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## REVIEW ARTICLE

# Analysis of Agricultural Product's insurance infrastructure Obstacles in Iran

Afshin Charabeh<sup>1,2\*</sup>, Farshad Saberi<sup>2</sup>, Tahereh Alipoor<sup>3</sup>, Mohammad Salahvarzi<sup>1</sup>

1-Department of Agronomy, Science and Research Branch, Islamic Azad University, Tehran, Iran

2-Agriculture Bank Iran, Kermanshah

3 - Department of Management, College of Management, Kermanshah Branch, Islamic Azad University, Kermanshah, Iran

\* Corresponding Author : [afshin\\_orkideh@yahoo.com](mailto:afshin_orkideh@yahoo.com)

### ABSTRACT

*Agricultural insurance is a Financial approached for risk reduction in production at agriculture sector and investors shares protection. high economic value of agricultural sector that contain assets value and production and It's Share Value from Value of inner gross production and employment in our country, and shows that It is necessary to use this approach for production durability and It's development, present article result after study of infrastructure's obstacles in agricultural products insurance in Iran shows that these obstacles in agricultural products are: Lake of unit of production standards, statistics ambiguity and agricultural fields indetermination, industrial cultivation, lake of cultivation policy and lack of climatically and environmental information in one hand, with regard to development and variety of climatically condition in agricultural sector we expect that agricultural sector we expect that agricultural insurance needs control, skill and high experience.*

**Key words:** *agricultural insurance, infrastructure problems, unit certificate, cultivation policy.*

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### INTRODUCTION

Agricultural unit, with regard to structural characteristic and It's clear role in country development process is very important. This part is a main part of development and the most important national wealth source and It's also supply peoples food needs and raw material in country agricultural activity is a very risky economic activity. In agricultural activities process, natural hazards, social and economical risks create vulnerable unit for producers in this sector.

Uncontrolling factors like atmospheric events such as flood, rain heavy rain, drought, hail, heat, cold, wind, storm in one hand and pests, diseases and fire in line with market change in other hand also are serious threats for agriculture sector activities and fluctuate situation for investment and production and price fluctuation and production change income of producer and unsecure income for their production. These situation for future income create some problems in short-term production and long-term planning and programming so, if these risk doesn't manage properly agricultural development disturbed and producer's and consumer welfare and both of them reduced. From 40 type of natural disaster in the world, 31 type in Iran.

Agricultural activity risk reduction and security index increase in agricultural sector is one of the most important challenges for programmers and policy makers.

Considering to this subject is important because agricultural product's insurance is a special organization for agriculture sector support.

So It is clear that in last year's agricultural sector and natural resources sector comfort with new threats and challenges that lead to pressure on rural-population writer of this article believes that lack of optimize activity in agricultural-products insurance and lack of support in this sector has negative effect

on country production immigration rate to cities, poverty and unemployment increase are this situation result and these factors are incentive for infrastructure obstacle subject.

### **ONGOING OBSTACLES AND PROBLEMS FOR AGRICULTURAL INSURANCE**

Agriculture sector change to complicated system gradually. With today developed technology and developed agriculture , some negative effects see on society and population economic. So for food resources insurance for future generations, production increase is unavoidable . now the main issue is confrontation with global – agriculture that contain fair price, economical development and supplied agriculture products for future of cities product's affordability, variability and natural resources protection .

One of the other challenges for agriculture insurance industry in the world is adding new markets in eastern Group and illness development . Totally we can say that some risks like production risk , financial- and economical risks , financial- and economical risks for buying and selling , agency risks and market risks that has direct effect on farmer's half- are and income .Farmers for these risks management should choose sell and buy methods carefully and try to variable production. Also for risk management some techniques like risk translocation to other risks. Finally these managements aim are fluctuation reduction of income, big loss prevention. For main producers of agricultural products , global- experts Anderson and Dybnye commend different methods for risk- acceptance but practically they needs cost.

Also risk management is not only buy or insurance of agricultural products. In fact is a all activity management for risk confrontation. Different researches show that farmer concern is about risk of product price, production risk and rule change. In this research, some of farmers concern about cost of unit as an risk resource. Also researches show that farmers believe that price and production risks are main risk factors and production with low cost and insurance are the most important approaches for risk management. One of the important risk as a result of self- dependency is strategic risk. Strategic risk is a direct sensitivity of one company in lake of commercial space , therefore more fluctuation in a field value or agricultural business increase risk . So that can justify agricultural products development is instability of production situation so , using exact and effective tools for economical security and support in agriculture sector and production increase is very important .Recently agricultural products insurance has very fluctuation and has effect on farmers request for insurance , therefore structural changes in agriculture sector and proper policies from government side can develop agriculture insurance. Agricultural products insurance in different countries is according of one of production cost methods or product output and loans, mainly agriculture insurance by government consider for solving two problem low income and instable income. For accepting insurance by farmers should increase their information so different economical, social and technical factors in their decision making for insurance acceptance is very important.

### **Infrastructure issue of agricultural – products obstacles in agricultural products insurance can be divided in 3 scope:**

Defect of this infrastructure, is one of main obstacle and problem for agricultural – product insurance. And we can suppose agricultural infrastructures as a bed of movement and development of agricultural insurance.

#### **Lack of standards in production unit of agriculture sector.**

This shortage is first and important obstacle in agriculture sector infrastructure and ranch and farms sector.

