



Sustainable Agriculture
AGRICULTURAL INSURANCE IN THE CZECH REPUBLIC

In last decades agriculture increasingly faces negative impacts of **extreme weather conditions** particularly in the context of climate change; *e.g. areas with formerly typical continental climate experience oceanic climate, in other parts of the planet the amount of hurricanes is raising and other areas are struck by drought*. It is highly unlikely that this situation will be improved in the foreseeable future... ..

The growing frequency of the above-mentioned *climatic phenomena* has increased the need for an appropriate management. *Risk and crisis management* obviously is one of the components of the **Integrated planning of sustainable agriculture**. An increasing importance is given to a specific tool: *agricultural insurance*.

Agricultural insurance contributes to *legal certainty*, stabilizes farm activities and, above all, mitigates the impacts of natural catastrophes (*e.g. floods, inundation, landslide*) and unfavourable climatic effects (*e.g. drought, frost, hurricanes*), which could even result in farm collapse. From the consumers' point of view, the insurance contributes to food quality and safety.

In the Czech Republic, the insurance measure has been developing for over a hundred years. As early as the 19th century *hail insurance* and *animal disease insurance* were offered. With the mid 20th century, insurance even became compulsory and further insurance types were offered (*e.g. flood and inundation insurance*). In the last 20 years decision on insurance and its extent has been left to farmers.

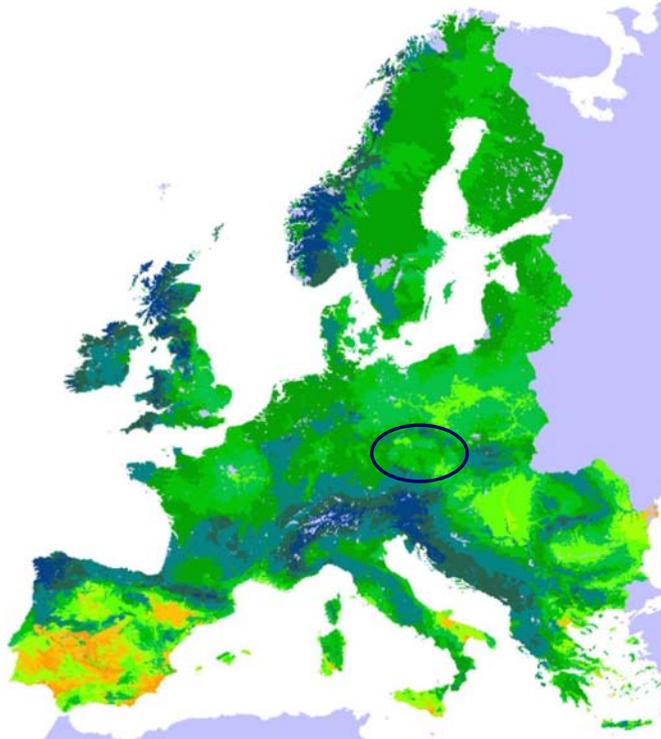
The agricultural insurance has been consistently supported within the frame of risk and crisis management since 2000 with the state policy. Financial support is paid to farmers in the form of *subsidized insurance*. This form of state aid is in accordance with the WTO Green Box.

Insurance support is divided into the following three groups:

1. crop insurance
2. special crop insurance
3. livestock insurance

With respect to the location of the Czech Republic in the mild climate zone, **crop insurance** is exercised against: *hail, fire, windstorm, floods, landslide, winter freezing injury, frost-heaving, frost* and *spring frost*. Special crops (*e.g. grape-vine, hop, fruit, vegetable, ornamental plants etc.*) are eligible to higher subsidy rate.

