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World News Summary from AgroInsurance

October 2017

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!

Oman - Agricultural insurance policy to be extended to livestock, fishermen

An agricultural insurance policy, which was launched under the auspices of Minister of agriculture and fisheries, will be extended to cover dates, other crops, livestock and fishermen. The present policy, which is the first phase of the whole programme, is for covering the risks of vegetable farmers in Oman. Four insurance companies – National Life and General Insurance, Dhofar Insurance, Al Madina Takaful and Arabia Falcon Insurance Company – are offering insurance cover for farmers and the insurance schemes are reinsured with Oman Reinsurance (Oman Re).

All major risks associated with cultivation, including natural fire and lightning, flood, landslide storm, hailstorm, cyclone, typhoon, tempest and hurricane are covered under the scheme. Further, damage due to pests is covered only when it affects a large area. Also, losses to farmers due to drought and areas frequently affected by strong winds are not covered under the scheme.

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Spain - Producers demand persimmon insurance in line with other crops

The Valencian Association of Farmers demanded that the State Agrarian Insurance Agency (ENESA), an agency under the Ministry of Agriculture, and the Spanish Association of Combined Agrarian Insurance Insurance Agencies (Agroseguro) introduce substantial changes to the criteria in force for the purchase of persimmon insurance in order to bring them into line with those applied to other crops to end a longstanding discriminatory situation that seriously damages persimmon producers.

One of the issues indicated by the Association is the need to extend indemnity insurance to the entire plot when the loss exceeds 70% of the harvest, as is contemplated in other contracting modalities that benefit other crops, such as of citrus or fruit trees. The producers demand this change because, in the case of persimmon, after a certain level of damage, the market loses interest in acquiring the percentage of fruit that could be saved from the climatic accident, which means producers are unable to sell a significant part of their crops and don't receive any compensation for these losses from the insurance.

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Latin America - Agricultural markets in need of greater re/insurance penetration

For many countries across Latin America, the agriculture sector provides millions with income and food, making it a truly essential part of everyday life. At the same time, catastrophe events that damage crops or hinder growth of crops, such as flooding, droughts, hurricanes, and so on, appear to be increasing in both severity and frequency, with many suggesting climate change is exacerbating the problem. According to Swiss Re, in 2016 the protection gap for natural catastrophe losses in Latin America reached $15 billion.

Insurance penetration is extremely low in the region, and in just the agriculture sector in 2016, insurance penetration was just 0.04% of gross domestic product (GDP). Clearly, the agricultural sector in these vulnerable, typically poorer parts of the world is in need of effective and affordable solutions to tackle the protection gap, and provide farmers with the security they need in the face of losses.

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Uganda - Insurance impact still minimal

The Finance minister of Uganda, Matia Kasaija, said the contribution of insurance sector in Uganda's economy is still very minimal because there are very few insurance businesses in the country. Additionally, insurance services are not yet spread in all parts of the country. The government is promoting the insurance sector in Uganda by providing Agriculture Insurance Scheme in partnership with the commercial banks which is currently doing well because of the subsidies being given out.

In FY 2016/17, Government operationalised the Uganda Agriculture Insurance Scheme. Statistics in the finance ministry show that a number of farmers have benefited and received insurance cover for both crops and animals. In FY 2017/18, the Finance ministry said Government will continue implementing the Uganda Agriculture Insurance Scheme as a pilot, to further subsidize agriculture insurance premiums for both small and large scale farmers to guarantee the returns expected from crop and livestock farming.

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USA - Nobody has insurance: California wildfires burning up marijuana farms

Deadly wildfires in Northern California are burning up marijuana farms in the Emerald Triangle. Blazes have destroyed a number of farms in Mendocino County right before legal recreational sales begin in California. Cannabis business owners who lose their crops have little reprieve. They cannot insure their businesses because federal law prohibits marijuana, which means that financial institutions can't go near it. Farmers typically invest upward of $5 million in their facilities and as much as $3 million on growing the crop itself.

The 22 wildfires currently raging through California have killed 23 people, with hundreds missing, and burned 170,000 acres along with thousands of homes and businesses. The seasonal wildfires have gotten worse in California in recent years, and this isn't the first time pot farms have gone up in smoke. It's too early to tell just how many of the state's estimated 10,000 to 15,000 marijuana farms have burned down.

