

# New routes to smallholder prosperity

Unlocking the potential of farm insurance and finance



**Syngenta Foundation  
Conference 2018**

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## Definitions

This report uses several technical insurance terms. These are defined here as follows:

With **indemnity-based insurance**, loss assessment is based on physical farm visits. **Compensation** is the amount of loss determined. In **parametric/index insurance**, loss assessment is based on a crop agronomic model combined with a weather component such as rainfall or temperature. Weather stations or satellites provide the data.

# Introduction

Millions of the world's smallholder farmers are trapped in a vicious circle of poverty. When drought or flood destroys their crops, they face not only hunger but also poverty and debt. They are unable to afford new seed and other inputs for the next growing season.

Agriculture is a challenging business, for many reasons. Farmers large and small have to deal, for example, with volatile prices, political changes and increasing extremes of weather. Their risk management in response takes many forms. One of these is insurance, an increasingly important tool not only for large commercial farms, but also for smallholders in developing countries.

The Syngenta Foundation for Sustainable Agriculture (SFSA) works with partners to help these farmers become more professional growers, through innovation in sustainable agriculture and the activation of value chains. Insurance is a central part of this approach.

Exciting partnerships have already formed in this arena. Insurers, re-insurers, regulators, donors, aggregators, financial institutions and other parties are helping smallholders become more resilient and successful. At the same time, insurance companies are developing a large new group of clients. Digital tools continue to enable new approaches.

Over the past ten years, smallholders have begun to access newly available risk management products and services, but substantial challenges remain. A heavy dependence on grants and subsidies demonstrates the struggle for commercial sustainability in the sector, and the products remain unavailable to the vast majority of the world's 450-500 million smallholders.

These farmers play a vital role in food production. There is thus an urgent need to equip them for a future in which climate change and population increase will present growing and stubborn challenges.



# Unlocking potential

In September 2018, SFSA convened a conference entitled ***New routes to smallholder prosperity; Unlocking the potential of farm insurance and finance***. Earlier in the year, SFSA had commissioned the Initiative for Smallholder Finance (ISF) to review agriculture microinsurance for smallholders. The findings of this global landscape study formed the basis for the speeches and panel discussions.

The conference brought together well over 100 representatives of the development sector, insurance and re-insurance, regulatory and policy bodies, academia and the private sector. They gathered in Basel, Switzerland, to examine gaps and challenges in risk management, and to explore new ideas and partnerships.

This report summarizes the discussions, highlights the main avenues explored, and describes participants' points of difference and convergence resulting from experiences across the developing world.



# Bumps in the road

In his opening remarks, SFSA Director Simon Winter noted that the Foundation has been committed for ten years to developing markets for smallholder agricultural insurance. He was delighted to welcome numerous organizations that have “shared the journey from a handful of pilot schemes to a vibrant ecosystem of actors working across crops, countries and product types serving smallholders around the world”.

Winter emphasized that there is both demand from smallholders and a market opportunity for the private sector. He acknowledged, however, that challenges remain. These can threaten organizations’ willingness and ability to invest further time and resources.

The conference, Winter said, was to address these challenges by hearing “perspectives from leading thinkers, doers and supporters as we collectively continue to learn what is working, what isn’t, and how to take this industry forward”. He pointed to the ISF report as a new source of data, clarity and ideas

## Focus on farmers

Olga Speckhardt, SFSA’s Head of Global Agricultural Insurance Solutions, enlarged on this theme. She noted that insurance to protect farmers from financial catastrophe when extreme weather ruins their crops not only builds resilience. It also opens the door to broader financial services, enabling smallholders to develop their farms and move out of poverty.

It is crucial, Speckhardt said, to develop “farmer-centric solutions” with four key elements. First, small farmers must be enabled to mechanize their farms for greater productivity, Second, they must have access to financial services. They must also be able to benefit from digital technologies and from education on “when to plant, what to plant, when to harvest, how they can protect their crops, and how to access buyer markets at the right time to secure the best possible price”.

The key, according to Speckhardt, is collaboration. She urged governments, regulators, donors, financial technology companies, input providers, NGOs, foundations, researchers, microfinance institutions, insurers, reinsurers, asset managers and private investors to work as a team.

The vision and challenge for the conference, she concluded, was to “de-risk food production through innovative and affordable insurance and financial solutions in emerging countries”.



# Smallholder Solutions: What Is Offered?



“It’s exciting to see a maturing and sophisticated conversation around formalized risk management for smallholders”, declared ISF’s Matthew Shakhovskoy in his keynote speech. “The past five months of my ten years in this field”, he added, had been devoted to a study commissioned by the Syngenta Foundation for Sustainable Agriculture. The following section summarizes the report, entitled **“Protecting Growing Prosperity: Agricultural Insurance in the Developing World.”**

## Market size

There are a total of 270 million smallholder farmers across Latin America, Sub-Saharan Africa, and South and Southeast Asia alone. Fewer than 70 million have access to agricultural insurance. A few major schemes in certain countries, largely government backed, account for the majority of farmers currently covered.

