マレーシア国における農業保険制度の検討ー諸外国からの教訓
Study on Crop Insurance Program in Malaysia - Lesson Learn from Other Countries

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1. Introduction

According to data provided by the Ministry of Agriculture and Food Industries (MAFI) Malaysia, between 2017 and 2021, around 40 thousand hectares of paddy fields nationwide were destroyed by floods while another 9 thousand hectares were damages due to drought[1). Currently, the government compensate the farmers through the establishment of Agricultural Disaster Assistance Funds. The compensation amount has increasingly become huge which prompted the government to introduce a form of agriculture insurance for the industry, especially those involving paddy farmers. According to a study by Afroz R. et. al. (2017) [2)], 76% of the respondents are willing to pay for crop insurance, however 51.4% of the paddy farmers in Muda irrigation scheme state that the premium should be subsidized by the government. In this study, articles published available on google scholar were reviewed in the context of crop insurance program introduced in several major countries. Based on selected studies, we look at the experience of major countries with a long history of implementing crop insurance programs. These studies will then use to suggest the best approach to introducing a crop insurance program in Malaysia.

2. Lessn lern from Other coutries

The crop insurance in the United States of America (USA), Thailand and the Philippines have been selected to be reviewed. Crop insurance in the USA is currently the biggest and oldest in the world. The Federal Crop Insurance Corporation (FCIC) was created in 1938 to carry out the crop insurance program and the period from 2011 until 2020 has allocated USD 80.637 billion[3)]. Both Thailand and the Philippines have crop insurance program in a mature stage and

Table 1: Summary of crop insurance introduced in USA, Philippines and Thailand

Country	United States of America	Philippines	Thailand
National Crop Insurance Program	Federal Crop Insurance Program by the Federal Crop Insurance Corporation	The Philippines National Crop Insurance Program by the Philippine Crop Insurance Corporation (PCIC)	Thailand National Crop Insurance Program/ Top-up Disaster Relief
Type of product	Available to all crops and commodities	Indemnity-based and target crops	Indemnity-based and target crops
Risk Covered	Multi-peril	Natural calamities, pest and disease, other perils insured	Flood, drought, frost, windstorm/typhoon, fire, hail, pests and diseases, elephant damage
Target crop and beneficiaries	• All agricultural commodities • All eligible farmers, no limitation in hectarages or income	• Rice, maize, high-value crops • Smallholder farmers, other stakeholders in agriculture	• Rice and maize • Rice and maize farmers
Source of premium	Subsidized (up to 100%)	Subsidized (up to 58%) and non-subsidized	Subsidized (up to 60%)
Implementing agency	Government corporation and private sector	Government institutions (PCIC and others) and private sector	Government in cooperation with private companies

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rice are the main crop production which is similar to Malaysia. Thailand introduces its program in 1978 while the Philippines have its program in 1981. **Table 1** shows the overviews of crop insurance programs in these 3 countries.

The advantages and weaknesses of crop insurance in the USA, Philippines and Thailand are as below:

i. United States of America (USA)

FCIC is governed by the Risk Management Agency (RMA) that committed to increasing the availability and effectiveness of Federal crop insurance as a risk management tool (RMA,2022). The government subsidized the insurance premium for all eligible farmers to almost 100 % without limiting farm hectarages or income. FCIC also paid the operating cost of private insurers for delivering the crop insurance to the farmers. Therefore, the spending on the premium subsidies is very high which can be classified as the amber box under the WTO Agreement on Agriculture. However, there is no approach in place to ensure that poor and underserved farmers are included in the program[4)].

ii. the Philippines

By running a government-owned insurance company, the government save on operating cost and can operate as a nonprofit organization. However, due to low farmer participation, PCIC (Philippine Crop Insurance Corporation) only remained in operation due to government subsidy. The PCIC provide subsidized up to 58 % to paddy and maize farmers while lending institution or farmer themselves will pay the remaining balance. PCIC subsidizes 100 % insurance premium for poor farmers. However, with the decline in rural credit facilities, the poor farmers were left out of access to the program[5)].

iii. Thailand

The Thailand crop insurance is a public-private partnership insurance program between the government and private bank. The program managed to get high farmer participation due to most farmers taking up loans with BAAC, the private bank. The government only subsidizes up to 60% of the premium, while BAAC pay the remaining 40%. The indemnity payments for the insurance program are based on the official loss assessment criterion that does not cover areas where numbers of farmers affected are small[6)]. This contributed to farmers' perception that insurance does not really help in managing the risks.

3. Conclusions

The best approach to introducing a crop insurance program is to focus on the welfare of poor farmers while still provide the access to all eligible farmers. Public-private partnership program should be pursued so that the government can share the burden when compensating the farmers. Therefore, Thailand's crop insurance is the best approach to introducing crop insurance in Malaysia. High farmers' participation and the right number of subsidies would ensure that the program can be sustained.

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