



26th May 2020

Worldwide Agriculture insurance premiums and government support

According to analysts, one of the key factors contributing to the growth of the global crop insurance market is government subsidies (support):



Australian Government subsidy is the lowest of any world region at 0%

In a country such as Australia, [the 2nd driest continent on earth](#), where Drought is endemic this is exceptionally problematic for a significant proportion of growers and pastoralists. Apart from Antarctica, Australia is the driest continent in the world. About 35 per cent of the continent receives so little rain, it is effectively desert. In total, 70 per cent of the mainland receives less than 500 millimetres of rain annually, which classes it as arid, or semi-arid.



Crop insurance market analysis identifies government subsidies as the major factor driving the growth of the crop insurance market. To protect farmers interest in growing crops, the majority of regions globally provide subsidies on crop insurance premium, with the exception of Australia.



Digital initiatives in crop insurance are one key market trend that is expected to further drive market growth. Satellite imagery is being used to monitor field and weather conditions for forecasting data related to index-based insurance. Soils sensors can provide information on soil moisture and nutrient content. By using analytics from collected information, insurers can predict the yield for any area.

The rapid adoption of smartphones has facilitated farmers' access to information:



Long Range: A single base station using LoRa Technology enables deep penetration capability

From a risk transfer perspective quality data enables farmers to plan and the timely settlement of claims which can be audited to reinsurance standards. High quality data forms the basis for high quality, reliable risk transfer solutions and adequate planning.

Australian Farmers ***do not plan to fail***, nonetheless not insuring Livestock for the financial impacts of Extreme Weather is ultimately ***failing to adequately plan***.

Brett O'Brien – Fourth generation Australian Farmer and Fellow of the Australian & New Zealand Institute of Insurance & Finance



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Less reliance, more resilience

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*In terms of Australian agriculture exports to China namely beef and barley, Australia needs to methodically correct the imbalance between **reliance** and **resilience**, in doing so maintaining supply chains into Asia and not decimating income to our farmers.*

More broadly than Agriculture Australia needs to inflict some tough love on itself which may lead to more economic pain the short to medium term.

Our reliance on imported goods, be they pharmaceutical, household or otherwise from China needs to stop for the betterment of the country our children inherit and the generations that follow.

This does not mean we need to stop trading with China.

We simply need to cut our reliance and increase our resilience.

For decades the possession centric mentality of the western world has prospered consequent to the affordability of a myriad of items afforded to more of us by virtue of cheap labour and goods from China.

Our households and livelihoods are literally adorned with goods manufactured in China as so eloquently depicted in an episode of The Simpsons where a 'Made in China' sticker peels off an item to reveal 'Made in China' written on the sticker.

As the saying goes pay peanuts and get monkeys Australia has contributed to a near monopoly of cheap manufacturing coming out of China and now, we are the monkeys left holding the can of 'complete over reliance' much to our own detriment.

Regions such as the UK, countries such as Japan and The USA are all seeking to divest importation reliance on China and Australia needs to be part of such re-thinking and discussions now as to be part of revamped global trade structures, supply chains and opportunities.

As Alan Jones has said previously and more recently in terms of foreign ownership and the foreign investment review board it does not matter who is in Government between the ALP and NLP in you don't own the country.

Op-ed online [here](#)



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