

Analysis of the uptake of agricultural insurance services by the agricultural sector in Zimbabwe

Catherine Mazwi R. Tsikirayi
University of Zimbabwe

Ephraim Makoni
University of Zimbabwe

Joseph Matiza
University of Zimbabwe

ABSTRACT

Agriculture is a risky enterprise due to its cyclical nature, risk of loss from fires and natural disasters. As a result, it becomes imperative for the farmer to purchase insurance in order to prevent total loss of farm property, yield or revenue through a fall in agricultural prices or other disasters. Ironically, levels of insurance in the farming sector in Zimbabwe are low. Farmers do not seem to appreciate the insurance products offered by insurers and the intrinsic value of agricultural insurance policy. The fact that an insurance policy is purchased when the business is performing well and that it only becomes useful when the farmer suffers a loss, which could be years down the line, makes it difficult for farmers to pay the premiums without immediate gratification.

Keywords: Insurance; Model A1 and A2 farmers; Fast Track Land Reform; Risk

INTRODUCTION

The uptake of insurance services in the agricultural sector is generally low as compared to other sectors of the economy like manufacturing, mining and services sectors across the world, and Zimbabwe is no exception. Farmers view insurance as an unnecessary expense rather than an investment to curtail future risk, especially given the small size of their holdings. Whether such a view is based on economic rationale or on mere opinions, is still a subject of debate in academia. However, agricultural insurance is usually considered as a risk-mitigating tool when land holdings increase and the level of income from agriculture becomes significant.

At independence, Zimbabwe inherited a dual agricultural structure from the colonial era that was divided into large scale commercial farming (LSCF) dominated by the white minority and small scale commercial and subsistence farming for the indigenous population (Rukuni, 1994). The large scale sector farmers were well resourced, having adequate access to machinery, extension and financial (credit and insurance) services and had title to their land, as opposed to their communal counterparts.

According to Chiremba and Masters (2003), the government of Zimbabwe (GoZ) adopted the goal of 'growth with equity' at independence which culminated in the first phase of the Land Reform and Resettlement Program (LRRP1) of 1980. The second phase of resettlement (LRRP2) was engaged in 1998, followed by an accelerated fast track resettlement programme (FTLRP) in June 2000. This fast track programme was divided into two schemes, namely, the Model A1 which awarded 20 hectares of land per farmer and the Model A2 scheme which allocated more than 20 hectares per farmer (Utete Report, 2003). The FTLRP brought dramatic changes in the agricultural landscape to this day, as the newly resettled indigenous farmers with little or no resources now occupied the greater part of agricultural land, with dire implications for the agricultural insurance industry.

The Insurance Industry in Zimbabwe

The insurance sector in Zimbabwe is highly developed and fairly diversified in comparison to most markets in the Sub-Saharan African region, with some of the best known broking houses in the region represented (MoF, 2010). The sector comprises 27 non-life insurance companies, two reinsurance companies and 20 insurance brokers. The industry offers a diverse range of insurance products. The average contribution of each product to the industry gross premium is shown in figure 1 below. The largest contribution of 48% comes from the motor insurance with the least coming from credit and hire purchase insurance at 0.003%. Agricultural insurance constitutes five percent only (Mujeyi, 2009).

