



WEL-COME

# Small Farmers Agro Cooperative perspective: Experience and Challenges of Agriculture Insurance in Nepal

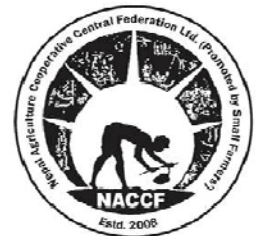
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Presented By:

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Nepal Agriculture Cooperative Central  
Federation Limited



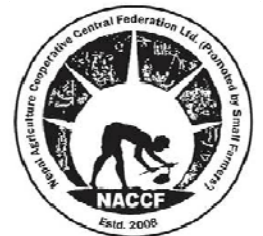
# Content of presentation

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- ❖ Introduction to Small Farmers Agriculture Cooperative Limited (SFACL) network.
- ❖ Introduction to Nepal Agriculture Cooperative Central Federation Limited (NACCCFL)
- ❖ Impact of the climate change on Agriculture
- ❖ Community Model of Agricultural Protection (Insurance) program within SFACL Network
- ❖ Challenges
- ❖ Farmers Perspective and awareness
- ❖ Solution



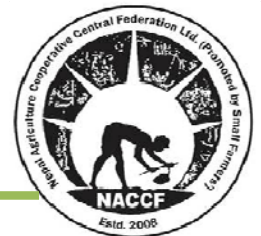
# Maps



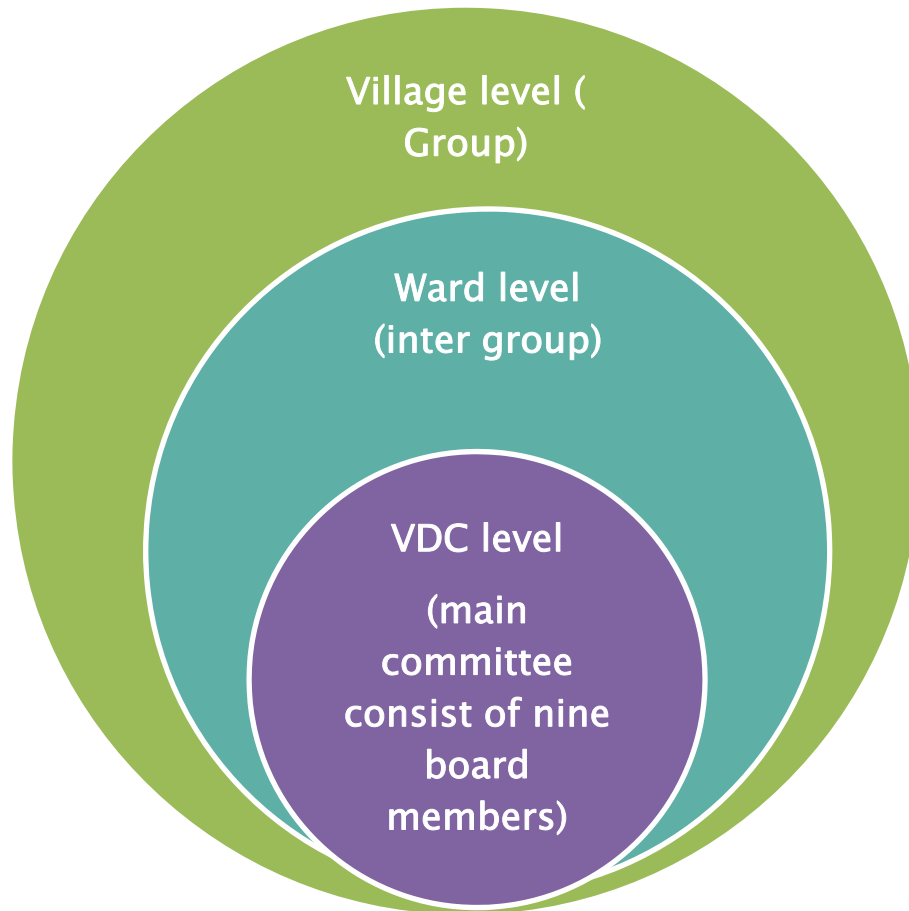
# Small Farmers Development Program (SFDP)

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- ❖ SFDP was a first group based program initiated in 1975 with the support of Government of Nepal, UNDP and FAO for providing credit and social welfare services to small and disadvantaged farmers
- ❖ In 1993 began to transform SFDP to member-owned and managed Small Farmers Agricultural Cooperatives Limited (SFACLs).

