

THE RISK MANAGEMENT IN AGRICULTURE

DANA SÂMBOTIN¹, MARIANA ALDA², COSMINA TOADER¹, T. IANCU¹

¹*Banat's University of Agricultural Sciences and Veterinary Medicine Timișoara, Faculty of Agricultural Management, Timisoara, Romania; dana82tm@yahoo.com*

²*Gimnazial School Secu Secusigiu, Arad, Romania*

Abstract. *The worldwide agricultural production is facing numerous risks. The farmers can suffer major losses, every year, upon global warming impact. In this paper we will discuss about the principal risks in agriculture, and also about the management and some solutions to minimize the negative financial impact over the farmers. Here we will be able to describe some protection modalities against the nature phenomena. In order to elaborate this paper a various number of books and some articles regarding the risk management was consulted. After analyzing and processing the data we could contour some conclusions and also to draw some recommendations regarding the potential solutions in view of diminish the risks in agriculture.*

Key words: *management; risk; agriculture; farmers.*

INTRODUCTION

With every year the impact of global warming by drought and flood, storms or hurricanes, causes major losses for farmers. Mostly such disasters can't be prevented, but in some limits may be predicted and may be reach some arrangements to reduce the impact. It is well known that agriculture is one of the most risky economical area, and "each actors" are trying to minimize the damages.

MATERIAL AND METHOD

In order to elaborate this paper it has been analyzed the specialty bibliography and internet sources, data have been collected, they have been processed and then it came the final conclusions. Along this paper it will be discussed the most frequent risk fields but also about the protection methods against the nature phenomena destructive action.

RESULTS AND DEBATES

The risk – represents the main condition of insurance, and also the main object of any insurance contract. The risk represents a danger which affects goods, peoples, business and for which the insurance companies may offer protection.

In the insurance filed the risk represents a must be and essential element, because:

- It is a future event, possible but unsecure, which affects a person goods, patrimony, life and health.
- The event it is not a deed action of the insured person;
- Without this element it can't be a valid insurance report.

In order for an action to be considered insured risk it must correspond to some conditions meaning:

- To exist its cause;

- To represent a danger degree for insured person;
- To be independent by the insured person will or of the persons which live and coexist together with the insured person;
- The insurer to be able to sustain, as volume and frequencies, from financial point of view.
- To be uncertain.

By insured risk it is understood the event for which the insurance company has the obligation, mentioned by contract or law, to pay to the insured person or to the beneficiary the compensation insurance (insured amount).

Existing the risk means also the necessity of insurances, which have the scope of allowing to peoples, at least to diminish its consequences, if not its avoidance or elimination.

Risks must comply with some conditions in order to be covered by insurance, such as:

The insured object to be real

The insurance against the specified risk to be convenient and efficient for the insured person;

The insurance must comply with public order;

In order to have the possibility to be insured, it has to comply with following conditions:

- Existence of the event, for which the insurance is concluded;
- Possibility of the event to be real;
- The event must be a conclusion of hazard;
- The event to have a specific frequency, respectively to have a specific regularity;
- The event to may be evaluated, quantifiable, being preferable its valuable mention.

The agricultural productivity is under multiple risks. Anyway two of those have a major impact under agricultural field – the price risk, caused by possible volatility of the price and the productivity risk caused by uncertain levels of productivity which primary producers may reach.

Risks classification it is made under bellow mentioned criteria:

-Risks due to nature forces (ex. The storm, ice storm);

-Risks due to human actions;

-Simple risks – are those which provoke only loses and no benefit;

-Speculative risks – by their existence it may be registered a loss or benefit;

-Fundamental risk – supposes the existence of a disaster, such as: war, hunger, earthquake, pollution, etc. When fundamental risks have a major disaster potential, appears as being insurable from the point of view of the insurers.

- Particular risks – are risks which consequences are relatively limited under the aspect of effects spreading. The most insurable risks are particular risks, having a loss for an insignificant number of peoples.

- Insurable risks – are those which are under insurer's guidance and for which gives protection to the insured person. They are known as general and special risks:

a. General risks – are included under so named general conditions of insurance and contains: fire, explosion, earthquake, collision, etc.

b. Special risks – are those which are separately insured, at explicit request of the insured peoples, against an additional premium of insurance, basically individually, for each risk.

