

Executive Summary

This report monitors and evaluates government support to agriculture in seven emerging economies during 2006-08: Brazil, Chile, China, India, Russia, South Africa and Ukraine. While the economic importance of the agricultural sector is falling relative to other sectors in these countries, the sector continues to play a vital role in providing employment and contributing to food security. Although weather conditions can cause large short-term fluctuations, over the longer-term both agricultural production and, in particular, agro-food trade are growing rapidly. Brazil, Chile, India and Ukraine are net exporters of agro-food products, while China and Russia are net importers.

The three-year period from 2006 to 2008 was characterised by **extreme volatility in international prices**

International oil prices rose sharply in 2006-07, resulting in a substantial increase in the cost of energy based inputs such as fuel, fertiliser and irrigation. In the second half of 2008, downward pressure on commodity prices was exerted by the **global financial crisis**. This pressure is likely to intensify should the crisis lead to a global recession.

Governments responded to the **sharp rise in food prices with wide-ranging policy measures**. While some of them, such as raising interest rates, were introduced to reduce demand, most were implemented to increase or at least ensure supply. The most common response was to lower or suspend import tariffs and other taxes on food products. Those countries with state-held stocks released them into the domestic market. Chile and South Africa focused on transfers, either in cash or food, targeting directly those households who were most adversely affected by the rise in food prices.

China, India, Russia and Ukraine introduced **taxes or quantitative restrictions on exports** of certain agricultural products. The use of such measures during 2007 and 2008 drew attention to the minimal disciplines imposed on export barriers by WTO rules and raised several concerns. While potentially increasing the supply of specific products to the domestic market, export barriers reduce supply on the world market, placing further upward pressure on prices in importing countries. They can impede the transmission of price signals to domestic producers, reducing the market incentives to expand production. Moreover, export restrictions may potentially undermine trust in trade, encourage other countries to adopt policies driven by inefficient self-sufficiency objectives and provide incentives for speculative activities.

In some cases, governments also sought to stimulate the long term supply of agricultural commodities by **increasing input subsidies**, particularly for fertilisers. Such measures, however, may also have negative consequences. Input subsidies can encourage

higher consumption than would have otherwise been the case and, in some instances, may be associated with inefficiencies and serious environmental damage. Consequently, the report recommends that any increase in input subsidies associated with short-term shortfalls should be made time bound or linked to the actual input cost, so the subsidy is reduced when the input cost comes down.

For the period 2005-07, estimates of government support to producers as a per cent of gross farm receipts (%PSE) were: Chile (4%), Brazil (6%), South Africa (6%), China (9%), Ukraine (9%) and Russia (14%). While the OECD has not yet estimated support indicators for India, evidence from other studies suggests the level of producer support would be in the range of 10%-20%. **These levels of producer support are below the OECD average of 26%.** Since the beginning of the current decade, the level of producer support has remained relatively stable in Chile, Brazil and South Africa, increased in China and Russia, and fluctuated in Ukraine.

In addition to the level of support, the composition of support (the way in which transfers are provided to farmers) is also relevant, due to the diverse effects of different instruments on production, trade, income and the environment. The composition of producer support in the emerging economies is dominated by **transfers based on either commodity output** (market price support [MPS] and payments based on output) **or input use**. These are considered to be most production and trade distorting, and are less efficient at transferring income to producers. In comparison with OECD countries, very little use is made of payments based on other factors such as land, animals or income.

Annual changes in the level of support are primarily driven by changes in the value of transfers arising from MPS, which are affected by changes in the quantity of production, international prices and exchange rates, as well as policy measures such as tariffs, minimum guarantee prices and export subsidies. Failure to reach agreement in the **WTO Doha round** of negotiations has meant there has been little pressure to change these policy measures. Only in Ukraine, as a consequence of its accession to the WTO in 2008, has there been a noticeable decrease in tariffs for highly supported commodities such as pigmeat, poultry and sugar.

