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Risks Mitigation in the Poultry Sub-sector in Oyo State: A Case Study of the Nigerian Agricultural Insurance Scheme

Okunmadewa F.Y.,*Mafimisebi T.E. and Akinade, K.H.

Department of Agricultural Economics, University of Ibadan

Target audience: Policy makers, Poultry farmers, lending institutions, top management staff of the Nigerian Agricultural Insurance Company.

Abstract

Risks and uncertainties associated with agricultural business have to a great extent undermined the productivity and sustainability of the agricultural sector by reducing the availability of institutional credit for investment in agriculture. Hence, this article examined the risks mitigating functions of the Nigerian Agricultural Insurance Scheme in the poultry sub-sector in Oyo State. The study found that participation in the scheme, in terms of number of new farmers taking policy per year, has not been impressive despite 86.0% level of awareness of the scheme among non-participating farmers. Majority of the policy-holders (87%) are either small- or medium-scale farmers. Only a very few large-scale farmers are currently holding policy. The scheme has however done well in allowing participating farmers increased access to credit, which has culminated in boosting of production and farm income. About 74% of farmers that reported losses between 1989 and 1995 had their claims fully or partially settled. However, majority of those who had received compensations complained that the amount paid was small compared with their personal assessment of losses. The scheme has a high rate of turnover as only a few farmers who took policy at inception in 1989 are still doing so. Most of the current policy-holders (70%) joined the scheme late. For improved performance, it is recommended that premium rate be reviewed downward, compensation payment be stepped up, commission on claim-free premium as well as the number of supervisory visits to farmers who are holding policy be increased. The scheme is also advised to become more comprehensive by covering more poultry diseases than are at present covered.

Key words: *Risks mitigation, premium, indemnity, poultry sub-sector, agricultural insurance, Oyo State.*

Description of Problem

Agriculture remains a dominant sector in a large number of developing economies of which Nigeria is an example. Hence, productivity gains in agriculture is a *sine-qua-non* for self-sustaining economic development in Nigeria. Despite the importance of agriculture in the country, the various initiatives taken for its development have often failed to deliver full benefits. Low income levels, low capital- labour ratios and the general precariousness of agricultural production still largely characterise the sector. Owing to the failure of the various promotional and supportive measures to achieve meaningful and satisfactory agricultural development for the country, the overall agricultural production has, contrary to expectation remained virtually stagnant or steadily declined (1, 2, 3). Apart from other related factors, reductions in farm yield and income, which are concomittant effects of natural hazards such as drought, flood, fire, wind storms, pests and diseases have considerably reduced the flow of

*Author for correspondence

institutional credit for investment in agriculture especially in the more risk-prone livestock sub-sector (4 , 5).

Since 1976, the need for evolving a worthwhile and more permanent national approach to agricultural risk management has continued to attract the attention of the Nigerian government. With due consideration for the unpredictable and risky nature of agricultural production, the importance of the agricultural sector to the national economy, the urge to provide additional incentives to further enhance the development of agriculture and the increasing demand by lending institutions and the Nigerian farmers for appropriate risk aversion measures, the Nigerian Agricultural Insurance Scheme was lunched by the Federal Government on the 15th of December, 1987. The Nigerian Agricultural Insurance Company (NAIC) was subsequently established to run the scheme. Small, medium and large-scale farmers were to benefit from the scheme either in group or as individuals. The major objective of the scheme was to reduce the impact of risks and uncertainties to the bearest acceptable minimum.

This is necessary in developing the very strategic poultry sub-sector because of its potential to bridge the supply-demand gaps for animal proteins in Nigeria (6,7). The importance of eggs in human nutrition as a prime source of proteins is demonstrated by its use as a standard in evaluating the amino acid composition of various protein materials all over the world. Egg is a unique well-balanced source of nutrients for man. Egg is also an important source of unsaturated fatty acids which are easily digested to provide energy for body needs. Eggs are rich in iron, phosphorus, trace minerals, vitamins A, E, K and B-vitamins. As a natural source of vitamin D, eggs ranks second only to fish liver oil (8). Poultry meat is also a high quality source of animal proteins, it is highly palatable and contains low cholesterol levels. The whiteness of poultry meat especially at the breast region confers additional attractiveness on it (9). The fact that both fresh and frozen poultry meat are not so expensive, makes it easily affordable by people of various socio-economic classes (income groups). At present, in most cities in Nigeria, a broiler, spent layer, and frozen chicken go for an average of ₦450, ₦300 and ₦250 respectively. The poultry industry has the potential of contributing to enhanced animal protein intake in Nigeria which records an 88% shortfall compared with recommended levels (10). Other importance of the poultry industry abounds especially income and employment generation for investors and workers. It is therefore necessary that the problem of risks be tackled to enhance the productivity of this sub-sector and encourage prospective investors to enter the industry.

