

Interview with Hans Smit, WeatherInDe, South Africa

While drought affected farmers in the Northern Cape have been hoping for rains, recent flash **floods severely impact Eastern South Africa. During his visit in Switzerland, CelsiusPro's** client Hans Smit shared insights on how this adverse weather influences the South African Weather Derivative Market.

Zürich, November 2016 South Africa has a significant variability in climate and the risk to the economy is remarkable. We have seen over the past couple of years how the drought has impacted our economy on all levels. The dam levels are at their lowest in years and we have severe water restrictions in large parts of the country. The variability in rainfall has had a vast impact on the farming community. The continued drought has forced farmers to cut back dramatically on their livestock numbers and grain farmers are being pushed to the edge of bankruptcy. The drought has put inflationary pressure on food prices and this puts a lot of pressure on the lower income groups as the price of staple foods have increased dramatically. The high commodity prices have pushed up the cost of animal feed as well.

The extreme temperatures have also had a major impact on the wine industry as late frost caused serious damage to crops. The impact of the drought affected the agricultural supply chain just as heavily as the primary agricultural sector. Without producers planting or harvesting they are without income for an entire season.

The agricultural insurance market is very small in comparison to the short-term insurance market and historically not an extensive percentage of land planted in South Africa is insured. The short-term insurance market is exposed to mostly hail and flooding and they have put risk management systems in place to limit damage as far as possible, like for instance sending out text message warnings to customers when there is a hail storm alert. With the introduction of Weather Derivatives to the South African market we have now given risk managers a new tool to hedge themselves against adverse weather conditions.

Further Information:

Mark Rüegg, CEO, CelsiusPro AG, Tel. +41 44 205 99 10, info@celsiuspro.com

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.

