

INSURANCES – DEVELOPMENT TOOL IN THE AGRICULTURAL FIELD

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Abstract:

Agricultural insurances play a significant role in stimulating investments in agriculture and in stabilizing the incomes of agricultural producers. Therefore, the reintroduction of subventions for agricultural premiums may open the way for sustainable development both regarding the class of agricultural insurances and the agriculture in Romania, in an unfavourable economic framework, where this field may bring a contribution for saving economic growth in 2010.

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The fundamental objective of agriculture, as an important branch of national economy in the conditions determined by the integration in the European structures, is the blockage of decline, gradual recovery and provision of the conditions for re-launching agricultural producers, in accordance with the natural, economic and human potential that Romania has, in order to provide the population's alimentation safety and creating availabilities for export.

The quantitative and qualitative growth of vegetal and animal agricultural production is possible only through the capitalization of the national productive potential and through the promotion of ecologic agricultural systems, therefore stimulating the growth of agricultural producers' performances and Romanian agricultural and food products competitiveness on the domestic and international market.

This growth can also be influenced by the exploitation of the buildings designed for vegetables production and for animals' accommodation in compliance with the standards of developed countries. In other countries, the evolution of productive agricultural buildings from the last few decades has known an impressive rhythm along with the development of building materials industry, the growth of the biologic potential of seeding material materialized in a diversity of performant species and hybrids and the need to provide sage and lasting economic-financial efficiency in order to recover the investment and continue the productive progress in greenhouses. Romania used to be considered one of the countries with developed agriculture, but after 1989 major changes have occurred in this direction.

Agricultural insurances play a significant role in stimulating investments in agriculture and in stabilizing the incomes of agricultural producers. Subventions granting for agricultural premiums may open the way for sustainable development both regarding the class of agricultural insurances and the agriculture in Romania, in an unfavourable economic framework, where this field may bring a contribution for saving economic growth in this year. All the parties interested in this desiderate have to establish a common front for conceiving and developing a reliable procedure in order to assess risks and certain risk management solutions for the specificity of the local market, and for establishing a pricing policy for agricultural insurances depending on the risk.

Therefore, the reintroduction of subventions for agricultural premiums may open the way for sustainable development both regarding the class of agricultural insurances and the agriculture in Romania, in an unfavourable economic framework, where this field may bring a contribution for saving economic growth in 2010. Therefore, there occurs the need to begin a regional programme of discussions regarding the use of insurances systems as a development tool of the agricultural field and the application of a complex transfer programme of financial risks in the field.

The main challenges of the agricultural field development in Romania focus both on the specific agrarian features of our country and on a subject of great interest for the last few years: climatic changes.

The problems could be analyzed from the legislative point of view. The approach mainly refers to the problem of amending the legislation regarding the compensations in the case of natural disasters with effect on agriculture with the amendment of the Law no. 381/2002. The point of view of the insurances industry is supported by UNSAR and UNSICAR, the most important player on the market of agricultural insurances – FATA Insurances also taking part in the discussions.

For a better management of catastrophic phenomena effects, it is necessary that the responsibility of risks management be taken over by more parties, according to the experts in the field. This is the reason why, the adoption of new forms of public-private partnership is necessary.

Farmers have to be aware of the risks they are facing through their activity and should develop an active risk management programme. On the other hand, insurers have to review their range of products and adapt them to the farmers' needs and possibilities.

Taking into consideration that agriculture modernization cannot take place in the absence of a complex and efficient system of agricultural insurances, the development policies of this segment in Romania have to share the vision of EU agricultural reform. This is based on the shift of the central point of the reform from market management to risk management which is possible only with the increase of private insurance companies' role.

Actually, the French Government intends to put the development of agricultural risk management practices in the centre of reforming proposals of this agricultural field for the entire period of France's mandate at the leadership of the European Union Council. And in the context in which agriculture is one of the main economic branches in Romania, its stimulation, along with the Romanian state's promotion of investments in research and development activities and equipment that would increase productivity in this segment, will definitely lead to an impulse for agricultural insurances.

As far as the healthy development directions of this market are concerned, they suppose more than the insurances of crops and animals against high catastrophic risks. They can be extended to the provision of the entire patrimony of farms, to the coverage of their liability for third parties or their businesses.

The agricultural insurances market could therefore develop based on farmers' change of mentality and fast alignment of agriculture to European standards and not necessarily due to increasing catastrophic risks. Therefore, we have to identify the ways to promote agricultural insurances among agricultural producers and exploiters.

The most important step for this is the financial support granted by the state to agricultural producers in purchasing the insurance products available on the market, considering that they are often difficult to have access to for farmers because of their price. Actually, the success of fast growth of the agricultural insurances segment results from the legislative coherence in the agricultural field and in companies' ability to provide qualitative insurance products.

In relation to this matter, the intention of the Ministry of Agriculture and Rural Development (MADR) to amend the Law no.381/2002 regarding compensations in

cases of natural disasters in agriculture, in order for the state, for insured crops, not to bear the entire amount for destroyed surfaces, has generated divergent opinions from insurers, authorities and farmers.

MADR opinion is that the law should be amended in order for liability to be divided between insurers, agricultural producers and finally the state.

Insurers think that this measure is premature for Romania and consider that in order to put an impulse on the insurances class addressed to farmers, it is necessary both to reintroduce subventions of at least 50% for agricultural premiums, eliminated since August 2007, and to enlarge the list of crops and animals benefiting from this facility ... At the same time, market experts think that a significant step in the modernization of agricultural insurances system would be the incorporation of a mutual insurances company, at MADR initiative in collaboration with companies, that would be promoted by the Ministry among agricultural producers and other parties involved.

The incertitude regarding weather conditions, outputs, prices and financial policy, governmental policy in agriculture, global market and other factors may generate high variations in agricultural incomes. In this framework, the various types of risks in agriculture, the reduction measures and especially their adequate approach may change the entire agricultural policy.

The development of efficient financial systems for financing the activity and for protecting farmers will not only be an excellent stimulus for the extension of agricultural production, but also a measure for gathering small producers in joint structures, where they can benefit from more consistent financial support. Therefore, the premises will be created for a larger coverage of the insurable potential in Romania, which is not enough used at the moment.

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