



Cap sur la Pac 2020

Round Table no. 3

Managing hazards and empowering actors

This introductory document for the round table discussions is aimed at providing all participants with information for context and reflection related to the topics addressed. It does not express the position of France with regard to the future common agricultural policy.

A. Context

Agriculture is an activity that faces climate-related and sanitary risks affecting many of its sectors and regions. The annual cost of the damage caused by adverse climatic incidents for French farmers can be estimated at €1.5bn, a figure probably destined to rise in the future against the backdrop of climate change and the consequences it entails for the frequency and scale of extreme events. The risks of introduction and establishment of animal diseases and plant pathogens are also on an upward trend related to expansion of trade flows and travel as well as climate change.

Lastly, European agriculture is also more open to the world than ever and it is consequently increasingly affected by market volatility.

These market- and production-related risks lead to variations in farm income that may be very large in some cases. For example, on average in each year over the period 2011-2015, between 25% and 40% (according to type of farming or business) agricultural holdings registered shrinkage in available income of over 30% compared with their five-year average.

B. The solutions provided by the current CAP

The CAP contains a variety of measures but these do not always provide a solution for the issues. CAP measures can be broken down according to the risks they are intended to cover. Those risks can be divided into three categories based on the scale of the losses they cause:

- risks of limited importance can and must be handled by the farm or its sector;
- risks of intermediate importance can be managed by insurance cover, market management tools or mutual funds, these being subject where necessary to regulatory control and supported by the public authorities;
- risks of major or catastrophic importance requiring direct state intervention.

1) Risks of limited importance

This category of risk can be appropriately handled by the economic actors themselves by means of individual precautionary savings available for use in case of need as well as on a contractual basis, the pooling of risks in a given sector or efforts to strengthen the competitiveness of organisations to reduce their costs and thereby their vulnerability in the event of a market downturn.

In a context in which competition is global, basic support for the agricultural sector through direct payments is the primary tool to guarantee a level of income for farmers and growers and to make agricultural holdings more resilient.

The second pillar of the CAP also allows support to be provided for the implementation of certain preventive approaches that encourage a transition to more resilient production systems (agri-environment-climate measures, investment support, etc.). Sector organisation and contractualisation, supported and fostered by existing tools for rural development and the common organisation of markets (exemptions from competition law, economic organisation), also allow the vulnerability of agricultural holdings to be mitigated.

2) Risks of intermediate importance

Risk management measures in rural development enable intermediate levels of risk to be supported by means of three instruments:

- Insurance to cover production losses caused by adverse climatic phenomena, animal disease and plant pests, or environmental incidents.
- Mutual funds to compensate farmers for economic losses caused by adverse climatic phenomena, animal disease and plant pests, or environmental incidents.
- Mutual funds to provide compensation to farmers in the event of major reductions in their income – these are known as “Income Stabilisation Tools” (ISTs).

At French national level, following the schemes implemented in the preceding programming period, the decision was taken to use insurance cover for climate-related risks (harvest insurance), and mutual funds for sanitary risks and environmental incidents.

Harvest insurance for climate-related risks: Comprehensive climate cover – or harvest insurance – has been given official support and the market for this has developed since 2005 in France, or earlier in other Member States. Official support has assisted the development of harvest insurance, which has

thus become dominant, with 26% of areas under crops (not including grassland) being covered by comprehensive climate policies in the space of ten years, in addition to a high rate of policy renewal. The level of coverage does however need to be further improved: it varies widely between sectors and appears to have reached a plateau.

The national agricultural mutual sanitary and environmental fund (FMSE) is the only mutual fund to have been officially approved. It is managed as a non-profit association as defined by France's law of 1901 and all farmers and growers in metropolitan France are members. Following an appraisal of the loss after an incident, it pays compensation according to defined eligibility criteria to any farmer whose production resource has been affected. A public support scheme then reimburses the mutual fund for part of the compensation thus paid out (up to 65%).

The Income Stabilisation Tool: France opted not to implement this instrument at national level in the 2015-2020 period, due most notably to the operational difficulties for implementation.

Certain COM tools also help with the management of risks of intermediate importance. They allow market hazards to be forestalled and managed and can be triggered on a staged basis: management measures for sectoral markets (private storage, public storage according to sector, as well as operational programmes for fruit & vegetables (e.g. withdrawals)).

When applied under certain conditions, public intervention and storage tools are generally effective where their purpose is to correct a cyclical imbalance between market supply and demand (due for example to the seasonal nature of certain types of production) by influencing the level of supply and withdrawing quantities from the market. Having been regularly activated (e.g. for milk, pigmeat), they have demonstrated their effectiveness despite the opportunistic behaviours they may lead to on the part of economic actors.

3) Major risks

COM articles 219 to 222 should in principle enable major risks to be addressed by triggering exceptional measures. The following are some examples of measures applied under this heading:

- Temporary planning of milk production was put in place at EU level in 2016. This was a sign of an awareness at EU level of the necessity of adjusting supply to reduced demand. This made possible the European plan for the voluntary reduction of milk production (European support payments for quantities not produced); for example, a scheme was activated in France during the avian influenza crises of 2016 and 2017. This provided an EU financial contribution to the support scheme implemented in France to pay compensation for losses due to non-production suffered by producers of palmipeds and other poultry due to imposed sanitary measures.

In order to provide funding to address risks of very major importance a crisis reserve fund has been set up at EU level. Due to a lack of consensus in the EU this fund has never been triggered since its creation, leading each year to a repayment to the beneficiaries of direct payments.

The recent crises experienced by the agricultural sector and the triggering of exceptional support on several occasions has pointed up a need for certain risk management tools in the current CAP, especially those in the COM, to be more reactive. Similarly, the interfacing of these tools and the timeframe for triggering crisis support schemes could be revised with a view to more effective coverage of the whole range of hazards that face farmers. Specifically, the lack of data that would enable crises to be anticipated through more effective sectoral market observatories has slowed decision-making at EU level.

C. Some questions for the future CAP

A number of avenues might be explored when considering the future CAP:

- 1) [In conjunction with discussions in the first two round tables], how might CAP tools help strengthen the intrinsic resilience of agricultural and agrifood production systems faced with recurrent risks of limited importance?
- 2) What types of risk should have priority for management under the CAP? Which are the most important risk management tools to be promoted?
- 3) How might the tools implemented encourage responsible decisions by the economic actors along the whole supply chain in each sector, not only for the management of agricultural and agrifood production systems but also when building relevant sectoral strategies?
- 4) How might the effective interfacing of all available tools be secured with a view to the efficiency and coherence of implemented policies, in particular the linkages between tools for risk prevention, for risk management and for crisis management?