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**Politics and policy**

Crop insurance for farmers likely to boost food security



Wheat being irrigated on a farm. Photo/FILE

Thousands of farmers in Moiben, Eldoret have always known that drought comes after every 10 years.

But every once in a while the pattern is broken and they are caught off-guard as was the case in 1984 and in 2009.

However, in the midst of the dark clouds of hunger, there was a silver lining that got them smiling last year— a crop insurance product that promised to change their fortunes.

This is a first for small-scale farmers in Kenya who produce more than 70 per cent of the country’s food output.

Jane Gathoni, a farmer in Nanyuki, was part of the pilot project launched last year that guaranteed farmers compensation for their inputs.

Her story is billed as what lies in store for farmers across Kenya as insurance firms penetrate this new niche.

The insurance product is restricted to certified seeds, fertilizer and farm chemicals — in case of crop failure.

Ms Gathoni’s maize crop failed and the gamble she had taken on crop insurance cover paid off when she and other farmers participating in the pilot project were paid about Sh2,225 or 100 per cent of the cost of inputs.

“It took a lot of convincing to buy the insurance product because of my previous experience with insurers,” said Gathoni, echoing the challenge that insurance companies face in their push to reach a wider clientele base.

Her reluctance stemmed from the information she was given when she first applied for an education cover previously was not correct.

Recently, Ms Gathoni travelled to Moiben to give her testimony to a group of farmers who are now on a pilot project for the same kind of insurance cover.

“We see the insurance cover as a form of caution against poverty,” said Julius Koech, the chairman of Moiben Farmers Marketing Federation. “Farmers do not have to agonise on where to get the money to buy inputs in case of crop failure.”

In Moiben, the average farm size per family is five acres.

Farmers are mostly small-scale though they sell most of their harvest.

In case there is crop failure, as it happened last year, the family income is drastically reduced.

They are then forced to seek alternative means of feeding themselves.

But with the insurance cover, farmers will at least be compensated if crops fail, in preparation for subsequent planting seasons.

The beauty with this compensation is that when the farmer goes to buy the inputs, the cost of insurance is embedded in the product, thus the farmer is automatically insured.

This form of crop insurance is an initiative of several corporate and development organizations including Syngenta Foundation for Sustainable Agriculture, UAP Insurance, Mea Limited and Safaricom.

It has been christened ‘*Kilimo Salama*’ (safe farming) and covers wheat and maize crops.

Farmers pay 5 per cent of the value of inputs as the premium.

That translates to about Sh10 to insure a one-kilogram bag of improved, high-yield maize seed, and Sh25 to insure a 10-kilogramme bag of fertilizer

By last week, at least 8,000 small-scale farmers from across the country had registered for the product, according to the Syngenta Foundation.

The plan is to roll-out the cover across the whole country.

The initiative could have a major impact on Kenya’s food security situation because small holder farmers contribute a substantial amount of the country’s staple maize food and other supplementary foods mostly for domestic consumption.

Agro-dealers will act as outlets for the insurance products and provide training for better crop husbandry when they sell inputs to farmers.

This means better maize and wheat yields per acre.

Earlier research showed that use of farm inputs like certified seeds and fertilizer by farmers could increase yield per acre by up to six times.

Agro-dealers registered and trained on Kilimo Salama have been equipped with a camera phone that scans a special bar code at the time of purchase, which immediately registers the policy with UAP Insurance over Safaricom’s mobile data network.

This system then sends a text message to the farmer’s mobile phone confirming the insurance policy.

Nearly 30 weather stations in the targeted regions have been renovated with automated, solar-powered systems capable of broadcasting regular updates on weather conditions and rainfall quantities.

When data transmitted over Safaricom’s network from a particular station indicates that extreme conditions are destined to cripple crops, all farmers registered with that station automatically receive pay-outs directly via Safaricom’s M-pesa mobile money transfer service.

The limitation is in the fact that the insurance cover does not insure against expected harvests, which could have had an even more profound effect on Kenya’s food situation.

In the current arrangement, in case of crop failure, the farmer has to wait over the entire season to get harvests unlike in the former case where crop failure is immediately compensated with the amount of expected harvest.

The insurance cover will also have a positive effect on the penetration of insurance products in Kenya, currently estimated to be around 2.67 per cent of the gross domestic product.

It will mean that more Kenyans will be insured against risks and this will enable them get out of the poverty cycle.

James Wambugu, the CEO of UAP Insurance company, said the firm will focus on this niche because the formal insurance market is saturated.

“We are looking at micro-insurance as an area that makes a profound impact on most of the population,” he said.

Crop insurance is considered essential to agriculture in developed countries but has been largely unavailable to farmers in low-income countries, in part because of the costs of administering “micro” policies.

**Field inspections**

Conventional crop insurance requires field inspections at the time the policy is issued, and follow-up visits to confirm damage.

Such procedures can be cost-effective for large farms, but are far too expensive to be practical in places like Kenya, where most farming is done on small plots located in rural areas.

But while micro-finance has taken off in many poor countries, micro-insurance, particularly for agriculture, has largely failed because it offered no immediate benefit to farmers.

As a result, they showed little interest.

The current initiative however employs technology to cut the paperwork and administration cost of selling an insurance cover.

**Index system**

For example, compensation is triggered by an index system tied to local weather conditions.

The weather stations which are located in secure sites, send real-time data after every 15 minutes, allowing experts to determine when the situation in a particular area has deteriorated to the point that crops are no longer viable.

Costs are further reduced through use of the Safaricom data network to record policies and transfer funds, both the premiums to UAP and the pay-outs to farmers.

The cost of each transaction is minimal — far less than the price of an SMS message.