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VÝSKUMNÝ ÚSTAV EKONOMIKY
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Agricultural Production Risks and their Solutions in Slovakia

Ing. Zuzana Chrastinová

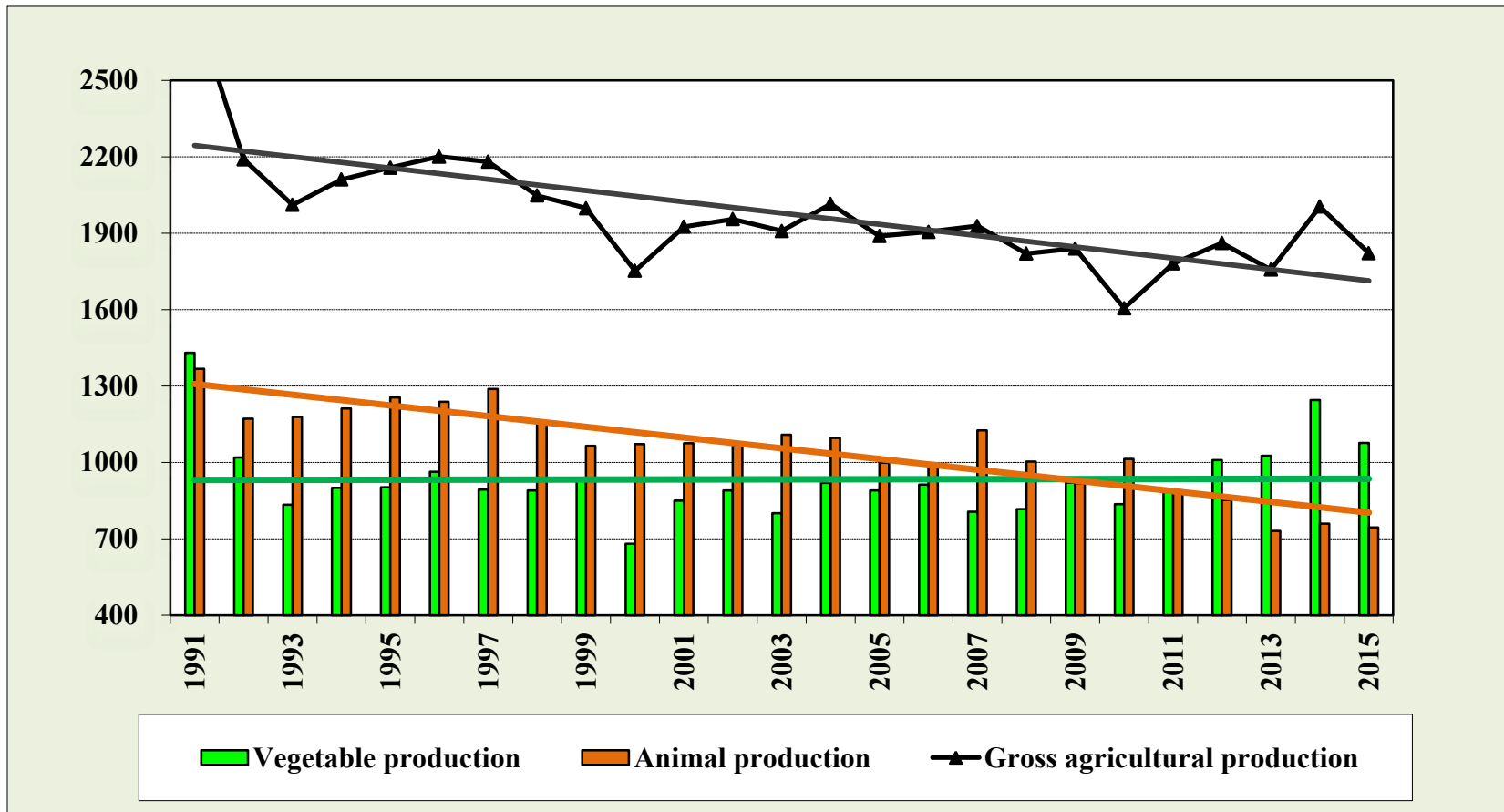
Ing. Weldesenbet Tesfu, PhD.

Ing. Ivan Masár

Risk of agricultural production in Slovakia is at present time solved

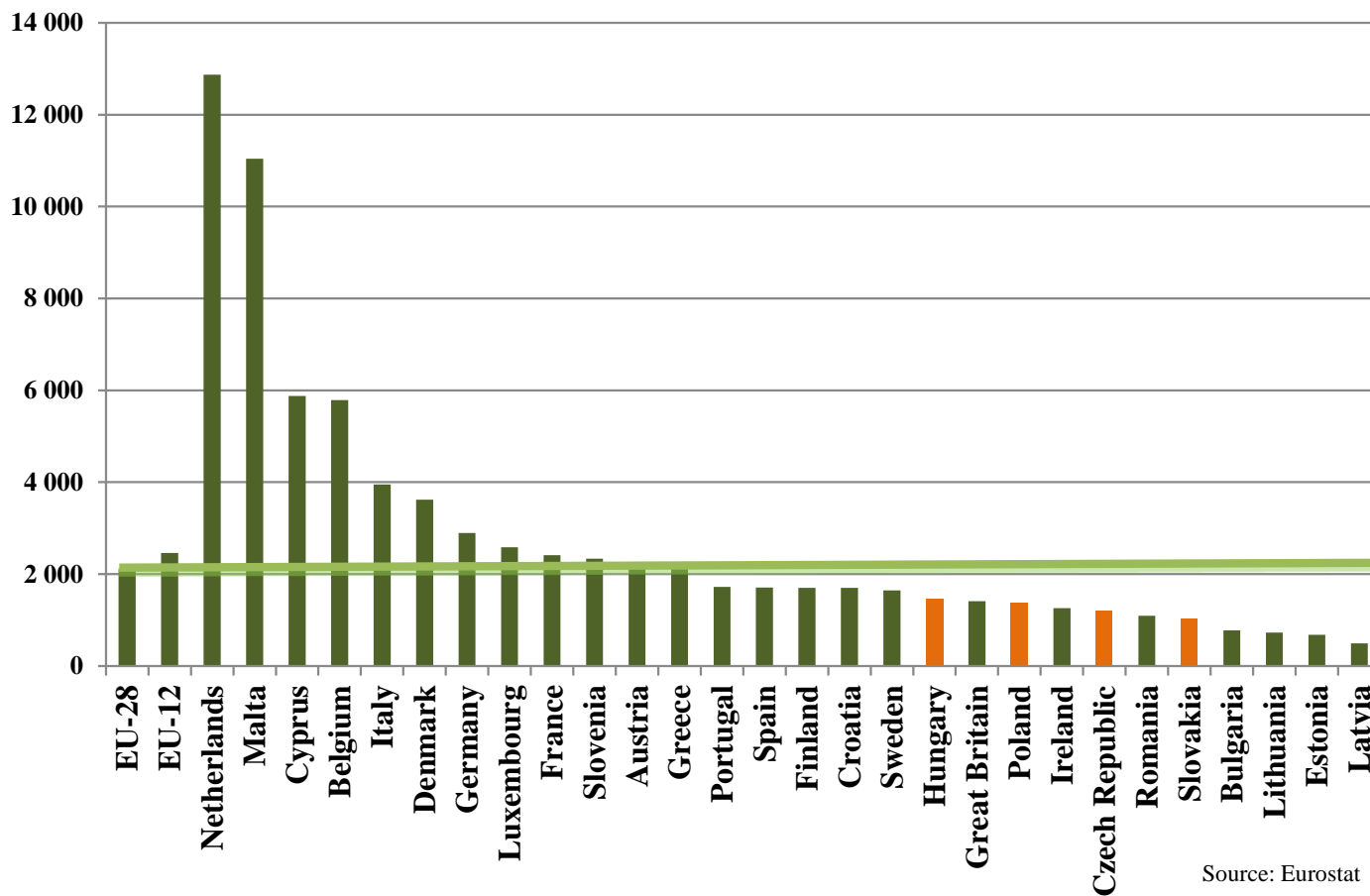
- **Systemically – through agricultural insurance in private companies and legislatives (law, government regulations)**
- **Ad hoc measures – through premium subsidy from state budget and compensation payments in case of disaster based on government regulation**
- **Individually at enterprises level: diversification of production, production structure optimization, vertical integration, own financial reserves or self-insurance, commodity hedging and futures markets on stock exchange**
- **Insurance in Slovakia is provided by 21 private companies. However, only three private companies provide agricultural insurance: (Allianz - Slovenská Poist'ovňa, a. s., Generali Slovensko Poist'ovňa, a. s., UNIQA Poist'ovňa, a.s.) and one Austrian insurance branch (AGRA poist'ovňa - Die Österreichische elversicherung VVaG)**

