

“Beyond Insurance: Designing a Sustainable and Asset-Building System for Indian Farmers”

Mallinath R Hemadi

9535935622, hemadimallinath@gmail.com

These days every year in one or the other area, farmers undergo crop loss, to protect the interest of the farmers government has come up with an insurance scheme for the crop loss of the farmers. This involves huge investment from the farmers and even the government also. Farmer's interests are protected with year on year investment. This I would call as an expense rather than an investment.

I call it expense because, if something goes wrong with crops farmers get compensation. If all goes well, the premium paid is profit to company and there is no return to farmers or the government.

So this paper try to make all of us to think if the same premium amount can be put in other form so that it creates an asset for farmers and on larger part to society and government.

To understand all of this we shall first try to understand what is insurance?

Insurance is an arrangement by which a company or the state **undertakes** to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.

In simple terms: Insurance helps protect you from unexpected financial losses. You pay a small amount of money regularly (called a premium), and in return, the insurance company agrees to cover certain risks — like accidents, illnesses, theft, or damage. It is to some extent ok in case of vehicles, life etc where the extent of loss, the percentage of premium are low. And loss or damage can easily be noticed without much study, survey etc as in crops.

Crop insurance is an agricultural insurance policy designed to protect farmers from financial losses caused by natural disasters, adverse weather conditions, pests, diseases, and even declining commodity prices. Farmers pay a premium for this coverage, which then provides compensation for losses in crop yield or revenue, allowing them to financially recover and continue their farming operations.

Farming and farmer in India:

If we go and observe the ownership of land and cultivating farmer we come across some kind of farmer land relationship.

1. The owner of the land himself cultivates and grows crops
2. The owner of land leases out the land for some amount and other person cultivates.
3. Land owner and cultivator, cultivate and grows on partnership mode.

Considering above cases, insurance is applicable to which of the above persons.

In case 1 it is understood, farmer and owner are one, he cultivates, he pays the premium and in case of loss he gets the insurance amount.

But in case 2 and 3 what happens. Still many farmers are in confusion between insurance claim and any other government support. Whatever support is provided it should be provided to the cultivator of the land and not the owner of the land. Otherwise the actual cultivator suffers and owner of the land enjoy the benefits. Because of this many cultivators are moving to cities for work in other industries for their livelihood. The concerned people should look in to this and address this issue.

Stake holders in all this crop insurance are

- Farmers.
- Insurance Companies.
- Reinsurers.
- Governments (Central & State.
- Banks and Financial Institutions.
- Intermediaries.
- Technical Support Units (TSU).
- Social & Community Bodies.
- Technology Providers.
- Taxpayers

Going through this list every rupee spent has to be divided among all these stakeholders. This entire amount comes from the tax payer's money that government receives. Either the loss of crop or normal conditions the tax payer never gets anything. But he is affected by the increase in price of the crop, if crop fails.

Insurance company, Reinsurer, Banks and Financial Institutions might not have gone loss irrespective of the crop loss or not.

The other stakeholders Intermediaries, Technical Support Units, Social & Community Bodies and Technology Providers just play a role of passing on information for a pay or may be social concern in some cases. But again their role is not much affected with the crop loss or gain.

Government either the state or central receive money in the form of tax and payout to these companies, the calculated premium, calculated by the expert officials in the government and if need comes will interfere in making farmer get the claim.

So next concern in this article is, can this list of stakeholders be reduced to minimum, government spend little of amount and more of benefit goes to farmers and taxpayers.

The time required for decision making and crop insurance

Any farmer for that matter, choose the crop based on the location, onset of monsoon, the crops planned by neighbouring farmers. Considering one example farmer choose Green gram or Black gram and sow it because of all congenial environmental conditions. Next if no rain for next 10-15 days, seeds do not germinate. Now he has an option to go for Red gram, Cotton, Sunflower etc so he sows them.

A farmer has paid premium for first crop, will he get the insurance amount for that first crop. Need to get clarity. But by the time survey is done, photos are taken, there will be standing second crop. So he will not be eligible for the insurance amount. But loss of seeds, fertilizer and sowing manpower, tractor/bullock cost all is done and is loss for the farmer.

