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World News Summary from AgroInsurance

May 2019



Dear Colleagues,

AgroInsurance 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 - Majority of crop acres covered by crop insurance

During 2018, crop insurance was purchased on 77.9 million acres of corn across the U.S., representing 87% of all corn acreage based on USDA's 2018 Acreage survey. This included 70.6 million acres covered under traditional revenue protection policies, 5.7 million acres covered by yield protection and 1.5 million acres covered under an area-based plan or a plan with the harvest price exclusion.

Crop insurance coverage for corn was the highest in Iowa at 12.2 million acres, followed by Illinois at 9.5 million acres. In the top 10 corn-producing states (in terms of the planted area), crop insurance was purchased on 61.4 million of the 65.2 million acres planted, representing crop insurance coverage for 94% of corn acreage.

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Canada - Prairie crop insurance rundown 2019

There's good news on crop insurance for Prairie farmers this year — most premiums are down for 2019. Details were announced by Alberta, Saskatchewan and Manitoba officials earlier this year. AFSC notes that good growing conditions for the past several years have resulted in year-over-year premium reductions. On average, 2019 crop insurance premium rates in Alberta are nine per cent lower than last year. This follows an eight per cent reduction in average rates in 2018.

According to the Manitoba Agricultural Services Corporation (MASC), which administers the AgrilInsurance program in the province, premium rates in 2019 are down by an average of 7.1 per cent compared to last year, due to low 2017 losses being added to the premium rate calculation as well as the growth of the AgrilInsurance reserve funds.

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Azerbaijan - New agricultural insurance mechanism to be launched

Agriculture is the second important sector of economy in Azerbaijan. Therefore, insurance in this sector needs to be at a high level. Insurance Supervision Department of the Financial Market Supervisory Authority of Azerbaijan (FIMSA), has told that new agricultural insurance mechanism will be launched in Azerbaijan till the end of 2020. Models of Turkey's and Spain's agricultural insurance mechanisms are chosen as examples for the development of the draft law on agricultural insurance.

Taking into consideration peculiarities of Azerbaijan, the draft law on agricultural insurance has been prepared based on these models and after the law enters into force, agricultural insurance will work on the basis of mechanism of cooperation between the state and the private sector, thus it will be implemented through joint insurance system, which will be managed via an e-information system.

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Bangladesh - Giving crop insurance a chance

When Cyclone Fani swept through the country, an estimated Tk38.5 crore worth of crops were damaged, adversely affecting the lives of nearly 14,000 farmers. This is not the first time farmers have been hit hard by bad weather, and it will not be the last — and since nobody can control the weather, a viable mechanism needs to be in place to protect farmers from these losses.

It is good to see that the government has not forgotten the fate of the farmers — the agriculture minister has pledged to compensate farmers for their losses by providing seeds, fertilizers, and cash money under a program to be implemented by next year, after a list of affected farmers has been compiled. The initiative is a noble one, and no doubt farmers are right to expect some form of compensation, but a better solution to the problem may be proper crop insurance.

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USA - USDA announces dual use insurance coverage for grain/graze

USDA's Risk Management Agency recently announced updates to Annual Forage insurance for the 2020 Crop Year. Because of the 2018 farm bill, the Annual Forage pilot program now offers a Dual Use Option in select counties of six Great Plains states. Producers who select this option can insure their small grains crop with both an Annual Forage Policy for grazing and a multi-peril Small Grains Policy for grain.

The Dual Use Option is ideal for producers who plant a small grain by October 15, 2019, to use as a grazing crop over the winter and to harvest for grain the next summer. The option is available in counties where RMA considers "grain/graze" a good farming practice in Colorado, Kansas, Nebraska, New Mexico, Oklahoma and Texas.

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India - Creating a comprehensive crop yield database

A multi-peril crop insurance (MPCI) catastrophe model depends on different types of historical data to various extents. Observations from the past are sometimes required for model parameterization, or they may be used for model validation. As uncertainties associated with relevant data sets always pose problems to model developers, the availability of reliable crop data is key to building an MPCI model.

One of the main challenges in developing an MPCI model for Indian agriculture is the scarcity of data regarding harvest area, exposure, crop yield, losses, or indeed any variable of interest. The program that currently accounts for more than 80% of total sum insured for agricultural insurance – Pradhan Mantri Fasal Bima Yojanaand – has only been operative since 2016. As a result, loss history under PMFBY is too short to estimate a long-term mean of losses representative of underlying risks.

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Australia - Weather certificates provide affordable risk management

It is often reported that Australian farmers operate in one of the riskiest climatic environments on the planet. While farming businesses face many sources of risk, the unpredictability of Australian weather is probably the most difficult of them to manage. And any decrease in income at the farm level has a downstream flow on effect to the entire rural economy.

Some farmers already apply a variety of strategies to help reduce the impact of weather uncertainties. These include farming in multiple locations to spread the exposure geographically, minimum tillage and chemical fallow practices to conserve moisture, diversifying crop types and varieties, spreading the planting period to minimise frost risk, and purchasing crop insurance. Other farmers, however, have failed to adopt basic risk management tactics despite the clear benefits.

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Ethiopia - Farmers fight drought with insured cows

As climate change tests the livelihoods of crop farmers and herders, the innovative scheme aims to foster a culture of saving and micro-insurance – but not all has gone smoothly. Run by UK-based nonprofit Farm Africa, the project organizes farmers into savings groups and links them with micro-finance companies that give them loans to buy cows for extra income. They then sign up to insurance policies to ensure they can still repay their loans if their cows die.

According to Farm Africa, since the project launched in 2015, it has established more than 340 village savings and loans associations, through which households have put away more than \$100,000 and farmers have accessed nearly \$70,000 in loans.

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Philippines - Iloilo farmers start receiving indemnity for agri damage

Damage to palay production in the province due to El Niño phenomenon's extreme heat since October 2018 already reached P1.3 billion covering 28,026.57 hectares and adversely affecting 27,245 farmers or 136,295 families. Damage to corn was way lower – P160,000 covering 4,502.37 hectares. The number of corn farmers affected reached 3,735 or 18,675 families.

But so far, only 256 farmers in the province have received indemnity – totaling P1,148,141 – from the Philippine Crop Insurance Corp. (PCIC), an attached agency of the Department of Agriculture (DA). The amount of indemnity farmers received varied, based on the severity of damage each suffered. Before the indemnity is released, PCIC validates the “damage report” submitted by farmers.

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Italy - Winemakers placed hundreds of flaming torches to protect their vines against cold temperatures (photos)

Winemakers in northern Italy have been setting their vineyards ablaze – but for a very good reason. Unseasonably frosty weather in the South Tyrol region has been threatening to destroy this year's crop of grapes. To save them, winemakers have been warming them up in dramatic fashion by positioning hundreds of flaming torches among the vines.

A sweeping shot of the Abbazia di Novacella monastery in South Tyrol in Italy, with hundreds of torches in its vineyards creating a magical landscape. One winery that used the torches was the Abbazia di Novacella, a monastery that is among the oldest active wineries in the world.

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