Production performance of the Slovakia – Development of gross agricultural production (in mil. €, constant prices in the year 2000)



After the year 1990 gross agricultural production has decreased by 30 %. However, during the last three years gross production has become stabilized. The production structure has changed towards vegetable production than animal production related to cost of production. The turning point occurs in the year 2009.

Agricultural production per hectare of utilised agricultural area in the EU-28 countries (in €, average years 2004-2014)

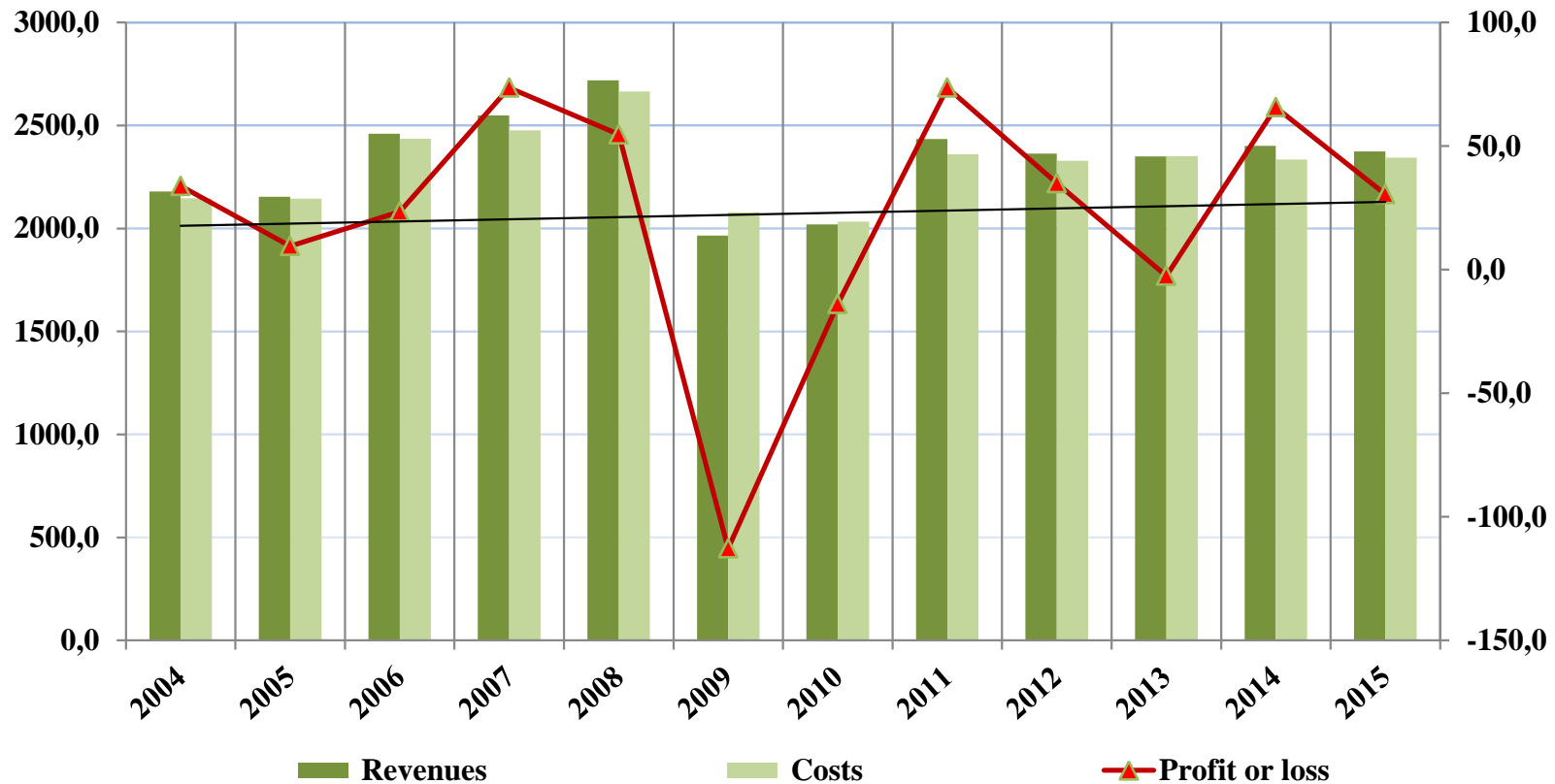


Significant differences of productivity achieved per ha of utilised agricultural area

Slovakia belongs to below the EU average in this indicator, similarly all other V4 countries

