

RISK MANAGEMENT CROP INSURANCE SCHEMES

619. Mr M.P. MURRAY to the Minister for Agriculture and Food:

As the minister has mentioned, due to the driest year on record, many farmers and associated industries have been put in financial peril.

- (1) Has the minister asked the Department of Treasury and Finance to analyse risk management crop insurance schemes; and, if not, why not?
- (2) Has the minister asked the Insurance Commission of WA to analyse risk management crop insurance schemes; and, if not, why not?
- (3) Why has the minister continually failed WA farmers by blindly refusing to consider the possibility of, or even analyse, risk management crop insurance schemes?

Mr D.T. REDMAN replied:

I thank the member for the question.

- (1)–(3) It certainly is a challenging situation that we face, having had one of the driest seasons on record. The government has made a range of responses, which I have clearly outlined to this place before. This is one of the calls that has been made by the community. It is not new; it has been around for some time—it was even around when the former Labor government was in office—and it is interesting that governments have made very similar responses to it. The terminology that has been used by the media is multi-peril crop insurance, but the member asked about risk management —

Mr M.P. Murray: No, no; you've changed the terminology. Listen to the question and answer the question!

Mr D.T. REDMAN: So does the member not agree that the terminology that is used in the media is multi-peril crop insurance?

Mr M.P. Murray: Risk based, not multi-peril—they're two different things!

Mr D.T. REDMAN: Absolutely! The member is talking about a risk management crop insurance scheme, but the words I used—the member can look back at *Hansard*—were that the terminology used in the media is “multi-peril crop insurance”. I am assuming the member is talking about the same thing.

Mr E.S. Ripper: We are talking about the proposals of the Farmers Federation for risk management crop insurance.

Mr D.T. REDMAN: Yes.

Mr E.S. Ripper: So what are you doing about it? Just answer the question.

Mr M.P. Murray: Nothing.

Mr D.T. REDMAN: It is very simple, Leader of the Opposition. What the government has said—I have said it on numerous occasions—is that we support a multi-peril crop insurance instrument or, indeed, a risk management crop insurance instrument. I absolutely support that, but I support it as a commercial entity. The Department of Agriculture and Food is engaging with some of the re-insurers to provide them with information—that is, rainfall data, yield data and all the information they would typically need to assess the risk of putting a commercial instrument into those areas. That is the space that we can operate in. That is the resource that we are deploying, and we are working jointly to achieve that. I think that is appropriate.

There are two levels of discussion in this debate. The first level of discussion is around exactly what a premium might be—or what they might have to pay in respective areas for an insurance instrument. Clearly, in the more high-risk areas, one would expect the premium to be higher for a range of risks, including frost, drought and a range of other options that might be in that particular package.

Mr E.S. Ripper: And depending on how much of the input cost might be covered.

Mr D.T. REDMAN: And depending on the input cost. When we look at the profile of a crop that goes in, we see that the input costs are substantial. We often think that this is a little piece compared with what they get back; it is not. It is somewhere upwards of two-thirds; it could be 60 or 70 per cent of the cost of what they get back in their final harvest. We are still talking about a substantial figure in terms of the input costs. Yes, what has been called for is something that gets back the cost of production, and it might be argued that that is less than getting back some of the profitability. The first point of discussion in this argument is: what is a likely premium going to be for respective areas in the state, depending on the risk that is there? I believe we are working jointly with the

re-insurers to provide the information necessary for them to be able to say, "These are the sorts of costs associated with it."

Mr E.S. Ripper: Is there a Treasury analysis or by ICWA?

Mr D.T. REDMAN: No, I have not put it to Treasury or to the Insurance Commission of Western Australia; I accept those two points. When the Leader of the Opposition was in government, an analysis was undertaken under the then Minister for Agriculture and Food, Hon Kim Chance, I think in 2003–04, about multi-peril crop insurance. I asked the agency a year or a year and a half ago to revisit that matter and see whether anything had changed. If anything has changed, it is the volatility in the climate; therefore, we would expect the level of risk to go up, and the premiums too. That was something that the Leader of the Opposition took up in his time in government, and he chose not to take the next step. The first part of the debate is: what are the premiums going to be against the risk? We are doing that work.

The second question is: if that is not affordable for the farmers, should government come in and support or underwrite a scheme? That is a political question. The Leader of the Opposition may well have his own policy settings on that. I do not support government underwriting or taking a role in that. I think that a range of issues come from that. However, I believe that we are taking it seriously, and we are deploying resources to look at options and working with those re-insurers to see whether they can put up a commercial instrument.