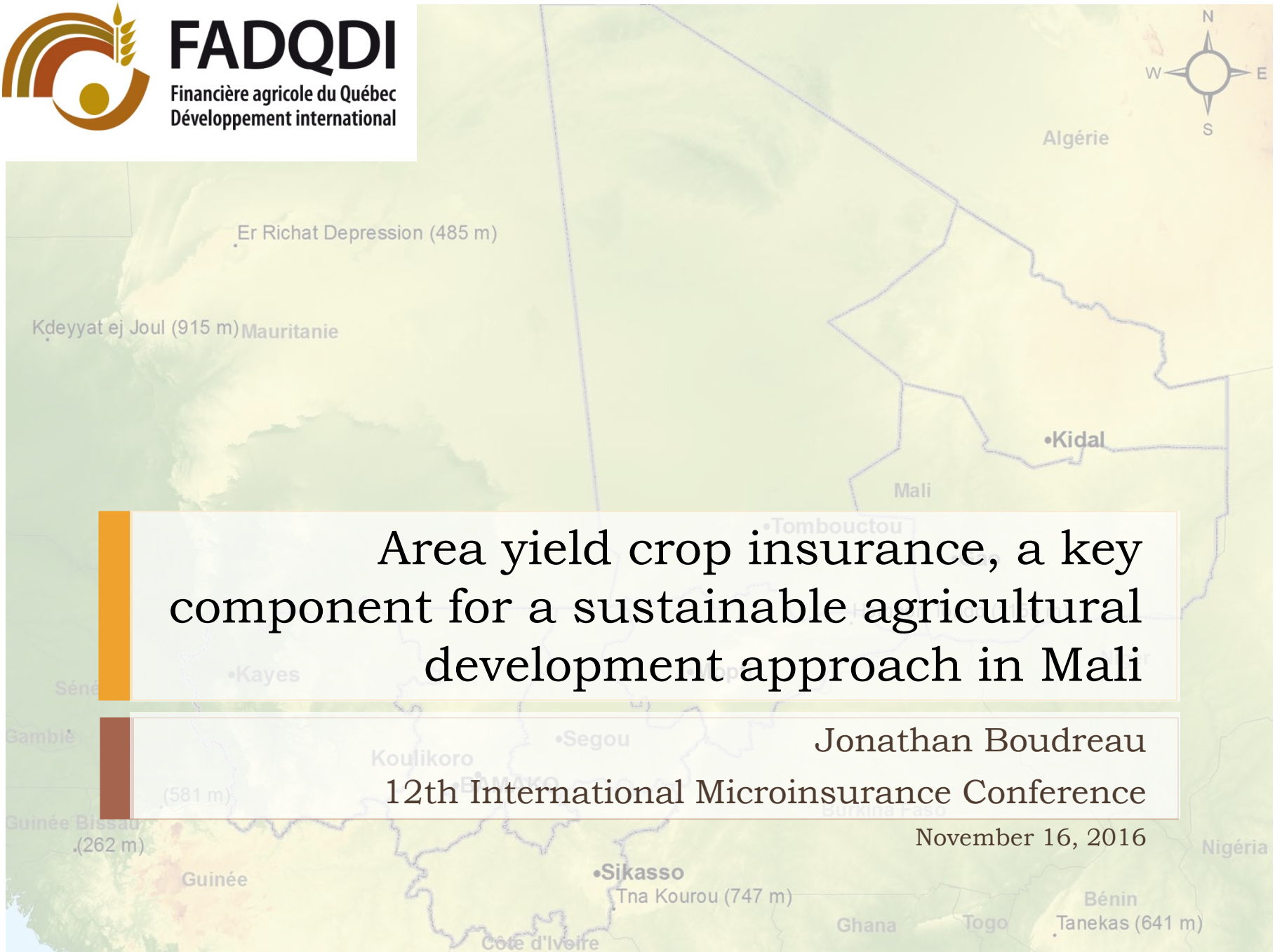




FADQDI

Financière agricole du Québec
Développement international



Area yield crop insurance, a key component for a sustainable agricultural development approach in Mali

