

Agricultural Policies in Non-OECD Countries: Monitoring and Evaluation 2007

Summary in English

1. The agricultural sectors of many developing countries have changed dramatically in the past two decades, due to rapid policy reforms. This report describes and analyses government support to agriculture in eight non-OECD nations: Brazil, India and South Africa (three large developing economies); Bulgaria, Romania, Russia and Ukraine (four formerly planned economies); and China, which combines features of both groups.

Major findings

2. **Agricultural policy reforms during the past decade have resulted in levels of government support to producers, as measured by the Producer Support Estimate (PSE), generally well below the OECD average.** For the 2003-05 period, estimates of government support to producers as a per cent of gross farm receipts (%PSE) were: Ukraine (3%), Brazil (5%), South Africa (8%), China (8%), Bulgaria (8%), Russia (17%) and Romania (27%); compared with the OECD average of 30%. Producer support estimates for India are not yet available but would appear to be slightly below the OECD average.
3. **Support to agriculture is dominated by market price support (MPS) and input subsidies, the least efficient and most distorting ways of providing agricultural assistance.** While OECD countries generally reduced MPS during 2003-05, the levels of MPS in the non-OECD countries under review have generally increased or remained unchanged.
4. **More targeted forms of support not linked to production are increasingly being sought to pursue specific goals, such as raising the incomes of poor farm households, promoting rural development and protecting the environment.** Such policies are to be preferred as economic growth alone is unlikely to solve, and can sometimes exacerbate, economic and social divisions.
5. **The ad hoc nature of many recent policy developments does not provide the predictable policy environment that is essential for growth and adjustment.** There are several examples in this report of ad hoc and unsustainable agricultural expenditures being used to support markets. While all the countries in this report have demonstrated that profound agricultural policy reform is both possible and

beneficial, inconsistency in policy implementation has in some cases undermined the effectiveness of current policies and compromised further reforms.

- 6. The countries in this report provide relatively little General Services Support (GSS),** which funds activities such as research and development, marketing and infrastructure improvements. While there is a strong case to be made for the benefits of increased GSS, budgetary resources have instead often been used in inefficient ways to support producer incomes. A somewhat worrying development is that the share of GSS in total support has been declining for several countries in this report, while producer support has risen.
- 7. The long-term future for most semi-subsistence farming households lies outside agriculture,** so there is a need for measures that facilitate income diversification and the exploitation of non-farm activities, such as improved access to education in rural areas, better health care, pension and other social security services, enhanced land property rights and rural tax reforms.

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