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EDITORIAL.**CROP INSURANCE.**

It is safe to assume that "all risk" crop insurance has no immediate future in a country the size of continental Australia in which production is so widely dispersed and such geographical and climatic differences exist. The "natural hazards" of drought and, much less importantly, flood, frost and storms will then largely continue to regulate the productivity of Australian agriculture and the incomes of its farmers. The risks attached to the underwriting of crop insurance are made all too clear from the experience of the U.S.A. Federal Crop Insurance Corporation, which in its chequered career since establishment in 1939, incurred substantial losses in the first eight years of its activities and is now operating on a limited and experimental basis only.

In what, for the purposes of simplicity, may be termed "drought insurance," on the other hand, increased efforts by both Commonwealth and States are likely in the fields of water and soil conservation, irrigation and the building up of stock fodder reserves. Indeed, some of the first steps have been already taken in what is intended to be major post-war development. Again, as in the past, it is also likely that Governments will continue to subsidise, by such indirect means as railway freight concessions and low interest rates on loans, the "insurance" which farmers themselves may take out by making use of the existing facilities offered them to build up reserves of both water and feed as a protection against the never far-distant drought or "dry-time."

Crop insurance, as the term is applied in Australia, is thus practically restricted to insurance against fire risk, which is common, and, to a much lesser extent, hailstorm damage. That such is the case is undoubtedly due to the almost insuperable difficulties involved in working out satisfactory schemes of compensation. No other branch of insurance is so complex. There are major difficulties involved in determining types of undertakings, conditions of insurance, spread of risks, methods of calculating premiums, rules for paying compensation for losses and methods of re-insurance.

Legislation has been invoked in Queensland alone of the various States, to establish compulsory hail insurance schemes. These apply to fruit grown in the Stanthorpe district in south-east Queensland—a region particularly prone to the occurrence of hailstorms—and to wheat, barley and canary seed, field crops which are marketed through statutory created boards. The Government is not committed to financial support of any of these schemes, although in the case of the Stanthorpe hail insurance fund, a Government subsidy of £400 p.a., for a period of five years, was made in its initial stages. The statutory framework for compulsory hail insurance in Queensland is provided by legislation peculiar to that State, namely, the Primary Producers' Organisation and Marketing Acts (1926-1941), the Fruit Marketing Organisation Acts (1923-1941), and the Wheat Pool Act (1920-1930). It is important to point out, however, that although these hail insurance schemes are compulsory, they are at the same time co-operative in intent, since they have been introduced at the request of and by free ballot of the growers involved, and may be cancelled should they fail to maintain

producer support. The absence of corresponding legislation in other States prevents parallel action being taken, even if this were sought by producers.

In New South Wales, peculiar difficulties attach to this question of hail insurance. Very little official data is available as to the occurrence of hail storms which would serve as a basis for charting a reasonably accurate "hail belt." Such information is available only to the private companies which have undertaken such insurance. All that is known is that whilst New South Wales is probably the worst State for hailstone losses, the incidence is most irregular and widespread. The consequences are that on a purely voluntary cover basis and whether applying to cereal crops or fruit, insurance companies have found it necessary on their experience to charge comparatively high rates for this form of policy. These rates might well be reduced if insurance were compulsory, even in the particularly susceptible districts, or were extended to cover the production of a particular crop throughout the State. Apart from certain considerable legal difficulties which are involved when the element of compulsion is introduced, farmers themselves, owing to readily proven local and district variations in risk, have opposed tentative plans which have been discussed at various times, in which this compulsory aspect is introduced. Particularly has this been the case in the discussions which have taken place concerning hailstone insurance for fruit crops.

In summary, the present state of crop insurance in New South Wales, where it is left to the individual to enter into such contracts as may be offered by private companies, cannot be said to be entirely satisfactory either to the insurance companies concerned or to those farmers with experience of severe hail losses in the past and wishing to cover themselves against such risks in the future.

In 1939, the question of hail insurance in relation to fruit crops was investigated by a Royal Commissioner inquiring into the fruit industry. This inquiry and examination of the details of later conferences on hail insurance, serve to demonstrate the intrinsic difficulties involved in contriving acceptable schemes and the unreadiness of farmers at the present time to enter into any form of compulsory crop insurance project. Crop insurance, nevertheless, remains a live issue, which naturally assumes its greatest interest when from time to time widespread damage is occasioned by hailstorms.