Source: Eurostat

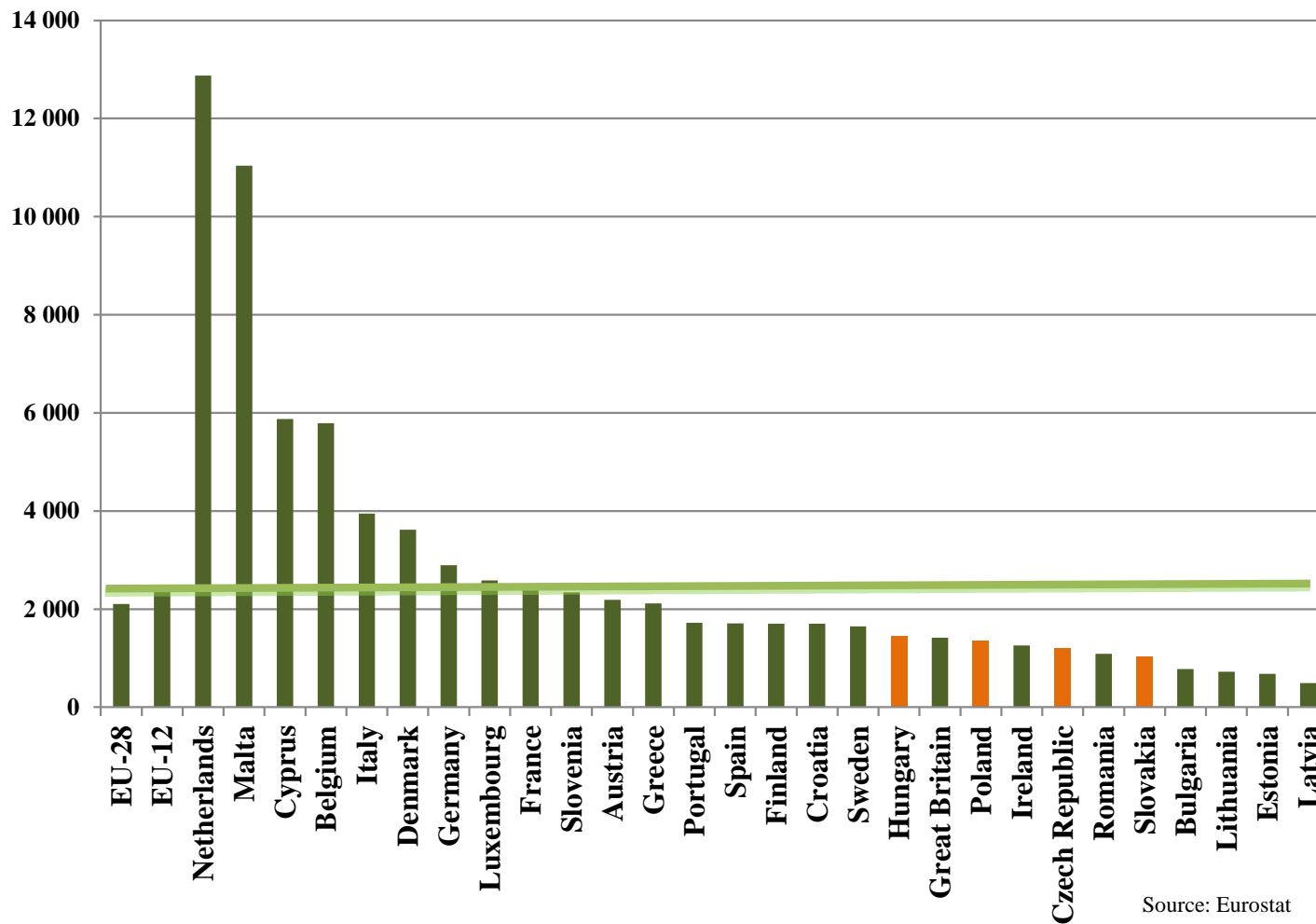
Economics – development of revenues, costs and profit/loss of agricultural production (in million €)



Income from operations has variable development in Slovakia. After significant loss in the years 2009 and 2010 it arose partial stabilisation and almost 70 % of enterprises made profit. However, its level is low compared to EU-countries.

Source: Statistical Office of the Slovak Republic

Profit/Loss – business income in € per hectare of utilised agricultural area

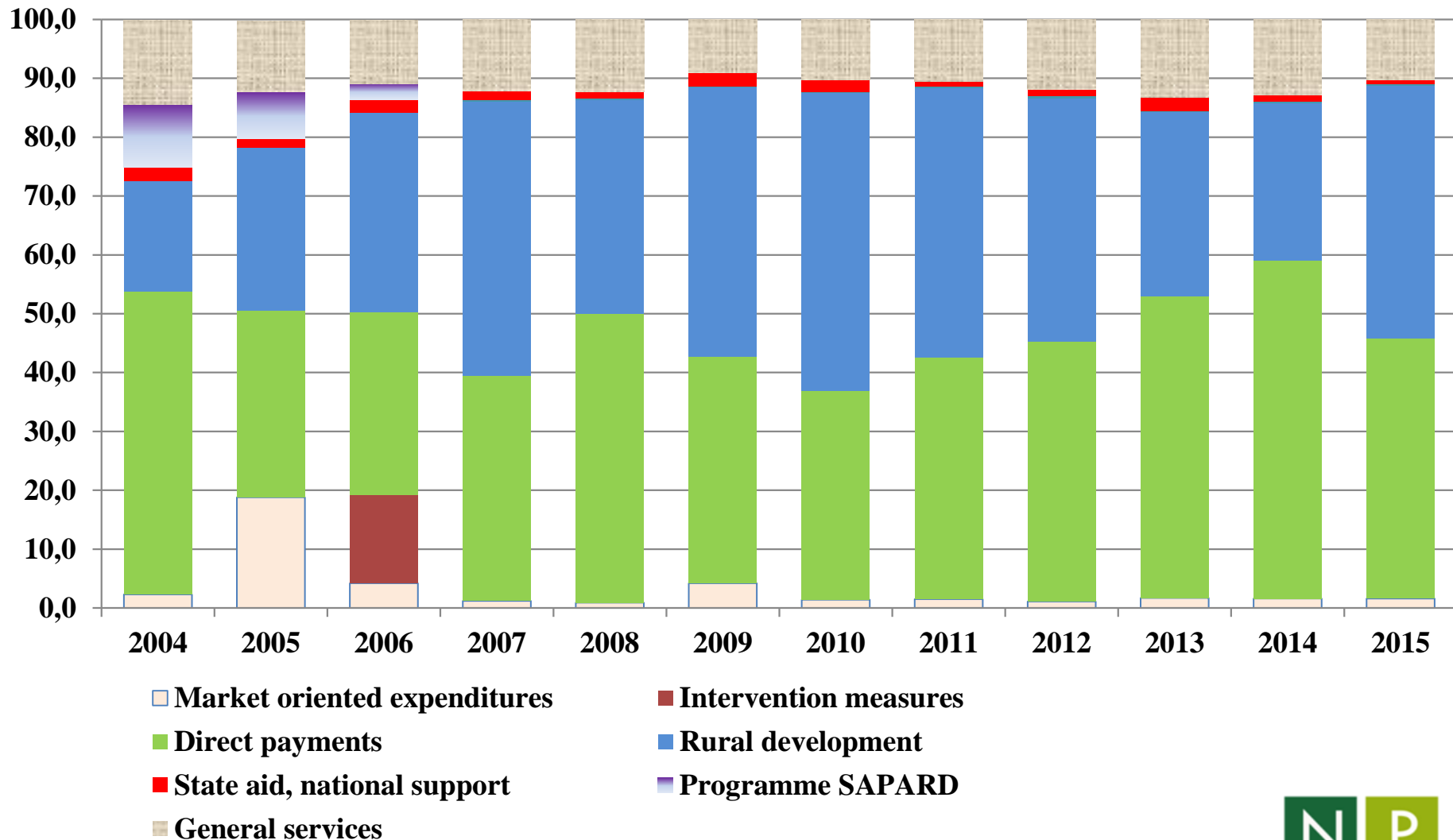


However, compared to EU-15 the level of profit/loss in € per hectare of UAA is low.

