

PRESS RELEASE

Text of the D.O. Letter No.14566/AP-2/2021, Dated 28-7-2021 of Thiru M.K. Stalin, Hon'ble Chief Minister of Tamil Nadu addressed to the Hon'ble Prime Minister of India, requesting to take necessary action urgently to remove the capping of Central share of premium subsidy under PMFBY and revert to 49:49:2 ratio premium share for the welfare of the Farming Community in the State.

I am writing this to bring to your kind notice an issue that requires urgent intervention relating to Crop Insurance.

At the outset, I wish to inform you that the Government of Tamil Nadu is taking a slew of measures to uplift the economic status of farmers by implementing farmer oriented welfare schemes with a comprehensive vision. The Department of Agriculture in Tamil Nadu has been renamed as **Agriculture & Farmers' Welfare Department and it is proposed to present a separate Budget for Agriculture during 2021-2022 for the first time in Tamil Nadu** with three broad visions viz.

- (i) increasing the area under cultivation,
- (ii) doubling the area cultivated more than once and
- (iii) achieving high productivity in Food grains

so as to reinvigorate the Agriculture Sector. Eventually, the State Government is also bringing in a robust climate resilient cropping system to prevent the farmers from incurring any loss due to weather aberrations.

2. In this background, I wish to highlight that the "Pradhan Mantri Fasal Bima Yojana" (PMFBY), which is one of the flagship schemes that provides a handholding support to the farmers at the time of any unforeseen eventualities, is successfully implemented by Tamil Nadu.

3. Tamil Nadu has witnessed a huge growth in terms of area insured and farmers' enrolment due to the sincere efforts and best practices adopted by the State under the scheme. However, the State's share of the premium subsidy has increased at a Compound Annual Growth Rate of 28.07% in the last 5 years. This has stymied the very purpose of the scheme as the Government of Tamil Nadu is finding it difficult to sustain the continuance of the scheme due to increasing financial liability, that too during this pandemic period.

4. I also wish to bring to your kind attention that initially the pattern of sharing in 2016-17 was 49:49:2 (i.e., Central, State and farmer's share respectively). Now, the Central share has been capped at 25% for irrigated area and 30% for rain-fed area which leads to a large increase of the State share of premium subsidy by 12% (totally 61%). In money value, the State share of premium subsidy which was only Rs.566 Crore in 2016-17 has mounted by 239 percent to Rs.1,918 Crore during 2020-21, after the capping of Central Share of Premium Subsidy. This has further increased to Rs.2,500 Crore during 2021-22 due to exorbitant Actuarial Premium Rates (APR) quoted by the insurance companies empanelled by the Government of India. Thus, the financial implications on the State are causing a lot of concern.

5. The scheme of PMFBY, launched with the noble intention of mitigating the economic losses of farmers at the time of natural calamities has become a heavy liability to the States over the years. The intention of capping the subsidy to bring down the APR has not happened in reality as the Insurance Companies are continuing to quote exorbitant APR citing reasons like high loss ratio, inadequate financial capacity and lack of support from reinsurers. The States are coerced to tweak the existing guidelines and adopt new co-insurance models increasing the risks to the States. Otherwise, the Insurance Companies refrain from bidding.

6. As the State is already reeling under severe financial crunch due to Covid Pandemic, the onus of bearing a huge State Share of Premium Subsidy under PMFBY is unaffordable. There is no doubt, that the capping of Central share of the premium subsidy has been a major detrimental factor for implementation of Pradhan Mantri Fasal Bima Yojana which has been introduced to ensure a social security for farmers.

7. I, therefore, request you to take necessary action urgently to remove the capping of Central share of premium subsidy under PMFBY and revert to 49:49:2 ratio premium share for the welfare of the Farming Community in the State.

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