

Executive Summary

A more central role for innovation systems is the key to delivering sustainable productivity growth and improved resilience – the main channels through which agricultural policies can address the challenges faced by food systems.

Agricultural policy changes in 2020 were dominated by responses to the COVID-19 pandemic

The onset of the COVID-19 pandemic early in 2020 presented the world with a major health crisis, which led to containment measures that resulted in a profound economic shock affecting all sectors, including food and agriculture. Agricultural policy developments over the course of the year were dominated by responses to these twin health and economic shocks. Many governments moved swiftly to keep agricultural supply chains functioning, including by designating agriculture and food as an essential sector. As a result, policies were generally successful in maintaining the overall functioning of food supply chains, albeit within an overall structure of agricultural support programmes that showed little change.

This report identifies nearly 800 policy responses that were introduced in response to the pandemic.¹ A significant number, close to 20% of the total, were urgent measures, adopted in order to contain the pandemic while keeping food and agriculture supply chains working. Just under 70% of measures took the form of temporary relief, seeking to contain the impact of the crisis on agriculture and food sector actors, and should be phased out as the crisis recedes. Most of the remaining measures (10%) were “no regrets” policies with the potential to improve the long-term resilience of the agro-food sector, and which have the potential to be scaled up further. At the same time, 11% of measures had the potential to distort markets or be harmful to the environment. In particular, several countries imposed export restrictions in order to direct supplies to domestic markets.

Substantial resources – USD 157 billion – were earmarked for COVID-19 sectoral support, including USD 75 billion in OECD countries and USD 82 billion in emerging economies. The United States accounted for a majority of the commitments in OECD countries, while India accounted for the majority of support in emerging economies. Actual disbursements have so far been much lower, partly reflecting the overall resilience of agriculture to the COVID-19 shock. Indeed average farm incomes increased in 2020 for a majority of countries covered in this report. Consumer support was more often rolled out quickly, to address the loss of incomes suffered in particular by poorer households.

Consumers and taxpayers provide substantial support to the agricultural sector across OECD countries and major emerging economies

In 2018-20, agricultural support policies across the 54 countries covered in this report generated USD 720 billion per year in transfers to agriculture, twice the level observed in 2000-02 in nominal terms,

but nevertheless lower when expressed relative to the size of the sector. Reforms in OECD countries have stalled in the past ten years, with little change in the level or composition of support. Indeed some countries have rolled back earlier reform efforts.

- Of the total support, more than one-third, USD 272 billion, was paid for by consumers in the form of market price support, while the remaining USD 447 billion was paid by taxpayers in the form of budgetary transfers.
- About three-quarters of total support, USD 540 billion, was directed to individual producers, either in the form of higher prices or through direct payments. This accounted for an average of 18% of producers' gross farm receipts in OECD countries and 12% of gross farm receipts in the twelve emerging economies covered in the report.
- USD 102 billion of expenditure was paid in the form of general services for the sector (GSSE), which includes USD 76 billion of public investments in R&D, biosecurity and infrastructure.
- Subsidies for consumers (such as food assistance programmes) amounted to USD 78 billion per year, or 11% of all positive transfers to agriculture
- A small number of countries suppressed prices of some or all commodities, resulting in a transfer of USD 104 billion per year away from producers.

Overall, most current support policies are not serving the wider needs of food systems

Food systems around the world face a formidable “triple challenge”. First, they are expected to deliver food security and nutrition for a growing world population. Second, they have an essential role to play in providing incomes and livelihoods for hundreds of millions of people involved in farming and other segments of the food chain. And third, they must do so in a sustainable manner, without depleting land, water and biodiversity resources, while contributing to reductions in greenhouse gas (GHG) emissions. On balance, the agricultural policies covered in this report – across developed and emerging economies – do not address these three dimensions effectively.

Of the USD 540 billion per year of support to producers, over 60%, or USD 338 billion, was provided through the potentially most distorting instruments, namely market price support (USD 272 billion), and payments linked to output or the unconstrained use of inputs (USD 66 billion). Both are inefficient at transferring income to farmers, as a large share of the benefits are capitalised into land values or leak in the form of higher prices for inputs. They also tend to be inequitable, to the extent that support is linked directly to production, and not targeted to producers with low incomes. Finally, through direct incentives to increase production, they contribute to increased resource pressures, including through impacts on water quality, and can raise GHG emissions. Given also a lack of complementary environmental policies, a decreasing number of countries have succeeded in combining productivity growth with lower resource pressures and reduced emissions.

