

09 Agriculture Crop



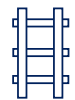
Daniel Stevens
Executive Head: Santam
Agriculture Crop & Heavy Haulage

A careful balancing act of input costs, climate volatility, infrastructure challenges, and a growing skills shortage



Climate change and weather volatility stand out as the top concern among agricultural businesses, with **64%** of respondents to the 2024–2025 Insurance Barometer survey ranking it as their number one concern, up from **45%** in 2023.

Given their exposure to weather volatility and its direct impact on crop yields, it's unsurprising that farmers rank this risk as a primary concern. However, Santam's claims experience during the past two years has not suffered significant catastrophe events.



Concerns over infrastructure degradation in areas such as road, rail, and water also featured strongly, flagged by **25%** of respondents.

Inadequate road maintenance, which is particularly poor in rural areas where potholes are common, significantly hinders the transportation of crops from farms to silos, and to ports for international export. In some instances, farming communities have been forced to step in and repair unusable main roads themselves, adding to their already high input costs.

Farmers face a host of complex, interlinked risks. From our interactions with the industry, their biggest challenge is the sustained rise in essential input costs, such as chemicals, fertiliser, and fuel, over the past several years, and which show no sign of easing. These increases are largely driven by global geopolitical factors, including the Russia–Ukraine conflict and the latest international trade tariffs imposed by the United States.

Farmers feel the "pinch" immediately when inflation rises or production costs like fertiliser go up, likewise with the cost of labour. Nevertheless, they have some control over the final impact of these factors as they can adapt by changing variables such as the planting area and the type of crops they cultivate, among other strategies. On the other hand, weather patterns, infrastructure challenges, and global geopolitical shifts are entirely beyond their control.

Midway through 2025, the jury is still out on whether the African Growth and Opportunity Act (AGOA) deal between the U.S. and South African exporters will be renewed. **Agricultural businesses may find themselves facing margin pressures or having to seek out new export markets for their produce if the agreement is not reinstated or if trade tariffs become unsustainable. At the time of writing, the U.S. had imposed a 30% tariff on South African agricultural imports.**

On a positive note, the U.S. only accounts for roughly 4% of South Africa's estimated USD13 billion in annual agricultural exports, with exports consisting mainly of citrus fruit, nuts, and wine. To counter the U.S.–SA trade challenge, producers will need to explore new trade partners with the support of government. The BRICS countries present opportunities, particularly China and Saudi Arabia, though it can take the government years to open up new export markets.

Santam's Agri-crop policy covers crops against hail, frost, and locust as well as transit to local silos within 100 kilometres.

Weather volatility introduces unique challenges for underwriters in the Crop insurance sector, particularly in the Multi-Peril Crop Insurance (MPCI) space, where demand for cover is often selective and based on expectations of the upcoming weather cycle. To underwrite sustainably in the MPCI space requires that farmers take out annual cover consistently, rather than buy cover one year and not the next. Santam is open to geographic areas where we believe there is a need for improved penetration.

Per this year's Insurance Barometer survey,



71% of commercial and corporate respondents identified adverse weather as their top insured risk, with around **57%** of agricultural businesses saying they bought crop cover.

To unpack these responses, one has to differentiate between general commercial insurance covers purchased by farming businesses and crop insurance.

Santam's agricultural commercial product offers comprehensive protection across multiple sections, including cover for buildings, machinery, and vehicles used in farming operations. It also includes business interruption (BI) insurance for critical assets downtime due to an insured peril, along with product liability and other essential covers. Crop insurance is purchased to safeguard against crop damage due to adverse weather conditions, most specifically damage caused by extensive hail.

As insurers, it's important to avoid overreacting to short-term market fluctuations. A consistent underwriting philosophy, backed by reliable data, is crucial to ensuring the sustainability of the insurance portfolio. Market volatility is a given, and it's exactly why insurance exists.

The 57% of agricultural business respondents reporting that they buy crop insurance appears high, particularly considering that hail events are not a common occurrence in the Western Cape, so penetration in that region is generally much lower. There is also a trend among large commercial farmers to self-insure or diversify by spreading their risk, this is often done by planting different crops in various geographic regions.

As we began work on the 2024–2025 Insurance Barometer report, the Vaal Dam was 114% full, with five open sluices raising the risk of downstream flooding. Heavy seasonal rainfall contributes to industry-wide debate about what broader weather cycle trends may signal for South Africa.

The El Niño–Southern Oscillation (ENSO) is currently transitioning from La Niña to a neutral state and is predicted to weaken further. However, this does not mean the upcoming summer planting season is a safe bet. ENSO phenomena are complex, and both favourable and unfavourable production conditions can arise from any phase of the cycle, whether El Niño, La Niña, or neutral. Much depends on the timing and distribution of rainfall.

