THE IMPORTANCE OF AGROINSURANCE FOR THE DEVELOPMENT OF AGRICULTURAL PRODUCTION

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Abstract

The main functions of agricultural insurance are to support agricultural production and to compensate for the damage caused by the realization of agro risks. Agricultural insurance is a subtype of property insurance that reduces risk to the farming sector and stimulates the development of agricultural production. Thus the implementation of agricultural insurance is important for the farmer. The aim of the Essay is to study the peculiarities of agricultural insurance and to develop development perspectives in Georgia. The objectives of the research are to study the current situation in the Georgian agricultural insurance market, to analyze the state agricultural insurance program and to determine the main directions of agricultural insurance development.

Keywords: *Agricultural insurance, income stabilization, agro risks, financial loss*

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Introduction

Agricultural production and food security have made progress in many countries of the world in recent decades, which has had a significant impact on economic growth. Agriculture is the most important sector in many developing countries.

The development of agriculture is of great importance to the economy of Georgia. The Introduction and further development of insurance instruments are important in the agricultural sector. There is a need to increase the number of insured farmers and areas so that farmers are protected from risks in agriculture.

Agro-insurance is a subtype of property insurance that reduces the risk for the farming sector and stimulates the development of agricultural production. Thus, the implementation of agricultural insurance is important for the farmer.

The purpose of the research is to determine the area of agro-insurance, to study its features and to develop development perspectives in Georgia. In order to achieve the goal of the research, it is planned to solve the following tasks: the study of the current situation in the Georgian agro-insurance market, the analysis of the state program of agro-insurance and the determination of the main directions of the development of agro-insurance.

The research is based on the main aspects of the formation of agro-insurance, its theoretical foundations and models. The methodological basis of the research is the existing works on agricultural insurance issues.

Main part

The list of agricultural risks is very long. Risk is the possibility that the farm or harvest will suffer a loss. Agricultural risks are: production risks, natural resource risks, financial risks, marketing and price risks.

The effect of climate change is becoming more visible in the world day by day and is considered a global problem, in the solution of which more and more organizations and resources are involved.[1]

Pandemic years have shown us that such strong business sectors as tourism, construction, finance and others have come to the brink of bankruptcy. What did not fall in demand during this period were the medical field, primary consumer products and agricultural products.[2]

[1] Agricultural insurance: The antidote to many economic illnesses. Gracelin Baskaran and BarryMaherWednesday,May26,2021

[2] Syngenta foundation for sustainable agriculture: Agricultural Insurance Solutions. South-EastAsia, May2, 2021

Agriculture is directly affected by climate change. In addition to threatening global food security and stability, climate change can destroy livelihoods and undermine economic stability. Climate change and associated erratic weather events are threatening farmers" livelihoods, with yields and incomes falling. Agricultural insurance is a valuable financial tool for smallholder farmers. It increases their resilience by avoiding or limiting potential financial losses. Agri-insurance also facilitates access to finance and increases the productivity of smallholder farmers. They can confidently invest in their farms and achieve economic prosperity.

Demand for environmentally friendly products is growing in the world market. The natural conditions of Georgia make it possible to create an environmentally friendly product and meet the requirements of both the local market and the foreign market. Agriculture is a priority in Georgia. With the right policies and the involvement of the population in this sector, agriculture can contribute greatly to the development of the country's economy.

Agricultural insurance products are yield insurance, which insures the amount of expected harvest and production cost insurance, which insures the number of financial resources used for the entire harvest cycle (sowing, maintenance, harvesting).

Agroinsurance covers the following major harvest groups: annual field crops, perennial crops (including orchard trees), greenhouse harvest and forests.

The functions of agro insurance are:

1. promotion of agricultural production;
2. compensation for damages resulting from the realization of agro risks;
3. Reduction of losses caused by harvest damage;
4. Smooth transition to the further development of the farmer's activity.[3]

In 2014, the state agricultural insurance program started in Georgia. A large part of farmers" insurance contributions is financed by the state. Which is undoubtedly a step forward. Within the framework of the program, it is possible to insure agricultural harvest in our country against the risks of hail, floods, storms and autumn frosts (for citrus harvest only). The state subsidizes insurance premiums for farmers in the amount of seventy percent. In the case of vine insurance, the subsidy amounts to fifty percent.[4] Within the framework of the state program of agro insurance, insurance companies have collected 9.6 million GEL in 2019, 13.4 million GEL in 2020, and 15.5 million GEL in 2021. The compensated losses amount to 8.8 million GEL in 2019, 11.7 million GEL in 2020, and 11.6 million GEL in 2021.[5]

Conclusion

Thus, agriculture is one of the most important branches in Georgia and will gain more relevance due to the challenges of the future. This industry is accompanied by significant risks that need to be minimized. Agroinsurance mitigates losses caused by harvest losses.

It is important to increase the number of areas of insured crops, for which it is necessary to implement crop production cost insurance.

It is necessary to improve the state program of agricultural insurance in order to adequately determine the insurance premium and risk, in order to fully compensate for the financial losses of farmers.

It is necessary to develop mechanisms for creating an insurance pool during insurance and reinsurance.

It is important to create and perfect damage assessment methods for different harvests.

[3] Tsertsvadze A., Khantadze G., Vekua D. Insurance case, ch. 2016. P. 377

[4] Resolution of the Government of Georgia on „Approval of the Agro-Insurance Program" N236, ch. 2020 April 10

[5] 2021 annual report of the Ministry of Environment Protection and Agriculture of Georgia, https://mepa.gov.ge/Ge/Reports?page=1&pageSize=9