

AgroInsure

One Stop Shop for Private Agricultural Insurance

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Problem

Indian farmers cannot currently buy private crop insurance without foregoing any potential profits from subsequent price rise.

Current solutions attempted

The government has had multiple insurance programs to cover these risks - some elective, some universal - but they have all been inefficient because of adverse selection and moral hazards. The Indian exchanges currently provide hedging instruments in the form of plain vanilla futures. For example, a farmer sells futures a few months out and hence "locks in" a price for his produce. But selling of futures requires a high margin because of credit risk, and more importantly it takes away any upside with respect to price from the farmer. Similarly the government's weather insurance programs have also been plagued by adverse selection.

Even the MSP (Minimum Support Price) set by the government fails to address the issue. Often, the MSP fails to cover the costs of production. A recommendation by the Swaminathan Committee, to set the MSP to be 50% more than the weighted average cost of production, was also not accepted. Hence, it can be clearly observed that the farmers have very few options when it comes to hedging crop risks.

Our Solution

AgroInsure plans to offer price and weather insurance to Indian farmers, starting operations with price insurance. We will sell insurance which will lock in a price floor for the farmer and will guarantee him his upside too. We will also diversify our offerings by creating and selling weather insurance products. Hence, AgroInsure would become a one stop-shop for private agricultural insurance, with options acting as price insurance and weather insurance acting as quantity insurance.

Positive triple bottom line

With the introduction of our insurance products, crop production should relatively change in favour of cash crops which are more profitable for farmers, but currently riskier as they proportionately receive less support from the government. Secondly with reduced risk, there will also be less of a need to keep crop inventories as buffer stocks. Farmers will therefore be able to decide when to sell their harvested crops based on market prices rather than on his need for consumption, thus optimizing income from sales rather than forcefully smoothing production for consumption. This will, other things being equal, result in reduced farmer suicides and improved standards of living. Moreover, by not forcing farmers to sub-optimally diversify into different crops and different plots in the same village, agricultural productivity per acre would increase and more land could be re-forested, positively affecting the triple bottom line of our company (economic, social, environmental).

Successful Policy Demonstrator

Our plan will also serve as a demonstrator for policy-makers of a successful private-sector led financial inclusion effort in agriculture. By making finance work for the poor again, our efforts will help - however marginally - in creating "capitalism with a human face"

Harsh Gupta

- MIT Poverty Action Lab:(Full Time)
- Researched the impact of female Sarpanch's on the NREGA scheme in Rajasthan (4 Months)
- Worked on the Bhagidari Self Governance scheme in Delhi slums (4 Months)
- Calcutta Rescue: (Part Time)
- Taught underprivileged students subjects like English, Mathematics & Entrepreneurship (6 Months)

Ankit Fogla:

- Sanchetna Financial Services (Full Time)
- Suggested changes to the in-house MIS software, leading to improvement and simplification of accounting system
- Identified key issues after visiting 25 centers to increase overall efficiency and boost profits by 0.3 %

Vaibhav Soni :

- "SourcePilani: (Full Time)
- Worked with Business Development & Strategic Initiatives Team (6 Months)
- Presented the Business idea at International Conference on Entrepreneurship, Malaysia.

Varun Bagaria

- ICICI Prudential Life Insurance (Kolkata)
- Worked as an Insurance distributor getting new clients for the firm.