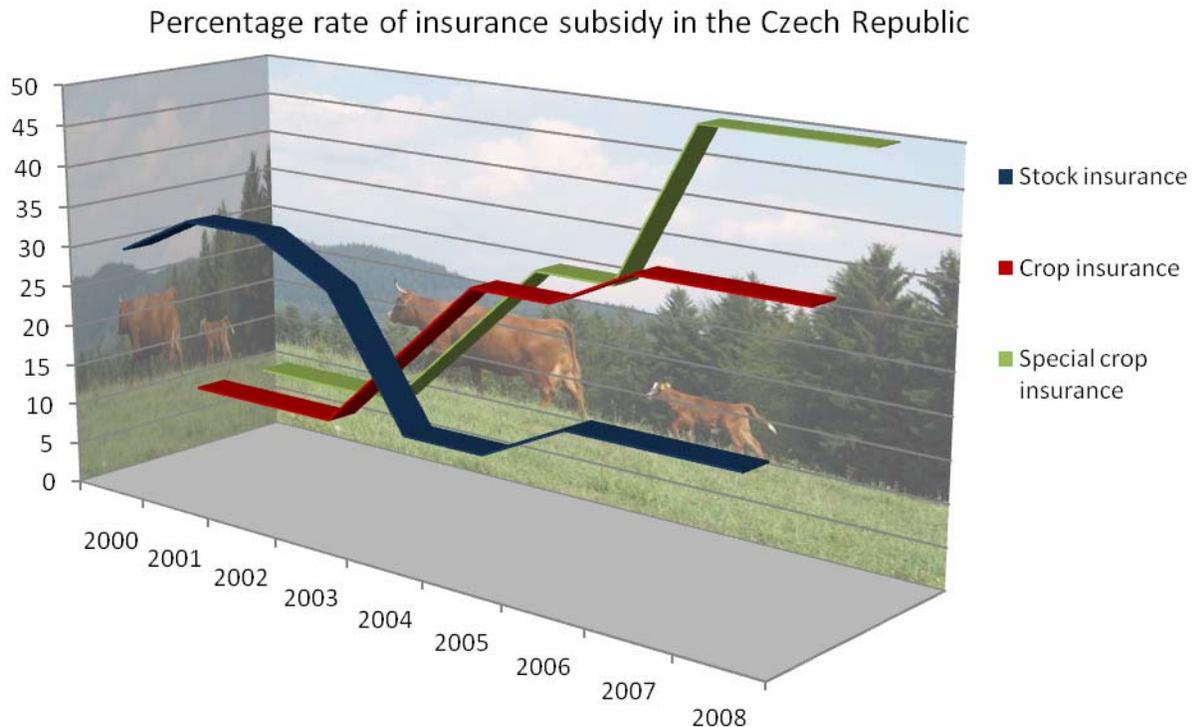
Location of the CZ on the dividing line between the continental and oceanic climate ranging from humidity to temperate drought



Source: Mendel University of Agriculture and Forestry in Brno, CZ

In **livestock insurance**, state aid represents subsidies in case of contagion, epidemics, zoonoses (*e.g. bird flu*) and natural damage (*e.g. kill due to lightning stroke, drowning*).

The percentage rate of insurance subsidy rises in all categories given, and thereby proves a growing interest of the Czech Government in agricultural insurance.



Source: *The Ministry of Agriculture of the Czech Republic*

The proinsurance rate of crops in CZ reaches 37%. The proinsurance rate of livestock is given as 81%. We can state, that the insurance rate of farmers is on the rise. With respect to relatively high proinsurance rates in most EU states, especially in crops, it is essential to increase this rate.