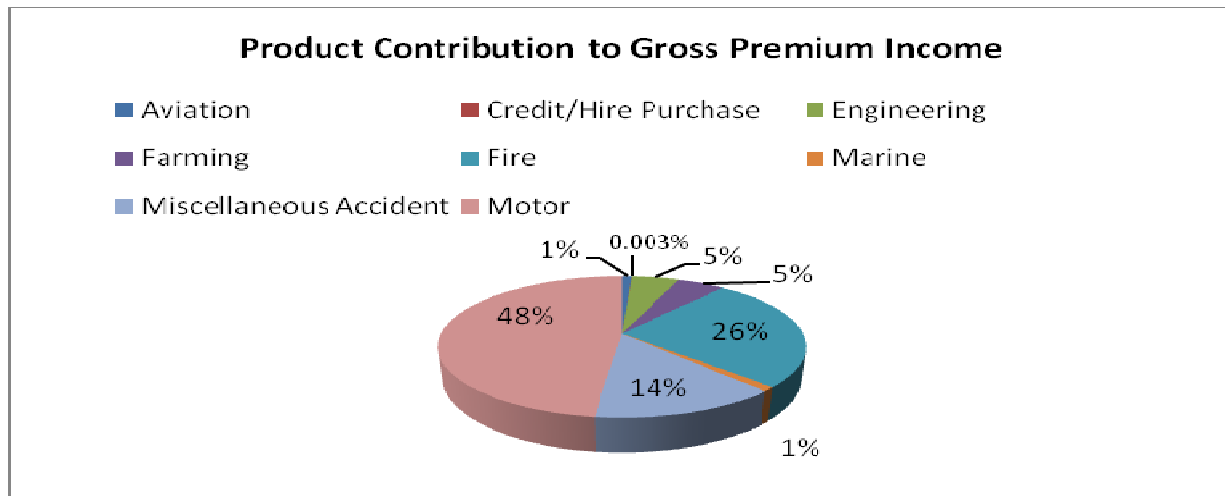


Figure 1: Insurance product contribution to gross premium income. Agricultural insurance in Zimbabwe

Agricultural insurance in Zimbabwe mainly falls under the short-term or non-life insurance arm of the insurance industry. Contribution of agricultural or farming insurance premium to the gross premium income is low (5%) compared to other industries (figure 1). The relative contribution of agricultural insurance to gross premium is not commensurate with the high level of contribution of agriculture to Gross Domestic Product.

Insurance in the farming sector in Zimbabwe is mainly a form of property insurance and the most common form sub-line provided is the “named peril” or “hail insurance”, mainly targeted towards commercial farmers. Property insurance is also offered for farm equipment and machinery, including, but not limited to tractors, trailers, irrigation equipment and farm buildings.

Prior to the FTLRP, agricultural insurance companies focused on commercial farmers for their business as these possessed high value equipment which generally requires to be insured. These farmers were well equipped and possessed high knowledge and management skills, buttressed by their experience. Thus risk levels were moderate, in particular, farm specific-idiosyncratic risk, and providing suitable conditions for establishing farming insurance. Post FTLRP, a new breed of farmers emerged, making it necessary to reconsider the conditions and criteria for quality service delivery of agricultural insurance. The farming and insurance knowledge, management skills, experience, capacity and property ownership of the new farmers was minimal compared to the previous land owners, thus elevating the risk levels within the sector. This in turn increased premium prices of insurance, corresponding to the higher level of risk that is to be covered. Besides, government, in a bid to start off the new farmers, gave them subsidies in terms of inputs and farm machinery which fuelled a dependency syndrome. Farmers thus failed to appreciate the importance of insurance, as government financed their farming activities and this obviously affected the rate of insurance uptake in the sector.

EMPIRICAL STUDIES ON AGRICULTURAL INSURANCE

Models of Agricultural insurance

According to Iturrioz (2009), agricultural insurance can be classified into three main groups based on the method of determining how claims are calculated. These are *Indemnity-based*; *Index-based* and *Crop-revenue-based* agricultural insurance. Yusuf (2010), on the other hand, identifies the various types of agricultural insurance which relate to Iturrioz's classification. These are, multiple peril crop insurance (MPCI), named peril, rainfall index, livestock and aquaculture insurance, index-based insurance products and input-based insurance products. These six forms can be matched with Iturrioz's framework as follows: Indemnity-based insurance comprising MPCI, named peril or livestock and aquaculture; Index-based insurance aligns with rainfall or weather index and index-based insurance products. Crop-revenue-based insurance relates to input-based insurance products. This study adopts Iturrioz's (2009) classification whose three distinct categories embrace the various forms of agricultural insurance given by the other authors.

