

# **Why a European agricultural insurance scheme is not a good solution**

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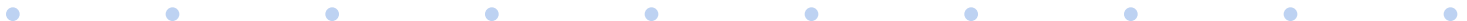
## 5 conditions for a new initiative

- It should address a clear European challenge
- Real EU value added
- Compatible with WTO rules
- Compatible with EU's Financial Perspectives
- Last but not least, strong political support



# Clear European challenge: ok

- Many weather-related incident in recent years: drought, flooding, hail... Likely to increase with climate change
- Globalization also of animal and plant diseases..
- Market price volatility is here to stay.



## Observed agro-climatological changes based on the MARS meteorological database 1975 - 2007

### Lengthening of growing season

As a whole, in Europe a lengthening of growing season (defined as frost-free period) was observed. Even if over the continent the magnitude of increase varied, on average the lengthening is estimable in 0.8-1 day per year during the last 30 years. However, in a few and localized areas, due to particular microclimatic conditions, reductions were recorded instead.

In general a longer growing season is related to an increased crop productivity and allowing for a larger number of options as rotations and cultivable crops.

### Increased plant heat stress

In parallel to the increase of annual mean temperatures, maximum daily values were shifted upward and more frequent heat stress events occurred.

Worse conditions were recorded in Spain (mainly southern areas), Italy and Black Sea area (mainly Turkey).

However, it must also be highlighted that locally along the Atlantic coast line and in Greece a reduction of frequency of heat stress was recorded

### Increased winter and summer rainfall

In Scandinavia, eastern EU, Balkans and Austria a significant increase of cumulated rain both during winter and summer was recorded.

### Reduction of winter rainfall

In Italy, Portugal, Greece, southern France and Ireland a significant reduction of cumulated values of rain during winter was recorded. Winter rainfall is particularly relevant in southern regions, where the majority of annual rainfall is concentrated in wintertime

### Increased irrigation demand

Increase of water deficit (rain-evapotranspiration), mainly due to the reduction of rain during the growing season and partially due to the increase of crops water consumption has been simulated for large parts of southern Europe. Italy, central Spain and southern France presented the largest increases.

### Legend

Main EU 27 production areas

- Wheat
- Wheat and Maize
- Maize

### Reduction of irrigation demand

In Balkans, Austria, Czech Republic, The Netherlands, Denmark, southern Sweden and northern Poland a reduction of water deficit (rain-evapotranspiration) was recorded, mainly due to the increase of rain during the growing season.

### Increased risk of late frosts

The frequency of late frosts has increased westwards of the dotted line bringing a greater vulnerability to this regions.

### Reduction of summer rainfall

Italy and southern France show a significant reduction of cumulated rain. In spite of the small contribution of summer rain to the whole year cumulated value the reduced summer rain increased the water deficit noticeably.

### Shortening of crop growth cycle (agrophology)

The speed of crop development is mainly influenced by the thermal conditions. Therefore, increase of crops development speed did lead to a shortening of crops cycle over the last decades.

In general short crop cycles are related to a reduced crops productivity, especially if it occurs during the reproductive stages of development (grains/fruits formation).

Winter crops were influenced more than summer crops.

# Real EU value added ?

- Risk management starts at farm level
- Climatic + Financial risks different between MS
- EU framework for insurance scheme already existing (State Aids). Limited use (except Spain)
- Different insurance schemes per MS: public, private, mixed; different compensations and premiums...
- Direct payments already stabilize income



