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KILIMO SALAMA

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Food Feature 5 March 2010

Taking the risk out of farming *



Jane Some/IRIN

A crop production officer from the Agriculture Ministry examines stunted maize at a farm in Njoro district in the Rift Valley Province, Kenya

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NAIROBI

Just as purchasers of electronic goods can buy extended warranties in case their TV goes wrong, farmers in parts of Kenya can now mitigate the

launched on 3 March in the Rift Valley, provincial capital, Eldoret. It takes advantage of the ubiquity and multi-functionality of mobile phones in Kenya. "Every time a farmer buys seeds, fertilizer, or other agro-chemicals, they can insure them, even for those who buy in very small quantities," Rose Goslinga, the coordinator of the Agricultural Index Insurance Initiative at the Syngenta Foundation, told IRIN. Policies, costing 10 percent of the inputs purchased, split equally between farmer and manufacturers, who hope to increase sales as a result, will be sold by agricultural suppliers armed with mobile phones loaded with dedicated software. "To insure a farmer, the stockist first scans a code with all relevant product information via the phone's camera; then he selects the weather station closest to the farmer's fields. "Finally, the stockist enters the farmer's mobile number and sends the registration to our server. An immediate text message sent to the farmer provides him with his policy number and insurance confirmation," said Goslinga. "You have to make it very easy for the farmers to try the insurance," she said, adding that the main administration costs incurred were sending out the text alerts. Weather stations monitor rainfall amount and distribution in the field, which are then compared with the crop's water requirement vis-à-vis historic rainfall patterns. In case of crop failure due to drought or too much rain, farmers will receive a text message informing them of a payout, which they will directly receive through M-PESA, a cash transfer service run by telecoms operator, Safaricom. Index-based insurance "pays out in events that are triggered by a publicly observable index, such as rainfall recorded on a local rain gauge", notes a December 2009 **International Food Policy Research Institute** (IFPRI) report, *Innovations in Insuring the Poor*. As the insurance is based on an independent trigger that cannot be influenced by actions of the farmer, it reduces the likelihood of insured individuals taking greater risks. However, there is a basis risk in that payouts may not always exactly match the losses farmers experience, which can be difficult for farmers to understand, noted IFPRI. **Challenges** The Kilimo Salama programme was piloted on a group of 200 farmers in the central region of Laikipia during the 2009 long rains. "They [the farmers] thought it sounded too good to be true," said Goslinga, adding that the farmers were now taking more insurance

"For farmers the biggest risk is weather. To minimize exposure, they tend to use as little inputs as possible. As a consequence, their harvest is below the optimum even when rains are good. Insurance gives them the security of a payout in case of a full crop failure, therefore promoting investment in farming inputs and subsequently improving productivity," she said. The insurance programme is targeting at least 5,000 farmers in Central, Rift Valley and Western provinces, covering maize and wheat, which are facing considerable weather risk. Said Goslinga: "A key challenge is that insurance is new to farmers and it generally has a bad reputation. Capacity building and trust are key challenges." "These new tools to manage risk will need to be complemented with investments that reduce the risks faced by poor households, such as low-cost irrigation schemes and drought-resistant seed varieties," the IFPRI report stated. "To make index insurance viable, a long-term, reliable, and homogeneous database of weather information is needed, as are weather stations that report weather data quickly."

aw/am/mw * **Update (23 September)**: Payouts ranging from 100 shillings (US\$1.25) to 2,424 (\$30) were made this week via **M-PESA** to about 100 farmers in Embu district after lower-than-average long rains. "There was a partial payout since there was a rainfall deficit registered but not a total drought," Fritz Brugger of the Syngenta Foundation told IRIN. With the October to December **short rains season forecast to be poor**, more farmers are rushing to insure their inputs. "They have witnessed that the insurance works and that convinces farmers the most," said Brugger, "since insurance is a new concept to farmers - almost all of them had no insurance previously." At present, the crop insurance programme covers 11,000 farmers nationally. "We are getting a lot of requests from areas where we currently don't offer **Kilimo Salama**. We are currently looking into the next expansion phase," he said. aw/ See also: **KENYA: Covered for drought MALAWI: Derivatives used to hedge against bad weather**

 **A key challenge is that insurance is new to farmers and it generally has a bad reputation**