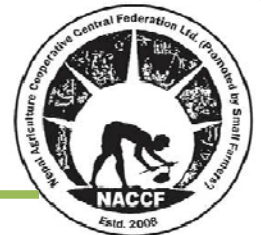


# Organizational structures of SFACLs

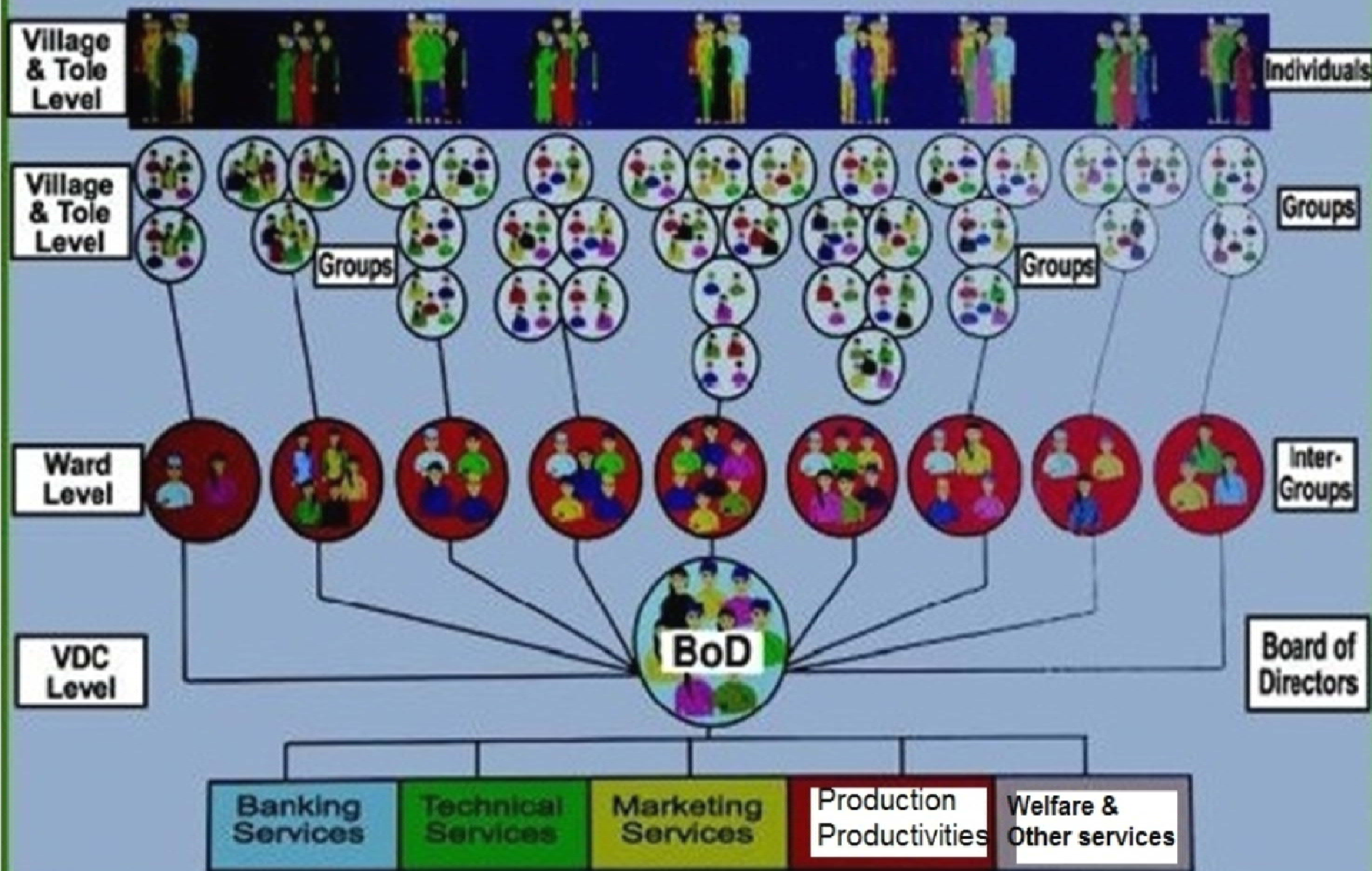


The three-tiered structures include

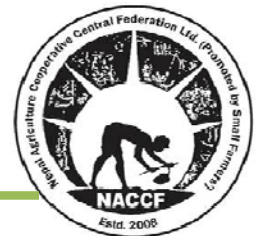
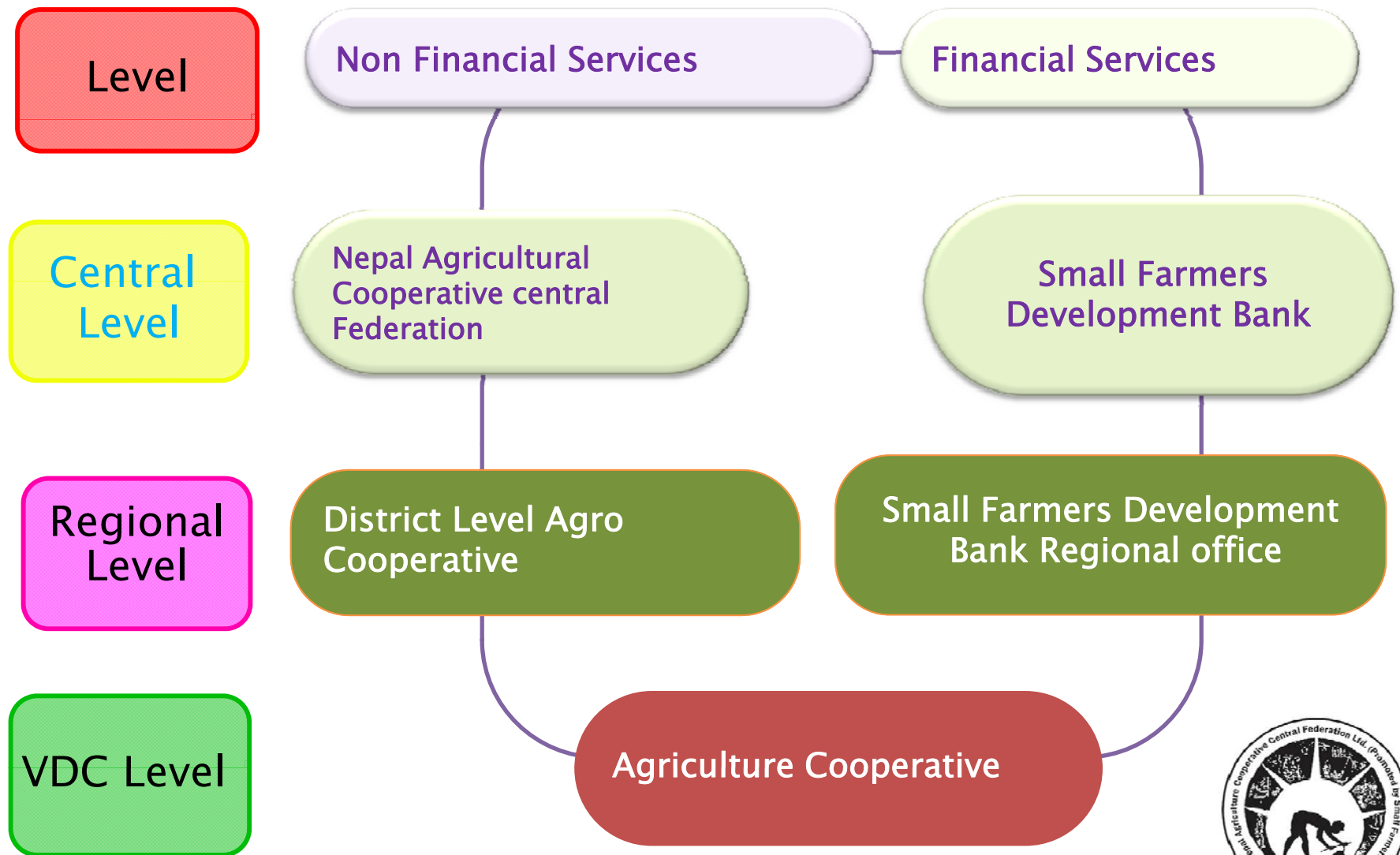
- Small Farmer Groups (SFGs): 5–9 members of SFGs at the settlement
- Inter-Group (IG) : At ward level
- Main Committee (MC): Board of Director at VDC level.



# Small Farmers Institution Development Structure



# Network of Agriculture Cooperatives



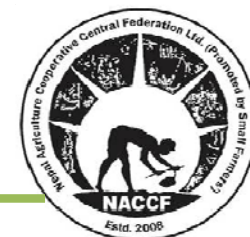
# Establishment of Small Farmers Development Bank (Sana Kisan Bikas Bank Ltd (SKBBL))

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- ❖ Small Farmer Development Bank (SFDB) was established in July 2001 to provide wholesale credit and technical services to the SFACL and similar types of cooperatives.



For detail refer to [www.skbbbl.com.np](http://www.skbbbl.com.np)

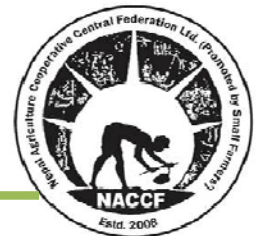


# Establishment of Federation of SFACLs

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- ❖ SFACL Systemic approach emphasizes the establishment of district and central federations of SFACLs to provide non-financial services
- ❖ As an Apex federation/umbrella organization of SFACLs and other agriculture cooperatives, Nepal Agricultural Cooperative Central Federation Ltd (NACCFL) has been established on 2007.

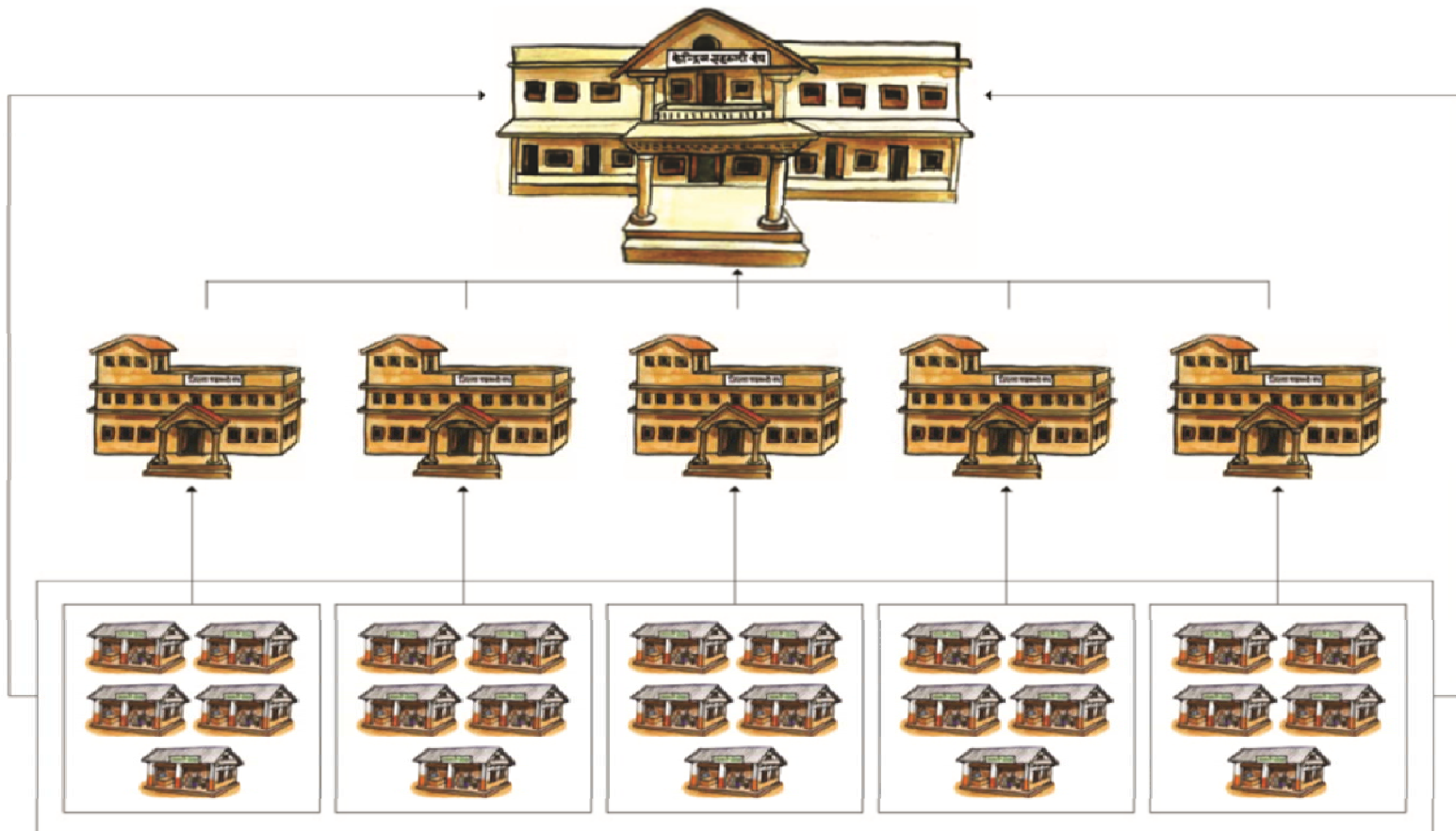
For detail refer to [www.naccfl.org.np](http://www.naccfl.org.np)



