

Headline: Oxford Economics: Climate change makes food costlier in PH, Asean

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MANILA, Philippines—Climate change has been making food more expensive across vulnerable Southeast Asia, including the Philippines, such that UK-based think tank Oxford Economics on Monday (March 28) urged more support to the agricultural production sector.

“Southeast Asia’s climate has become substantially warmer and more unpredictable in the last 10 years. Mean temperatures are around 3 degrees Celsius higher than in the 1950-1980 period, and the range of temperatures has widened by around 2 degrees,” Oxford Economics said in a report. It said higher temperatures had “visibly impacted” the Philippines and neighboring countries.

“Our estimates indicate periods of extreme weather have been responsible for major food price spikes across the region,” Oxford Economics said.

“Climate change impacts on food production costs through a range of channels. The most frequently discussed channel is through agricultural yields, where the consensus is that climate change will ultimately lower crop yields.”

Across the region, Oxford Economics estimated that extreme weather conditions, specifically rainfall and temperature volatility, have been jacking up food costs by 6 percent. Such price hikes “can be expected to occur more frequently,” it added.

While governments have been transitioning to low, if not zero, carbon emissions to combat climate change, Oxford Economics said the shift to clean and green energy would also hike food production costs by as much as 80 percent by 2050.

“Governments across the region therefore need to think about how to both protect consumers from price spikes that will occur more frequently in the future regardless of what action is taken now, and to try and lower the cost to food prices of shifting to a lower-carbon future.”

For Oxford Economics, “if Indonesia, Malaysia, the Philippines, Thailand, and Vietnam are to continue to enjoy the benefits of economic development, they will need to do so in less carbon-intensive ways than countries which have moved up the income ladder before them.”

Oxford Economics recommended protecting farmers as well as consumers from weather volatility exposures in the coming years.

“In Indonesia and the Philippines, the government spends around 2.5 percent of GDP [gross domestic product] on support for the agricultural sector, substantially more than other countries in the region. There is substantial scope to reorient this spend towards areas which will help farms become more resilient to physical climate risk,” Oxford Economics said.

“In the Philippines, one key agricultural policy objective is currently to support rice farmers’ incomes by buying stocks for stockpiling at guaranteed prices — over \$700 million was spent on rice support in 2019,” the think tank said.

“But the Organization for Economic Cooperation and Development (OECD) finds this policy has inhibited the farm sector from diversifying and moving up the food value chain, as well as artificially inflating rice prices and contributing to undernourishment among low-income households,” Oxford Economics added.

Also, “Indonesia, Malaysia, and the Philippines spend only half as much of their GDP on social assistance for the poor as other lower and upper middle-income economies,” Oxford Economics noted.

“Raising the share of national income spent on social assistance to levels comparable to other emerging economies would open a valuable source of flexible funding to help the poorest households during periods of extreme weather and food price volatility.”

While the Philippines, Thailand and Vietnam already have crop insurance schemes, Oxford Economics pointed out that participation was only voluntary, “leading to adverse selection (in effect, only farmers who know themselves to be at high risk participate).”

“Expanding the coverage of farm insurance, as well as potentially linking coverage to investment in climate-resilient technology, could provide a useful guard against physical climate risk to food prices in the coming years,” the think tank said.

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