

Agricultural Insurance as a Means to Improve Agriculture and Sustainable Development

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ABSTRACT

This paper is on agricultural insurance as a means to improve agriculture and sustainable development. The objectives of the studies are to identify the importance of Agricultural Insurance in Nigeria, to examine the problems that militate against agricultural insurance and to find out ways you can meet sustainable development goals. The methodology adopted is exploratory and past literatures were reviewed i.e. secondary sources. The study discovered that Agricultural insurance is important in areas of protection and compensation of losses to farmers, enhancing agricultural credits, stabilization production and income to farmers' reduction of unemployment etc. The problems militating Agricultural insurance are lack of adequate infrastructure, basic insurance data, limited financial resources of the insurers, low level of trained personnel etc. Insurance can meet the sustainable development goal by helping to end poverty, hunger, food security, healthy living and combating of climate change. The study recommended that government and stakeholders should encourage education and training in insurance and increase in the capital base of Nigeria Agricultural Insurance Corporation.

Keywords: Agriculture, Insurance, Sustainable, Development, Farmers.

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1. INTRODUCTION

Agriculture entails the activities of farming that involves crop and livestock production. In its broadest sense, agriculture comprises the range of technologies associated with the production of useful products from plants and animals including soil cultivation, crop and livestock management and the activities of processing and marketing. The term agricultural business has been called to include all the technologies that mesh in the total inputs and outputs of the farming sector. In this light, agriculture encompasses the whole range of economic activities involved in manufacturing and distributing the inputs used in farming. The farm productions of crops, animal and animal products. The processing of these materials into finished products and the provision of products, at a time and place demand by consumers (Allen, 2000). Agriculture remains an important economic sector in many developing countries. It is a source of growth and a potential source of investment opportunities for private sector (Nnadi, Chikere, Echetama, Ihenacho, umannakwe and Utazi, 2013). Two-thirds of the world's agricultural value added is estimated to be created in developing countries (World Bank 2008). Agriculture encompasses a wide variety of specialties and techniques, including ways to expand the lands suitable for plant raising, by digging water-channels and other forms of irrigation. Cultivation of crops on arable land and personal herding of livestock on range agriculture. (Epetimehin, 2014).

Agricultural Insurance is designed to provide cover for financial losses incurred due to reduction in expected output from agricultural products. The business of agricultural insurance is as dynamic as technology and farmers demand change, the scheme has to amend their operation on a constant basis (Odika, 2013). It is popular that agricultural insurance scheme in the third world should be government owned. Any country wishing to stand such schemes should begin with few crops and livestock in carefully selected regions where condition for their productions is optimum. (Odika, 2013). Sustained growth and significant poverty reduction over the recent two decades have made some African country success story for example Ghana and Nigeria. Many factors have contributed to this impressive performance including improvements in policies and the investment climate, increases in investments and aid in flows and favorable world commodities prices (Bogetic et al. 2007; Mckay and Aryeetey 2004)

1.1 Objectives of the Study

The main objective of the study is to examine the role of Agricultural insurance in enhancing agricultural development and sustainable development. Other objectives include the following:

1. To examine the importance of Agricultural insurance scheme in Nigeria
2. To identify the problems militating against Agricultural insurance in Nigeria
3. To find out ways Agricultural insurance tries to meet the sustainable development goals.

2. CONCEPTUAL REVIEW OF LITERATURE

2.1 Meaning and Definition of Agricultural Insurance

In general, insurance is a form of risk management used to edge against a contingent loss. It is the equitable transfer of a risk of loss from one entity to another in exchange for a premium or a guaranteed and quantifiable small loss to prevent a large and possibly devastating loss (Nnadi et al 2013). Agricultural insurance is a valuable business risk management tool that provides farmers with financial protection against production losses caused by natural perils such as drought, excessive moisture, hail frost, wind and wild life. Agricultural insurance is designed to provide covers for financial losses incurred due to reduction in expected outputs from agricultural products. The major products are crops, livestock, fisheries and forestry (Nnadi et al 2013). Crop insurance and livestock insurance provide the two broad categories for which commercial insurance covers are designed because of the complexities brought to agricultural ventures due to mechanization. A broad range of traditional policies namely personal accident insurance, fire insurance, vehicles insurance, plant and machinery insurance and public liability covers are made essential as parts of a comprehensive agricultural insurance package (Iturrioz 2009). Agricultural insurance policies protect the farmers against these unforeseen circumstances by way of indemnification. It serves as security as indemnification for financial losses suffered by farmers from damages to their products will provide funds for replacement (Nnadi et al 2003).

Agricultural insurance is a formal system for redistributing among participating members the monetary cost of unexpected losses by few farmers. It may be described as a collective system for reducing economic uncertainties that are associated with investment in agriculture (Odo 2003).