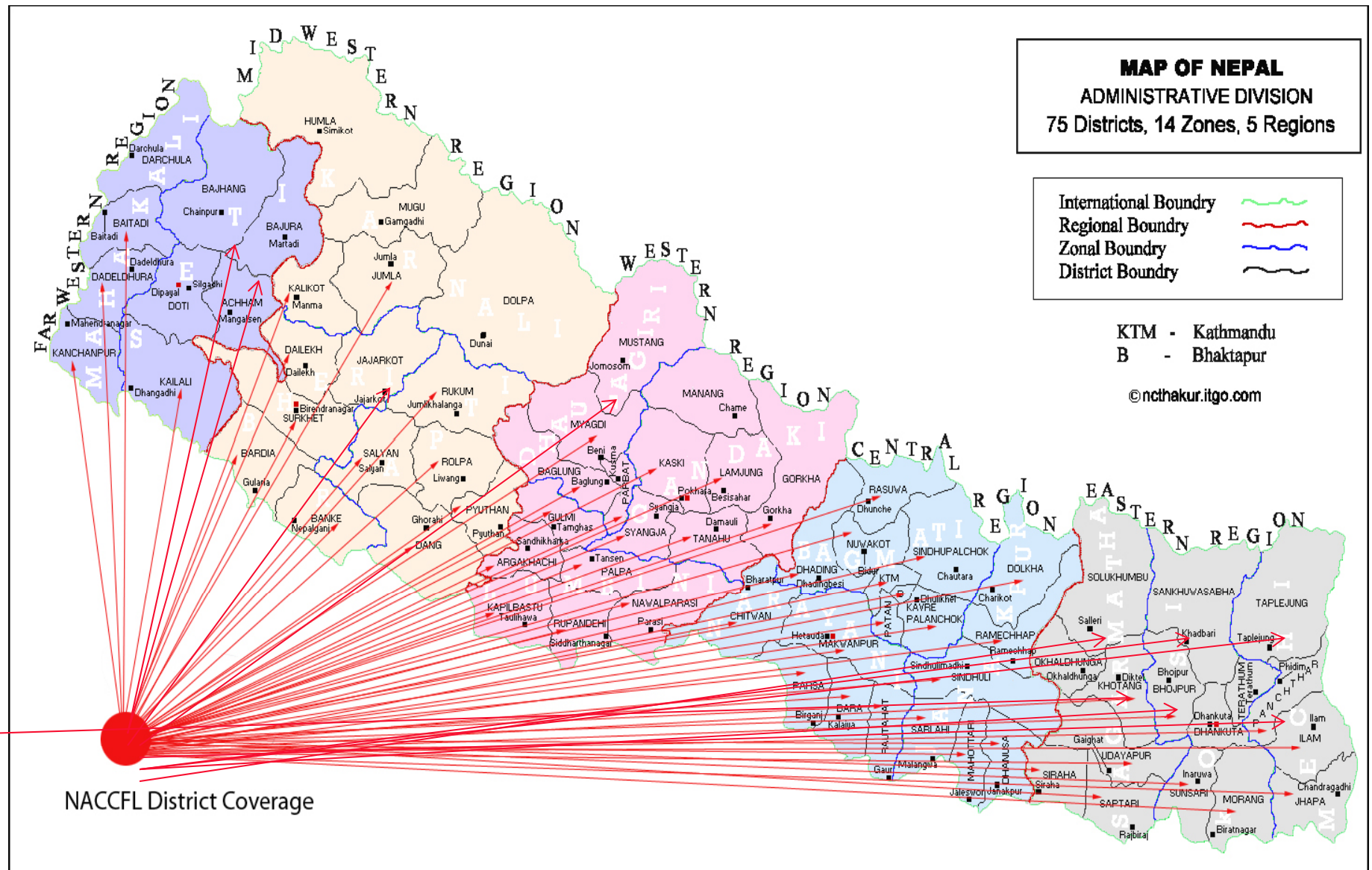
# Structure of SFACLs' Federation

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## Cooperative Network



# Coverage Districts of NACCFL



# Major activities/ objectives of NACCFL

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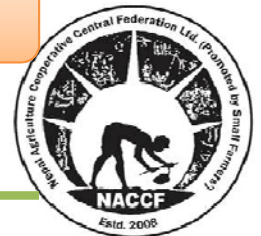
- Policy Advocacy