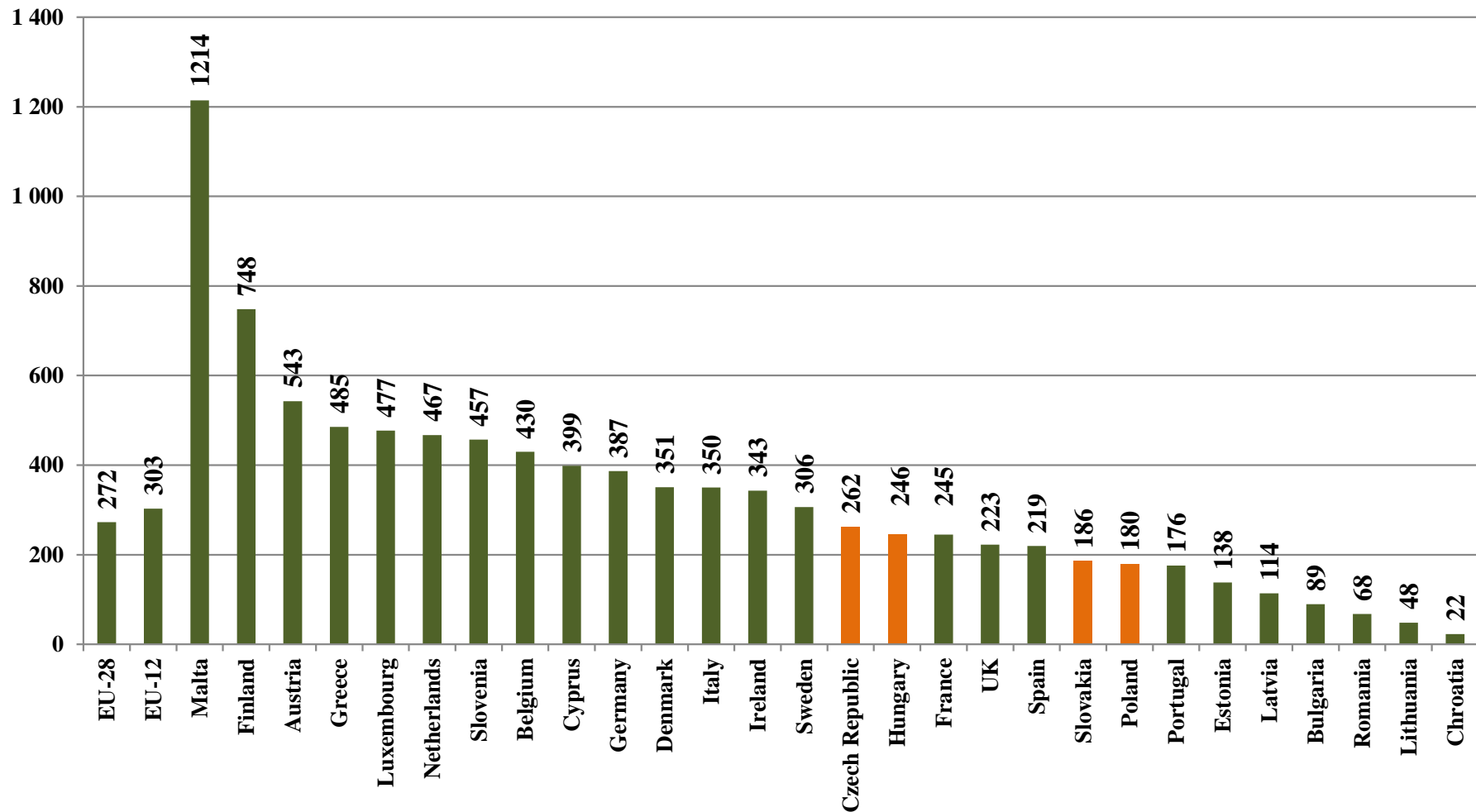
Source: Eurostat



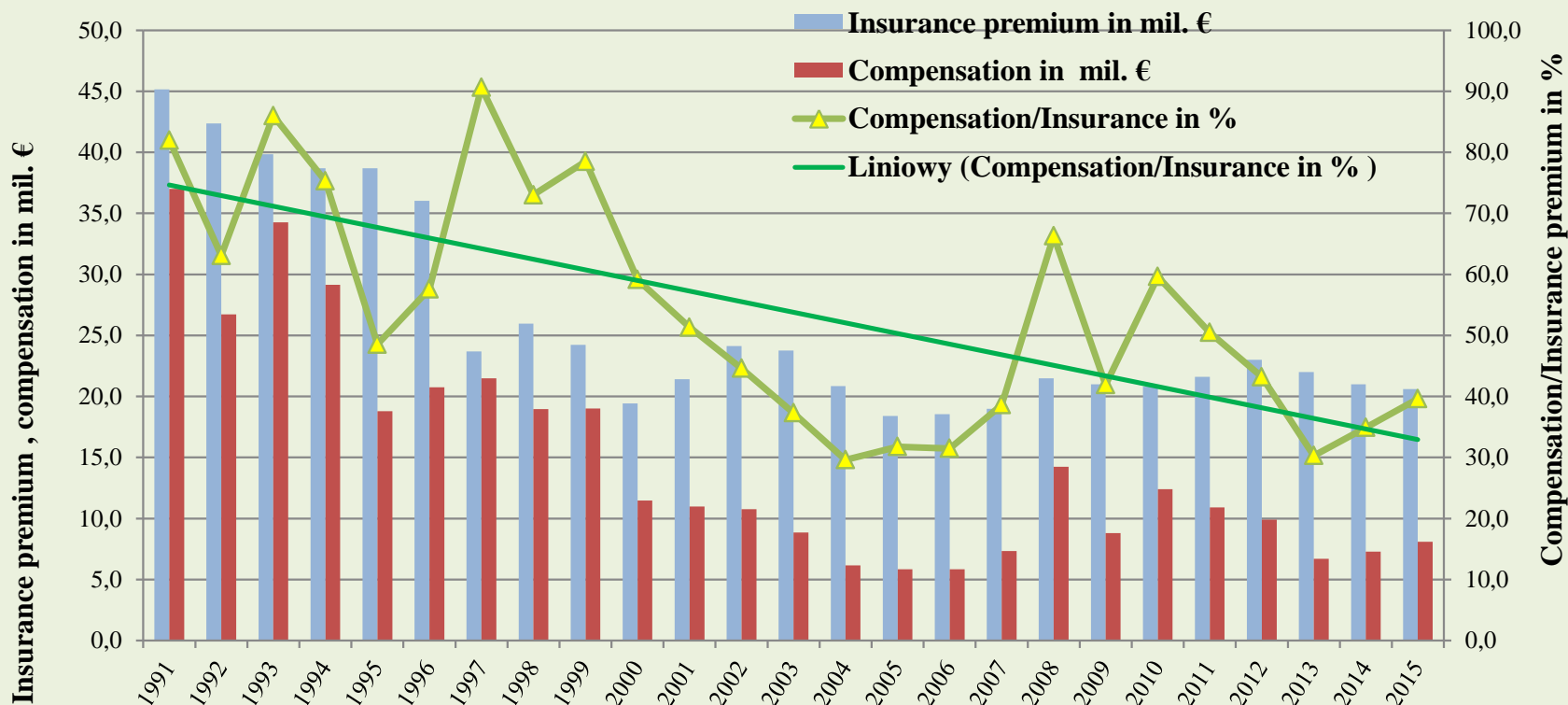
Structure of support development in Slovakia (in %)



Average support in € per hectare of agricultural utilised land (2004 – 2014)

