European Commission

Risk management in rural development policy

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Outline

1. Why a Risk management toolkit?
2. Current state of play of the Risk Management Tool
3. The novelties in the Omnibus regulation

Why a Risk management toolkit?

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Why a Risk Management toolkit for farmers?

Farmers are increasingly exposed to threats to their business outside their direct control, for example:

- Price volatility
- Extreme weather events affecting yields

These risks can affect the economic viability of a farm.

In extreme cases, a competitive farm could be forced out of business due to an external effect.

An increased level of economic uncertainty negatively affects the farmer's willingness to invest in sustainable business development.

Need to cover economic losses caused by external market effects or weather events.

CAP risk management instruments

	2010-2014	2015-2020
Direct payments	Articles 68/70/71 of Reg. (EC) No 73/2009: 1. Insurance premium subsidy 2. Mutual funds	-
Market measures	CMO wine and fruits and vegetables: 1. Insurance premium subsidy 2. Mutual funds	SCMO (wine and fruits and vegetables): 1. Insurance premium subsidy 2. Mutual funds
Rural development	-	Articles 36 – 39 Reg. (EU) No 1305/2013: 1. Insurance premium subsidy 2. Mutual funds 3. Income stabilisation tool (Measure 17 of the Rural Development Programmes (RDPs)/Chapter 16 of Annex I of the Implementing Act)

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Insurance Premiums

Article 37 of Reg. (EU) No 1305/2013:

- Financial contributions
- To premiums for crop, animal and plant insurance
- Against **economic losses** to **farmers**
- Caused by **adverse climatic events**, animal or plant diseases, pest infestation, or an environmental incident

Mutual Funds

Article 38 of Reg. (EU) No 1305/2013:

- Financial contributions
- To **mutual funds**
- To pay financial compensations to **farmers**,
- For **economic losses**
- Caused by **adverse climatic events** or by the **outbreak of an animal or plant disease** or pest infestation or an environmental incident

Income Stabilisation Tool

Article 39 of Reg. (EU) No 1305/2013:

- Support shall only be granted to **mutual funds**
- Which provide compensation where the **drop of income**
- **Exceeds 30%** of the average annual income of the individual farmer in the preceding three-year period or a three-year average based on the preceding five-year period excluding the highest and lowest entry
- Payments by the mutual fund to farmers shall compensate for less than 70% of the income lost in the year the producer becomes eligible to receive this assistance

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Current state of play of the Risk Management Tool

State of play

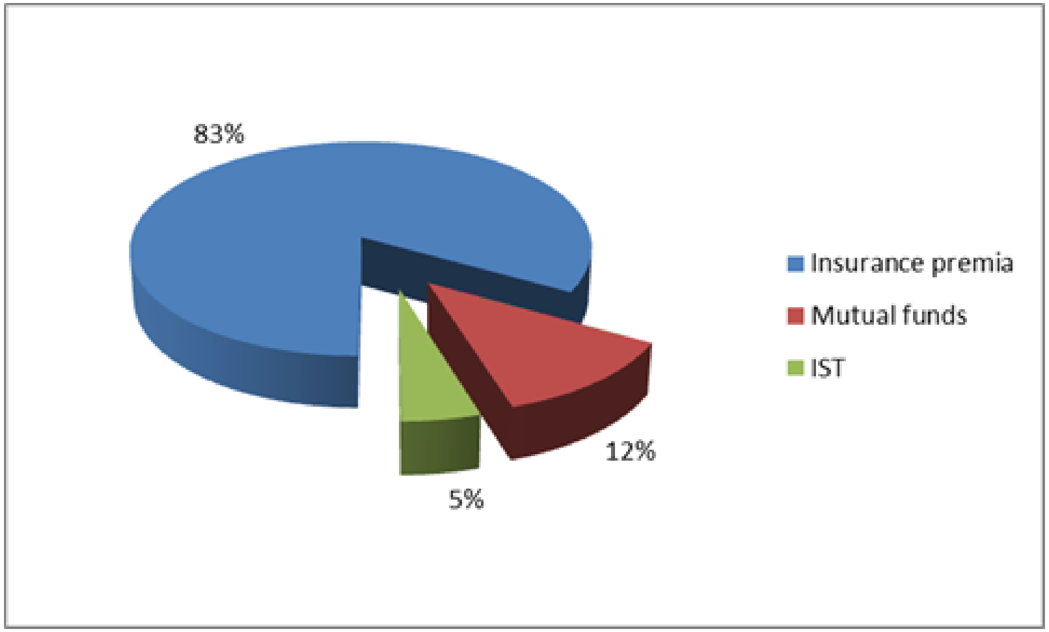
Total public expenditure on RM across all RDPs: € 2,7 bn

→ 1,78% of the total public budget programmed.

Breakdown: Insurance premia: € 2,2 bn

Mutual funds: 325 M€

IST: 130 M€



Among the risk management tool kit, the insurance schemes (M17.1) are therefore more popular than schemes involving mutual funds (M17.2 and M17.3).