- Network Expansion

  - Replication of SFACL

  - Linkage development

- Capacity building



**Status of  
NACCFL**

**No. of member  
cooperatives**

**750**

**Coverage districts (Out  
of 75)**

**68**

**District Federation**

**45**

**Coverage VDCs**

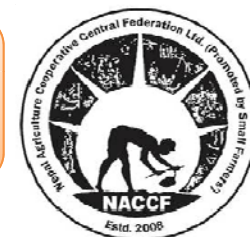
**1058**

**Number of Groups**

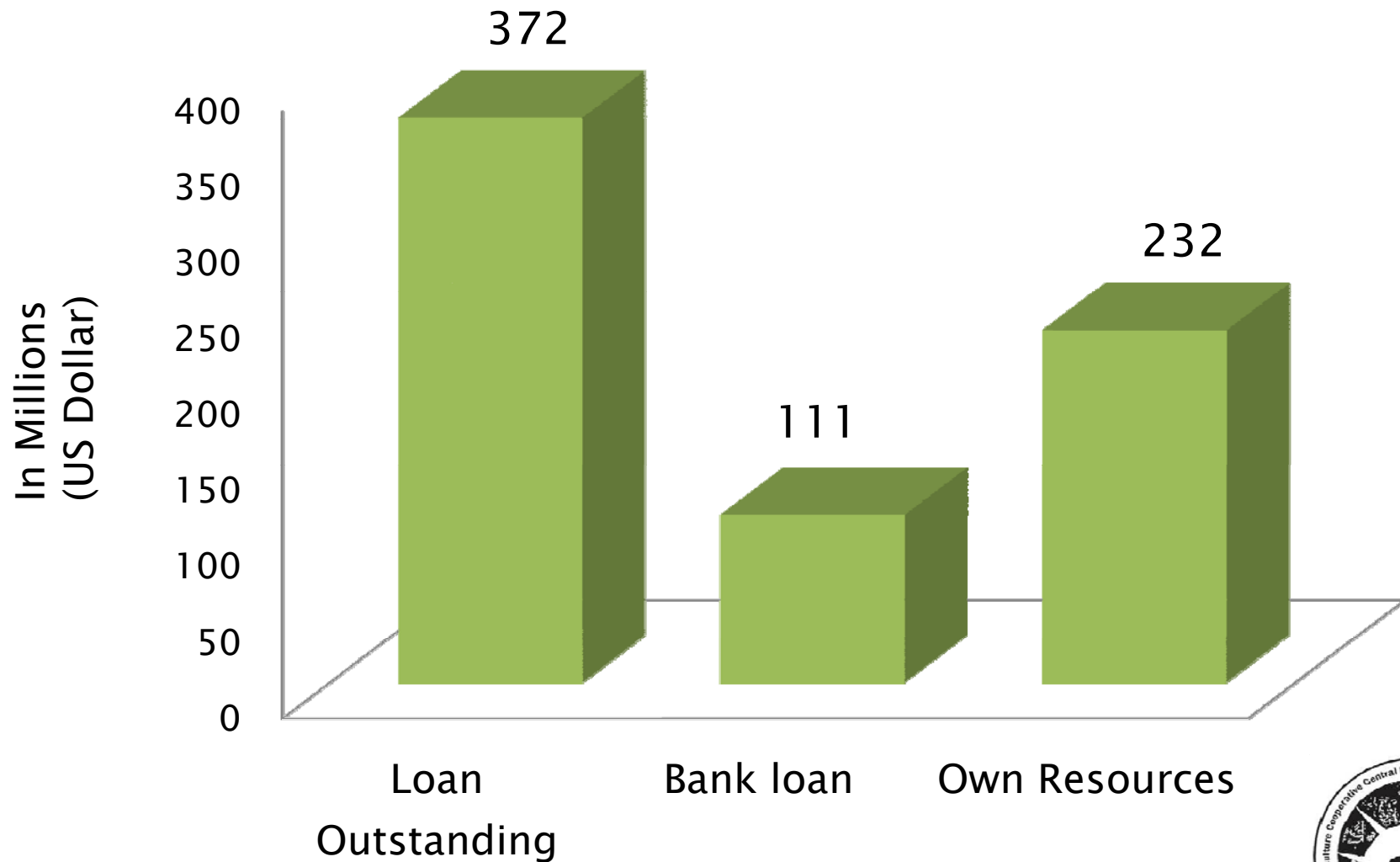
**118000**

**Number of Members**

**708000**



## Financial Status (as of Mid July 2015) of SFACsLs



# Impacts of Climate Change on Agriculture

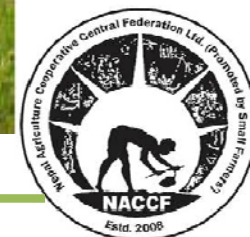


Drought



Flood

Pests and diseases



# Recent extreme climate events and their impacts in Nepal

- Koshi flodding,2008



- Darchula ,2014



- Landslide in Gure ,2014



- Gorkha Earthquake ,2015

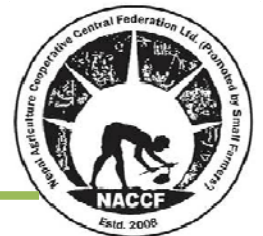


# Effect of earthquake

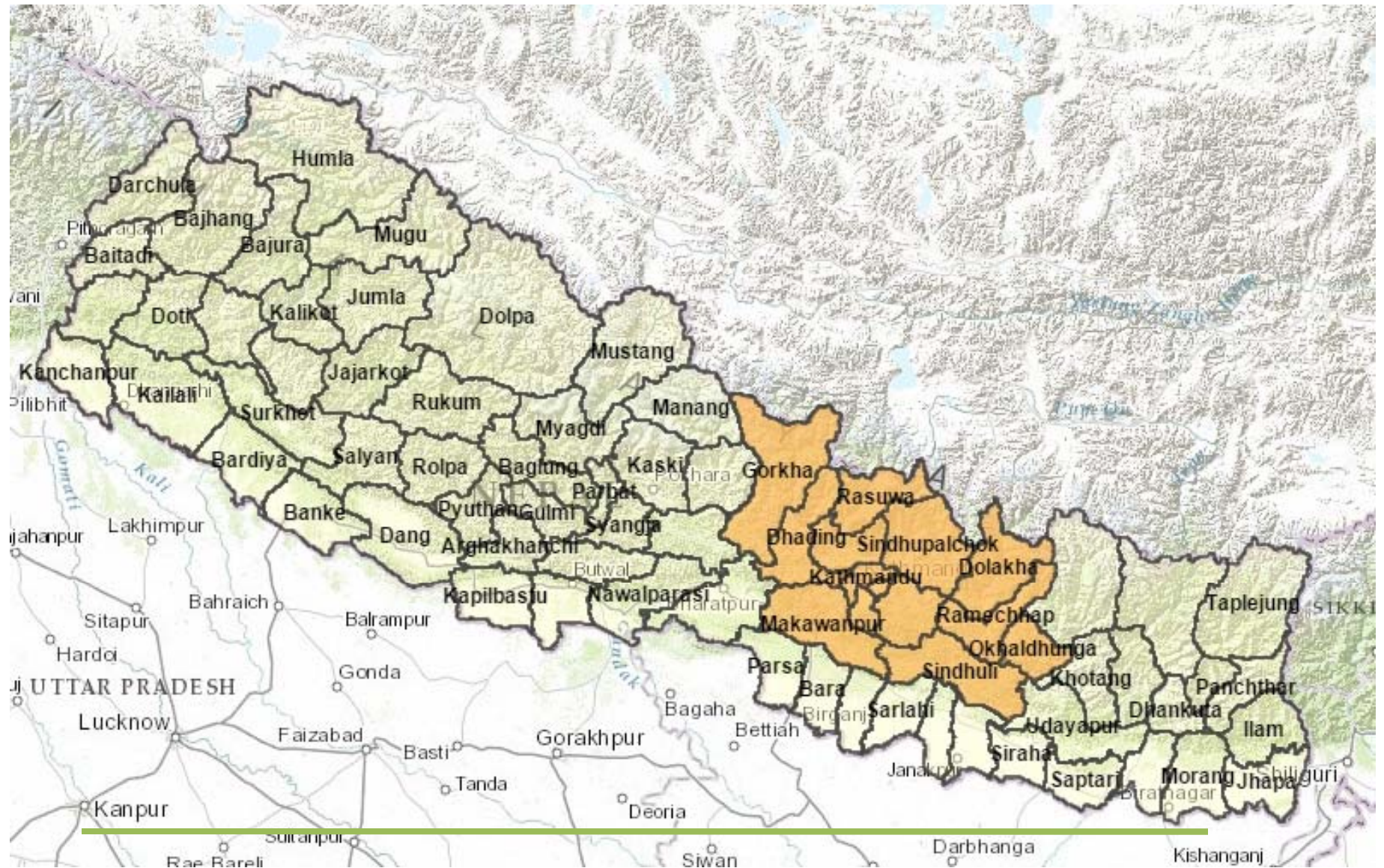
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## Background

- ❖ On April 25, 2015 at 11: 56 AM, Nepal was struck by powerful earthquake of magnitude 7.6 Richter scale followed by 6.8 Richter scale aftershock on May 12, 2015 resulting in the huge loss of agricultural properties.



