

HUB 2023

# Outlook.

# Agribusiness



**As uncertainty roils  
agribusiness, risk management  
will harvest success.**



Risk & Insurance | Benefits & Retirement | Private Client

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Setting the Scene

# Expect more shortages and rising prices.

Agribusiness must deal with risk perhaps more than any other industry. Soaring input prices, record drought, staff shortages and increasing cyber risks are pressuring profitability, vitality and resiliency.

Food prices rose

# 10.9%

in July 2022, the highest year-over-year increase since 1979.

Bloomberg, "[Food Prices in US Surge Most Since 1979, Keeping Cost of Living High](#)," August 10, 2022.

## What to Expect in 2023

Farms and food manufacturers will need to manage costs while remaining flexible enough to harness market trends, using strategies like double cropping and commodities futures. Given the additional risks of long-term drought and chronic labor shortages, a best-in-class risk management and insurance strategy — and nimble HR — will be key for agribusinesses to thrive in 2023.



# Managing input costs and risk will drive profitability in 2023.



There are obvious culprits for price spikes of inputs and product costs: Russia's invasion of Ukraine in February 2022 and China's zero-COVID policy exacerbated global supply chain disruption with sharp reductions in fertilizer, seed and fuel production.

Food prices jumped nearly 11% in July 2022, the highest year-over-year increase since 1979.<sup>1</sup> A likely drop in the global wheat harvest due to the war in Ukraine — which produces 20% of the world's high-grade wheat and 7% of the global total — will exacerbate price hikes, stunting demand.<sup>2</sup>

Staying profitable in this environment demands flexibility. Farmers in hundreds of Midwestern counties growing soybeans and sorghum are double cropping, which the U.S. Department of Agriculture is promoting through relaxed rule changes in response to the wheat shortage.<sup>3</sup>

Vertical integration and commodity futures are time-tested ways to help tame input costs and improve efficiency. But many threats to profitability in 2023 will be largely out of producers' control, requiring strong risk management, insurance and financial strategies to remain profitable.

1. Bloomberg, "[Food Prices in US Surge Most Since 1979, Keeping Cost of Living High](#)," August 10, 2022.
2. The Washington Post, "[Ukraine's wheat harvest, which feeds the world, can't leave the country](#)," April 7, 2022.
3. AgriPulse, "[USDA approves expanded double cropping in bid to increase production](#)," July 12, 2022.



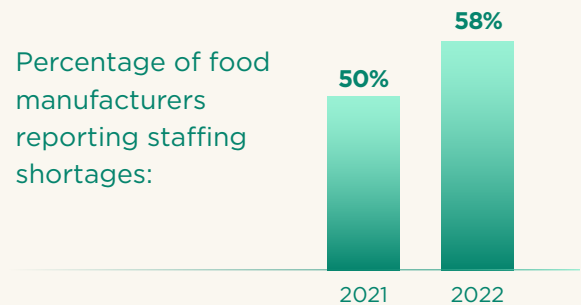
# Investing in employees will help tame the labor shortage.

As workers have re-evaluated their priorities and goals in light of the COVID-19 pandemic, agribusiness, like many industries, has had difficulty in recruiting and retention.

Although the pandemic's direct impact on labor has largely subsided, the aftershocks remain. About 58% of food manufacturers report a labor shortage, up from 50% a year earlier.<sup>4</sup> These shortages are likely to continue throughout 2023.

To lower turnover and lower the number of workplace injuries, agribusiness will need to emphasize worker training and onboarding. That will also help lower workers' compensation insurance rates and medical costs long term.

Agribusinesses are also reevaluating their compensation and benefits packages.<sup>5</sup> It's important that companies re-examine cost-savings strategies in medical coverages and reallocate dollars to the benefits that are most important to employees.



Leveraging data to create a personalized benefits experience may seem out of reach for most agribusinesses, but the strategy is not overly complex or hard to implement. A benefits strategy that delivers [quality employee experiences \(QEX\)](#) is more effective at meeting employees' needs, while creating a competitive advantage.

4. Food Engineering, "[The State of Food Manufacturing in 2022](#)," July 6, 2022.

5. HUB International, "[Voluntary Benefits Help Counter Worker Shortages in Food and Beverage](#)," April 5, 2022.



# Managing catastrophes, COVID, consolidation and control systems.

Severe weather is occurring with greater frequency and impact, and 2023 will continue that trend. Nearly three-quarters of American farmers say crop yields have fallen due to drought.<sup>6</sup>



Climate change-related storms, heatwaves, droughts and wildfires remain a challenge for farmers and food manufacturers, which must anticipate and manage these risks to remain viable. Additional risks include possible business closures from new COVID-19 variants. Tightening credit markets are likely to strain an agribusiness' finances, which may lead to business closures and industry consolidation.

In addition, underwriters are inspecting industrial control systems before offering coverage. Without such controls set properly, food manufacturers can face substantial damage to the manufacturing line.

Given this environment in 2023, staying resilient is directly tied to proper risk management. The cost of crop insurance will increase, as premiums are directly related to commodity prices. Farms need to determine the level of risk they're willing to tolerate in an era of more catastrophic weather events. For agribusinesses as a whole, rates will rise across the board, with particular pressure on excess liability coverage, property and cyber liability coverage.

6. Forbes, "[U.S. Farmers Struggle Through Drought To Bring Food To The Table But Face More Challenges Ahead.](#)" September 2, 2022.



# Protection will yield results against cybercrime and safety risks.

Cyber risks will continue to be a critical security concern. Both on the farm and in the factory, agribusiness has turned to automation to cope with labor shortages and improve quality.