There are considerable differences between regions. In Sub-Saharan Africa, less than 3% of smallholders can readily acquire protection. This gap represents a sizable market opportunity, with annual premiums of between US\$8-15 billion, and US\$60-80 billion in insured value.

## Product

Fifteen years of incremental innovation around solutions have led to around 100 product offerings for smallholders. (For definitions see Contents page)

In Latin America and Eastern Europe/Central Asia, where there is a stronger tradition of public welfare, there is a larger proportion of indemnity-based solutions. In Africa and South and Southeast Asia, ISF notes the rise of index-based solutions.

There are several drivers behind new solutions. They include social protection mandates, smallholder development and climate resilience. Very few, however, have scaled beyond small pilots.

The reasons for this are varied, but two points are worth highlighting. The first concerns distribution. ISF found that over 90% of index-based solutions are bundled with other products and services. In the vast majority of situations, this means that insurance is an enabling, rather than primary product. Sometimes it is tightly bundled with mandatory participation, sometimes part of an opt-in menu of services.

The second major factor affecting insurance scale-up is government involvement. The few solutions with significant uptake have had strong government support through premium subsidies and aggregation.

## Ecosystem view

“An ecosystem view of this market is difficult and messy”, Shakhovskoy commented. “There are multiple players, and often fundamental differences between the global and the national ones. But having looked at a number of countries, we see incredibly similar experiences playing out.”

The ISF study found a sector with great potential, but struggling to achieve the necessary scale and product-level refinements. Only these will enable smallholder insurance to graduate beyond its current dependence on donor funding.

Variation in the incentives and needs of so many actors within this market creates tension. Getting quickly to scale keeps insurers investing in the products. At the same time, however, there is a push for further product improvements to reduce the need for subsidies.

The ISF report proposes a series of ‘foundational actions’ to move the market forward.



## Governments engaged and equipped to drive the agenda

Solutions’ routes to market vary enormously between countries, depending on the position taken by the government and major insurers. Many governments are heavily involved. Globally, over 45% of the estimated US\$25 billion in agricultural insurance premiums are state-subsidized. In Spain and Italy, the proportion runs as high as 70+%. The only solutions with any significant scale in middle- and low-income countries enjoy premium subsidies of over 50%. These include China (160 million insured farmers), India (40 million) and the roughly 20’000 farmers in Kenya’s IBLI program.

As Matthew Shakhovskoy pointed out, “the first and most important thing any government can do is to get engaged”. This typically requires a senior sponsor in the Ministry of Agriculture, Finance or Planning. He or she can establish a mandate and the resources to start a pilot, and integrate agricultural insurance into government strategies and priorities. After initial engagement, governments then need ways to reduce the complexity associated with their role and decisions.

In some countries, agricultural insurance has developed primarily as a public sector market. A few para-statal agencies or private sector providers implement government programs. Examples include Spain, India and China. In other countries, such as Kenya, the government is creating an enabling environment for a more diverse market driven by the private sector.

There are opportunities here for stakeholders to contribute to a government ‘ag insurance toolkit’. This could include a handbook on solutions, together with case studies, policy analysis and other resources to guide decision-making. Best practice examples also need integrating into established platforms for government learning and policy development programs, such as those at AFRACA, ADB, AfDB, GIIF and AGRA.

## A new step-change in product effectiveness

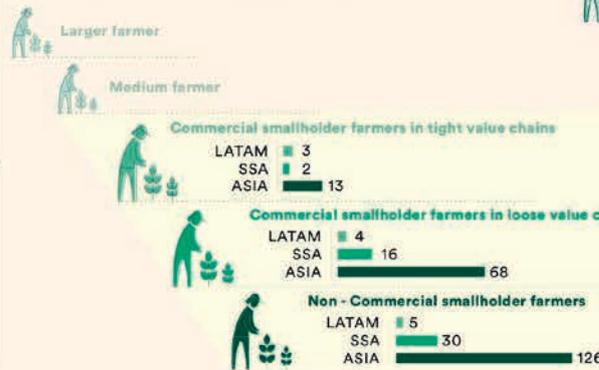
The evolution of parametric product design in the past ten years has been driven by innovations in weather stations, satellites, and risk modelling. However, the ‘cost-to-serve’ and limited scale have left most solutions commercially unviable so far.

**FIGURE 1: GLOBAL SMALLHOLDER FARMER AGRICULTURAL INSURANCE MARKET SIZING<sup>3</sup>**

**SMALLHOLDER FARMER NUMBERS**

There are a total of ~270 M smallholder farmers across Latin America, sub-Saharan Africa, and South and Southeast Asia that need agriculture insurance.

