Crop Insurance
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Abstract:

There is a growing need for crop insurance products for farmers in developing countries. The majority of the world’s poor are farmers who suffer periods of famine due to poor harvest. The situation can be improved dramatically if the farmers have access to high quality inputs, such as hybrid seeds and fertilizers.

Weather indexed insurance contracts were developed in 2007 for farmers in Malawi, Tanzania and Kenya by the International Research Institute for Climate and Society of the Earth Institute at Columbia University for World Bank’s Commodity Risk Management Group. The insurance products were developed mainly to protect microfinance institutions against losses due to farmers, who received the loans to purchase higher quality inputs, defaulting on their loans when crop failure occurs.

We applied the same basic concept to study the cost of weather indexed insurance products for maize farmers in Kakamega, a western region in Kenya. We attempted to incorporate agronomic features of maize, characteristics of seed varieties, and timing of planting in relation to rainfall and to the lunar calendar. Our goal was to develop an insurance product that is affordable for farmers.

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