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NOTE

From: General Secretariat of the Council
To: Council

Subject: Outcomes of the international conference "Risk Valuation and Risk Management Tools in the Agri-Food Sector" (Bratislava, 17 – 18 October 2018)
- Information from the Slovak delegation

Delegations will find in Annex information received from the Slovak delegation on the above-mentioned subject to be dealt with under "Any other business" at the "Agriculture and Fisheries" Council on 19 November 2018.

Outcomes of the international conference

“Risk Valuation and Risk Management Tools in the Agri-Food Sector”

(Bratislava, 17 – 18 October 2018)

In the context of the Commissions new proposal for the CAP after 2020 an international conference on the “Risk Valuation and Risk Management Tools in the Agri-Food Sector” focusing on the important topic of risk management in agriculture was held in Bratislava on the 17th and 18th October 2018. The Conference (<http://www.vuepp.sk/conference/home>) was divided in two parts, namely a scientific and strategic part.

The strategic part of the Conference was chaired by Deputy Prime Minister and Minister of Agriculture and Rural Development of the Slovak Republic, Gabriela Matečná. During this political session Commissioner Phil Hogan, a high level OECD representative and political representatives of the agriculture ministries of the Czech Republic, Hungary and Poland agreed, that the following steps are needed:

- The implementation of crisis forecasting tools through the common market organisation to better anticipate and manage risks;
- The possibility of budgetary flexibility within the EU financial framework in order to facilitate the effective implementation of risk management tools;
- Access of Member States to the appropriate financial instruments and resources needed to overcome crises in the agricultural sector;
- Each Member State should have access to a comprehensive set of risk management measures, also addressing climatic and sanitary risk, including, among others,
 - insurance systems;
 - mutual funds;
 - loans from financial institutions, including the EIB;
 - improvement of market transparency.
- Member States should also have enhanced and flexible access to measures of knowledge transfer and advisory services in raising farmers’ awareness and participation to the risk management instruments.

Due to the diversity of the risks, conditions, and structures of agricultural enterprises and farms, it is appropriate:

- for Member States to have flexibility in the choice of instruments (insurance systems or mutual funds); and
- at the same time, to seek common tools and resources at EU level to help address market failures.

More information and the official and full conclusions of the conference can be found in the attachment below.



CONCLUSIONS of the Conference

„Risk Valuation and Risk Management Tools in the Agri-Food Sector“

This Ministerial Conference and its conclusions are supported by the scientific and factual conclusions of the Conference "Risk Valuation and Risk Management Tools in the Agri-Food Sector", held in Bratislava on 17 and 18 October 2018.

EU agriculture develops in a market-driven environment that allows farmers to take advantage of the many opportunities of EU and global markets, value chains, and trade flows, and led to successfully positioning the EU as a top agro-food player globally: in 2017 EU agri-food exports reached a new record value of nearly EUR 138 billion. However, in recent years, European farmers have faced a significant increase in their risks, in particular as a result of the increasing volatility of agricultural commodity prices on world markets, as well as of input prices, greater exposure to animal and plant diseases, and increased frequency and intensity of extreme weather events due to climate change.

These risks are key factors limiting the progress of EU agriculture. Practical experience shows that underestimation of these risks threatens the viability of farms and ultimately the competitiveness of EU agriculture. These risks are unevenly distributed, with different impacts in different parts throughout Europe. Therefore, more emphasis must be put on the agricultural risk management and on adequate risk management strategies, both to prevent and to manage risks. Good risk management strategies should enhance farmers' ability to plan for, absorb, respond, recover from and adapt to adverse events. This requires a long-term view and strong partnership between all actors involved – from farmers as entrepreneurs, via private actors in the food supply chain or in financial or insurance businesses, to policy makers and administrations.

There is a role for the European Union and the individual Member States in tackling and minimising the impacts of agricultural risks in the future. The current Common Agricultural Policy (CAP) already offers a set of complementary tools to address the different types of risks. However, as the conference has shown, its systemic potential is not sufficiently used. It is clear that the risk management systems need to be further developed, also in view of handling its complexities.

Building a risk resilient agriculture should become, in terms of the factual, systemic, and financial aspects, one of the main priorities of the EU's CAP.

The escalation of external risk impacts leads to the need to create a common but diversified system aiming at their minimisation. It is confirmed that this is a dimension that goes beyond the present understanding of the CAP.

