

Executive summary

This report covers OECD countries and a range of emerging economies which are important players on world markets. These 49 countries account for about 88% of global value added in agriculture. Their agricultural policies reflect the heterogeneity of the roles that agriculture plays in their economies. Irrespective of the structural differences across countries, they share a set of common goals that drive their agricultural policies: enabling the economic viability of the agricultural sector and rural areas more generally, producing enough and nutritious food to cater to the needs of growing and more affluent global populations, and improving the long-term environmental sustainability of food production. Policy approaches attach different weights to these shared goals.

Collectively, the countries covered in this report transferred an annual average of USD 601 billion (EUR 450 billion) to agricultural producers in the years 2012-14, as measured by the OECD Producer Support Estimate (PSE), and they spent an additional USD 135 billion (EUR 103 billion) on general services that support the overall functioning of the sector.

Average levels of support to agricultural producers in OECD countries and in emerging economies are converging: emerging economies, on average, have passed from taxing their agriculture in the 1990s to providing significant levels of support, while the historically very high level of support across the OECD area, on average, has declined. In recent years some large emerging economies have begun to reach the average level of support provided by OECD countries. Across all 49 countries covered in this report, 18% of gross farm receipts in 2014 stem from public policies that support farmers.

For the OECD area as a whole, gradual progress has also been made in moving away from policy instruments such as market price support and input subsidies and towards policies that do not directly influence farm production decisions. This has occurred to different degrees and at different speeds, with changes particularly slow in the group of countries with the highest levels of support and protection. Some steps have been made towards addressing expressed long-term priorities such as environmental sustainability, innovation and risk management. Those efforts should be reinforced. At the same time, some emerging economies are moving in the opposite direction, increasing the use of price and production-linked support policies. Across all 49 countries, 67% of support to farmers is directly linked to prices, output, or input use without constraints.

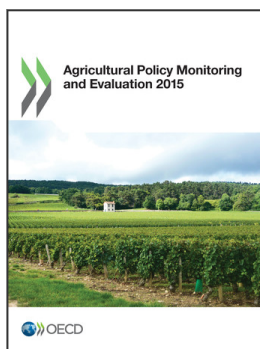
Recommendations

Countries should begin to focus more effort on addressing long-term issues related to improving the productivity and sustainability performance of agriculture. An over-arching aim of policy makers should be to “future-proof” the sector, to help it face multiple challenges. Globally, agriculture will need to: produce more food for a growing and more affluent population demanding a more diverse diet; contribute to economic growth and poverty alleviation in many developing countries; compete for a share of finite natural resources – land and water; and contribute to preserving biodiversity and the quality of land and water, restoring fragile ecosystems, and both adapting to and mitigating climate change.

Improving the capacity of the agricultural sector to respond to those challenges and to realise its full economic potential, in many cases, will require improvements to the wider policy environment in which the sector operates so as to attract financial and human resources and to foster an innovative agricultural sector. A comprehensive approach to improve coherence with other policies (macroeconomic, trade, social and environmental) and to reduce impediments to structural adjustment will be more effective than marginal fine tuning of existing agricultural policies in most countries.

Such a re-orientation requires a clear vision of the end-point of policy reforms at national and international levels. In the more immediate term important gains can be realised:

- Market price support should be reduced with a view to eventual elimination. It is not well targeted and does not reach the intended beneficiaries; it imposes significant costs on consumers, especially in low-income countries, and isolates farmers from market developments, distorting their production decisions.
- Input subsidies should also be reduced with a view to eventual elimination. By reducing costs of selected inputs, such as fertilisers, they contribute to the risk of overuse and misuse of these valuable farm inputs which can, as a result, be environmentally harmful. Concessional credit schemes also pose a large burden on government budgets, tend to increase farm debt and be capitalised into fixed assets, and can create problems of moral hazard.
- The design of income and revenue stabilisation measures should be carefully assessed. They sometimes deliver only modest benefits at high costs to taxpayers. Some of the risks facing agricultural producers can be managed using market mechanisms and government support should focus more on helping farmers to cope with unavoidable, catastrophic events.
- Direct payments, if linked to clear objectives and beneficiaries, and well-tailored to the problem at hand, can be an efficient alternative to achieve a wide range of public goals, including those related to achieving environmental benefits. Concerns about negative impacts of farming on the natural environment should be addressed through a mix of market-based solutions, regulation and taxation.
- Blanket support to land owners is seldom justified, but direct payments can play an important transitory role in the process of reforming agricultural policies. Greater attention should be paid to the wider enabling environment in which the sector operates; farm policy matters a great deal, but wider economic, social and environmental policies also play an important role.



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