Insurance is a way of eliminating the uncertain risk of loss for individuals through the combination of a large number of similarly exposed individuals, who each contribute to a common fund, premium payment sufficient to make good the loss caused to any one individual. Insurance ensures the survival of on-going businesses and also allows new businesses to spring up to guarantee the continuous growth of the economy (11). Risk insurance ensures that the combined risk becomes a small predictable percentage of the total which can be spread among the insured group (12). Crowe (13) shows that agricultural insurance expands output. This he contended was possible because the farmers are assured of certain income in case of hazards. As a result, they are more willing to take a chance with efficient technology in order to increase their output or productivity. Agricultural insurance will also help to ensure that financial institutions become more willing to make credit available to farmers. It would alleviate some of the problems concerning collateral which would have to be offered as guarantee for loans. Eyo (14) viewed the principal benefit of agricultural insurance as the protection it offers to farmers' investment and income in the event of losses. It is crystal clear then that lack of insurance for farmers in developing countries provides testimony to the difficulty of operating a viable and sustainable agricultural development and serves as a justification for the emergency assistance provided to farmers after occurrence of disasters which are agricultural in nature. Such emergency interventions are costly, *ad-hoc* or temporary measures which may not be effective as a way of off-setting losses in the risk-prone agricultural sector.

The mode of operation of the insurance scheme in terms of livestock sub-sector is briefly described below. The company extends cover to poultry, cattle, sheep, goats, pigs and all these animals qualify for the 50% premium subsidy. However, the study concentrates on the poultry sub-sector because of its position as the fastest growing and best organized of the livestock industries in Nigeria courtesy of exotic breeds of poultry birds mostly reared and the activities of the Poultry Association of Nigeria founded in 1979 (15). The duration of cover is day-old to 72 weeks for layers, day-old to 10 weeks for broilers and day-old to 18 weeks for cockerels. The minimum insurable bird number is 250 (broilers), 500 (layers) and 500 (breeders). The perils covered include death, injury due to accident, stipulated diseases, lightening, storm and flood. Losses caused by negligence or wilful damage are not covered while insured farmers are under obligation to adopt recommended farm management practices aimed at hazard reduction and optimum returns. The basis for calculating the premium payable at commencement of insurance contract is the estimated production cost (EPC). The sum insured is the approved input cost or estimated production cost of any poultry project. For poultry in particular and livestock in general, the estimated production cost includes the value of animal at the commencement of insurance cover as well as the sum of the approved input costs. The approved premium rate for poultry is 7.5% of EPC. The premium rate is subsidized 50% by the Government (Federal 25% and State 25%). Report of perils should be made within a stipulated time of 24 – 48 hours to designated or accredited points which include State Ministry of Agriculture and Natural Resources, Local Government Office, Financing Banks and the nearest NAIC office. To qualify for indemnity, a poultry farm must have lost above 7.5% of total stock for broilers while the corresponding values for cockerels, layers and breeding birds are above 9.5, 10.0 and 10.0% respectively. For clients who are also loan beneficiaries, indemnity payment is made through banks otherwise payment is made directly to the farmers (16).

