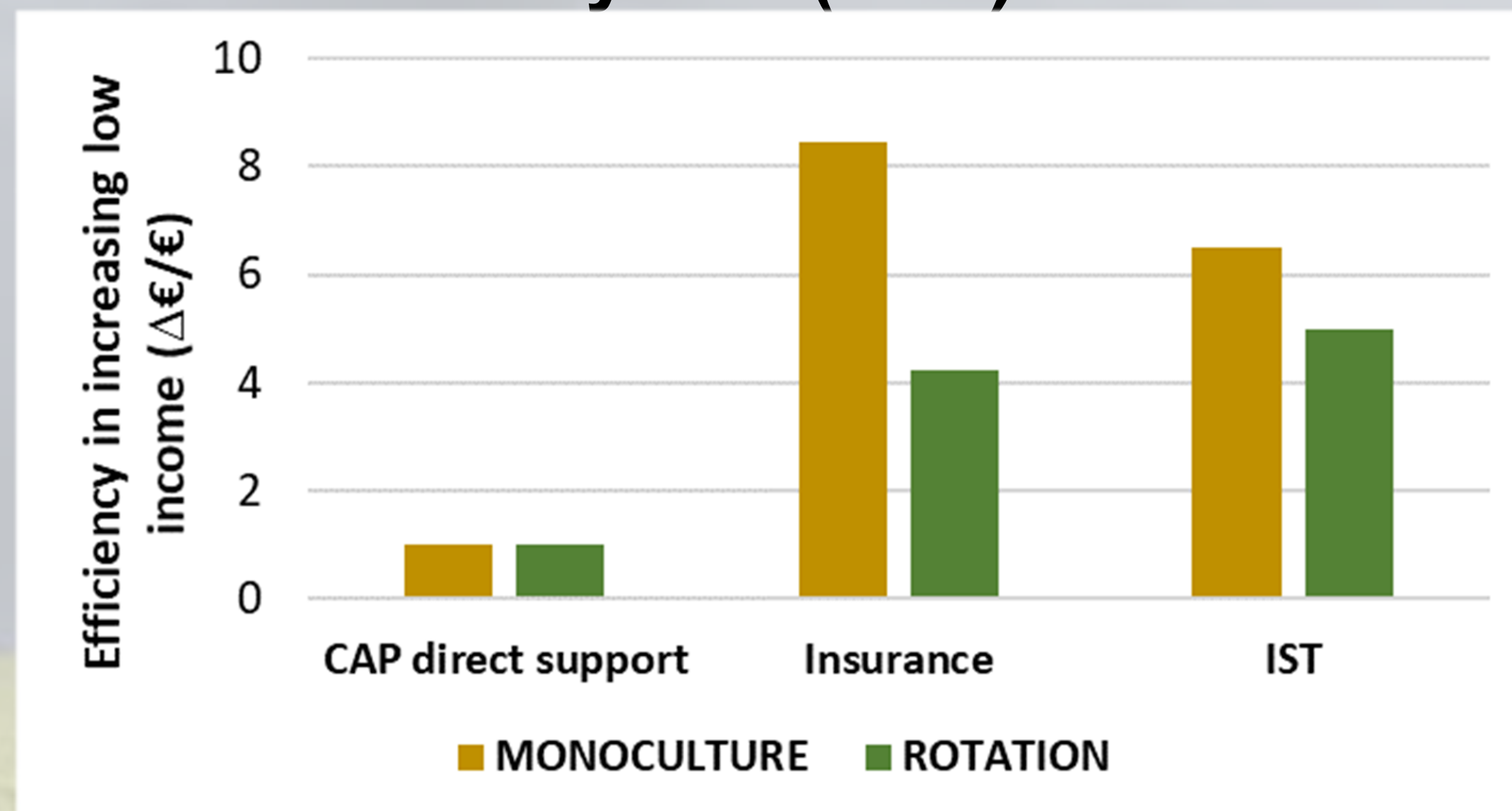
Public cost (€/ha)



Society's perspective

What is the efficiency of each public € invested in...