**Breakup of farmer by type (M)**



**Regional breakup of focus farmers**

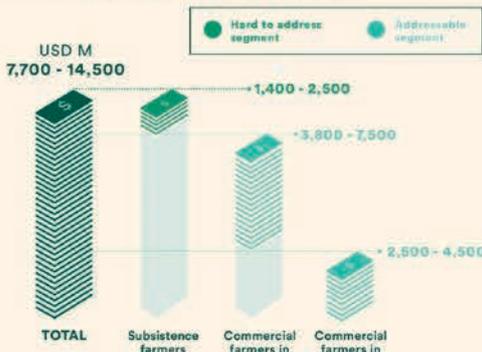


Note: China excluded from projections.

**PROJECTED NEED**

It is estimated that smallholders in developing countries require between 60-80B USD in insured value coverage, a premium value of ~8-15B USD.

**Premium volumes by farmer type**



**Regional breakdown of total premium volumes**



**CURRENT SUPPLY**

Globally in developing markets, less than 70 million farmers are estimated to have access to insurance, ~30 million of these are in India.

**Estimated farmers with access to insurance by region**



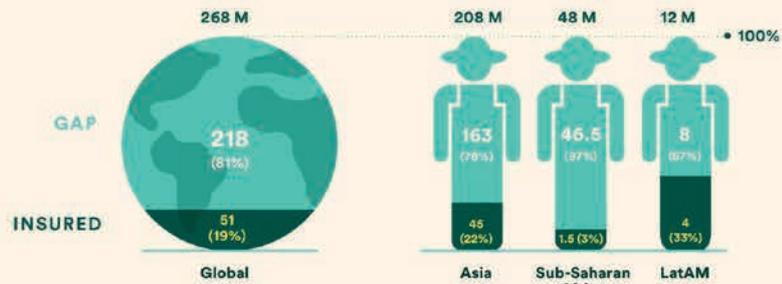
**Observations**

- India has ~40 M farmers registered in 2017-2018 for the national insurance scheme
- While other countries have tried using the India model to make insurance compulsory for farmers taking loans from state lending institutions, low penetration levels have been experienced
- LatAM with a strong history of social welfare has certain insurance schemes at scale, for example, Mexico's CADENA which insures against catastrophic risks, covers ~2.5 million farmers

**COVERAGE GAP**

Globally less than 20% of the estimated need is being provided for in the area of agricultural insurance for smallholder farmers.

**Total and regional gaps in smallholder insurance coverage across regions**



Globally, ~4 out of 5 farmers do not have access to insurance with less than 3% penetration in Sub-Saharan Africa

ISF believes that smallholder insurance probably requires another five to ten years of product, process and technology innovation to break down complexity and open up the right possibilities. Matthew Shakhovskoy and colleagues see four main categories of work: refining coverage, reducing complexity and cost, expanding the range of solutions, and refining product positioning.

Many products fail to meet farmers' needs, which naturally inhibits demand. The sector must look at new options. Possible examples include a smallholder revenue protection product, localized aggregation cover, and direct-to-farmer digital opt-in insurance.

Underpinning both product and process innovation is a strong need for continued technological innovation, to reduce complexity and cost.

Advances in satellite use and remote weather monitoring are likely to continue improving the data available. Strong demand for precision agriculture is also driving new data collection experiments. Remote sensors, drones and geo-tagged field photography, long-established in the developed world, are increasingly benefiting smallholder farming as well.

The efficient processing and transfer of information is another critical enabling technology. Applications such as blockchain, mobile money and other digital platforms to support farmer contracts and claims settlements offer considerable potential for reducing transaction costs.

Data analysis is a crucial part of the design, pricing and claims administration of any insurance product. Assembling integrated data sets and using more sophisticated analytics can greatly facilitate risk profiling, pricing and the reduction of basis risk.

Smallholder households' risk-management requirements potentially extend well beyond crops and livestock. Health, life and property insurance products can all provide an opportunity for farmers to engage more widely with formal risk and financial management. Adoption of household cover can encourage greater agricultural protection, and vice versa.

"The big opportunity here", said Shakhovskoy, "is structuring the right financing for innovation". For example, specific prototyping of new solutions requires a different type of funding to the subsequent development of a business model. 'First loss' underwriting needs a different approach to the creation of pools to reduce the risk-transfer to international re-insurers.

## Product linkages that change distribution and adoption

Shakhovskoy also sees a need for "more effective bundling and positioning within aggregator business models". Over 90% of the index-based schemes catalogued by ISF are bundled with other services. Agricultural insurance naturally complements a number of other products and services. They include input or asset loans, seed sales, extension services and forward contracts. All of these can increase smallholders' chances of a financially successful season. Providers also benefit: using existing distribution networks for bundled items helps them expand their reach and reduce costs.