The most successful agricultural insurance schemes are those in which farmers are well represented and in which they have confidence. This is manifested in the number of participating farmers and consistency of patronage by farmers. The broad objective of this study is to appraise a relatively new insurance effort such as the Nigerian Agricultural Insurance Scheme so as to reveal the constraints and difficulties experienced in its implementation. This is with the view of finding adequate and lasting solutions to the various problems that might have hampered the proper functioning of the scheme. A critical study of the scheme will also reveal how achievements have conformed to or diverged from target so that recommendations to improve performance can be made. This is necessary considering that an insurance scheme is also being proposed for the health sector in Nigeria. The specific objectives of the study are to:

1. assess awareness of and participation in the scheme by farmers of various farm size groups
2. find out how consistently clients patronize the scheme.
3. obtain farmers' responses on effects of policy-holding on access to agricultural credit and farm income.
4. derive measures of performance by the NAIC in terms of premium generated and compensation paid to clients over years and
5. elicit information on reasons for late or non-participation in the scheme.

Materials and Methods

The paper relies on a study conducted in Oyo State in 1996. The data used for the study were collected through primary and secondary means. The primary data were collected through the use of structured questionnaires in six selected Local Government Areas of the State viz: Lagelu, Egbeda, Oluyole, Akinyele, Afijio and Iseyin. These LGAs are geographically contiguous with or are easily accessible from Ibadan where the Oyo State Branch Office of the NAIC is located. Ten (10) policy-holders, five (5) erstwhile policy-holders and five (5) non-policy- holders were randomly selected and interviewed in each LGA. A total of 120 respondents supplied the primary data analyzed and reported in this paper. Secondary data were obtained from Nigerian Agricultural Insurance Company, Oyo State Office located in Iwo Road, Ibadan. Descriptive statistics which included tables, frequency distribution and percentages were used for analysing the data obtained.

Results and Discussion

Socio-demographic Characteristics

Farm size: The insurance policy-holders were grouped into classes based on the number of birds kept. Majority of the policy-holders (87%) are either small- or medium-scale farmers keeping less than two thousand birds. This finding corroborates earlier ones that majority of farmers in Nigeria are peasant or small-scale farmers (17, 18, 19). Only about 13.0% of the poultry farmers rear more than two thousand birds. (See Table 1). The disproportionate number of large-scale poultry farmers compared with small- or medium-scale farmers may have arisen because an aspect of the insurance policy favours small- or medium-scale farmers at the expense of those operating on large-scale. The low participation by large-scale farmers in the scheme is puzzling judging by the fact that their capital investment is huge and as such, they should naturally be more inclined to cover their capital outlay against risk. This is expected especially when the cushioning effects which compensation payments in the event of losses due to hazards, will have on large-scale production. Another possible reason for the preponderance of small-scale policy-holders in the scheme may be because policy holding afforded some privileges which benefited the small-scale farmers.

The respondents were also grouped based on the number of years of operating poultry venture to see whether or not it has an effect on participation in the scheme. Table 2 shows the result of the distribution. A larger proportion of the beneficiary poultry farmers (73.33%) have experience of ten years or less in poultry business while only a few farmers (26.66%) having poultry business experience of over ten years are participating in the scheme. This pattern of distribution is explainable from the observation that those poultry producers having experience of ten years or less are yet to acquire enough expertise in the business and may therefore be more keen on taking measures that will reduce their risk or make good their losses. Years of experience in farming has a relatively high influence on the decision taken by a farmer. A more experienced farmer could probably more correctly predict the future outcomes of production by considering records of past years. The more experienced producers might have established a moderate level of losses over the years, which makes policy-holding unnecessary. This may be the reason why only a few farmers with poultry experience of more than ten years are involved in the insurance scheme.

The survey revealed that it is mostly educated farmers that are policy-holders. Only 5.0% of participating poultry farmers had no formal education. Participation in the scheme involves application writing and completion of stipulated forms. All these are impossible for someone who is not educated. The non-educated or illiterate farmers form a large proportion of our farming folk and the scheme would have to involve a considerable number of them if the positive impact of the scheme on agriculture is to be fully realized. In fact, the few non-literate farmers participating in the scheme depend on educated people to help in filling forms. They also visit the Branch Office

Table 1: Distribution of Policy-Holders by Number of Birds Kept

Range of Birds	Class Description	Frequency	Percentage	Cumulative Percentage
250 - 1000	Small-scale	35	58.33	———
1001 - 2000	Medium-scale	17	28.33	86.66
> 2000	Large-scale	08	13.33	100.00
		60	100.00	

Source: Survey Data, 1996

Table 2: Distribution of Policy-Holders by Number of Years of Experience

Years	Frequency	Percentage	Cumulative Percentage
1-5	27	45.00	———
6-10	17	28.33	73.33
11-15	12	20.00	93.33
> 15	04	6.66	100.00
	60	100.00	

Source: Survey data, 1996.

