TE130269

ABSTRACT

The agricultural sector is vital to the Thai economy. Agricultural outputs in Thailand are sufficient to supply the domestic and foreign markets as inputs to agro-industries and as consumers' products. The Thai people fortunately have an opportunity to consume the agricultural products at a very low price. The agricultural products are turned into a great number of businessmen's and industrialists' wealth. On the contrary, most of farmers themselves are still poor and burden with debts. The farmer's revenue is very low and unpredictable because the agriculture depends largely on natural factors. The farmers unavoidably face natural risks, social risks and economic risks. Therefore the government should formulate the policy on systematic and comprehensive agricultural risk management covering the production, marketing and financial aspects. Crop insurance is one of the means that developed countries use as an instrument to manage the financial requirements to compensate the farmer's cost and revenue under the following circumstances: loss of farmer's production cost at the time of natural disaster occurrence, the decrease in agricultural outputs, and the negative fluctuations in price. Consequently the objective of farmers' revenue stabilization and security in agricultural profession can be achieved.

The research report reviews the crop insurance practices in developed countries such as U.S.A. and Canada and also proposes the appropriate crop insurance models in Thailand. In the first stage, crop insurance will protect the production cost against the natural disaster. The tariff is determined on the basis of the secondary agricultural data from year 1988/1989 to year 1997/1998. Furthermore, the report also suggests the crop insurance fund to manage its own risks for the sake of long-term stability by reinsuring with the private insurance firm and by limiting the liability of the fund. Moreover, the simulation determines the required reserve for the crop insurance fund to handle the fluctuation in claims payable to the farmers effectively.