However, this shift has increased exposure to cyber risks, as bad actors can potentially hijack manufacturing equipment, farm machinery or computer networks. Risks include reputational damage, the financial loss of a ransomware attack and production downtime in the event of a manufacturing shutdown. [Food safety also becomes an issue with cyberattacks.](#)

Monitoring control systems, employee cybersecurity training, adoption of multi-factor password authentication and cyber insurance are important strategies for managing cyber risk.

Food recalls will remain a major risk for food manufacturers, especially for food contaminated with allergens. Of 146 food recalls in the second quarter of 2022, approximately 40% were due to allergens.<sup>7</sup>

Assess and address your areas of greatest risk. Protect food and beverage systems from cyberattack, and be prepared for cyber coverage rate increases of 10% to 20% from 2022. Product recall insurance and product liability coverage can protect food manufacturers from costs related to product recalls and liabilities, which can run into the millions of dollars.



7. Food Industry Counsel, "[2022 Recalls](#)," accessed September 29, 2022.



# Make a plan

HUB agribusiness specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce, and build resiliency for 2023. Here are some initial considerations:



## **Protect employees.**

Employees expect you to support their health, safety and wellbeing. Give them the ability to personalize their benefits without increasing costs [HUB's QEX approach](#) will give you a competitive advantage.



## **Emphasize onboarding and training.**

With many employers hiring less-experienced workers, it's more important than ever to focus on onboarding and training to set the right expectations and avoid costly accidents and injuries.



## **Understand your loss trends.**

Understand the root cause of your large losses and explain to insurance carriers what you're doing to prevent future losses. Develop a strategy with HUB to determine the best time and frequency to review alternative markets.



## **Close claims quickly at the lowest possible cost.**

Claims that take months or years to resolve will affect your long-term loss experience. Ask your broker for a claims management specialist who can help close claims quickly and with best possible outcome.



# Be Prepared

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in Agribusiness.

We expect rate increases for nearly all coverages in Agribusiness, as carriers are experiencing high losses and expenses.

On the next page is HUB's 2023 rate outlook for several Agribusiness insurance coverages. This will help you discuss your business' exposure with your insurance broker in advance of your next renewal.



# Agribusiness Industry Rate Outlook – U.S.

Coverage	2023 Agribusiness Rate Outlook	Insights
<b>Automobile</b>	↑ 10% to 20%	Litigation trends, increased repair costs and medical inflation have resulted in poor underwriting performance. Proper onboarding and driver safety programs will reduce exposure as driver shortages persist.
<b>General Liability</b>	↑ 5% to 10%	The increase in overall claims severity is pushing up General Liability rates. Social inflation and so-called nuclear verdicts are driving the size and frequency of claims.
<b>Workers' Compensation</b>	↔ Flat	Rates are relatively stable. However, the labor shortage is forcing employers to hire inexperienced workers, making it important to adopt best practices for onboarding and training to keep accidents at bay.
<b>Umbrella &amp; Excess Liability</b>	↑ 25% or higher	Carriers are offering reduced limits, resulting in a high volume of submissions and lengthier underwriting times. Umbrella policies that sit over fleet policies are likely to experience the highest rate increases.
<b>Property</b>	↑ 15% to 25%	Increased underwriting scrutiny on insurance to value (ITV) is driving premium increases. Areas prone to wildfire, flooding and windstorms will continue to see the highest increases. Reinsurers are pulling back due to capacity concerns in certain areas of the country.
<b>Directors &amp; Officers</b>	↑ 10% to 20%	While there has been a deceleration of D&O claims, expect moderate increases resulting from social inflation and economic uncertainty.
<b>Cyber Liability</b>	↑ 20% to 40% or higher	Rates are easing for agribusinesses that have not had significant exposure changes or claims and have proper cybersecurity controls. Operations lacking multi-factor authentication (MFA), endpoint detection and response (EDR), and offline backups will continue to experience difficult renewals.
<b>Environmental</b>	↑ 5%	More businesses are taking advantage of affordable pollution policies to combat increasing litigation.
<b>Stock Throughput</b>	↑ 10% to 20%	Additional capacity is available but with lengthy underwriting periods and restricted terms and conditions.
<b>Crop</b>	N/A	As premiums follow commodity prices, inflation will result in higher crop insurance premiums.

# Agribusiness Sectors

Business	2023 Rate Outlook	Insights
<b>Food &amp; Beverage</b>	↑ 5% to 25%	As underwriters watch for risk management procedures, there will be additional capacity for products that don't have exposure to live bacteria. Property rates will vary by geography.
<b>Farm &amp; Ranch</b>	↑ 5% to 15% (Small Operation) ↑ 20% to 30% (Large Operation)	Property owners in catastrophe-prone areas will have higher rates or non-renewals, causing them to seek coverage in the Excess & Surplus market. Coverage options are limited for large operations with high wildfire exposure.
<b>Forest &amp; Timber</b>	↑ 15% or higher	Increased underwriting scrutiny on insurance to value (ITV) is driving increases in premiums in wood products manufacturing. Expect 25% or higher increases and reduced capacity in plywood and particle board manufacturing. Rates have stabilized for secondary wood products manufacturing though rates will increase for plants in catastrophe-exposed areas.
<b>Landscape &amp; Lawn</b>	↑ 5% to 10%	Auto will remain the main rate driver in this sector arising from inflation and higher repair costs.

**NOTE:** *Rate* is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

## HUB Agribusiness

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB agribusiness insurance specialist.

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