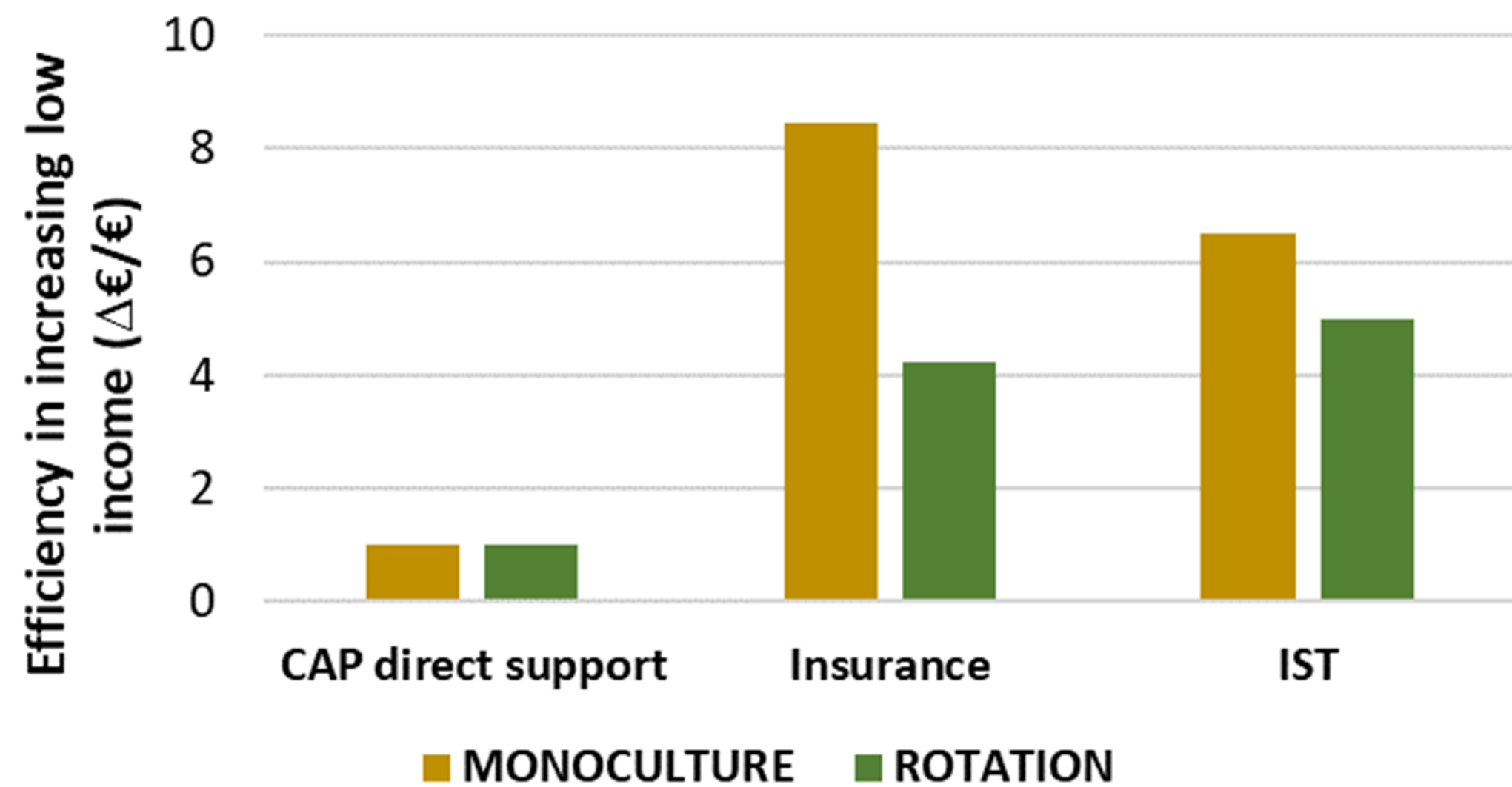
...increasing likely low incomes in worst 5% of years ($\Delta\text{€}/\text{€}$)



