J.B.BODA

Rwanda - Farmers Call For Review of Crop Insurance Scheme

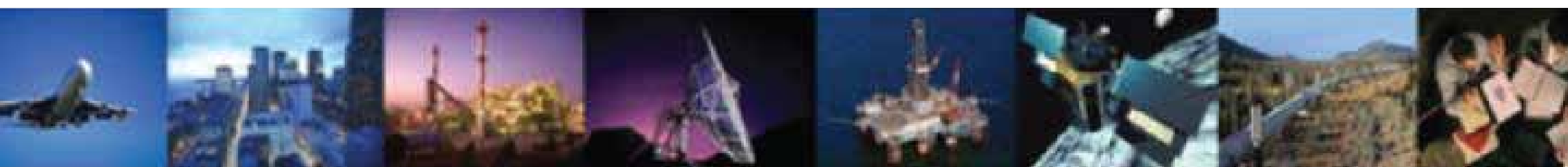
Rwanda launched the National Agriculture Insurance Scheme in April 2019, a move that was considered by stakeholders as a milestone for the country's agriculture sector as it aims to cushion farmers against losses stemming from disasters such as floods or drought.

The scheme, which is subsidised at 40 per cent by the Government, is also intended to enable farmers to easily access funding from financial institutions and ensure the flow of credit to the agricultural sector.

Unlike livestock insurance which covers the entire value of the cow and pays a farmer all the money their cow is worth in case of death from disease or unpredictable natural disasters, crop insurance covers the investment alone.

In February 2020, the Senatorial Standing Committee on Economic Development and Finance expressed concern that ensuring inputs alone was inadequate as that could not be enough to repay both the farmers' bank loan and the accrued interest.

The insurance should have two options: One covering investments, the other covering the expected output so that the farmer can choose which one to opt for, depending on their financial means, indicating that normally, premiums are charged based on the requirements to purchase a given type of the insurance.



According to the Ministry of Agriculture and Animal Resources, this insurance product was initiated through a human-centred approach that determined which risks farmers wish to be covered as well capacity to pay the premiums.

The Ministry said that it will continue to work closely with financial institutions, insurance companies and farmers to adjust the products to make sure that the scheme is responding to farmers' needs.

Insurance Premiums And Compensations

As per the Scheme Program Manager at the Ministry of Agriculture and Animal Resources, the investment is calculated based on the cost of inputs - including seeds, fertilisers, pesticides or fungicides to be used, and the labour. This is what the determination of insurance premiums to be paid by the farmer factors in.

For instance, for rice, the investment considered per hectare is estimated at Rwf590,320, according to data from the Ministry of Agriculture and Animal Resources. The insurance premium is 7.08 percent of that investment - or Rwf41,795. The farmer has to pay Rwf25,077 equivalent to 60 per cent of the premiums, while the Government contributes 40 per cent (Rwf16,718).

Given that the costs of fertilisers have gone up, investment-based insurance premiums are expected to rise.

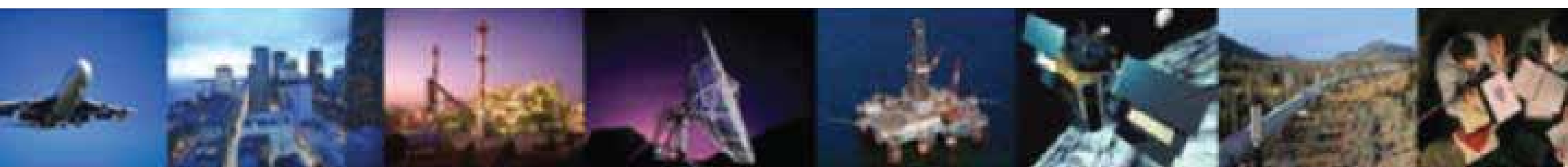
If insurance covers production, the premiums will be higher. In some cases, rice production per hectare is about five tonnes, which can be valued at about Rwf1.5 million. Insurance premiums for that can be about Rwf150,000 as risk increases. That has budget implications including raising the Government contribution and the cost to be covered by the farmer.

So far, the Government has spent over Rwf 591 million as a Government subsidy to farmers since the inception of the insurance scheme in 2019, showing statistics from the Ministry of Agriculture and Animal Resources.

