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Innovative New Low-Cost Livestock Insurance Protects Dairy Cows

Farmers in Kenya's Northern Rift Valley Province Are Among the First to be Covered

ELDORET, KENYA (06 February 2012)— A low-cost livestock insurance has been launched today to protect small dairy farmers against major losses resulting from the deaths of their cattle. The scheme, developed by the Syngenta Foundation's Kilimo Salama, Tanykina Dairy Cooperative, Kenyan insurer UAP, Heifer International's East Africa Dairy Development project, and The Lundin Foundation, is the first ultra-affordable insurance available to dairy farmers in Kenya. The initiative aims to insure over 500 cows in the pilot stage during its first year and 3,000 cows in 2014. It targets small-scale farmers working with rural cooperatives.

"Livestock insurance is a critical development in Kenya's agricultural sector, considering that the livestock sector contributes over 12% of the nation's GDP. With the average value of a dairy cow standing at over 450 USD, this is a significant investment worth protecting," says James Wambugu, Managing Director of UAP Insurance.

Farmers can buy a one-year cover for 3.5% of the value of each animal. Importantly, they are also required to purchase an animal care package consisting of tick control, deworming, vaccines, and minerals. This is intended to ensure that farmers do not lose their cattle to common and preventable diseases. In a recent study in Zambia, the implementation of a similar animal care package reduced annual mortality rates dramatically, from 22% to 1.6%, as a result of a drop in preventable diseases and overall improved animal health. "Tanykina farmers are now ready to take their dairy farming business a notch higher by insuring their cows against risks, just like any serious businesspersons," says Jeremiah Ruto, manager of Tanykina Dairy Cooperative. "Many have already vaccinated their cows against East Coast Fever and are looking forward to taking the cover and its care package."

Tanykina Dairy Cooperative pre-finances the premiums and then deducts the amount owed from farmers' milk deliveries through their existing internal credit structure. The yearly cost of the premium for an average high-yielding cow valued at 40,000 Ksh (460 USD) is 1,400 Ksh (16 USD). A care package costs an average of 4,200 Ksh (48 USD), which is paid for in quarterly installments of about 1,050 Ksh (12 USD).

"Through our support of the East African Dairy Development Project, Heifer Kenya has seen Tanykina Dairy Cooperative grow from 2,299 farmers to 4,057," says Alex Kirui, Kenya country director of Heifer International. "The dairy cow insurance is an exciting development because it means dairy farmers can protect themselves against risks that threaten their livelihoods. We see tremendous potential for the cover to reach over 125,000 farmers at our 21 partner dairy cooperatives in Kenya."

At the inception of an insurance policy, each cow is issued a unique identifier and is ear tagged. Tanykina records the use of the care package and the District Veterinary Officer administers vaccines

for common diseases like Foot and Mouth and East Coast Fever. Farmers pay for the insurance premium and care package when they bring milk to a Tanykina milk collection center. The value of 4.3 liters of milk per month for a year covers the amount owed for the insurance and care package for an average high-yielding dairy cow. During the cover, if an insured cow dies, the farmer calls the Kilimo Salama helpline and a call center agent dispatches a veterinarian to verify the cause of death. The insurance payout is sent by UAP to the cooperative, which then deposits it into the farmer's local bank account.

The livestock cover is a significant next step for the Syngenta Foundation's agricultural insurance initiative, which has offered smallholders low-cost crop insurance against weather-related risks since 2009. "Last year, Kilimo Salama insured 73,000 farmers in Kenya and Rwanda", says the Syngenta Foundation's Executive Director Marco Ferroni. "We have developed the livestock cover in response to a growing number of requests from client farmers. When they accrue savings from their harvests, dairy cattle are a popular next investment, and one that we believe is just as vital to protect as crops."

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Tanykina Dairy Ltd. is a farmer-owned dairy company operating in the rich agricultural highlands of the North Rift Valley, Kenya. From an initial dairy operational quantity of about 500 liters and a single collection center, the company has grown through the ranks and currently has seven satellite milk collection centers, and processes about 30,000 liters each day, with a peak supply of 36,000 liters during the rainy season. As a company Tanykina Dairy is in the process of positioning itself strategically with the goal of producing its own processed milk so as to ensure maximum returns for the farmer. Tanykina Dairies Limited also offers the following value addition services to its member farmers; milk bulking, cooling and marketing; agro-vet services; veterinary services; Financial services (village bank); medical scheme; and animal feeds processing.

The Syngenta Foundation for Sustainable Agriculture is a non-profit organization based in Basel, Switzerland whose mission is to create value for resource-poor small farmers in developing countries through innovation in sustainable agriculture and the activation of value chains. SFSA's two-pronged approach aims to improve livelihoods by raising agricultural productivity and linking farmers to markets. The Syngenta Foundation's Kilimo Salama project is an insurance initiative that was first launched in 2009 in Kenya. Kilimo Salama is funded by SFSA and receives financial support from the IFC-led Global Index Insurance Facility (GIIF). For more information, please visit: <http://www.syngentafoundation.org/>.

UAP Insurance Company is one of the leading insurance and financial services companies in East Africa, with headquarters in Nairobi and a network of branches spread across Kenya. Regionally, UAP is the second largest insurer in Uganda and the first foreign underwriter in Southern Sudan. UAP's origins can be traced back over 80 years. UAP recognizes that to achieve leadership the company must be revolutionary, customer focused and inclusive. We continuously innovate and set the pace for the market. UAP has taken leadership in developing Agricultural Insurance product for Kenya. Currently UAP is offering indemnity based Multi Peril Crop Insurance and Livestock Insurance products to a wide range of farming communities in Kenya. UAP sees index-based insurance solutions as a promising way to offer coverage to the big number of Kenya's smallholder farmers in the future. More information on UAP Insurance can be found on <http://www.uapkenya.com>.

Heifer International's East Africa Dairy Development Project is a regional industry development program implemented by Heifer International and a consortium of partners including TechnoServe, ILRI, The World Agroforestry Center (ICRAF) and ABS TCM. The vision of success for the East Africa Dairy Development project is that the lives of 179,000 families – or approximately one million people – are transformed by doubling household dairy income by the 10th year through integrated intervention in dairy production, market access and knowledge application. Heifer International is a global nonprofit with the goal of ending poverty and hunger in a sustainable fashion. Established in 1944, Heifer International gives out gifts of livestock, seeds and trees and extensive training to those in need.

The Lundin Foundation is the philanthropic arm of the Lundin Group of Companies. The Foundation invests in high potential small- and medium-sized businesses across Africa, with a view to generating wealth and employment needed to alleviate poverty on a sustained basis. Strategic grants are deployed to provide investees with technical or managerial assistance, pilot or field-test innovative pre-commercial products or services, or to help outstanding individuals and organizations solve a critical systemic challenge.