



Submission

IPART Information Paper: Multi-peril crop insurance incentive measures – 11 April 2016

Submitted by:

CWA of NSW State Agricultural and Environmental Committee

Contact:

Danica Leys

Chief Executive Officer

Country Women's Association of NSW

Ph: 02 8337 0200

Email: [REDACTED]



Introduction

The Country Women's Association ("CWA") is the largest women's organisation in Australia. It aims to improve conditions for country women and children. The CWA does this by advocating for its thousands of members, helping local communities, creating a network of support and meeting together in towns and cities. The Agricultural and Environmental Committee of the CWA of NSW has a vital interest in agricultural production, its effects on communities, families and the profitability of Australian farms and as such, holds a strong internet interest in the topic of multi-peril crop insurance ("MPCI"). We are pleased to be given the opportunity to provide our feedback on this matter.

The CWA take great interest in this topic as we are an organisation that is inherently in tune with the challenges faced by rural and regional communities, particularly in relation to drought impacts. MPCI is viewed by the organisation as a valuable tool to help relieve some of the impacts of crop failure and its flow-on impacts within the community. CWA members caution from the outset however, the temptation to view MPCI as the fixer of all problems associated with drought and its effects on farming communities in New South Wales. We welcome that government is looking to encourage further uptake of MPCI across the state, but MPCI must not be viewed as a substitute for sound government drought policy. It is an option only, nevertheless an important one.

Drought impacts, and associated crop failure impacts, on communities from a social point of view are large, and when applying the multiplier effect, are arguably larger than the initial devastation of crop failure itself. As an organisation that is wholly devoted to the betterment of regional and rural communities across the state, the CWA feel strongly that it should be viewed as a key stakeholder on this issue as the matter progresses. It was somewhat disappointing then that the CWA was not invited to participate in the government forum that took place around this topic late in 2015, however we trust that IPART will take on board these comments and conduct their review in consultation with ourselves as well as other key stakeholders, particularly farming groups.

The CWA look forward to expanding on some of the issues mentioned above and more broadly on the terms of reference issued to IPART as they conduct their review. For the purposes of this submission, we will confine our feedback to the Information Paper only which is more focused on how the review will be conducted and the specific questions that IPART has raised in that context.



1. What **sources** of information should IPART have regard to when assessing the measures?

As a general principle and wherever possible, IPART should rely on sources of information that are independent and verifiable in nature. In addition, subject to the quality of the data and comments around independence and verifiability above, the data should be sourced from as close to the “grassroots” as possible. That is, if data can be sourced directly from farmers for example, this should be the preferred option. Farming organisations that have direct and broad-based membership will be an invaluable tool in this regard.

As to the types of Information to be sourced, we turn to the specific measures to be evaluated and adopt the numbering used in the information paper below:

1. We understand the Farm Business Skill Professional Development program was launched in late 2015 as part of the governments NSW Drought Strategy. At the time it was launched it was outlined that this program, which has \$45 million worth of funding attached to it, was to provide primary producers with access to vocational training and farm business planning. It would be critical when considering these measures, to understand the degree to which this program has been utilized by primary producers. Whilst well intentioned, it is questionable the degree to which vocational training assists farmers when they are in the middle of drought conditions. That being said, the business planning component of this program could be very useful, and if utilised the right way, greatly assist in encouraging further uptake of MPCl. We have made further comments on this below.
2.
 - a. We encourage IPART to look for sources that demonstrate the degree to which installing additional rain gauges and weather stations will positively impact forecast accuracy. If there is a clear positive correlation then these measures should be strongly encouraged. There should also be a consideration to the ability for additional monitoring data to be provided in real time wherever possible. Strong consideration should also be given to how this extra data, if collected, is to be modelled and if there are further resources required in the modelling area to ensure the data means something to end users.
 - b. We would need a greater understanding of the scope and type of data that is proposed to be shared between the RAA and the insurance industry before commenting in detail on this measure. The CWA would have concerns around privacy and the degree to which the RAA data is truly representative of conditions across the state.
3. As above, the CWA would require a greater understanding of the degree to which stamp duty contributes to the cost of a MPCl policy. A central consideration for IPART



when assessing this measures is the degree to which any subsidy would result in a real saving to the producer or simply result in higher premiums eating into the “saving” that a subsidy would supposedly deliver to farmers.

4. We refer to our comments at (3) above.

We note that IPART have already indicated in the Information Paper that they will be conducting a cost-benefit analysis for each measure combined with a ranking. We support this process but would like to ensure that cost-benefit analyses are done over the short, medium and long term wherever possible.

2. What are the **barriers** to the offering and uptake of MPCl in NSW?

One of the largest barriers to MPCl uptake in NSW is undoubtedly the lack of a range of providers and a lack of understanding of how the policies work, including what the restrictions are. Anecdotally, we understand that the cost of premiums in many instances is prohibitively high for producers, who will, in some cases, choose to take other steps in the form of “self-insurance” such as using FMD's etc.

Large amounts of paperwork that need to be undertaken in order to take out a policy also serve as inhibitor to widespread uptake of MPCl. We refer to our earlier comments in relation the Farm Business Skill Professional Development Program and encourage IPART to investigate the degree to which this program can assist producers in meeting the farm planning obligations needs to take out a MPCl policy.

IPART may also like to consider the effect of landholders experiences concerning other farm insurance products and claims has on the perception of value in the MPCl industry. There can be a degree of disillusionment with the insurance industry generally and other insurance products, which can affect uptake of new products. Anecdotally we hear of difficulties landholders have in progressing claims for storm damage or hail damage. We also hear of the struggles those landholders have with companies who, the landholder asserts, will seem find any excuse not to pay. People can often pay out money in good faith for insurance products and then find in the “small print” some loop hole that allows the insurer to either not pay out at all or only a portion of what was expected/needed. Ensuring a complete understanding of the finer details of an insurance product is time consuming and costly, and at times may lead to products not being bought at all.



3. What issues should IPART take into account when designing a measure to **reduce the upfront cost** of multi-peril crop insurance premiums?

IPART will need to closely consider how we encourage providers of MPCl to be structured in such a way as to:

- i. ensure that the cost is at a level that encourages maximum participation in a scheme so the baseline insured pool is big enough to make the exercise worthwhile for the providers (encouraging more insurance providers to the market) and,
- ii. spreads the costs amongst participants fairly and equitably.

Consideration could also be given to some type of loan scheme that allows producers to access funds for premiums at the beginning of the season. The loan (preferably low interest) could be paid back fully in the event of a claim, or at harvest time.