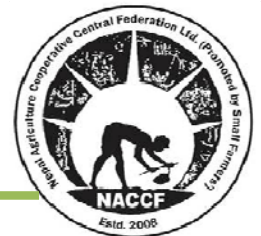
# Earthquake Affected Districts



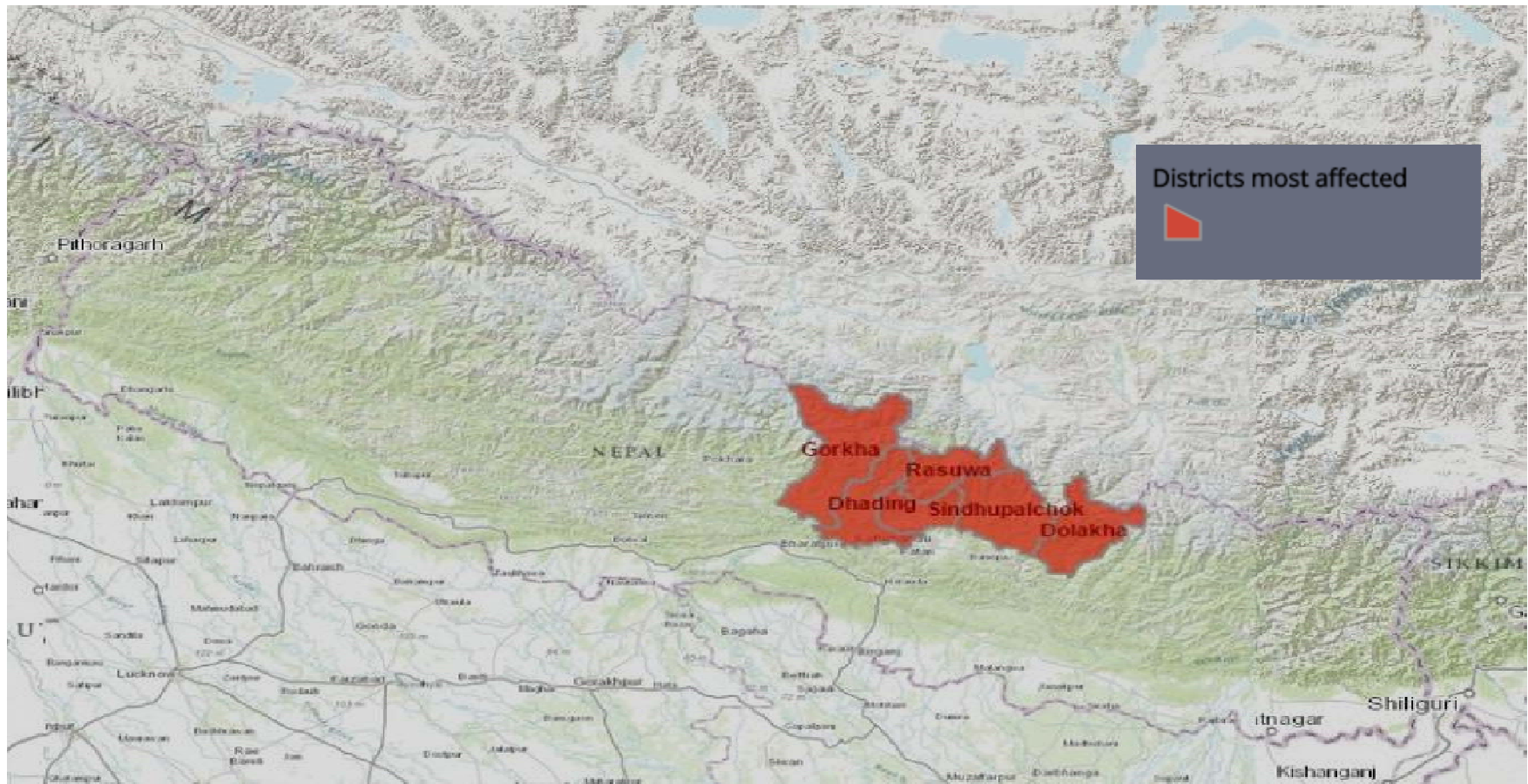
# Effects of earthquake in agriculture sector

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- ❖ Agricultural livelihoods in the six districts : Gorkha, Rasuwa, Dhading, Nuwakot, Sindhupalchwok and Dolakha, suffered particularly high levels of damage.
- ❖ Agriculture land might not have been severely affected , however, agriculture labor, inputs, markets and infrastructures such as irrigation systems, drainage canals, and roads have incurred damages.
- ❖ Livestock farming has also suffered massive damages as domesticated and commercial farmed livestock have perished.



# Severely affected districts in agriculture

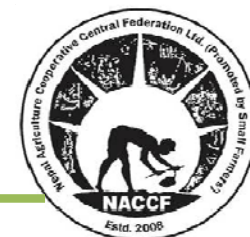
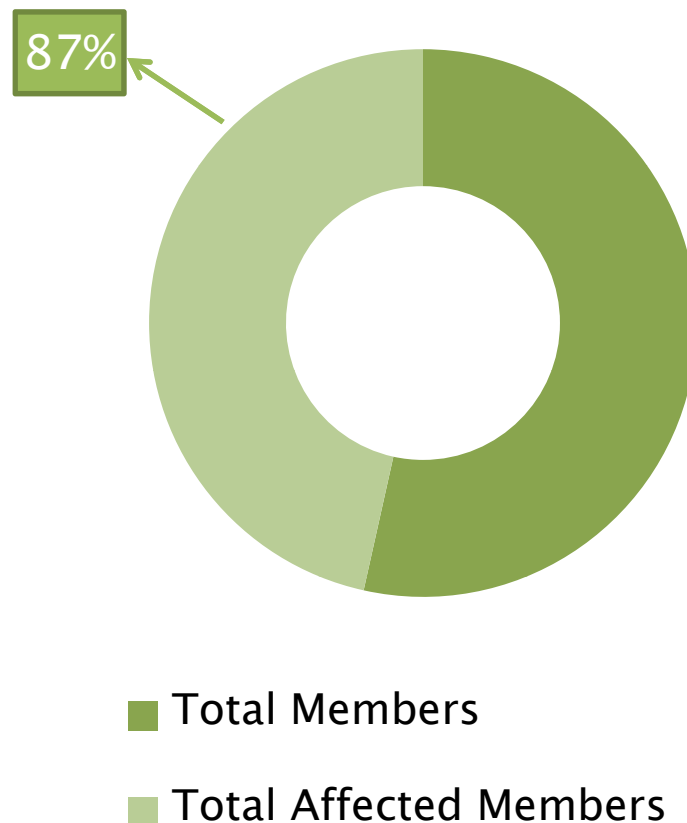


*Source: Earthquake Journal, Ministry of Home Affairs (MoHA), 2015*



# Details of earthquake victims within our Network

S.N	Description	Number
1.	Total Members	92696
2.	Female	66567
3.	Male	26129
4.	Total number of affected members	80696



## Effects of earthquake on agriculture





# Effects of earthquake on Livestock





# A brief about Agriculture Status

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- ❖ About 65.5% of total population of Nepal depends upon agriculture
- ❖ Majority of farmed animals owned by small holders farmers



# Contd...

- ❖ Subsistence farming – predominant in rural areas but now commercialization gaining a slowly
- ❖ Which leads to :
  - ✓ Increase in the number of cross breed improved livestock
  - ✓ Increase in productivity
  - ✓ Moving ahead towards agro commercialization.



# Community Model Of Agricultural Protection (Insurance) program within SFACL Network

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# History of Agro insurance within SFACL Network

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- SFDP has formed their own livestock insurance committees and provide individual animal mortality coverage and loss of use of the animal to their members since 1987.
- The flat premium rate was 10 percent for livestock value and 50 percent of premium was subsidized by government.



## Contd...

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- ❖ One-third of credits disbursed by SFCLs to members are invested in livestock, especially cattle and buffaloes.
- ❖ In the initiative of Small Farmers Cooperatives Community livestock insurance was launched for:–
  - saving small farmers from financial ruin with accidental loss.
  - insurance of the animal

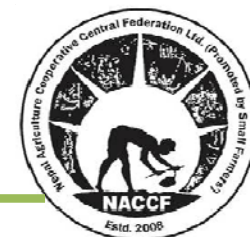


# Livestock protection Program

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## ❖ Objective :

- ✓ To address the rising market demand and boost up the domestic production of milk and meat.
- ❖ Efforts of five year plans, NGOs, farmers cooperative and private sector for improving the livelihood sector of rural farmers.
- ❖ Initiation of the Government of Nepal for providing the soft loan to small farmers through Sana Kishan Bikash Bank Ltd (SKBBL).



