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# **Agricultural insurance in Estonia: a tool for production risk management?**

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## **Abstract**

Farmers are strongly exposed to agricultural risks and have to adapt their strategies to the new uncertainties resulting from the changes in the EU agricultural policy. So far, risk sharing strategies in the context of production risk management are of minor importance in Estonia. This paper examines the farmers' attitude to insurance as a risk management tool. The aim is to find out what the farmers' need for agricultural insurance in Estonia would be. In order to reach the goal an overview of existing agricultural insurance products will be given; then the farmers' opinion about the need for insurance is determined through survey analysis; and third, the connection between the declared need for agricultural insurance and the farms' such structural characteristics as size, financial structure, etc. are determined.

The results indicate that agricultural insurance system for farmers in Estonia is operating on a voluntary basis. The analysis of available risk management instruments shows that Estonian farmers do not have enough instruments to share production risks. Agricultural insurance that includes protection against livestock production risks is provided only by two insurance companies; crop insurance is not available at all. The survey studying the need for insurance products shows that a quarter of the respondents are interested in crop and income insurance and about a half of the respondents would rather not use or are not likely to use crop insurance as they expect the insurance premiums to be very high so that the insurance does not pay off.

## **Keywords**

Agricultural insurance, farmers' knowledge about insurance, risk management tools.