**LBIC readies first batch of black brokers to sell crop insurance**

**Centurion, South Africa – 01 August 2016:** Land Bank Insurance Company (LBIC), part of Land Bank, a specialist bank providing financial services to the commercial farming and agri-business sector, has unveiled the first batch of fully accredited black crop insurance brokers in the country.

The programme was launched earlier this year with the intention of training 10 black brokers to sell LBIC’s products. When the programme got underway, LBIC had to accommodate 17 brokers due to demand. These brokers were identified from the Financial Services Board’s database and were invited to apply.

The training was broken into three sessions with the first session focussing largely on crop insurance and commercial agri short term asset insurance solutions. During the subsequent sessions which were more rigorous and technical, the training focussed 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.

“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,” says Dini Nondumo, Executive Manager: Sales and Distribution, LBIC.

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.

The fact is many small farmers do not have access, or knowledge of risk management products, that can carry them through disasters 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 per cent of the world’s estimated 500 million small farms and provide over 80 per cent of the food consumed in a large part of the developing world, 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, has seen small farmers only reap more debts.

“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.”

“In line with our mandate to support the development of the agricultural sector, we recognised that a need existed with our customers,” adds Nondumo.

Adverse weather conditions are the primary driver of losses for the farmers and recent times, the degree of severity of such events has only increased following erratic weather patterns that not only expose the farmer to crippling financial losses but also degradation of the quality of soil.

“While commercial farmers also bear the burnt, they are more resilient. A smaller, uninsured black farmer is left with no choice but approach the banks for further credit. 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,” says Nondumo.

There has been a steady increase in global agricultural insurance premiums over the past 25 years, with figures increasing tenfold to almost $30bn (Schneider and Roth, 2013). While much of this growth comes from developed countries and partners in the formation like Brazil, India and China, South Africa’s total crop insurance market’s annual premium value is only around R1.7bn.

“Given the sector’s contribution to GDP, 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.”

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