# Impacts of Livestock protection Program

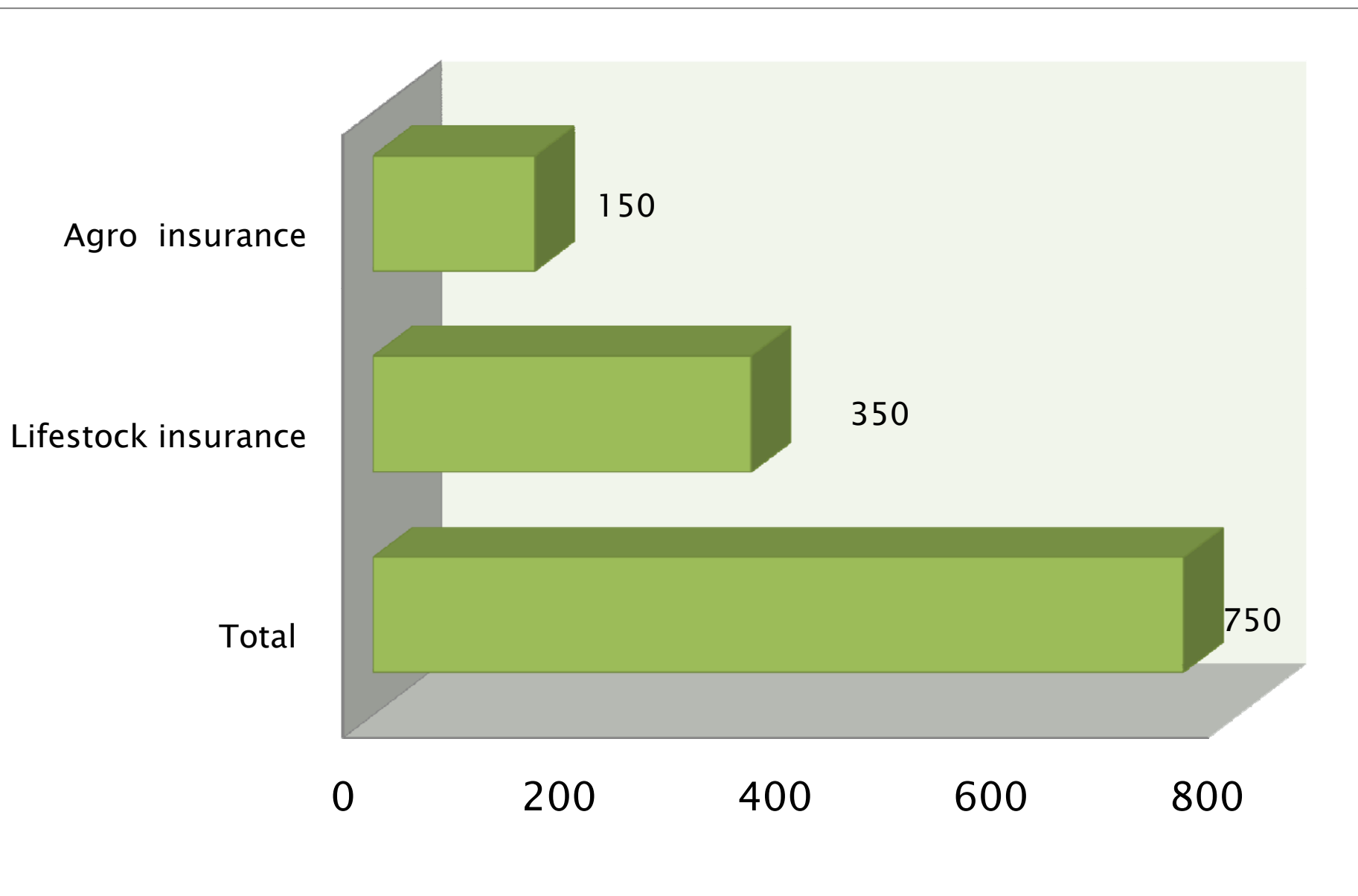
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- ❖ Mortality rate of livestock reduced from 10% to 1%.
  - ❖ Increase in the domestic products from animals.
  - ❖ Increase in the number of cattle.
  - ❖ Increase in the agro products as the result of increase in the compost.
  - ❖ Improvement of the human nutrition.
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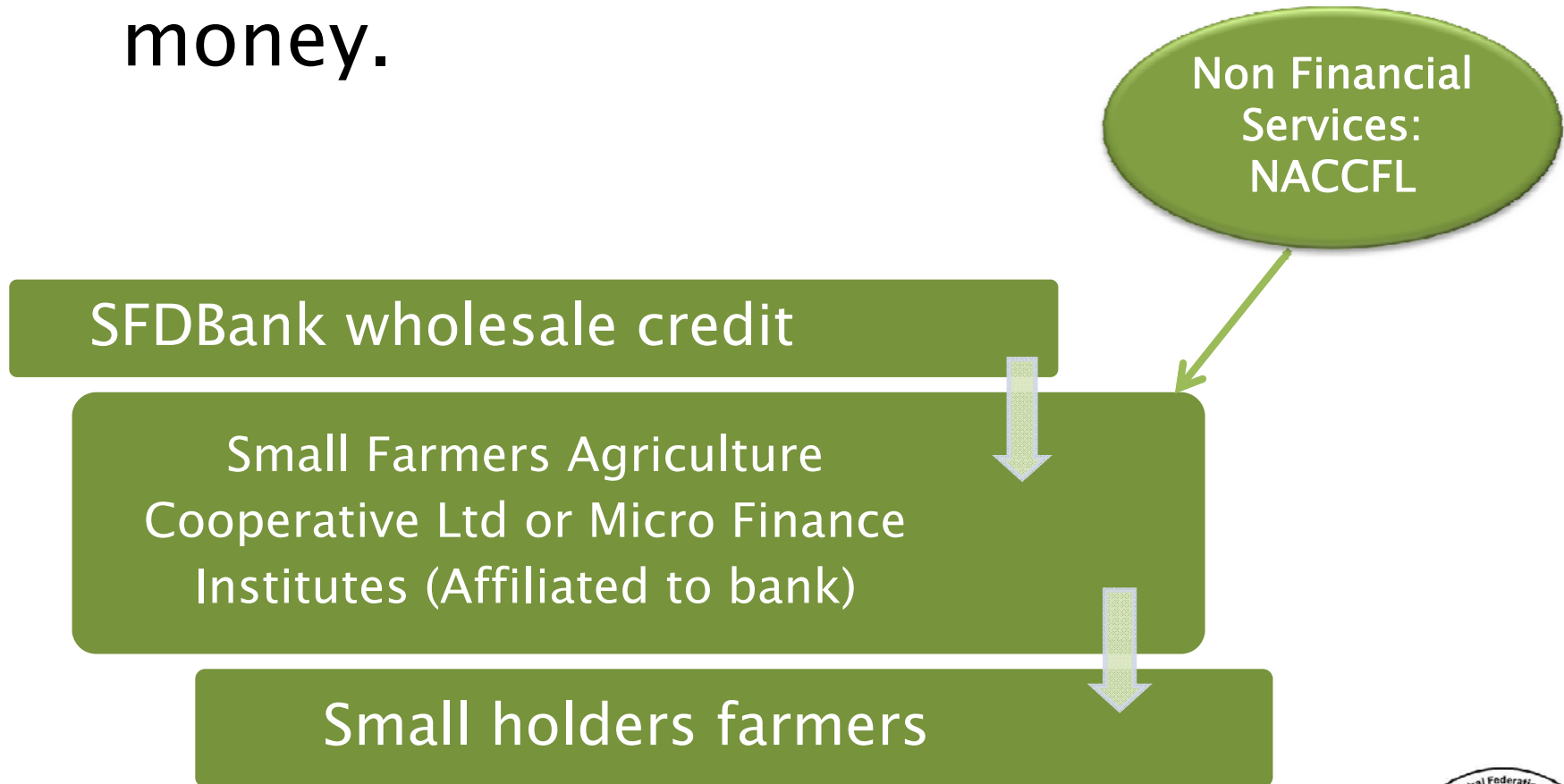
# Number of SFACLs undertaking the insurance program

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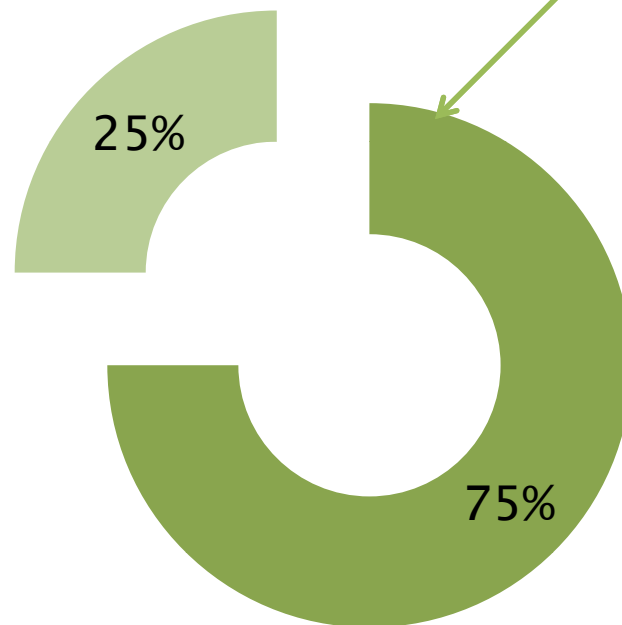
- Process of disbursement of the money.



