



WEATHER INDEX PRODUCTS

Another risk management solution for farmers and agribusiness

Weather Index Products

- AgriRisk Weather since joining in March
- Protected Energy/Construction/Agribusiness/Other in Australia/Japan/Europe/North America since 1999
- Recently improved solutions for Growers looking to manage risk that traditional insurance doesn't cover
- 'New' for Growers because:
 - Increased capacity & competition = lower prices + smaller transactions
 - Gridded data closer to farm conditions than BOM Stations



What is a Weather Index Product?

Transfer financial impact of adverse weather from Buyer to Seller

- Contracts reference independent weather index
 - Rainfall, temperature, wind speed, or any combination
 - Objective, third party supplier of historical data and contract index
- Transparent pricing available up to ~1 month before risk period
- Settlement paid within weeks of expiry with proof of loss or evidence of yield reduction not required



Why consider an Index product?

- Reduce earnings volatility and therefore business risk
- Compensation for key exposures
- Tailored to specific requirements – you choose:
 1. Peril/s – *low cumulative rainfall, no. of wet days, cold nights, etc.*
 2. Location – *best correlated to your own records*
 3. Risk Period – *one/several months, season, year(s)*
 4. Index Trigger – *point at which the contract responds*
 5. Level of cover – *how much per index point lost in the past*
 6. Maximum payout – *production cost, lost profit, total income*
- Simple application process – *no historical or financial data required, no charge for analysis and structuring*



Index Products for 2019 crop

Irrigated Cotton

With limited water and \$600+/bale, 'bet' on in-season rain to finish crop?

- Insufficient finishing rainfall to cover yield losses

Dryland Cotton

At \$600+/bale, dryland crop could be huge – but depends on rain?

- Dry late in planting window – cover a no-plant situation
- Dry during growing season – cover yield losses

Yield Downgrade Protection?

- Day Degrees and Heat Stress
- Excessive rainfall at harvest

Visit **AgriRisk** for working examples for most regions

#weatherrisktransfer

@wrtNormT

