

Appropriate approach to risk management in the grain value chain



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Points of discussion

- What is risk management
- Evaluating the quality of risk management with hindsight
- Understanding production risk
- Things to consider when assessing risk
- Understanding the impact of crop production risk on the grain value chain
- Proactive risk management

What is risk management?

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

Risk management's objective is to assure uncertainty does not deflect the endeavour from the business goals.

(Source: Wikipedia)

Swellendam 2015



Cape st Francis 2012



Knysna Fires 2017





Knysna: Impact and lessons learned

Impact

- 1059 Houses gutted of which 259 were informal dwellings
- 385 houses partially damaged
- Estimate that more than 50% of the houses were not insured
- Estimated insured loss R6bn

Lessons learned

- Communication affected
- Joint control centre affected by electricity outages
- Access in and out of the area
- Volume – Fires burnt at times in 26 different places
- Vast amounts of Alien vegetation
- Reinsurance programmes and treaty definitions

Could this disaster have been foreseen ?

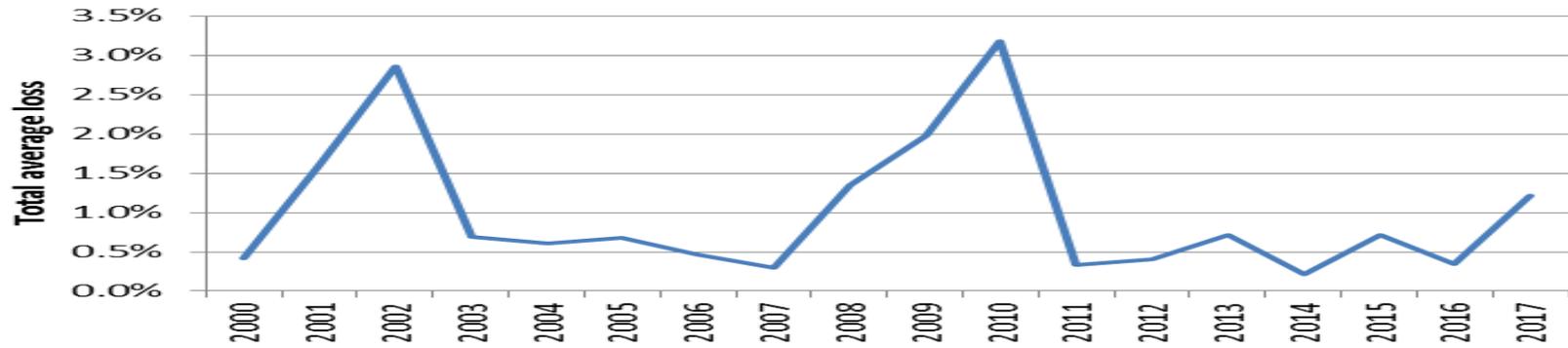
Factors to consider when assessing risk

- The biggest disasters originate from a combination of contributing factors taking place simultaneously or in sequence.
- Although looking at historic losses can help to assess risk it does not take into account that the worst is still to come.
- Many risk assessments underestimate the risk
- Risk does not remain constant – (Climate change, population density, political landscape, etc.)
- Diversification of risk sometimes leads to accumulation of risk
- One in 10, 20, or 50 year events can happen back to back
- You cannot manage something that you do not know or understand

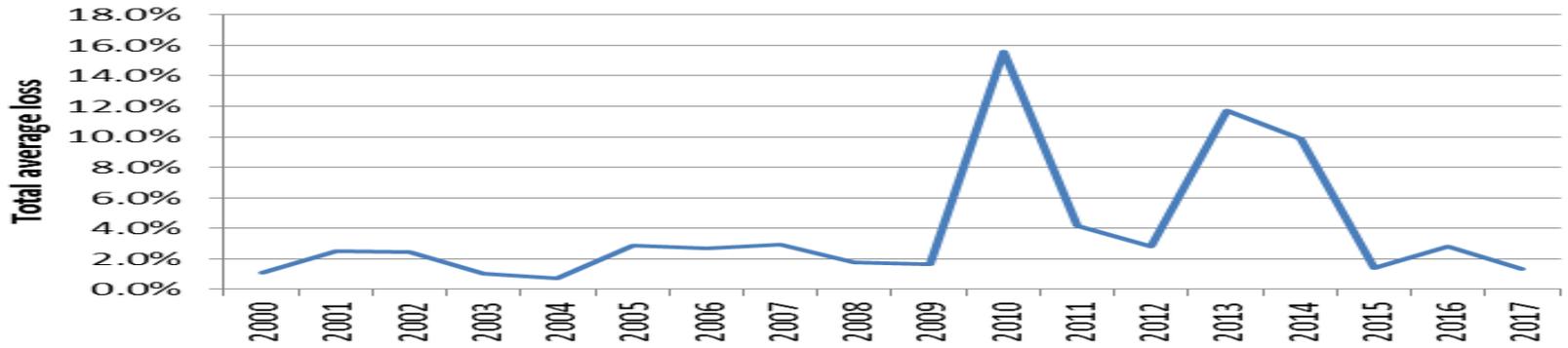
How does production risk affect the grain value chain?

