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World News Summary from AgroInsurance

February 2018



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 - Crop insurance reaches 311 million acres

The number of acres enrolled in crop insurance reached 311 million, an area roughly the size of California, Texas and New York. Today, crop insurance protects around 90 percent of the insurable land and more than 130 different kinds of crops. The insurers backed more than \$106 billion worth of crops in 2017, up \$6 billion since 2016. Farmers paid \$3.7 billion out of their own pockets for insurance protection – a more than \$250 million increase from the year before.

Farmers must continue to realize the economic value of today's crop insurance system and have confidence that both government and the private sector are committed to its continued success. Farmers' enrollment in crop insurance continued to grow and there was particularly strong growth in policies to protect pasture and rangeland.

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Australia - Multi-peril crop insurance: no tax breaks for cover

The Federal Government has ruled out offering tax breaks to encourage farmers to take up multi-peril crop insurance. It comes as the results of a review into the Government's failed multi-peril crop insurance program. Former agriculture minister Barnaby Joyce announced \$20.2 million for the MPCl program in 2016, offering eligible farmers \$2500 rebates for the upfront costs of applying for and securing the insurance. Just 67 farmers have claimed rebates totalling \$147,500 since then.

Industry had been calling for tax breaks on MPCl premiums of up to 150 per cent as a way to increase interest in the products but Agriculture Minister David Littleproud's office ruled it out. The Department of Agriculture began its review last August, while the Government cut \$5 million from the program's budget in December, leaving about \$6 million for its final two years.

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Canada - Livestock focus of Sask. crop insurance changes

Saskatchewan's 2018 crop insurance program will contain fire insurance for pastures and better compensation for livestock lost due to predators. Agriculture Minister Lyle Stewart announced details for the coming year. Average coverage levels are \$216 per acre compared to \$217 last year, mostly as a result of lower crop prices. The average premium is \$8.41 per acre, down from \$8.51 per acre last year.

More crops will be insurable under the Contract Price Option, including malt barley. Saskatchewan Cattlemen's Association welcomed changes to forage insurance and predation compensation. Compensating producers at a rate more in line with the expected value of the animal is important in treating livestock similar to crop loss. The deadline to make changes or renew crop insurance is March 31.

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Nigeria - Five insurers to sell index-based agric insurance

The National Insurance Commission (NAICOM) has granted product approval to five insurance companies participating in the Index-Based Agricultural Insurance (IBAI) pilot scheme. The approvals are in line with the on-going efforts by the present administration to diversify the Nigerian economy and create opportunities to promote Agric business and employment.

IBAI is a relatively new financial instrument for transferring agriculture risks from individuals or groups of farmers to international risk carriers Insurers. In Index-Based System, when a claim is triggered for a specific area, all insured units, farmers, within a given geographical area and having similar characteristics, are compensated at the same payout rate, usually a percentage of the sum insured, on events specifically covered by the policy (usually those for which the proxy(ies) meet the specified triggers).

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India - Insurance pitch for fish farmers

The state government is looking into a proposal to introduce an insurance scheme for fish farmers on the lines of crop insurance. The animal and fish resources department is working out details. As of now, fish farmers do not have any such insurance cover. This financial security can also help avail of loans from banks even after issuance of Kisan credit cards to fishermen, as proposed by the Union budget.

According to insurance sector norms, insurance cover is given for fish culture if the farmer is rearing fish in a captive water body, like a pond. Out of Bihar's total annual fish production of 5.10 lakh metric tonnes, around 3.6 lakh metric tonnes are produced in ponds spread across 93,000 hectares. If one takes into account the number of fishermen who will benefit from the insurance scheme, the number is a huge 4 lakh fishermen associated with 457 fishermen cooperative societies set up at the block level.

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Philippines - Reinventing crop insurance

Filipino farmers need not fear a total loss of their resources after every calamity once the proposal of Rep. Arthur C. Yap of the Third District of Bohol becomes a law. House Bill (HB) 6923, which calls for an overhaul of the crop-insurance system of the Philippines by allowing it to provide index-based direct insurance and reinsurance policies, has been approved on third and final reading by the House of Representatives.

There's a lot of effort on infrastructure spending, on technology, on farm-to-market roads, but without agricultural financing, it would be very difficult to sustain the growth of Philippine agriculture. Index-based insurance is an innovative and technically sound approach to manage risks, especially for poor and highly vulnerable farmers in the Philippine rural countryside.

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Ethiopia - Roles of insurance in reducing uncertainties

The economy of Ethiopia is dominated by small-scale farming that is a source of food, raw materials for agribusinesses and employment opportunities for 85 percent of the population. The small-scale farming has also a lion's share for export earnings. And when it faces extreme weather, farmers incur considerable losses that result in negative economic impact. Hence, to overcome the problem, providing insurance services for the farmers has been taken as a way out and some positive outcomes are evident as a result.

Nyala Insurance Company since 2009 in collaboration with the Ethiopian Meteorology Agency, the Ministry of Finance and Economic Development and the Ministry of Environment, Forest and Climate Change has been providing insurance services to farmers in different states. Currently, the farmers in Tigray, Oromia, Amhara, Benishangul Gumuz, Gambella and Southern Nation, Nationalities and Peoples' State are benefiting from the weather index insurance project.

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USA - California treasurer proposes marijuana-friendly state bank

The booming legal cannabis industry is still forced to do business in cash thanks to federal anti-drug laws and cautious banks, but that may change eventually in California. State Treasurer John Chiang announced that he is considering creating a state-operated bank that would accept accounts from legal marijuana businesses.

With recreational marijuana now legal in California under Proposition 64, dispensaries and other marijuana retailers who want to operate out of the shadows must pay taxes. But an estimated 70 percent of marijuana business in the state does not have access to bank accounts. That means that dispensary owners and others in the industry have been paying their taxes in cash.

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Nepal - Ilam farmers' response to agro insurance 'lukewarm'

Agricultural insurance has failed to take off in Ilam due to lack of knowledge among farmers and lackluster efforts on the part of government officials and insurance companies. The government provides a 75 percent subsidy on insurance premiums, but farmers either seem to be unaware of the benefits of insuring their agro and livestock products or put off by the hassles involved in buying insurance and filing claims.

Non-life insurers have been marketing various agricultural insurance schemes since the introduction of the Crops, Livestock and Poultry Insurance Directive in January 2013. These schemes can be purchased by paying an annual premium of 5 percent of the assessed value of the crops and livestock. Although billions of rupees have been invested in agricultural products and livestock in Ilam, farmers are not keen on buying insurance to protect the investments.

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Nigeria - FG's agric insurance cover for 3.8m farmers

The Federal Government recently announced its introduction of a new insurance policy for farmers to encourage more investment in agriculture in the country. The agricultural insurance, worth \$500 million, is expected to mitigate farmers against risks like drought, herders' attack and price shock, and similar shocks experienced by farmers in the country.

The insurance cover initiative is a collaborative effort of the National Insurance Commission of Nigeria, the Central Bank of Nigeria funded Nigeria Incentive-Based Risk Sharing System for Agricultural Lending and the operators of the insurance industry within and outside the country. Under insurance policy farmers in the country will be provided with cover to de-risk them against possible natural and man-made unforeseen incidences that would ordinarily deter many from venturing into investment in agriculture.

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