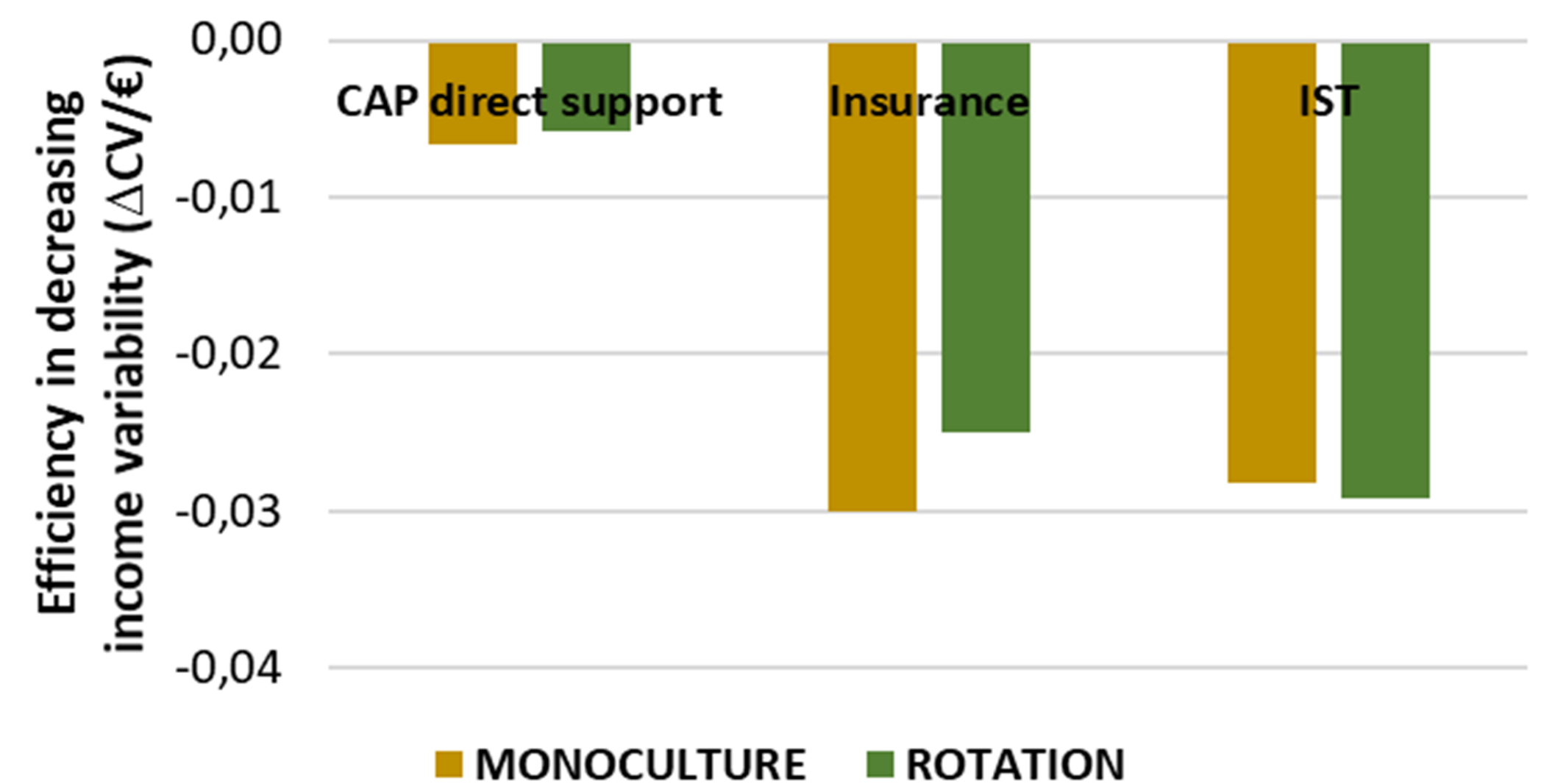
Society's perspective

What is the efficiency of each public € invested in...

...increasing likely low incomes in worst 5% of years ($\Delta\text{€}/\text{€}$)



...decreasing variability ($\Delta\text{CV}/\text{€}$)



Conclusions

- ✓ From the farmers' perspective, direct payments were the most favourable measure
- ✓ From the society' perspective, IST and crop insurance were the most efficient tools in terms of increasing income in the worst years and decreasing variability, respectively
- ✓ Crop diversification does not require any direct public support but...
 - ... provides itself a significant improvement in farm income stability
 - ... brings down the public cost of risk management tools

Thank you for your attention



**Setting-the-scene:
Which is the best risk management tool?**

