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TRADE AND AGRICULTURE DIRECTORATE
COMMITTEE FOR AGRICULTURE

Working Party on Agricultural Policies and Markets

AGRICULTURAL POLICY MONITORING AND EVALUATION 2017

EXECUTIVE SUMMARY

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Note by the Secretariat

As agreed by the Working Party on Agricultural policies and Markets (APM) at its meeting in November 2016 [TAD/CA/APM/WP(2016)21], the 2017 edition of the Agricultural Monitoring and Evaluation will be partly published online only. The printed publication of the report will contain the Executive Summary, Chapter 1 "Developments in Agricultural Policy and Support" (Part I) and Chapter 2 "Country Snapshots". Part II containing the full versions of the Country Chapters (including the 4-page "Country Snapshots") for each of the 25 countries covered, as well as the Statistical Annex, will be available only in electronic form.

This document contains the *Executive Summary* of the report entitled *Agricultural Policy Monitoring and Evaluation 2017*.

It is circulated on OLIS as part of the following set of documents forming the 2017 report:

Executive Summary

[TAD/CA/APM/WP(2017)10]

Part I – Developments in Agricultural Policy and Support

[TAD/CA/APM/WP(2017)11]

Part II – Developments in Agricultural Policy and Support by Country

[TAD/CA/APM/WP(2017)12]

Statistical Annex – Summary Tables of Estimation of Support

[TAD/CA/APM/WP(2017)13]

Document [TAD/CA/APM/WP(2017)11] contains Part I - *Developments in Agricultural Policy and Support* of the report. It consists of Chapter 1 which provides a description and an overall assessment of agricultural policy developments and support.

Document [TAD/CA/APM/WP(2017)12] contains Part II – *Developments in Agricultural Policy and Support by Country*, with Country snapshots, contextual information, the evaluation of support and policy developments in 2016 for each country covered in the report.

Document [TAD/CA/APM/WP(2017)13] contains the Statistical Annex – *Summary Tables of Estimation of Support* – of the report.

The Executive Summary and Part I of the report were declassified by the Working Party on Agricultural Policies and Markets (APM) during its 71st session held on 16-18 May 2017; Part II and the Statistical Annex are declassified under the responsibility of the Secretary-General of the OECD.

EXECUTIVE SUMMARY

1. The present report is the 30th in the series of OECD reports that monitor and evaluate agricultural policies across countries. It includes the 35 OECD countries as well as the six non-OECD EU member states and eleven emerging and developing economies; overall the 52 countries covered by this report account for about two-thirds of global agricultural value added. While agricultural sectors differ across the countries covered in terms of their size, nature and importance to their overall economies, all face a number of common challenges and opportunities related to meeting future market demand. Policy packages need to be both effective and efficient to enable the sector to develop its full potential and achieve key public objectives. Countries share a number of goals for the sector: ensuring food and nutrition security; enabling producers to improve their living standards by operating in an open and transparent global trading system; promoting sustainable productivity growth and resource use; mitigation of and adaptation to climate change; building resilience to different risks; the provision of public goods and ecosystem services; and contributing to inclusive growth and development. They also have identified the need for an integrated approach to agriculture and food policies that is coherent with economy-wide policies.

2. General services for agriculture are key to achieving these goals. Investments in people (education and skills training) and in physical infrastructure (including digital technologies), in a well-functioning innovation, knowledge and information system, and in biosecurity inspections and controls adapted to the sector's needs, contribute to an enabling environment that allows agricultural and food production to be responsive, sustainable and resilient to external shocks. Only a small share of total support provided to the sector is available for these and other general services across the countries examined – an average of USD 90 billion (EUR 77 billion) per year in 2014-16. In contrast, more than five and a half times as much, or USD 519 billion (EUR 442 billion) per year, was provided to support individual agricultural producers during that same period. As a result, in 2014-16 16% of producer receipts came from policies – only slightly lower than the corresponding level two decades ago when it stood at 21%.

3. The need to better align the policy levers used with the underlying objectives of government intervention in the sector is also highlighted by the continued strong use of market price support in many countries. Almost 60% of all farm support is provided by maintaining prices on domestic markets higher than those on international markets. Other highly production and trade distorting forms of support to producers, such as payments based on output quantities or on the use of variable inputs, play a much smaller role overall, but remain important in certain markets. The distortions created by these policies can have significant negative impacts on markets. In general, such policies are at best blunt instruments likely to be ineffective in helping the sector exploit the opportunities and overcome the challenges it is facing.

4. Direct payments to farmers are increasingly used either to support farm incomes or, at a lower scale, to compensate or encourage farmers to produce non-market goods or services. However, farm income support should be well targeted to those farm households most in need. Payments provided to farmers to produce non-market goods or services (such as those related to the environment) can be effective if governments are well-informed purchasers.

5. Risk management tools are important in a world that is expected to become more volatile as a result of market, climate and other shocks. Policies developed in this area should distinguish normal

business risks from risks amenable to market solutions, such as insurance systems and futures markets, and catastrophic risks requiring public engagement.

Recommendations

- Countries should review their agricultural policy package to ensure an integrated approach to agricultural and food policies coherent with economy-wide policies.
- Countries should put greater efforts into supporting key general services for the agricultural sector where they can demonstrate net benefits for their societies from doing so. Among others, well-functioning agricultural innovation systems broadly defined, appropriate science-based biosecurity efforts and investments in adequate physical infrastructure are required to prepare their agricultural sectors to respond to future challenges and opportunities. Redirecting producer support to general services can also provide a pathway to transition the sector away from production and trade distorting forms of support.
- Market price support should be reduced and eventually eliminated in order to ensure a well-functioning domestic market and international trading system, and to enhance food security of the poorest.
- Output payments and input subsidies, particularly those without input constraints, should also be reduced. They generally represent an inefficient use of government budgets and fail to achieve desired policy outcomes in the most effective manner. In addition, they can contribute to unsustainable resource use. Therefore their replacement with policies better targeted and tailored to the intended outcomes should be considered.
- Countries should streamline their risk management policies by defining the limits between normal business risks, marketable risks and catastrophic risks, in a transparent and operational manner. Within a holistic approach towards risk management systems, government support should focus on managing catastrophic risks for which private solutions cannot be developed and care should be taken that public support does not crowd out private solutions based on market tools. Governments should also play a proactive role in providing information on climate and market risks for farmers and the private sector to facilitate the development of risk management strategies and tools.
- To improve the efficiency of direct payments, countries should seek to target the market failures that may lead to persistent low incomes in agriculture, and to understand how these differ from those of non-agricultural households. A better understanding of the financial situation of farm households is critical to define specific policy objectives and related policy instruments.
- Governments also need to define clearly the non-market goods and services sought when designing payments aimed at improvements in environmental performance, animal welfare, or other societal concerns. Tailoring the payments requires information on both the nature and scale of the problem and the marginal costs of reducing it. Such information may not always be readily available or accessible economically. However, both appropriate proxies (often already applied for objectives related to natural resources) and better data availability that comes with modern information technology will help to overcome such shortcomings.