

## Interview with Jonathan Barratt, CEO CelsiusPro Australia Pty Ltd

Climate change knows no boundaries and like many other countries, Australia too is feeling the immediate impacts of global weather volatility. While the continent experienced severe heat waves at the beginning of the **year, this year's winter crops** were tipped to produce record yields. However severe flooding, several frosts and a late harvest with potential downgrades will profoundly hamper these prospects.

Zurich, October 2016 Jonathan Barratt, Managing Director of CelsiusPro (Australia), shares insight on latest market developments in Australia, opportunities and challenges with regard to hedging against weather risk impacting the agricultural sector. This is a condensed and summarized extract of the interview.

As the 2016 winter harvest edges closer to a finish, the overarching theme this season has once again **been the volatility in the climate. The eastern seaboard has experienced record amounts of "in crop" rain**, whilst in Southern Australia and Western Australia we have seen surprise frosts. Southern Australia witnessed its third frigid year in a row and West Australia in some areas namely the Eastern Wheat Belt, saw temperatures drop through  $-2.5^{\circ}\text{C}$ , which has resulted in significant yield losses due to stem frost. The full extent of the damage is not yet realized. It is estimated that frost may affect up to 20% of the record yield for the affected region.

Frost risk/damage is becoming a more prominent feature for growers in the southern areas. CelsiusPro climate scientists and product specialists have been hard at work designing a frost cover that is workable and affordable. In some regions traditional insurance players will not cover frost and in other areas they are withdrawing. Index insurance is the only viable option. The team has beta tested a Frost Index in southern NSW with good results and intends to launch a Frost Cover for the 2017 winter crop.

Further, Jonathan Barratt also pointed out that as the harvest looks to be later than usual, a combination of poor prices and a wet harvest will severely impact prospects for a profitable crop for many growers this year if caught in a deluge. Downgrades in quality for some broad acre crops are as much as a 50% below premium grades. Using a properly structured Wet Harvest cover offered by CelsiusPro will hedge this risk. Jonathan says **"at a premium of between 7% and 10% for a properly structured wet harvest cover, why take the risk"**.

Overall, he points out that the agricultural sector is slowly getting its heads around the use of weather certificates to help mitigate climate **risks associated with production. He says**, "Every year is different and the grower needs tools that are flexible, affordable and transparent. Therefore, Weather Certificates are becoming a recognized climate risk-mitigating tool in the Australian agricultural **industry.** "

# **CelsiusPro**

## Further Information:

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## About CelsiusPro:

CelsiusPro is a Swiss company specialized in structuring and originating tailored parametric solutions to mitigate the financial impact of adverse weather, climate change and natural catastrophes.