Also a farmer has any horticultural plantation, he does sows some annual crops and wish to have insurance, how much he has to pay and what is the insured amount.

This process officially itself, six months time is given for companies to pay the insured amount. How can farmer manage next upcoming expenses? If he borrows on interest again it is burden, banks do not entertain loans at such point of time.

So a new method of protecting the interest of the farmer has to be designed and implemented where there is no need for someone to approve, someone to inspect etc. he has to be self

reliant and self sustainable even in adverse conditions. And we get answers to these in further write up.

Crops covered under insurance and sustainable farming systems:

On one side we talk about sustainable farming, integrated farming, tree based farming many more words can be said, and our policies support or promote mono cropping which is never a sustainable model, how can we expect farmer to go for sustainable, integrated farming system.

So we need to spend money in such a way that it creates asset for the farmers, full fills basic necessities of life on earth through the farmers agricultural practices from the amount provided by government as subsidy or support system. Like oxygen is produced, some birds, honey bee are protected. Livestock is taken care and that again provide nutrients to soil.

So we need to come with a system farmers are protected from such risk of crop failure, at same time sustainable farming system are promoted and implemented and farmers are safeguarded without the insurance scheme and premium to be paid by farmers and government (state and central both).

Middle men, is it only for farmers:

We ask farmers to avoid middle men and sell directly to consumer so that he makes more profit, but here in crop insurance between the farmers and government we have middlemen the companies and other stakeholders.

So we need to come with a system where government directly supports the farmers and any leftover amount will either be with government or farmers.

See that farmers are assured some income without spending from the government account, because that money again has to come from public only. So we should come up with a plan where money should not be spent, but necessities of farmers should be met. How to achieve this is all the objective of this article.

Who benefits out of this present insurance system

Companies were one who made more profit out of this. Yes I do agree the farmers also got the benefit when crops failed. But think again the definition of farmer and cultivator from above pages and who got the benefit, the cultivator or the land owner. So money spent is not in right direction.

The analysis of the data reveals that both Government and private firms received a total of Rs 1,38,312 crore as gross premium (farmers, states and GoI) between 2016-17 to 2020-21. The farmers' share was 15.5%, the states' share was 43.4%, and the Union government's share was 41.1%.

To be specific, the private insurance companies received Rs 69,697 crore as gross premium and paid Rs 45,317 crore in claims making a direct profit of Rs 24,350 crore.

In the meantime, the government-run firms received Rs 68,645 crore as premium and paid Rs 56,728 crore as claims in five years, putting their profit at Rs 11,917 crore, almost half of the private companies.

The data suggest that both private and government firms received almost similar premiums, but private companies made double profits. It happened when the government firms held 55% of the crop insurance market from the total 2.47 crore loanee farmers, while private companies owned the remaining 45%.

According to the Union Agriculture Department, out of five government insurance firms, only Agriculture Insurance Company of India (AIC) made a profit of Rs 14,934 crore, while two others -- National Insurance and United India Insurance -- earned a profit of Rs 140 crore and Rs 187 crore respectively. Nonetheless, the remaining two companies -- New India Assurance and Oriental Insurance -- jointly incurred heavy losses of Rs 3,344 crore.

On the other hand, Anil Ambani-owned Reliance General Insurance earned the highest profit from the crop insurance policy, making a cut of Rs 4,731 crore followed by HDFC Ergo by Rs 4,060 crore. In contrast, IFFCO Tokio General Insurance Company made a profit of Rs 3,704 crore and list goes on. (source collected from internet, thanks for this data, it is copy pasted from source)

At this point I do agree that the private companies are for profit and do make profit. But we need to learn to spend cautiously and also see that the farmers and public are benefited more. Hence It is never a good idea for government and farmers to have a system where farmers are making losses, the insurance companies are earning crores from the crop loss. The scheme is to support farmers, not private insurance companies.