Uninsurable risks – are those risks which the insurers doesn't accept, being events which existence is certain, it is close to certitude, or are not caused by the insured person, known by him and not disclosed to the insurer. Such an example may be considered the

following ones: hidden defects of the insured good, intentionally deeds, consequences of atomic energy, usual wear of the insured good, etc.

In agriculture the most frequent risks are:

- Productivity risk – appears due to the incertitude regarding the natural factors from which depends the crops and animals improvement (weather, diseases, quantity and quality of the ways used in production) and security of farming inventory.
- Price and market risk – it refers to the incertitude regarding the products price, and the inputs costs, exchange rate risk, risk of placement of existent capital.
- Financial risk, institutional risk – it results when the farmers must obtain credits in order to sustain the productivity (and must obtain), from the possibility of modification of the interest, exchange rate, leasing payments, impossibility of credit the activity;
- Human risk – it refers to the human factor implied in the agriculture activity, personnel health, personnel responsibilities, accidents, diseases, mortality, personnel migration, etc.
- Institutional risk – appears due to govern or parliament risk. Taxes, decisions regarding environment protection, rules for animals care, decisions regarding production subvention or insurances sustainment for agriculture, etc.

Analyzing these risks it is very important and its scope is to develop a solid agriculture having the capacity to assure:

- Food security
- A normal life level for peoples living in rural environment;
- Environment protection.
- Healthy alimentation for population;
- Increasing of agriculture contribution to PIB.

At the question “who must be implied in a system of agriculture insurance” the answer is: Romanian parliament, Romanian governs employers’ associations, unions, insurance companies, international organism, mass-media, etc.

The insurances scope on management risk is:

- The insurances should protect the farmers against obtaining insufficient benefits;
- At this time in Romanian the insurances are protecting mostly only the effective payments;
- Pricing must be for each risk separately, according to the risk management;
- The prices are established without fundament of a minimum accepted price;
- The existent risks in agriculture contain also disastrous risks;
- The disastrous risks are not insured these being under public area;
- The insurance must develop in rural area and to cover all insurable risks categories;
- In the rural area the insurance degree is very law (only crops and animals);
- Public area must sustain insurances in rural area due to environment importance;
- In Romania there is no coherent support of insurances in rural environment by public area;
- Agriculture subvention must impose money protection under insurance;
- There is no connection between granting subventions and insurances;
- Insurances must consider market volatility;
- In Romania doesn’t exist implication of agriculture insurances on market risks;
- Insurance t price in case of an normal fundament of prices must be subvention;
- In Romania the insurance premiums are no longer subsidized;
- The agriculture insurances represent a specific area of insurances needing specialized peoples in agriculture.

CONCLUSIONS

Instead of conclusions we draw some recommendations in order to remedy the situation:

1. Organizing the management risk in a structure of MAPDR or as a new structure Agriculture Management Risk Agency which will fundament the risk politic for rural development in Romania.
2. Imposing accreditation for companies which perform agriculture insurances by the structure based on criteria of fundament of charging premiums, specialists, territorial coverage, etc.
3. Fundament of charging premiums by the companies which are willingly to obtain accreditation and for disastrous risks;
4. Establishment of a re-insurance company in public private association and by obtaining European funds in order to assume a part of disastrous risks from accredited companies and guarantee of a specific level of damages rate towards such companies.
5. Accepting subvention conditioned by existence of an insurance contract with one of the accrediting companies;
6. Subvention of insurance premiums for insured disastrous risks;
7. Steeply passing to the insurance system based on climatic items;
8. Credit system boosting by using guarantee funds and insurance such credits by accepted companies;
9. Stimulation of marketing system development in agriculture, for study market volatility and obtaining of guarantee prices by the agriculture producers, complex insurance of farmers benefits.
10. The insurance of agricultural crops should be concluded by every particular or juridical person who has a patrimony scope and represent a way of protection against risks as: ice storm, fire, storm, rain – direct effects, collapse / slide seed field, autumn early freezing and spring lately freezing.
11. The agricultural insurances may cover the following types of crop: wheat, barley, oat, rye, rice, sunflower, corn, rape, soy, mustard, coriander, sugar beet, etc; vegetable crops and potatoes; aromatic and medicinal plants; forage crops, tobaccos, hops; vine plantations, fruit tree orchards.

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