A High-Level Meeting of the OECD Committee for Agriculture was held in Paris on 28th February and 1st March. The theme of the meeting was "Agricultural policy reform: facilitating adjustment".

Following is the summary of the discussions and conclusions of the meeting presented by the Chairman of the Committee, Mr Tom Arnold, of Ireland, under his responsibility:

The successful conclusion of the Uruguay Round provided the backdrop for top level officials from Agriculture Ministries to reflect on the challenge of facilitating necessary adjustment in the agriculture sector and the OECD’s role in this process. After a long period in which it had been difficult to make progress towards more market-oriented reform of agricultural policies, the Uruguay Round agreement’s new disciplines in agriculture reflect the set of principles adopted by OECD Ministers in 1987 and elaborated by OECD Agriculture Ministers in 1992. The meeting focused on key questions confronting governments as they adapt their policies to address more effectively the broad range of objectives identified for the agricultural sector and rural communities.

The economic context for further adjustment in the agro-food sectors of OECD countries includes some new features. Important among them are tackling the problem of persistent unemployment and the need for many governments to address structural budget deficits. More account also needs to be taken of the influence and needs of non-OECD countries. Dynamic growth in some developing countries presents new market opportunities, as well as competition, for OECD countries. Developments in the transition economies of central and eastern Europe also deserve attention in the process of adapting agricultural policies. The special needs of the poorest food importing countries constitute an important challenge.

Three main themes dominated the discussion.

1. In relation to Efficiency and Structural Adjustment, key issues include moves towards improved market orientation through less distorting forms of support such as direct payments; the growing importance of off-farm incomes for farm households; and the links...
between the farm sector and related upstream and downstream industries. While there are differences between countries in both the circumstances of their agro-food sectors and their preferred mix of policy instruments, there is a growing acceptance among delegates of the importance of market orientation in policies for the future, including among those from participating non-member observer countries*. Some countries continue to emphasise that their future policy mix will take account of the multifunctional role of agriculture. Further work by the OECD was encouraged to monitor and analyse developments as policy reform is progressively implemented, with particular attention to the role and implications of new forms of direct payments, supply control measures and the budgetary and overall economic implications of alternative policy options.

2. Environment and Rural Development objectives are vital considerations in the redesign of policies for the agro-food sector. Coherent approaches are needed which give maximum scope for efficient production as well as serving these related policy goals. These approaches have to take account of the diversity of local and regional circumstances. Market-oriented reform is generally expected to bring environmental benefits but specific measures targeted to desired environmental outcomes will also be necessary. These measures could include voluntary and contractual arrangements with farmers and will require different policy instruments, including regulations, incentives and penalties, and education and training. International co-operation in approaches is important to minimise the emergence of frictions, especially in the trade field. Adjustments to agricultural policies will have an important influence on the economic prospects for many rural areas but positive initiatives to support economic development in rural areas need to be more broadly-based. The need for measures to foster self-reliance and local entrepreneurship was stressed. Employment growth is more likely in non-agricultural activities but the contribution of the agriculture sector to the well-being of rural communities should not be understated. A number of suggestions were made for further work by the OECD in these two broad areas.

3. The Process of Implementing Policy Change was identified as a vital aspect of successful reform. In order to promote and facilitate the reform process, it is necessary to have a strategy which encompasses analysis of costs and benefits, information and explanation to the relevant groups in society, and measures to ease the adjustment for the most vulnerable groups where appropriate. Reform in the agriculture sector can also be facilitated by establishing a clear timetable and legal framework and undertaking complementary structural reform programmes in other sectors of the economy. Some changes to the traditional focus of Agriculture Ministries and their role within governments could help to reinforce the effectiveness of new policies for the sector. The OECD has an important role to play in facilitating the development of thinking in this area.

* Representatives of Hungary, Mexico, Poland, the Slovak Republic and the Czech Republic participated in the meeting in their capacity as observers in the Committee for Agriculture.
The Uruguay Round outcome provides an historic opportunity to consolidate and reinforce agricultural policy reform. The long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is seen as an ongoing process. The OECD should continue to support this process of reform by providing policy-relevant analysis. It should accord a high priority to monitoring the implications of changes to policies and to evaluating the impact of the Uruguay Round. More forward-looking analysis of market and structural trends and of emerging policy issues was also strongly supported.