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Can index insurance make African farmers climate-resilient?

Index insurance is being promoted as a solution to protect climate affected smallholder farmers in Africa. This type of microinsurance is slowly gaining ground as a way of compensating farmers for lost crops and livestock due to climate change. A number of African governments have either introduced or are piloting index insurance while some are still waiting and watching to see if it will have any tangible impact. Index insurance has been around for close to 17 years and is slowly taking root in Kenya, Zimbabwe and others.

Uganda is among the African countries that have just introduced an index insurance scheme run on a public-private partnership basis between insurance firms, the insurance regulatory authority and the Central Bank of Uganda, which holds the money. The Government of Uganda allocated a $2m budget this financial year to provide a 50% premium subsidy to smallholder farmers. Under the same scheme, large-scale farmers are given 30% premium subsidy.

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Australia - Agricultural insurance: cultivating opportunity

Despite the challenges, agriculture continues to be a major part of the economy. The 2015-16 Agricultural Census by the Australian Bureau of Statistics places the gross value of Australian agricultural production at $56 billion from 85,681 farming businesses in the country. Belinda Scott, Director, BJS Insurance Brokers Gippsland, explains that the Australian agricultural sector is drastically underinsured and, as a nation, is behind in understanding the importance of this sector. The total premiums for crop insurance estimate $200 – $240 million depending on seasonal conditions and commodity prices.

MPCI is now being spoken about as part of a risk management program but the policy in its current form is too expensive and restrictive to make it a viable option for the majority of farmers. If the industry is going to make this work long term it needs to utilize the knowledge of the farmers to develop a better product that provides a broader cover. Last year a total of 200 policies were underwritten in a marketplace of 22,000 growers.

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India - Water-logged farmers try out revamped flood insurance

In South Asia, floods have cost countries approximately $95 billion over the last 30 years. The economic damage has been particularly devastating for farmers in the region. Small-scale farmers represent close to 60 percent of the estimated 90 million rural households in India. A third of the country's farmers own less than half a hectare of land, or about one acre. In normal years, these farmers can earn enough to feed their families and replant for the following season. But their thin margins makes them especially vulnerable to any kind of accident or disaster.

Buying flood insurance is one way to cut the risks. But problems ranging from inaccurate damage assessments to delays in payments have plagued India's existing agricultural insurance efforts. Research by the New Delhi-based Centre for Science and Environment found that information on crop damage often comes from local officials who file reports based on conversations or brief looks at affected areas, because they are unable to visit every farm.

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Canada - Saskatchewan agricultural groups lobbying for fire insurance for forage crops, pasture land

Following devastating wildfires in southwest Saskatchewan, many agricultural organizations are continuing to lobby the provincial government to provide a fire insurance option for forage crops and pasture land. Wildfires near Burstall, Leader and Tompkins swallowed tens of thousands of acres of land and claimed the lives of 750 livestock. In early September, a large wildfire near Glentworth, Sask. destroyed approximately 3,500 acres of land. For many ranchers in southern Saskatchewan, it's another hit after a tough, dry season.

The issue is, as far as fire, there is no coverage through crop insurance for native grass. And that's the problem not only in the southern part of the province, but in others parts that's really dry. Saskatchewan Association of Rural Municipalities has been working with several other agricultural organizations, such as the Saskatchewan Cattlemen's Association and the Saskatchewan Stock Growers Association, to lobby the province on this issue.

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Pakistan - Crop insurance a hope for small landholders

In Pakistan, only 30% of farmers are getting benefits from the agricultural loan schemes. Majority of the farmers (84%) are small landholders who rely on informal sector credit at exorbitant interest rates to meet their requirements as they are unable to provide collateral to banks. And, in case of crop failure, it is difficult for the farmers to pay back their loans. They have to either sell their cattle and other farm assets or again acquire a loan to pay the previous one.

Crop insurance has the potential to address some of these constraints by facilitating access to the means of production and changing behaviour by reducing uncertainty. Currently, the Crop Loan Insurance offered in Pakistan is linked with agricultural loans from banks and the scheme can only be accessed by 30% of the farmers who are able to secure bank loans. Small farmers are willing to get their crops insured if any crop insurance scheme is launched for them and the government is willing to share some portion of the premium.

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Your AgroInsurance International Team