

Seminar on Pradhan Mantri Fasal Bima Yojna – Insuring Crops, Assuring Farmers

13th July 2016, from 1100 Hrs, Birsa Agriculture University, Ranchi

CONCEPT NOTE

Agriculture has been a crucial sector in many developing countries across the world for its perceived ability to contribute significantly to achieve developmental objectives such as economic growth, employment generation, food security, poverty reduction, and environmental sustainability. Increasing the productive capacity of agriculture through higher productivity has been the main policy agenda in many developing economies.

Jharkhand is located in East India; agriculture is the mainstay for the 80% of rural population. Agriculture creates employment and primary income generating activity. The agricultural economy of the Jharkhand is characterized by dependence on nature, low investment, low productivity, mono-cropping with paddy as the dominant crop, inadequate irrigation facilities and small and marginal holdings. The dependence of agriculture on the vagaries of the rain-god can be gauged from the fact that as much as 92% of the total cultivated area is un-irrigated.

The cultivable land resources of the state have good potential for higher production of horticulture and forest products. The soil is fertile and has high capacity of fixation of humus. However, soil erosion and failure to recycle the biomass is depleting the soil fertility. Hence, a judicious soil, water and land management is required that can improve agriculture productivity. Despite the fact that the State has a good rainfall, the surface water availability to agriculture is not sufficient due to inadequate storage facilities etc. as far as the status of ground water is concerned, it is also in the poor state due to little recharging of ground water by natural process in absence of artificial recharging facilities, as a result, the water table in the plateau is going down.

The Govt. of India is dedicated to protect its farmers. This will not only help in sustaining livelihood of the farmers, but also increase the yield of crops grown. But there are several natural hindrances which prevent growth of crops. These are droughts, irregular rainfall, floods, etc. These natural calamities result in poor yield of crops. Also as the crops gets damaged midway production and yield is hampered. Another problem is when there is an over production of crops which happens sometimes, then the market demand falls and thus the farmers do not get good prices for their crops and suffer great losses. This leads to greater economic losses for farmers often leading to fatal consequences.

Insurance penetration amongst India's farming community is abysmal and this is a known fact. Out of the gross cropped area of 195.26 million hectares in the country, only 42.82 million hectares or 22 per cent was covered under crop insurance in 2014. While the coverage was higher in some states — especially Rajasthan and also Chhattisgarh, Odisha, Bihar and Karnataka — it was hardly a tenth or less for the likes of Gujarat, West Bengal and Uttar Pradesh.

Low spread of agricultural insurance — one in every five hectares — isn't the only issue. Equally important is the **inadequacy of cover**, in terms of the sum insured (SI) or the maximum amount that insurance would pay in the event of crop damage.

According to the Commission for Agricultural Costs and Prices (CACP), the average SI per hectare under the existing national agricultural insurance scheme was just Rs 18,464 (Rs 19,141 in kharif and Rs 16,927 in rabi) in 2013-14. This is way below the gross value of output (GVO) for most crops. For paddy the GVO on an all-India average yield of 36 quintals and minimum support price (MSP) of Rs 1,310/quintal in 2013-14 worked out to Rs 47,160 per hectare. If policy claims cannot cover even half of the value of produce when the crop suffers heavy damage, it only shows why farmers are not really interested in taking insurance protection. And it also explains the poor spread of crop insurance in a country that has experienced five full-fledged drought years (2002, 2004, 2009, 2014 and 2015) in this century alone.

Earlier, the insurance scheme which was functional was called the National Agriculture Insurance Scheme (NIAS), which was implemented in the year 1999, was implemented only in 14 states of India. The insurance settlements were handled by the insurance company namely Agriculture Insurance Company of India Ltd. (AIC). Under NIAS, the insurance premium rates were 1.5 % to 3.5 % of the total sum assured for food crops like pulses, oilseeds, cereals, etc. But for commercial crops like cotton and horticultural crops, the actuarial premium rates were charged.

