REVAMPED CROP INSURANCE SCHEME: PMFBY HELPS FARMERS

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PMFBY if implemented properly across the country would mitigate farm distress to a large extent especially when the erratic climates have become a norm rather than exception. Several new features have been introduced in the scheme to make it more attractive to farmers such as application of one nominal premium rate for a season across the country, provision of features such as localised calamities, prevented sowing, post harvest losses and going to village or panchayat level to assess crop losses or damages.

Within a year of its launch by Prime Minister, the revamped crop insurance scheme titled Pradhan Mantri Fasal Bima Yojana (PMFBY) has managed to provide millions of the farmers with coverage in case of crop failure. The government needs to address the issue of uneven expansion of the scheme, so that target for covering around 50 per cent of the farmers by 2019 could be achieved.

The crop insurance schemes have been in operations in the country close to last two decades or so. Because of reports of crop losses due to erratic climate incidents and insufficient rainfall, the farmers have been facing an uncertain future. There have been reports about farmers' suicides because of crop failures. So far, the coverage of crop insurance had been inadequate. Prior to launch of Pradhan Mantri Fasal Bima Yojana (PMFBY), only 20 million of an estimated 140 million farmers in the country, earning for a population four to five times as many, had crop insurance cover in 2014-15, even as the facility was just against the cost of cultivation and barely provided any income protection. According to Agriculture Ministry data, most of the farmers who took crop insurance were in Rajasthan, Bihar, Uttar Pradesh, Maharashtra, Karnataka and Andhra Pradesh. In terms of the value of the farm output, the current schemes — the Modified National Agricultural Insurance Scheme and the Weather-based Crop Insurance Scheme — fare even more dismally, with a coverage of just 5.5 per cent.

In January 2016, in a move aimed at reducing the recurrence of agricultural distress without having to resort to hefty hikes in the Minimum Support Prices (MSP), the government had announced a crop insurance scheme named Pradhan Mantri Fasal Bima Yojana (PMFBY).

About the Scheme:

Under the new scheme which was implemented from Kharif season of 2016, the premium paid by farmers had been reduced to 2 per cent of the insured value for the more rain-dependent kharif crop and 1.5 per cent for the rabi season, compared with 3.5-8 per cent charged for the two earlier schemes -National Agricultural Insurance Scheme (NAIS) and Modified National Agricultural Insurance Scheme (MNAIS). In the case of horticultural crops, farmers' premium burden had been fixed at 5 per cent of the sum assured or 50 per cent of the total premium.

NAIS and MNAIS have been discontinued from Kharif 2016, but the ongoing Weather Based Crop Insurance Scheme (WBCIS) and Coconut Palm Insurance Scheme would continue to operate

while premium to be paid under WBCIS has been brought on a par with PMFBY.

While unveiling the operational guidelines for the PMFBY at a massive farmers' rally in Sehore in Madhya Pradesh in February last year, Prime Minister had noted that new crop insurance scheme would provide a solution for the farmers problems in times of difficulty. He said that care had been taken to eliminate the shortcomings of previous crop insurance schemes, and create trust among farmers with regard to crop insurance. He said technology would be used extensively with this scheme to ensure early settlement of claims, and exhorted farmers to take benefit of this scheme.

Under the PMFBY, there would be no upper limit on government subsidy provided by centre and state governments. "Even if the balance premium (after farmers' contribution) is 90 per cent, it will be borne by the government," according to an Agriculture Ministry statement.

In the earlier schemes, there was a provision of capping the premium rate which resulted in low claims being paid to farmers. Officials said that this capping on premium was done to limit the government outgo on the premium subsidy. "This capping has now been removed and farmers will get claim against full sum insured without any reduction. This would ensure that farmers get the full sum insured without any reduction or hassles from the 11 designated insurance companies if natural calamities ravage their crops. Following the roll out of PMFBY, the crop insurance coverage is set to rise to 50 per cent of the crop area by 2018-19.

Another benefit to farmers under the new crop insurance scheme was that losses incurred by them at any stage of the farming activity — from the sowing to the post-harvest season — would be covered. Earlier, only post-harvest losses could be offset by the insurance facility under the two existing schemes. Also, even those farmers who hadn't taken bank loans, would be eligible for insurance cover under PMFBY.

The Agriculture Ministry had empanelled state-owned Agriculture Insurance Company of India (AIC) and 10 private companies including ICICI-Lombard General Insurance, HDFC-ERGO General Insurance, IFFCO-Tokio General Insurance and SBI General Insurance, for implementation of the mega scheme.