Now if study goes and remedy is suggested, suggestion would come like only government-owned companies should be allowed, the government should appoint more people to fasten the survey and claim. But that too would not serve the purpose. We need totally a new radical approach for this. And this approach is provided in this article.

If crop insurance is a crucial tool for protecting farmers against crop loss due to natural calamities, pests, diseases, or price fluctuations. The Indian government has to introduce some new farming technique, in fact it's not new but an age old system, sustainable model, which our farmers have stopped farming and gone too ahead in this so called chemical, mono cropping system, it is forest based, tree based farming system. And if this system is adopted lot of above stakeholders are avoided, farmers need not wait in queue, wait for inspection and approval, government need not spend much on this crop insurance but just farmers reap the benefit, one more advantage is even the farmers not part of insurance means who has not paid the premium is benefited, landless labours are also benefited, livestock in the area gets benefited, small industries in the area are benefited, in totality a circular economy is created. And government can concentrate on other still productive activities and these stakeholders better find other business. But all needs a honest desire for nations integrity.

How can plantation be helpful in this regard.

1. These plants are least affected in case of adverse environmental conditions as these adverse conditions are for short term and in this short term itself the crops are wiped off, but not the plants.
2. Plants also provide food similar to any annual crops, which is basic necessity of any human being and this with extra health benefits.
3. These fruits can also be monetised just like any other grain crops or annual crops. And with added advantage of more money, scope for processing generating extra revenue and work / job days.
4. Plantations help farmers in utilizing land more effectively like bunds, unfertile soil, unused land, border etc. which generate some revenue, provide space for honey bees which again will help in yield improvement etc.
5. Plants help in soil and water conservation. Because of plants water infiltration improves and water table increases. Soil erosion both by wind and water is reduced, nutrients from the lower level of soil will be brought to top and is made available to crops and micro organisms in soil.

6. These plantations will create employment opportunities in rural areas, which reduces people migrating to the urban areas. This makes availability of labour regularly for other farming activities. And many successful villages for this can be quoted.
7. Livestock gets the fodder and feed from these plants, which again contribute for fertility of soil.
8. One more important is oxygen in atmosphere increases solving many environment related issues.
9. Migration to urban area can be reduced, and burden on government to build infrastructure there.
10. Many small scale enterprises gets raw materials.

So many such benefits can be mentioned. And this would be real insurance for farmers.

And along with these which can be done on individual lands and public lands too, but on community basis some works have to be done like

1. Have small processing units in each of the villages like dal mill, rice mill, oil mill etc which will fetch them more returns and make them insured.
2. Give education on usages of plants available in their village and train them on monetising them instead of promoting only few plants.
3. Build in them the confidence and let the ruralites be motivated and feel proud of being a farmer or even a farm labour.
4. Build a seed bank, organic input centres across each of the villages.
5. Many such programs can be listed

So, what government can do and how it can replace its present day spending in form of premium subsidy with helping for planting. May be it is presently doing but some new things which it can adopt to see that the pace increases and the very objective of protecting farmers is achieved soon are mentioned below.

Considering each acre shall have 10 plants of local fruits, timber, medicinal, aromatic purpose etc. and each village has an average of 1000 acre land we require 10000 plants/saplings.

So we should take service of school students in each school, each students raising 10 plants and then they are distributed to farmers for planting using MNREG funds can be done and considering 100 students in a school we would grow 1000 plants.

And in cities where there are institutes where thousands of students are there they also can contribute for the same. And private school working in this cause easily on an average 5000 plants could be grown and distributed.

Or else or along with the above work 2 -4 women spending in MNREG may be appointed to produce 10000 plants providing them the plastic bags and training it can be achieved in a single year.

Along with this we could take help of cow herd community who take the sheep or cows for grazing across to collect the seeds and provide them to government at cost only and also spread the seed balls across whenever they are travelling (this for free) so that the plant population increases in the area.

Also one can involve NGO's, corporate, volunteers in this regard.

So with a vision, smart work and selfless efforts the results can be harvested in few years. and further there will be lot of benefits to farmers, public, government as an organization and industries too.