Syngenta Foundation insurance project pays off for Kenya smallholders

Pilot project changes outlook and provides some hope for farmers as drought hits hard

Trying to eke a living out of the soil when you are a smallholder farmer is never easy anywhere in the world. And Kenya is no exception.

Despite sitting astride the equator, much of the country has sub-optimal rainfall and soils which are often poor in nutrients and hard for moisture to penetrate.

Most farms average only 2 to 3 acres (little more than a hectare). On this tiny plot, the farmer has to grow enough food to provide the entire livelihood of his family. And he has to do this with crops that are rain fed and thus at the mercy of notoriously fickle rains; rains which are often too late or too little.

In the Nanyuki region in the foothills of Mt Kenya, Africa's second highest mountain, a smallholder farmer can count on only one really good year in five – if he is lucky.

Of the other four, two are at best average while the remaining two are invariably poor resulting in crop failures to some extent.

Not good odds on which to earn a living and put food on the table every day for your family.

And 2009 has been no exception. A severe drought – the hoped for long season rains did not come - has just about wiped out the maize crop for the Nanyuki area. Locals reckon it is the worst drought they have had since 1984, itself the worst in living memory.

In other words, just the sort of year that a farmer needs to insure against. The trouble has been that insurance for smallholders has never been viable for either the farmer or the insurance companies and thus rarely, if ever, offered or purchased.

But a pilot project organized by the Syngenta Foundation for Sustainable Agriculture is changing all that.

This year, for the first time in Kenya, a group of around 200 smallholders are getting a second chance at growing a crop.

The Syngenta Foundation Agricultural Insurance Initiative (SFAII) has devised an affordable insurance plan which has provided farmers around Nanyuki with the seed to replant their maize crop, the staple food in the region.

In October 2009, just six months after the scheme was launched, farmers received their first payout, fulfilling the promise made by the Foundation and its partners and giving hope to the farmers.

The scheme originated in 2008 through the Syngenta Foundation which recognized that insurance can address one of the key risks of farmers: extreme weather events that push then back into poverty.

The Initiative aims to develop agricultural micro-insurance that will support smallholder farmers to mitigate their risks and allow them to invest in productivity and sustainable agriculture through conservation farming.

The Foundation, through two project leaders (Rose Goslinga and Fritz Brugger), set about establishing a pilot project with a coalition of partners who could make insurance affordable and worthwhile for farmers in the Nanyuki area, 230km north of Nairobi.

UAP Insurance Ltd, one of Kenya's premier insurers, came on board as the risk provider, and the Kenya Meteorological Department agreed to provide weather data.

For the pilot programme, Syngenta East Africa Ltd paid the premiums for the farmers based on purchases of enough DUMA 43 maize seed to plant one acre of land.

Nanyuki was chosen because it is located in a semi-arid, drought prone area, has a strong history of weather data and is the headquarters for a key NGO in Kenya (CETRAD – Centre for Training and Research in Arid and Semi Arid Land Development) which assisted in the project.

"The key to getting the program up and running was affordability. We had to find a mechanism that would enable an insurance company to offer risk cover at a low cost premium thus making it attractive to both the company and farmers," explained Rose.

"That meant we had to move away from traditional insurance mechanisms to index-based insurance. Under traditional agriculture insurance, the insurance company has to visit farms to asses risk and loss. That takes a lot of expensive manpower and is time-consuming. Weather Indexed Agriculture Insurance was the answer."

By using an index-based approach, historical weather data is used to evaluate the risk while automatic weather stations in key areas provide the data to make a decision on whether an extreme event has occurred. If it has occurred, its severity can be automatically calculated and a payout made – all without the need for a single expensive field visit.

In addition, farmers can purchase the insurance through a very simple technology based system which combines a voucher from the agriculture retailer who sold them the seed and sending an SMS message from the farmer's mobile phone.

Thus the cost of providing the insurance cover is lowered and premiums become affordable to smallholders.

Similarly, making payouts is easy. Farmers are notified by another SMS message and go to the retailer who gives them new seed for whatever the insurance credit if worth. Again, lower costs.

Following an evaluation and education period, the pilot programme began in April 2009 when around 200 farmers took up the offer of insurance.

While the premium was covered by Syngenta East Africa, farmers still had to pay for the cost of the maize so a capital outlay was still required.

Some farmers also did not want to risk putting all their eggs in one basket and use DUMA 43 exclusively on their farms. Simply put, one acre of one variety was too much for some.

But the scheme was still considered worthwhile so farmers spontaneously banded together, sharing the seed with their neighbours. In the end some 200 farmers were insured and planting was carried out in April-May.

Then everyone waited; the farmers for rain which would ensure the success of their crops, the Foundation and its partners to see what the results would be.

The rains failed. Crops germinated but, on most farms, failed to take off and mature into a worthwhile harvest. It was patchy. Some farms had a bit more rain than others so did a little better. But, overall, the drought had taken hold and it was a bad season

Using rainfall data generated by the automatic weather stations in the district, UAP Insurance was able to determine in September-October that crops had failed to an extent sufficient to warrant a payout. It

was also able to calculate the size of the payouts and authorize collection, all without a single farm visit. SMS messages went out in early October and farmers were able to collect their seed immediately.

Payouts varied between 30% and 80%, enough to allow the farmers to obtain new seed with which to try again in either the short rain season (October-December) or in the next long season in 2010.

For Joseph Ndungu Kiboi it was a promised fulfilled. On his three acres, Joseph grows maize, potatoes and beans and caries a handful of cattle to support his family of five.

“The benefit of the insurance is that we are compensated for our seed. The promise has been kept and we have been given what we were told we would get,” he said. “We are better off compared with other farmers who have not insured and get nothing.”

Ndegwa, another of the farmers insured, said: “For years we have been buying seeds and losing our crops, but this year is different as Syngenta and insurance have come to help us and now I have planted without having to worry about where to find the money for seed. All my neighbours were trying to find seed but I didn’t have to worry.”

For Rose Goslinga of the Syngenta Foundation, the pilot project demonstrated more than insurance does pay out.

“Traditionally, smallholder farmers have been totally dependent on the vagaries of weather. In times of drought they lost their crops and their investment in seed and fertilizer,” she explained.

“Now, index based insurance makes drought protection affordable. Equally important is that farmers are adopting good practices such as conservation farming and helping contribute to food security for both themselves and Kenya.”

Rose said that following the success of the pilot project, the scheme would be extended next year to more areas of Kenya as well as covering more products.