

Multi-peril crop insurance incentive measures
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
NSW 1240
Online: via submission form

11 August 2016

Dear Sir / Madam,

Re: Review of multi-peril crop insurance incentive measures – Assessment against the drought evaluation framework

Cotton Australia welcomes the opportunity to provide comment regarding the review of multi-peril crop insurance measures.

Cotton Australia is the key representative body for Australia's cotton growing industry. The cotton industry is an integral part of the Australian economy, worth over \$1.25 billion in export earnings in the 2014–15 season, and employing on average 10,000 people. The industry's vision is: *Australian cotton, carefully grown, naturally world's best.*

Cotton Australia investigated the potential value for multi-peril crop insurance late last year following discussions by Federal and State Governments to use the product as a mechanism to move away from Government funding. To investigate this area we invited several commercial providers to attend our General Meeting and present on available market products, and heard from industry strategists on the potential benefits and offerings of multi-peril crop insurance.

Based on our understanding of products currently available it is our opinion that:

- Multi-peril will not operate in Australian markets without substantial Government funding of insurance premiums
- Given the Australian climate and the risk profile this generates for insurance companies, multi-peril crop insurance is not sustainable in the absence of Government underwriting capacity and capability
- The multi-peril crop insurance products currently available on the market are not suited to the cotton industry and have been developed for dryland crop production
- Any multi-peril offering for the cotton industry will need to be targeted towards the major risks including yield and price impacts generated through discounting.

Given the limited potential for application of multi-peril crop insurance within our industry, our response to the review is targeted to specific aspects of relevance to our growers.

We support the IPART findings that multi-peril does not provide the necessary functions to supersede current drought funding arrangements.

Cotton Australia supports the Farm Business Skills Program that offers growers the opportunity to undertake professional development, and build their skillset in areas including farm business management and climate risk analysis and implementation. While IPART has indicated there is overlap with Federal Government '*Strengthening our approach to drought and risk management*' program, Cotton Australia would like to highlight that these programs were developed concurrently. As such, Federal and State Government staff involved in developing the scope of each of the programs on offer may not have had the opportunity nor the ability to liaise regarding the objectives and deliverables of the training programs on offer, limiting the potential to avoid overlap. However, to avoid future spending overlap we do not oppose future support of training to assist growers with the preparation of financial and production data.

We believe it is relatively early to assess the take up of grant funding available, given the program has only been in operation for a short period of time and as with all programs there is a lag time associated with implementation. Cotton Australia actively encourages growers to take up training opportunities where these are run by reputable training providers; will lead to improved grower skillsets; and is accessible to growers in relation to costs incurred and location. Cotton Australia is currently investigating opportunities for our growers available through the Farm Business Skills Program.

Cotton Australia does not support the funding of insurance companies to deliver aspects of the Farm Business Skills Program and believes that approved training courses are much more appropriately placed with registered training organisations.

Cotton Australia, through our support of our extension agency Cotton Info, has been undertaking delivery of climate forecasting information and the use of models and indicators to improve grower business decision making. The available climate models and indicators are highly valuable tools that can be used to mitigate and manage risk exposure. We are as such highly supportive of investment in weather infrastructure which assists growers through greater confidence in weather predictions and reliability of information produced.

Should you have any questions regarding our submission please do not hesitate to contact me on 02 9669 5222 or [REDACTED]

Kind regards,

[REDACTED]

Felicity Muller
Policy Officer – Cotton Australia