

# CROP INSURANCE: A WEAPON AGAINST AGRICULTURAL DISASTERS

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## Abstract

Agriculture is the major economic activity in which most of population engaged in India. But the financial position of farmers is still not better so far. With millions of rupees as investment of animal and crops, farmers find themselves risking getting profits. To be on the safe side, farmers take crop insurance to protect their investment. It also reduces to some extent government expenditure incurred on relief measures extended to meet the havoc caused by natural calamities. The first step towards introduction of the insurance scheme was taken by the govt. In 1948, When a special officer Dr. G. S Priolker was appointed to inspect a systematic and scientific a basis for formulating an experimental pilot scheme. This study focus on objectives of crop insurance, importance, need of crop insurance, major schemes of crop insurance, detail of Pradhan Mantri Fasal Bima Yojna and Claim settlement provisions under crop insurance.

**Key words:** Crop Insurance, Agriculture, Disaster

## Introduction

Agriculture is in category of most economical investments since it has excellent chances of returns gained after a very short term. With millions of dollars as investment for animal and crops, agriculturists find themselves risking getting profits. To be on the safe side, agriculturists take agriculture insurance to protect their investments. There are many agencies offering such service to agriculturists. Insurance for agriculture includes paying out premiums to the insurance agencies. The insurance company offering such services visits his farm, inspects the crop and animals as well as the infrastructures. When evaluation is complete, the agriculturist gets the quote on which to pay the premium. Taking agriculture insurance is an important segment of investment and provides agriculturists protection against any casualties in future.

Thirty years ago the plan of harvest insurance was started, when a a on “Land additional committee, Agricultural Labor and Insurance,” inter alia, had laid down a national entire plans of animals and’ crop insurance with farmers, the village or the district and the nation collectively participating to its successful operation.

The first firm step towards introduction of the insurance plan was taken by the Govt. in 1948, when a special officer Dr. G.S. Priolker was appointed to handle and manage a full proof plan for the success of this scheme.

1. **Crop-yield insurance:** There are two main category of harvest insurance:

- **Crop-hail insurance** This is among the oldest forms of hail insurance from an actuarial possibilities. It is possible to implement the hail risk into financial instruments since the risk is isolated. It is oftenly available from private insurers (in countries with private sectors) because hail is a narrow peril that happens in a limited area and its accumulated losses tend not to overwhelm the capital reserves of private insurers.

- **Multi-peril crop insurance (MPCI):** Coverage in this category of insurance is not confined to just single risk. Usually the package of crop insurance provides risk free crop yield claims from natural disaster . Sometimes, additional risks such as bacteria-related diseases are also offered. The problem with the multi-peril crop insurance is the chances of a large scale situations. Such an event can cause major losses beyond the insurer's short term and long term financial requirements. To make this class of insurance, the perils are often bundled together in a single policy, called a multi-peril crop insurance (MPCI) policy. MPCI coverage is usually offered by a state insurer and premiums are usually partially subsidized by the government. U.S. Department of Agriculture is popular to implement the first and new Multi packaged Peril Crop Insurance program in 1938. Federal Crop Insurance Corporation administrated this multi-peril insurance plan since

then. The Risk Management Agency (RMA) is active in calculating the premiums based on individual risk factors since 1996. National Agriculture Insurance plan (NAIS) in India is of this segment.

**2. Crop-revenue insurance:** Crop-yield times the crop price generates the crop-revenues. Based on agriculturist's revenues, crop-revenue insurance is based on deviation from the average revenue. RMA uses the futures prices on harvest-times listed in the goods exchange markets, to determine the prices. Combining the future price with farmer average production gives the decided revenue of the agriculturist. determining the futures market offers enables protection of yield even before the crop planted. There is a single guarantee for a certain number of dollars. The policy insures an indemnity if the combination of the received yield and the cash settlement price in the futures market is less than the guarantee. In the United States, the program is known Crop Revenue Coverage. Crop-revenue insurance imparts the decline in price that occurs during the crop's peak season. It does not cover declines that may happens from one growing season to another. In India, Crop insurance, in a way, is provided by the Government through a mechanism of **Minimum Support Price (MSP)** for almost 90% of the total cereal based food grains and as such, there is no need for excluded revenue insurance.