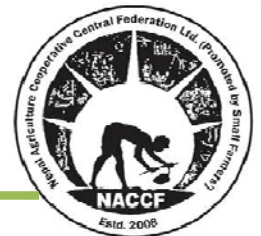
# Livestock Protection Practices

- ❖ SKBBL providing financial as well as technical services to its members.
- ❖ Provide livestock protection to its members
- ❖ Premium amount :

Subsidized premium  
reimbursed by the  
Government of Nepal



■ SKBBL  
■ Livestock Owner



# Criteria of providing livestock protection

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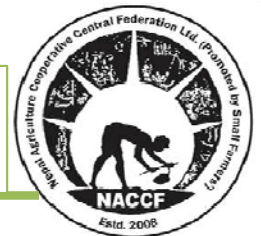
Prepare “ Livestock Protection Procedures

Cooperative must be affiliated to the bank

Cooperative must have the on lending on livestock loan

Carry out the program compatible to Livestock Protection Manual 2068

Sub committee is formed at the cooperative level



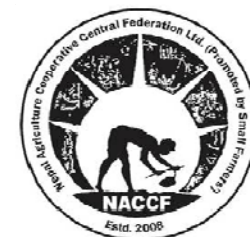
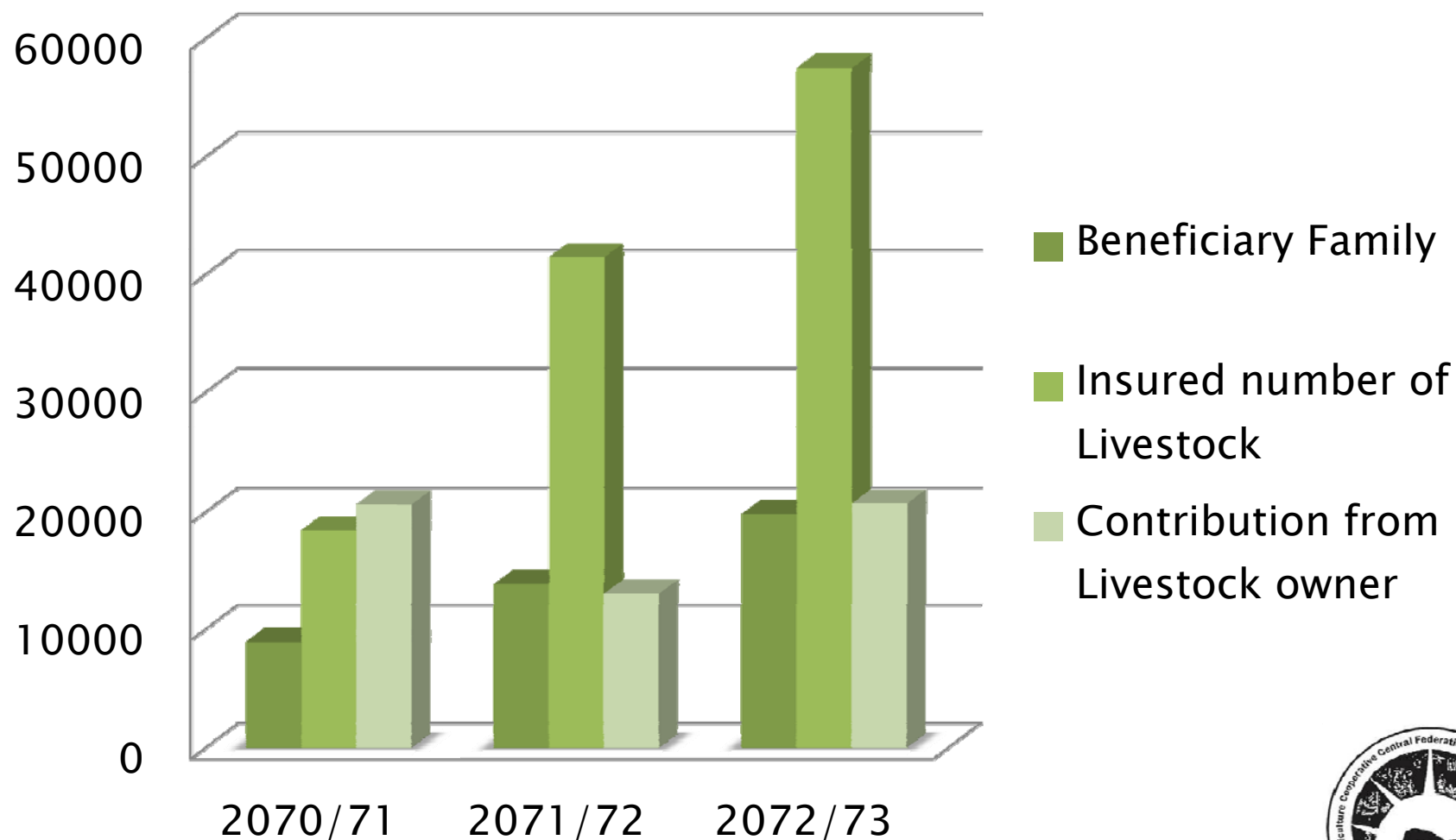
# Contd...

## Management and expansion :

- ✓ Formation of 7 members Livestock Protection Management sub committee under the chairmanship of the CEO.
- ✓ Development of Policy and procedural to support to SFACLs and MFIs.
- ✓ Carry out various awareness program for maximizing the number of participants.
- ✓ Conduct Training and capacity development activities
- ✓ Organize Observational tours
- ✓ Commercialization of livestock farming.
- ✓ Promote Value chain activities of livestock
- ✓ Carry out Research and development.



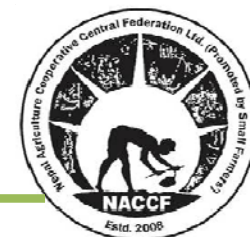
## Progress Report of Livestock Security (Livestock Insurance)



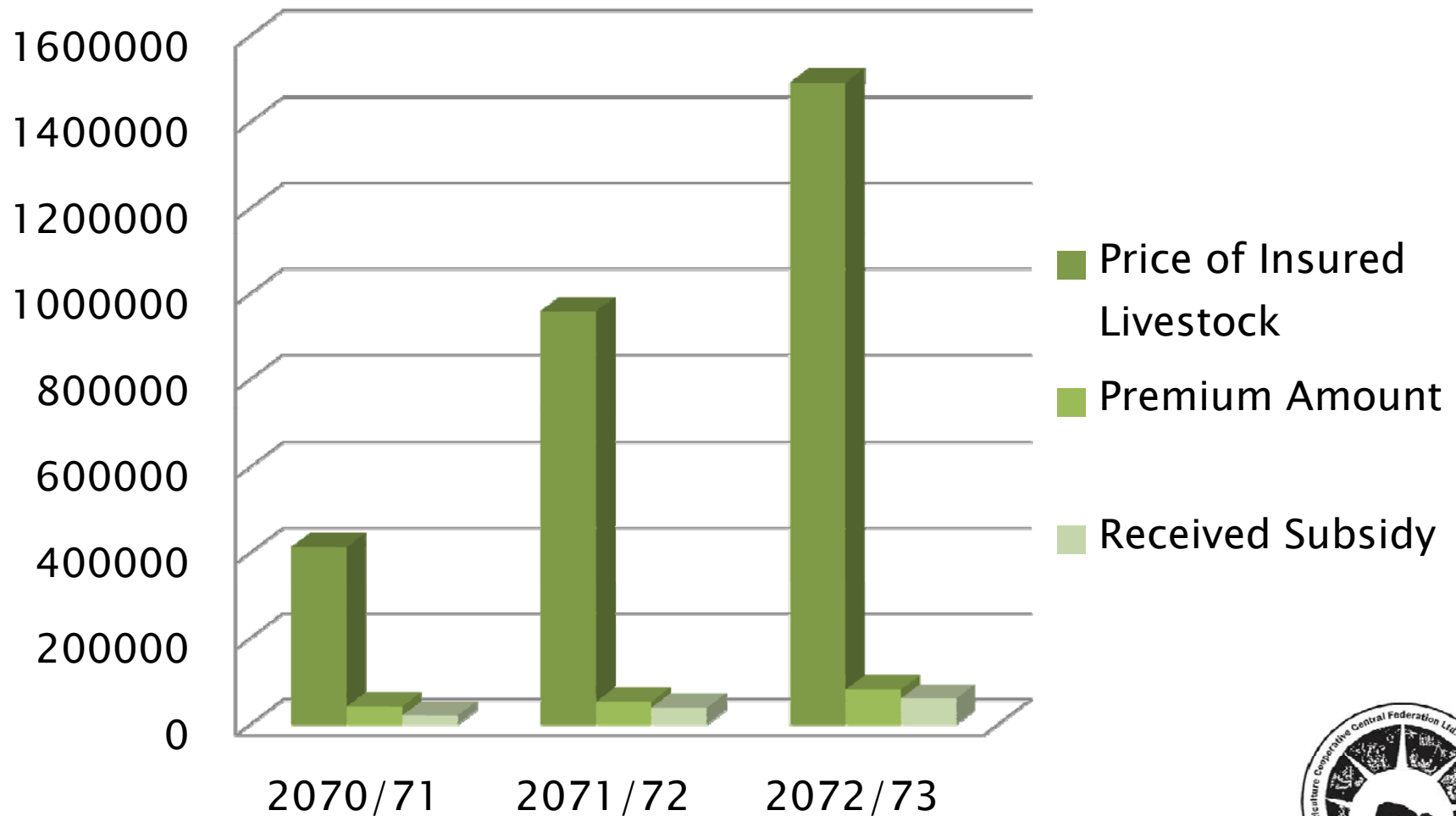
# Progress Report of Livestock Security (Livestock Insurance)

