

**Mapping study of the food grain sector
and regular information/analysis provision
on the livestock and dairy value chain in
East Africa**

For



INTERVIEW WITH UAP HOLDINGS

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Ms. Justine Zawedde, UAP Business Development Manager - Agriculture

LIVESTOCK INSURANCE, ONE OF THE MEANS TO OVERCOME THE LIVESTOCK SECTOR CHALLENGES IN THE EAC

An interview with **Ms. Justine Zawedde**, UAP Business Development Manager - Agriculture. UAP insurance is one of the largest insurance companies in the EAC. It has offices in all the 7 EAC countries - Kenya, Uganda, Tanzania, Rwanda, Burundi, The Democratic Republic of Congo and South Sudan. The interview was conducted by **Dr. Birungi Korutaro**, the team leader for Markets and Policy analysis at Kilimo Trust.

Birungi: What is the current state of agriculture insurance in the EAC?

Justine: UAP offers both index-based and indemnity agriculture insurance products to both crop and livestock farmers in the East African Community (EAC) region since 2008. Currently we insure over 150,000 farmers in the EAC. We have Crop Insurance which consists of Multi-Peril Crop Insurance and Crop Weather Index insurance product, Livestock insurance - an

NDVI Livestock index based product, forest insurance and green house insurance.

Agriculture insurance in Uganda is in its nascent stages and we have mainly indemnity based products. Implementation of index based products is faced with infrastructural challenges. The Kenyan market is the largest in the region. UAP Kenya, the parent company, has been offering agriculture insurance-both index and indemnity based products, for seven years successful. Agriculture insurance has grown rapidly in Kenya compared to the other EAC countries mainly because the government has developed the basic infrastructure to support growth of insurance.

Agriculture insurance in Tanzania and Rwanda is also in its nascent stages. However, in Rwanda, the government is offering a micro insurance product to farmers.

Birungi: How have you been able to penetrate the market in the EAC?

Justine: Our market penetration strategy has been to work with development partners/agencies, farmer groups, financial institutions to sell our insurance products to farmers in their networks. We also work with development partners in some areas to develop the necessary infrastructure required. For instance in Uganda we are working with Swisscontact, The Hunger Project, USAID, Pride Microfinance and Uganda Development Bank. These organizations want to give credit to farmers in order for them to access assets or to implement modern farming practices. They want the farmers to get crop and livestock insurance just in case the farmers do not have any other assets, insurance would act as security for the financiers' money. The financial institutions

involved have been Pride Microfinance and Uganda Development Bank.

In Kenya, UAP developed a product called Kilimo Salama that is an index based product for crops. It uses weather station and satellite information and it is sold in those areas where the infrastructure has been setup. In order to sell Kilimo Salama, we worked in partnership with the Syngenta Foundation (an agro-chemicals Company). A farmer would buy seed, chemicals and insurance as one product from an agro input supplier. The sale transaction would be captured on a computer based system. Once a farmer gets very little or no rain they would receive their payout via MPESA (a mobile money platform). It has worked well for the farmers in those areas but they still want a better product. We are now developing a hybrid product to meet their needs.

Birungi: What is your physical presence like in the EAC?

Justine: For instance in Uganda, UAP has regional offices in Gulu, Arua, Lira, Mbale, and Mbarara districts. We have district offices in all the other countries in the region.

Birungi: What is the demand for agricultural and livestock insurance in the region?

Justine: The demand for livestock and agricultural insurance is growing. In Uganda, our client base for livestock insurance is bigger than for crop insurance. However, in Kenya it is the reverse and worldwide crop insurance market is bigger than the livestock insurance market, Uganda will soon follow suit because the risks in crop insurance are more than in livestock.

The potential for growth in Uganda is huge but it requires more awareness creation and sensitization of farmers and agribusinesses. Currently our growth strategy is to work

closely with development partners. We engage these partners, and use their channels and networks to reach farmers and agribusinesses. We then spread the knowledge and support the development partners to build the capacity of the farmers.

As another example, we are working with Swisscontact, Pride Micro Finance and Heifer International to implement a micro-leasing product where farmers access small assets that they insure. We insure the animals and Heifer international builds the capacity of the farmers in modern animal husbandry practices to reduce the risk of death.

Birungi: Can you talk about the affordability of the Agriculture insurance products?

Justine: Agriculture insurance unlike the other insurance products requires more premiums to cover the risky nature of this business.

It is important to share with the client at length the benefits of the product, their roles and claims process.

What is interesting though, is that initially farmers complain when they get to know the premiums they have to pay but when we explain the details and offer favorable payment terms, they are very willing to buy insurance products. We have found them to be very receptive.

Birungi: Which types livestock are covered by your livestock insurance products?

Justine: The types of livestock we cover include cattle, goats, sheep, pigs, poultry, fish and rabbits. In the case of poultry we cover farmers with over 1000 birds. We encourage farmers, especially small holder farmers to work in groups or they are a member of a Savings and Credit Co-operative (SACCO). By working in groups the annual premiums and training costs are shared. We have also

found that when farmers work in groups they monitor and support each other which turns out to be a win - win situation.

Birungi: How does being a member of a SACCO help the small holder farmer in relation to livestock insurance?

Justine: For the case of livestock, the SACCO would take a lead in identifying members that need the product and we proceed to offer insurance cover.

Birungi: What are the livestock insurance sector challenges from the demand and supply perspective?

Justine: From the demand side, one of challenges is that of limited knowledge about livestock insurance. Most farmers have never heard of this type of insurance. However, when we talk to them and provide them with detailed information they are receptive. The other challenge is the cost of insurance. Recently the government of Uganda imposed VAT on general insurance policies and this affects our products as well. Lastly, because agricultural insurance is still in its nascent stages in most EAC countries except Kenya, most insurance companies are in the big towns and cities and not necessarily in the areas of production where most farmers are situated. However the growth in demand has enabled us to open offices at district level in some countries.

From the supply side, we essentially have inadequate infrastructure like early warning systems and weather stations to support the satellite information we have. In addition the policy environment is not conducive to the growth of agriculture insurance, as I mentioned earlier, the unfriendly tax regimes on agricultural products.