Previous knowledge has shown that it is desirable to build a pyramidal system. A common EU framework, offering EU and national instruments, must leave enough flexibility to allow tailored solutions for different types of regions, sectors, or farms and enable individual farmers in Member States to better manage the specific risks they face. These solutions should complement, but not replace completely, existing instruments under the CAP, such as direct payments, which should continue to provide a basic safeguard to farmers' incomes.



NÁSTROJE HODNOTENIA A RIADENIA RIZÍK V AGROPOTRAVINÁRSKOM SEKTORE RISK VALUATION AND RISK MANAGEMENT TOOLS IN THE AGRI-FOOD SECTOR

Bratislava, Slovakia, 17 - 18 October 2018

Our findings direct us primarily to:

- the need to provide for a comprehensive system of factual, systemic, and financial solutions to prevent, and mitigate the impacts of these risks,
- the diversity but also to the complementarity of the approaches both at EU and at individual Member States level, given the heterogeneity of risk profiles and of the uptake of risk management instruments across the EU;
- the need to raise farmers' awareness of the benefits of participating in risk management schemes, which should be perceived as instruments to improve the viability of the farms.

In this context, it is necessary to create a platform that allows formulating the relevant and related social and economic political themes such as solidarity, real assistance, compliance with standards, entrepreneurial responsibility and system responsibility.

We consider the scientific conclusions of the conference held in Bratislava to be a significant contribution to the creation of a **"Platform for Risk Valuation and Risk Management in the Agri-Food Sector"**, as referred to also in the Commission's Communication "The future of Food and Farming". This platform can serve as a forum for farmers, public authorities, and stakeholders for knowledge sharing and the exchange of best practices.

In this context, it will be necessary to develop a common view on:

- delineation of what constitutes normal farm business risk, marketable risks and catastrophic risks, to clarify where national and EU policies should act;
- building up an effective and transparent system of food market and price monitoring,
- databases up to the level of individual farmers (the impact of harvesting time and consequently the level of income);
- the appropriate level of subsidiarity for individual risk minimisation measures, including the need for support;
- necessary governance structures, including their use and limitations;
- coaching, communication, training, and advice towards the farming sector.

It would be necessary to further build a comprehensive system of support measures, including guarantee funds for further development, taking into account conditions of own resources and contributions available from other systems. These requirements need to be tackled by the forthcoming CAP beyond 2020 and the period beyond 2027. An effective risk management system will be seen as essential and progressively decisive element.

The discussions and perspectives need to be gradually expanded to a comprehensive risk management approach, addressing the loss of income, cash flow deficits, restrictions on the fulfilment of business agreements, and the creation of resources for reproduction. For these issues, it will be necessary to strive for effective solutions, including the development of comprehensive insurance schemes, solidarity funds, including cost-cutting funds, guarantee schemes, and the possibility of boosting commercial financing in view of addressing the need for resources and business development.

The risk management systems should be included in the development of Strategic plans. They should take into account a comprehensive assessment of the risk exposure of farmers, including the revenue and income impacts of all CAP measures. Those efforts must be accompanied by innovations of water conservation systems, soil conservation, and technologies that will contribute to long-term resilience, while making available the full



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potential of innovation and research. Risk management requires an optimal combination of the latest research findings, innovative solutions and management measures, using the available financial and non-financial instruments.

Taking into consideration the current state of risk management in the EU and the need to maintain and improve the viability of farms, the ministerial conference agreed on the following actions which need to be taken into account in the CAP after 2020:

- The implementation of crisis forecasting tools through the common market organisation to better anticipate and manage risks.
- The possibility of budgetary flexibility within the EU financial framework in order to facilitate the effective implementation of risk management tools.
- Access of Member States to the appropriate financial instruments and resources needed to overcome crises in the agricultural sector.
- Each Member State should have access to a comprehensive set of risk management measures, also addressing climatic and sanitary risk, including, among others,
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- Member States should also have enhanced and flexible access to measures of knowledge transfer and advisory services in raising farmers' awareness and participation to the risk management instruments.

Due to the diversity of the risks, conditions, and structures of agricultural enterprises and farms, it is appropriate:

- for Member States to have flexibility in the choice of instruments (insurance systems or mutual funds); and
- at the same time, to seek common tools and resources at EU level to help address market failures.

We welcome the fact that Horizon 2020 will fund research of risk management, digitisation of agricultural enterprises, and the smart use of large data in agriculture, while the European Innovation Partnership (EIP-AGRI) can support risk management projects. The projects funded within the Horizon 2020 should deal with specific problems facing Member States in the Central and Eastern Europe too.

Explanation:
EIP-AGRI - European Agricultural Innovation Partnership