Risk management in the future CAP

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Outline

• Dutch Agriculture
• Risk management in CAP
• Multi-peril crop insurance in Netherlands
• USA Milk Margin program
• Suitable for the EU CAP
• Conclusions
Dutch agriculture
Dutch agriculture – land use

- **Arable crops**: 19%
- **Horticulture**: 4%
- **Fodder crops**: 9%
- **Grassland**: 68%

**Pie charts showing crop distribution:**
- **Cereals**: 196.817
- **Potatoes**: 156.511
- **Vegetables**: 56.172
- **Sugar beets**: 58.436
- **Others**: 37.151
Risk management in CAP

- Multi peril insurances
- Reduced price risk by intervention and private storage
- Direct payments
- Income stabilisation tool
Multi-peril crop insurance in Netherlands

• Under art.37 of Rural Development
• Characteristics
  • Loss over 30% of Olympic average
  • In quantity or quality
  • In one parcel and one crop
  • Because weather events
    • Rain
    • Draught
    • Frost
    • Snow
    • Storm
    • Hail
    • Fire through lightning
Participation in multi-peril crop insurance
% uptake for apple and pear
% uptake arable crops
What about other sectors?

• Greenhouses?
What about other sectors?

- Dairy?
What about other sectors?

- Dairy?
- Pork?

- Both very present
- Both an issue of margins
USA Milk Margin program

Insurance margin milk price – feed costs

$4-$8 per CWT.
Sweetpoint around $6

Above 4 million CWT
Extra high premium
## USA Dairy Margin Program

The USA Dairy Margin Program is designed to provide margin protection for dairy farmers by offering premiums based on the difference between the milk price and feed cost, with premiums available for different levels of milk production.

### Margin Protection Program premiums

<table>
<thead>
<tr>
<th>Margin coverage (per cwt)</th>
<th>Premium for milk production up to 4 million pounds (per cwt)</th>
<th>Premium for milk production above 4 million pounds (per cwt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.00</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>$4.50</td>
<td>$0.010</td>
<td>$0.020</td>
</tr>
<tr>
<td>$5.00</td>
<td>$0.025</td>
<td>$0.040</td>
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<td>$0.100</td>
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<tr>
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<td>$0.090</td>
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<td>$7.00</td>
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<td>$0.830</td>
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<tr>
<td>$8.00</td>
<td>$0.475</td>
<td>$1.360</td>
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</tbody>
</table>

*Source: Agricultural Act of 2014, Title I.*
Suitable for the EU CAP?
Suitable for the EU CAP?

- In specialised sectors it serves as income protection
- Based upon national averages for milk prices and feed costs
- Progressive premiums like the American program?
- Are insurance companies interested to develop such an insurance?
- How does it relate to other instruments in the CAP, like Intervention and Private Storage Aid?

But on the negative side:
- It will prolong crises, because farmers keep producing
- Does it fit with market orientation of the CAP?
Conclusions

- More insurance in the next CAP sounds appealing
- But without market distortion is difficult

- The multi peril insurance is working

- Is there a need for a margin insurance?
- As a safety net