The biggest thrust of PMFBY has been the use of technology which would be encouraged to a great extent. "Smart phones are being used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers. Remote sensing will be used to reduce the number of crop cutting experiments," an official said.

Performance or Coverage amongst Farmers:

More than 3.66 crore farmers of the estimated 14 crore in the country were enrolled under PMFBY in kharif, 2016 against 3.09 crore farmers enrolled with the crop insurance scheme in kharif, 2015. However in states including Bihar, Odisha, Telangana, Rajasthan and Tamil Nadu, a lower number of farmers have been covered under PMFBY in Kharif 2016 compared with previous year.

The scheme has provided coverage to 3.66 crore farmers (26.50 per cent) and at this rate, it is likely to exceed the target of 30 per cent coverage for both kharif and rabi seasons in 2016-17. However, the key element of coverage amongst farmers is that about one crore non-loanee farmers enrolled themselves for PMFBY.

The performance in the kharif season last year was better despite the fact that there were teething issues to begin with. For instance, many states did the bidding process for selection of the insurance companies for concerned clusters for the first time and consequently, the notification of the scheme was delayed in a number of states.

In the 2016 Rabi season, more than 1.67 crore farmers enrolled themselves with PMFBY which was marginally lower than 1.75 crore farmers who took up crop insurance in the previous year. While there was 5 per cent decline in number of farmers enrolled for rabi season in 2016-17, while sum insured has jumped by 57 per cent to Rs 71, 728 crore compared to previous year. Agriculture Ministry officials said that rabi crops - wheat, oilseeds and pulses are mostly stable and good monsoon last year had ensured less coverage under PMFBY.

In kharif 2016, PMFBY and WBCIS were notified in 23 states and during rabi in 24 states and three union territories. Both the seasons combined, coverage of farmers a was 5.65 crore against 4.95 crore in 2015-16, area covered was 51.1 million hectare against 52.4 mh in the previous year. The sum insured was at Rs 2.10 lakh crore against 1.14 lakh crore in 2015-16.

Towards PMFBY, Finance Minister had allocated Rs 5,501 crore in the Budget 2016-17 against Rs 2,995 crore allocated for various crop insurance schemes in the last financial year. However, under the revised Budget estimate, the centre would provide Rs 13, 396 crore for the implementation of PMFBY in the current financial year. Finance Minister, in his 2017-18 Budget speech, had announced that the government planned to increase coverage under the scheme from 30 per cent of the cropped area in 2016-17 to 40 per cent in 2017-18 and to 50 per cent in 2018-19. He allocated a sum of Rs 9,000 crore for the scheme as against the budget estimate of Rs 5,500 in 2016-17.

Experts say that PMFBY if implemented properly across the country would mitigate farm distress to a large extent especially when the erratic climates have become a norm rather than exception. Several new features have been introduced in the scheme to make it more attractive to farmers such as application of one nominal premium rate for a season across the country, provision of features such as localised calamities, prevented sowing, post harvest losses and going to village or panchayat level to assess crop losses or damages.

Expansion of PMFBY: Challenges

Agriculture Ministry officials acknowledge that there has been an uneven progress in adoption of innovative technologies such as carrying out crop cutting experimentation through APP and usage of smartphone for capturing and transmitting data. Much ground has already been covered from digitisation of notification, premium calculator, web-based forms, e-payment gateways etc.

"Some of the states like Tamil Nadu, Chhattisgarh and Odisha have taken a lead in this direction. Unless these technologies are used widely across states, issues relating to discrepancy in area sown and insured will remain thus impacting farmers.

For 2017-18, the target for insured areas under PMFBY is set at 40 per cent of gross cropped area, which translates to 77.6 million hectare of total cropped areas. This is a quantum jump from 51.1 million hectare achieved in 2016-17. The Agriculture Ministry has asked chief secretaries of all states, banks and insurance companies to adopt strategies including notification of more number of crops and larger focus on non-loanees. "Banks must also ensure compulsory coverage of all eligible loanees and electronic transmission of premium on time," an official said.

The banks will be squarely responsible. "In case there is crop loss to a loanee farmer who is not insured, the bank will have to make good the losses. The onus is now on banks and insurance companies to deliver". The government is trying to bring non-loanee farmers such as share-croppers too within the PMFBY fold. "There is a separate committee of the government looking into the land leasing policy and we should be able to address the aspect of sharecropper also getting the benefit of crop insurance.

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