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## CROP INSURANCE: NEED, ADVANTAGES AND NATURE

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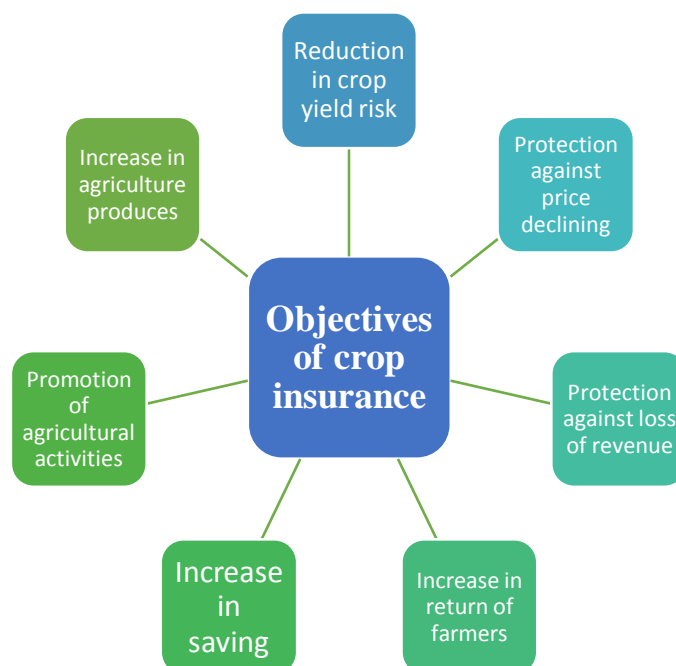
### What is Insurance?

Insurance is a tool to protect you against a small probability of a large unexpected loss. It is a technique of providing people a means to transfer and share risk where losses suffered by few are met from the funds accumulated through small contributions made by many who are exposed to similar risks. Insurance is not a tool to make money but a tool to help compensate an individual or business for unexpected losses that might otherwise cause a financial disaster.

### What is Crop Insurance?

Crop insurance is a means of protecting the agriculturist against financial losses due to uncertainties that may arise from crop failures/losses arising from named or all unforeseen perils beyond their control.

### Objectives



### Need of Crop Insurance

Every year, in one part of India or the other food crops are affected by natural calamities, "Crop yield instability is the normal condition and agriculture continues still to be which the farmer's fortunes are exposed, is practically the same as before. In fact, good years and bad years, wet weather and drought or floods and frost, low yields and bumper crops are to be expected in mixed succession.



The total loss due to natural calamities (like flood, drought and plant diseases) is estimated as high as Rs. 1,000 crores every year.



The man behind the plough has to be assured that he will be compensated for such loss in crops.

Otherwise, he cannot be drawn into the campaign to increase productivity of land under his plough.



### Advantages of Crop Insurance

#### Farmers



- Can avoid the loose incurred due to vagaries of weather
- Pest and Diseases
- Fire
- Market Prices
- Other unpreventable losses.



#### Banks

- Increasing the repayments capacity of debtor
- Avoiding the risk of non-payment in events of crop damage or failure





## Governments

- Reducing the payment of relief package.
- A prosperous, stable and happy nation.

It provides protection to farmers against losses caused by crop failure and thereby ensures stability in farm income. It also strengthens the position of co-operatives and other institutions that finance, agriculture to the extent it enables the farmer members to repay their loans in years of crop failure. By protecting the economic interest of the farmers against possible risk or loss, it accelerates adoption of new agricultural practices. It minimizes the problem of rural indebtedness, which is traceable to the frequent failure of crops. It also reduces, to some extent, government expenditure incurred on relief measures extended to meet the havoc caused by natural calamities. It may act as anti-inflationary measure, by locking up part of the resources in rural areas.

### Nature of Crop Insurance

Crop insurance makes up the loss or damage to growing crops resulting from a variety of causes such as hail or drought frost, flood and disease. The cultivators pay a premium and protection is given to them on the same basis as in other insurance. When the production from an insured acreage falls below the insured coverage, the tiller is entitled to an indemnity.

Coverage and premium rates are settled on the basis of productivity and susceptibility to risk of the lands under cultivation in the same, area. Besides an all-risk crop insurance, there are three other main types of insurance to cover the risk from fire, hail and flood.

### Conclusion

To conclude, it may be said that one of the basic objectives of our economic planning is to step up farm production. This can be achieved by adopting crop insurance schemes. Crop insurance schemes will assure the farmers that they will be compensated for losses against natural calamities.

These schemes will not only spread the losses geographically but also spread them over the time. The *raison d'être* of crop insurance is the stability it imparts to the agricultural produce. Therefore, the earlier the scheme is put into operation, the better it will be for the farmers and for the nation.