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Description	FY (in '000')		
	2070/71	2071/72	2072/73
Price of Insured Livestock	413120	958629	1491038
Premium Amount	41312	52285	80758
Received Subsidy	20656	39214	60000



## Progress Report of Livestock Security (Livestock Insurance)



# Effects of Livestock Protection Program

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- Upgrade the livestock from traditional to commercialization.
- Improvement of health and nutrition of the livestock.
- Higher income generation
- Increase in the domestic production of the animal food sources.
- Supported SFACLs to increase on the internal capital.



# Challenges

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## ❖ Institutional challenges

- Farmers lack awareness of and access to agricultural insurance.
- Lack of legal and regulatory framework for agricultural insurance.
- Current insurance legislation does not recognize the informal crop and livestock insurance programs implemented through the cooperatives and MFIs.



# Contd...

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## ❖ Financial challenges

- Private insurance companies have limited financial capacity
- Cooperative Agricultural Insurers have limited financial capacity and none of their programs are currently reinsured.



# Contd...

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## ❖ Technical challenges

- Lack of exposure to international agricultural insurance technology.
- Limited range of crop and livestock insurance products.
- Data and information



# Contd...

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## ❖ Operational challenges

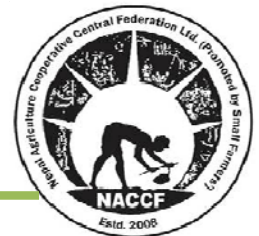
- Private insurers lack rural branch networks.
- High administrative costs of agricultural insurance for small farmers.
- Developing an enabling agricultural insurance framework for Nepal
- Each type of Nepali farmer needs tailor-made agricultural insurance solutions.
- The role of the private commercial insurance sector may be limited in the short term.



# Contd...

## ❖ Operational challenges

- Mutual agricultural insurance is likely to offer potential for development in Nepal.
- There is a need for technical assistance in the design and implementation of agricultural insurance products.
- The Government should also strengthen the risk market infrastructure
- The Government could act as a reinsurer of last resort against agricultural catastrophic losses.
- The Government could provide targeted premium subsidies.



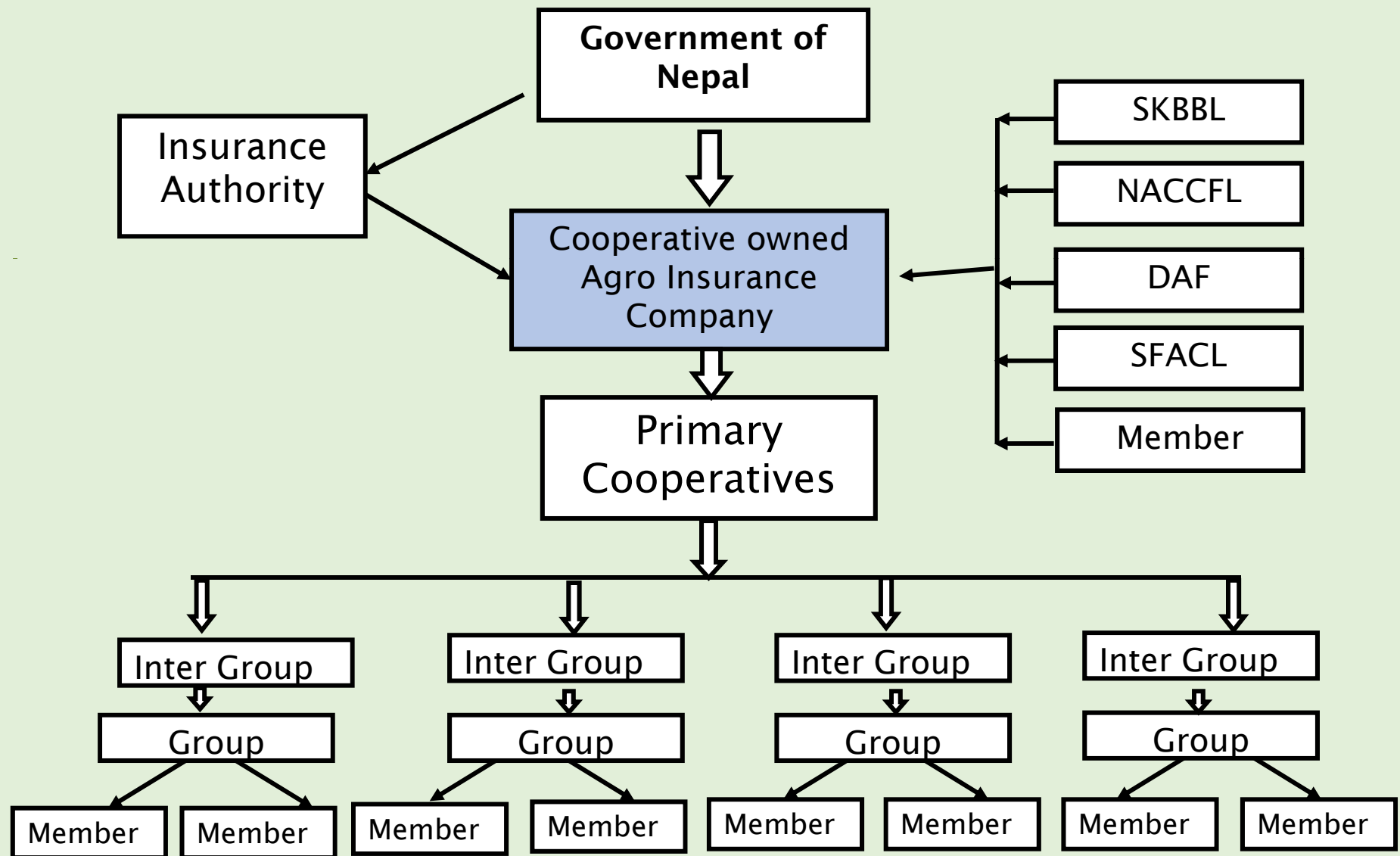
# Farmers perspective and awareness

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- ❖ Majority of the farmers not having the enough ideas about the risk reduction.
- ❖ Agro and life insurance program bcoming familiar among the farmers ( members of SFACLs).
- ❖ Easy access to SFDB loan/ credit – promotion and encouragement for adoption of insurance product.
- ❖ Short term loan for the crop insurance through Agriculture Development Bank and long term loan for livestock through Small Farmer Development Bank.



# Solution/ Modality





## *Meat Production*



## *Dairy Production and Collection*



**Thanks for your attention...!!!**



**Any Queries ??**



Thank you !!!