To improve further and make the Scheme easier and more farmer friendly, a proposal on Modified National Agricultural Insurance Scheme (MNAIS) was prepared and was approved by Government of India for implementation on pilot basis in 50 districts from *Rabi* 2010-11 season. During the Five seasons of its implementation in 17 States, the MNAIS covered 45.80 lakh farmers for a premium of Rs.1,08,800 lakh against the claim of Rs.86,400 lakh until *Rabi* 2012-13. The total area insured was 46.79 lakh hectares during the same period.

With the objective to bring more farmers under the fold of Crop Insurance, a Pilot Weather Based Crop Insurance Scheme (WBCIS) was launched in 20 States in 2007. Apart from Agriculture Insurance Company of India, some private companies have also been allowed to implement the Scheme. The WBCIS is intended to provide insurance protection to the farmers against adverse weather incidences, such as deficit and excess rainfall, high or low temperature, humidity etc. The WBCIS was implemented in 18 States and 469.38 lakh farmers were covered for a premium of Rs.7,51,920 lakh against the claims of Rs. 52,860 lakh under the Scheme from 2007-08 to 2012-13.

According to reports in the past year 2015, there were 207 draught hit districts throughout the country where the farmers suffered great economic losses on crop cultivation. Also reports show that more than 300 districts were affected by irregular rainfall.

To provide a better financial support to the farmers of the country Govt. of India has launched the **The Pradhan Mantri Fasal Bima Yojana** scheme in February 2016. A major boost to crop insurance has come via the Union budget, which has nearly doubled funding from Rs.2, 995 crore in 2015-16 (revised estimates) to Rs.5,501 crore in 2016-17.

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is effective from April 2016. The new scheme will come into force from the Kharif season starting in June this year. The scheme covers kharif, rabi crops as well as annual commercial and horticultural crops. For Kharif crops, the premium charged would be up to 2% of the sum insured. For Rabi crops, the premium would be up to 1.5% of the sum assured. For annual commercial and horticultural crops, premium would be 5 per cent.

Earlier only those farmers who have taken loans for their cultivation, were eligible for insurance of their crops. However as per the new scheme, all farmers are eligible for the new crop insurance scheme irrespective of the condition of taking loan or not. The insurance plan will be handled under a single insurance company, AIC and entire insurance process; right from joining of farmers to disbursement of claim is to be made electronically to make it a fraud free and effective scheme.

In view of these various concerns and complexities, PHD Chamber is organizing a Seminar on **“Pradhan Mantri Fasal Bima Yojna”** on **6th July, 2016 from 10.00 am** at Chanakya BNR Hotel, Ranchi.

The main objectives of the seminar are to create awareness among all the related stakeholders and to deliberate on different aspects of the Pradhan Mantri Fasal Bima Yojana. Also to focus on all the regulations and technologies like use of remote sensing, smart phones and drones for quick estimation of the crop loss and making the claims process faster. The aim of the seminar is also to sensitize all the stake- holders on the adoption of Pradhan Mantri Fasal Bima Yojna and increase the insurance penetration.

The sessions will be joined by the senior officials from the Ministry of Financial Services, Government of India, Insurance Regulatory and Development Authority (IRDA), Agricultural Insurance Companies, Banks, Financial Institutions and representatives from the farmer community, Weather Forecasting experts.

TARGET GROUPS

- Companies Handling Agricultural Insurance/ Fasal Bima Yojna
- Small and Big Farmers/ Progressive Farmers
- Contract Farmers/ Corporate Farmers
- Financial Institutions/ Banks funding agriculture loans/ Micro Finance Companies
- Weather Forecasting companies
- Academic Faculty
- Central and State government officials
- Agri-based Technology Stake-holders
- IRDA officials
- Experts from sector of Agribusiness
- Insurance Intermediaries/ Brokerage Firms

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