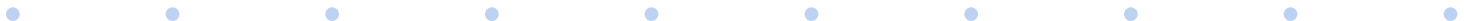
# Compatible with WTO rules Ok

- Most simple issue
- Yes if first 30% of losses paid by farmers

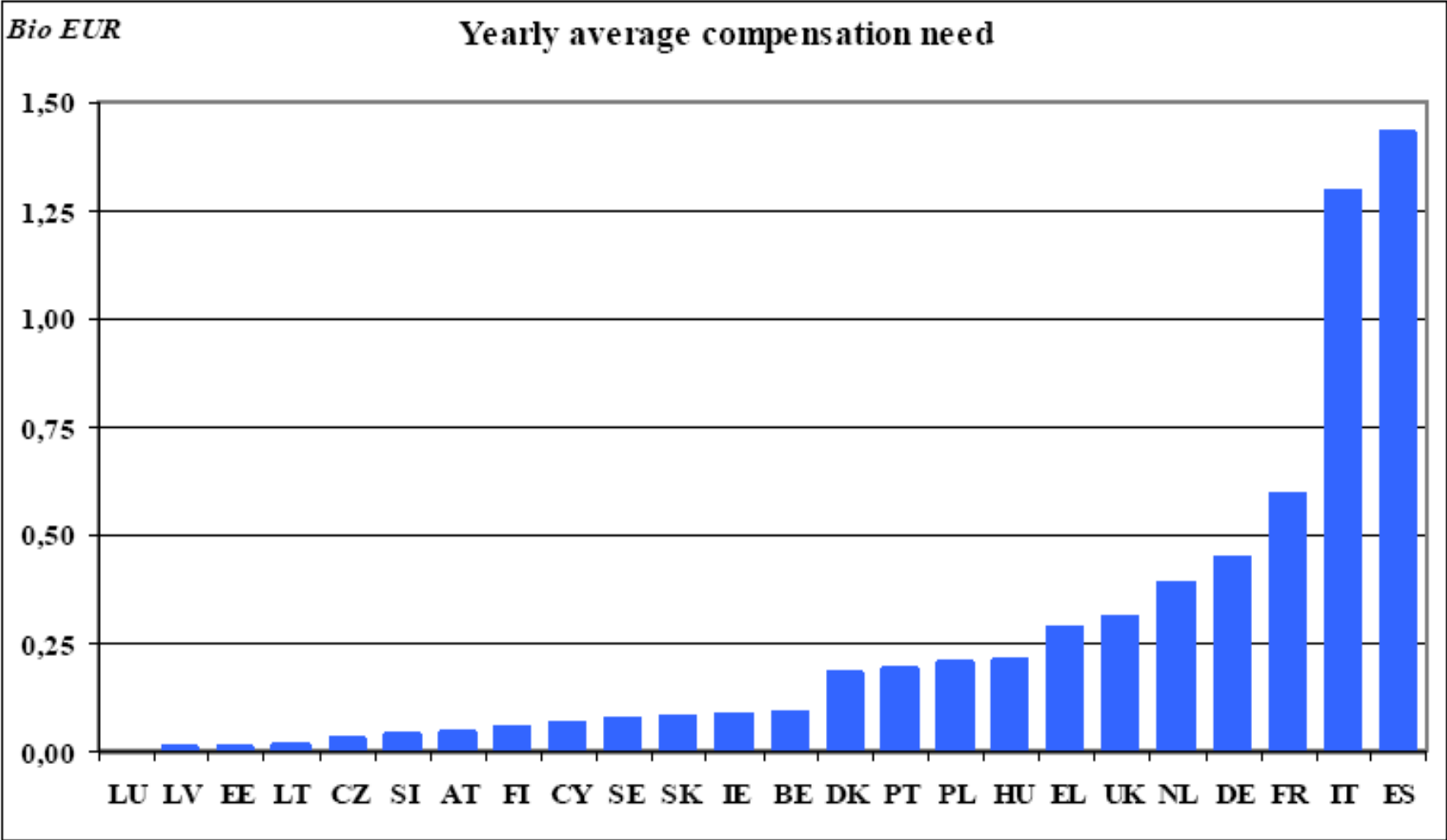


## Compatible with EU's Financial Perspectives?

- Expensive: around 4 billion € per year on average
- Taken from direct payments
- Taken from North and Central Europe farmers and given to South and East farmers
- Unstable and unpredictable. Budget managers allergic to that



**Figure 5: Level of compensation required for different Member States (in current Euros)**



Note: Gross Farm Income used as income indicator; Average yearly compensation for EU-15 for 1998-2007, for EU-9 average 2006-07

Source: DG AGRI L3 - EU FADN (no data for Malta, Bulgaria, Romania)



# Strong political support: No



# Not too much more to be done

- Fruit and vegetables;
- rural development;
- State aids



# If you want to know more ...

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