

**SUMMARY RECORD OF THE GLOBAL FORUM ON AGRICULTURE
AGRICULTURAL POLICIES IN EMERGING ECONOMIES
20-21 NOVEMBER 2008**

1. The Global Forum on Agriculture is the OECD's primary vehicle for discussing agricultural policy issues with countries outside the OECD area. The first day of this year's meeting looked at long-term structural issues facing the agricultural sector, and appropriate policy responses, while the second day provided the OECD's regular monitoring of agricultural policy developments in seven major emerging economies. The meeting was chaired by Ambassador Christopher Langman of Australia.

2. The Global Forum had three principal objectives. The first was to have a productive policy discussion on the issue of smallholder adjustment in middle-income countries, on the basis of analytical work recently undertaken by the OECD and some country case studies. Here the aim was to identify specific roles for agricultural policies, non-agricultural policies, and social measures; and see if there are ways in which accession and enhanced engagement countries can benefit from some of the experiences of OECD countries, and avoid making some of the same mistakes. The second objective was to introduce some preliminary work on the issue of agricultural policy impacts in low-income countries, and obtain early feedback from Committee for Agriculture members and Global Forum participants. The third aim was to receive comments on the draft *Agricultural Policies in Emerging Economies: Monitoring and Evaluation*, and have a discussion of the report's policy conclusions.

Smallholder adjustment in middle-income countries

3. The presentation by the Secretariat focused on the inevitability of structural adjustment and the tendency of labour to be released from the sector over time. The presentation emphasised the need to facilitate rather than impede that adjustment, by offering development opportunities outside as well as within the agricultural sector. A strategic framework linking policy options to potential development pathways was then proposed.

4. The discussions focused on the practicalities of implementing that framework. Three core issues were raised. The first concerned how policy makers can identify which smallholders are potentially viable within the sector and which are not? The lead discussant demonstrated how profitability can vary considerably from one year to the next, making it difficult to identify who is inherently profitable in structural terms. Moreover, some small farmers may be unprofitable because markets and supporting infrastructure have not been properly developed, but could be viable if public goods were better provided and market failures (for example in the credit market) were corrected. These issues call for careful analysis. The second question concerned how agricultural policies can be integrated with other relevant policies. Country experts pointed to the particular need to coherent labour market and regional development policies, and for effective social safety nets. The third issue raised was the need to measure the performance of policies and to build evaluation mechanisms into the design of policies. A specific need to track what happens to households over time, in order to see how they respond to policies and to gauge what the ultimate impacts are. Three country case studies (Chile, Korea and Mexico) illustrated some of the practical challenges in addressing these issues. Each country has adopted a different approach to targeting, yet no country has fully resolved the issue of how to design an integrated set of tailored policies that are appropriate to the diverse needs of smallholders, some of whom may have a future in farming, but

many of whom will not. The Secretariat informed the meeting that it plans to revise and publicly disseminate the paper as a discussion document, and noted how analysis of smallholder issues has formed a component of recent country case studies and is an integral part of its analysis of policy issues in emerging economies.

The welfare impacts of alternative agricultural policies in developing countries

5. The paper presented by the Secretariat foreshadows one part of a broader set of work looking at the question of instrument choice in low-income countries, scheduled for 2009-10 under the Committee for Agriculture's Programme of Work. This early analytical work demonstrated the importance of accounting for market failures and transaction costs when tracing out the welfare and distributional implications of policy changes. Based on this work, the plan is to develop a flexible modelling structure for examining policy impacts in a structurally diverse set of developing countries. Some of the key data necessary to parameterise such models and evaluate impacts are contained in the Rural Income Generating Activities (RIGA) / Living Standards Measurement Study (LSMS) datasets maintained at FAO and the World Bank. A presentation by FAO of these data pointed to the heterogeneity of households in developing countries, particularly with regard to ownership of and access to assets – a key determinant of policy impacts. The plan is to use these data in future modelling work. Following a discussion of concepts and methods, the Secretariat informed participants that a scoping paper will be presented to the Committee for Agriculture in February 2009.

Monitoring and evaluation of agricultural policy developments

6. The OECD Secretariat presented its monitoring of agricultural policies during 2006-08 for seven economies: Brazil, Chile, China, India, Russia, South Africa and Ukraine. This period was marked by a significant increase in world prices for most, but not all, agricultural commodities. Policy responses to rising food prices included tariff reductions, export restrictions, increases in minimum prices and price controls, input subsidies, sales of stocks and direct transfers to the most disadvantaged. Other major policy developments common across many of the economies included an expansion of government supported credit facilities and/or debt rescheduling, improvements in the delivery of agricultural policies, extensions on the coverage of insurance programmes and further efforts in land reform. Estimates of support to agriculture were presented for six economies (India is not yet included), with updates to 2007. Estimates from 1995 to 2007 were provided in conformance with recent changes to the OECD measurement methodology. It was found that while the level of producer support was lower than the OECD average in all cases, and significant differences existed between economies, the level of producer support has shown a general upward trend over time, and is typically provided in ways that distort production and trade.

7. The subsequent discussion brought up several country specific issues such as credit policies and changes in land use patterns in Brazil; policies facilitating smallholder adjustments in Chile; grain stocktaking policies in China; countercyclical policies in India; the reasons for differentiated performance and impacts of policies for different commodities in Russia; land reforms in South Africa; and consequences of WTO accession for Ukraine. The Secretariat reminded participants that written comments on the draft report should be provided by 28 November. The final version will be passed to the OECD publication services in mid-December and the report published in early April 2009.