World News Summary from AgroInsurance

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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!

Pakistan - Crop insurance scheme launched

Punjab government has started crop insurance scheme (Takaful) to protect income of farmers against unfavourable circumstances. In this regard, from Kharif 2018 first phase from Sheikupura, Sahiwal, Loadhran and Rahimyar Khan was launched. Under this scheme, 100 percent subsidy on Insurance Premium for land owners up to 5-acre while 50 percent subsidy on Insurance Premium for land owners from 5-acre to 25-acres will be given.

This scheme will be applicable during its first phase on cotton and rice fields. In the second phase, Insurance (Takaful) will be applicable on more crops including sugarcane, maize, wheat, orchards and vegetables. Under this scheme, compensation will be given in case of natural calamity or low yield. To ensure transparency, the government has also introduced online system. Agriculture in Pakistan is affected by natural disasters such as droughts, floods, cyclones, storms, landslides and earthquakes.

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Africa - Small farmers get record $1.5mn payout for drought-linked crop losses

Vulnerable smallholder farmers will receive insurance payments totalling $1.5 million – the largest payout to date – after poor rainfall triggered crop losses in Ethiopia, Kenya, Malawi, Senegal and Zambia, the United Nations World Food Programme announced. In Malawi, more than 7,000 drought-affected families will receive an insurance payment worth $400,000. This is the first time that a weather index insurance programme has delivered payouts at such a large scale in Malawi.

The compensation means nearly 30,000 farming households can meet their basic needs including food purchases and payment of children's school fees. Many smallholders will also invest a portion of the payout in seeds or fertilisers or in starting small-scale family businesses. The record payment was made possible under an innovative climate risk management scheme, the R4 Rural Resilience Initiative (R4) launched by WFP and Oxfam America in 2011.

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USA - First insurance service for indoor farmers launched

Indoor farmers now have an insurance option to fit their needs. Contain Inc, an alternate finance business for indoor agriculture, has launched an insurance service for indoor farmers in collaboration with insurance broker InterWest Insurance. The service aims to fill a gap left by current insurance providers and products as the indoor agriculture industry grows. The insurance option clears the confusion for indoor growers to protect from crop loss.

A company spokesperson points out that growers have sometimes found that they're not covered for key risks, such as losing a crop to an HVAC unit's breakdown. Indoor agriculture is a small but rapidly growing part of the U.S. food industry. According to research conducted last year, there were 15 commercial-scale vertical farms and rooftop greenhouses in the U.S. in spring 2015. By spring 2017, there were 56.

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Australia - Frost insurance cover a first for grain growers

Australian grain growers will for the first time be able to insure their crops specifically against frost and crop establishment failure. Although farmers can insure against such risks as part of the broader multi-peril crop insurance, there has been a relatively low uptake of these products because of the high premiums required to cover a broad basket of risks which may not be relevant for every grower.

Now AWB is signalling a new era in crop protection after developing its frost and crop establishment failure specific covers, which can be added to its current hail and fire policy. Average annual loss from frost is conservatively estimated at $400 million across Australia, according to the Grains Research Development Corporation. In 2016, WA was hit particularly hard by multiple frosts, wiping an estimated 1-2 million tonnes, worth up to $600 million, from the State's annual grain harvest.

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Weather index-based insurance for the Pacific

Smallholder farmers in the Pacific have no access to weather index-based insurances, while flooding is a real threat for them. Preliminary research in the region suggests that weather and agricultural data, and the exact locations of farmers is weak in the region. In a report by the Agriculture Ministry in Fiji, it is noted that the worst damage for farmers could come from a flooding submerging crops for 2 or 3 days.

It also states that after such event root crop prices could increase 2-3% and vegetable prices could increase 5-80%. If a weather index based agricultural insurance was developed to mitigate the risk of such events, it would be based on the principle of “low premium, low payouts”, offering just enough coverage to provide resilience to adverse agricultural events at an affordable price. It is most likely that this product would be based on abnormally detrimental rainfall during critical growing periods during the year.