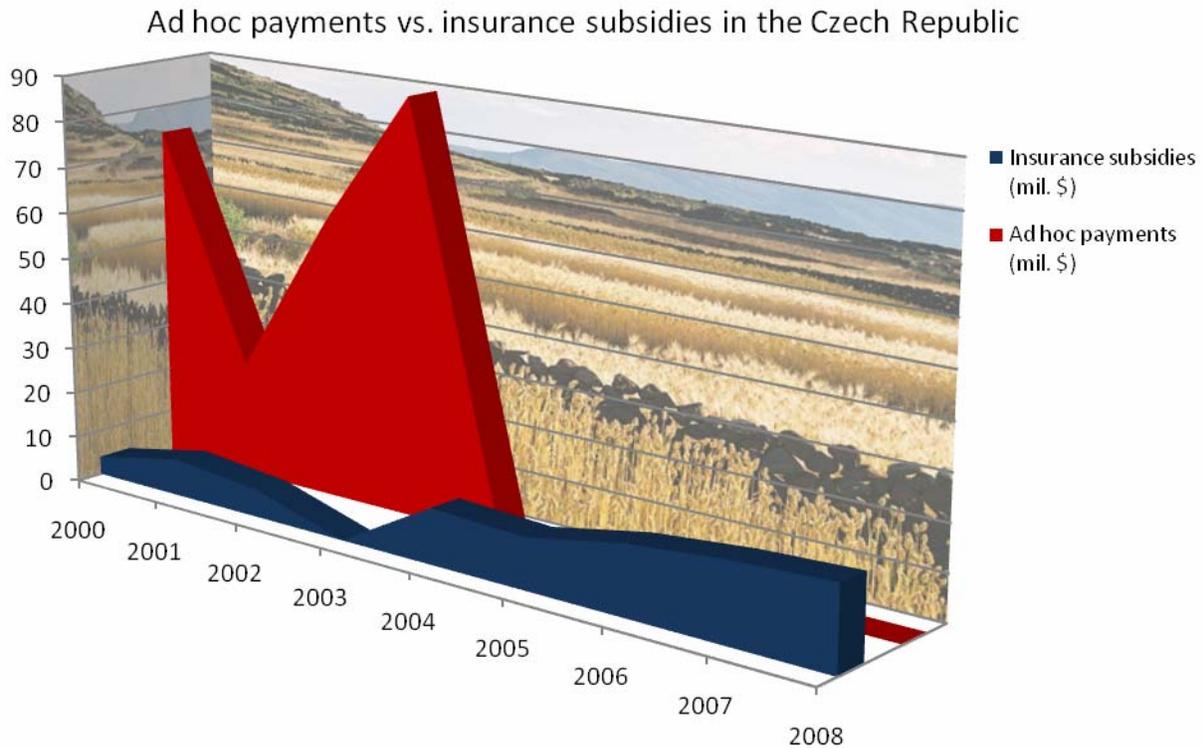
Agricultural public must be informed about the significant role of insurance. The government should support *insurance subsidy* without non-system fluctuations, as well as avoid undermining the role of insurance by *ad hoc payments* in cases of natural disasters: through the same aid to both insured and uninsured farmers.

Uninsured farmers are discouraged not only by the height of *insurance premium*, but also due to bad experience with compulsory insurance exercised twenty years ago. Low motivation also derives from unfavourable ownership relations to land: in contrast to owners, farmers renting agricultural land has less interest in sustaining the land in a permanently good condition.

The state is likely to continue supporting agricultural insurance in all three categories to up to 50%. The insurance will most probably extend into new subsidy types. For instance livestock insurance has recently been extended to cover exotic animal breeding, and agricultural organizations would support the option of *drought insurance* as well as insurance of *forest stands*, which nowadays are not liable to insurance.

In the past years, the state significantly helped farmers by providing them with **ad hoc payments** in case of natural disasters. However, these payments differ from insurance, the main

disadvantage being a long delay between the damage and actual receiving of the financial aid. Nowadays, there is a trend of insurance subsidies and ad hoc payments should only be granted in exceptional cases. An objective has been set to build farmers' responsibility by dividing up the costs of possible damage removal between both farmers and the state.



Source: *The Ministry of Agriculture of the Czech Republic*

Summary:

- States should contribute to the *Integrated planning of sustainable agriculture* by a system financial support of agricultural insurance.
- Insurance can successfully develop only when stable land ownership relations and long-term legal certainty are secured.
- States should consider whether to pay single aid ad hoc at all in cases when the farmer could have concluded an insurance contract, however had not done so. Such measures would be demotivative to insured farmers.
- The extent of damage caused by natural disasters and unfavourable climatic effects tends to increase and reflects the expenditures of both states and farmers. When considering agricultural insurance, we must at once support corresponding efforts leading to reduction of negative impacts of human activity on the climate change.