

## Frost insurance for sugar beet in the UK - 'An industry safety net'

### Policy overview

Following the significant losses experienced in the 2010/11 campaign the NFU, at the request of growers, investigated options for frost insurance for the UK sugar beet crop. A series of grower meetings were held around the beet growing regions with 100's of growers attending. At these meetings the majority of growers confirmed they supported the NFU continuing to investigate insurance. The NFU announced the introduction of the frost insurance policy for the up and coming 2012/13 campaign at the Cereals event in June 2012.

#### **Background**

- The insurance policy covers all sugar beet growers with verified tonnages contracted to supply British Sugar for CTE or ICE, including all British Sugar self-grow beet.
- The insurance policy will cover a single campaign and will be reviewed for each subsequent campaign with the intention for it to be renewed.
- The insurance is designed to act as a safety net against significant losses in income from damaged beet following a frost event.

#### **Premium costs**

- The insurance premium will be invoiced on behalf of the NFU to growers, by British Sugar, based on their verified contracted tonnage each year the frost insurance operates.
- The insurance premium is based on 12.75p per tonne of contracted beet.
- The cost of the frost insurance, as a new cost to growers, has been included as a new cost of production in the price model for the calculation of the beet price.
- The beet price for the 2013/14 campaign includes the frost insurance 2012/13 campaign frost insurance premium cost.

#### **The policy trigger**

- The trigger is hit in the event that the rolling 10 day average minimum temperature at one of the three named weather stations around the beet growing region is - 4°C or lower from the 1<sup>st</sup> October and before the 31<sup>st</sup> December. The policy will also be triggered if the respective rolling 10-day average of - 4°C or lower is reached between 1<sup>st</sup> and the 9<sup>th</sup> of January and at least one day in December contributes to this.
- The named weather stations are located in Waddington, near Lincoln, Wattisham, near Bury St Edmunds and Marham, near Kings Lynn.
- Based on analysis of the policy against historic met office data, a frost which would trigger the policy occurred ten times in the last 62 years (1961, 1962, 1973, 1978, 1981, 1985, 1991, 1996, 2009, 2010).
- The NFU, as the policy holder, will inform all growers in writing when a frost event triggering the cover has been reached.

#### **The operation of the policy**

- Growers will not have to submit a claim if they suffer frost damage as losses will be calculated automatically at the end of the campaign when an insured frost event has occurred.
- Coverage is up to 50% of the value of insured beet (subject to an excess of 15% of a grower's total insured tonnage) which is not delivered following a defined frost event.
- The overall annual aggregate policy limit of indemnity of the scheme is £15m. In 2010/11 the policy, if it had been in place, would have paid out around £11m to growers.