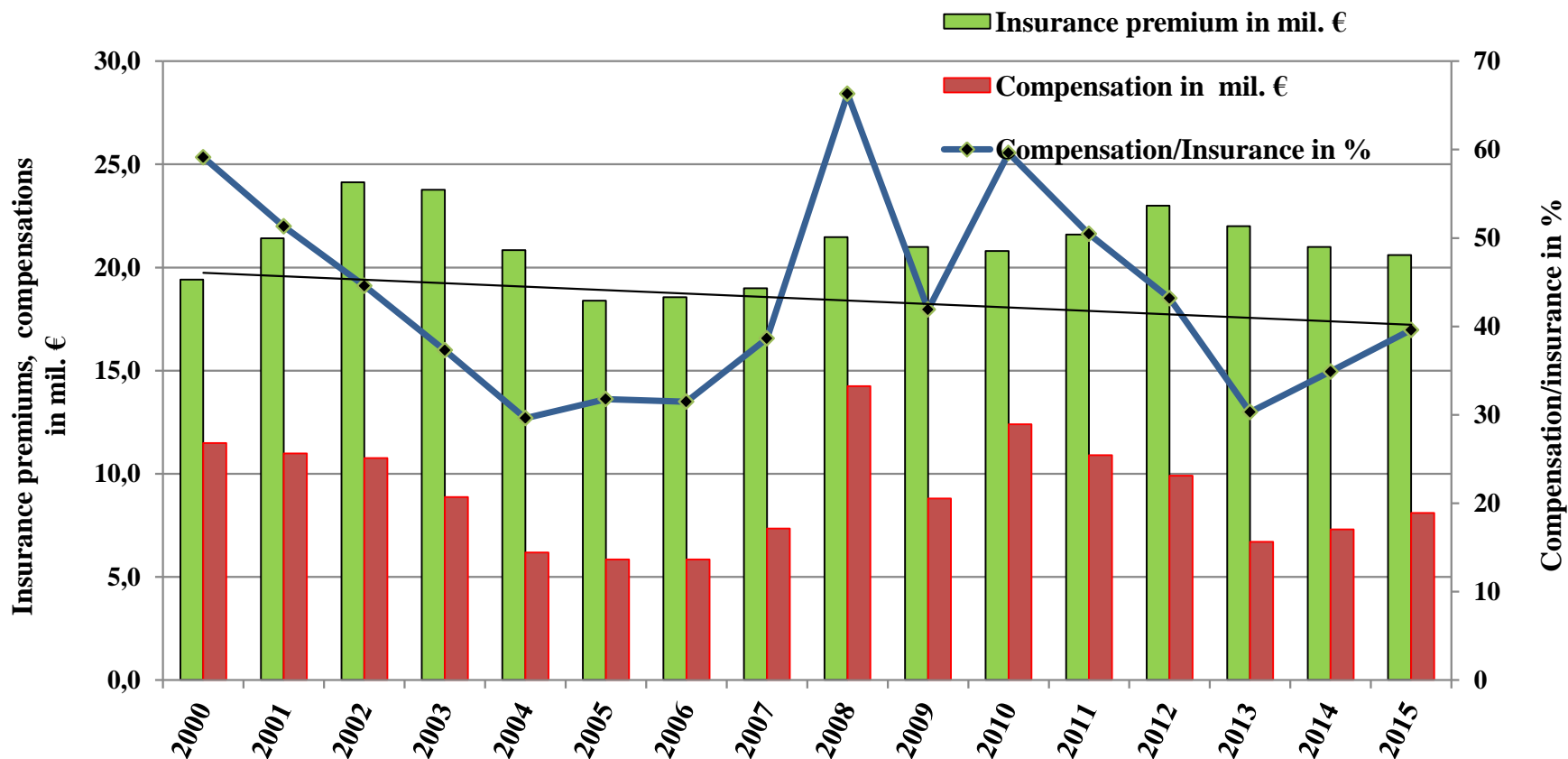


The development of total amount of insurance premiums and compensation payments to farmers (in mil. €) and loss ratios (in %) since 1991



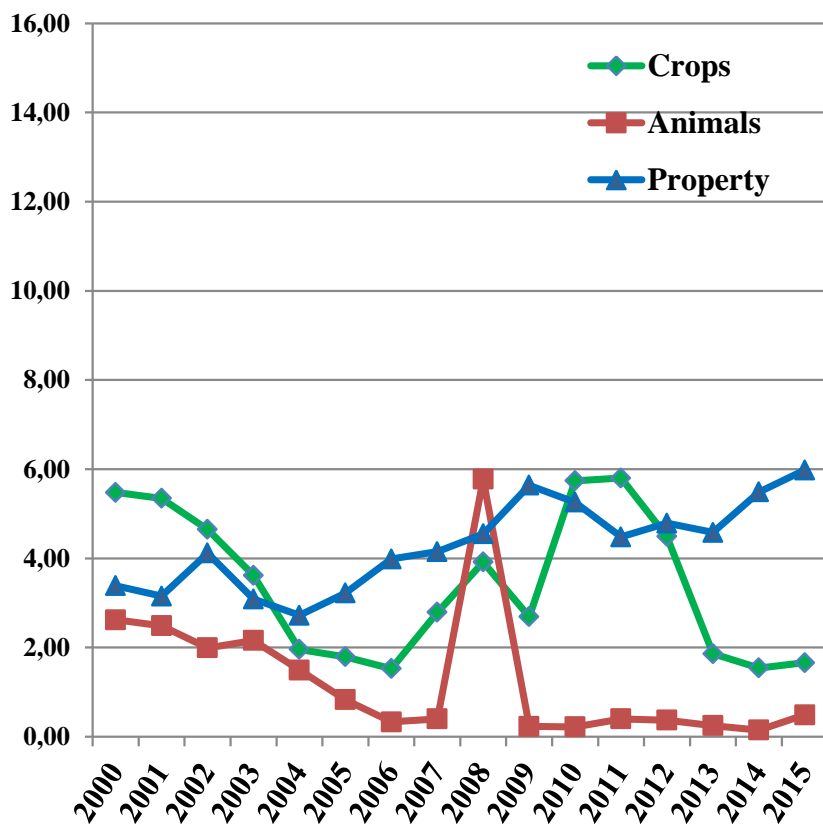
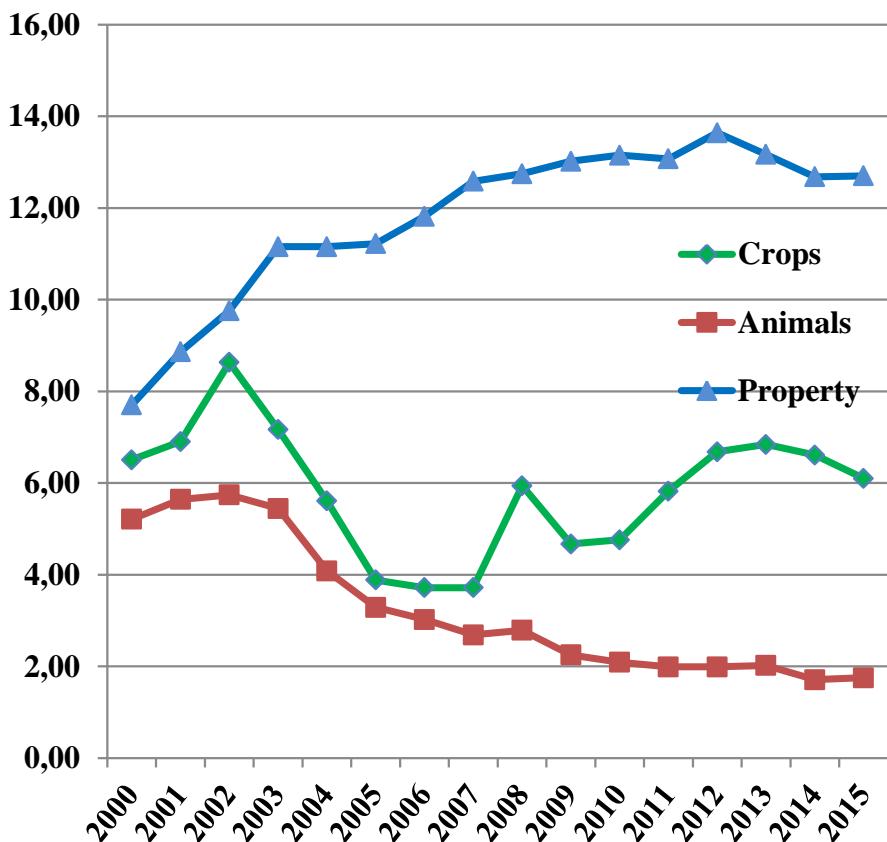
Source: Questionnaires, Ministry of Agriculture and Rural Development of the Slovak republic CD, RIAFE

