

how can we help you?



# Preparing for the next drought:

## *Commercial Producer Finance*

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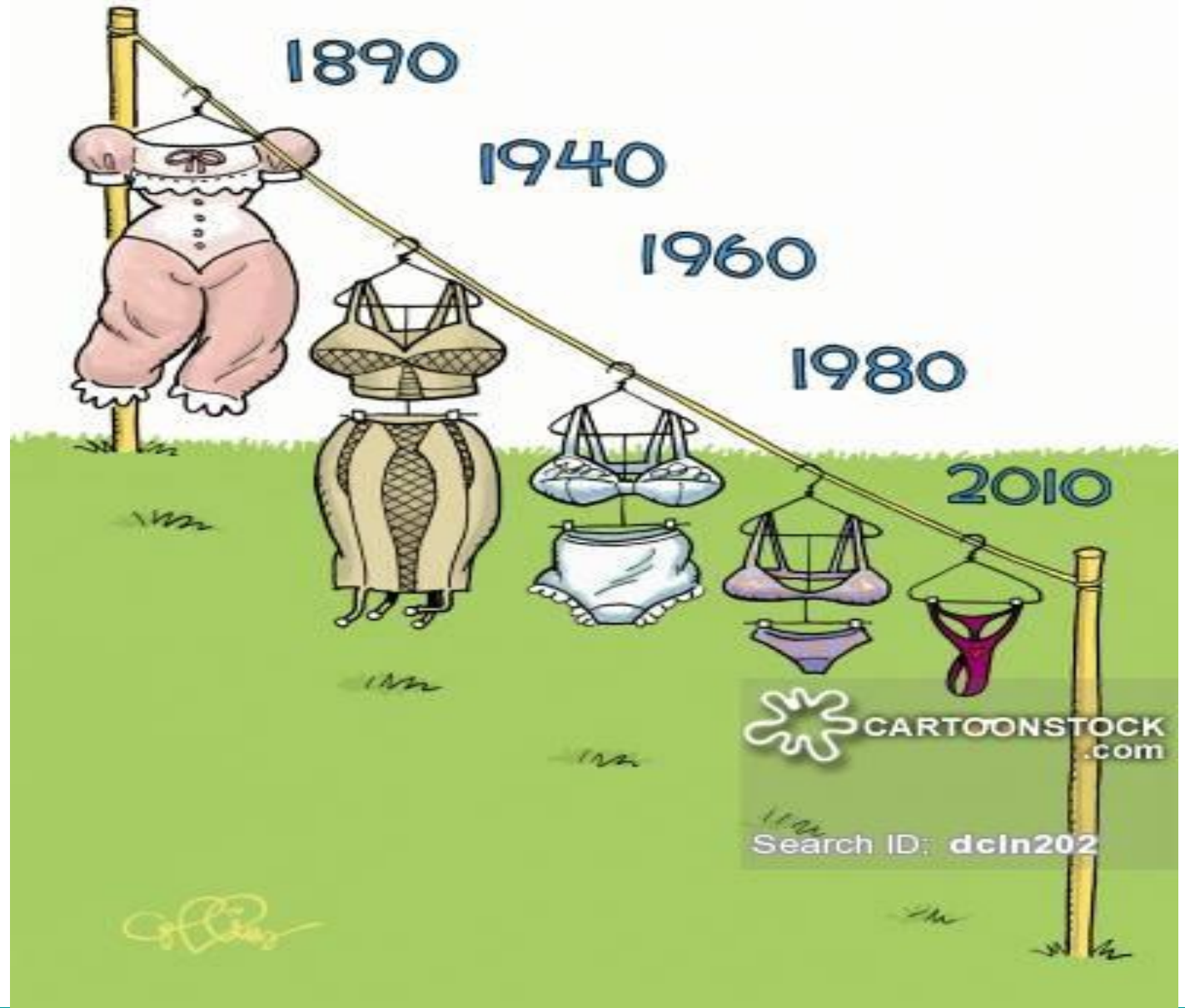
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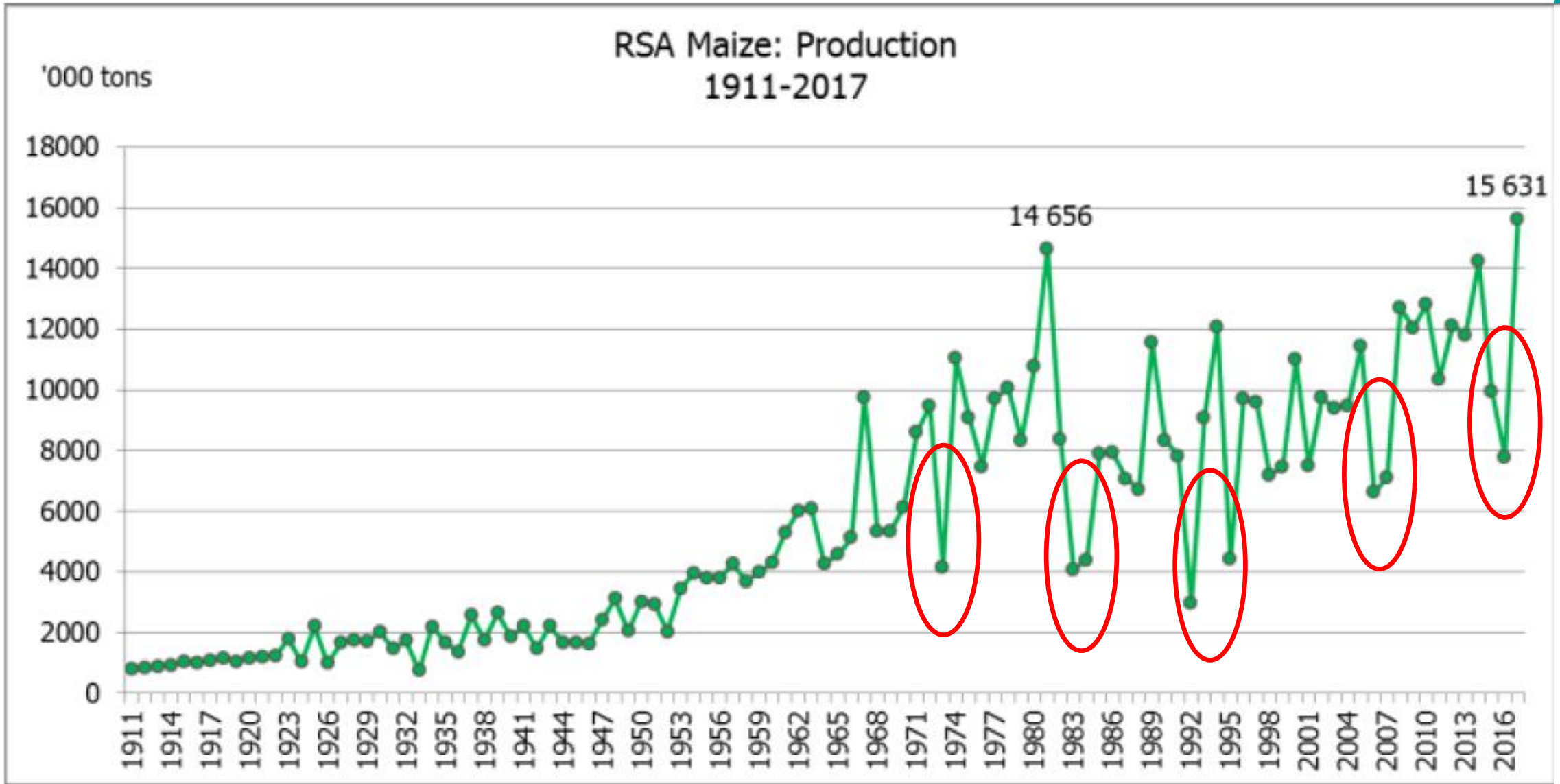
**NOT FOR WHAT YOU UNDERSTAND**



