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Land Bank division unveils South Africa's first black crop insurance brokers

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The Land Bank Insurance Company (LBIC), a division of the Land Bank, which

provides financial services to the commercial farming and agribusiness sector, has unveiled the first batch of fully accredited black crop insurance brokers in the country.

A programme with the intention of training ten black brokers to sell LBIC's products was launched earlier this year. However, when the programme got under way, to meet demand, LBIC accommodated 17 brokers. These brokers were identified from the Financial Services Board's database and were invited to apply.

“Our aim in developing this bespoke three-month training programme was to introduce black brokers to crop insurance and, in

doing so, provide them with a solid grounding in the fundamentals of agriculture, insurance and how these solutions can be structured to benefit emerging black farmers,” said LBIC sales and distribution executive manager **Dini Nondumo**.

The brokers’ training was divided into three sessions, with the first session focusing largely on crop insurance and commercial agri short-term asset insurance solutions. During the subsequent sessions, which were more rigorous and technical, the training focused solely on crop insurance.

The final session saw practical applications and tests on the concepts covered during the preceding sessions. After the difficult and demanding sessions, successful brokers were officially accredited to market and sell crop insurance on behalf of LBIC through Agriseker, LBIC’s underwriting managers.

South Africa has over 450 000 emerging and small-scale farmers and close to 40 000 large commercial farmers. While the latter has traditionally enjoyed access to advanced financial solutions and insurance, emerging farmers find themselves in a bind when faced with adversities and often tend to borrow more, or leave agriculture permanently.

This is largely because many small farmers do not have access to or adequate knowledge of risk management products that can carry them through unforeseen events like the current drought.

Though the yoke of food security is largely carried by large commercial farmers, the International Fund for Agricultural Development (Ifad) says smallholders manage over 80% of the world’s estimated 500-million small farms, providing over 80% of the food consumed in a large part of the developing world and

contributing significantly to poverty reduction and food security.

Still dependent on rain cycles, South Africa's small-scale farmers are the most financially vulnerable to the vagaries of weather. The prolonged drought conditions the country is witnessing, the worst in over a century, have only seen small farmers reap more debt.

“We strongly believe there is room to develop black brokers who can reach out to the small farmers in smaller parts of the country, where established brokers might see little or no market,” said Nondumo, adding that the LBIC recognised the need among customers, which is in line with the company's mandate to support the development of the agriculture sector.

He noted that losses in this sector were primarily a result of adverse weather conditions and that the degree of severity of such events had only increased following erratic weather patterns. These patterns not only exposed farmers to crippling financial losses but also degraded the quality of their soil.

“While commercial farmers also bear the brunt, they are more resilient. A smaller, uninsured black farmer is left with no choice but to approach the banks for further credit. [But] credit is not necessarily a tool to deal with weather events, insurance is. It is a critical part of ensuring the long-term stability of the farmer,” said Nondumo.

He added that there had been a steady increase in global agricultural insurance premiums over the past 25 years, with figures increasing tenfold to almost \$30-billion. While much of this growth comes from developed countries and the country's Brics partners like Brazil, India and China, South Africa's total crop insurance market's yearly premium value is only around R1.7-billion.

“Given the sector’s contribution to gross domestic product, the litany of woes will continue if we don’t make formal insurance products available to small and emerging farmers. Inability to service debts can easily rule farmers out of the formal banking system, pushing them off the precipice into a thicket of informal credit. So insurance as a risk mitigation tool is as vital for the farmers as it is for the banks,” said Nondumo.

“In that regard, I believe the black broker programme is historic in many ways,” he concluded.



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