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## World News Summary from AgrolInsurance

December 2017



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!

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### Canada - Dry summer leads to big drop in hail insurance claims on Prairies

A report from the Canadian Crop Hail Association says a reduction in potentially damaging storm activity on much of the Prairies this past summer led to one of the lightest hail-claim seasons in eight years. The 2017 report from the Regina-based association shows there were just over 8,600 claims in Western Canada that generated \$96 million in insurance payouts.

There was a decrease in storm frequency from the five-year average, while damage claim frequency was down about 30 per cent for the same period of time. Manitoba farmers suffered the most losses, followed by Alberta and Saskatchewan. The association says the lack of moisture was widespread this year with record to near-record dry conditions throughout much of Saskatchewan and parts of Alberta. The organization also says farmers continue to insure their crops for hail damage at near record levels.

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## Fiji - Agriculture insurance scheme will soon be available

A solution to protect farmers' crops assets is currently under way. The Ministry of Agriculture, Food and Agriculture Organisation and Fiji Crop and Livestock Council are working on developing an agriculture insurance scheme. The scheme began in 2014 when the FAO did a preliminary study on the agriculture sector in the country. The FOA wanted an insurance that goes straight to the farmer and insures the farmer's biological assets.

Earlier this year, the FAO had approached the Council to develop the preliminary study into a product that can be sold to farmers. For the study to become a product, the weather office has to prove to the insurance markets that weather data is strong enough to state the likelihood of a type of natural disaster that will hit the country. Meanwhile, the Government had announced in the National Budget 2018 that they will support the development of the product.

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## Armenia - Farmers to be provided insurance

The Armenian government announced plans to start gradually introducing next year a national system of agricultural insurance increasingly seen as a vital necessity for struggling farmers across the country. Thousands of low-income villagers lose their crops each year due to hailstorms, droughts and other natural disasters. They receive little compensation from the cash-strapped government.

According to Deputy Agriculture Minister Armen Harutiunyan, the government will launch at the end of 2018 a pilot project that will insure some farmers growing fruits, vegetables or cereals against one or two types of risks. The government will subsidize insurance premiums with a special 10 million-euro (\$11.8 million) fund set up for that purpose. Germany's state-owned development bank KfW will contribute half of that money through a grant allocated to the Armenian Finance Ministry.

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## Australia - Federal Government's multi-peril crop insurance scheme slashed

The Government cut \$5 million from the program for 2017-18 and 2018-19 in this week's midyear budget update, leaving just over \$6 million for the final two years. It comes as grains producers revealed consultation to reform the program this year came to a halt – with no contact from the Agriculture Minister's office or department since August.

Barnaby Joyce allocated \$20.2 million to the program over four years – originally listed as \$29.9 million in the agriculture white paper – in March 2016, offering farmers \$2500 rebates for the upfront costs of applying for and securing multi-peril crop insurance. Just 67 farmers have claimed rebates totalling \$147,500 since then. A spokeswoman for Mr. Joyce said the Government was committed to encouraging farmers to "better plan and prepare for seasonal variability" and the program would remain open until June 2019.

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## **USA - Federal law forces many marijuana businesses to go without insurance or banking services**

A series of deadly wildfires devastated California wineries, farms and small businesses in recent months. Many of these farms and businesses will be able to start rebuilding quickly, thanks, in part to insurance payouts and easy-to-access businesses loans. The same thing cannot be said of many of California's legal cannabis cultivators who were hit by the wildfires and won't have that help.

Due to the federal prohibition of marijuana, growers are often denied access to the basic financial and banking services that allow other farmers and agricultural interests to guard against the risk of wildfires and to rebuild after natural disasters strike. Instead of making daily or weekly bank deposits the way many small businesses do, cannabis growers and businesses in states that have legalized it, are often unable to find banks willing to work with them.

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## **India - Opportunities for reinsurance set to increase into 2018**

2018 is forecast to be a big year for the India re/insurance sector, with newly relaxed capital rules that allow well-established Indian insurers to attract capital with an initial public offering (IPO) and the government increasingly opening the grounds to foreign reinsurers. The renewed focus on agricultural risks by the Indian government and domestic insurers will provide new opportunities to foreign reinsurers.

After the government launched the Pradhan Mantri Fasal Bima Yojna crop insurance scheme, its come to recognise that with climate change increasing risk to agriculture, Indian insurers will need additional support from reinsurers. With crop insurance policies in India mostly covering perils which greatly increase domestic insurers' exposure, robust reinsurance back-up is necessary to safeguard balance sheets.

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## **Senegal - A parametric insurance product for the cotton sector**

In Senegal, FINACTU assists the National Agricultural Insurance Company of Senegal in the creation and launching of a parametric insurance product for the cotton sector at the national level against climate risks, with the support of the West African Development Bank. In the summer of 2017, all cotton producers subscribed to the first national index-based insurance policy. With nearly 40,000 insured producers, it is one of the largest index-based insurance projects in sub-Saharan Africa.

The distribution of this product has been integrated into the agricultural input financing circuit, in the same way as fertilizers, with the valuable assistance of the National Federation of Cotton Producers (CNPC), the Textile Fiber Development Company (SODEFITEX), and financial support from the Caisse Nationale du

Crédit Agricole du Senegal (CNCAS).

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## Uganda - Slow agriculture insurance uptake

Uganda's agriculture sector has been associated with many risks – unstable prices, drought, pests and diseases – thus hampering its growth. This prompted the government to unveil a Shs5bn Agriculture Insurance Premium Subsidy Scheme last year for an initial five-year period in partnership with a consortium of 10 insurance firms.

This move was aimed at boosting uptake of agriculture insurance policies for both crops and livestock and so is investment in the agriculture sector, high productivity and farmer's increased access to credit. But available data from the Insurance Regulatory Authority of Uganda (IRA-U) shows that farmers are still reluctant when it comes to embracing the new product. So far, only 26, 421 farmers have signed for the agricultural insurance cover utilising merely Shs692.2million of the subsidy scheme.

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## Nigeria - Govt subsidising farmers insurance 50 per cent

The Nigerian Agricultural Insurance Corporation, NAIC, says the federal government is subsidising farmers' insurance in the agricultural value chain by 50 per cent. The NAIC urged farmers to insure their farms against natural disasters such as flood, diseases and erosion. According to the Managing Director of NAIC, Folashade Joseph, a lot of farmers refused to take up agriculture insurance.

Mrs. Joseph said NAIC wants to use subsidised insurance to encourage farmers to embrace insurance. "That is 50 per cent of subsidy for farmers across the agriculture value chain. So it is an advantage for farmers to take and make sure that they insure their farms and remain in business in case of natural disasters," she added.

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## Triple attack on bananas could devastate global industry

CABI scientists have raised concerns that an attack on the world's banana production is worse than first feared, with a perfect storm of three pests having the potential to decimate around \$35 billion worth of crops. Biosecurity experts at CABI believe the effects of the fungus known as Panama disease tropical race 4 (TR4), together with the Banana Bunchy Top Virus (BBTV) and the Banana Skipper butterfly (*Erionota* spp), could destroy banana plantations across Asia, Africa and Latin America.

There are currently no cultivars resistant to these three threats. Bananas are a vital part of the diet of more than 400 million people in developing countries. They are grown by millions of smallholder farmers who also rely upon them for their livelihoods. In Africa, around 70 million people are dependent on bananas in

some way, while Latin America accounts for around 60% of global banana sales.

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