



Monta Flora  
Agriculture

Submission in response to the IPART Review of  
**multi-peril crop**  
**insurance incentive measures**

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By Mark Greenshields

## **Overview of submission**

Mark Greenshields is the Principal Partner and General Manager of Monta Flora Agriculture, a family owned and operated agribusiness based in the Mid-North of South Australia which has been continuously operating within the Australian agricultural context since 1839. Monta Flora has owned and operated properties in South Australia and western NSW.

Mark holds a Master of Agribusiness degree from the University of Melbourne and a Master's degree in Applied Anthropology & Participatory Development from the Australian National University. He is the author of an industry sponsored publication titled 'Strategic Planning for Farm Businesses'. In addition to hands-on management of broad acre dryland farming operations he has also served as a freelance consultant within the dryland farming sector. He has worked in the USA, China, Malaysia, Laos and Papua New Guinea.

This submission will endeavour to make high level strategic comments concerning the IPART review rather than focussing on the detailed technical analysis.

## **Premise for submission**

The premise that forms the foundation of this submission is that the average age of an Australian farmer is around 53 years and by extension this means there is going to be a systematic phase of 'handing over' the family farm to a younger demographic and the associated restructuring of farm businesses over the next decade or so.

This new management will bring with it a different approach to farming and also a different business structure within individual family farms as siblings are paid out and/or land is divided between family members. This could have associated impacts upon both farm sustainability and confidence on the part of new management.

Issues associated with this restructuring will manifest themselves particularly in times of business vulnerability associated with drought, climatic variability and other sources of production shock.

## **Confidence**

Dr. Jim Taylor describes confidence as being the most important psychological contributor to performance in the business world<sup>1</sup>.

Agriculture is attracting attention on a global scale as world populations increase while simultaneously emerging from poverty and adopting middle class lifestyles and diets. Australia is positioned to benefit from this expansion in demand as a supplier of quality, safe food. However Australia is also characterised by the dominance of family farms many of which don't have the capacity to develop large scale operations that provide the economies of scale necessary to absorb and ride out significant production shocks.

The transition associated with family farm transfer and succession, by redistributing land and/or wealth, can sometimes further weaken the business's ability to absorb these production shocks and hence adversely impact on farmer confidence.

## **Further Discussion**

What is the cost/benefit of building confidence into Australia's agricultural sector?

While the IPART review has taken into account a range of issues associated with multi-peril insurance it doesn't directly address the effects of increased confidence within individual farmers and the cumulative effect this would have on the broader sector and in particular drought resilience.

Drought assistance is a reactive measure that addresses short term stress caused by drought but it doesn't impact farms during periods that aren't affected by drought. MP insurance on the other hand has the capacity, through providing a level of certainty, to build confidence in farmers and particularly farmers whose operations don't have the scale required to comfortably ride out other production shocks which could be caused by a range of factors.

<sup>1</sup> Dr. Jim Taylor, Business: Confidence Matters in the Corporate World, Psychology Today, Nov 2010, <https://www.psychologytoday.com/blog/the-power-prime/201011/business-confidence-matters-in-the-corporate-world>

Australia is entering a phase of farm transition with ageing management about to hand control over to a younger demographic and the associated restructuring of the family farm. It is reasonably likely that this restructuring will increase the vulnerability of some family farms to production shocks as wealth and the size of land holdings associated with individual enterprises is reduced in response to sibling payouts and land holdings being split between family members. Young farmers impacted by this may themselves be quite innovative but find they are restricted financially within a restructured business.

It is our view that banks are likely to look favourably on enterprises that carry the intrinsic certainty that MP insurance would help to provide. This would help young farmers access credit necessary to build a viable business over the long term and further increase confidence moving forward.

As the banking sector learned during the 1980's, it is important to take a long term view of agriculture rather than a short term view and avoid the pitfalls associated with short term thinking within a sector characterised by long production cycles. The insurance sector will need to learn from the banks and develop appropriate models for MP insurance products suited to the long term cycles of Australian agriculture. If insurers pull out of the market or fail to make payments on claims it would confirm in the minds of farmers that MP insurance was a fad and not a serious component of agriculture in Australia.

## **Summary**

The Australian agriculture sector currently sits at a significant point in its history as the opportunities presented by an emerging global middle class converge with the broad restructuring of Australian agriculture.

This restructuring will see a shift in management demographics and business structures which could increase the vulnerability of otherwise innovative young farm managers and their businesses.

Confidence is the most important psychological contributor to performance in the business world, and if Australia is to compete globally with an agricultural sector characterised heavily by the family farm model, then it is our view that multi-peril income protection insurance should play a significant role in building confidence into this business landscape and by extension, its drought resilience.

We believe government should actively promote multi-peril insurance within the family farming sector and provide significant rebates on multi-peril insurance premiums and not limit these rebates to the 5 year period suggested by the IPART review. We see this measure supporting the broad family farming sector within Australia and particularly those managers within it that are innovative but sit within restrictive business structures.

We also believe that government should work with the insurance industry to facilitate a robust and viable long term MP insurance industry that doesn't repeat the mistakes made by the banks and associated short term thinking of the 1980's.

We see the onus falling on government to support both the farming sector and the insurance sector to develop a robust industry tailored to family farming. Failure to do this will weaken Australia's ability to participate fully in the global opportunities presenting themselves both now and into the future.