### **Need of Crop Insurance:**

Every year, in one part of India or the other food crops are affected by natural calamities, "Crop yield instability is the normal condition and agriculture continues still to be which the agriculturist's fortunes are exposed, is practically the same as before. In fact, good years and bad years, rainy weather and drought or floods and frost, low yields and bumper crops are to be expected in mixed succession. The total loss due to natural calamities (like flood, drought and plant diseases) is predicted as high as Rs. 1,000 crores every year. The man behind the plough has to be assured that he will be compensated for huge loss in crops. Otherwise, he cannot be drawn into the campaign to increase productivity of land under his plough,"

The requirement for protecting the agriculturist from natural calamities arises for the following reasons:

- (1) In our country the most uncertain thing is nature itself only. "It is unpredictably generous to one state and may be favourable for other state. This uncertainty of weather conditions in different parts of the country disappoint the entire agricultural economy, and makes one part bountiful, while the other starves."
- (2) Besides droughts and floods, locusts, plant diseases have always been a great hurdle to our agriculture by destroying standing crops and thereby lessen agriculturists' yield.
- (3) Farming is more hazardous than any other commercial activities. The weather can make all the difference between success and failure. Consequently, many agriculturists, specially the small ones, feel uncomfortable of adopting new techniques
- (4) It provides protection to agriculturists against losses caused by crop failure and thereby ensures stability in farm income,
- (5) It also strengthens the position of co-operatives and other institutions that finance, agriculture to the extent it enables the agriculturist society to repay their loans in years of crop failure,
- (6) By protecting the economic benefit of the agriculturists against possible risk or loss, it multiples adoption of new agricultural practices,
- (7) It minimizes the problem of rural financial crisis, which is traceable to the frequent loss of crops,
- (8) It also reduces, to some extent, government expenditure incurred on relief measures extended to meet the havoc caused by natural disaster.
- (9) It may act as anti-inflationary measure, by locking up part of the resources in rural areas.

## Major Insurance Coverage Available To Indian Agriculturists

- Loss or damage caused due to fire or natural calamities such as flood, storm, cyclone, earthquake etc.
- Loss or damage to the crop of the insured agriculturist.
- Coverage for personal accident which includes the insurer and the family members.
- Cover for loss or damage of tractor.
- Cover for loss of pump set.

## Some of Popular Insurance Plans For Agriculturists

Understanding the hurdles of agriculturists, Government of India came up with general insurance plans to protect the farmers from any damage or loss.

- Power failure insurance
- Agriculturists insurance
- Weather based insurance
- Plant insurance
- Crop insurance
- Rainfall insurance
- Mango Insurance
- Rabi Weather Insurance
- Potato Insurance
- Wheat Insurance
- Rubber / Cotton Insurance

## Pradhan Mantri Fasal Bima Yojana:

Silver lining on dark cloud Pradhan Mantri Fasal Bima Yojana launched on 13 January, 2016 is a brand new insurance plan of the central government. The plan which is administered by the Ministry of Agriculture and Agriculturists' Welfare will be implemented in all the states with the cooperation of the respective state governments. The plan targets at providing a better insurance support to the agriculturists by low premium insurance cover. The new crop insurance plan removes the capping on premium subsidies when compared to earlier plans. It also covers risks like post-harvest losses, preventive sowings and many localized calamities like cyclones, which were excluded in most of the earlier plans. Giving high priority to awareness creation is also a welcome step in this new plan. The major attractions of the plan are:

\*Insurance protection for all crops

\*Uniform maximum premium for all agriculturists (2 per cent of sum assured in kharif and 1.5 per cent in rabi)

\*Claims of full sum insured, without capping

\*Due to adverse weather, if sowing is not done, claims upto 25 per cent of sum insured will be paid

\*Assessment at individual farm level for loss due to inundation, hailstorm and landslide

\*Use of better technologies like Remote Sensing and drones to supplement the efforts for faster

## Claim Settlements

Crop insurance offers benefits for both, agriculturists as well as Government: it helps agriculturists to cope with risk through pay offs at the event of crop loss, and help Government by reducing the burden on disaster payments to farm sector. In spite of its importance, crop insurance in India has not gained much popularity amongst the farming community. Innate lacunas in insurance plans coupled with apathy of agriculturists to such plans rooted through lack of awareness are the main reasons for low spread of crop insurance in India. Giving much required policy thrust to crop insurance, the Government has launched new insurance programme PMFBY, which is an improved version of earlier similar plans. Though there are many issues and challenges, the new plan will be a boon to farming community, if implemented in the right spirit.

## Conclusion

To conclude, Agriculturists take insurance policies to protect their crops, livestock, farming and harvesting practices from setbacks because it aids in fighting poverty. A natural disaster is unpredictable so Insurance of crop provides a relief to the agriculturists when the crop is damaged by attack of pests, flood, drought or any other means.

Crop insurance plans will assure the agriculturists that they will be compensated for losses against natural calamities. These plans will not only spread the losses geographically but also spread them over the time. Therefore the earlier the plan is put into operation, the better it will be for the agriculturists and for the nation.

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