

Why crop insurance is a vital tool in minimising risk for SA farmers

By [Phillip du Preez](#)

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The attitude of South African farmers towards crop insurance is changing as they realise that purchasing insurance is one of the most accessible ways in which they can manage risk in an occupation that is fraught with challenges and obstacles.



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With limited areas of arable land available for crop production, limited water resources and the constant risk of drought looming over the horizon, farmers have had to take more notice of the various types of risk that they face than ever before.

Crop insurance, very much a 'grudge purchase' a few years ago, is now being regarded as one of the primary ways of reducing agricultural risk in a business where climate change is having a dramatic impact on the environment. Farmers are also conscious that although the drought that gripped the Western Cape recently has loosened its hold the possibility of future droughts and other weather-related damage to crops is always a reality.

The risk for farmers also does not end once a crop has been harvested.



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Many farmers assume responsibility for moving crops from their farms and on to receiving depots. The possibility of losses occurring through vehicle accidents has encouraged many to cover themselves for this additional contingency by ensuring crops that are in transit. With insurance cover in place, they can concentrate on their prime objective of ensuring food security for South Africans.

As with other spheres of commercial activity, technology has brought changes to agricultural insurance. The primary benefit for farmers is that the claims process has been simplified and sped up, a boon for farmers who need capital available to keep operating effectively.

Assessors now routinely visit farms and digitally capture claims data on their electronic tablets. Information is then submitted instantly to the claims department for settlement. The claims process is quicker, capturing errors are minimised, and the process between claims submission and payment becomes painless.

AgriCrop, for example – Old Mutual Insure’s agricultural offering – is used to adapted to offer most crop farmers coverage for:

- Hail – the visible, taxable damage to plants caused by the direct mechanical action of hail.
- Fire and Lightning – the visible damage caused by fire or lightning while the crop is on the insured land.
- Transit – the loss, destruction or damage to the current season's insured crop caused by fire, lightning, reversal, and collision by vehicles within a radius of 100 km of the farm, within 30 days after the harvest has been collected.
- Frost damage – the visible, taxable damage caused by frost to the plant or parts of the plant.

South African agriculture is a major contributor to the economy as it employs about 6.5% of the labour force and contributes about 2.5% to national GDP. Gaining comprehensive crop insurance in the South African market could support farming community efforts and assist them to continue farming, minimising the risks associated with agriculture.

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