



Financière agricole du Québec  
Développement international

Summary of the conference given by Mr. Marc Ferland

Agricultural income protection  
in a context of climate change

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## **AGRICULTURAL INCOME PROTECTION IN A CONTEXT OF CLIMATE CHANGE**

It is a pleasure for La Financière agricole du Québec to give this presentation at the tenth Congress of the Latin-American Agricultural Insurance Association. This event concerning climate change is being held not only with the foremost thought of durably integrating agricultural activity into the market economy but especially allowing agricultural producers to earn a decent living, to maintain and improve their quality of life and that of their family so that they may continue to ply this noble trade. Accordingly, this presentation will focus on the farmer because he is the reason for which our organizations exist.

The Financière agricole du Québec (FADQ) is a partner to Quebec agricultural producers in periods of growth as well as in more difficult times. Our organization is characterized by its partnership with farmers who are directly involved in its administration while making up its client base. The FADQ has been involved throughout Quebec's territory since more than 70 years.

The products offered by the FADQ include agricultural financing, assistance for agricultural succession and a broad range of insurance products and farm income protection. The organization administers an insured value of 4.6 billion dollars and manages a portfolio of 4.4 billion dollars in loans.

Quebec's agricultural production is concentrated in an area of more than 3.4 million hectares. In general, the growing season of approximately 120 days only allows for one harvest because of the danger of early or late frost. Nevertheless, 30% of agricultural production is vegetal and allows Quebec to attain a level of self-sufficiency in this area of 73%. Quebec agriculture is diversified and increasingly integrated to the agro-food industry.

The risks with which a Quebec agricultural producer has to deal are basically the same as those of a farmer working anywhere else in the world. All farmers must deal with the risks inherent in agricultural production, whether they are natural, financial or economical.

Throughout the world the environment in which farmers work is changing and they have less control over it. More specifically, this means more frequent violent weather, volatility of the prices of agricultural inputs, including the cost of fuels and energy, instability of food products, monetary and interest fluctuations and constant changes to international commercial rules. In addition, a farmer must deal with the risks inherent in his own management (financial capacity, administration, specialization, localization, etc.).

In this situation, a farmer left to fend for himself cannot overcome such adverse conditions.

Considering this context, an agricultural producer needs protection to ensure the permanence of his agricultural activities. In order to meet these needs, some countries develop agricultural policies, including measures such as crop insurance, specialized agricultural tools, support for the grouping of producers (for the purchase or sale of products), training workers, research and development programs, use of new technologies, standards and sanitary and environmental controls, marketing rules and support for the processing sector. Crop insurance programs are a major component of any country's agricultural policy. Such programs help to broaden and consolidate financial services, they encourage the dynamic occupation of rural territory and stimulate its vitality. They allow

farmers to reduce their exposure to perils and increase the probability that they will persevere and succeed with their farm. Finally, it is of utmost importance to underline the fact that crop insurance programs allow giving better security for agricultural loans, thereby facilitating access to credit.

Presently, it is not only the type of peril that determines the insurance product but the capacity to mutualize. Among other things, this depends on the sharing of perils by various actors: producers' groups, insurers, reinsurers, governments and international financial institutions. Protection may cover the value of the product and its yield, it may be based on homogenous criteria, such as the grouping of a significant number of producers, their geographic localization, the type of production and the costs of production.

Today, with the acceleration of climate change, what is changing the most is change itself. Agricultural production is highly integrated into all economic activity. Climate change, as well as the other risk factors, challenges our traditional insurance models. In order to maintain the focus on the agricultural producer as being at the heart of our preoccupations, it is essential to offer him an insurance product that will allow him to sow and harvest year after year. He has to be able to obtain the basics to sow his land. Accordingly, FADQ will suggest for discussion purposes an insurance model that is based not on a single peril but rather on an insured value corresponding to the variable expenditures incurred by the producer, that is to say, his productive investment. Accordingly, if he does not have a sufficient margin, this insurance will make available to him an amount he will be able to use to purchase new seed and new inputs. Of course, crop insurance cannot replace the market and constitute a source of clear income. Accordingly, we establish a correspondence so that the farmer supports a deduction that corresponds to what is considered to be a normal loss.

La Financière agricole du Québec – International Development, believes that in the volatile world context of food security, it is important to develop solutions that reduce the risks to which farmers are exposed so that they are not left to fend for themselves and deal with such adversity. Accordingly, they will conduct their farming activity better and thereby attain an improved balance in world food production.