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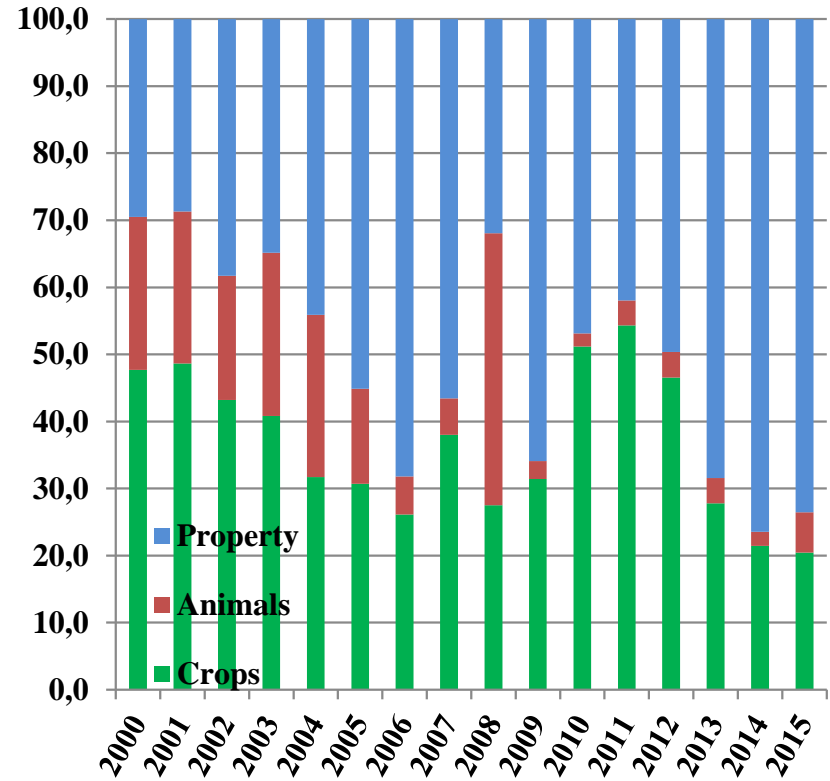
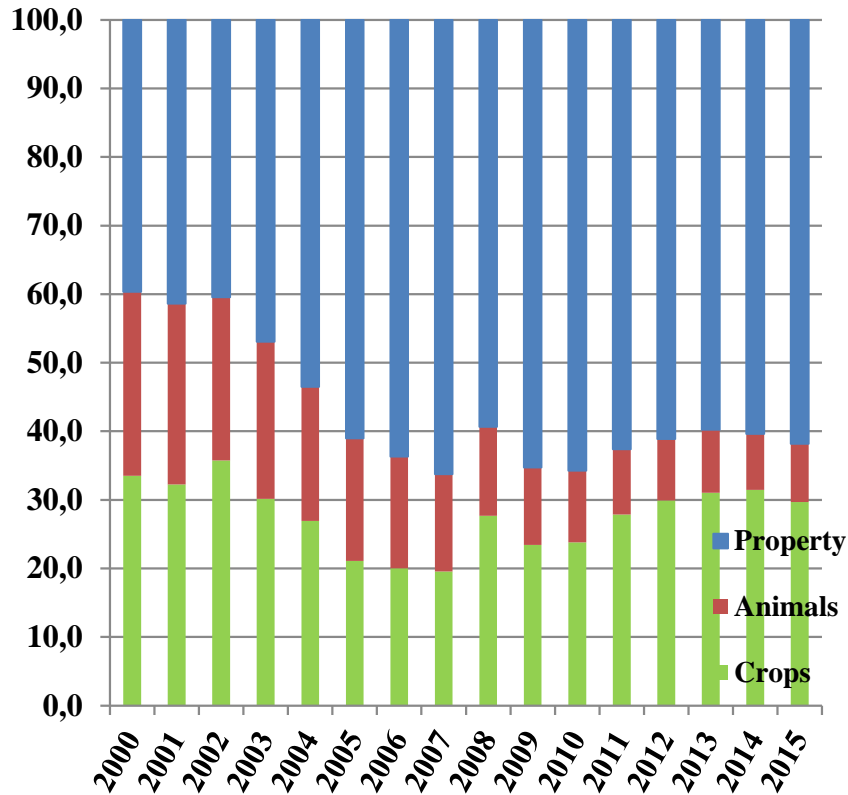
Source: Questionnaires, Ministry of Agriculture and Rural Development of the Slovak republic CD, RIAFE

The development of total amount of insurance premiums (the left) and compensation payments to farmers (in mil. €) and loss ratios (in %) the right



