

The Role of Income Insurance on Risk Management of Gardeners in Darab City

Case Study: Orange

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Abstract

Agricultural activities have been always faced with production, price and income fluctuations. That is why, attention to management procedures can be very useful in reducing these fluctuations. Income insurance with covering risks due to fluctuations in prices and production, able to cover the fluctuations of crop income. The purpose of this study is to design income insurance in order to reduce the income fluctuations of Darab gardeners. Required information were collected through questionnaire which was conducted in a sample 50 Darab gardeners by a sampling random method. Furthermore, due to forecasting futures values, time series data that collected from various recourse of orange production of Cooperative Union and Agriculture Organization was used. For computing the insurance premiums, the statistic simulation method called bootstrapping is being used. The results relative to computed income insurance premiums, analyzed with two hypotheses such as, direct and indirect relationships between yield and price. Ultimately, it became clear that applying direct relationship between yield and price due to negative correlations of these two variables can cause reduction of income insurance. Comparing the present value with computed income insurance premiums showed, the superiority of income insurance scheme. The value of income insurance premiums for poor and rich farmers with assumptions "0.9 loading coefficient and 27% government subsidies", computed 22459.69 and 642187.61 dollars respectively. At the end, its presentation suggested that to aim the appropriate risks management.

Keywords:

Risk Management, Income Insurance, Orange, Bootstrapping Statistic Method, Darab City.

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