However, the ISF study reveals that bundled packages are often insufficiently tailored to compensate for smallholders' limited awareness, understanding and acceptance of agricultural insurance. This is a common experience across countries, products and providers. The issue highlights the need for more innovation in bundles' development, positioning, marketing and administration.

Supporting services and products must be more effectively linked. Smallholders need integrated access to finance, technical assistance, new technologies and markets. Linking insurance products to this access is often the key to making the whole package work. With agricultural insurance, financial literacy and product education are particularly important. However, the necessary training programs are often beyond providers' expertise and resources.

'Smart' and 'connected' capital would look for the leading aggregators willing to adapt their service delivery models in a dynamic way to include tightly integrated insurance. This would be led by technical experts who, supported by technology, can develop the business models and approaches. This could be in the form of a funded work program, or within existing aggregator funding models.

In practice, however, creating the best linkages for smallholders is a local coordination challenge for donors and implementing partners. In many settings, Donor Coordination Groups have helped facilitate alignment. Their efforts can be complemented by groups such as AGRA, the Farm to Market Alliance, Financial Sector Deepening Africa and their country programs.

**Report:** [www.raflelearning.org/post/protecting-growing-prosperity-agricultural-insurance-the-developing-world](http://www.raflelearning.org/post/protecting-growing-prosperity-agricultural-insurance-the-developing-world)

## Coordinated global action

“Sitting at the intersection of so many agendas, distribution models and unique markets makes agricultural insurance a complex and continually evolving issue”, Matthew Shakhovskoy told the conference. “No single actor can possibly stay at the forefront of innovation.”

Without “consistent distillation of what has been tried, key learnings, and the activity shaping the current innovation frontier”, Shakhovskoy sees a strong danger of replicating failures rather than building on progress. Based on experience in similar markets, ISF proposes two sector-building initiatives: ‘co-opetition’ and a learning agenda.

## Facilitated ‘Co-opetition’

Insurers and intermediaries at the forefront of solution design will drive much of the innovation. A healthy degree of ‘co-opetition’ between them will accelerate market evolution. This is, at least, the case in other markets at the intersection of commercial and social interests. Facilitated data- and knowledge-sharing that quickly cross-pollinates ideas and lessons is balanced by competition for key contracts and markets.

The Council on Smallholder Agricultural Finance (CSAF) provides an example. CSAF is an international alliance of twelve leading providers of finance for smallholder organizations. They meet regularly to collaborate and learn from each other, as well as defining shared needs to communicate to funders. “Their ‘co-opetition’ has brought more clarity, sophistication, product innovation and capital efficiency to agri-business financing”, reported Shakhovskoy. There is an opportunity for an alliance of insurance innovators willing to engage in a similar way and advance the overall market.



## A global learning agenda

“This is an area in which donors are typically reticent to invest”, Shakhovskoy noted. The direct benefits can be hard to measure. However, clear opportunities exist for a multi-donor global learning agenda, he adds. Farm insurance needs “a strong industry-wide learning agenda to guide the next five to ten years”.

An example of this approach is the MasterCard Foundation’s Rural Agricultural Finance Learning Lab (RAFLL). The program is committed to a six-year learning and coordination agenda. It complements targeted deep dives with regular ‘State of the Sector’ reports. These provide an important clearinghouse process for learning across the entire portfolio. RAFLL has become a powerful catalyst for collaboration and debate in digital finance.

Shakhovskoy concluded by saying: “A single actor cannot move the market for smallholder insurance. It requires the commitment, investment and innovative thinking of us all. I believe that it is entirely possible to create a socially significant and profitable insurance market for the millions of smallholders who need risk protection.”





# Panel discussion on the international perspective: insurance markets and scale

**Panel:** Peter Veal, Syngenta; Thuang Han, Myanmar Insurance Association; Marc Tison, Zing Group; M. K. Poddar, Agriculture Insurance Co. of India

**Moderator:** John Atkin, SFSA Board

There are multiple challenges to taking the smallholder insurance market to scale. Smallholders themselves often struggle to understand and trust the products. Aggregators need to invest considerable time and effort in farmer education, as well as in complex claims and settlement processes.

Intermediaries who design and support the delivery of micro-insurance products are often ill-equipped for the size and complexity of the task. Even when local insurers are keen to enter the market, they often lack the necessary experience or capacity. They are unable to support the full level of sales customization and claims processing required. Global re-insurers, meanwhile, struggle with the small volumes and complex nature of claims.

Introducing this panel session, John Atkin identified complexity in product design, aggregation and delivery as challenges for the sector. He invited panelists to consider “whether current models mean we are insuring bad farmers or unlucky ones”, and whether this distinction matters.

## Farmers’ business sustainability is crucial for insurance uptake and long-term success

Peter Veal said that, as the engine room of African farm productivity and profit, smallholders need technology. Insurance is therefore an imperative. He believes that 85-90% are good farmers. They would nonetheless greatly benefit from education in improved practices to make their businesses sustainable, including insurance. Veal describes their requirements as “the five A’s”: Aggregation to keep costs down over small numbers in large areas, Awareness of improved farming practices, Availability and Affordability of inputs, and Access to markets.

