

AGRICULTURAL INSURANCE-AGRICULTURAL PRODUCTIVITY NEXUS: EVIDENCE FROM INTERNATIONAL DATA

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Abstract

This article examines the relationship between the development of the agricultural insurance market (using the penetration measure) and the agricultural productivity growth within the context of various factors that possibly have the potential to influence such relationships. We employ a static model of panel data for 23 countries in two continents during 2000-2015. Our conditional variables consist of socio-economic and financial conditions.

What we find is an interesting piece of evidence that the development of agricultural insurance market has a positive effect on agricultural productivity growth. Moreover, our results clearly show that the conditional variables of a high level of agricultural insurance market penetration, a high level of agriculture credit, a high level of farmers' education and a moderated level of agricultural risk management (a low level of ex post compensation supplied by the governments in case of catastrophic risks) alleviate the positive impacts of the development of the agricultural insurance market on agricultural productivity growth. By contrast, the conditional variables of a low level of natural risks (drought, floods, and extreme temperatures) and a low level of yield risks strengthen the positive impacts of the development of the agricultural insurance market on agricultural productivity growth.

Keywords: Agricultural finance; climate, natural disasters and their management; total factor productivity; panel data.

JEL Classification: Q14; Q54; O4.