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"Towards a holistic approach to Sustainable Risk management in agriculture" Sus-Risk

Policy Brief: Behavioural factors influencing farmers' adoption of risk management strategies

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ABSTRACT FOR POLICY BRIEF (300 Words)

Background: Agricultural producers, particularly in the apple sector, are exposed to various sources of risk that can drastically abrupt their income. Therefore, for being resilent to economic, institutional and environmental shocks, farmers necessitate an effective risk management toolkit Given the plethora of risk management tools available, farmers may face trade-offs in building an effective and sustainable risk management tools portfolio. Adoption choices may be driven not only by purely economic reasons, but also by farmers' risk and uncertainty preferences or innovation acceptability. This task aims at exploring what factors influence farmers' adoption of risk management strategies and, in particular, how heuristics (i.e., rule of thumbs) affect apple producers' willingness to pay (WTP) for an innovative risk management tool proposed by the EU Common Agricultural Policy: the income stabilization tool (IST) for the Apple sector, developed for apple farmers' in the Autonomous Province of Trento, Italy.

Topic: The task uses an experimental approach to investigates the impact of heuristic (e.g., availability heuristic) on apple farmers' willingness to pay (WTP) for the innovative income stabilization scheme. Specifically, it examines the differences in WTP for the IST among three treatment groups: a control group, an individual past (IP) group, and a general past (GP) group, where farmers participating to the experiment are exposed to varying forms of information regarding past agricultural income realizations.

Objectives: The task has different goals. The primary objectives are to determine: (1) whether activating availability heuristics influences farmers' WTP for the IST; and (2) whether the type of income information provided (individual vs. general) differentially impacts their WTP. Additionally, by eliciting farmers' risk preferences, the task aims at understating how these behavioral factors interact with their decision-making processes. The research aims to identify how various cognitive biases and subjective beliefs about income variability can shape risk management strategies among apple producers. Ultimately, the objectives aim to create a comprehensive understanding of the psychological and economic factors that influence farmers' attitudes towards risk management tools, thereby informing future policy and program design in agricultural risk management.

Main Findings: Preliminary results indicate that farmers exposed to the IP (individual past) treatment demonstrate a significantly higher WTP for the IST compared to the control group, suggesting that personal income history enhances perceived risk and the added value of the income stabilization tool. Conversely, the GP (general past) group showed moderate effects, indicating that specific income experiences resonate more strongly than general trends.

Policy Implications: These findings underscore the importance of tailored communication strategies in risk management initiatives. Policymakers should consider leveraging personal income narratives when promoting risk management tools, as these narratives can significantly enhance farmer engagement and investment in protective measures like the newly introduced IST for the apple sector. Further research could explore the broader applicability of these heuristics across different agricultural sectors and risk management tools proposed by the EU Common Agricultural Policy.