Indemnity-based

Indemnity-based insurance products determine claim payment based on the actual loss incurred by the policy holder. If an insured event occurs, an assessment of the loss and a determination of the indemnity are made at the level of the insured party. The classification is often divided into two sub-classes—named peril and multiple peril agricultural insurance. Under named peril insurance, the sum insured is defined on an agreed basis, based on the production costs or on the expected crop revenue. MPCI provides insurance against all perils that affect production unless specific perils have been explicitly excluded in the contract of insurance. It is the traditional form of crop insurance. MPCI covers the broad perils of drought, flood, insects and disease which may affect many insured farmers at the same time and present the insurer with excessive losses. To make this class of insurance, the perils are often bundled together in a single policy called an MPCI policy. This sub-class of insurance offers comprehensive cover to the producers but comes at significantly higher cost, compared with named peril insurance, thus requires government subsidy on premiums to enhance uptake. Binswager (1986) in Makaudze and Miranda (2009) concluded that the cost of traditional crop insurance has been the greatest obstacle to the development of agricultural insurance markets.

Index-Based insurance

According to Iturrioz (2009), index-based insurance products pay out claims based on an *index* measurement and not on losses measured in the field. The index is a variable that is highly correlated with losses and that cannot be influenced by the insured. Indices can include rainfall, temperature, regional yield or river levels. As a result of the limitations and high costs associated with traditional MPCI insurance, researchers and practitioners have developed a growing interest in alternative agricultural insurance approaches based on indices (Makaudze and Miranda, (2010). Index insurance indemnifies agricultural producers based on an objectively observable variable that is highly correlated with production losses. It can provide adequate protection

against catastrophic disasters without suffering from the moral hazard and adverse selection problems that cause conventional agricultural insurance programs to fail.

Crop revenue insurance

According to Iturrioz (2009), crop revenue agricultural insurance protects insured parties from the consequences of low yields, low prices or a combination of both. It provides significant benefits to producers that rely on short term crop financing which is repaid from agricultural revenues and financiers who have extended the crop finance. It gives both the producer and the financier certainty that revenues estimates on which loans are based will largely be realized.

Property insurance

Property insurance can be viewed as an indirect form of agricultural insurance as it is not taken on the actual crop but rather on the farm assets used in production. This form of insurance is taken by farmers to protect their farm property against theft and fire. This may be taken on tractors, trucks and any other farm equipment.

CONCEPTUAL FRAMEWORK FOR AGRICULTURAL INSURANCE UPTAKE

Uptake refers to the acceptance or adoption of a new product or idea. Agricultural insurance uptake may therefore be described as, the acceptance or adoption of agricultural insurance by farmers. Consequently, in determining the factors affecting uptake of agricultural insurance by farmers, factors affecting the demand of agricultural insurance are considered. According to Parkin *et al.* (2002), the determinants of demand for a product are own price of the good, price of substitutes, complementary goods, level of income, consumer expectations about future prices or incomes and tastes and preferences (figure 2). These factors are not considered in isolation as they affect each other and are all evaluated by commercial farmers in purchasing insurance.

Own price factor is the premium or price that the farmer pays monthly or as a once off annual payment for the insurance policy for a given level of coverage or indemnity. A high premium, relative to low coverage, would reduce demand for a particular policy and conversely, a low premium, relative to high coverage, will increase uptake. Availability of substitutes refers to the ease of access and the costs and returns available from other agricultural risk management alternatives such as diversification of farm activities or cooperatives. Income factor includes the level of income from the farm and off-farm activities. The higher the level of on-farm income, the more the need for agricultural insurance to protect against income loss, whereas the existence of off-farm income may be taken as a form of diversification and a risk management tool, thus may act to reduce the demand for agricultural insurance.

Consumer expectations about future prices or income in the form of yield forecasts, revenue forecasts, drought forecasts and its expected effects, expected return from insurance $[(\text{expected indemnity} - \text{premium}) / \text{premium}]$ and probability of receiving claim payment, may act to determine the level of agricultural insurance uptake.

Tastes and preferences are those factors such as, age, experience, level of education of the farmer, size of land, reputation of insurer and satisfaction with insurance.

These factors are also related to the risk aversion of the farmer which in turn will determine demand for insurance.