2.2 Historical Background of Agricultural Insurance In Nigeria

Agricultural insurance as an alternative for risk management actually started as crop hail insurance in Europe more than 100 years ago and spread to the United State of America (USA) at the beginning of the century. It has since been embraced by a lot of developed and developing countries such as USA, Canada, Japan, Mexico, Brazil, Bolivia, Coastarica, Panama, Mauritius, India, Austria Iran, Zambia, Phillipine, Chile, Jamaica, Egypt, Cyprus, Sweden, Bangladesh and Venezuela with degree of successes and failures respectively (Nnadi et al 2013). In Nigeria, the idea of an insurance scheme for Nigeria farmers was first mooted in 1978 by the Agricultural Credit Guarantee Scheme Fund of the central bank of Nigeria following internal deliberation on the strategies for operating an effective farm credit delivery system.

Many meeting and communities were set up for the modalities for Agricultural Insurance Scheme National Insurance Corporation of Nigeria, National Cooperation Insurance Society of Nigeria ITD and Niger Insurance were known to have initiated agricultural insurance scheme on a limited commercial scale. Similarly, some Banks such as the United Bank for Africa (UBA) and Union Bank of Nigeria (UBN) which are actively involved in the provision of credit facilities to the agricultural sector have had to request loan applicant to insure their live. The life assurance policies were then used as a collateral to secure such loans (odika 2013).

The former president and commander in chief of the Nigeria armed forces, General Ibrahim Babangida (rtd) formerly launched the Nigeria Agricultural Insurance Company (NAIC) jointly with the Small Holder Scheme (SHS) on December 15 1987 at Kaduna. NAIC is to implement the Nigeria Agricultural Insurance Scheme (NAIS) in line with the implementation committees. Barely Twenty-Five (25) years of implementing NAIS the scheme is solidly on the ground spreading its tentacles into the rural areas and providing succession to the victims of agricultural losses. It has also helped in loan repayment and default risks which have substantially increase agricultural financing

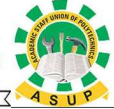
2.3 Types of Policies Available for Agricultural Risk

According to the work of (Odo, 2003), he explained that the farmers need policies such as the ones highlighted below and not limited to that:

- Whole life assurance-this covers the risk of death.
- Employees liability insurance- this covers employee against injury diseases or accident in the course of employment
- Product liability insurance- as a producer of crops and animals, the farmer may be held liable in for the defect that may be inherent in agricultural products supplied to consumers.
- Public liability insurance- a farmer should naturally provide safe environment to the visitors and residents of the areas where he operates, and failure to do this will lead to liability.
- Crop insurance- it can be insured on specific risk or combined risk, all risk and single crops or combined crop specific risk combined risk.
- Livestock insurance- this covers the named animal against death from diseases or Accident.
- Goods in transit insurance- this policy covers for possible loss to farmers produce as a result of accident while transporting from farm produce to and fro point of sale, or for deliveries.
- Cash in transit- this covers farmer from risk of losing his money while in transit to or from bank
- Fidelity guarantee- this policy covers final losses from employees entrusted with cash and goods as a result of embezzlement and misappropriation
- Farm building and contents- This covers damage to the building and its various content within the farm of the insured as a result of strike, flood, earthquake among others and it can be covered under fire and special perils

2.4 Other Agricultural Insurance Products

1. **Poultry insurance** - This covers broilers, cockerels, turkey, parent stock and grandparents stock. The risks insured against are death or injuries duo to accident, diseases outbreak, fire, lightening and flood.
2. **Cattle insurance** - This covers dairy cattle, work bulls and breeding bull, bull calves, heifer and taltners (beef cattle). Exotic breeds of cattle cross breeds
3. **Swine (piggery) insurance** - This covers boars, sows and piglets of risk of death due to disease or accident, flood and fire (Odika 2015)
4. Sheep, Goat and Rabbit sheep and goats have adaptive capacities to survive and produce, in difficult environments be they and high attitude or extremely cold,
5. **Dogs and horse insurance:** Dogs and Horse are not subsidized by the government. The main risk in horse and dog insurance are death or injury due to accident disease, illness, fire, stormy, flood and lighting.



6. **Fishery insurance:** This covers all kinds of aquatic resources potentially useful to man.

