



Farm income insurance can mitigate risks for smallholder farmers

Freak weather causing multiple shocks in eastern India

Recent forecasts of the impact of El Nino predict that the monsoons over India are likely to be less than normal. According to a BBC report¹, reduced rainfall could be felt in India and West Africa as early as June. A single crop failure can push farmers into a debt trap from which they may never recover. In such circumstances farm income insurance can be an important safety net to prevent agrarian distress.

Coping with monsoon vagaries is a constant challenge for smallholder farmers. This was studied in the Village Dynamics in South Asia (VDSA) project villages in eastern India (spread over 6 districts in the states of Bihar, Jharkhand and Odisha). These villages received good rainfall only in two of the last four years, though even in these two years the total rainfall was 20-30% less than the long-term average in Bihar and Jharkhand.

To compound the problem, untimely rains in March-April 2015 have caused immense misery to farmers. "I spent ₹10,000 per acre in wheat cultivation. Due to strong hot wind followed by stormy rain, my wheat crop was completely damaged. We will now earn hardly ₹2,000 per acre," said 50-year old Rameshwar Manjhi of Inai village of Bihar. The loans that he had taken add to his woes. "I took a loan of ₹50,000 from local moneylenders at an interest rate of 24% per annum to pay the landowner the leasing rent. But, we lost everything."

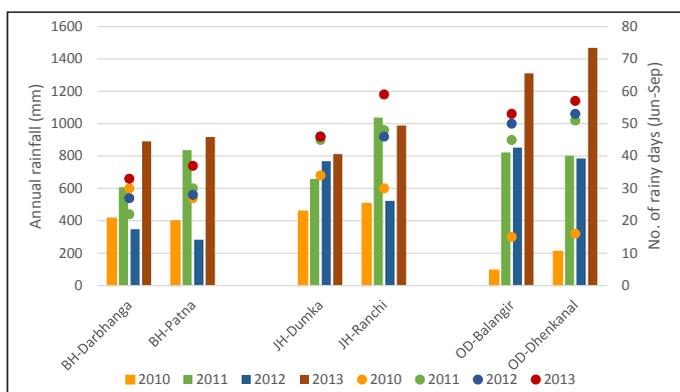
Plight of smallholder farmers

In the two study villages of Bihar (Inai and Susari of Darbhanga district), majority farmers are marginal farmers (<1 acre land holding). Rice and wheat are the major crops. This year, the wheat crop was good and farmers were expecting about 25-30 quintal/ha (2,500-3,000 kg/ha) grain yield along with 30 quintal (3,000 kg) of straw as by-product. Rameshwar Manjhi, whose family depends on farming and wage labor, said, "I was able to harvest only about one-fourth of this – 650 kg/ha of wheat and 650 kg/ha of straw. I don't know of any insurance scheme which will help me in such a situation."

Crop insurance still a distant dream

A number of government crop insurance schemes – starting with the Comprehensive Crop Insurance Scheme

High variability in rainfall intensity and spread



Note: Rainfall as bar and rainy days as dots



Rainwater in harvested paddy field in Sogar village, Odisha.

(CCIS) introduced in 1985 to weather-based insurance in 2004 and finally to the latest National Crop Insurance Programme (NCIP) introduced in all districts from *rabi* 2013-14 – have not been effective in offering any relief to farmers in eastern India. Under NCIP, around 20 insurance companies are empanelled to provide crop insurance to the farmers but awareness among farmers is low. Under the category of rural insurance, most of these companies offer insurance cover for: (i) produce stored for commercial sale, (ii) weather insurance and (iii) livestock insurance. During *rabi* season in 2012 and 2013, none of the farmers in the VDSA villages were covered by empanelled companies which includes the Agricultural Insurance Company of India Ltd, one of the largest insurers in the country. To compound the problem, no company has a presence in the two villages.

Streamlining initiatives of institutional credit and insurance

Like Manjhi, there are 16 million farmers in Bihar, many of them borrowing money at very high interest rates from local moneylenders or relatives for their farm operations. In case of crop failure, farmers become indebted for life. A safety net in the form of farm income insurance can greatly help resource-poor smallholder farmers. However to be effective:

- All categories of farmers – landowners, sharecroppers or lease-land growers should be included. To augment income, smallholder farmers take additional land on lease. Though leased land is covered under the scheme, farmers cannot benefit since they do not possess the necessary documents.
- There should be sufficient publicity and awareness about such schemes among the farming community especially in remote regions. In the VDSA villages, data reveals that not a single farmer is aware of these schemes. For the schemes to have an impact, creating awareness among farmers is crucial for success.

With inputs from VDSA field investigators - Dayanand Tripurari and Gunjesh Kumar. ■

¹ <http://www.bbc.com/news/science-environment-32815460>