

Outlook.

Agribusiness

Higher yields from risk management
will reap major rewards.

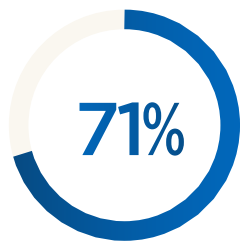


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



What to Expect in 2024

Rising costs for labor, farm inputs and insurance will continue to affect profits for farms, food production, and forestry and wood manufacturing. Continued labor shortages will force agribusinesses to get creative with benefits, focus on training and increase automation. Active risk management and adequate insurance will be essential to harvest a successful 2024.



Amount of agribusinesses identifying energy prices as a threat to profits in 2024, the most commonly cited reason¹

1. Results taken from HUB's Outlook Executive Survey, which polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Higher input costs and insurance premiums will pressure profits in 2024.

The cost-related pressures that have squeezed profits the past three years will not abate in 2024.

Rising input costs, high interest rates, a tight labor market and damage from extreme weather events have hurt the bottom line of farms and food processors alike, not to mention forestry and wood manufacturers.

Record high input costs in 2023 are expected to continue through 2024, affecting all agribusiness, not just farms.



Input costs have slammed agribusiness the past three years, as the COVID-19 pandemic nearly broke the supply chain and the war in Ukraine reduced fertilizer and wheat production. The cost of raising crops and caring for livestock will reach \$460 billion in 2023, an all-time high and a 28% increase from 2020. Elevated input prices are expected to continue through 2024,² affecting all agribusinesses, not just farms.

Insurance costs also are cutting into profits. Stock throughput insurance, which covers a company's goods through the supply chain and is essential for food producers and warehouses, is difficult to obtain.

Crop insurance has grown prohibitively expensive. Some underwriters have pulled out of the market altogether, with capacity particularly limited in areas suffering from prolonged drought.³ Business interruption insurance policies are often extremely costly.

The cost and diminishing availability of insurance are likely reasons only 14% of agribusiness respondents to HUB International's 2024 Outlook Executive Survey have sufficient insurance to protect their profit margin.

At the time of this writing, agribusiness was awaiting passage of a farm bill that would fund federal crop insurance.⁴

It may be difficult for agribusinesses to lower input costs, fight the effects of high interest rates or combat weather events. However, working with a broker to lower insurance costs through alternative risk management vehicles and shouldering additional risk will help improve profits in 2024.

2. U.S. Senate Committee on Agriculture, Nutrition & Forestry, "[USDA Says High Farm Production Costs Not Easing In 2024](#)," July 13, 2023.
3. Successful Farming, "[Drought conditions impacting crop insurance costs](#)," October 2, 2023
4. The Texas Tribune, "[Delayed passage of farm bill stirs uncertainty for Texas agriculture](#)," September 27, 2023.

Automation won't solve the labor shortage by itself — personalized benefits will be key.

All sectors of agribusiness, from farm to table or forest to finished product, will continue to feel the effects of a nationwide labor shortage in 2024.^{5,6}

Across the country, 1.4 million fewer Americans work today than in February 2020.⁷

Farmers struggle to hire short-term laborers to pick crops and long-term workers to operate and maintain equipment. Warehouse workers and shippers can't find enough employees to keep operations running smoothly.

Labor shortages and even walkouts have beset food and beverage makers, while higher wages in other industries needing manual labor have siphoned workers from forestry and wood production.

Clearly, the industry is aware of the problem: About 70% of agribusiness respondents to HUB's Outlook Executive Survey list talent recruitment as instrumental to the vitality of its workforce; the same number cite training and employee "upskilling" as equally important.

While automation has long been touted as a way to help solve the labor shortage, particularly in food and beverage, where much of the assembly lines are automated, it is not a panacea. Some companies are reverting to human labor because of the issues with automation, including costs, product defects and lower overall production compared with human workers.



All sectors of agribusiness have been searching for creative solutions through benefits. The industry will see the greatest boost to the vitality of their workforce through personalized benefits informed by data analytics.

Personalized benefits that speak to individuals will deliver **quality employee experiences (QEX)**, which will engender increased employee loyalty and attract workers to an industry in desperate need of them.

5. The Hill, "[Jobs in the Woods Act addresses workforce challenges of forestry](#)," September 10, 2023.
6. Food Industry Executive, "[A Multistage Approach to Solving the Labor Shortage in the F&B Industry](#)," November 6, 2022.
7. U.S. Chamber of Commerce, "[Understanding America's Labor Shortage](#)," October 16, 2023.

Agribusiness will leverage creative solutions to stay resilient.