- The risk for upstream delivery failure
- The risk for down stream delivery failure
- The more links in the value chain your company are involved in the bigger the impact that crop production failure will have on the total company.

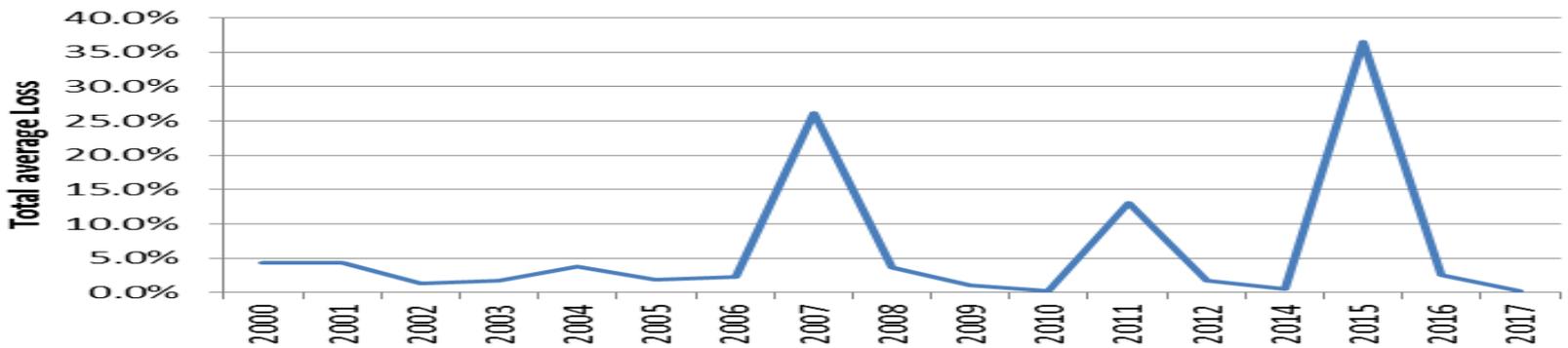
Bothaville: Hail Losses



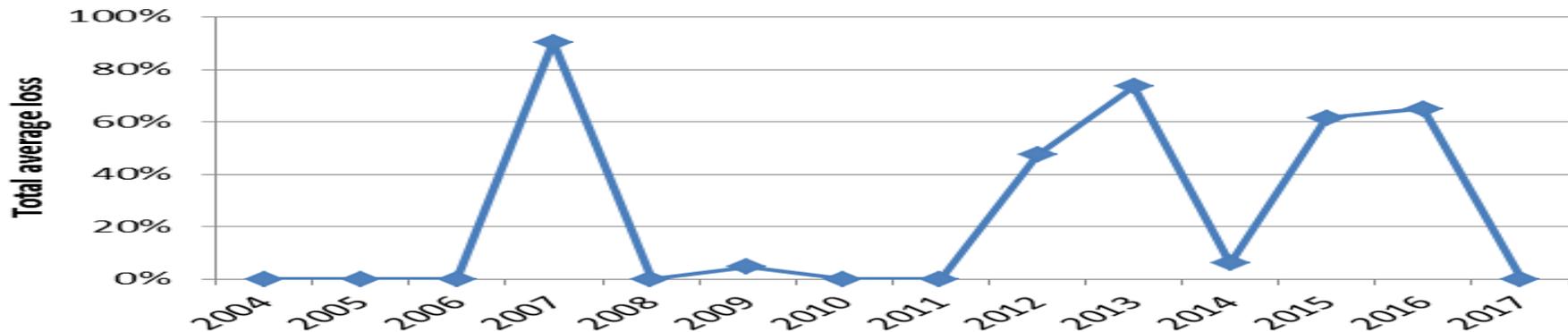
Bethal: Hail Losses



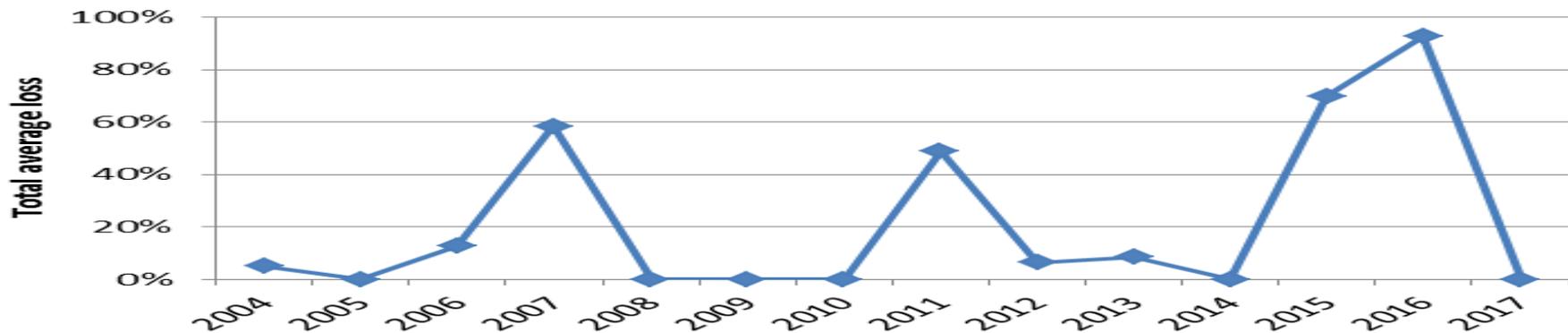
Utrecht: Hail Losses



