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World News Summary from AgrolInsurance

July 2019



Dear Colleagues,

AgrolInsurance International presents your monthly news summary, which highlights important issues on agricultural losses, risk events and recent trends in agricultural insurance worldwide. We wish you a great day!

USA - Millions of unplanted acres mean billions in crop insurance payouts

The cool, wet spring forced farmers across the Midwest to leave millions of acres of corn and soybeans unplanted and will likely trigger a record payout in a subset of crop insurance called "prevented plant." The payments are triggered under crop insurance when weather prevented farmers from planting a field.

Economists at the University of Illinois estimate the prevented-plant payout may be \$3.6 billion this year, nine times more than last year and shattering the previous record of \$2.2 billion in 2011. That prospect is just one more effect of the spring rains that also delayed planting and scrambled business plans for farmers who have seen incomes move steadily downward since 2012.

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Canada - Fruit growers filing hundreds of claims as crops hammered by weather

The last two fruit growing seasons were particularly hard on apple growers, forcing many to access a form of government insurance. But this year long before the first summer apples come off the trees in mid-August there have already been around 800 insurance claims under a crop failure program. The insurance claims are being made under the Production Insurance program, often referred to as crop insurance.

Ministry of Agriculture figures show there have been 48 insurance claims filed by apricot growers this year. That compares to only 33 in total for the three years prior, from 2016 to 2018. The crop was damaged by a very cold February and frost at the end of April, wiping out 50 to 70 per cent of the crop. Most of the other claims are for cherry crops that have been damaged by rain, causing the fruit to split.

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Thailand - BAAC crop insurance to cover fruit and dairy farms

The state-owned Bank for Agriculture and Agricultural Cooperatives plans to expand crop insurance to cover fruit and dairy farming in response to farmers' interest in protection against natural disasters. The bank is conducting a study to offer crop insurance for durian. Crop insurance now is limited to rice and corn, while the state-backed farm bank provides insurance for longan and dairy cattle as pilot projects.

Some 1.9 million farmers took out crop insurance for this crop year, in the purchase period that ended on June 30, to provide coverage for 28.2 million rai of farmland, compared with 27.6 million in the previous year. Insurance premiums for this crop year amounted to 2.58 billion baht, up from 2.48 billion baht a year earlier. Moreover, 90,000 farmers took out crop insurance for more than 15 rai, for which the government provided subsidy.

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India - Govt to make crop insurance voluntary to all farmers

Making crop insurance voluntary to all farmers, removal of high premium crops, giving flexibility to states to provide customised add on products – are some of the key changes the Centre is planning to make to the Pradhan Mantri Fasal Bima Yojana (PMFBY). PMFBY provides crop insurance from pre-sowing to post-harvest period against non-preventable natural risks at extremely low premium rate of 2 per cent for kharif crops, 1.5 per cent for rabi crops and 5 per cent for horticulture and commercial crops.

It was suggested a premium ceiling for coverage under the scheme at 25 per cent (to be revised every year) if irrigated area is more than 50 per cent, and premium ceiling at 30 per cent if irrigated area is less than 50 per cent. The ministry also proposed 3-year compulsory allocation of work to insurance companies by states to prevent repeated tendering process that delays implementation of the scheme.

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USA - Climate change will drive up crop insurance costs

Barring some changes to the Federal Crop Insurance Program, farmers in the latter part of the century will face higher premium and taxpayers will likely pay higher subsidies to cover the program costs. Under a hotter climate scenario, the total cost of crop insurance to cover the soybean crop could double while the costs of the insurance program for protecting the corn crop could go up 21%, USDA's Economic Research Service stated.

ERS released an analysis of crop insurance costs under some possible climate scenarios projecting out 2060 to 2099. Key crops such as corn and soybeans will be subject to greater risk of yield loss and acreage shifts across the country, leading to overall lower supplies of both crops. Overall crop insurance costs could increase from 3.5% to as much as 22% higher.

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Myanmar - Weather index-based crop insurance system introduced

With the assistance of Sompo Japan Nipponkoa Insurance Inc, the Myanmar Insurance (MI) and Myanmar Agricultural Development Bank (MADB) jointly have started a pilot project for the weather index-based crop insurance system in two regions. The one-year trial-run project takes place in Pyay Township in Bago Region and Shwebo Township in Sagaing Region.

During the trial-run period, the system will be applied to paddy alone. The premium rates are also fixed. Myanmar Insurance will provide compensation to the insured farmers if the actual rainfalls are lower than the regional rainfalls. After the completion of pilot project, the MI will extend its insurance services to other regions and states with the approval of the government.

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Taiwan - Taipei cabinet passes draft to increase farmers' insurance

The Executive Yuan committee in Taiwan recently passed the draft to help boost the farmers' insurance. This proposed bill intends to increase the insurance coverage of farmers in the country, covering damages for both crops and livestock. The average damages incurred by these growers in the country amounts to an average of NT\$10 billion (\$321.78 million) each year.

However, in a statement by the Council of Agriculture, the smallholders only receive a combined compensation of NT\$310 million from the government. This only amounts to 25% of losses being covered. Under this recently passed draft, the Executive Yuan allows farmers to receive better compensation and coverage. This coverage includes reparations for damages due to natural disasters, epidemics, and pests.

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Tanzania - Govt told to speed up plan for agricultural insurance

While various governments across Africa are supporting crop insurance to cushion farmers in times of

distress, the situation has been different in Tanzania where the majority of farmers remain exposed to losses resulting from natural disasters. The current state of affairs is worrying agriculture stakeholders and experts, who have stepped up their efforts to ensure that cover is rolled out in the near future.

Government said recently plans were on the cards for the introduction of an agriculture insurance plan to cushion farmers against various perils such as adverse weather conditions. Plans between the Ministry and Tanzania Insurance Regulatory Authority (Tira) and other partners from various sectors are underway to establish products that can protect the farmer from the risk of climate change as well as other uncertainties.

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South Africa - Optimism about state-subsidised crop insurance scheme

There is cautious optimism that a government-subsidised crop insurance scheme will materialise in the near future. The South African Insurance Association, the representative body of the short-term insurance industry, had already provided Treasury with a comprehensive plan for subsidised crop insurance. The idea of a state-subsidised insurance scheme had so far been widely accepted by all role players in the agricultural value chain, as well as government.

Crop insurance was exceedingly expensive at the moment. Farmers, particularly in the western parts of the summer grain production region, could not afford it. Insurers were also increasingly negative about insuring crops because of growing risk due to adverse weather conditions, such as drought. This was further aggravated by the fact that insurers did not insure crops planted outside the optimal planting periods.

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Rwanda - Agric insurance scheme gives relief to livestock farmers

In the current financial year, agriculture and livestock insurance project has been allocated Rwf 370 million with a target to insure maize plantations on 7,968 hectares and rice on 937.5 hectares, as well as more than 21,400 cows. Three insurers, including Radiant, Prime Insurance and SONARWA, were chosen to offer insurance services to farmers in the first two-year initial phase.

The ministry said that more players will be included in the scheme. Livestock insurance covers dairy cattle, including both cross and exotic breeds in eight selected districts while the crop insurance covers maize and rice farmers in ten districts of the country. The scheme will be scaled up countrywide.

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