Risk management measures in Hungary

Gábor János Suga, Ministry of Agriculture, Hungary
Risk Management Measures in Agriculture in Hungary

Pillar 1
Damage Mitigation Fund – compulsory participation above a certain farm size, financed from national sources

Pillar 2
Subsidised crop insurance scheme – according to Art. 37 of RD Regulation

Pillar 3
National Hail Mitigation Network – operating by Chambers of Agriculture

Pillar 4
Income Stabilisation Tool – according to Art. 39 of RD Regulation
## Subsidised crop insurance scheme – Pillar 2

<table>
<thead>
<tr>
<th><strong>Covered weather risks</strong></th>
<th><strong>Crop insurance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hail</td>
<td>Type A: Single peril</td>
</tr>
<tr>
<td>Storm</td>
<td>Type A: Single peril</td>
</tr>
<tr>
<td>Frost (spring, autumn, winter)</td>
<td>Type A: Multi peril</td>
</tr>
<tr>
<td>Drought</td>
<td>Type A: Single peril</td>
</tr>
<tr>
<td>Cloudburst</td>
<td>Type A: Single peril</td>
</tr>
<tr>
<td>Flood</td>
<td>Type A: Single peril</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Contribution level</strong></th>
<th><strong>Type A</strong></th>
<th><strong>Type B</strong></th>
<th><strong>Type C</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Max. contribution</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>Min. contribution</td>
<td>55%</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Crops</strong></th>
<th><strong>Type A</strong></th>
<th><strong>Type B</strong></th>
<th><strong>Type C</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurable crops</td>
<td>Most frequently grown</td>
<td>Plantation (fruit + vegetables)</td>
<td>Any others arable crops</td>
</tr>
</tbody>
</table>
Main attributes of the subsidised crop insurance scheme

Covered utilised agricultural area (UAA) and number of beneficiaries

- Covered UAA (ha)
- Number of beneficiaries
Subsidised crop insurance scheme – Pillar 2
The most frequent weather risks in 2021

Share of insurance payments by weather risk in 2021

- Drought: 75%
- Hail: 13%
- Spring frost: 5%
- Storm: 6%

Legend:
- Drought
- Hail
- Spring frost
- Storm
Main attributes of the subsidised crop insurance scheme

Evolution of gross insurance premiums (revenues) and insurance payments (EUR million)

Coverage penetration by type of crops (%)

- Field crops
- Fruit orchards
- Vegetables

Gross insurance premiums
Insurance payments
Income stabilisation tool – Pillar 4
Income stabilisation tool – Pillar 4

Concept

• Setting up a Mutual Fund with voluntary participation of farmers
• Resources of the Fund= Farmer’s contribution (depending on the size of utilised area and livestock) + CAP subsidies
• Eligibility: drop of income in the current year exceeds 30% of the average annual income in the preceding 3-year period (reference income)
• Compensates for less than 70% of income lost
Income stabilisation tool – Pillar 4
Achievements

• Set up the Income Stabilisation Fund – operated by State Treasury
• First accession period February 2021 – 138 members, with the second accession period rose up to 200 members
• Data transmission from farmers relating to reference years (2018, 2019, 2020, 2021)
• Decision on payment of contribution (depending on UAA and livestock)
• Payment of contribution (September)
• Decision on reference incomes (made by State Treasury)
• Application for compensation
Income stabilisation tool – Pillar 4
Experiences until now

**Good news**
- Started operating well
- Attended 200 farmers in the first 2 years
- Appropriate response to *price* (e.g. market shocks) and *production risks* (e.g. pests, diseases) which were not insurable by other risk management instruments
- Low cost measure using administrative data

**Bad news**
- Complicated processes (multiple data transmission from farmers)
- Barely transparent methods of calculating income losses
- Fairly long time until getting the compensation
- Big needs for compensation vs. Strong limited resources (bottleneck)
Resilience and sustainability

Other standard instruments in the CAP Strategic Plan (2023-2027)

- Basic income support (BISS) (54.56%)
- Redistributive payment (CRISS) (14.04%)
- Payment for young farmers (CIS-YF) (1.40%)
- Eco-schemes (15%)
- Coupled income support (CIS) (15%)
Thank you!
www.fi-compass.eu

Follow us: LinkedIn, Twitter, YouTube, Instagram