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World News Summary from AgrolInsurance

April 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 - USDA enhances livestock, dairy insurance products

USDA's Risk Management Agency (RMA) announced several enhancements to insurance programs that will provide a more efficient level of coverage for livestock and dairy producers. These program improvements to the Dairy Revenue Protection (DRP), Livestock Gross Margin (LGM) and Livestock Risk Protection (LRP) programs take effect July 1, 2019.

LRP protects livestock producers from the impact of declining market prices. RMA offers LRP insurance plans for fed cattle, feeder cattle and swine. Beef producers electing the LRP insurance plan for fed cattle may choose from a variety of coverage levels and insurance periods that correspond with the time the market-weight cattle would normally be sold.

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UK - Co-operative launches new farmer insurance scheme

A leading co-operative Fram Farmers has launched the new service to provide “bespoke insurance products” for its more than 1,200 members, who collectively farm over 270,000 ha throughout the UK. Fram Farmers first entered the insurance industry when they launched ‘N-sure’, in 2015, which covered 10% of its member businesses.

The co-operative says that, following on from that success, it decided that further, significant growth was possible in the sector, leading to the new development of Fram Farmers Insurance Service. A range of insurance products and services include: a ‘farm combined’ policy for farm, home and property owners; fleet cover for cars commercial vehicles and agricultural equipment; director’s liability; engineering; hail damage; and business interruption.

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Australia - WA snaps up frost cover

WA grain growers took out more than half of all of Australia’s first frost insurance policies, with most of them farming from between Perth, Kondinin and Tambellup. For the first time, Australian grain growers were last year able to insure their crops specifically against frost and crop establishment failure through grain marketer AWB, as an add-on to its existing fire and hail policies.

WA led the way for frost claims, followed by South Australia and Victoria, while there was “little uptake” in WA for crop establishment failure insurance. The crop establishment failure policy meant growers took out insurance in August or September, for the following year, and generally made a claim the next May or June if necessary. Claims are made and assessed after frost damage becomes evident, and successful growers paid after harvest.

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India - Farmers denied insurance claim as Axis Bank debited premium for wrong crop

Approximately 135 Kisan Credit Card (KCC)-holding farmers in Nohar tehsil of Rajasthan’s Hanumangarh district have been denied insurance claims under the Pradhan Mantri Fasal Bima Yojana (PMFBY) for kharif 2017. Apparently because Axis Bank debited insurance premiums for cotton crops – which they had not cultivated.

Crop-cutting experiments (CCEs) for assessment of yield loss couldn’t be performed as cotton crops were not found and consequently, insurance claims were denied by Bajaj Allianz General Insurance Company Limited. The farmers then decided to protest – they have claimed that Axis Bank charged them for cotton on purpose, as its premium amount is higher.

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USA - USDA buy-up coverage available for noninsured crop policies

USDA's Farm Service Agency (FSA) has announced that higher levels of coverage is offered through the Noninsured Crop Disaster Assistance Program (NAP), a popular safety net program, beginning April 8. The 2018 Farm Bill also increased service fees and made other changes to the program, including service fee waivers for qualified military veterans interested in obtaining NAP coverage.

The Farm Bill reinstates higher levels of coverage, from 50 to 65 percent of expected production in 5 percent increments, at 100 percent of the average market price. Producers of organics and crops marketed directly to consumers also may exercise the "buy-up" option to obtain NAP coverage of 100 percent of the average market price at the coverage levels of between 50 and 65 percent of expected production.

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Rwanda - Ag insurance should stimulate commercial bank lending to farmers

One of the things holding back the progress of local farmers is the over dependence on rainfall and the vulnerability to climate shocks. This makes agricultural production unpredictable. For instance, last year alone 9,412 hectares of crops were destroyed by disasters while some 797 deaths of livestock were recorded. This reflects a sharp rise compared to 2017 when 5,111 hectares of crops were destroyed and 589 livestock deaths recorded.

It is such risks that banks have persistently cited while making the case for not lending money to the agriculture sector. To put things into perspective, last year the agriculture sector received a paltry 1.2 per cent of the total commercial bank loans despite the fact that it employs more than 70 per cent of the country's labour force and contributes 30 per cent of the Gross Domestic Product (GDP).

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India - Farmers shocked by paltry insurance amount

Farmers from three villages in Mudukulathur said they received only ₹68 per acre towards crop insurance, while those in other hamlets in the same block got ₹22,500 per acre. After suffering 100% crop loss due to failure of the northeast monsoon during 2017-18, they had been fighting to get crop insurance in the last six months. They were disappointed when they found ₹68 per acre credited into their bank accounts.

They made representations to the district administration and Minister for Information Technology but to no avail. The Minister promised that they would get the full amount of ₹22,500 within a week, but they had not received it. The district administration too had promised to set right the anomaly, but nothing was done.

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Kenya - Maize farmers in Kirinyaga urged to embrace crop insurance

Farmers in Kirinyaga County have been urged to embrace a project that aims to cushion them against future crop failure. The project, Kenya Agriculture Insurance Programme (KAIP) is a government project and aims to mitigate against climate change for food security purposes. Farmers who take up the project will be at an advantage because the project will subsidize the farmers by 50 percent in the event of an entire crop failure.

The subsidy project will only benefit farmers involved in the cultivation of parcels extending from a quarter acre (1/4) to a maximum of 20 acres. The project started in 2016 in Kirinyaga West on a pilot basis but now has been extended to all the other sub counties where farmers are growing maize.

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Farmers dip toes into global crop insurance platform

Farmers can now for the first time insure their produce against price volatility as easily as insuring their homes, with a global platform based on hundreds of niche commodity indexes. Crop insurance has existed since the 1930s in the United States but is heavily subsidized by the government to provide protection against damage to produce and price risks. There have also been government-backed schemes in Canada and India.

Supplying insurance without such state-backing has proved challenging, however, even as price risk continues to rise due to a variety of factors including commodity market liberalization and climate change. The new products have been made possible by recent advances in data science and the reduced cost of running the trillions of computer simulations needed to calculate risks across the portfolio.

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Key things that reduce a farm's risk and potentially insurance premiums

If you are thinking of reducing your insurance costs on the farm, approach it the way an insurer would. Reduce your risk. Farms are filled with many perils. Weather, accidents and theft are all waiting in the wings to take centre stage on any farm. In some cases they might steal the show forever. "What would put me out of the game for good?" is a great place to start when it comes to considering what to insure with a broker and what to self-insure.

Cleaning up around a farmyard can cut the chances that fire will spread quickly and past the point of control. Tilling a firebreak about the yard can help to halt or slow a fire moving into or out of the yard. Making sure machinery is well maintained can also reduce the risk of a claim. While an insurance policy won't pay the cost of failed bearing, it will likely end up paying if the bearing causes a combine to burn.

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