**Media Contact**: Cecelia Heffron
cheffron@iatp.org, (651) 328-4706

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**CLIMATE RISK IGNORED IN AGRICULTURAL FINANCE POSES HAZARDS TO FARMERS AND RURAL COMMUNITIES**

*New paper explores policy options for agricultural finance to adapt to the climate crisis*

**MINNEAPOLIS**—Today, the Institute for Agriculture and Trade Policy (IATP) released a paper emphasizing the urgent need for U.S. agricultural financial policy and institutions to respond to rising climate risk. ***Agricultural Finance for Climate Resilience: An assessment with policy options*** analyzes current legislation and regulation, as well as proposes reforms for increased climate resilience. Climate change is a systemic risk to all finance: agricultural finance is no exception.

Congress responds to extreme weather events impacting agriculture with short-term fixes, including ad hoc disaster payments and increased subsidies for private crop insurance. As climate change exacerbates the severity and frequency of such events, these remedies will not be fiscally or environmentally sustainable. The report called for the terms of public and private agricultural insurance to be changed, and credit and bond issuance to internalize the costs and risks of climate change.

"Changes must apply both to finance for farmers and ranchers and agribusiness firms," says Dr. Steve Suppan, senior policy analyst at IATP. "Agribusiness failure to report climate-related financial risks to investors and regulators is part of a larger failure to reduce and pay for the external impacts of agricultural production."

The paper explores reforms to reduce climate-related risk in the following sectors of agriculture finance:

- **U.S. crop and livestock insurance against climate-related risk and losses**: Farm Bill crop insurance programs must incorporate conditions that lower premiums and increase indemnifications for farms and ranches that document the implementation of good agricultural practices. Policy changes must make it more expensive to insure crops produced by practices that increase greenhouse gas emissions.
- **Federal and private agriculture credit and bonds to finance agricultural banks**: The terms of credit and bond issuance to finance credit to support mitigation and adaptation must be changed, and federal and private lender bonds must have the same climate-resilient terms.
- **Price risk management in the agricultural commodity futures markets**: Climate change-driven extreme weather events damage the underlying physical assets of contracts, such as corn and wheat, in the futures markets. Commodity Futures Trading Commission must incorporate climate-related financial risks into regulating futures markets and futures market participants.
- **Corporate-related financial risk disclosure**: Clear, comprehensive and comparable corporate climate-related financial risk disclosure must be mandated, particularly for agribusiness, to investors, lenders and credit rating agencies by the Securities and Exchange Commission. Granular disclosures that show how firms are managing climate risk to their assets and supply chains will foster both internal operational improvements and attract investor capital.

"Unmitigated climate instability presents a threat to the financial and agricultural system," says Dr. Suppan. "If we don't start to incorporate climate risk into agricultural finance, we will exacerbate climate-related impacts on agriculture and rural communities. We must apply our understanding of climate risk into policy action."

To read the full analysis and a brief conclusion on impediments to and drivers to encouraging the international adoption of climate-related financial risk measures, visit: www.iatp.org/ag-finance-climate.

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