Jonathan Boudreau

12th International Microinsurance Conference

November 16, 2016

FADQDI



- ▶ **State agency**
- ▶ Delivers financial risk management services to farmers in Québec (Canada)
 - ▶ Crop insurance
 - ▶ Income insurance
 - ▶ Loan guarantee
- ▶ Independent and **non-profit organization**
- ▶ Shares the expertise developed in Canada in agricultural development
- ▶ Risk management approach
- ▶ Supports:
 - ▶ Insurance companies
 - ▶ Financial institutions
 - ▶ Governments

Agricultural and Rural Finance in Mali (FARM project)



Develop capacity of MFIs and banks

- Product enhancement
- Trainings
- Tools/Software



Coordinate value-chain activities

- Develop management capacities
- Implement saving products



Implement risk management mechanisms

- Define, experiment and deploy crop insurance
- Deploy loan guarantee

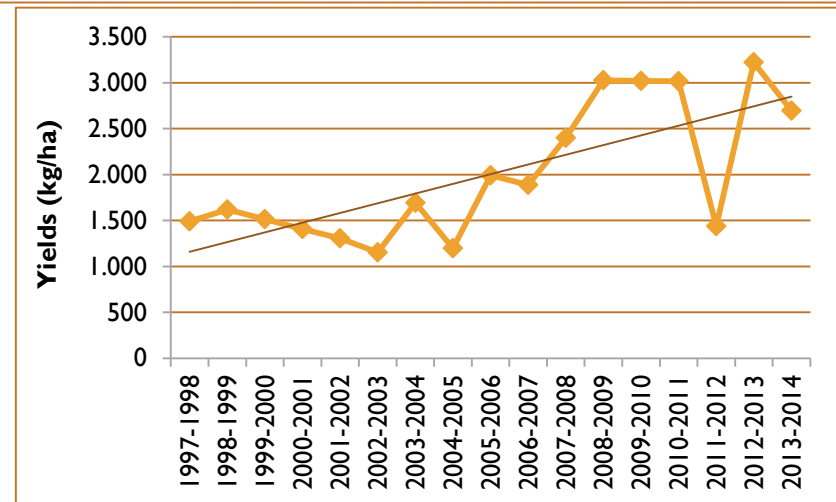
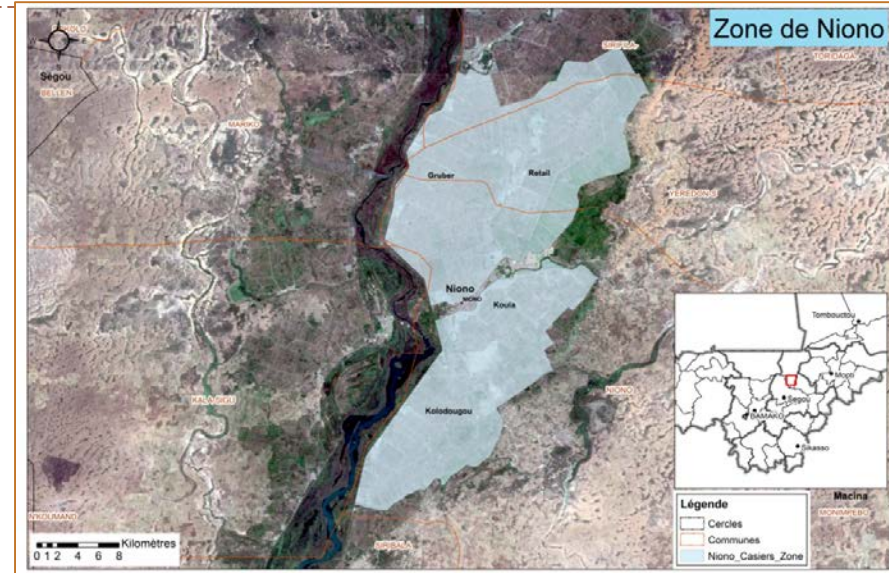
Gender equity / Youth employment / Environment