In terms of payments based on input use, Brazil, India and Russia **expanded producer access to concessional credit** in 2006-08 to encourage investment or enable producers to cope with falling incomes. At the same time, new debt rescheduling and – in some cases – debt write-offs are envisaged in Brazil, India and Ukraine. While access to credit is vital for the further development of agriculture in emerging economies, the report recommends that governments review and remove barriers to private sources of credit. Debt rescheduling, done on an _____ basis, can damage the discipline of credit systems and create an expectation on the part of farmers that the government will bail them out in the event of future payment difficulties.

List of Acronyms and Abbreviations

AAY	Poorest-of-the-poor (<i>antyodaya ann yojana</i> ; India)
ABC	Agricultural Bank of China
ACFTA	ASEAN-China Free Trade Agreement
ACP	African, Caribbean and Pacific
AEZ	Agri-Export Zone (India)
AFC	Family Agriculture (<i>Agricultura Familiar Campesina</i> ; Chile)
AGOA	African Growth and Opportunity Act
AgriBEE	Black Economic Empowerment Framework for Agriculture
AMS	Aggregate Measurement of Support
APEDA	Agricultural and Processed Food Products Exports Development Authority (India)
APMC	Agricultural Produce Marketing Committee Act (India)
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of South East Asian Nations
BAF	Financial Coordination Subsidy (<i>Bono de Articulación Financiera</i> ; Chile)
BLNS	Botswana, Lesotho, Namibia and Swaziland
BNDES	National Bank for Economic and Social Development (Brazil)
CACP	Commission for Agricultural Costs & Prices (India)
CASP	Comprehensive Agricultural Support Programme (South Africa)
CBR	Central Bank of Russia
CES	Agreement on Common Economic Space (between Belarus, Kazakhstan, Russia and Ukraine)
CIP	Central Issue Price (India)
CIS	Commonwealth of Independent States
CNR	National Irrigation Commission (<i>Comisión Nacional de Riego</i> ; Chile)
COMSA	Agricultural Insurance Programme (<i>Comité de Seguro Agrícola</i> ; Chile)
CONAB	National Food Supply Agency (Brazil)
CONADI	National Service for Indigenous Development – MIDEPLAN, Chile (<i>Corporación Nacional de Desarrollo Indígena</i>)
CORFO	Economic Development Agency (<i>Corporación de Fomento a la Producción</i> ; Chile)
COTRISA	Wheat Marketing Enterprise (<i>Comercializadora de Trigo</i> ; Chile)
CPC	Communist Party of China
CPI	Consumer Price Index
CPI-IW	Consumer Price Index for Industrial Workers (India)
DIPRES	Budget Department (<i>Dirección de Presupuesto</i>), Chilean Ministry of Finance
DIRECON	Directorate for International Economic Relations – Chilean Ministry of Foreign Affairs (<i>Dirección de Relaciones Económicas Internacionales</i>)
DoA	Department of Agriculture (South Africa)
EC	European Commission
ECA	Economic Complementation Agreement (Chile)

ECA	Essential Commodity Act (India)
ECLAC	Economic Commission for Latin America and the Caribbean – United Nations (<i>Comisión Económica para América Latina y el Caribe – CEPAL</i>)
EFTA	European Free Trade Association
EPA	Economic Partnership Agreements
EU	European Union
FAD	Fund of Delegated Cash Management (<i>Fondo de Administración Delegada</i> ; Chile)
FAO	Food and Agriculture Organization of the United Nations
FAP	Federal Agency for Regulation of Food Market (Russia)
FCI	Food Corporation of India
FDI	Foreign Direct Investment
FOSIS	Social and Solidarity Investment Fund (<i>Fondo de Solidaridad e Inversión Social</i> ; Chile)
FSSS	Federal State Statistics Service (Russia)
FTA	Free Trade Agreement
GAO	Gross Agricultural Output
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEIS	General Export Incentive Scheme (South Africa)
GMO	Genetically Modified Organism
GOI	Government of India
GRF	Government of the Russian Federation
HRB	Basic Irrigation Hectares (<i>Hectáreas de Riego Básico</i> ; Chile)
IEPA	Interim Economic Partnership Agreement
IMF	International Monetary Fund
INDAP	National Institute for Agricultural Development (<i>Instituto Nacional de Desarrollo Agropecuario</i> ; Chile)
INE	Chile's National Statistical Office (<i>Instituto Nacional de Estadísticas de Chile</i>)
KCC	Kisan (Farmer) Credit Card (India)
LARP	Land and Agrarian Reform Project (South Africa)
LRAD	Land Redistribution and Agricultural Development (South Africa)
MAFISA	Micro-Agricultural Finance Scheme of South Africa
MAPA	Ministry of Agriculture, Livestock and Food Supply (Brazil)
MDA	Ministry of Agrarian Development (Brazil)
MEP	Minimum Export Price (India)
MERCOSUR	Southern Common Market
MERT	Ministry of Economic Development and Trade (Russia)
MFN	Most Favoured Nation
MIDEPLAN	Chilean Ministry of Planning and Cooperation
MINAGRI	Chilean Ministry of Agriculture
MIP	Market Intervention Price (India)
MOP	Chilean Ministry of Public Works
MSP	Minimum Support Price (India)
NABARD	National Bank for Agriculture and Rural Development (India)
NAFED	National Agricultural Cooperative and Marketing Federation of India
NAIS	National Agricultural Insurance Scheme (India)
NAMC	National Agricultural Marketing Council (South Africa)
NAP	National Agriculture Policy (India)
NDRC	National Development and Reform Commission (China)