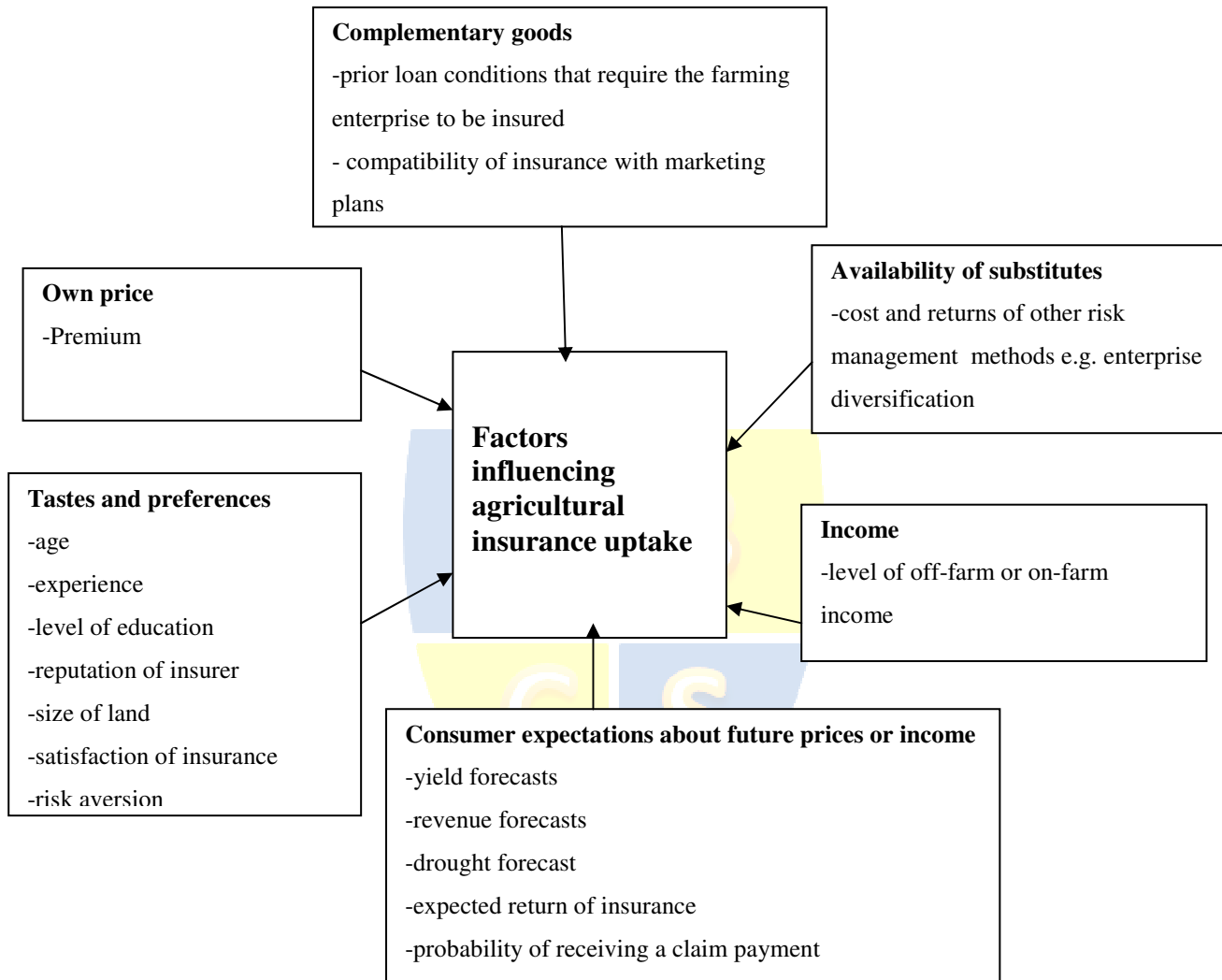


Figure 2: Factors affecting the demand/uptake of crop insurance

Complementary goods refer to those goods where an increase in demand of one good will result in the increase in demand of the complementary good (derived demand). For example an increase in agricultural credit facilities that require crop insurance guarantees will result in the increase in demand for agricultural insurance. Complementary goods may also refer to those goods that are offered in bundles, for example, insurance companies and agricultural credit institutions can have stop-order facilities compatible with marketing association activities. A case in point would be an Agribank/Tobacco Industry and Marketing Board (TIMB) stop-order facility that guarantees loan repayment to Agribank from tobacco farmers.

