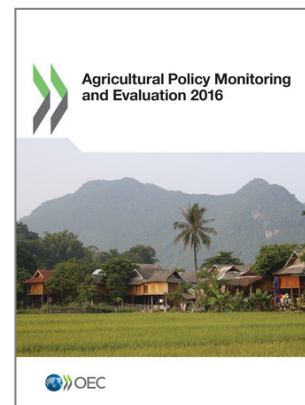


# OECD *Multilingual Summaries*

## Agricultural Policy Monitoring and Evaluation 2016

Summary in English



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This report covers OECD countries and a range of emerging economies that account for the majority of global agricultural value added. These 50 countries differ in terms of the importance of agriculture in their economies, the structure and orientation of the sector, and the natural resource endowment on which agricultural production relies. To varying degrees, these countries all face the same opportunities and challenges: responding to growing demand for food and non-food uses of agricultural commodities; using available land, water and biodiversity resources more sustainably; adapting to and mitigating the effects of climate change; and coping with often unpredictable supply, demand and policy 'shocks'.

These countries also share a number of goals for the sector: providing consumers with reliable access to safe, healthy and nutritious food; enabling producers to improve their living standards by operating in an open and transparent global trading system; contributing to sustainable resource use, the provision of public goods and solutions to climate change; contributing to rural community well-being, including by providing a range of ecosystem services; increasing the resilience of farm households in the face of risks; and, overall, contributing to widespread inclusive growth and sustainable development. Countries attach different weights to these goals, and approach them differently, and this is reflected in differing policy mixes.

Together, the countries covered in this report provided an annual average of USD 585 billion (EUR 469 billion) of support to their agricultural producers directly in the years 2013-15, and an additional USD 87 billion (EUR 69 billion) on general services supporting the sector. However, the way in which countries provide support to farmers is arguably as important as the total level of that support. On average for the 50 countries covered, 68% of support to farmers was provided in the form of market price support, payments based on output or on input use without constraints; these measures distort production decisions and can significantly distort markets and trade. Relatively little of the support provided addresses directly the recognized opportunities and challenges that confront the sector.

For OECD countries as a whole, support has roughly halved in intensity over the past 30 years and now amounts to 17% of gross farm receipts. At the same time, average support levels in the emerging economies have increased from very low or even negative levels to approach the average level of OECD countries. But these averages mask widely divergent levels of support across the countries covered in this report: Australia, Brazil, Canada, Chile, Colombia, Israel, Kazakhstan, Mexico, New Zealand, South Africa, Ukraine, United States, and Viet Nam have support levels below – in some cases well below – the OECD average; support levels in the European Union (as a whole), the Russian Federation and Turkey are roughly at that average while China is just slightly higher; support levels in Indonesia are much higher but still well below the highest levels of support provided by Iceland, Japan, Korea, Norway and Switzerland.

## Recommendations

At the OECD Meeting of Agriculture Ministers on 7-8 April 2016, 46 countries plus the European Union agreed on a **Declaration on Better Policies to Achieve a Productive, Sustainable and Resilient Global Food System**. Ministers agreed that policies need to:

- Be coherent with economy-wide measures, including in relation to growth, development, trade, investment, employment, well-being, and the environment.

- Be transparent (with explicit objectives and intended beneficiaries), targeted (to specific outcomes), tailored (proportionate to the desired outcome), flexible (reflecting diverse situations and priorities over time and space), consistent (with multilateral rules and obligations) and equitable (within and across countries), while ensuring value for money for scarce government resources.
- Support a better-functioning multilateral trade system which will enable further integration of the sector, so that competitive suppliers are able to pursue market opportunities on an equitable, transparent, market oriented and non-discriminatory basis.
- Make innovation a priority in order to achieve sustainable productivity growth.
- Foster production systems that use available water, land, forest, energy, soil and biodiversity resources sustainably and which promote animal, plant and human health.
- Foster greater resilience of farmers to risk, to enable them to cope with more frequent, unpredictable events, such as weather-related shocks, disease outbreaks, and market volatility.

Gradual, though uneven, progress has been made in reducing overall support levels and shifting more of it towards less distortive policies. Nonetheless, this report concludes that a further reorientation of current food and agriculture policies is needed in many countries. Overall:

- Countries should shift the focus of their agricultural policies to address the emerging opportunities and challenges confronting the sector: to improve productivity growth, sustainable use of natural resources and resilience of farm households. In particular, investments in people (education, skills, and in some cases health services), strategic physical infrastructure, agricultural innovation systems that are responsive to the needs of producers and consumers are required.
- Countries should clarify and streamline their risk management policies. The boundaries between normal business risks, risks that can be handled through market-based tools, and catastrophic risks need to be defined in a transparent and operational manner.
- To improve the efficiency of direct payments, countries should define their specific policy objectives, such as improving environmental performance, supporting farm incomes, or improving rural community well-being, identify intended beneficiaries of such support, and target policy measures accordingly.
- Market price support should be progressively eliminated. It is not well targeted and does not reach the intended beneficiaries; it imposes significant costs on the food industry and on consumers, with particularly damaging implications in low-income countries.
- Payments based on output should also be gradually eliminated or targeted to specific objectives and intended beneficiaries. Input subsidies without constraints should be gradually eliminated; a significant share of these outlays leaks away outside the farm sector and there can be negative environmental impacts if the support leads to an over-use of inputs.

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