NPF	National Policy for Farmers (India)
NRA	Nominal Rate of Assistance
NREGP	National Rural Employment Guarantee Programme (India)
NYBOT	New York Board of Trade
ODEPA	Office of Agricultural Policies and Studies (<i>Oficina de Estudios y Políticas Agrarias</i> ; Chile)
OECD	Organisation for Economic Co-operation and Development
PBS	Price Band System (Chile)
PLAS	Pro-Active Land Acquisition Strategy (South Africa)
PNRA II	Second National Plan for Agrarian Reform (Brazil)
PPP	Purchasing Power Parity
PROCHILE	DIRECON's Department, to promote Chilean exports
PRONAF	National Programme for the Strengthening of Family Agriculture (Brazil)
PRRS	Porcine Reproductive and Respiratory Syndrome
PSS	Price Support Scheme (India)
R&D	Research and Development
RBI	Reserve Bank of India
RRA	Relative Rate of Assistance
SACU	South African Customs Union
SADC	Southern African Development Community
SAFTA	South Asian Free Trade Area
SAG	Agriculture and Livestock Service (<i>Servicio Agrícola Ganadero</i> ; Chile)
SARB	South African Reserve Bank
SASA	South African Sugar Association
SAT	Single Agricultural Tax (Russia)
SEZ	Special Economic Zone (India)
SINOGRAIN	China Grain Reserves Corporation
SNCR	National System of Rural Credit (Brazil)
SPS	Sanitary and Phytosanitary
SSG	Special Safeguard
STE	State Trading Enterprise
TBT	Technical Barriers to Trade
TDCA	Trade, Development and Cooperation Agreement (South Africa)
TPDS	Targeted Public Distribution System (India)
TICA	Trade and Investment Cooperation Agreement
TRQ	Tariff Rate Quota
UF	Chilean Unit of Account (Unidad de Fomento)
UN	United Nations
URAA	Uruguay Round Agreement on Agriculture
USA	United States of America
VAT	Value Added Tax
WB	World Bank
WBCIS	Weather-Based Crop Insurance Scheme (India)
WTO	World Trade Organization

OECD indicators of support

CSE	Consumer Support Estimate
GSSE	General Services Support Estimate
MPS	Market Price Support
NAC	Nominal Assistance Coefficient
NPC	Nominal Protection Coefficient
PSE	Producer Support Estimate
SCT	Single Commodity Transfers
TSE	Total Support Estimate

Currencies

BRL	Brazilian real
CLP	Chilean peso
CNY	Chinese yuan renminbi
EUR	Euro
INR	Indian rupee
RUB	Russian rouble
UAH	Ukrainian hryvnia
USD	United States dollar
ZAR	South African rand

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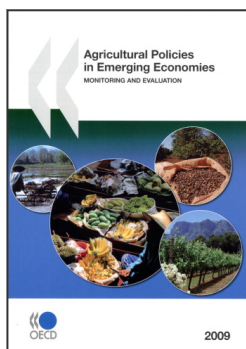
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