

# AGRICULTURE AND RISK ENTERPRISE LTD (ACRE)

*formerly Kilimo Salama*

Agriculture and Risk Enterprise Ltd (ACRE) is a social business set up in 2014 at the initiative of the Syngenta Foundation for Sustainable Agriculture. ACRE aims to expand the innovative agricultural insurance model, successfully tested in Kenya, Rwanda and Tanzania since 2009 under the name Kilimo Salama, to Eastern and Southern Africa. ACRE develops and offers affordable index-based and indemnity-based microinsurance products for smallholder farmers, using leading technological innovations so that they can have peace of mind when investing in their farms and feed their communities.



## THE CHALLENGE OF AGRICULTURAL RISK MANAGEMENT

Farmers are exposed to the vagaries of weather patterns that can have ruinous consequences on their harvests and livelihoods. Historically, governments have been unreliable partners for African farmers in helping them mitigate such risks, and risk-management solutions from the private sector have either been unavailable, inadequate or too expensive. Aside from the increased probability of financial difficulties after a bad crop year, the absence of valuable insurance solutions also weakens farmers' ability to secure the loans required to maximize their crop yields through the purchase of optimal inputs and fertilizers.

## THE INNOVATION

**ACRE's** business model unlocks the potential of insurance in the rural based economies of East Africa, relying on 3 pillars:

**PRODUCT DESIGN:** By using satellite and meteorological technology, and developing index-based policies, ACRE designs insurance products specific to local agricultural markets and is able to offer protection for a large variety of crops and livestock found in Africa.

**DISTRIBUTION:** ACRE intermediates between insurance companies that can underwrite risk and reinsurers that can offer a second layer of risk absorption on the one hand, and the distribution channels

than can be used to successfully sell products to the end clientele, in this case farmers. Distribution channels, known as aggregators because they provide access to a large number of individuals that would otherwise be costly to reach, include microfinance institutions, agribusinesses, and agricultural input suppliers amongst others.

**MOBILE MONEY:** ACRE is the first agricultural insurance company globally to reach smallholder farmers and pay claims through mobile phone technology, harnessing the vast financial networks and outreach of mobile phone companies in the region.

## THE IMPACT

- 200,000 farmers across Kenya, Tanzania and Rwanda were covered by ACRE products in 2013. Total claims pay-out in 2013 amounted to 264,000 USD. Projections for growth are 3 million farmers across 10 countries by 2018.
- These farmers are able to access finance on more favorable terms and secure their financing needs for the following planting season in the event their crop yield is less than expected.
- In addition, training offered to farmers by ACRE on agricultural micro-insurance enables them to get better grip on agronomic and rural dynamics which in turn helps them to make better choices on crops and sales, and thus earn more income from farming.
- ACRE is plugging a large gap in rural financing and paving the way for further innovative development in the farming sector.



**Jane G. Simon, maize farmer Laikipia district (Kenya), is very satisfied:**

*"I had not heard of maize insurance before and I have known insurance to refuse to pay claims so I was 50-50 about the product, but I still joined because there was a promise of compensation. When they actually paid out I was the only one in my village with certified seed and I shared some of the compensation with my neighbours to convince them to join the programme next season."*

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## GOALS

	2013	2018
Farmers insured	200,000	3,000,000
Countries covered	Kenya, Rwanda, Tanzania	10 countries in Eastern and Southern Africa
Sums insured (risks)	18.8 million USD	800 million USD

## SUPPORT OF THE GRAMEEN CREDIT AGRICOLE MICROFINANCE FOUNDATION

The Foundation's 500,000 USD investment is designed to help ACRE expand into new markets and consolidate its early growth, and where possible the Foundation will offer advice through its experts and from the Credit Agricole SA Group.

*The Foundation holds a 8,3 % stake in ACRE, which is majority owned by Syngenta Foundation for Sustainable Agriculture, the organization that launched the Kilimo Salama project in 2009 with support from IFC's Global Index Insurance Facility.*

The Foundation has chosen to invest in ACRE to support a leader and pioneer in agricultural microinsurance. This investment is groundbreaking for the Foundation in that it registers as the first to be made in the microinsurance sector. It ticks all the boxes for social business and has the added value for the Foundation that it aims at delivering social value in agriculture, bringing valued-added insurance solutions to farmers that are highly vulnerable to risk.

## SHAREHOLDERS

- **The Syngenta Foundation for Sustainable Agriculture** works with partners in developing countries and emerging markets to help small farmers become more professional growers. It extends science-based know-how, facilitates access to quality inputs, and links smallholders to markets in profitable ways. This adds value for rural communities, and improves food security.
- **The Lundin Foundation** is a Canadian philanthropic organization that provides risk capital in the form of investments into high potential small- and medium-sized businesses with a view to generating the wealth and employment needed to alleviate poverty on a sustained basis.
- **LGT Venture Philanthropy** (Switzerland) provides young, fast-growing social organizations in Latin America, Africa, India, South East Asia and China with funding, know-how and access to networks.

## Agricultural Microinsurance

**Agricultural microinsurance** is a growing sub-sector in the global microinsurance sector that today covers 500 million lives. Agricultural microinsurance is targeted specifically to smallholder farmers, to help them strengthen their approach to risk management. The development of agricultural insurance solutions in smallholder agriculture should be situated in a broader strategy to better integrate them into the agricultural value chains and support them to act as entrepreneurs.

Agricultural insurance measures the occurrence of risk through various methods: crop yield, farm income, output related indexes. Agricultural insurance in developed countries has predominantly operated as indemnity-based insurance i.e. verifying actual losses and covering them accordingly. In contrast, in developing countries and some developed countries, index-based insurance is making significant breakthroughs. Index-based insurance sees the occurrence of crop loss measured not by yield verifications but instead through indexes such as pluviometry (the measurement of rainfall) or plant evapotranspiration that are scientifically tied to crop output. In the event the index measurement triggers a claim, the claim is determined by the index value and not a measurable loss, as is the case in indemnity-based systems.