

What is required for agricultural insurance to take off

Luwero District agriculture officer Sarah Namubiru shows the damage caused by strange caterpillars that invaded maize gardens in the district recently. Disease causing pests have killed animals and pests such as the Fall Army Worm have dried up crops. PHOTO BY DAN WANDERA



Government introduced the Uganda Insurance Agriculture Scheme for both small and large scale farmers as well as those in high risk areas. **Eronie Kamukama** shares what it will take for the scheme to work.

Agriculture is one of the most important sectors of Uganda, directly contributing 23 per cent of the national Gross Domestic Product (GDP) in 2014 according to the sector budget framework 2017/2018.

It is a major source of exports currently at \$1.3b (Shs4.5 trillion).

About 80 per cent of all households in Uganda derive their livelihood from agriculture according to the 2014 National Population and Housing Census conducted by Uganda Bureau of Statistics.

However, according to the 2016/2017 budget speech by the Finance minister Matia Kasaija, growth in agricultural output slowed to 1.3 per cent compared to 2.8 per cent in the previous year. The drop in output was attributed to "unusually prolonged droughts."

Challenges

Farmers, who are majorly small holders, operate in risky times because the sector heavily depends on rainfall. But climate patterns are unpredictable today, leaving farmers in a huge loss.

Disease causing pests have killed animals and pests such as the Fall Army Worm have dried up crops. Farmers' challenges stretch over to theft; land conflicts that have left their farms destroyed and limited access to credit especially for rural farmers who abundantly contribute to the national food basket.

Hopes of raising Uganda's economic growth lie in increasing production and productivity in agriculture and government says rolling out the Agricultural Insurance scheme across the country can salvage the situation.

The 2014 National Population and

Housing Census indicates that nearly 75 per cent of agricultural households are engaged in crop growing, while 58 per cent involved in Livestock farming.

Subsidy

Government has provided a Shs5b premium subsidy in the financial year 2017/2018 and an 18 per cent value added tax waiver on agricultural insurance products to make it affordable for more farmers.

The scheme subsidises agriculture

5b

AMOUNT OF MONEY (IN UGANDA SHILLINGS) THAT GOVERNMENT HAS PROVIDED AS A PREMIUM SUBSIDY IN THE FINANCIAL YEAR 2017/2018

Source: Ministry of Finance

HOW IT WILL WORK

Partnerships. Former minister for Agriculture Victoria Sekitoleko says institutions financing agriculture need to work with insurance providers if the sector is to register growth.

"This year, government removed tax from insurance and this has made it more affordable. But many farmers are not aware. That is why financiers should encourage their customers to take it up," she says.

Ms Sekitoleko also notes that agricultural insurance might not quickly drive production but will cultivate confidence within the agribusiness sector.

"Agriculture financiers are afraid of losing their money. So once farmers are insured, more money will go in. Farmers who are afraid of borrowing in case they mortgage their property and lose it, will have confidence and borrow knowing they are insured."

Awareness. Mr Semwogerere says there is need for aggressive awareness. "When this information is moving, it moves slowly and sometimes to target people and others are left out. Also, Shs5b is small money for every farmer to be part of it. But even if it was big, the way it has been popularised leaves a lot to be desired," he says.

Appealing products. The chief executive officer of Uganda National Farmers Federation Augustine Mwenda says the scheme is good for promoting agricultural production and will work if insurance products are appealing. He argues that the agricultural insurance will be more sustainable when the products are good, directly solve farmers' problems through compensation, making it possible for them to remain in business.

"Premiums should not be very high and should address the areas that make it difficult for farmers such as pests," Mr Mwenda says.

insurance premiums for both small and large-scale farmers. It ensures that Ugandan farmers are mainly protected against the impact of production risks since they have access to an adequate insurance cover that enables them to remain in business.

Besides farmers who directly buy agricultural insurance, according to the Agro Consortium, the premium subsidy is extended to farmers that access loans through financial institutions and this scheme acts as a catalyst to access to credit since farmers' loans are protected from the effects of losses of their crops or livestock on their overall income that season.

The insurance policy provides cover against physical loss or damage to growing crops by uncontrollable pests, diseases, drought or fire. It also provides cover for death of animals as a result of fire, lightning, floods or diseases.

Contribution

Government currently contributes 30 per cent to large scale farmers' premiums and 50 per cent to small scale farmers' premiums.

Statistics from the consortium indicate that so far, the amount of insurance cover accorded to farmers is Shs72.5b.

Unfortunately, demand is still low because of a slow sensitisation drive.

About 23,000 farmers, majority of whom are small scale farmers have taken on the scheme. However, the target was to have 50,000 farmers on board by the end of July this year.

"Sensitisation is our challenge basically because we lack the kind of resources we need to do mass awareness. What we have done so far has been funded by the government but it is not enough," Agro Consortium technical manager Daka Muntaradzi said this year in June. In addition, the consortium will not be able to meet its target because of delays in implementing the scheme.

Farmers' views

Robert Semwogerere has been a commercial farmer for 12 years in Nakawuka, Wakiso District. He grows bananas, coffee, vegetables, has fish ponds and rears cattle, pigs among other things. But he has not been able to follow up on the insurance scheme. He has reservations about the implementation of the scheme and worries that small farmers like him cannot benefit, a story he says is similar to most farmers.

"You find that the process of accessing that money is so skewed or difficult that the only people who can get that money are very big farmers who talk about mechanisation," he says.

Mr Semwogerere says he will give it a thought if the current system improves.

"I need to see those people who have benefited from it because you put your effort in something hoping that it will work and at the end of the day, you lose out," he explains.

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