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USA - Dairy insurance product based on revenue

American Farm Bureau Federation plans to unveil a new insurance product this summer focused on protecting revenue from milk sales, as opposed to the margin between milk prices and feed costs in other risk-management tools. Its Dairy Revenue Protection insurance, developed in cooperation with American Farm Bureau Insurance Services, is based on traditional crop insurance models and has gained the approval of USDA’s Federal Crop Insurance Corporation.

It would offer revenue guarantees, with options to cover the value of a farmer’s milk and his production. Other programs, such as the Margin Protection Program and Livestock Gross Margin program, are based on the margin between the average cost of feed and the average price of milk. Dairy-RP “fills the gap in risk coverage. Everything else was margin-based; there was nothing that looked at the value of milk,” John Newton, AFBF director of market intelligence, said.

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Canada - Reasons why it’s hard to model crop risk

Fluctuating loss ratios and an evolving mix of crops in Canada are two factors contributing to the difficulty in modelling crop risk in the country, AIR Worldwide said recently. The long term (1961-2016) average loss ratio in Saskatchewan is 89%, and 15 of the last 56 years have seen an annual loss ratio of more than 1 (i.e. 100%). Drought conditions combined with heat and wind led to a loss ratio of 479% in 2002 in Saskatchewan.

In Saskatchewan in the 1980s, there were several years when the loss ratio exceeded 100%, causing the long-term average loss to premium to increase. This increase in loss ratio was followed by an increase in average premium rates for producers through the early 1990s. That trend then reversed during the following 10-year period with losses. The pattern then repeated itself in response to large losses in 2001 and 2002, which were followed by low losses in subsequent years.

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Bangladesh - ADB tells govt to roll out nationwide agri-insurance

The Asian Development Bank has called for government investment to scale up sustainable agriculture insurance in Bangladesh. “The agriculture insurance market is underdeveloped and the government should enact a policy to help the sector to mature,” country director of ADB said. The recommendations were made based on the experience of the pilot project ‘Weather Index-based Crop Insurance’ funded mostly by the Manila-based multilateral lender and run by Sadharan Bima Corporation.

Farmers in Bangladesh are more vulnerable to the vagaries of weather than most due to climate change making the country highly susceptible to the increasing monsoon floods and tropical cyclones. But they cannot protect themselves against the devastating climatic events because traditional insurers have been unable to come up with suitable crop insurance schemes.

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USA - Required insurance for cannabis business license often insufficient

The legalization of cannabis in many states is helping the industry become mainstream and gain access to insurance products taken for granted in other economic sectors. But there is still a long way to go until the cannabis insurance industry becomes completely normalized. The uncertainties and limitations of available coverage also impact cannabis-adjacent businesses, such as warehousing, transportation, security, packaging and marketing.

As the North Bay cannabis industry continues to grow, the need for insurance coverage becomes paramount, but there are still significant coverage gaps to fill. Although most state and local governments have strict licensing requirements, including proof of insurance or surety bonds, there is still a perceived legitimacy issue. Many insurers are wary to insure what is still an emerging and unknown risk, preferring to gather more information and determine the loss ratio trends before offering insurance products to the cannabis industry.

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Kenya - Parliament urged to consider mandatory insurance for farms near game reserves

Parliament has been asked to consider passing laws to direct farm owners living near national game reserves and parks to take up mandatory insurance policies for protection against damages by animals. This follows an 18-year legal battle between an agricultural firm and the Kenya Wildlife Service (KWS) after the company lost crops worth Sh64 million at their Narok farm following an invasion by migrating wildlife.

The court said farmers living in regions where animals encroached on their land would benefit from insurance cover. “By so doing, they avoid hefty losses being suffered due to destruction of the crop by wildlife. Indeed, an owner of land that has close proximity to a national park is expected to insure his crop, failing which a court of law would have to apportion to him a degree of negligence."

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FEEDBACK

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Your AgroInsurance International Team