CHALLENGES TO AGRICULTURAL INSURANCE UPTAKE

Yusuf (2010), in a case study of the Nigerian Agricultural Insurance Scheme (NAIS), states that, though the scheme had significantly benefited farmers, there existed some challenges. These include, low penetration of the scheme, scarcity of data for actuarial determination of important underwriting parameters such as crop yield and farming population. Added to these were, lack of qualified personnel in the field of agricultural insurance, high moral hazard and adverse risk selection. Other factors were, low participation of commercial banks in agricultural finance; inadequate agricultural infrastructure; especially inadequate number of veterinary personnel; undue interference from government; lack of interest from insurance companies in the scheme and difficulty in designing new agricultural insurance products.

In agreement to Yusuf's findings, Mahul and Stutley (2010) state that overall, in government sponsored agricultural insurance programmes, participation has been disappointing, in particular in adopting MPCI. Limited insurance penetration, despite high premium subsidies; consistent underestimation of the catastrophic risks involved in agriculture; poor financial performance, with claims and administrative costs exceeding premiums; inappropriate pricing; uncontrolled moral hazard; and adverse selection, are among the key endemic problems underlying agricultural insurance programs worldwide. According to the Commodity Risk Management Group, Agriculture and Rural Development Department of the World Bank (2006), there is no real experience with compulsory crop insurance in the world. The US tried a form of compulsory insurance in 1995 and abandoned it after one season.

Agricultural insurance has major limitations in that, it is a low priority for many poor farmers in the face of competing demands for scarce cash surpluses from agriculture. Most poor farmers would rather manage their production risk through diversified farming systems, low input utilization strategies and off-farm income. Farmers' priorities are first to ensure that they have timely access to inputs of seeds, fertilizers, and often, credit with which to buy these inputs. Only then can they consider purchasing crop insurance.

Success of agricultural insurance is dependent on other basic agricultural services such as extension services, timely availability of inputs, agricultural credit and efficient marketing channels for agricultural outputs. Where these related services are absent, the benefit from agricultural insurance is likely to be minimal and this tends to be the case in developing economies (Albert, 2000). Zimbabwe's agricultural sector falls into this category.

Sadati *et al.* (2010) suggest that in developing countries, the markets for formal insurance and reinsurance are either under-developed or non-existent. Also, there is lack of effective legal systems to enforce insurance contracts. These factors contribute to an inefficient agricultural insurance market performance. The development of index-based insurance (such as weather index) in developing economies, is hampered by the lack of quality information, especially from weak national meteorological services and weather observing network (Yusuf, 2010).

The uptake of agricultural insurance in Zimbabwe has remained relatively undocumented. An article in the national newspaper, The Herald of 25th November, 2010, titled, "Weather index insurance on the cards", gives some insight into the nature of agricultural insurance in Zimbabwe. The article quoted the Zimbabwe Farmers Union (ZFU) alleging that farmers are reluctant to purchase agricultural insurance because they are unaware of its benefits. The ZFU suggested that there is need for educating farmers on agricultural insurance and they attributed the low participation by farmers to high premium charges by agricultural insurance providers.

RESULTS AND DISCUSSION

The study found that there was a total of 25 registered insurance companies in Zimbabwe. Of these, 15 insurers, representing about 60%, currently provide agricultural insurance. It was further noted that the branch network of agricultural insurance providers is limited, with most of the branches located in Harare, the capital city, and in a few major towns. A survey of both farmers and insurers revealed that the location of most insurers makes it difficult for farmers to access insurance service providers or vice versa. This has an overall effect of reducing uptake of farming insurance policies. Furthermore, the study showed a general agreement among insurers that the economic downturn experienced from 2000 up to 2009 in Zimbabwe had negative effects on the insurance sector. This was aggravated by the direct shocks experienced by the agricultural sector from the Fast Track Land Reform Programme (FTLRP). The low penetration of agricultural insurance products in Zimbabwe seems to validate earlier findings by Mahul and Stutley (2010) that, the availability of agricultural insurance is particularly low in low-income countries and penetration is low, with the sector being under-serviced.