Proposed approach

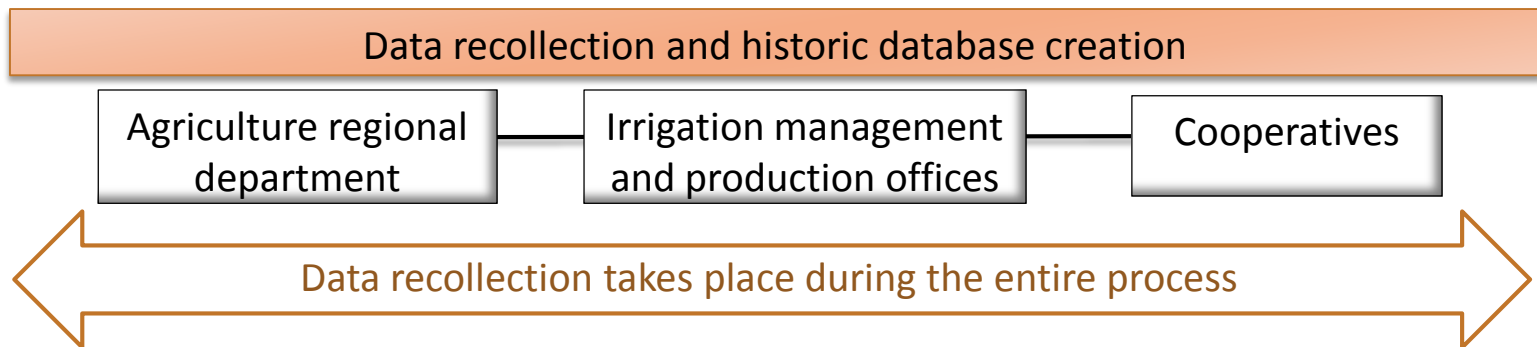
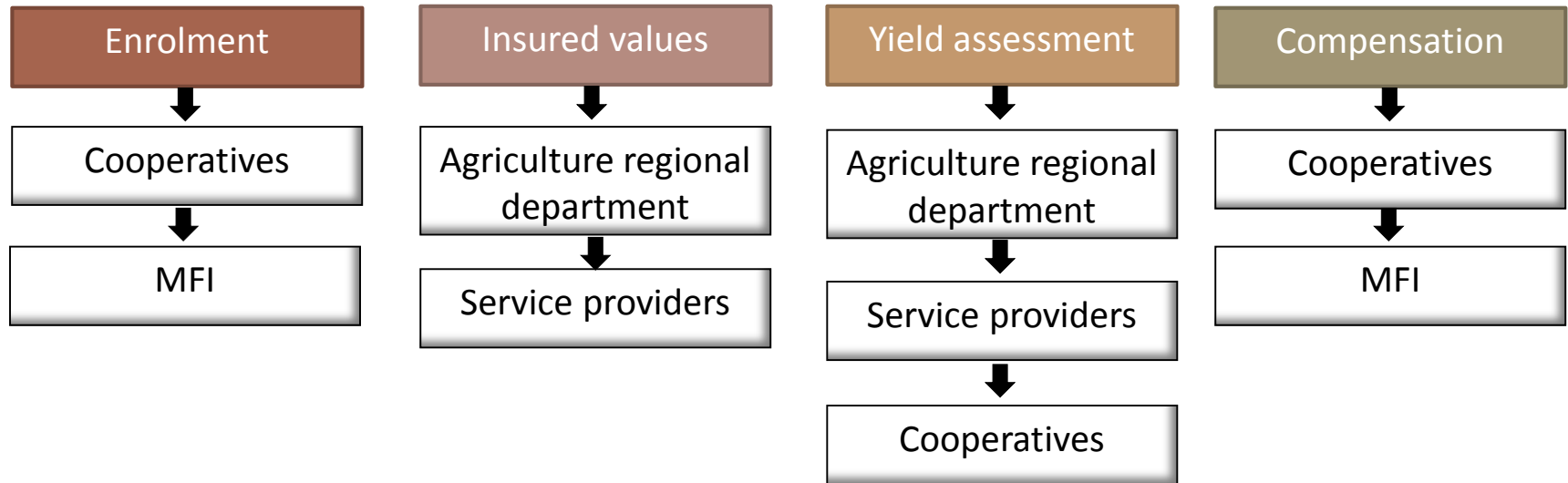
- ▶ **An area-yield index insurance for rice:**
 - ▶ Homogeneous production areas
 - ▶ Protection based on historic datasets of yields for the areas
 - ▶ Premiums based on risk analysis of the historic dataset
 - ▶ Collective assessment of actual yields and indemnities, when applicable
- ▶ **Strategic positioning**, in complementarity with other stakeholders in the risk management ecosystem
 - ▶ African Risk Capacity / Early warnings system
 - ▶ Weather index insurance

