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World News Summary from AgrolInsurance

July 2021



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!

Report available: Disaster Risk Finance Solutions for the Agriculture Sector - Recommendations for ASEAN and ASEAN Member States

Among the recent project assignments, AgrolInsurance team conducted a relevant research for GIZ analysing the specifics of agricultural insurance and disaster risk finance programs in the ASEAN member states (AMS). The report spotlights on the state of disaster risk finance in AMS, addresses barriers to wider uptake, and highlights potential solutions and best practices for the future developments.

It concludes with a set of recommendations for ASEAN and AMS to build their resilience to climate and weather-related disasters through: regional cooperation, coordination, and knowledge exchange between AMS on disaster risk standards, systems, policy, and regulations; coordinated disaster risk financing and agricultural insurance strategies and instruments, as well as investments in risk reduction; investments in data, innovative new technologies, and risk market infrastructure and services to strengthen domestic insurance markets.

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USA - RMA strengthens insurance policies for dry beans, dry peas and wheat

The U.S. Department of Agriculture is making improvements to crop insurance to better enable agricultural producers to manage risk on their operations. Specifically, USDA's Risk Management Agency is adding new options for producers of dry beans, dry peas, and small grains, such as wheat, as well as making other adjustments that make crop insurance more accessible for organic producers and veteran farm families.

Beginning in 2022, the dry beans and dry peas regulation will: allow enterprise and optional units by type for dry beans and dry peas, preventing a gain on one type of crop from impacting an indemnity for a loss on another type. Enterprise units by type allow a producer to insure all acres of a type in a county as one unit, as opposed to basic and optional units which may base insurance on a portion of the acreage.

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USA - 2020 disaster estimations reveal at least \$3.6 billion in uncovered losses

Not only was 2020 defined by COVID-19-induced volatility, over 22 weather and climate disasters, each with damages reaching over a billion dollars, hit the U.S. coast to coast last year. The National Oceanic and Atmospheric Administration (NOAA) reported that 2020 shattered a previous annual record of 16 individual billion dollar weather events which occurred in both 2011 and 2017.

Recent crop and rangeland damage estimates crucial to future discussions regarding an extension of WHIP+ or other forms of disaster assistance for 2020 losses. The assessment puts total crop and rangeland losses from major 2020 disasters at over \$6.5 billion, or 6.7% of NOAA's total economic impact figure. Of that figure, over \$3.6 billion in losses were not covered by existing Risk Management Agency (RMA) programs.

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Spain - Agricultural compensation increased by 22% in the first semester

In the first half of the year, Agroseguro paid producers compensation for 461.25 million euro, i.e. 22% higher than in the same period of the previous year, due to the turbulent weather that marked this period. Thus, this period of 2021 is the worst first half of the year in the last five years. The damaged area of producers with insured farms totaled 930,611 hectares, 76% more than the affected area in 2020.

Overall, insured fruit growers register compensation of more than 135 million euro (20% more than in 2020) and vegetable producers exceed 56 million, a figure slightly higher than in the previous year. In the case of citrus, the damage reached 53 million, i.e. 109% more than in the same period last year. The damages in Castilla-La Mancha stand out, as the payments to insured farmers during the first half of 2021 exceeded those accumulated throughout 2020, with more than 97 million euro.

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Europe - Around 66,000 ha damaged with 23 million euros in damages

While Vereinigte Hagelversicherung VVaG reported 30,000 hectares damaged, this figure has more than doubled within a few days. A good 66,000 hectares were registered for regulation from June 18 to 25. This is due to so-called supercells, which came from France through Baden-Württemberg and Bavaria to Austria and the Czech Republic, causing hailstorms over a length of several hundred kilometers.

Local heavy rainfall with enormous amounts of rain from so-called “water bombs” and hailstones the size of tennis balls caused damage to almost all crops, often with total losses. On June 22 and again on June 24, the damage area stretched from Lake Starnberg via Munich to Passau. In Baden-Württemberg, the Neckar-Alb region was hardest hit on June 21 and, just two days later, the strip from Freiburg via Reutlingen to Esslingen.

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South Africa - Public-private scheme to provide drought insurance for farmers

Farmers and insurers alike say the insurance system is broken, at a time when droughts are becoming longer and harsher. Some parts of the country are in their ninth dry year, while a drought across much of the southern African region that began in 2018 left tens of millions of people hungry. Now a plan has been formulated by insurers and the government for a 3.2 billion rand (\$223 million), 10-year state subsidy scheme aimed at fixing the market’s problems.

The scheme, which was confirmed by the government, would see commercial grain and oilseed farmers have 25% of their MPCPI premiums subsidized. Smallholders in grain, oilseed or livestock would be offered a type of cover called weather index insurance, and have the state pay 75% of their premiums. Weather index cover is used by millions of farmers in several nations, such as Kenya and India, but has never been tried in South Africa.

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New Zealand - Mussel farmers millions of dollars out of pocket after storms

The storm which caused widespread flooding across the top of the South Island has also had a devastating impact on mussel farms in the region. The clean-up is estimated to take weeks and cost mussel farmers millions of dollars. When the wild weather subsided, it left behind a tangled mess of mussel lines on a number of farms in Tasman Bay.

For Nelson-based company MacLab, more than half of a 270-hectare farm – one of its largest – was ripped out of the seabed during the storm. MacLab’s general manager of aquaculture said they were still working to repair the damage and assess the financial impact. The Nelson-based company farms around 8000 tonne of greenshell mussels at several sites in the top of the South Island which are processed into nutraceutical products.

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