The survey revealed that only named peril insurance for crops, livestock, farm implements and farm comprehensive cover are the forms of agricultural insurance provided in Zimbabwe (table 1). The named peril insurance covers such risk as hail, fire, theft in transit, accident and malicious damage. For all the insurers, crop insurance, in particular – tobacco hail insurance – ranked as the most purchased cover and contributed the greatest percentage in the agricultural insurance portfolio. This is because tobacco yields more revenue than other farming activities and farmers feel inclined to protect the crop. Farm comprehensive cover comprises of crops, livestock, farm implements and other insurance needs of the farmer besides agricultural insurance. No insurer was found to provide MPCI, index or revenue insurance in Zimbabwe.

The research also shows that insurers do not provide specialized agricultural insurance packages but packages that are more general as property, motor or commercial insurance. This is mainly attributed to lack of agricultural underwriting skills and lack of data to form the basis for efficient and effective underwriting.

Table: 1 Agricultural insurance products offered

Insurance product	% response (n=15)
Crops	100%
Livestock	93%
Farm implements	100%
Farm comprehensive	93%
Multiple Peril Crop Insurance (MPCI)	0%
Index insurance	0%
Revenue insurance	0%

Accessibility

Ease of access to the farming clients by insurers is key to the diffusion of agricultural insurance. Partnership with agricultural financial institutions and farm visits were noted as the key means of access to the farmers by insurers to create new business and maintain the existing one. Through the insurer/financial institutions partnerships, farmers are able to pay their insurance premiums. Farm visits are usually meant to assess the agricultural enterprise being

insured or to assess levels of damage in the event of losses. Marketing fairs and brokers were also cited as ways of accessing the farmers. Marketing fairs are mainly used to source new clients. The use of local extension officers is rather limited despite their traditional role as the major interface with the farming community in terms of training and advice. This explains why the resettled new farmers have failed to appreciate the critical importance of agricultural insurance.

Determinants of agricultural insurance uptake

A number of factors were given as determinants of taking up insurance or not. Collateral requirements by financiers for farm insurance was the major determinant (which was also mentioned by ZFU above), followed by past losses experienced by farmers and degree of risk aversion. This view is in line with Makaudze and Miranda (2009) who assert that the farmers who purchase insurance are likely to have experienced significant losses in the past. Farmers in geographical areas that are prone to disaster tend to have high levels of insurance uptake, as they seek to protect themselves against the high risk of loss.

Other determinants mentioned were: increasing insurance awareness through marketing of available insurance products; cost of insurance – affordable premiums (also mentioned by ZFU). Nature of farming enterprise was also cited as important, for example, a tobacco farmer tends to insure because of the higher costs and profitability of the enterprise (unlike a grain farmer). Level of production, herd behaviour and geographical location are other factors. In addition, purchase of inputs could be given priority over insurance uptake due to limited resources.

The farmer respondents pointed out that they use mixed farming as a risk management tool through diversification of farm activities. This has an overall effect of reducing agricultural insurance uptake. Barnett *et al.* (1990) found a negative correlation between diversification and uptake. The study generally showed more uptake of crop insurance than livestock in line with Iturrioz's (2009) findings of crop insurance as the most adopted form of agricultural insurance.

Constraints to the uptake of agricultural insurance

The constraints cited by insurers and farmers as preventing high uptake of farm insurance are: limited knowledge on insurance; unaffordability of insurance; low income levels; and low agricultural production; remoteness of farms from service providers; and negative perceptions about insurance in general. The low regard for the insurance providers emanates from respondents' registered dissatisfaction with the service delivery. This supports earlier findings by the Commodity Risk Management Group of the World Bank (2006) which showed that high uptake of an agricultural weather insurance policy in India resulted from quick payout of the policy and high awareness of policy features possessed by farmers that contributed to insurance satisfaction. The dissatisfaction shown in the current study stems from late or non-payment of insurance when disaster strikes.

