

Syngenta Foundation

Agricultural Insurance Initiative

What is the Syngenta Foundation Agricultural Insurance Initiative?

The Syngenta Foundation's Agricultural Insurance Initiative aims to support smallholder farmer's in dealing with weather risks by developing and piloting agricultural microinsurance products. Since April 2009, nearly 200 farmers in the drought prone area of Nanyuki, 250 km north of Nairobi, have insured their investment in maize inputs against the effects of drought. This is the first time that Kenyan farmers with as little as 1 acre of land can access insurance. The pilot was launched by the Syngenta Foundation in partnership with Syngenta East Africa Limited, UAP Insurance Company, and the Kenya Meteorological Department.

Why do smallholder farmers need insurance?

Agricultural insurance addresses one of the key risks that push farmers back into poverty: extreme weather events. Effective mitigation of weather risks for smallholder farmers can have a major impact on a farmer's livelihood since they can encourage investments in the farm that foster productivity, like fertilizer and improved seeds, and contribute to improved food security.

What innovations are being piloted in Kenya?

The pilot's aim is to test index insurance, as well as new distribution channels that can offer insurance affordably. Key innovations include:

- The insurance contracts are monitored by taking measurements at a local weather station: there are no farm visits by the insurance company, which reduces the transaction cost to the insurer.
- Farmers insure their seeds and crop protection products at their local input dealer and register by sending a text message on their mobile phone. Text messaging is also used to inform farmers of any payouts which can be picked up at the input dealer.
- In the 2009 pilot, insurance premiums are paid for by Syngenta when farmers buy 8 kg's of Syngenta maize seed (SC Duma 43) and adopt a minimum tillage technique called conservation agriculture on their land. This technique is known to improve the harvests in dry areas.

What has been learned so far?

Kenyan farmers are very price sensitive, particularly in seasons following droughts. Those registered often shared the 8 kg's of seed required with neighbours so they could access the insurance without having to make the full investment alone.

Farmers are willing to buy the seeds with the insurance, but if given the choice, they would prefer to have more options, and be able to insure any investment made on their farm.

Input dealers are an appropriate channel for distributing insurance, but procedures for registration need to be fast and easy and part of their day to day business processes.

What are the next steps following the pilot?

The Kenyan insurance industry sees the potential for the Kenyan market and is looking to scale the product to more crops and areas. The Syngenta Foundation and its partners are currently developing the next phase product which should be available for the March 2010 long rains.

Feedback from our partners:

Kariuki, a smallholder farmer, has insured his maize:

"I thought the insurance was a good thing for us because until now we have been at the mercy of the rains and for the last four years we have not harvested much. The insurance will help me and my neighbours after a drought because we then often struggle to find money for good seeds."



Magina, agricultural insurance underwriter, developed the product and was trained in developing indexes:

"Index insurance is easy and much cheaper to monitor than our other products. It has great potential in Kenya since our farming activities are largely dominated by small holder farms and drought is a real challenge ."



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How are smallholder farmers insured against drought?