More than 48,600 hectares have been insured since the scheme started, while crop farmers have got a payout of over Rwf672 million.

In addition, agriculture credits amounting to Rwf2 billion have been unlocked through the scheme.

Source - https://allafrica.com



Nigeria - Rice Farmers Get Protection With AYII

AYII is used globally to guarantee that farmers do not suffer loss, ensuring the sustainability of their agribusinesses and incomes.

The scheme is being implemented in Nigeria by Heifer International in collaboration with three other organisations; PULA, OLAM and Leadway Assurance Limited, to cover the hazard shared by most farmers in the country.

According to the Country Director of Heifer Nigeria, Area Yield Index Insurance provides rice farmers in Nigeria with an affordable way to mitigate the impacts of climate change on their businesses. Constant exposure to unreliable weather conditions, new pests and diseases, cripple farmers' businesses and discourage agribusiness financiers and investors.

According to Climate Action Digest, Nigeria is the 55th most vulnerable country to climate change and 22nd least ready. Overall, climate change is projected to cost 6% – 30% of Nigeria's GDP by 2050, translating to $100 billion – $460 billion in losses.

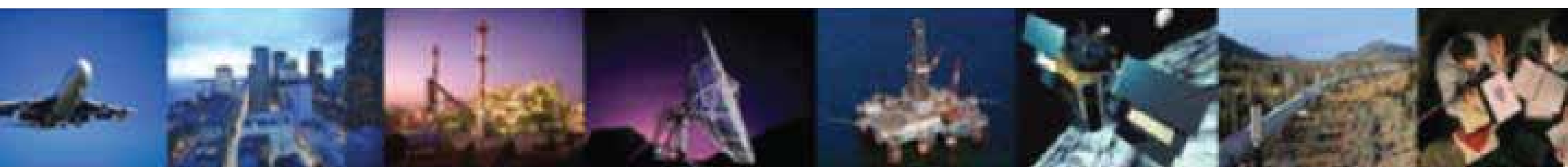
In September 2020, farmers in northern Nigeria lost more than two million tons of rice, a quarter of the country's projected harvest, due to flooding.

Nigeria's biggest rice-producing state, Kebbi, projected 2.5 million tons in 2020, but heavier than expected rainfall washed away more than 1 million tons of rice from smallholder farms.

According to research carried out by PULA in some African countries, AYII has helped smallholder farmers in countries facing climate change risks to increase their resilience to shocks, increase investment in their farms by 16%, improve yields by 56% and increase household savings by up to 170%.

Most smallholder farmers in Nigeria see insurance as a burden without any benefits. When farmers are interested, the cost can be prohibitive, as they have to pay for it at the beginning of the farming season, when their limited funds are needed for inputs and preparing the land.
Designed by PULA and supported by Heifer International, the scheme will make farmers aware of the benefits of insurance and increase coverage, attracting more financiers to the sector to improve financial resilience for millions of farmers.

The scheme is being implemented under Heifer's Signature Program "Naija Unlock", which aims to unlock Nigeria's potential for food self-sufficiency and enable one million people to reach Sustainable Living Income by 2030 through strengthening local market systems and promoting innovative agribusiness models in the rice, tomato, and poultry value chains.



Heifer’s investment in pioneering the pay-at-harvest AYII among rice farmers in Nigeria will help increase farmers’ adoption of crop insurance and stimulate sustainable private sector investment in insurance and rice production. The insurance will be pre-financed, with smart rice farmers taking up the AYII coverage and paying it back at harvest when the off-taker buys back the rice produced. Farmers that experience poor harvests can recover their investments and payback their pre-financed AYII from insurance claim pay-outs.

Already, 4,358 smallholder rice farmers in Benue and Nasarawa states have benefited from pre-financed pay-at-harvest AYII for the 2021 wet farming season, with plans to support up to 10,000 farmers next farming season, and scale up to 100,000 smallholder farmers by 2030.
Farmers that participated in the pre-financed pay-at-harvest AYII scheme during the 2021 drought, have a claim payout as a buffer for poor harvest experienced during that period.

Source - https://www.vanguardngr.com