Area-yield crop insurance advantages and constraints

- ▶ **Index insurance** allows to reduce management cost, avoid moral hazard and mitigate adverse selection
- ▶ Basis risk can be reduced when **sampling plans** are well designed
- ▶ Recollection of yield data provide **statistics for agricultural sector development**
- ▶ A network of agents can collect data, but also **provide information to farmers**
- ▶ **Responsibilities must be shared** to maintain affordability



Management process for stakeholders



Key partners: aggregators

- ▶ Agricultural cooperatives and microfinance institutions (MFI)
 - ▶ Project and program definition
 - ▶ Identification and characterization of insurance areas
 - ▶ Enrolment:
 - ▶ List of members
 - ▶ Collective enrolment
 - ▶ Yield assessment
 - ▶ Market and production data
 - ▶ Compensation

Development of a win-win partnership

Other partners

- ▶ **Government department and agencies**
 - ▶ Agriculture regional departments
 - ▶ Meteorological agency
 - ▶ Early warning system
 - ▶ Statistical services
 - ▶ Extension services
- ▶ **Service providers**
 - ▶ Consultants: samplings and surveys



Setting up a committee of data producers

Expected outcomes for farmers

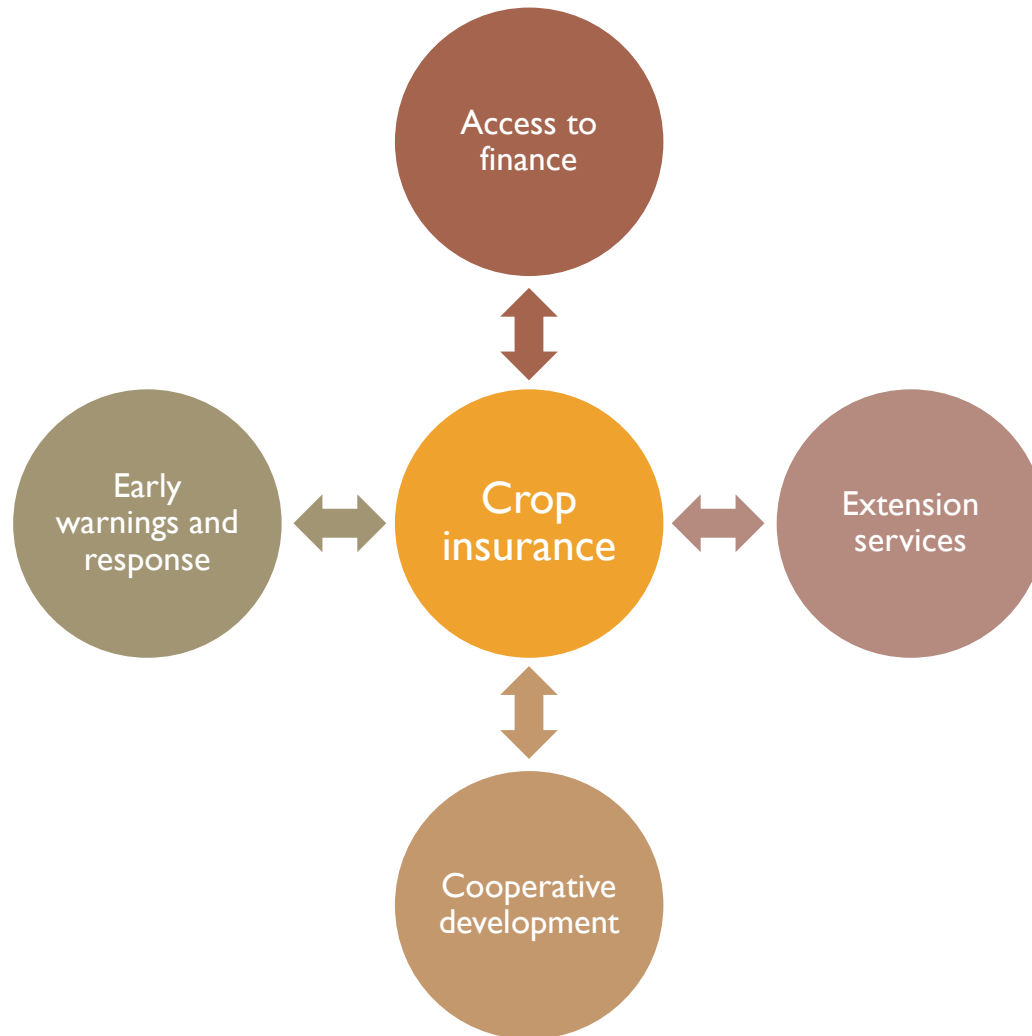
- ▶ Reduced exposition to natural risks
- ▶ Affordable protection
- ▶ Solvency is protected: enhanced access to finance
- ▶ Can maintain their activities and invest

- ▶ Insured farmers have the responsibility to
 - ▶ declare areas under production