2.5 The Importance Of Agricultural Insurance

- i. **Provision of Protection and Compensation:** Agricultural insurance provides protection against agricultural and associated losses to farmers.
- ii. **Support to agricultural credit:** Agricultural insurance provide additional collateral to secure loan agreement. Farmers can form cooperative society and obtain farming loans using agricultural insurance policy as security.
- iii. **Reduce level of unemployment:** farmers who lose their investment as a result of insured perils will be restored to their business thereby making them not be unemployed. Also, many young graduates are encouraged agriculture because of level of protection and possibility of obtaining loan. Through these ways unemployed are reduced.
- iv. **Promotion and stabilization of production and income of farmers:** This is possible through indemnification and compensation for losses.
- v. Help to reduce the flow of federal and state government grants to return to go with of natural disaster
- vi. It encourage the introduction of risk management culture into rural areas (odo,2003)

2.6 Problems Affecting Agricultural Insurance

- i. There is lack of adequate infrastructure such as good roads, electricity, communication system etc which do not make room to effective agricultural insurance
- ii. The agricultural Insurer providers have limited financial resources to cushion the effect of the out of the ordinary kind of losses.
- iii. There is low level of trained personnel to handle the agricultural insurance scheme
- iv. lack of basic underwriting agricultural insurance data is a serious problem affecting the scheme
- v. There is a wide variety of agricultural practices which affect the agricultural insurance in Nigeria.
- vi. Farm size dispersion and land tenure system are usually small in size

2.7 Sustainable Development Goals

- i. **No Poverty:** End poverty in all its forms everywhere.
- ii. **No Hunger:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- iii. **Gender Equity:** Achieve gender equality and empower women.
- iv. **Clean Water and Sanitation:** Ensure availability and sustainable management of water and sanitation for all
- v. **Good jobs and Economic Growth:** promote full and productive employment and decent work for all thereby leading to sustained inclusive and sustainable economic growth
- vi. **Climate Action:** take urgent action to combat climate change and its impacts
- vii. **Life On Land:** protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and reverse land degradation and halt biodiversity loss
- viii. **Partnership for the Goals:** strengthen the means of implementation and revitalizing the global partnership for sustainable development.

3. AGRICULTURAL INSURANCE CAN ENHANCE SUSTAINABLE WAYS DEVELOPMENT GOALS

According to (Wenczeck, Mclord, Wiedmaier and Biase, 2017) insurance helps to end poverty in all its forms in the following ways:

- i. Agricultural Insurance provides a safety net for those using it, preventing families from falling (back) into poverty after experiencing a shock
- ii. Agricultural Insurance provides an economic protection mechanism for all
- iii. Agricultural Insurance sustain other development effort

How Agricultural Insurance Helps To End Hunger, Achieve Food Security And Improve Nutrition And Promote Sustainable Agriculture.

- i. Agricultural Insurance fosters locally driven and sustainable food production by opening lending opportunities where there were none before and by encouraging investment in enhanced agricultural practices
- ii. Agricultural Insurance helps people to respond and adapt to natural catastrophes, which otherwise Can plunge them into greater poverty.

How Agricultural Insurance Helps To Achieve Gender Equality And Empower All Women.

- i. There are gender differences in risk faced by women and men
- ii. Insurance offer protection for women working in the informal sector who often fall outside the reach of public social protections schemes.
- iii. Insurance protects women from the financial impact of losing family members, helping women to retain their homes, sustain their business, continue education of their children and generally maintain the financial stability of their household

How Agricultural Insurance Help To Promote Sustained, Inclusive And Sustainable Economic Growth, Full And Productive Employment And Decent Work For All.

- i. Agricultural Insurance protect assets, thereby unlocking loans and other funds for investment by Small and Medium Enterprise
- ii. Agricultural Insurance supports the development of the development of Small and Medium Enterprise by protecting them from losses due to risk related to business natural disaster or other catastrophes.
- iii. Agricultural insurance helps to avoid child labour related risk financing.

How Agricultural Insurance Helps To Take Urgent Action To Combat Climate Change And Its Impacts.

- i. Agricultural Insurance mitigates the effect of extreme weather events thereby strengthening climate change resilience.
- ii. Agricultural Insurance complement and strengthens other climate change coping efforts
- iii. Catastrophe insurance protects variety of stakeholder from companies and infrastructure to the most vulnerable.

4. CONCLUSION

Agriculture is very important in economic development of a nation. It is the mainstay of the economy. In order for agriculture to thrive, there is need to have a solid and proactive insurance industry. Specifically agricultural insurance enhance agriculture by providing protection and compensation for loss to farmers, it encourages agricultural credit, stabilized income of the farmers and reduces unemployment. Insurance enhances sustainable development goals by helping to end hunger, poverty, food security, healthy living and combating of climate changes. Therefore, agricultural insurance enhances agricultural and sustainable development.

5. RECOMMENDATION

1. The government and all the stakeholders in the insurance industry should encourage educational and training in insurance which will enhance insurance awareness.
2. As regards Nigeria agricultural Insurance Corporation, the government should increase its capital base. This will give them greater opportunity to participate in large agricultural risk and meet their obligations whenever the need arises.
3. There should be a system of checks in the NAIC and Bank of Agriculture (BOA) which ensures that NAIC is allowed to insure all projects funded by the bank.

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