Trusted existing distribution channels provide an important route to smallholders. Veal sees the possibility of selling insurance products via farmer organizations. “Loans to buy inputs or improve farms should always be attached to insurance”, he stressed. Veal called for further efforts to find the right balance between a level of profitability that encourages more insurance companies to enter the market, and the cost of cover that small farmers can afford.

Thuang Han described the nascent smallholder insurance sector in Myanmar. The recently established Myanmar Professional Insurance Association aims to develop the industry and its employees. The association is currently developing weather index-based products in partnership with the World Bank, SFSA and others. “A crucial element is gap analysis to understand the needs of the rural poor”, Thuang emphasized. “Up till now, microfinance has been their only form of social protection.”



## Technology reduces transaction costs; digital delivery is crucial for scale-up

Marc Tison is the founder of the southern African digital insurance, banking and mobile money pioneers Zing. He said a new vision was needed for the small-holder sector. Tison sees every farmer as a potential entrepreneur. “What if small farmers could contribute 20% of agricultural output?” he asked. With this as a goal, donors could plan their interventions and deploy appropriate technology such as tractors and other aids to productivity. He cited ORUP, an NGO teaching modern farming methods in Zimbabwe. The organization has also established centralized depots to supply mechanization to small farmers.

Digital technology can give farmers low-cost access to insurance and banking. Tison argued that it should be offered free of charge, to ignite interest and build a base from which to expand product offerings. It is crucial, he added, to understand economic behavior among poor farmers. One can then develop formal lending processes that meet their needs, and steer smallholders away from informal lenders whose practices simply entrench poverty.

Digital ‘champions’ who help and encourage others to get on board could play a role here, Tison believes. He acknowledged, however, that work remains to be done on digital capability and actuarial requirements. Matching the two helps provide an accessible and affordable offer to farmers. Digital technology can also play an important role in farmer education. Mobile games and apps can teach accounting and budgeting, for example.

The power of aggregation has been vital for Zing’s ability to attract over four million customers. Aggregation both reduces customer costs and makes multiple low-value risk mitigation policies viable in vast and remote areas. Technology has, for example, enabled Zing to reduce management and distribution costs of its term life business to 10%. The industry average is 17%. The company employs people in its call centers, but almost all other processes are automated.

## Subsidies alone are not enough, but smart subsidies help with scale-up

Uptake of insurance in India has been low, despite heavy government subsidies. According to M.K. Poddar, this shows farmers exercising their right to choose. However, barriers to uptake included ‘arrogance’, when farmers decide they don’t need insurance and do not want to pay for it. There is a general lack of awareness and understanding of insurance products. Farmers also want reassurance that a payout will be triggered if their crop fails, regardless of what else has happened in the area. All this highlights the need for ‘last mile’ education and distribution.

Some Indian smallholders’ dissatisfaction with area index-based insurance contributed to the growth of weather index-based products, said Poddar – despite the absence of a dense network of good weather stations.

He stresses the need to create ‘pull’ by improving farmers’ financial literacy, rather than ‘pushing’ unsuitable products. Tailoring insurance to local needs is vital, as is education. If farmers understand that insurance can give them access to loans to invest in their farms, for example, enrolment will increase.

Marc Tison agreed that ways must be found of promoting the productive case for insurance rather than simply the protective. ‘Embedded insurance’, such as for seeds, allows farmers to experience how insurance works, and its value. Uptake will follow.

Insurance can also incentivize changes in farming practices. India, for example, made cover for more nutritious and profitable vegetable crops cheaper than for cereals. By the same token, said Peter Veal, products must also respond to changing practices. Premiums should fall when farmers start to use better inputs and techniques. Accessing and using such information will require Big Data capacity and extensive analytical ability.

Different countries have had varying experiences with government subsidies. They had not worked in Yemen, the conference heard. However, M.K. Poddar said that Indian farmers could not afford the full cost of premiums, and “feel that government should have some skin in the game”. Thaug Han added that, when catastrophe strikes, governments are forced to divert resources from elsewhere, so insurance is in everybody’s interest.



# Panel discussion on connecting markets and creating the game changers: an ecosystem view

**Panel:** *Dan Zook, Initiative for Smallholder Finance; Reto Schnarwiler, Swiss Re; Roberto Akyuwen, Indonesia Financial Services Authority; Nasser B. Al-Kahtani, AgFund*

**Moderator:** *Olga Speckhardt, SFSA*

‘Co-opetition’ – the harnessing of knowledge, experience, data and ideas of multiple actors to advance their common goal of scaling up smallholder insurance – was a recurring theme at the conference.

