

A Summary of Farmers' Risk Management in Terms of Adoption Willingness

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EDITORIAL

Farmers' assessments of risk management strategies and how the assessments influence their willingness to adopt these strategies are poorly understood. This study conducts a structured survey of 469 farmers to investigate how farmers assess both crop insurance and crop price insurance, the impact of the assessments on their adoption willingness, and in particular, the differences in assessments and adoption willingness between crop insurance and crop price insurance. Empirical results show that farmers' assessments on crop insurance can be significantly improved through communication and experience. The most effective way to improve farmers' assessments on crop price insurance is providing adequate information about the insurance products. Furthermore, farmers' adoption willingness would be enhanced by improved assessment of both crop yield and crop price insurance. This study provides the first empirical evidence that farmers have limited information to assess insurance, which significantly influences their willingness to adopt. This finding reflects that the dissemination of insurance policies, the effectiveness of insurance, and the availability of insurance services significantly enable farmers' ability to assess risk management strategies, which potentially increases farmers' willingness to adopt insurance. Crop insurance and crop price insurance are two strategies to share the risk of yield losses and output price falls. However, it is difficult to improve farmers' insurance take-up rate even with heavy government subsidies. Since crop insurance and crop price insurance aim to cover different agricultural risks, it is not clear whether farmers assess them differently and whether the assessments impact farmers' willingness to adopt crop insurance and crop price insurance differently. In this context, understanding farmers' current assessments of insurance and participation in insurance

between crop insurance and crop price insurance is a pressing issue for policymakers. Farmers' assessments of risk management strategies are subjective judgments regarding their capacity to cope with agricultural risks. These assessments could provide valuable information for policies because they indicate whether policies should focus on the effectiveness of risk management strategies, reduce the cost of risk management strategies, and provide practical guidelines on deploying these strategies. But only a few studies have investigated farmers' assessments of risk management strategies and the underlying factors. One study focused on plant biosecurity risk management strategies. Another study examined farmers' assessments of spontaneous adaptive measures to climate change. Attention has not yet been paid to the role of farmers' risk perception on natural and market risks or their assessments of risk management strategies such as insurance. Specifically, limited studies have addressed the difference in farmers' assessments between crop insurance and crop price insurance. This study aims to fill the gap by examining farmers' perceptions of agricultural risks and assessments of agricultural insurance¹ and how farmers' perceptions and assessments influence their adoption willingness. Specifically, this study starts with examining farmers' perceptions of agricultural risks and assessments of risk management strategies to understand farmers' perceived severity of risks, their ability to deal with the risks, and the effectiveness and cost of risk management strategies. This is followed by testing the influencing factors of the assessments. Then, this study analyzes farmers' willingness to adopt insurance and examines how the willingness is influenced by farmers' perceptions of agricultural risks and assessments of risk management. This study provides theoretical and empirical insights into how farmers perceive agricultural risks and assess risk management strategies, providing valuable information for risk management policies.

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