

Climate Perils in Policies

Ag Summit Speaker Points to Various Climate Risks Facing Agriculture

The risks to American agriculture from climate change don't come simply from weather volatility. Farmers also likely will be affected by reactionary policies by governments trying to block exports or imports of different foods or feedstuffs due to wild market swings that could come from changing crop production and a push to feed more people.

By Chris Clayton
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CHICAGO (DTN) -- American farmers and agribusiness leaders need to consider the perils of interventionist, reactionary government policies globally that will come as a result of greater climate volatility in the future.

"The great risk of climate change during the lives of people in this room, and our children, is in the policies that grow out of the volatility of a changing climate," Greg Page, executive chairman for Cargill Inc., said as he stood before several hundred farmers and agribusiness leaders at the DTN/The Progressive Farmer Ag Summit on Monday.

Page was the opening speaker Monday at the summit, which is delving into strategies for high-risk cycles in agriculture.

Page is heavily involved in the business and agricultural challenges related to climate change through his work with the Risky Business Project (www.riskybusiness.org) over the past couple of years. Page said one of the keys to the project was that it gave a range of assessments regarding the impact of climate change without addressing blame and causes.

Regarding the ongoing climate talks in Paris, France, Page said that, initially, he hoped the talks would set the planet on a path to mitigate some of the most severe climate threats. The talks thus far indicate farmers and agriculture need to prepare for climate risks to remain competitive.

"Based on what is happening in Paris, there is not the political will yet in the world to address the reduction in greenhouse gases," Page told the crowd. "So if the scientists are correct, and the most likely scenarios occur, we need to prepare ourselves, and the day to begin that is tomorrow."

To wait is a little bit immoral, Page said, given the impetus to feed more people globally. The challenge for agriculture centers on the need to grow more food by mid-century for

a world population that could top 9.6 billion by 2050 and is ideally also going to be more prosperous and more urban.

"For agriculture, collectively, we have to take a different attitude to the uncertainty than where the issue is simply somebody's beach eroding," he said. "And that's not to diminish rising sea levels to certain countries and certain people, but in the totality of what we need to do, what agriculture does is so important that ours has to be a more industrious response to this, even though we don't know how it is going to turn out."

Regarding the Risky Business Project, Page said the real goal in the group's work was to provide a database that uses financial analytics for looking at climate, but didn't come with any prescriptions or try to tell people exactly what the weather was going to be at any given time in the future. As Cargill's former president and chief executive officer, Page said he was comfortable looking at the future risks imposed by a more volatile climate.

"So, while I'm not a climate scientist, I have spent a lot of time over the last several decades of trying to anticipate and manage the impact of natural and political risks in regard to food production," Page said.

Overall, the Risky Business reports project likely scenarios that corn, soybean, cotton and wheat yields would decline nationally by 14% between now and 2050 and could fall as much as 42% by the end of the century. Those declines are often regional in nature, with the Risky Business Project forecasting a higher likelihood of yield declines in the Great Plains and Southeast.

The projections on yield declines, however, come with the caveat "without any adaptation." Page noted that caveat is often missed by media when citing the potential risks. "I don't think anybody in this room is planning to farm without adaptation in the next five years, let alone the next 35 years or the next 85," he said. "Clearly, that's what we are all about is preparing that resilience and that adaptation."

Page also pointed out there's a 1-in-14 chance that productivity for U.S. Midwest crops will rise 7% over the next 30 years because of climate change. "So the idea that every climate study forecasts a very dire outcome, that is actually not the case with the science," he said.

Given that Cargill has a global footprint, Page also said higher temperature forecasts for parts of the Midwest in some projections are not that much different from places such as Brazil or Thailand today. "So much of this knowledge is in place. We simply have to propagate that and adapt."

Four issues that are going to become more increasingly critical in a volatile weather environment:

-- Prices. Farmers need to embrace the signaling of prices. Prices are the most potent of all fertilizers to motivate farms to do the right thing. Right now, pricing signals are often masked with subsidies, tariffs and market-distorting mechanisms.

-- Enabling open trade. Farmers around the world hold different comparative advantages to grow certain crops at a low cost. Page said one problem is that the desire by governments to pursue their own self-sufficiency harms that competitive advantage and harms trade. Not every area of the world is equally endowed when it comes to producing food, though right now only about 16% of global calories are imported.

-- Pursuing sustainable intensification. More productivity will have to come from intensifying production on places already growing food rather than encroaching on forests or wetlands. It's entirely possible to do, Page said.

-- Government interventionist policies. Page pointed out that price volatility has gotten wider when compared to very small changes in production. That accelerated elasticity has translated into reactionary government policies around the world that have ripple effects. Thus, government policies coming out of climate change will likely pose bigger risks for their farm operations than the changes in weather.

"Because in a world of highly volatile prices -- and we saw it in 2012 -- the intensity with which governments are bound to act quickly to implement changes will be enormous and contradict a lot of what we have learned about how to feed ourselves," Page said. "So climate change's impact on political volatility is something I think everyone needs to keep in mind."

Page listed several recommendations that he sees making the global food system more resilient and adaptive, such as continuing investments in genetics and agronomics, as well as better protecting both water and soil to reduce agriculture's impact on the environment. Additionally, political leaders need to be discouraged from imposing import and export barriers.

Page also added that flexibility is needed in biofuel policies so that arable acres are not diverted by rigid mandates to non-food uses during poor harvests. That way, biofuels can remain a viable tool to help farmers with prices during times of crop surpluses.

Page ended by adding that people in agriculture need to be open to cooperation and collaboration with people who disagree. That's the only way to engage people to make smart decisions in a more volatile future, he said.

Page also said U.S. farmers should be proud of the advances made in productivity and sustainability that are not well-known. For example, it now takes one-third the nitrogen to produce a bushel of corn that it did 20 years ago. At the same time, no-till and low-tillage practices have reduced soil erosion and made better use of water. In livestock production, feed conversion of hogs over the past generation also has improved by one-third.

"We have a great story to tell about the sustainability that's already been contributed by agriculture and the amount of greenhouse-gas reduction that's already taken place," Page said. "We have a track record to be proud of."

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