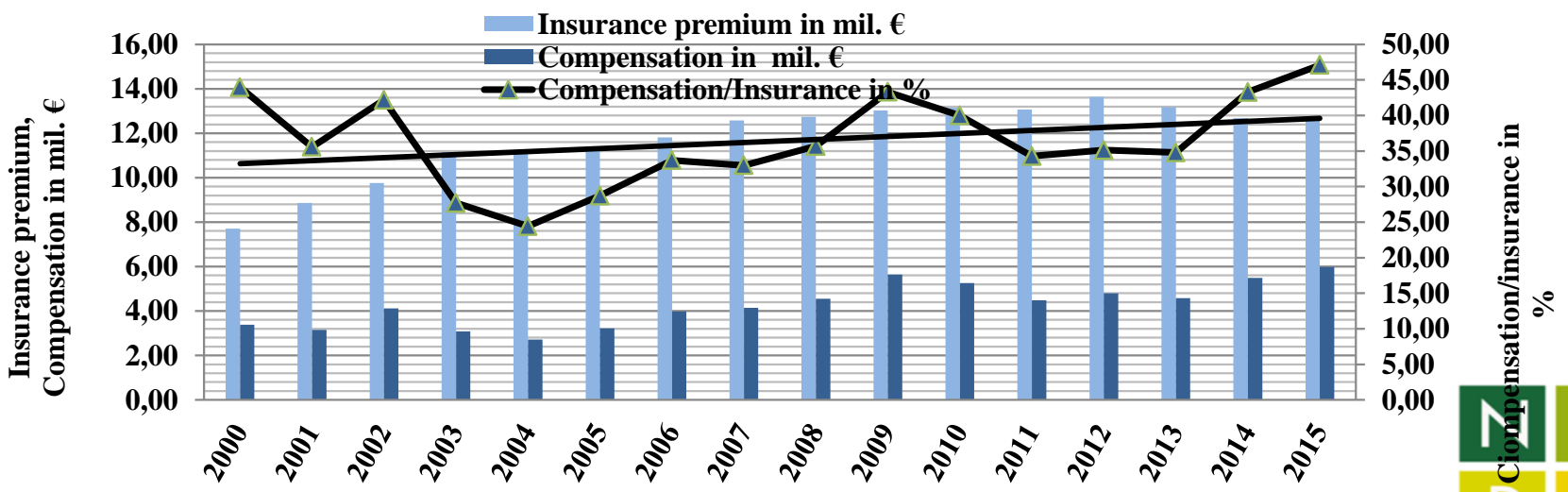
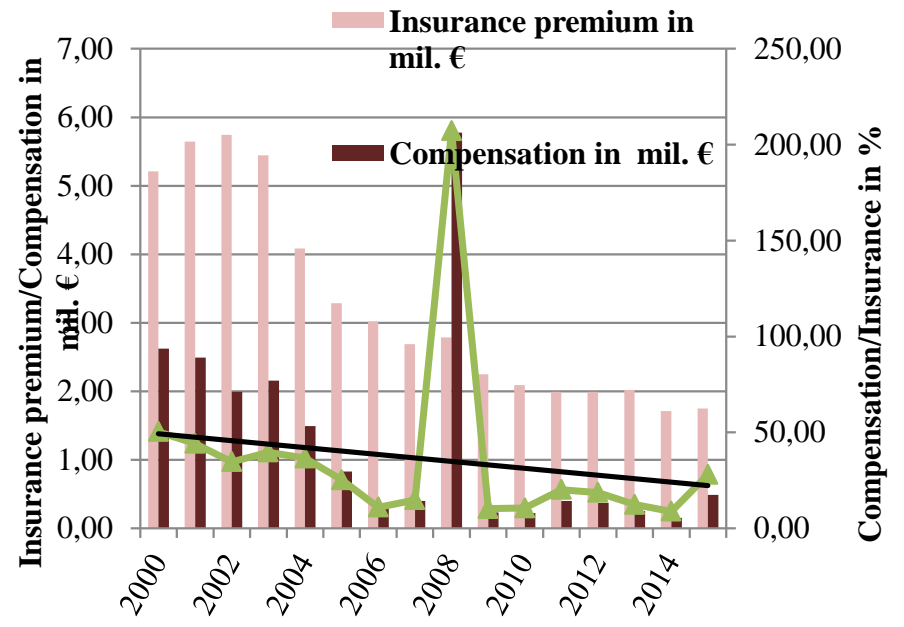
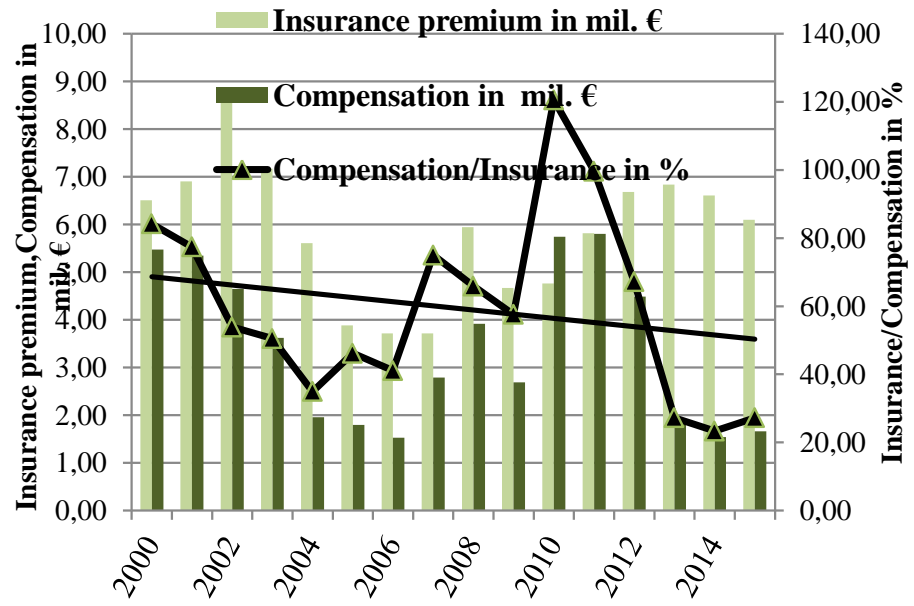
Source: Questionnaires, Ministry of Agriculture and Rural Development of the Slovak republic CD, RIAFE

The development in the structure of insurance (left) and damages (right) in%



Source: Questionnaires, Ministry of Agriculture and Rural Development of the Slovak republic CD, RIAFE

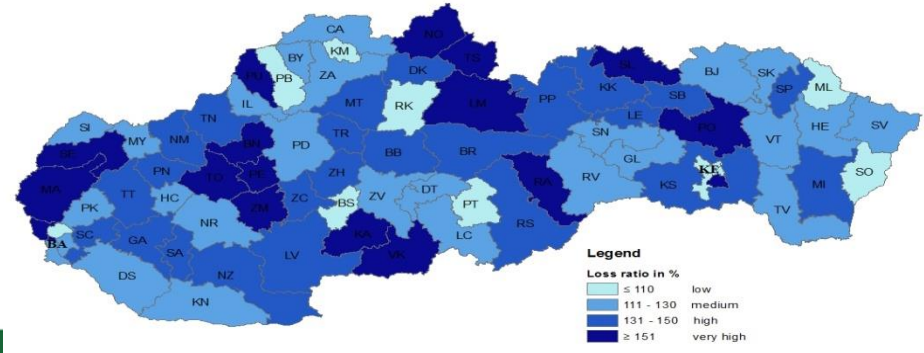
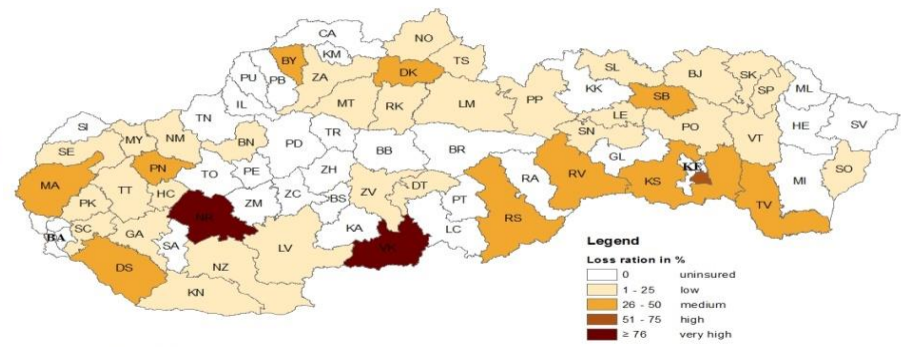
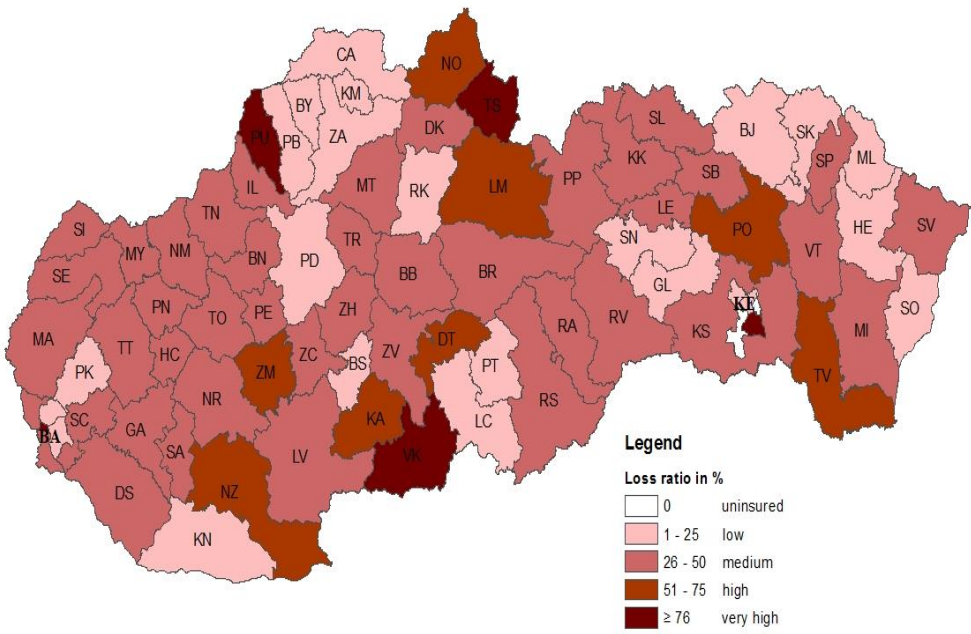
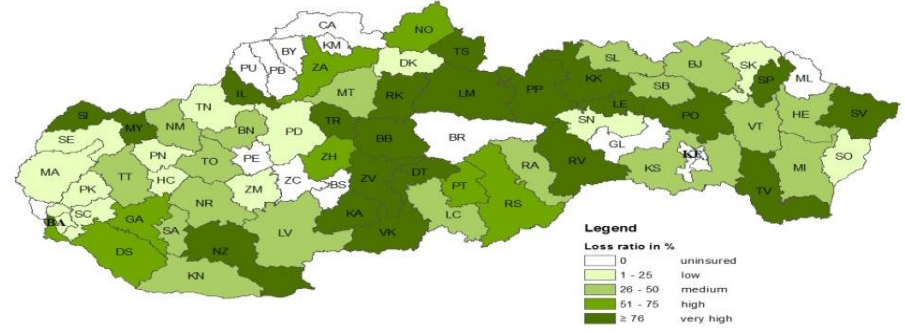
Development of insurance and compensation for crops (left), animals (right) and property (bottom)



