



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 12/12/2006

GAIN Report Number: PL6076

Poland

Agricultural Situation

New Crop Insurance Program

2006

Approved by:

Ed Porter
U.S. Embassy

Prepared by:

WFM/EP

Report Highlights:

As of 2006, the Polish government implemented a new farm production insurance program under which the government subsidizes part of the premium of private insurance. Subsidized loans remain available for uninsured farmers. Program participation was low and well below Minister of Agriculture forecasts. Minister Lepper hopes to extend program coverage and increase funding in the future and is calling for more EU support for farm insurance.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Warsaw [PL1]
[PL]

New Farm Insurance Program in 2006

In 2006, the GOP implemented a new farm insurance program under which it subsidizes part of the premium for production insurance provided by private companies. Specifically, under the program the government provides the following premium subsidies:

- 40% for corn, rapeseed and other grains;
- 35% for potatoes and sugar beets;
- 45% per horse; and
- 50% per head of cattle and other livestock.

To participate, a company must be approved by a special commission within the Ministry of Agriculture and sign an agreement establishing the terms it will offer. The premium subsidy is paid directly to the insurer, not the farmer, and there is a cap on the premium an insurer can charge. The maximum, non-subsidized premium that an insurer can charge is capped at 3.5 percent of the insured value for crop insurance and 5.0 percent of the insured value for livestock insurance. The deductible cannot be more than 20 percent of the insured value.

It is estimated that the average per hectare premium is about PLN 20-50 (USD 7-15), after the government subsidy. Insurance covers most weather related disasters including hail, flood, drought and freeze, as well as other risks, such as surface collapse, explosions and livestock slaughter required by a veterinarian and associated with a covered event.

Despite the relatively low premiums, very few Polish farmers reportedly purchased disaster insurance. The Ministry of Agriculture estimates that less than five percent of the total volume of farm production was insured, well below the 10 percent it had estimated at the beginning of the program. Consequently, it is expected that about half or less of the PLN 50 million (USD 15 million) the Ministry budgeted for farm insurance this year will be spent. The primary reason Polish farmers did not participate widely in the new program is that despite government subsidies, it is still viewed as too expensive. In addition, many farmers expect that the government will help them, as in the past, with any major disasters. Others were simply unaware of the new program.

"Disaster credits" remain available for uninsured farmers. Prior to 2006, they were the only type of aid available to farmers who had suffered production losses. Under this scheme, a farmer who has lost more than 30 percent of the quantity of his production can qualify for government subsidized loans. Up to 75 percent of the commercial interest rate could be subsidized by the government, for loans with rates greater than 1.2 percent.

Special Drought Assistance for 2006

Since few farmers purchased insurance, the GOP established a special program for farmers impacted by the drought this past summer. Under the program, eligible farmers are entitled to the following assistance:

- per farm cash payment of PLN 500 (USD 170) for farms 5 hectares (12.5 acres) or less and PLN 1,000 (USD 330) for farms greater than 5 hectares;
- one metric ton of feed per farm with livestock;
- subsidized seed;
- debt and tax relief (payment suspensions);
- exemption or suspension of annual premium payment for social and health plan; and
- exemption from fines for exceeding milk quota and priority for direct payments.

To be eligible, a farmer had to have suffered more than a 30 percent decline in production. The GOP has budgeted PLN 230 million (USD 80 million) for the program and estimates that 300,000 farms will eventually receive assistance. While drought assistance is likely to benefit small farms (5 hectares or less), it is not expected to have much impact on the bottom line of larger farm operations.

Future Plans

Minister of Agriculture Andrzej Lepper has made strengthening farm production insurance one of his main goals. Despite low participation this year, Minister Lepper is calling for an insurance budget of PLN 200 million (USD 70 million) for next year. He also wants to expand the program to include fruit, hops and poultry production and to increase premium subsidies to 60 percent. During a visit to Finland in August 2006, he also asked that the EU create a special disaster fund that would pay benefits directly to farmers.

Comment: Despite Mr. Lepper's efforts, it does not appear that additional support for farm production insurance is a major Polish government priority. End Comment.