 - ▶ pay the premium
 - ▶ contribute to yield assessment (when selected)

Expected outcomes for the agricultural sector

- ▶ Production of high quality statistical datasets
 - ▶ Improved decision making for:
 - ▶ Agricultural sector development
 - ▶ Food security
 - ▶ Contribution to other risk management mechanisms
 - ▶ Early warning system
 - ▶ ARC
- ▶ Increased activity of MFI and banks in rural areas
- ▶ Incentive for farmers to work with aggregators
 - ▶ Cooperatives
 - ▶ MFI

Contribution to agricultural development



Next steps

- ▶ Finalize agreements with insurance companies
- ▶ Involve government:
 - ▶ Tax exemptions for agricultural insurance
 - ▶ Contribution to premiums
- ▶ Expand crop insurance to other areas
- ▶ Develop crop insurance for other crops
 - ▶ Onion
 - ▶ Other cereals

Key findings

- ▶ Mapping the agricultural sector leads to a strategic positioning
- ▶ Partnerships with aggregators bring a lot of value for clients and insurers
- ▶ A lot of resources must be invested in training and information campaigns
- ▶ Risk management mechanisms are required at different levels:
 - ▶ Microinsurance for farmers brings a significant contribution to insurance against disasters

**Thank you
for your attention !**

Jonathan Boudreau, M.Sc.

Project manager

Jonathan.boudreau@fadq.qc.ca



FADQDI

Financière agricole du Québec
Développement international

1400, boul. Guillaume-Couture
Lévis, Québec
Canada, G6W 8K7

+1 418 838 5601

www.fadqdi.qc.ca

