Title

Uptake of Crop Insurance in the Face of Climate Change: Evidence from Smallholders in Kenya

Authors

Lilian Kirimi, Eric Njue and Mary K. Mathenge

Key messages

In spite of agriculture being an important source of income growth and a potential source of investment opportunities in Kenya, farmers face numerous production risks including climate variability and change. These are known to negatively impact on household welfare by eroding their resilience to the resultant income loss shocks if they do not have effective coping mechanisms. Crop insurance has been used as an effective coping mechanism especially among the large scale production systems unlike the smallholder farms. Although empirical evidence suggests that crop insurance as a risk management tool has the potential to unlock other key services in the agricultural sector that are important in enhancing productivity, information on uptake of crop insurance in Kenya is limited. This study therefore sought to assess uptake of crop insurance among smallholder farmers in Kenya, with view of contributing to the body of knowledge on the ways of making crop insurance work for the smallholder producers. Specific objectives were to:

- To establish the most important risks faced by maize producers and the coping mechanism applied.
- To assess level of farmer awareness about crop insurance and information channels used.
- To determine factors that influence insurance uptake decisions.
- Using data from farm households in Embu and Laikipia counties, our finding show the following key findings:
  - Drought and pests and diseases remains a major source of risk.
  - Crop insurance uptake levels are still low and declining.
  - Complexity of insurance concept among smallholder farmers is a major setback towards its uptake.
  - Knowledge dissemination on how crop insurance works is critical for its uptake.
  - Transparency in calculation of premium rates and compensation procedures not clear or are ambiguous to the farmers.
  - Few insurance products exist given the number of crop enterprises grown at the household level. Decision to target a particular enterprise is less participatory hence mismatch between the farmer expectations when buying insurance.

Policy recommendations

- Development of different insurance products that suits varying socio-economic conditions of farmers.
• Government support with relevant legislations that promote growth of micro-insurance sector in Kenya.
• Public-private partnerships:
  • To promote training on importance crop insurance as factor of production and not as an avoidable cost.
  • To help the poor and the vulnerable in accessing insurance through smart subsidy programs.
  • Investment in key infrastructure facilities to enable private sector to thrive in the agricultural insurance arena.
  • Further innovation in the micro-insurance sector with financial solutions such as bundling of Consolidating and implementing policies particularly those focusing climate change to prevent destruction of natural environment and ensure that crop insurance as a risk coping mechanism has a solid framework that can help to increase its uptake by farmers in different agro-regional zones.
• Crop production will be adversely affected if nothing is done. Thus, given that human activities are the major drivers of climate change; it is necessary to invest in adaptation measures at national, county and farm level especially in the tea growing regions as a way of building farmers’ resilience. Adopting an integrated approach comprising of adaptation measures including growing drought resistance crop varieties, increasing investment in agriculture and using sustainable farm management practices could be beneficial.

For further assistance, more information or if you would like to conduct interviews with any of the authors, presenters or Tegemeo Institute staff, please contact: Judy Kimani, 0720 96 33 48, jkimani@tegemeo.org, www.tegemeo.org