

Why tech-led agri insurance is useful in broadening sector inclusivity

Despite a myriad of setbacks caused by Covid-19, optimism in South Africa's agricultural value chain recently reached a six-year high. This suggests that the industry is bouncing back, although the full impact of the lockdown is still coming to the fore. Farmers have admirably adapted to a new normal, says Hanlie Kroese of Santam, but risks - new and ongoing - remain, from theft and natural disasters to Covid-19-linked crises, such as an excess of beer-grade barley because of the alcohol ban.

Insurance plays a pivotal part in proactive risk mitigation, with technology increasingly becoming a catalyst for broader inclusivity.



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"Santam believes in proactive risk management and mitigation strategies that employ technology to add lasting value to our clients. We're harnessing the power of technology and next-generation learning to ensure we set the benchmark for agricultural insurance and industry understanding in Africa.

"Throughout this pandemic, we've seen many of our farmer partners pivot or deploy innovative strategies to survive – and enhance their offerings for the long-term. As their risk profiles evolve, we're committed to providing the right policies at the right price. Our aim is to use technology to extend our reach and support small farmers and new entrants to the industry."

Trends, and the impact of Covid-19

- **Consolidation in the industry:** This has been hastened by the liquidity issues caused by the Land Bank; expect more of it to happen sooner rather than later

- **Export crops soar:** Export crops are doing well, with power foods becoming increasingly popular as a result of the pandemic
- **Land question dampens investment:** Uncertainty of the value of land continues to cast a shadow on the investment appetite from both local and international investors
- **Growth prospects look good:** The rains have been much more prolific this year than in the past six years, which has helped drought-stricken areas

With regards to Covid-19, multiple sectors have taken a hit, including those bolstered by tourism – e.g. wine, wildlife and agro-tourism (an agricultural operation or activity that attracts tourists to a farm) businesses.

The alcohol ban has also had significant effects, causing an industry crisis, with a myriad of players impacted. According to recent reports, there was delayed processing of wine grapes due to a lack of wine storage facilities because of carry-over wine stock from 2020. Barley makers were severely affected, with ABInBev lowering its barley mandate by 70 000 tons in 2021.

Farmers stand to lose between R1,500 to R,2000 per ton should malting barley be used for feed instead. Table grape production has also been impacted, with the dampening of the hospitality industry – the catering and wholesale markets especially – meaning fewer outlets for grapes not meeting export standards.

Building a competitive edge

Kroese continues that dire economic indicators and the unpredictability of markets remain key challenges. Navigating this uncertainty is one of the biggest difficulties our farmers face.

"However, people are incredibly resilient, and we've seen many farmers and entrepreneurs adopt virtual platforms for trading and communication. We're also seeing increasing activity in the online auction space and expect this to play a big role in the future. Finally, agritech is a sustained focus as markets become more virtual. Farmers who embrace technology will have a competitive edge

"Technology is also playing a massive role in agri insurance. Our latest research conducted by Agri Enterprises shows there's a significant digital divide between small-scale farmers and their access to commercial solutions. For example, when looking at a sample of 105 small-scale wool farmers, we found that less than 10% have any form of insurance.

"The opportunity to bridge this is substantial, but it'll take considered research and development. We are continuously seeking solutions, including how to optimise the Internet of Things, machine learning and data management to modulate a new generation of products for small-scale and commercial farmers. Our broker partners also have a huge part to play."

Investment in agri tech is critical to risk mitigation and management. "We expect to see more blockchain interventions, virtual price formulation and farmer-specific risk management. We're also likely to see commodity-specific interventions in the value chain being industry game-changers. Technological interventions for off-takers, agribusinesses and even retailers will be the future of insurance."

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