



NEWS STORY

Project on Integrated Seed Sector Development in Ethiopia
ISSD Oromia (East) project unit

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Piloting crop and/or seed insurance envisaged the sustainability of Local Seed Business

Background

Climate change hit hard to smallholder producers including seed producer's cooperatives (SPCs). They may cause heavy losses to farmers and producers. The 2014 immense decline of seed production trends of Ethiopian seed producers' cooperatives due to El Nino demonstrate this ground. In the face of climate change, piloting diversified adaptation techniques, including crop and/or seed insurance, is one of the coping strategy that is helping to reduce the vulnerability of seed producers' who are totally dependent on erratic rainfall and thereby ensures the sustainability of local seed business. Before I bring the reader to the aim of this piece, I walk you with some concepts and modalities of crop insurance.

Concepts and modalities of crop insurance

Selecting crop insurance is an important operational decision. Crop insurance is purchased by agricultural producers, including farmers, ranchers and others to protect against either the loss of their crops due to natural disasters, or the loss of revenue due to declines in the prices of agricultural commodities. There are three major types of crop insurance: multiple peril crop insurance (MPCI), crop-hail insurance and Crop revenue insurance.

Multiple peril crop insurance (MPCI)

MPCI covers crop losses, including lower yields, caused by natural events, such as destructive weather (hail, frost, and damaging wind), disease, drought, fire, flooding, and insect damage. MPCI protects farmers from financial loss by allowing them to insure a portion of their crop (based on historical yield data) against a wide variety of crop failures, including weather, wildfire, disease and more. MPCI policies must be purchased each growing season by deadlines established by the insurer and before a crop is planted i.e. before a farmer knows what the season will hold. If damage occurs early enough in the growing season, the policy may include incentives to replant-or penalties for not doing do. MPCI is one of the most commonly applied in developing countries. It is this insurance mechanism SPCs in west Hararghe was adopted.

Crop-hail insurance

In areas of the country where hail is a frequent event, farmers often purchase crop-hail policies to protect high-yielding crops. This Crop Insurance Program are solely sold by private insurers and regulated by state insurance departments. Many farmers purchase crop-hail coverage as a supplement to MPCI. Crop-hail policies often have a low or even no deductible. Because, unlike drought or blight, hail can completely destroy a portion of crops in one area of a farm but leave other crops undamaged, a hail claim may be less than the

amount of the deductible on an MPCCI policy. Due to its limitations, this insurance is purchased much less frequently than MPCCI. Unlike MPCCI, crop-hail insurance can be purchased at any point in the growing season.

Crop revenue insurance

Farmers can also purchase crop revenue insurance, which helps farmers in years when crops have a low yield and/or the price of the crop is low. The amount that an insurer will pay reflects how much lower a year's revenues are compared to previous years' earnings. This insurance helps farmers protect their earnings against drastic swings in crop prices, regardless of the cause.

The story

In 2018, the rains did not fall as expected during the rainy season in some parts of eastern Ethiopia including Daro Gora SPC in Ancher woreda, WEST Hararghe zone. The drought that followed affected SPC members and hundreds of the farmers partially lost their crops and harvested below normal average. Chercher Odabultum Farmers' Cooperative Unions (COBFCU) were well aware of the threat of climate change posed to seed business in advance and made an agreement with the Oromia insurance company (OIC) based on Multiple peril crop insurance (MPCCI). The agreement was made in 2017 for three SPCs (Daro Gora, Milkessa Lafto Goba and Misoma Gudina) with a capita worthy of 450,000 Birr to claim nine million recoveries provided that complete loss happened in a year.



Daro Gora SPC were the first to collect claim payment worth of about 900,000 Birr for a partial claim of 40% crop failure on 80 ha of covered by quality seed. A total of 420 SPC members who directly affected were received claims payment from Oromia Insurance Company. The minimum and maximum payment benefits for individual farmers were 1700 and 7,775 Birr respectively. Farmers who benefited from this pilot insurance scheme were expressed commitment to keep their seed business.

"I never thought insurance was available for farmers and crops, Father of eight Kebede Ogecho, Daro Gora SPC members in Guba Koricha said during claims payment ceremony organized for their SPC. In the earlier Kebedes' crops were used to fail several times due to drought. Now that challenge became avoided through insurance scheme the Chercher Odabultum union facilitated for him. We thank union for facilitating such great work. This initiative created motivation among members and non-members to invest more in seed production".



Generally, the approach found to be successfully sustaining local seed business and it is Iso scalable. The stakeholders supporting SPCs in the areas of marginal agricultural environment need to adopt the approach.