RURAL AFFINITY
The fresh approach to rural insurance

› Broadacre Crop Policy

Market Value Option

What is the Market Value Option?

The Insured Value under this option is linked to the Australian Securities Exchange ('ASX') futures price or the Profarmer Average Price, rather than the grower nominating an agreed value at the start of the season and revising it at the Final Revision Date.

The Market Value will be used in the event of a claim and to calculate the final premium.

This option is available for wheat, barley, canola and lupins (WA only).

Crop	Crop Type	Code	Description	Available Delivery Locations
Wheat (APW1)	ASX Eastern Australia Wheat	WM	ASX futures contract for Eastern Australia milling wheat. January Settlement.	n/a
	ASX WA Wheat	WK	ASX futures contract for Western Australia milling wheat. January Settlement.	n/a
	Profarmer Wheat	PFWHE	'Profarmer Average Price' for the selected delivery location shown on Your Schedule.	Port Lincoln or Kwinana
Barley (F1)	ASX Eastern Australia Feed Barley	UB	ASX futures contract for Eastern Australian feed barley. January Settlement.	n/a
	Profarmer Barley	PFBAR	'Profarmer Average Price' for the selected delivery location shown on Your Schedule.	Port Lincoln or Kwinana
Canola	ASX Eastern Australia Canola	VC	ASX futures contract Eastern Australian for canola. January Settlement.	n/a
	Profarmer Canola	PFCAN	'Profarmer Average Price' for the selected delivery location shown on Your Schedule.	Port Lincoln or Kwinana
Lupins	Profarmer WA Lupins	PFLUP	'Profarmer Average Price' for Kwinana delivery location.	n/a

Why choose the Market Value Option?

The Market Value Option is a more flexible cover at a lower premium price, by:

(a) Removing the need for growers to constantly monitor grain prices and adjust their insurance policy accordingly;

(b) Providing a more accurate measure of the actual price achieved than making an estimate at the Final Revision Date; and

(c) attracting a premium discount of 10%.

Market Value and Forward Selling

If a grower has forward sold grain and suffers a loss, the Market Value Option is a good tool to ensure the grower can close out their contract without further loss. This is because their claim payment will be based on the Market Value, which should reflect the change in the market price required to buy grain.

Setting up a Market Value policy

When taking out cover for Your broadacre policy, nominate the following on the 'Market Value Option' page of the proposal:

(a) The crop types You wish to apply to this option and whether You are selecting 'ASX' or 'Profarmer';

(b) If You are selecting a 'Profarmer' option, the delivery location (other than WA Lupins where Kwinana is only available); and

(c) The 'Adjustment' to apply to each crop type.

The above items must be nominated when first setting up Your policy and cannot be changed throughout the policy period.

The 'Adjustment'

The 'Adjustment' is an amount ($/tonne) nominated by You at the start of the policy. This should represent the difference between the farm gate price and what You expect to receive for Your crop type compared to the 'ASX' or 'Profarmer' price.

You should consider the following two items when setting the 'Adjustment':

(a) Transport and handling costs; and

(b) The difference in expected quality (as the 'ASX' and 'Profarmer' prices are grade specific).

If You nominate a -$40 Adjustment and the Market Value is set at $200, then Your Insured Value will be $160.

How is the Market Value determined?

New South Wales and Queensland

The Insured Value will be the average of the ASX settlement price or daily 'Profarmer Average Price' for the last 5 'Trading Days' in October during the period of cover, plus or minus the agreed 'Adjustment'.

Western Australia, South Australia, Victoria and Tasmania

The Insured Value will be the average of the ASX settlement price or daily 'Profarmer Average Price' for the 11th to 15th 'Trading Day' in November during the period of cover, plus or minus the agreed 'Adjustment'.

A 'Trading Day' is a day on which the ASX is open for trading business.

Considerations

Whilst the market value price should always be more accurate than an estimate at the Final Revision Date, there will always be a difference from the actual price received by the grower. This difference is known as 'basis'. With the market value option, You can agree an 'Adjustment' amount which reflects the expected basis (set at the start of the season).

In some seasons the 'basis' may change significantly. This could occur where there has been a widespread rain event during harvest causing downgrading to a large portion of crop. In such an event, as the 'ASX' or 'Profarmer' prices are grade specific, the market value option may rise significantly compared to the price the grower receives for their downgraded crop. In such a case, the grower will pay their premium on a higher price than they actually achieved, but their claim will be calculated based on the higher market value price.

In order to mitigate this risk, the market value price is determined during a period prior to the peak harvesting exposure, thereby reducing the likely impact of widespread downgrading events. This risk exists in all agreed value crop policies in the same way, as the insured value must be set at the Final Revision Date (which are set dates prior to harvest).

Contacting Us

For most enquiries, it is best to contact your insurance intermediary in the first instance. However, if you need to contact Rural Affinity, our contact details are listed below:

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Note: This brochure is a summary only and does not replace the policy wording. Please refer to the Rural Affinity Broadacre Crop Policy Wording for full terms, conditions, limits and exclusions of cover.