An important component of this ‘competitive cooperation’ is connecting markets. This applies not only geographically, but also in terms of finance and products, education and training, and at government and policy level.

How to achieve this in practice was the topic of Olga Speckhardt’s panel.

## Insurance can learn from co-opetition approaches in agri-finance

Dan Zook asserted that governments are the key enablers in all countries. He stressed, however, that there is no 'one size fits all' formula for success. Some countries put government involvement at the center of farmer insurance, through subsidies. India is a leading example. Others, such as Kenya, focus on creating an enabling policy environment for the private sector.

One of the challenges to advancing knowledge and experience, Zook added, is the cyclical nature of agriculture. At most, there are usually only two opportunities per year to test new products and approaches. Patience is required, therefore, but the intervals also create time for cooperation, sharing and collaboration. Platforms for such 'co-opetition' can be 'horizontal' or 'vertical'. An example of the former is Grow Africa, which brings together organizations in the same area of work to learn from one another and build partnerships. The FAO and IFC take a vertical approach.

Organizations trying to match products and approaches to farmer needs, warned Reto Schnarwiler, have to check they are asking the right questions. "The biggest challenge to a globally harmonized approach to both product design and delivery", he continued, "is that agriculture is complex, labor-intensive and highly local in terms of weather and practices." Workable solutions must therefore also be local. Farmers have coping mechanisms that help mitigate risk, often centered on social cohesion.

The quest for ways to transfer risk to insurers and reinsurers will always be complex, Schnarwiler anticipates. More research is needed to find value chain models that work, and to increase scale and efficiency. "It is not viable to have twenty or more channels talking to farmers", he pointed out. "We can all only meet their needs by developing a unified, trusted source of information and services."

Partnerships must aim to reduce complexity, not increase it. Technology has proved its value in reducing the cost of delivering services, in credit scoring and algorithms, and in delivering information to farmers. "It can also play a role in empowering farmers to contribute to the development of their countries", Schnarwiler added.



## Public sector coordination

Regulators play a central role in insurance systems. They can either support or restrict the sector's emergence. To support agriculture and small farmers, close coordination is necessary between regulators of banking, insurance or ICT and the relevant Ministries.

Roberto Akyuwen described Indonesia's "vigorous and crowded financial landscape". The archipelago has some 118 commercial banks, 27 regional development banks, 1609 rural banks, about 637,800 microfinance institutions and 1047 non-bank financial institutions, including 114 insurance companies. To make such a complex sector work for smallholders, implementers have to understand the full value chain from product design to delivery.

Developing customized products that work in local conditions is costly and complicated. No single organization could therefore do it all, argued Akyuwen. Partners must focus on collaborating for synergies, capacity-building, products and licensing.

“We are willing and eager to team up to develop an enabling landscape, and to incentivize financial institutions to engage in this sector”, Akyuwen declared. “But implementing and upscaling are the role of actors such as the Syngenta Foundation”. He urged conference participants to “choose your partners and do it!”

Only cooperation can solve complexity in financial and social interventions. A platform for regulators and governments to share experiences could be transformative. Together they could speedily implement proven policy solutions, and replicate good solutions internationally.

## Donors must coordinate initiatives to consolidate effort

The microfinance banks established by AGFUND have broken the mold of financial services for the poor, claimed Nasser B. Al-Kahtani. They offer savings and insurance as well as loans. This year they will distribute more than US\$100 million in parts of Africa and the Middle East, helped by 5000 agents and 100,000 customers with electronic accounts.

Financially excluded citizens need insurance to access loans that will help them start businesses, Al-Kahtani told the conference. AGFUND banks help 20,000 farmers in Sudan, for example; with insurance,

this could grow to 100,000. All AGFUND projects are partnerships. “The key elements for success are clear vision and good leadership”, Al-Kahtani explained. He sees a role for both formal and informal partnerships, but believes that global platforms can increase complexity and make it harder to find a common denominator. “To build the smallholder insurance sector, the focus should instead be on building a coalition of the willing with a shared vision.” Roles and responsibilities must be clear, and milestones agreed.

In the ensuing discussion, Ashok Shah of APA Insurance described how they had developed a Kenyan Insurers’ Forum with the World Bank, to support innovation in agricultural insurance. Challenges in the sector, he opined, include dealing with government agencies, where issues of governance and premium-setting sometimes inhibit progress. Such hurdles strengthen the case for greater cooperation along the value chain: “To achieve our goals, we need a united front”.

With reference to ‘co-opetition’, Dan Zook reminded the audience of important legal and compliance obstacles. Specialist lawyers need to establish the ground rules. Equally important, he said, is that partners get to know one another and establish a positive working environment through some quick wins. Once trust has developed, they can then move on to more complex issues.



# Additional panel perspectives

Other panels discussed further issues relating to farmer insurance. Here we summarize some of their main insights.

