Crop insurance schemes in India | RASHTRIYA KRISHI | Volume 14 | Issue 1 | June, 2019 | 35-36

ISSN–0974–0759 | ●●● Article ●●● |Visit us : *www.researchjournal.co.in*|

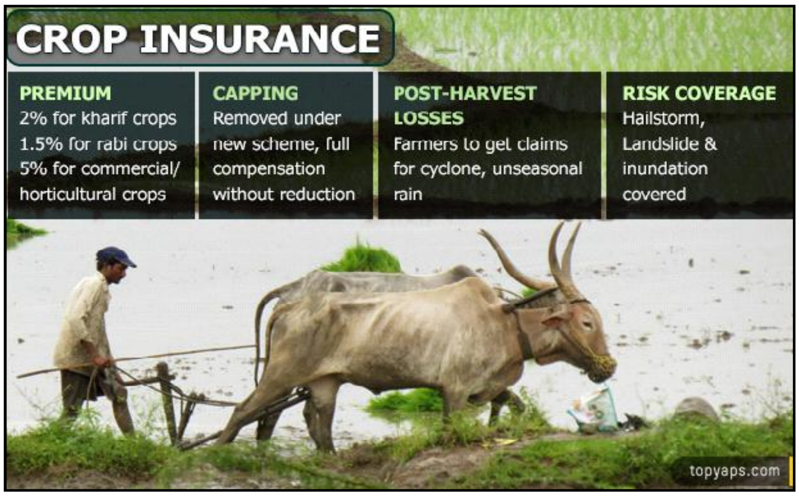
Crop insurance schemes in India

Yuvaraj Singh Dhruw

Department of Agricultural Extension, Indira Gandhi Krishi Vishwavidyalaya, Raipur (C.G.) India

(Email: yuvrajdhruw.igkv@gmail.com)

Agricultural production and farm incomes in India are frequently affected by natural disasters such as drought, floods, cyclone, storm, landslide, earthquake etc. Susceptibility of agriculture to these disasters is compounded by the outbreak of epidemics and man-made disasters such as fire, sale of spurious seeds, fertilizers and pesticides, price crashes, etc. All these events severely affect farmers through loss in production and farm income, and are beyond the control of farmers. With growing commercialization of agriculture, the magnitude of loss due to unfavourable eventualities is increasing. In recent times, mechanisms like contract farming and futures trading have been established which are expected to provide some insurance against price fluctuations directly or indirectly. But, agricultural insurance is considered an important mechanism to effectively address the risks to output and income resulting from various natural and man-made events.



Historical background:

First individual approach scheme 1972-1978: Different forms of experiments on agricultural insurance on a limited, ad-hoc and scattered scale were started from 1972-73 when the general insurance corporation (GIC) of India introduced a crop insurance scheme on H-4 cotton and later included groundnut, wheat and potato. The scheme was implemented in Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu and West Bengal. It continued upto 1978-79 and covered only 3,110 farmers for a premium of Rs.4.54 lakh against claims of Rs.37.88 lakh.

Pilot crop insurance scheme (PCIS) 1979-1984: The pilot crop insurance scheme was launched by the GIC in 1979, which was based on the 'Area Approach' for providing insurance cover against a deficit in crop yield below the threshold level. The Scheme covered cereals, millets, oilseeds, cotton, potato and chickpea and it was confined to loanee farmers of institutional sources on a voluntary basis. The PCIS 1979 was implemented in 12 states till 1984-85 and covered 6.23 lakh farmers for a premium of Rs.195.01 lakh against claims of Rs.155.68 lakh during the entire period.

Comprehensive crop insurance scheme (CCIS) 1985-99: The comprehensive crop insurance scheme (CCIS) launched in 1985 was the first nation-wide Scheme. Previous Schemes were either experimental or pilot projects, on a small scale and in a scattered manner. This scheme was linked to short-term credit and was based on the 'homogenous area approach'. The Central Government introduced the CCIS during the year 1985-86. Till *Kharif* 1999, the scheme was adopted by 15 States and 2 Union Territories (UTs). Both, PCIS and CCIS were confined only to farmers who had borrowed seasonal agricultural loans from financial institutions. The main difference between PCIS and CCIS was that PCIS was on voluntary basis while CCIS was compulsory for loanee farmers. The CCIS covered 763 lakh farmers for a premium of Rs.404 crore against claims of Rs.2303 crore. A more comprehensive Scheme, 'National Agricultural Insurance Scheme was launched in 1999 with aim to cover all farmers irrespective of loanee or non-loanee.

Experimental crop insurance scheme (*ECIS*):While in operation attempts were made from time to time to modify the CCIS as demanded by the states. During 1997 a scheme *viz.*, experimental crop insurance scheme was introduced from *Rabi* 1997-98 which was implemented in 14 districts of five states. The scheme was similar to CCIS except that it was meant for all small and marginal farmers with 100 per cent subsidy in premium. The central and state governments shared the premium, subsidy and claims in 4:1 ratio.

Pilot project on farm income insurance scheme: Under the project comprehensive risk insurance was provided against loss in actual farm income against the guaranteed income in a notified area arising out of adverse fluctuations in yield due to one or more non-preventable perils and adverse fluctuations of market prices as measured against minimum support price (MSP) for the crops covered. The project covered paddy and wheat crops and all farmers (loanee on compulsory and others onvoluntary basis) in selected states and districts which gave their consent for inclusion. The sum insured was guaranteed income per unit area arrived at using average yield of past 7 years, current MSP and indemnity level. The premium rates were actuarial for states and crops (irrigated and un-irrigated separately) at 75 per cent subsidy for small and marginal farmers and 50 per cent subsidy for others.

Crop insurance: Insurance is a technique where losses suffered by few are met from funds accumulated through small contributions made by many who are exposed to similar risk. Crop insurance is a means to protecting the cultivators against financial loss on account of anticipated crop-loss arising out of practically all natural factors beyond their control such as natural fire, weather, floods, pests, diseases etc. The sum insured could be the total expenditure or a multiple of it or a proportion of expected income from crop (s) for which premium is paid. The indemnity (claims payable against the paid out of pocket expenses) is payable on the basis of shortfall in average yield from the guaranteed yield (threshold yield). The claims are paid after the loss in yield is ascertained. Weather based crop insurance is another avenue for transferring production risk to the insurer.

Need for crop insurance: Crop insurance is one alternative to manage risk in yield loss by the farmers. It is the mechanism to reduce the impact of income loss on the farmer (family and farming). Crop insurance is a means of protecting farmers against the variations in yield resulting from uncertainty of practically all natural factors beyond their control such as rainfall (drought or excess rainfall), flood, hails, other weather variables (temperature, sunlight, wind), pest infestation, etc. Crop insurance is a financial mechanism to minimize the impact of loss in farm income by factoring in a large number of uncertainties which affect the crop yields. As such it is a risk management alternative where production risk is transferred to another party at a cost called premium. The weather based crop insurance uses weather parameters as proxy for crop yield in compensating the cultivators for deemed crop losses.

Received : 22.11.2018 *Revised : 12.04.2019* *Accepted : 26.04.2019*