Table 3: Level of Education of Poultry Policy-Holders

Level of Education	Frequency	Percentage	Cumulative Percentage
None	03	5.00	———
Primary	18	30.00	35.00
Secondary	22	36.67	71.67
Post-secondary	17	28.33	100.00
	60	100.00	

Source: Survey data, 1996.

Table 4: Number of Years of Policy-Holding by Respondents

Number of Years	Frequency	Percentage	Cumulative Percentage
1-2	42	70.00	———
3-5	13	21.67	91.67
6 and above	05	8.33	100.00
	60	100.00	

Source: Survey data, 1996.

of the insurance company with an educated person whose transport fares they pay for. This extra expense and cumbersome procedure may be responsible for the low number of illiterate farmers participating in policy-holding. The administrative procedure involved in becoming a policy-holder may have to be simplified so as to get more illiterate farmers to partake in the scheme. Also a frantic publicity effort to make more uneducated farmers imbibe the scheme should be embarked upon.

Since the scheme formally took off in 1989, respondents were grouped according to the number of years for which they have been clients of the NAIC in Table 4. Exactly 70.0% of the policy-holders have spent only 1-2 years in the scheme. Only about 8.0% of respondents have consistently held policy for six years and above. The fact revealed in this distribution is that majority of the policy-holders are new in the system or in other words, joined the scheme late. This pattern of distribution was obtained probably because majority of the poultry farmers that started with the scheme in 1990 have opted out. The fact that majority of the poultry policy-holders are late adopters (1-2 years old in the scheme) prompted the study to elicit information as to the reasons for late involvement in the scheme. The reasons given (in order of frequency) included small size of poultry farm (68.33%), lack of funds for premium payment (58.33%), lack of awareness of scheme (50.0%), distance of insurance office to the locality of the farmer (43.33%) and administrative protocol (30.0%). Majority of the farmers were formerly holding on to the wrong impression that their poultry farms were small and hence below the threshold of insurability. This is sheer ignorance on the part of the farmers because expansion of farm size depends on capital and one of the major objectives of the scheme was to allow policy-holders more access to credit especially from the institutional sources. Effective publicity of scheme and education of non-policy-holders about the activities of the company is needed to increase participation. Another problem to be tackled is the case of premium. About 60.0% of the new policy-holders cited lack of funds to pay the stipulated premium as their reason for joining the scheme late. It is then suggested that the premium charged should be reduced to serve as an incentive to prospective policy-holders and lighten the burden on existing ones. About 43.0% of the late-adopting policy-holders gave the considerable distance between their locality and the insurance office as their reason for late acceptance of policy. It is suggested that the company should bring its services close to the farmers by running operational offices in every Local Government Area as opposed to the present structure of one Zonal Office and a few Branch offices for a group of States. A few policy-holders (30%) implicated difficult administrative protocol as their reason for late participation in the scheme.

Effect of Policy - Holding on Access to Credit and Production

The study sought to know whether or not one of the fundamental objectives of the scheme which is easy access to institutional credit by participating farmers is being met. Tables 5, 6, and 7 present policy-holders' assessment of access to credit, collaterals used in credit procurement and grouping of policy-holders according to sources of credit, respectively. About 73.3% of policy-holders affirmed that participating in the scheme allows them greater access to credit compared with when they were not participating in the scheme. However, about 27.0% maintained that access to credit before and after taking policy remained the same. No respondent suffered decrease in access to credit after holding policy. This finding confirms that a major objective of the scheme has thus been fulfilled. Majority (65.0%) of policy-holders used their insurance certificate together with other securities as collaterals. Only about 23.0% of policy-holders used insurance certificate alone as collateral for loan procurement. This was so because only a few banks accept insurance certificate alone as collaterals. The reason for this is that the size of the loan applied for might be such that cannot be adequately secured with the use of the insurance certificate alone. Most of the policy-holders who used insurance certificate alone were small-scale farmers who applied for small credit. Hence policy-holding facilitated access to small loans. However, the effectiveness of policy-holding in facilitating access to credit reduced as the size of loan applied for increased. Most policy-holders (70.0%) had their farms financed by guaranteed bank credit under the Agricultural Credit Guarantee Scheme Fund (ACGSF). The remaining 30% financed their farms from either past income or from funds borrowed from co-operatives. Majority of the policy-holders financed their farms with guaranteed bank credit because the insurance certificate accompanied with other securities, was accepted as collateral by designated banks. The survey also revealed that 70% of the participants of the scheme experienced increased production. This may not be unconnected with the loan majority of the farmers were able to procure and use in operating their ventures. This reasoning is tenable considering the fact that 73% of policy-holders asserted that their access to credit increased with participation in the insurance scheme.

