

Demand for Crop Insurance in Tea: Analysis of Tea Smallholders' Willingness to Pay in Badulla District

Y. S. M. M. P. Yallarawa^{1*}, D. V. P. Prasada²

¹Postgraduate Institute of Agriculture, University of Peradeniya

²Department of Agricultural Economics and Business Management, Faculty of

Agriculture, University of Peradeniya

** madhuyallarawa4me@gmail.com*

Tea growers face many risks due to weather conditions, plant diseases, price volatility and policy changes. Crop insurance is one of the management tools to deal with some of these risks. It protects farmers against the variations in yield resulting from uncertainty in natural factors beyond their control. The purpose of this paper is to investigate the demand for tea crop insurance. Moreover, factors affecting the decision to adopt crop insurance for tea cultivation were investigated. Purposive sampling technique was adopted in the selection of study area and random sampling technique was adopted in the selection of sample respondents. Badulla district was selected purposively for the study as it is one of the major tea growing areas in Sri Lanka. Data were collected from a total of 150 tea smallholder farmers from three DS divisions, using a choice experiment framework. Each insurance policy was defined by 4 attributes: crop damage assessment rule (index-based, indemnity-based), covering period (dry, non-dry), premium, type of compensation (by money, by plants). Data from a choice experiment were analyzed using conditional logit models. According to the results, age of the farmer, gender, tea as main income, age of cultivation, risks faced by farmer, having assets are the variables influencing the willingness to pay for insurance. Dry period coverage, compensation by money, the lower monthly harvest, high cost of production and extension services are the other significant variables influencing premium. The significant variables influencing willingness to take index based insurance are dry period coverage, premium, compensation by money, age, and assets. During the study, it was observed that farmers' awareness about the insurance and procedures of crop insurance was poor. Hence, efforts should be made to increase the awareness and help farmers to take better benefit out of it.

Key words: Badulla, Crop insurance, Premium, Tea smallholders, Willingness to pay