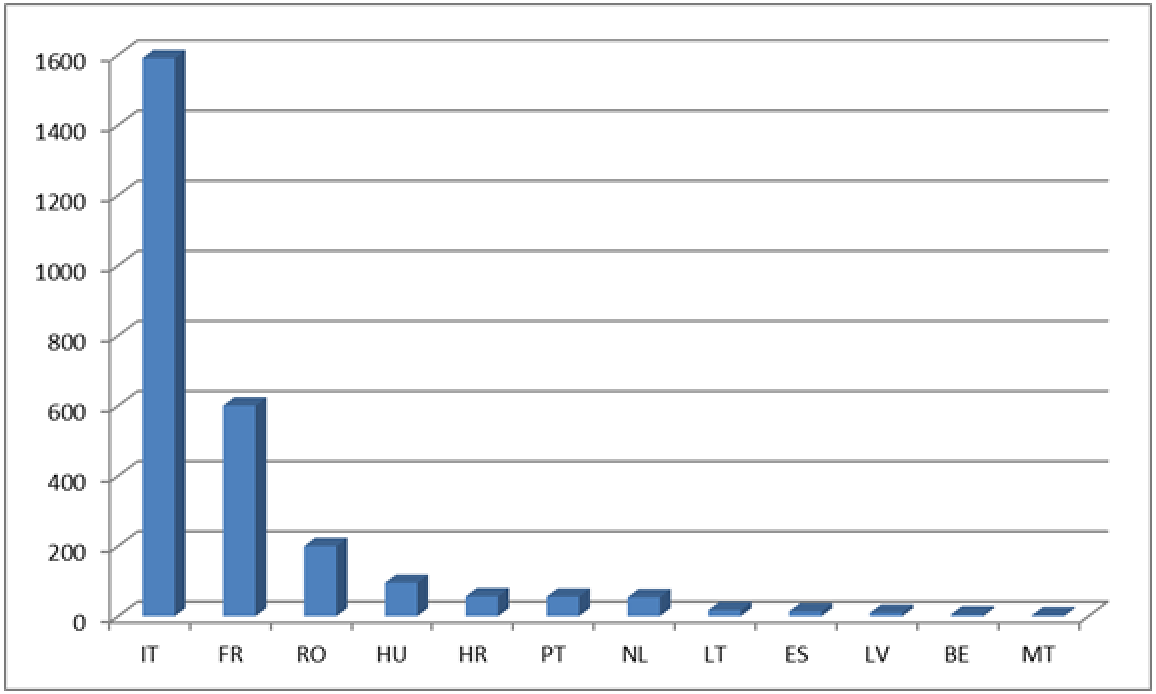
State of play

Italy 7,62%
France 3,77%
} of total public expenditure

Croatia, Hungary, Romania, Malta, the Netherlands*: some 2%.

Portugal, Lithuania, Flanders (BE), Castilla y Leon (ES) and Latvia: about 1%.

Holdings supported: about 675.000



* National top up of same %

State of play

Overall uptake: 12 out of the 28 Member States.

At RDP level, 14 programmes out of 118

→ ES - Castilla y León

→ PT - Açores, Continente and Madeira

Risk Management in Rural Development - Overview

RDP	M17.1 - Insurance	M17.2 - Mutual Funds	M17.3 - Income Stabilisation Tool	Total public expenditure (x1000 €)	Share of Total public expenditure in total RDP budget	Estimated amount of beneficiaries
Belgium-Flanders	X			5.143	0,77%	1.285
Croatia	X			56.673	2,38%	8.267
France-national RDP	X	X		600.750	97,85%	495.000
Hungary	X		X	95.313	2,28%	15.000
Italy-national RDP	X	X	X	1.590.800	74,34%	90.000
Lithuania	X			17.460	0,88%	1.450
Latvia	X			10.000	0,65%	4.000
Malta	X			2.500	1,93%	1.500
Netherlands	X			29.380 24.620 (additional national financing)	2,42%	1.300
Portugal-Açores	X			2.353	0,69%	100
Portugal-Continente	X	X		52.626	1,33%	2.465
Portugal-Madeira	X			772	0,37%	350
Romania		X		200.000	2,09%	15.000
Spain-Castilla y Leon			X	14.000	0,85%	950

The novelties in the Omnibus regulation

Omnibus regulation

Sectorial Income Stabilisation Tool

Article 39a of Reg. (EU) No 1305/2013:

It aims at targeting farmers in specific agricultural sectors.

Main differences between the general IST and the sectorial IST:

- the sectorial IST targets farmers of a **specific sector**;
- a **sound justification** of the reasons behind the implementation of the instrument should be provided;
- the sectorial IST is activated by a drop in the average annual income of the farmer that **exceeds 20%**, instead of 30%.

The new tool is not Green Box compatible, therefore it will be notified as an Amber Box scheme.

Omnibus regulation

- For all schemes involving the set-up of mutual funds, the provision forbidding the **contribution of public funds to the initial capital stock** of the mutual fund is deleted.
- The obligation for the Commission to **report to the EP and the Council** on the implementation and performance of the risk management tool kit is deleted.

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Thank you