Headline: Climate-proofing our farmers and food supply

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When we observe Labor Day on Wednesday, let us remember our farmers—the backbone of our food supply. In our labor force, farmers are the most adversely affected by climate-related events, such as typhoons, due to their dependence on climate, poor economic condition, and high-risk areas. The challenge to us is to protect them, as well as our food supply, from climate change risks.

Addressing this challenge with insurance has become a topic of interest in the Asia-Pacific region. It is one of the climate change adaptation measures discussed at the Asia-Pacific Climate Change Adaptation Forum held in Incheon, Korea, in March 2013. Our panel of speakers recognized that insurance cannot prevent the occurrence of climate change risks; but it can help the agriculture sector cope with losses and stay viable despite climate change.

What we are facing is a risk management challenge that requires an integrated strategy, that is, an Integrated Risk Communication, Assessment, and Management (Ircam) Strategy. Risk transfer through insurance is one measure under the last process—the risk management proper.

Risk communication has to be done first so that farmers will understand the risks that can affect them and the measures that they can take. In the government sector, the Climate Change Commission (CCC) and the Philippine Crop Insurance Corporation (PCIC) lead in communication on climate-related risks affecting agriculture. In the private sector, our MAP Committee on Climate Change and Sustainable Development (CCSD) works with the TOWNS (The Outstanding Women in the Nation's Service) Foundation's Information Caravan on Climate Change (IC3) in conducting risk communication aimed at various groups, including local community leaders. Several private organizations also conduct information, education, and communication activities on agricultural risks and insurance.

For effective risk communication, we must translate climate change and risk concepts into the language that farmers can understand. We must also overcome beliefs and cultural and sociological barriers on climate-related risks ("which are acts of God," as some say) and the use of insurance ("which is a lack of faith" to some).

Government agencies that regularly conduct field operations can help in risk communication by incorporating climate change risks and insurance literacy in their programs. Banks, NGOs, and others can help, too.

Risk assessment is the weakest process in addressing risks from any source in all sectors. One major initiative here is that of the CCC, with the support of the Global Green Growth Institute (GGGI), on designing Local Green Growth Development Plans in a few pilot communities. The work includes risk assessment activities, such as vulnerability assessments.

We expect the results of this and other similar risk assessment projects to be risk databases or risk profiles of the localities. Our recommendation is to upload them in a platform that is accessible to potential users—Local government units (LGUs), insurance companies, planners, policy and decision makers, and others. A good reference for risk profiling is the 2012 Philippine Exposure Map, produced by Dr. Laura David and her team from the UP Marine Science Institute and Pagasa. The map shows the exposure of different sectors to climate change risks—extreme heating events, extreme rainfall events, sea level rise, disturbed water budget, and increasing ocean temperature.

Risk profiles are basic inputs to risk management. Hence, I hope the GGGI, as well as our government, will provide more support to the CCC and others who can help expand the risk assessment to cover other localities as soon as possible. Credible risk and other technical experts, who can help generate reliable risk data, are needed for this work. At present, few professionals have advanced education on risk assessment, which requires consideration of uncertainties and knowledge of probability theory. Schools that offer science, engineering, and related courses could help by encouraging their students to study risk assessment and to consider risk profiling of communities as a research topic.

Risk management involves both mitigative and adaptive measures for coping with risks. They include improved or new systems and procedures and risk transfer through insurance. Ideally, risk transfer should be done after, or at least in parallel with, the improvement of systems and procedures.

One initiative to improve systems and procedures for climate change adaptation in the agriculture sector is the setting up of science and technology-based Conservation Farming Villages in Ligao City and a few other sites. The Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development coordinates this initiative with the UP Los Baños.

Risk transfer is part of our national policy on climate change. The Climate Change Act of 2009 mandates the CCC to create an enabling environment for the design of relevant and appropriate risk-sharing and risk-transfer instruments, such as insurance. The National Climate Change Adaptation Plan for 2011 to 2028 also identifies as priorities the design and implementation of social protection and risk transfer mechanisms.

Life and medical insurance policies for farmers and others have long been available in the market. But crop insurance (for rice, corn, and high value commercial crops) started to be offered nationwide only after the creation of PCIC in 1978. Insurance for noncrop agricultural asset, livestock, and fisheries, as well as term insurance (for example, for agricultural producers protection) followed soon after. These insurance products cover a wide range of perils, such as natural disasters, pests, and diseases. So far, about 6 percent of rice farmers in the country are already enrolled in PCIC's insurance program.

PCIC has also started to pilot-test parametric insurance (weather-index based insurance and area-based yield index insurance), which avoids costly and time-consuming assessment of damage as payout is based on the selected index, such as wind speed.

Although PCIC, with the government's funding support, has been doing well in providing agriculture insurance, much work has yet to be done to cover the rest of our farmers. Hence, the private sector must actively participate in this effort. A few insurance companies, such as MicroEnsure, CLIMBS, and RIMANSI, also cover agricultural crops from climate change-related risks and have parametric or micro insurance programs. But the lack of policy and regulatory framework and enabling environment for parametric and micro-insurance hampers the growth of this type of insurance in terms of number of insurers, types of policies offered, and crops covered. This basic issue needs to be addressed by our policy makers in order to encourage other insurance companies to be involved in protecting our farmers and their crops through insurance.

One recommendation from the private sector towards a strong agricultural insurance market is to limit government's subsidized insurance program to marginalized farmers and to the crop industry that is in bad economic shape. Another recommendation is to have a "level-playing field," by simplifying and reducing the taxes and fees imposed on micro insurance companies so that their policies will not be more expensive than PCIC's subsidized and tax-free policies.

Another recommendation is to increase the number of insured farmers and crops. To make this happen LGUs could help by including agriculture insurance in their programs and by extending premium subsidies to their marginalized farmers. Davao del Norte's Sangguniang Panlalawigan is leading in this effort by approving the enrollment of up to 2000 hectares of farmland with PCIC.

Insurance can help climate-proof farmers and our food supply. But it must also go hand in hand with other sustainable development strategies, such as the use of improved technology.

(The article reflects the personal opinion of the author and does not reflect the official stand of the Management Association of the Philippines. The author, president of EARTH Institute Asia, chairs MAP's Climate Change and Sustainable Development Committee and heads the TOWNS Foundation's IC3 Team. An engineer-economist and risk analyst, she is participating in the policy research on crop insurance of the Asia-Pacific Adaptation Network and the Institute for Global Environmental Strategies, Japan. Her research, on which this brief article is based, has received inputs from policy and decision makers in the agriculture and insurance industries, and from farmers who participated in a survey on insurance. Feedback at . For previous articles, visit .)