# DEFINITIVE PROOF OF GLOBAL WARMING!



# Crop production volatility



# Insurance's role in production finance

- Farmers can only get cover for insurable risks
- Large-scale natural disasters that are too large and unpredictable to be insured are at the other end of the scale.
- Insurance is important risk management tool
- Risk management is important for production finance, where farmers don't have collateral
- Current offering
  - Extended hail
  - Multiple Peril Crop Insurance (MPCI)

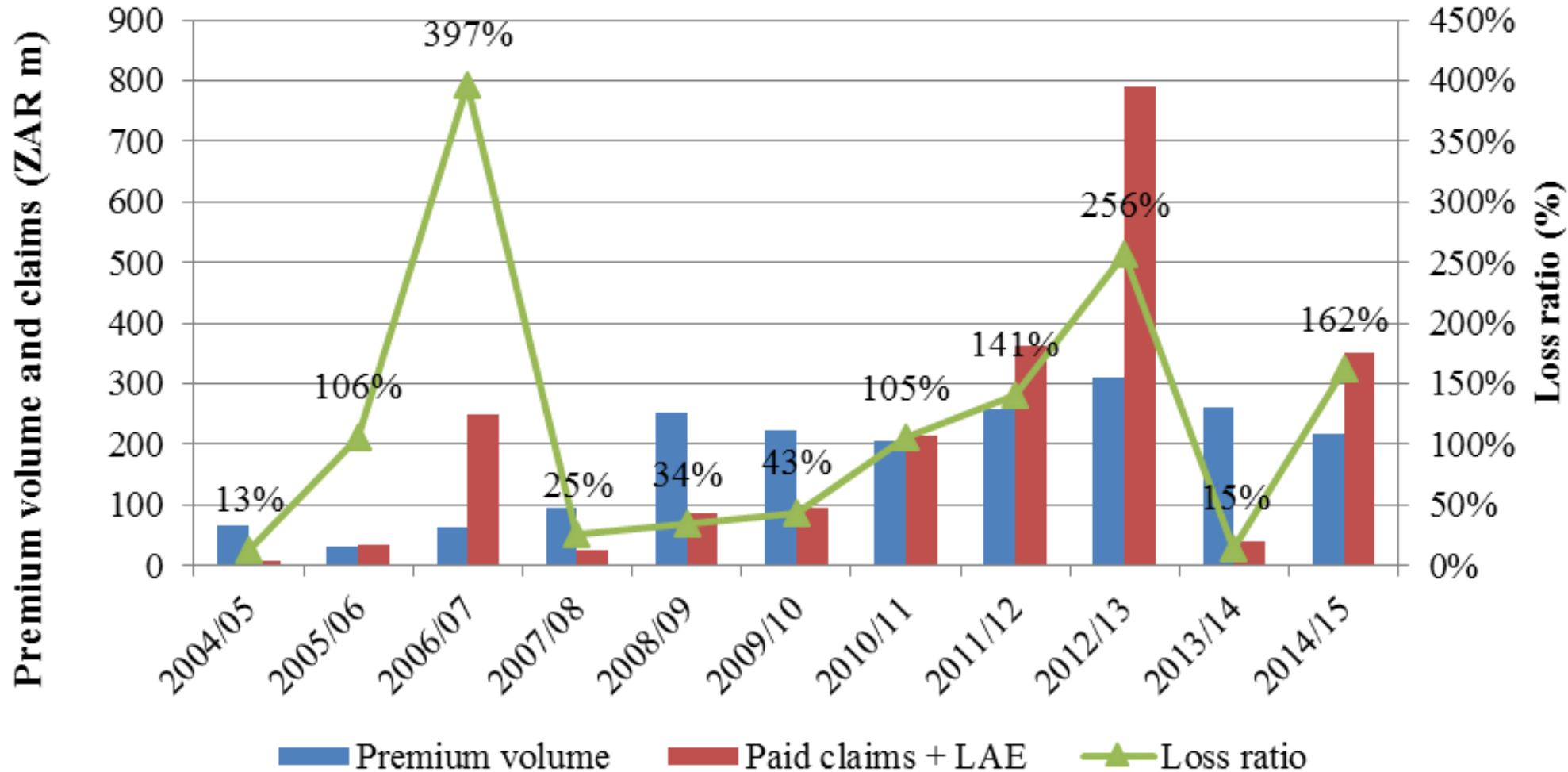




# MPCI results 2004/5 – 2014/15



## MPCI premium volume, claims and loss ratios



Source: SAIA, 2016

# Future for crop insurance & production finance



- Multi-peril crop insurance availability
- Cost of insurance
- Government assistance - ???
- Responsible farming practices
  - Water use
  - Technology
  - Record-keeping



# Financial services offering

- Forget traditional product offering
  - Collateral ???
- Non-traditional products
  - Value-chain finance
- Insurance
  - Index-based products
  - Requirements
  - Track record – “banking the jockey”





# How to prepare for the next drought?

- Use of technology
  - Drought resistant cultivars
  - Precision farming
  - Conservation Agriculture
- Diversification
  - Horizontally and vertically
  - Geographically → in- or outside of SA
  - Outside of the industry
- Savings
- Self insurance
- PPP - Government
  - insurance will be more efficient when embedded in a comprehensive disaster risk management strategy



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It's more than banking to us.  
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