The insurers on the one hand, highlight low incomes as an impediment to uptake of insurance by farmers, while the farmers stress unaffordability as a limitation. This indicates that the premiums are beyond the farmers' means, hence the low uptake of insurance.

There is consensus though on the issue of distance of the service providers from the farming enterprises. This means the negative effects of location are equally felt by both parties

who felt that locating insurance providers close to the farming community would improve insurance uptake through improved accessibility that leads to efficient service delivery by insurers, and minimisation of the service gap. This view is in line with Yusuf (2010) on challenges confronting agricultural insurance that need to be addressed. Low production and limited agricultural insurance products available were also cited as constraints to the uptake of agricultural insurance by insurers and surveyed farmers respectively. For example, farmers were complaining that insurers do not provide insurance cover against drought – which was relevant to them – among other agricultural insurance products. Is in line with Yusuf’s (2010) findings that lack of innovativeness in designing new relevant products impedes uptake. These constraints on uptake do not occur in isolation. For example, low production, low farmer income and unaffordable premiums constraints are somehow interlinked. Low farmer income may results from low agricultural production. The low agricultural production results in a narrow agricultural pool that does not give a basis for profitable underwriting business and affordable premium rates. This results in unaffordable premium rates and the consequent reduction in uptake.

Methods Used by Farmers to Manage Farm Risk

Table 2: Methods used by farmers to manage farm risk

Tool	Frequency (%) n=62
Pooling of resources with other farmers	13%
Diversification of crop and livestock enterprises	94%
Cooperatives	19%
Others	6%

The survey revealed that besides agricultural insurance, the majority of farmers manage farm risk through diversification, as already mentioned earlier in this study, regarding determinants of uptake. This echoes *Barnett et al.’s (1990)* findings that, diversifying farm operations as a risk management tool had a negative effect on insurance demand. Other means of risk management mentioned were: formation of farming cooperatives and pooling of resources. It was also noted that for those farmers using diversification as a risk management tool, they only took insurance on such lucrative crops as tobacco, while the other grain crops and livestock remain uninsured.

Suggestions to improve uptake

Both insurers and farmers suggest that in order to improve uptake of agricultural insurance, farmer knowledge on the relevance of insurance should be improved through education and massive marketing and awareness. This supports earlier findings by the Commodity Risk Management Group of the World Bank (2006) and Baker (1990), on the positive effects of farmer awareness to crop insurance participation. Provision of affordable premiums on insurance products ranks topmost for the farmers while for the insurers it is of no consequence. This shows how critical the cost element is to the uptake of insurance for the farmers while for the insurers high premium rates are welcome. Ginder and Spaulding (2006), Shaik *et al.* (2005), Babcock and Hart (2005) and Gardner and Cramer (1986) agreed that there exists an inverse relationship between cost of insurance and uptake. The insurers mentioned research and development as crucial to improving uptake of insurance while for the farmers, it

was not is consideration. This indicates that the insurers realise that their limited portfolio may be curtailing their business opportunities in the farming sector and thus need to be more market-oriented.

Other improvements suggested were: government intervention by way of subsidies to farmers, enforcing the need for all farming operations to be insured and accessibility of insurance services through convenient location. The insurers further suggested improvement in agricultural production and the need for contractors to purchase insurance on behalf of the farmers. The farmers, on the other hand, felt that fair and ethical practices (for instance, fair premiums) by insurers and cooperation between insurers and local institutions would aid uptake of insurance.

Table 3: Suggestions on how to improve uptake

Suggestion to improve uptake	Percentage response			
	Insurers	Rank	Farmers	Rank
Improving farmer awareness on the importance of insurance e.g. education, marketing	80%	1	54%	2
Contractors to purchase insurance on behalf of farmers	33%	3	0%	-
Insurers to locate close to farmers	33%	3	39%	3
Increased agricultural production that provides an agricultural pool to form the basis for affordable premiums	25%	5	0%	-
Research and development to develop insurance products that are affordable and meet customer needs	47%	2	0%	-
Government intervention	27%	4	9%	6
Affordable premiums	0%	-	56%	1
Fair practices by insurers	0%	-	17%	4
Cooperation with local institutions	0%	-	13%	5

RECOMMENDATIONS

To improve agricultural insurance uptake the following recommendations need consideration.

