

Private Sector Side Event

Enhancing Food Security Through Agriculture Insurance, A Concrete Tool for the Future of African Farmers

HOSTED BY:

FARM foundation, Syngenta, IFAD, UK National Research Institute

DATE, LOCATION :

October 13, 2015 – UN FAO, Rome, Italy

SPEAKERS :

Emily Coleman, Project Officer, Inclusive Rural Financial Services, IFAD

Olga Speckhardt, Head of Global Insurance Solutions, Syngenta

Gideon Onumah, Principal Agricultural Marketing and Finance Economist, FARMAF

Jean-Christophe Debar, Director, FARM Foundation

MODERATOR:

Jean-Christophe Debar, Director, FARM Foundation

MEETING SUMMARY (250 WORDS)

There have been many promising innovations in the past year to help increase food security through agriculture insurance tools, however, these innovations have not been significant enough to truly help farmers. The aim of this side event was to show that there is still room for progress. With over 40 people in attendance, the panelists highlighted the obstacles that stand in the way of smallholder farmers to acquire sustainable agriculture insurance, in particular in Africa.

KEY THEMES & DISCUSSION POINTS, INCLUDING NEW PROJECTS OR PARTNERSHIPS

Jean-Christophe Debar, Director, FARM Foundation

- There has been promising innovation in increasing food security within agriculture insurance in the past years.
- However, these innovations have not been significant enough to help farmers immensely, therefore there is still room for progress.
- Must consider how we can help farmers to better manage their resource, mostly in reference to climate change.

Emily Coleman, Project Officer, Inclusive Rural Financial Services, IFAD

- Index insurance is heavily subsidized, and does not attract smallholder farmers.
- If a farmer has a poorly designed index, they can have losses and not retrieve their insurance correctly.

- The potential of insurance is huge, with the ability to help farmers with crop loss during extreme weather, or disaster.
- The weaknesses of agriculture insurance is scale and sustainability.
- Index insurance is often sold as a solvent tool, and not as a long term plan. This is an issue.
- When managing the insurance clients, it is not just about the insurer's cost but about client's expectation.

Olga Speckhardt, Head of Global Insurance Solutions, Syngenta

- Emphasized the importance of investment to help properly validate data and to better monitor risk within insurance.
- Each community has different regulations, and in order to have cohesive and beneficial insurance to assist farmers, support from local regulators is essential.

Gideon Onumah, Principal Agricultural Marketing and Finance Economist, FARMAF

- Gideon is working in collaboration with African farmers' organisations to promote market-based farm risk management tools to benefit smallholder farmers, known as FARMAF.
- FARMAF delivers a premium of 4%, and doesn't provide farmers with cash credit.
- This program is considered financially sustainable because it does not solely target smallholder farmers.

MAIN CONCLUSIONS

- Insurance should be looked at as a long term service, and not a solvent tool.
- Every Farmer needs to be thought of as a business.
- Access to reliable meteorological data is necessary to develop efficient (i.e. with limited basis risk) and affordable agricultural insurance products.
- Index-based insurance has many advantages over traditional, indemnity-based insurance, and is the preferred option in developing countries. However, there are examples of low-cost indemnity-based insurance covering only a limited number of risks.
- The challenge is to build whole insurance chains, from local insurers to international reinsurers, with a long term commitment. This requires strong expertise and capacity-building at each segment of the insurance chain.
- Limiting the value to be insured (e.g. by focusing on inputs and credit) can allow to reduce insurance premiums.
- Educating farmers on the value of insurance is very important, although it is time and resource-consuming.
- Governments and donors have a crucial role to play, at different levels: improving access to meteorological data, subsidizing insurance premiums to help start the projects, providing reinsurance. Public intervention should be as "smart" as possible to limit inefficiencies and market distortions.