

Agricultural Policy Monitoring and Evaluation 2013. OECD Countries and Emerging Economies

Summary in English



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About this report: Agricultural Policy Monitoring and Evaluation examines the state of agricultural policy in 47 countries that account for almost 80% of global agricultural value added but which are diverse in terms of development, the characteristics of their agricultural sectors, their policy options and the support they give to farmers. These countries comprise the members of the OECD and EU and several emerging economies that are major players in food and agriculture markets: Brazil, China, Indonesia, Kazakhstan, Russia, South Africa and Ukraine.

Producer support rose in 2012, bucking long-term trend: On average in the 47 countries, about a sixth of gross farm receipts arise from public policies aimed at supporting farmers. The Producer Support Estimate, an indicator of monetary transfers to agricultural producers, increased to 17% of gross farm receipts in 2012, compared to 15% in 2011. Longer term, however, farm support is declining: In 1995-97, it stood at 21%, but in 2010-12 it averaged around 16%. Changes in support in recent years were often driven by developments on international markets rather than by explicit policy changes.

Support levels vary greatly: Farm support across North America fell from 12% to 9% over the past 15 years. In Europe (including Turkey and Israel), it declined from 34% to 20%. The trend is less clear in Kazakhstan, Russia, Ukraine, where the average level of support was 11% in 1995-97 and 12% in 2010-12, but with large variability in the intervening period. Support in Asia also fluctuates widely, but the average has remained largely unchanged over the past 15 years – a total of 22% in 1995-97 and 20% in 2010-12. In Korea and Japan, support is high but declining slowly; in China and Indonesia, it is low but rising. Finally, countries in the southern hemisphere (Australia, Brazil, Chile, New Zealand and South Africa) are characterized by low and stable levels of support, averaging 4% in 2010-12.

Support is declining in OECD countries: At an average of 19% in 2010-12, agricultural support in OECD countries is now around half what it was in the mid-1980s. There has also been a welcome fall in forms of support that could potentially distort production and trade: These represented 11% of gross farm receipts in 2010-12, a third of levels seen in the mid-1980s.

Pace of decline is slow in some economies: In several economies, high levels of support are falling only slowly, while in others support is tending to rise, albeit from low levels. These developments are often linked to targets set for self-sufficiency in agricultural and food products. For instance in China, Indonesia, Japan, Norway, Russia and Turkey the reliance on import protection, market-price support and production-linked payments remains high.

Support in EU area is more decoupled from production: Gradual reductions in market-price support and production-specific payments have been accompanied by increases in payments that are decoupled from current production and so less distortive – a policy shift most visibly pursued over the past two decades in Switzerland and the European Union. However, most of these payments remain untargeted to specific goals and so do not address specific market failures.

Environmental concerns a low priority in support policies: The heavy reliance of agriculture on natural resources means that environmental sustainability is an important challenge. Despite this, environmental concerns tend to remain a low policy priority. However, some countries have adopted

broad-based policy tools that require farmers receiving payments to comply with certain minimum environmental standards.

Key conclusions and recommendations

Restrictive policies should be replaced: Countries should move away from policies that restrict trade and the operation of markets, which can isolate domestic producers and consumers from world markets. Instead, they should provide more freedom for farmers and consumers to make their own production and consumption decisions and shift towards policies that target specific market failures. Sanitary, phytosanitary measures, which together with technical measures increasingly impact the agro-food trade, should be science-based and applied transparently and predictably.

Focusing on self-sufficiency is costly: The link between higher self-sufficiency and improved food security is weak. In particular in less developed economies, access to food can be improved by reducing poverty and improving social security as well as through increased investment in raising domestic production, improving access to imports (and to export markets) and creating emergency food reserves. Narrow self-sufficiency targets often push countries towards high border protection and market-price support, effectively taxing consumers and making food less affordable, at least in the short term. Production-linked policies, such as output payments and input subsidies, distort producer decisions and can divert public spending away from more productive uses.

Payments should not excessively insulate farmers from risk: Farmers and governments use a variety of risk-management tools to stabilise farm incomes. However, while these can help reduce fluctuations in domestic farm income levels, they can also export instability on to world markets and are not an efficient means of transferring income. Payments to mitigate income risks should be limited to compensate farmers for unavoidable catastrophic events, and should not crowd out farmers' own management of normal business risk and market-based risk management tools.

Payments based on past reference levels may have drawbacks: Payments that are more decoupled from current production decisions potentially transfer income more efficiently and are less likely to distort production and trade. However, where such payments are very large, they can still significantly influence producer decisions by shaping producers' expectations and increasing their wealth. They also tend to favour larger farms and are often not linked to specific goals, such as raising low farm incomes and improving environmental sustainability. Other policy options should also be considered, such as social-security and environmental measures, support for general services to agriculture and explicitly targeted farm policies.

Public investments in the sector overall should receive more attention: Innovation policy is key to improving farm productivity. Investments in research and development, technology transfer, education, and extension and advisory services have high social returns in the long run. Expenditures on other general services to the sector, such as food safety and food quality assurance systems, and strategic rural and market infrastructure, also contribute to the sector's long-term profitability, competitiveness and sustainability.

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