Changing weather patterns continue to disrupt the planting season. Late summer rains in the Eastern and Western Cape saw many farmers delaying planting beyond what is considered the optimal



planting window. One consequence is that we were still receiving hail claims well into May 2025.

Commercial farmers are still taking steps to mitigate weather-related perils. For example, we've seen increased use of hail nets among fruit growers in hail-prone areas. Hail nets require ongoing maintenance, including ensuring that cables and wires are tensioned, that anchor posts have not moved, and that posts are rot free. Netting systems have a lifespan of between eight and 20 years – costing upwards of R400 000 per hectare to install – so, we typically see farmers buying assets cover for the netting in addition to hail cover for crops.

While the threat of loadshedding, highlighted in the 2022–2023 Insurance Barometer, eased somewhat, it remained a significant challenge for farmers in 2024.

Persistent disruptions continued to pose operational risks, particularly for farmers reliant on energy-intensive irrigation systems, cold storage, and processing facilities, where outages contributed to higher spoilage rates for perishable goods. Power surges led to increased equipment and machinery damage claims for automated systems, cooling units, and pumps. In response, many farmers invested in alternative energy solutions, including solar and diesel generators, placing additional strain on already narrow margins and resulting in a rise in fuel theft and generator failure claims.

The state of South Africa's water infrastructure was topical early in 2025, and around



9% of commercial and corporate respondents were concerned about interruptions to water supply.

For irrigation farmers, the main concern is not water availability but rather poor water quality, as the rivers they rely on are often polluted due to inadequate municipal service delivery. It is an emerging risk trend in the context of the percentage of domestic crops produced under some level of irrigation, including maize, soybean, and wheat.

The cost and perceived value of Crop Insurance is on the rebound after a tough 2022–2023 period. In certain areas rates are currently the lowest they have been for some years, and we continue to monitor our long-term claims ratio to ensure that our pricing is sustainable. Agricultural businesses receive significant value from crop insurance, as illustrated by the hundreds of millions in claims paid every year.

A reality in this business line is that farmers can do very little to mitigate against the perils their crops are exposed to. **From our perspective, once a loss event is notified, provided it isn't a full loss, we expect farmers to continue applying 'best practice' farming methods, as harvesting what remains of the crop can significantly reduce the final claim value.**

Geocoding and geo-mapping can offer useful insights for agricultural businesses and insurers alike. Santam requires geolocation data of all the



lands that we insure under the Agri-crop business, and this data informs our risk accumulation and underwriting decision-making.

The last Insurance Barometer spent some time exploring the potential in insuring subsistence farmers' crops against drought and excess rain. The regulatory authority has since granted Santam a licence to offer parametric insurance in the agricultural sector. It is the first and only parametric licence issued in South Africa.

We are exploring partnerships with the Department of Agriculture, Grain SA, and other international parties and are hopeful that it will eventually lead to a viable solution for the sector and in particular small holder or new era farmers. In other parts of the world, including some African countries, where parametric solutions have successfully been implemented, governments subsidise these insurance programmes by paying a portion of farmers' premiums – this is to help improve food security. As South Africa is a net exporter of agricultural products, food supply is not a major concern here, therefore, a different model is needed.

One of the most pressing challenges facing the agricultural sector, both locally and globally, is the shortage of skilled labour. The skills gap is particularly prevalent in specialised areas such as farm management, agri-tech adoption, precision agriculture, and data-driven farming. An aging workforce, with many experienced farmers retiring and few young professionals entering the field, compounds the issue.

At the same time, modern farming is increasingly reliant on technologies like drones, sensors, AI-driven decision-making tools, and automation, yet many farm workers lack the training to operate and interpret these tools effectively. Without the right skills, farms are unable to fully realise the productivity and sustainability benefits these tech innovations offer. A further concern is that agricultural education and training programmes struggle to keep pace with the rapid advancement of agri-tech.

Santam has for many years been a Main Sponsor for the Young Farmer of the Year competition.

Farmers cannot influence the arrival of a hailstorm, the timing of rainfall, or the fallout from geopolitical developments that raise input costs or close off export opportunities. That is precisely why access to reliable, well-priced risk transfer remains critical for South Africa's commercial farmers.

As the risk landscape evolves, so too must the tools that insurers and Brokers offer to the sector. Whether through more effective use of geocoding, the introduction of parametric solutions, or deeper engagement with co-ops and brokers, **Santam's focus remains on ensuring access to sustainable, well-structured crop insurance, but the growing skills shortage must be addressed.**