Table 5: Policy-Holders' Assessment of Access to Credit

Option	Frequency	Percentage
Greater	44	73.33
Lesser	–	0.00
Same	16	26.67
Total	60	100.00

Table 6: Collaterals Used in Credit Procurement by Policy-Holders

Collaterals used	Frequency	Percentage
Insurance Certificate alone	14	23.33
Insurance certificate + other securities	39	65.00
Other securities alone	07	11.67
	60	100.00

Source: Survey data, 1996.

Table 7: Distribution of Policy-Holders According to Source of Credit

Source of Credit	Frequency	Percentage
Guaranteed bank loan	42	70.00
Self	13	21.67
Co-operative	05	8.33
	60	100.00

Source: Survey data, 1996

Reported Losses and Compensations Paid

The success of any insurance outfit from the point of view of policy-holders is not only the percentage of reported losses that are indemnified but also the proportion of generated premium that is paid as indemnity and the promptness with which payment is made (13). For poultry insurance policy-holders, between 1989 and 1995, 68 losses were reported out of which 51 were compensated. In terms of the proportion of farmers compensated out of those reporting losses, this gives 75.0% performance by the NAIC. The reasons given for refusal to pay compensation for the claims outrightly rejected included lateness in reporting losses and the fact that the diseases that occasioned the losses were not covered by the policy. From NAIC records, it was discovered that most of the farmers who were not compensated for one reason or the other had left the scheme. For those farmers who were lucky to be compensated, whether or not the amount paid as compensation was satisfactory is an entirely different question. The researchers however have every reason to suspect that compensation may not be adequate as there was a wide gap between amount generated as premium and the amount paid as compensation. (see Table 8).

Table 8: Premium Generated and Compensation Paid to Poultry Policy-Holders (1989-1995)

Year	Number of New Farmers Joining Scheme	Subsidized Premium Paid to NAIC (₦)	No of Farmers Reporting Losses	Number of Farmers Compensated	Amount Paid in Compensation (₦)	Compensation paid as a % of subsidized Premium*
1989	4	10,128.80	3	3	7,905.53	78.05
1990	56	36,130.66	6	6	6,750.00	18.68
1991	48	168,289.90	12	9	17,161.41	10.20
1992	42	133,964.56	7	5	16,507.49	12.32
1993	52	41,742.24	10	6	18,654.83	44.69
1994	37	386,704.69	11	8	49,076.70	12.69
1995	64	617,529.54	19	14	140,654.82	22.78
Total	303	1,394,490.39	68	51	256,710.78	

Source: NAIC data
* Author's calculation.

Table 8 shows that even though the number of farmers who benefited from claims payment compared with the number that reported losses is very high, the volume of compensation is not impressive especially if the proportion of compensation paid to premium generated is used as a proxy for adequacy and sufficiency of claims payment.[1] It was only in the first year of operation that about 78.0 % of premium generated was paid as compensation. This probably explains the dramatic increase in the number of poultry insurance policy-holders from 4 in 1989 to 60 in the second year of operation (1990). The generous payment of compensation to farmers who reported losses must have enticed and encouraged more farmers to enter the scheme. After the first year, compensation as a proportion of premium dropped considerably below 25% excepting 1993 when it stood at 44.6%. It does appears that the company created a first impression which did not last long. In fact, discountenancing the first year of operation (1989), the average rate of compensation payment as percentage of premium generated between 1990-1995 is a paltry 20.23%. This percentage is far less than that obtainable in conventional insurance, which paid an average of 29% between 1988 and 1995. If the scheme steps up claims payment, more farmers may eventually become partakers of the scheme leading to perpetual increase in the number of new policy-holders each year. At present, the number is fluctuating. As it is now, it seems the company is mainly being financed by the excess of premium charged over compensations paid. For any good and fair insurance outfit, compensation should be a reasonable percentage of premium generated so that policy-holders can have something to show non-participants as gains of partaking in the scheme. This is especially because profit making is not the major goal of the scheme but agricultural development through off-setting of insurable agricultural losses. In the opinion of participating farmers, majority (78.33%) said the compensation paid is not good enough compared with policy-holders' expectation and personal assessment of losses.

