

# Mitigating risks, preserving the sector that feeds the nation

The rise of inconsistent weather patterns has, in recent years, negatively impacted consumers and businesses globally. The Southern African Development Community (SADC) has not been exempt from these patterns which are negatively impacting the agriculture sector in the region due to a combination of unreliable rain patterns, unusually high temperatures and floods.



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Ryno Du Toit, business development executive at Risk Benefit Solutions (RBS), one of South Africa's largest independent insurance and risk specialists, says that these weather patterns are taking a toll on the local agriculture sector, and subsequently financial losses are on the rise, resulting in damaging consequences for both the industry and consumers.

Stats SA yesterday revealed that South Africa's economy contracted by 1.3% in the second quarter of 2015, with the agriculture sector contracting by 17.4% quarter-on-quarter. The UN has also warned that the country is facing its worst drought since 1992.

Du Toit says that this is extremely concerning as the agricultural industry is not only an important GDP contributor for South Africa but also literally feeds the nation and the country's economy. "The government's Crop Estimates Committee reported recently that the country's current maize harvest, a staple food source for millions, is the lowest yield since 2007. Coupled with this shortage, the prolonged dry spells have also reduced grazing land and feeding for livestock."

## Worries about the sustainability of the industry

He adds that in order to feed a nation and create sustainable food production, the industry needs to assess all factors involved in agriculture. "One very important factor is the ability to mitigate risk factors within the agricultural environment. Currently, the insurance market offers a vast array of products to cover assets and crops, while government offers cover for strike related incidents via SASRIA. The question is, is this enough?"

According to the South African agricultural industry association, AgriSA, crop production and livestock farming is expected to decrease by 30% in 2015, and that the decline could cost farms at least R10 billion. As a result, many local farmers are worried about the sustainability of the industry.

## Insuring crops

Du Toit explains that most assets in the agricultural industry can be insured and funded as part of a particular operation's expenses. However, crop insurance is a much more expensive product that has various limitations as to what types of crops can be insured and against what perils. There are also a limited number of insurers in South Africa that offer such insurance.

"We, therefore, believe that there is a need for government and industry players to collaborate and find a viable, sustainable solution to mitigate risks associated with catastrophes in the sector. The possibility of creating a fund especially for this sector of agricultural risk needs to be investigated. It is no secret that being insufficiently insured can result in foreclosure, and we need to ensure that the sector that feeds the nation is adequately protected when disaster strikes," concludes Du Toit.

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