Education: Farmer education on the importance of agricultural insurance on farm operations is critical. This can be achieved through massive marketing by insurers or through the efforts of agricultural extension workers. Obviously, agricultural insurance may not be relevant to pure subsistence farmers or other small-scale-not-profit-oriented farming. Therefore, there is need to deliberately target commercial farmers for the effectiveness of the programme.

Accessibility: Insurers should locate closer to their market and increase their branch network, especially in agricultural thriving areas, to enhance service delivery. In addition, regular farm visits are important to reinforce the education of the farmers. This further enhances data collection – to facilitate the selection of the right candidates for efficient agricultural

underwriting and reduce moral hazard through effective monitoring.

Communication and interaction: There is need to improve communication between insurers and farmers for effective insurance delivery and uptake, by way of holding frequent farm visits, meetings, workshops, or field days. Insurers should solicit feedback from farmers on a continued basis to consistently meet customer needs. This can be done through customer surveys, suggestions, complaints systems and customer focus groups.

Cooperation between insurers and banks (Partnerships)

Insurers should cooperate with banks or similar institutions that provide agricultural finance. Such partnerships will enhance efficiency and effectiveness in service delivery. For example, as bank officials assess financed agricultural projects, they can also be collecting data relevant for insurance underwriting. Insurance premiums can be paid through the banks and policies issued within bank premises. Both can thus benefit from each other's client base and the insurance providers can leverage on the relatively higher branch network available within the banking industry.

Through partnerships insurers can provide liquidity to banks that can be advanced to farmers as agricultural finance and create a ripple effect through the value chain. This enhances the production capacity of farmers leading to in agricultural production. High production translates to high agricultural income which can enhance to insurance uptake. Such synergies create a "bait and hook" model where banks make it mandatory for agricultural borrowers to purchase insurance before accessing funds, thereby increasing increase insurance uptake. Thorough market research can also help to identify the variables that could impact on insurance uptake and take these into account in their product development product.

Customer focused approach: There is need for insurers to adopt a customer-oriented approach in managing insurance service delivery. A thorough understanding of customer needs and expectations will help the company to focus on the production of insurance products and services that appeal to customers and satisfy their needs. As suggested above, customer surveys, suggestions, complaints systems and customer focus groups can be used to achieve this.

Government intervention: it is critical for Government to enact legislation and effectively regulate players in the insurance sector to promote fair practices and protect farmers against exploitation. Given the fiscal limitations in Zimbabwe, it is not practical for government to subsidise agricultural insurance or inputs as they did in the past. The farmers should be compelled to be more innovative in their agricultural operations to ensure a better yield which can pave the way for insurance uptake. Government can go even further to reallocate land that is underutilised and redistribute to those with the acumen and resources to take up farming as a business. Such farmers would have the capacity to seek the services of insurance companies and uptake will be increased, while farming security is also enhanced to the benefit of all.

CONCLUSION

Agriculture has always been the mainstay of the Zimbabwean economy and as such should be supported by all sectors to ensure its recovery. Farming is a very volatile business, exposed to the vagaries of natural disasters, the mercy of fluctuating world prices, and protectionism policies in various markets. This study has shown that agricultural insurance is necessary for the farming sector to cushion their operations from these unpredictable challenges. However,

inadequacies have been identified that impede the sector to achieve its mandate of serving the nation's needs and export the excess to boost the foreign currency reserves of the country. If this sector is going to benefit from the insurance industry, it behaves key players such as, Commission of Insurance, Insurance Council of Zimbabwe (ICZ), Agricultural Research and Extension Services (AREX) and Ministry of Agriculture (MoA), the Farmers's Union and other relevant bodies, to sit down and map out strategies that will restore the status of the Agricultural sector to its former enviable position of being the food provider for the nation as well as the region. To do that, the players need to appreciate the key role played by Agricultural Insurance Companies in facilitating the viability of the Agricultural sector.

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