In a session entitled ***The provider perspective: supporting the distribution of integrated solutions***, Junho Hyun-Sack of One Acre Fund said there needed to be a renewed commitment to R&D to generate, pilot and test solutions with farmers. There is, he said, a duty to ensure farmers' full understanding of the implications of financial risk mitigation. This means that farmers must be addressed in a language and context they understand, even at the product design stage. The insurance sector must take time to understand smallholders' needs and preferences, and what other risk mitigation measures might already be in place, for example of a social nature.

Lack of demand from farmers for crop insurance, even when they recognize the risks, remains an issue. Hyun-Sack believes that bundling financial and non-financial risk mitigation tools, and tailoring core offerings to local needs, will help build the market.

Erik Chavez of Imperial College, London, echoed the need for farmer-centric innovation. He discussed risk-sharing index contracts and methods to encourage banks to engage with smallholders. To expand the market, he urged "a shift in thinking from weather indexes to risk-sharing business solutions".

*Farmers must be at the center of product innovation.*

Mark Rüegg of Celsius Solutions said that processes – and their observance by all parties – are vital for trust. He cited the example of mandatory data not being collected when policies were sold, which then made claims administration extremely difficult. Everyone in the value chain must understand the importance of these issues.

Rahab Kariuki of East African product developers, brokers and advisers ACRE Africa said that farmers often struggle to understand complex products. She urged providers to design policies that reflect the reality and patterns of farmers' lives. This involves, for example, making premiums payable in stages, and building trust by settling claims by a given date.

"Quality is a hidden trait in insurance just as in seeds", agreed Michael Carter of UC Davis, California. Poor farmers have multiple reasons not to trust people trying to part them from their money for 'invisible' future benefits. Products should be simple, relevant, and constantly refined in the face of improving data, he underscored.

*Agricultural insurance requires trust. The industry needs common guidelines on product design and knowledge sharing.*

A further panel discussed ***The local perspective: regulation, distribution and facilitators***. Participants stressed repeatedly that farmers must be viewed as entrepreneurs. This helps encourage rural young people to stay working locally rather than sell their land. Financial education and risk mitigation play a key role. Solutions may be similar across the insurance arena, but it is vital to tailor products to local conditions. Farmers, aggregators and local conditions determine what cover is needed, listed Dan Osgood of Columbia University, New York. Using local expertise to develop products unlocks value, but needs resources and effort.

*Farmers must be viewed as business people and entrepreneurs.*

Jakub Nugraha of ACA Insurance of Indonesia spoke about agriculture's high intrinsic risk making private companies reluctant to engage, and so necessitating strong state involvement. Working closely with the Syngenta Foundation, however, he had helped to convince the Indonesian regulator that the private sector had a role to play and could be a trusted partner.

Ashok Shah (see above) said that work with the MasterCard Foundation and reinsurers had shown that aggregators are the most appropriate and trusted players in ensuring farmers understand insurance products.

*'Think global, act local': though similar internationally, solutions must be tailored to each country.*

Leesa Schrader is Program Director of the AgriFin Accelerate Program at Mercy Corps. She emphasized the central role of government and regulator support in creating a facilitating environment for market growth. For educating farmers, Schrader urged creative use of digital technology, for example, with WhatsApp videos. Tanvir Rahman Dhaly of Bangladesh's social investment, microfinance and knowledge hub BRAC agreed. Literacy and numeracy skills remain low in Bangladesh, but 30 million people had learned to use mobile banking because it met a need. Highly motivated, they quickly understood its value in reducing costs and speeding up service.

He stressed that constant product innovation is essential, and cited the example of local yield index cover. This had been sparked by farmers unhappy with the 30km radius of the weather station on which their index policies were based. They argued that conditions could vary considerably in such an area. For yield index cover, farmers and insurers agree on the typical yield of a specific area; payment is triggered if yield drops below 80%. The farmers involved felt this was intrinsically fairer and more responsive to their individual circumstances. Its success nonetheless depends on aggregators, government agencies, farmers and insurance companies working in partnership.



*Government and regulator support is crucial for facilitating partnerships with aggregators as farmers' first contact*

Partnership is also essential for changing people's mindsets, Rahman Dhaly added. Microfinance had taken off because of traditional banks' inability to understand and service the sector. Many insurance companies are still handicapped by their conventional view of agents and premiums, etc. Putting the needs of poor farmers at the center of product design is imperative.

*New thinking is required to build this market. Insurers must free themselves from traditional business models.*

# Conclusion and outlook

## **In the closing session, SFSA Director Simon Winter reflected on the discussions, key messages and insights.**

He began by summarizing the need to work with farmers to help understand their vision for themselves. This would necessarily be a local task, he said. It was, however, central to answering the burning question of how the risk mitigation business could help them achieve their vision, equipping them to deal with shocks and hazards, especially climate change. “Only by doing this”, Winter declared, “can we meet farmers’ needs, establish a business model that works for all parties, and enable scale-up of successful risk management approaches.”

