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India- Agricultural sector reforms in Union Budget 2017-18

Government of India has taken up several measures to revive country's agriculture economy in the Union Budget 2017-18 such as higher agricultural credit, higher allocation for irrigation projects, crop insurance scheme and MGNREGA scheme, besides expansion in coverage of National Agriculture Markets (e-NAM), will help fertilisers companies in the medium term through higher demand. This year farmers have shown their resilience and agriculture growth is expected at 4.1%.

For the flagship crop insurance scheme Pradhan Mantri Fasal Bima Yojana (PMFBY), the budget increased the allocation from Rs. 5,500 crore (USD 834 million) in 2016-17 to Rs. 9,000 crore (USD 1,365 million) in 2017-18.

The General Insurance industry hailed the Union Budget and welcomed the government's decision to increase the coverage under the Pradhan Mantri Fasal Bima Yojana from 30 per cent to 40% in 2017-18 and 50% in 2018-19.

The government has increased its spending on PMFBY to Rs. 13,240 crore (USD 2,008 million) which the industry believes will help bring more farmers under the insurance scheme.

Source - <http://economictimes.indiatimes.com>



India- Skymet forecasts growing El Niño will impact the 2017 monsoon

After a normal monsoon in 2016, Skymet Weather Services, a private forecasting service, says the El Niño could influence the 2017 monsoon.

El Niño refers to a not-completely-understood irregular series of climactic changes that affect the equatorial Pacific region. It is characterised by unusually warm weather off northern Peru and Ecuador in South America. India experiences poor rainfall in the El Niño years.

Going by this prediction, India in 2017 would have witnessed either a normal monsoon or above normal rains. However, weather models took a U-turn and by mid-January, most of them have started indicating the resurfacing of El Niño.

India got a brief respite in 2016 as the El Niño index started declining rapidly since March 2016 and reached the negative value of -0.1 in May. The Pacific Ocean had also cooled down

value of -0.1 in May. The Pacific Ocean had also cooled down considerably. Thus, the southwest monsoon of 2016 ended with normal rainfall at 97 per cent of long period average from June 1 to September 30.

The consensus is that the El Niño Southern Oscillation (ENSO) will remain neutral till the fall season in the southern hemisphere. Two prominent weather models have predicting that the El Niño index was most likely to exceed the threshold neutral value of 0.5°C by June. Another model was predicting the same, but fell short of the neutral value.

Another factor that influences the southwest monsoon is the Indian Ocean Dipole (IOD). According to meteorologists, a positive IOD is linked to a good monsoon.

Source - <http://dhunt.in>



India- Swiss Re sees potential in crop & health insurance sector

The world's second largest reinsurer Swiss Re has set up shop in India, with an investment of Rs. 100 crore (USD 15 million) and will inaugurate its first domestic branch on February 1, 2017. The company has been in business with India for 87 years, but has been able to establish locally as a reinsurer only now, after the law was amended to allow reinsurers operate through a branch structure.

According to Swiss Re, India, the company sees a lot of potential in crop and health insurance sector and is keen on supporting a national catastrophe cover on which it is in discussion with the government.

Swiss Re is among the first five foreign reinsurance companies to obtain a licence to sell reinsurance in India.

Swiss Re will be actively involved in supporting the development of the Indian insurance market and making India's society more resilient.

In terms of the guidelines brought out by the Insurance Regulatory and Development Authority, branches of reinsurance companies need to retain 50% of the risk they underwrite in India. In other words they can pass only half of the risk and premium to the international market. Half the premium would have to be invested in India. In return the locally incorporated companies will get the right of first offer from the non-life insurance companies.

Source - <http://timesofindia.indiatimes.com>



India- States may get sops for adopting centre's agricultural reforms

Government of India is planning to incentivise states that implement agricultural reforms to help the sector register over 6% growth after two years of slowdown.

The incentives, which would include price insurance for some crops and higher interest subventions among others, will also pave the way for private players to enter the sector.

The model Agricultural Produce Market Committee (APMC) Act has proposed direct purchase from farmers by private players, direct sale by farmers to consumers, single trader licence, single point levy of taxes and getting fruits and vegetables out of mandi laws.

Besides marketing reforms, the Government of India may set up more farmer producer organisations (FPOs) across the country to facilitate entry of private players. There are only 900 FPOs across India's five lakh villages, a miniscule number compared to the output from India's agricultural sector.

Government's think-tank NITI Aayog had proposed land leasing and forestry reforms along with agriculture reforms to push the sector onto a higher growth trajectory. Agricultural growth in India has been nearly stagnant over the past two or more decades in the absence of any major reforms in the sector.

Source - <http://economictimes.indiatimes.com>



Sri Lanka- Think tank calls for index-based farm insurance

A state-run policy think tank, the Institute of Policy Studies (IPS), has called for index-based climate insurance products to be developed for Sri Lanka's farmers.

The subject was raised following reports that two third of the paddy crop this year in the main Maha season (north-east monsoon period from September to March) have been destroyed due to weather anomalies.

Index-based climate insurance is technically feasible in Sri Lanka as per the study conducted on climate insurance for dry zone farmers in Sri Lanka.

As per the findings of research conducted in Anuradhapura, the capital of Sri Lanka's North Central Province, just 1% of the farmers in the country's dry zone have voluntarily subscribed to crop insurance, while Central Bank statistics show that just 4% of the country's paddy cultivated areas have crop insurance.

There are currently two indemnity-based crop insurance products provided by the Agriculture and Agrarian Insurance Board and the country's largest private sector insurance company Ceylinco Insurance.

Sanasa Insurance has piloted a subsidised index-based climate insurance product, which has been successful in tea growing areas, but is progressing slowly in paddy growing regions.

According to the study, 34% of farmers are not aware of insurance products, while 31% believe that insurance is only for large-scale agricultural operations. Further, issues have also arisen due to the lack of trust in insurance agents, some of whom have cheated farmers, or failed to provide comprehensive information regarding the limits of the coverage of insurance products.

Source - www.asiainsurancereview.com

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