All agribusiness sectors will struggle to manage risk in 2024, but emerging insurance solutions will help ensure their resiliency.

Increased insurance premiums will require agribusinesses to implement novel, specialized insurance solutions to provide a backstop against risk.



Weather-related threats have increased in frequency and severity. Droughts, record heat, massive wildfires, windstorms and flooding have diminished farm yields, hampering food processors' ability to procure raw materials and making logging and wood production a perilous proposition.

With agribusinesses' reliance on automation, malware and ransomware attacks are more serious and costly than ever. Beyond the immediate financial toll, there's reputational damage as well.

Add supply chain disruptions, global conflict and labor shortages to the mix, and it equals difficult realities for agribusinesses on insurance renewal.

Agribusiness insurance rates are expected to rise across the board in 2024. Crop insurance premiums, based on commodity prices, are likely to increase as much as 10%. Stock throughput coverage will climb as high as 15% for perishable goods.

Umbrella and excess liability insurance rates will likely increase 10% to 20%, with lower limits. Commercial auto premiums for fleets of five or more vehicles will jump as much as 15%, in part due to the labor shortage making it difficult to hire qualified drivers.

High property rates will burden food and beverage manufacturers, who will see premiums rise as much as 30%; forestry and wood products operations will see similar increases.

Increased insurance premiums will require agribusinesses to implement novel, specialized insurance solutions to provide a backstop against risk. For instance, parametric insurance policies pay out after a qualified weather event, regardless of an insured sustaining actual damage.

Consulting with their insurance broker will help agribusinesses determine the best solutions, whether it's modifying limits in existing policies or turning to a layered insurance program, captives or self-insurance.

Thoughtful risk management will help agribusiness combat new and familiar dangers in 2024.

In an industry full of unknowns, agribusinesses have a clear picture of how to prepare for 2024.

In addition to severe weather, cybercrime and supply chain woes, agribusinesses will need to consider worker safety, product recall risk and manufacturing plant maintenance in their 2024 risk management strategies.

Ensuring compliance to a risk management plan won't be easy: Only 47% of agribusiness respondents to HUB's Outlook Executive Survey align risk mitigation strategies with organizational goals, 40% maintain an effective facilities risk mitigation plan and just 22% say they foster a culture of risk awareness, preparedness and mitigation.

But filling these gaps in preparedness is essential to long-term stability. For instance, while weather dangers cannot be avoided, farms can reduce the effects of drought through improved resource management, and wood mills can improve safety measures to protect employees and property from wildfire risk. Agribusinesses can lean on catastrophe (CAT) modeling to develop risk management and business continuity plans.

Cybercrime has emerged as a threat, with disproportionate weight on food and beverage production. A data breach at produce giant Dole in February 2023 briefly stopped production and cost the company \$10.5 million.⁸ Agribusinesses can prepare for cyber threats with multi-factor authentication, endpoint detection and response and education to shore up employee defenses.⁹



Food recalls remain an ever-present risk, particularly for allergens: Of the nearly 400 recalls in the first three quarters of 2023, approximately 28% were due to contamination from allergens or ingredient mislabeling.¹⁰ Strong product oversight, including periodic audits, will help minimize food recalls, most of which occur due to employee error.

8. Cybersecurity Dive, "[Dole says February ransomware attack breached data of almost 3,900 US workers](#)," June 22, 2023.
9. Food Safety Magazine, "[Cyber Threats Impacting the Food and Agriculture Sector](#)," August 8, 2023.
10. Food Industry Council, "[2023 Recalls](#)," accessed October 3, 2023.

Make a plan

HUB agribusiness industry insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy to protect your bottom line, support the vitality of your workforce and build resiliency for 2024. Here are some initial considerations:



Thoughtfully lean into risk.

Risks in agribusiness have increased — and so have insurance premiums. Consider taking a higher deductible on some coverages, which reduces premiums and improves experience rating, or think about alternative risk transfer vehicles to lower costs. Ask your broker what kind of insurance strategy meets your risk profile and budget.



Increase engagement through benefits.

Employees expect you to support their health, safety and wellbeing. A benefits strategy based on personalization and fostering quality employee experiences (QEX) will boost engagement, recruiting and retention and lower risk.



Re-emphasize safety.

In an era of labor shortages, stringent regulation and greater litigation, keeping employees safe and healthy is essential. Train and onboard employees to understand expectations and commit to maintaining a safe work environment.



Understand your loss trends.

Understand the root cause of your large losses and explain to 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.



Be transparent with your broker.

Let your broker know what changes you've made to the business, so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.