The loss ratio by districts (indemnity / insurance) on average between 2011 - 2015 in%

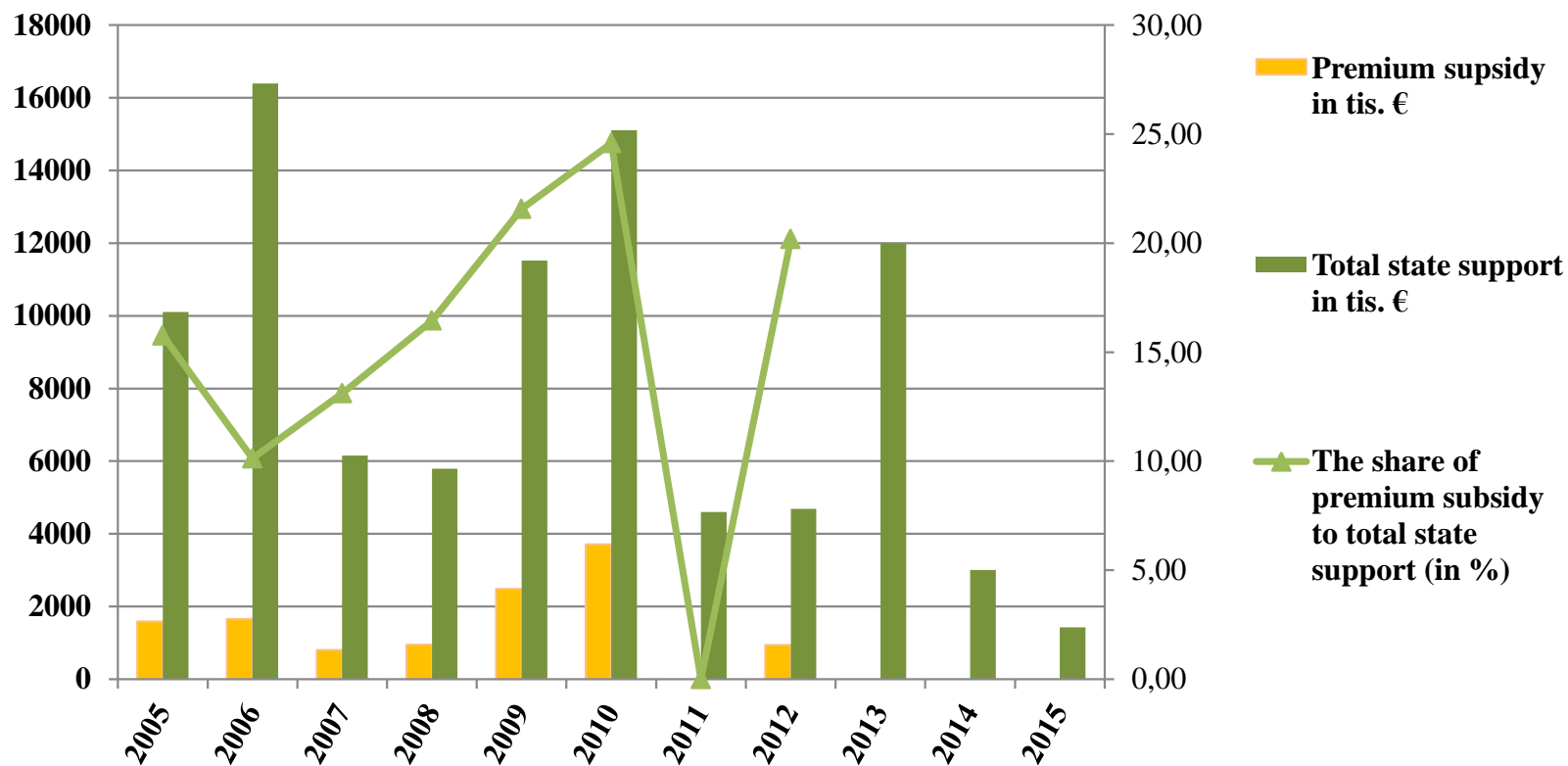
The loss ratio together - left

Right: loss ratio - crops, animals, property



Premium subsidy, total state support

The share of premium subsidy to total state support (in %)



Source: Questionnaires, Ministry of Agruculture and Rural Development of the Slovak republic

Conclusions

- **The analysis of the current agricultural production risk shows that agricultural risk solution in Slovakia is insufficient.**
- **Private insurance companies inadequately solve agricultural production risks because not all risks are insurable, particularly the risks that cause damage to a widespread area. We found out that no information about the level of insured production.**
- **Agricultural enterprises are highly affected by the following sources of risks: weather, natural catastrophes, animal and plant diseases, price and production volatilities, sales problems, changes in input prices, technology, etc.)**
- **The amount of compensation payments to farmers (indemnities) is low, so agricultural enterprises premiums paid significantly contribute to private insurance companies' capital reserves.**
- **Agricultural risks influence management decisions and most agricultural managers possess risk-averse attitude and prefer to accept a lower return than paying premium, and also rely on state support.**
- **There is an ongoing discussion to address risk through risk fund; however, the sources of the fund are questionable. Implementation of risk management tools remains a voluntary decision of individual states.**

Thank you for your attention