Understanding the ‘local vision’ also helps to use risk management tools to incentivize changes that enable farmers to achieve their goals. Such changes include adopting technology, crop rotation and diversification to improve soil health, nutrition and income. As farmers become more successful, insurance – as the final link in a risk management chain – should become more affordable.

The wider task, Winter continued, is to encourage all value chain players to integrate risk management in their work, and provoke farmers and their business partners to change certain behaviors. Data tools and technologies support this process. “Technology must be harnessed to build understanding of which products work where, and why”, he added. A product guide or toolkit would be a valuable output of every ‘co-opetitive’ process.

Building and maintaining trust depends heavily on efficient claims-handling and payouts. Trust stimulates demand. However, further comparison is required between bundled insurance products and a choice of separate items. The role of regulators also remains crucial. Winter proposed a forum for “sharing what works and what doesn’t”. Discussion topics there would include how to catalyze the sector as well as smart use of policy tools like subsidies.

Summarizing what is needed to move forward, Simon Winter reiterated the vital importance of innovation. “This can be aided in many ways”, he said, “including co-opetition, greater local understanding, improved use of digital technology and product diversification”. A central challenge is to frame ‘co-opetitive’ spaces that are both legal and genuinely conducive to progress.

More competition in the market is to be encouraged, Winter went on. Commercial rivalry generates innovation and progress. The current overriding need, however, is for more data. Enhanced research and development will help identify risk, diversify products and create better value chains. Creative use of technology could help price specific cover in specific contexts, to lower the enduring stumbling-block of basis risk.

Further topics for exploration include better communication and benchmarking, minimum quality standards, improved business cases along the value chain, and how to attract, enhance and retain talent in the sector.

Closing the conference, Simon Winter urged all participants: “Keep talking. Be a leader. Be the change. Build partnerships, and a Coalition of the Willing. Work on centralizing data, and on building new pools of capital to strengthen systems. Co-creation and co-opetition are the way to achieve the goal of improving the lives of the world’s poor.”

Text: Susanne Morrell & Paul Castle  
 Photos: Emerson Vigoureux  
 Design: André Hasse, iPixel  
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Agenda

Time	Activity
09:00 - 09:30	Registration
09:30 - 10:00	Keynote: [Name]
10:00 - 10:30	Break
10:30 - 11:00	Panel: [Topic]
11:00 - 11:30	Workshop: [Topic]
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# Do unusual teams breed rural billionaires?

## Pre-event speaker seeds some ideas

**On the eve of the conference, the Syngenta Foundation organized a preparatory meeting for speakers and panelists. Rutger Groot of East-West Seed gave the address. Here is an adapted version.**



Akin Adesina is President of the African Development Bank. In 2017, he won the World Food Prize. He claims that “the next generation of billionaires in Africa will be farmers.” How on earth is that going to happen?

Everybody in this room shares a commitment towards a better world, and to achieving the Sustainable Development Goals (SDGs). To feed nine billion people soon, the world needs to strengthen agriculture globally. Smallholders play a crucial role. Lifting them up will require a huge effort, much too big for any sector alone. To achieve SDG2, Zero Hunger, collaboration is essential.

One of our staff recently met a Nigerian smallholder. Musa M. has been growing chilies for 30 years. He never buys new seeds. Although his plants are diseased and harvests small, Musa always just saved some seed for the next year. He had also never heard of simple agronomic practices that improve other farmers’ productivity. His chili yield has been just one-tenth of what it would be in Indonesia, for example.

Sadly, Musa is not alone. His story is a frequent one. We are trying to change it, with better seeds and agricultural education. Both contribute to risk management, as does insurance. And a big question in smallholder farming is how to shift the burden of risk away from their shoulders. Insurance, financing and other forms of risk mitigation are highly important. But they can also be challenging, and need careful explaining.

To address hunger and poverty, we have to help unlock smallholders’ potential. Agricultural extension is one precondition. My company believes that it goes hand-in-hand with better seeds. The example of Indonesia shows how valuable the combination can be. Twenty-five years ago, the country’s seed market was worth US\$20 million; now it’s worth US\$200 million. ‘Farm gate’ produce sales amount to US\$3-4 billion. Knowledge brings exponential value to farmers.

Our company aligns its business objectives with social and economic development. But we know we cannot go it alone. To reach millions of smallholders, we need partnerships. Some of the alliances will be unusual. NGOs, research institutes, donors, private companies and others all need to build new bridges.

Governments should focus on the enabling environment. This includes solid legal frameworks, good logistics and open borders. Private enterprise must work on *market* development rather than business development, with a long-term horizon on profitability. Donors must be open to contributing to companies’ initiatives. Banks must fund rural microfinance institutions. NGOs should forge new links, and organize programs on financial literacy and market access.

And it all needs to happen now. Today!



