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

Presented By:
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Content of presentation

- Introduction to Small Farmers Agriculture Cooperative Limited (SFACL) network.
- Introduction to Nepal Agriculture Cooperative Central Federation Limited (NACCFL)
- 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)

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

- 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.skbbl.com.np
Establishment of Federation of SFACLs

- 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
Structure of SFACLs' Federation
Coverage Districts of NACCFL

MAP OF NEPAL
ADMINISTRATIVE DIVISION
75 Districts, 14 Zones, 5 Regions

International Boundry
Regional Boundry
Zonal Boundry
District Boundry

KTM - Kathmandu
B - Bhaktapur

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NACCFL District Coverage
Major activities / objectives of NACCFL

- 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 SFACLs

In Millions (US Dollar)

- Loan Outstanding: 372
- Bank Loan: 111
- Own Resources: 232
Impacts of Climate Change on Agriculture

Drought

Flood

Pests and diseases
Recent extreme climate events and their impacts in Nepal

- Koshi flooding, 2008
- Darchula, 2014
- Landslide in Gure, 2014
- Gorkha Earthquake, 2015
Effect of earthquake

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

- Agricultural livelihoods in the six districts: Gorkha, Rasuwa, Dhading, Nuwakot, Sindhupalchok 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

<table>
<thead>
<tr>
<th>S.N</th>
<th>Description</th>
<th>Number</th>
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<tbody>
<tr>
<td>1.</td>
<td>Total Members</td>
<td>92696</td>
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<tr>
<td>2.</td>
<td>Female</td>
<td>66567</td>
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<tr>
<td>3.</td>
<td>Male</td>
<td>26129</td>
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<tr>
<td>4.</td>
<td>Total number of affected members</td>
<td>80696</td>
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</table>

- **Total Members**: 92,696
- **Total Affected Members**: 80,696

87% of the total members are affected.

- Total Members
- Total Affected Members
Effects of earthquake on agriculture
Effects of earthquake on Livestock
A brief about Agriculture Status

- 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
History of Agro insurance within SFACL Network

• 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.
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

- **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

- 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.
Number of SFACLs undertaking the insurance program

- Agro insurance: 150
- Livestock insurance: 350
- Total: 750
• 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:
  - 75% reimbursed by the Livestock Owner
  - 25% reimbursed by the Government of Nepal
  - Subsidized premium
Criteria of providing livestock protection

- 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
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)

- Beneficiary Family
- Insured number of Livestock
- Contribution from Livestock owner

![Bar chart showing data for years 2070/71, 2071/72, and 2072/73]
## Progress Report of Livestock Security (Livestock Insurance)

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<tr>
<th>Description</th>
<th>FY (in '000')</th>
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<tr>
<td></td>
<td>2070/71</td>
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<tr>
<td>Price of Insured Livestock</td>
<td>413120</td>
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<tr>
<td>Premium Amount</td>
<td>41312</td>
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<tr>
<td>Received Subsidy</td>
<td>20656</td>
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## Progress Report of Livestock Security (Livestock Insurance)

<table>
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<th>Year</th>
<th>Price of Insured Livestock</th>
<th>Premium Amount Received Subsidy</th>
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<tr>
<td>2070/71</td>
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<td>2071/72</td>
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<td>1000000</td>
</tr>
<tr>
<td>2072/73</td>
<td>1600000</td>
<td>1200000</td>
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![Graph showing the progress report of livestock security.](image-url)
Effects of Livestock Protection Program

- 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

- 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.
Financial challenges

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

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

- Majority of the farmers not having the enough ideas about the risk reduction.
- Agro and life insurance program becoming 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.
Thanks for your attention...!!!

Any Queries ???
Thank you !!!