Positive and negative market price support, and the associated use of border measures, both have negative implications for food security at the global level, because they impede the efficient allocation of domestic resources and weaken the balancing role of trade in getting food from surplus to deficit regions. By constraining trade they also contribute to increased price volatility on international food markets.

USD 202 billion of producer support that is less coupled to production decisions creates fewer distortions at the margin and has less adverse impacts on global food security. This element also has a reduced tendency to contribute to additional resource pressures and GHG emissions. As income transfers, these payments still tend to be unequally distributed, as they are seldom made on the basis of an assessed social need, or evidence that farms would not be viable without support. On the other hand, just

USD 1.5 billion of these payments to producers were linked clearly to the provision of environmental public goods.

USD 102 billion of expenditure in is in the form of general services for the sector (GSSE), which includes USD 76 billion of public investments in R&D, biosecurity and infrastructure. These three elements account for just 6%, 2% and 9% of budgetary support to agriculture respectively, despite evidence of high returns to R&D and the potential of all three categories to support sustainable productivity growth and improved resilience – key channels for ensuring food security, viable livelihoods and sustainable resource use.

Three specific actions could enable agricultural policies to better support sustainable productivity growth and increased resilience, and accelerate progress in addressing the “triple challenge” faced by food systems

(i) Phase out price interventions and market distorting producer support. The removal of positive market price support and associated trade protection for producers may need to be offset by transitional assistance and the extension of social safety nets [see (ii)]. Conversely, the removal of policies that suppress domestic prices may reduce poorer households’ access to food, calling for targeted income transfers.

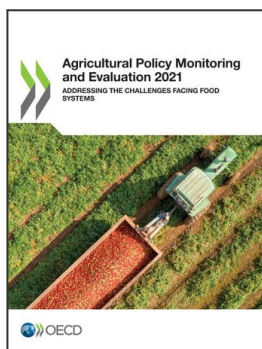
(ii) Target income support to farm households most in need and where possible incorporate into economy-wide social policies and safety-nets. This would require better information on the incomes and assets of farm households, with a specific role for agricultural policy that would involve underwriting those aspects of agricultural risk management that cannot be covered by farmers themselves or by risk markets.

(iii) Re-orient public expenditures towards investments in public goods – in particular innovation systems. Investment in innovation systems, covering both knowledge generation and its transfer to the sector, should be made central to agricultural support policies. The share of payments going to essential public goods, including ecosystem services, could be almost doubled by a redirection of market distorting payments, and raised further still by a reallocation of income support to farmers whose incomes from farm and off-farm sources would be above average even without support.

Global agriculture continues to meet the core challenge of feeding a rising world population. Yet food systems overall are characterised by rising GHG emissions, declining biodiversity; the persistence of hunger concomitant with rising rates of obesity; pressures on land and water resources; and an inability to generate sustainable livelihoods for many poor farmers. Agricultural policy reforms alone cannot solve all these issues, but more sustainability and innovation-centred policies have an important role to play. More widely, a “food systems approach” requires that agricultural policymakers take a holistic view of the performance of policies related to multiple objectives, and co-ordinate to avoid incoherent policies. Three major events in 2021 can help build international momentum for policy change and accelerate progress towards the Sustainable Development Goals: the COP-26 UN Climate Change Conference, the COP-15 meeting of the Conference of the Parties to the Convention on Biological Diversity, and the UN Food Systems Summit. Countries should seize the opportunity to translate international awareness into specific national actions.

Note

¹ This report presents recent policy developments and support estimates across all OECD countries, the European Union and twelve emerging and developing economies. Costa Rica became the 38th Member of the OECD in May 2021. In the data aggregates used in this report, however, it is included as one of the 12 Emerging Economies.



From:

Agricultural Policy Monitoring and Evaluation 2021 Addressing the Challenges Facing Food Systems

Access the complete publication at:

<https://doi.org/10.1787/2d810e01-en>

Please cite this chapter as:

OECD (2021), "Executive Summary", in *Agricultural Policy Monitoring and Evaluation 2021: Addressing the Challenges Facing Food Systems*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/ec6959aa-en>

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