The farmers were also asked about their position on premium charged. The result of the field surveys revealed that majority of those who said they were satisfied with premium charged were small-scale farmers. On the other hand, a large proportion of the large-scale farmers believed that the premium paid is too high because it forms a considerable proportion of their operating cost. For example, some large-scale farmers claimed to have paid up to ₦90,000.00 as premium in 1995. The general conclusion from this is that the rate of premium does not seem to favour large-scale

[1]Data on total amount claimed for losses reported could not be obtained and the proportion of premium paid as compensation was used as proxy.

farmers. Special attention should be paid to large-scale farmers in terms of downward review of premium charged (20, 21). This may encourage participation by large-scale farmers who are at present very few in the scheme.

Supervisory Visits to Policy-Holders by NAIC Officers

Supervisory visits are avenues through which technical advice and new innovations in agriculture can be handed to participating farmers by NAIC officers. These new innovations are meant to increase productivity and reduce the level of moral hazards. The result in Table 9 shows that there is generally low level of supervisory visits to poultry farmers. About 25% of policy-holders were not visited at all while another 57.0% were visited once or twice in a year. All those who were visited three times or more in a year are in the large-scale category, a preference which may have arisen due to the relatively substantial premium paid by large-scale farmers annually. The NAIC is therefore performing poorly in terms of supervisory visits to policy-holders. The reasons given for this poor performance were that farmers are scattered all over the local governments surveyed and that the company does not have enough functional vehicles for linkage with the rural areas.

Exit From and Non-Participation in the Insurance Scheme

The survey discovered that there is a wide fluctuation in the number of new insurance policy-holders joining the scheme from 1989-1995. Thirty (30) farmers who had left the scheme were interviewed on their reasons for exit. The results as presented in Table 10 show that farmers left the scheme for a multiplicity of reasons. About 90% of farmers who left the scheme did so because of the high premium rate while about 50% and 80% were aggrieved by outright rejection of their claims and partial payment of claims. Another considerable proportion left because they had fully repaid loan or could not secure loan. A few farmers left because they did not incur losses since they registered in the scheme and did not think it wise to continue to pay the premium.

Table 9: Distribution of Policy-Holders by the Number of Supervisory Visits

Number of visits per year	Frequency	Percentage	Cumulative Percentage
0	15	25.00	——
1	20	33.33	58.33
2	14	23.33	81.66
3	6	10.00	91.66
4	5	8.33	100.00
Total	60	100.00	

Source: Survey data, 1996.

Table 10: Distribution of Erstwhile Policy-Holders on Reasons for Exit from Scheme

Reasons for exit	Frequency*	Percentage
Premium rate too high	28	93.33
Claims out rightly turned down	16	53.33
Claims not fully settled	24	80.00
Have fully repaid loan obtained	12	40.00
Could not secure loan despite insurance Certificate	08	26.67
Did not suffer any loss since taking part in the scheme	17	56.67
Delayed payment of claims	16	53.33

Source: Survey data, 1996.

**Multiple responses were allowed to capture all reasons, which made a farmer to leave the scheme.*

However, among the thirty farmers who have never taken policy who were interviewed on their reasons for non-participation in the scheme, 60% implicated either high premium or small size of farm. About 50% claimed that location of insurance office is too far away while about 27% said they were not participating either because of administrative protocol or their inability to read and write. A large proportion (73.3%) said they were not participating owing to negative report about the NAIC either from farmers who are currently holding policy or who were erstwhile policy-holders.

