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INFLATION is one of the hottest of hot-button political issues, and for good reason, as it affects everyone in a direct way. We have all watched as prices for most of the things we buy on a daily basis have crept upward over the past few weeks, and while some causes of this are obvious and acknowledged by economic policymakers — namely fuel prices affected by global factors — one other significant driver of inflation has seemed to escape notice.

According to recent research, the impacts of climate change have a profound effect on food prices here in the Philippines, almost as large as the impact of fuel prices, if not more so. Thus, in order to control inflation, the government must accelerate its climate mitigation, adaptation and energy transition efforts on the agricultural and agribusiness sector.

The general situation of the climate in this part of the world is that average annual temperatures are now about 3 degrees Celsius higher than they were during the 1950-1980 period, and the temperature range — the difference between the average annual high and average annual low temperatures — has widened by about 2 C. Over the past several decades, average annual rainfall has gradually declined, but episodes of extreme rainfall or higher-than-average rainfall months have become more frequent. In other words, the climate is steadily becoming drier, but more volatile.

One of the recent analyses by Oxford Economics estimates that the increasing climate volatility has raised food producer prices in Southeast Asia by 6 percent over the past decade. On top of that, short-term price spikes follow nearly every calamity, and to all of this is added inflation from other factors, such as fuel prices.

Addressing the problem requires a multi-pronged approach, some of which is described in the various studies and some which can be inferred from their conclusions. The Oxford Economics analysis, for example, raises the issue of agricultural support from the government. Here in the Philippines, that is rather high, amounting to about 2.5 percent of GDP (gross domestic product), which is considered a good thing, but it is not efficiently used — if it were, nagging farm sector poverty and volatile food prices would not be economic norms for the country.

One recommendation along these lines is to improve the amount and efficient payout of crop insurance. Doing so would allow farmers to replace lost production more quickly and reduce inflation due to supply deficiencies caused by climate-related crop losses. The same study also recommends that the Philippines (along with other vulnerable countries in the region, particularly Indonesia) increase the share of government spending for social relief targeting the lowest economic bracket of the population, which is proportionally affected the most by food inflation. The Philippines currently spends about 0.5 percent less of its GDP on these efforts than comparable middle-income countries.

More direct action than those described above should focus on energy supply and demand for the agricultural sector because energy costs result in pass-through costs to consumers and consequently higher inflation, and of course, energy has a significant impact on the environment as well. On the demand side, energy demand can be reduced by improving farm productivity, reducing

or eliminating the reliance on chemical fertilizers and improving farm-to-market connectivity to reduce transportation costs. On the supply side, transitioning from conventional sources of electricity to micro-grids and renewable sources — such as solar or biomass and other forms of waste-to-energy — will provide more reliable and lower-cost energy and ease inflation pressure. Scaled-up systems can provide some or all of the energy demand for agricultural and food processing operations as well.

Other adaptation measures, albeit ones that would be considered more drastic, would involve adjusting agricultural output to the environment. This means opening up new areas for farming and diversifying the Filipino diet so that rice, an extremely climate-vulnerable staple, does not make up the biggest part of it.

All of these various actions will come at a cost, naturally, and might even result in short-term price spikes as the energy transition and other measures are being implemented. The results over the longer term, however, will more than make up for it, and even the short-term impact can be significantly minimized through efficient and properly targeted social support.