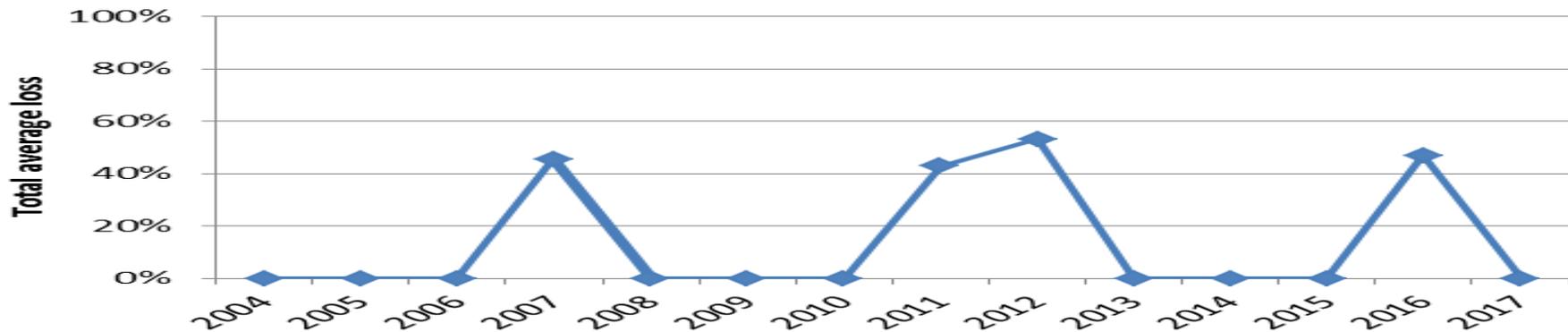
Lichtenburg: Drought Losses



Bothaville: Drought Losses



Reitz: Drought Losses



Proactive risk management

- Be risk aware
- Understand your risk
- Determine your risk bearing capacity
- Search for the most effective and cost effective risk mitigating instruments available to you.
- Re-evaluate your risk on an on-going basis and take appropriate proactive measures.

THANK YOU