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Agribusiness Industry Rate Guide — U.S.

HUB International interviews brokers and risk services consultants and analyzes survey data to bring you our proprietary rate report each quarter. Read the HUB 2024 Commercial Lines Rate Report to know what to expect in advance of your next renewal.

Coverage	2024 Agribusiness Rate Outlook	Insights
Commercial Auto: 5 Vehicles or less	+5% to 10%	To offset insurers' losses, premiums will increase. Several factors are causing these losses: increased vehicle replacement costs, production backlogs on part replacements, labor costs and higher medical costs. Clients with favorable experience are likely to see lower rates than otherwise.
Commercial Auto: > 5 Vehicles	+5% to 15%	Agribusiness with large fleets are trying to combat rate increases through increased focus on fleet safety management. Clients are purchasing tracking tools and hardware like onboard cameras to document claim incidents, showing underwriters their commitment to safety. Risks with fewer losses and best-in-class fleet management practices will see single-digit increases. Employers also need to invest in adequate driver training programs to maintain a positive safety record.
General Liability	Flat to +10%	Most underwriters will seek rate increases in the single digits for general liability coverage. Policies with larger deductibles are likely to see the lowest rate increases; in select circumstances, agribusinesses may see premium decreases. However, GL rate increases are likely in the future to compensate for previous reductions.
Workers' Compensation	-5% to Flat	Workers' compensation is the most profitable line for commercial insurers, and rates in 2024 will reflect this. Carriers have remained stable while offering competitive rates. Inflation may result in greater losses with higher wages and medical costs.
Umbrella & Excess Liability	+10% to 20%	Agribusinesses continue to see lower limits in umbrella and excess liability insurance at renewal. For example, \$10 million excess limits are being renewed at \$5 million, and \$5 million are being renewed at \$2 million — but for the same premium as the higher limit. Finding capacity to fill a tower will remain difficult, as entities requiring more than \$10 million in limits will need to move to a shared or layered insurance program.
Package	+5% to 10%	The package market has softened somewhat, particularly for small farm risks. Rate changes will vary based on client-specific loss experience as well as the size of deductibles.

Coverage

2024 Agribusiness
Rate Outlook

Insights

**Commercial
Property**

+10% to 30%

The property market is facing unprecedented challenges, with reinsurers restricting capacity, particularly for properties with an unfavorable brush mapping profile or protection class.

Carriers are reducing total insurable values (TIVs) per location while applying increased deductibles and loss limits. Some carriers are not renewing policies with especially high risks.

Insurers remain focused on valuation, and while many agribusinesses have “right-sized” property values, carriers continue to seek restrictive clauses. Middle-market clients should expect uncomfortable property renewals in 2024. Engineering and loss control remain a major underwriter focus on high-value properties.

D&O Private

+10% to 20%

Rates for private D&O insurance have improved but will be dependent on loss history. Financially challenged accounts continue to be particularly difficult placements.

D&O Public

+10% to 20%

The D&O market for public companies continues to improve. Insureds who have completed transactions like a merger or IPO may see increased rates, but we are also seeing increased competition for business.

Cyber

Flat to +10%

Generally, carriers are reporting increased cybercrime. However, while claim activity is up, strong competition for business has muted rate increases.

Additionally, excess rates have lowered considerably, and carriers are beginning to increase primary and excess capacity back to \$10 million limits. Multifactor authentication is no longer required for standard markets, given adequate controls otherwise.

Stock Throughput

5% to 15%
higher for
perishable
or highly
combustible
commodities

Rate increases for non-perishable commodities will be at the lower end of the range, but perishable or highly combustible commodities — considered the toughest products to insure — will have large rate increases. Enhanced risk modeling will improve capacity, but will come at a premium.

Crop

Flat to +10%

Current and future commodity prices dictate crop premiums. Expect rate increases due to supply-chain difficulties and other factors. Corn, wheat and soybeans are all trending upwards through the 2024 harvest.

Food & Beverage

+15% to 30%

There will be high rate increases for mid-sized businesses, as carriers reduce total insurable values (TIVs) per location while applying increased deductibles and loss limits.

Forest & Timber

For high-value properties, carriers will be paying close attention to loss control, engineering and maintenance.

Farm & Ranch

+5% to 15%

The threat of wildfires is the single largest issue for Farm & Ranch, closely followed by per location TIV. Underwriters are closely monitoring wind and fire exposures.

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and 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 HUB, you're at the center of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB agribusiness advisor. We're here to help.

\$1.4B

in commercial insurance premium brokered by HUB

38,200

agribusiness clients

82,000

insurance policies managed

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