Problems Faced by the NAIC

The company is facing some operational problems, which include shortage of staff, inadequate functional vehicles and office equipment. It is pathetic that the Oyo State Office of the company has no single computer as at the time of conducting this survey. The implication of this in terms of data processing cannot be far-fetched. There is also excessive bureaucratic control and over-centralization of authority in the company. For example, even minor claims can only be paid after clearance from the National Office at Abuja. This causes unnecessary delay in the payment of compensation and it can lead to temporary cessation of production by policy-holders who experience disasters. Bearing in mind that a major objective of the scheme is to cushion the effects of losses suffered by policy-holders so that production goes on uninterrupted, then the problem of delayed payment of approved claims must be promptly looked into. All these inadequacies lead to unsatisfactory performance of the company and ineffective coverage of areas under the jurisdiction of the Oyo State Branch Office.

Table 11: Distribution of Respondents on Reasons for Non-Acceptance of Policy

Reasons for Non-Acceptance of Policy	Frequency*	Percentage
1. Inability to raise money to pay stipulated premium	18	60.00
2. Farm size smaller than insurable threshold	18	60.00
3. Administrative protocol	08	26.67
4. Inability to read or write	08	26.67
5. Negative report about scheme from erstwhile policy holders	22	73.30
6. Distance between farmers' locality and insurance office too far	15	50.00
7. Lack of awareness or lack of detailed understanding of the scheme	04	13.33

Source: Survey data, 1996

**Multiple responses were allowed to capture all reasons, which made a farmer to leave the scheme.*

Conclusion and Applications

The study investigated risks mitigation in the poultry sub-sector of Oyo State and concludes as follows:

1. Majority of farmers who are participating in the scheme are at present in the small- and medium-scale categories. Most participating, exit and non-participating large-scale farmers are of the opinion that premium rate is too high. A mutually acceptable premium rate may have to be worked out for large-scale farmers as an incentive for participating in the scheme.
2. A large proportion of those presently holding policy joined the scheme late. Also, there is a high rate of turn-over as only a few farmers

who held policy at inception in 1989 are still remaining in the scheme. Therefore aspects of the scheme, which are unsatisfactory, have to be tidied up. There is a near stagnant growth of the number of new farmers taking policy yearly from inception in 1989 to 1995. Effective publicity of the scheme and education of non-policy-holders about the company's activities are needed to increase participation by farmers.

3. About 73% of the policy-holders experienced increased access to credit while 70% claimed to have witnessed increased production. This is a commendable performance which can be improved upon if the NAIC steps up the number of supervisory visits to farmers. It is advised that visits should be timed to coincide with the time of implementation of major farm operations. This will enable participating farmers have access to agricultural innovations and techniques which will further enhance production and reduce the level of moral hazards and disasters. Visits should be preferred to radio advertisement since rural farmers have the opportunity to ask questions on what they do not understand compared with radio programmes.

4. The issue of compensations paid as a percentage of losses claimed is fundamental in gaining the confidence and continued patronage of policy-holders. Most farmers are at present dissatisfied with the amount paid as compensation compared with their personal assessment of losses and claims put forward. Only about 20% of premium generated is paid as compensation on the average between 1990 and 1995. There is the need to step up claims payment to the satisfaction of policy-holders who suffer losses so that the company will not be accused of implicitly taxing farmers like the erstwhile marketing boards. To motivate participating farmers to work harder and curb the level of moral hazards, appropriate rewards should be made to farmers with the least record of disasters. The present 5% commission on claim-free premium is too small. With the excess reserves already accumulated by the company, the commission could be increased to a more reasonable level of 10-15%. This may reduce the number of farmers exiting policy-holding on the excuse of not suffering losses and as such not wanting to continue premium payment.

5. There is the need to open up operational offices of the company in Local Government Areas. This will increase awareness, make monitoring easy and less costly and save policy-holder the pains and work-hours lost in travelling to the Branch Office at Ibadan each time they have cause to transact business with the company. This will require increased funding from the Federal Government. The State Governments should also live up to their financial responsibility by promptly paying their own share of the 50% subsidized premium annually. The States can also help in monitoring the Local Government Area Agricultural Insurance Committee, which can assist with marketing the company's insurance policy and collection of premium.

6. It is also advised that the scheme becomes more comprehensive by covering more poultry diseases than are at present covered.

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