For insurance of a product we should know it exactly there for if we want to insure affirm , this farm characteristic like type of product, date of cultivation , and a field index should be determined .

Unfortunately, lack of these standard create most important problems in policy making and agriculture insurance and because damage rate as a result of ignorance of these standards is not determined or we cannot say how much damage rate is as are result of insurance risk.

Therefore, proposed standards should be determined in agricultural production.

Recently, in our country there is 4300/ 000 benefic in agricultural sector and we should have a standard for these units.

In this regard district standards are not responsive to agriculture insurance as a result these standards , can be defined distinctly .

And these standard should be defined separately for each benefic in this way insurer can buy production units according to these standards.

Lack of identification in some of production units such as gardens create many problems and insurance is different for different products.

#### **Statistics vagueness and unclear fields**

If we want to study statistics in macro level we can observe that districted statistics are very different with statistic of country. Statistics from management organization in agriculture sector is very different from statistics of agriculture ministry and we have 3 different results with standard deviation 30-40% Insurance system of agriculture in our country and most of other countries is based on self- reporting and one of the most important factors in self- reporting is gathering information of field scope and but it create some problems because fields dimensions are not determined with benefices.

### **3-3- Lack of climatically and environmental information.**

There is 7 type of climate in our country while there is no such climatically variety in other part of the world, climatologist divide these place into tropic, sub- tropic- cool and sub- cod.

And in some of our country provinces like khorasan , kerman climatically diversity is very widespread and they need special type and products.

This diversity is an advantage for our county and benefices can produce 120 type of products and we are dominant in cultivation variety also in production some of products and medical herbs we place in first to third place in the globe for example our country place after united states in insurance covering variety .

### **Cultivation is not regional and lack of cultivation policy .**

In Iran, cultivation of products is not regional, so, different type of products cultivated and there is no systematic program for it . for example, cultivation products such as onion and potato are successive cultivation recently and in the first years and different times we have different problem for finding proper place such as jiroft during one year term, 3500 hectares cultivated by potato but all of these 3500 hectares loss because of cool weather , we can point to unproper type cultivation in this region.

Therefore, lack of proper type and compatible with climatically situation is one of main challenge of agricultural sector that have effect on insurance industry.

## **FUTURE CHALLENGE OF AGRICULTURE INSURANCE**

Future challenge of agriculture insurance related to new rout of activity analyzed from 2 dimension.

A) From theoretical point of view: insurance is an activity that place in economical activity realm so, all of rules in transaction contain in it .

This activity totally should contain economical wisdom it means that it should have proper measure and profit and durability. the most important reasons for agriculture activity insurance from subsidiary-based can be explain as bellow:

1-activity scope and agricultural activities and their sensitivity in one hand and differential needs of output societies because differential- approaches to subsidiary- support become unavoidable.

2- Subsidiary support in agricultural insurance framework for some of production activities, although it is helpful but it can effect on competitive incentives negatively so it can increase quality of production and in long term effect on production and economical development.

3- Global experience regarding subsidiary support shows that these supports can have preventative effects on incentives and development of individuals and units so prevent farmers development in agriculture sector.

With regard to above necessity of choosing proper and practical approach is very important subject for insurance unit in future.

B) from practical point of view: some practical problem are as bellow:

1-problem in agriculture insurance rules such as risk measurement, Tariff determination , risk variability , unbalance distribution, climatically variety , Traditional production activity and use local information make insurance rate determination problematic.

2- with regard to rural area distribution and utilization “ unit “ on- time presence in damaged units lose analyzing and compensation payment we can expect that for entering to new routs of insurance in agriculture sector become more problematic.

3- Damage measurement is an operational problem for insurance unit and insurer.

4- Lack of practical and scientific system for production of agriculture products and differences in utilization rate and out- put rate in operating units that has negative effect on insurer satisfaction.

5- Shortage of skilled labor in different organizational level for organizes insurance activity in agriculture sector.

6- Finally , lack of statistics and comprehensive and up-to-date information about agricultural units status shortage of statistics from agricultural units and determination of exact damage in the past threaten agricultural activation and management .

5- New practical approaches for agricultural product insurance development

With regard to future trend of agriculture insurance it is necessary to analyze practical policies fir agriculture insurance.

- 1-emphasize on generality of insurance in agriculture sectors, infrastructures and various activity .
- 2- Studying risks of investments in agriculture sector for improving investment security.
- 3- Attracting more agricultural operations to use agriculture insurance and general training and anticipation and proper incentives
4. Reforming rules of agriculture insurance
- 5- Patterning and localization of successful experiments in agricultures.
- 6- Defining insurance systems and differential framework according to type of product, activity and production factors.
- 7- Creating on effective supervision and control system for directing activities, answer to reactions and proper recommendations for activities.

Considering below aims is very necessary for applicability of these policies.

- 1-Characterizing and prioritizing products, activities, and production factors.
- 2- Designing new rules for agriculture insurance such as risk measurement lose determination.
- 3- Organizing information bank regarding to kind of risks, loses in agriculture sector.
- 4- Designing proper formulation for compensation measurement and it's payment.
- 5- Determining agriculture sector needs and in forming priorities in production.
- 6- Defining risks for insurance according to districts or common samples.
- 7- Determining organizational needs and incentives for insurance personnel for structural reforms .

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