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**TRADE AND AGRICULTURE DIRECTORATE
COMMITTEE FOR AGRICULTURE**

Working Party on Agricultural Policies and Markets

Agricultural Policy Monitoring and Evaluation 2019

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 2018, the 2019 edition of the *Agricultural Monitoring and Evaluation* will be partly published online only. The printed publication of the report contains 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 24 countries covered, as well as the Statistical Annex, is available only in electronic form.

This document contains the Executive Summary of the report entitled *Agricultural Policy Monitoring and Evaluation 2019*.

It is part of the following set of documents forming the 2019 report:

Executive Summary

[TAD/CA/APM/WP(2019)10/FINAL]

Part I – Developments in Agricultural Policy and Support

[TAD/CA/APM/WP(2019)11/FINAL]

Part II – Developments in Agricultural Policy and Support by Country

[TAD/CA/APM/WP(2019)12/FINAL]

Statistical Annex – Summary Tables of Estimation of Support

[TAD/CA/APM/WP(2019)13/FINAL]

Document [TAD/CA/APM/WP(2019)11/FINAL] contains Part I, Chapter 1 – Developments in agricultural policy and support, which will appear after the Executive Summary of the report.

Document [TAD/CA/APM/WP(2019)12/FINAL] contains Part II – Developments in Agricultural Policy and Support by Country, with Country snapshots, contextual information, the evaluation of support and policy developments in 2018 for each country covered in the report.

Document [TAD/CA/APM/WP(2018)13/FINAL] 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 77th session on 27-28 May 2019. Part II and the Statistical Annex were declassified under the responsibility of the Secretary-General of the OECD.

Executive Summary

1. In 2016-18, the agricultural policies of the 53 countries covered in this report provided a total of USD 705 billion (EUR 620 billion) per year to their agricultural sectors. About three-quarters of this support, USD 528 billion (EUR 465 billion) per year, was transferred to individual producers. At the same time, six countries, in particular Argentina and India, taxed their agricultural producers using measures that depressed the domestic price of some commodities. These implicit taxes amounted to USD 83 billion (EUR 73 billion) per year in 2016-18, which when deducted from the gross positive transfers, resulted in net transfers to agricultural producers of USD 445 billion (EUR 392 billion) per year. While lowering the level of aggregate support, these implicit taxes also increase overall market distortions. This report presents recent policy developments and support estimates across all OECD countries, the European Union and twelve emerging and developing economies, including, for the first time, Argentina and India, thus raising the report's coverage to almost three-quarters of global agricultural gross value-added.

2. Recent progress made by many OECD countries in reducing agricultural producer support and in shifting agricultural policies towards less distorting and sometimes more targeted measures has largely stalled. Moreover, support to producers remains unequal across countries and commodities. On average, more than 18% of gross farm receipts in OECD countries continue to originate from policies, compared to 9% on average across the emerging and developing countries covered in this report. However, these averages mask much higher dependence of farm revenues on support in some countries and negative support in several emerging economies, notably in Argentina and India.

3. Overall, close to 70% of all transfers to and from agricultural producers continues to originate from measures that distort farm business decisions particularly strongly. In many countries, a large part of support to producers still comes from measures that create a gap between domestic and world market prices. The differences in support across commodities within countries, and the co-existence of significant price support for some products with depressed prices for others, exacerbate distortions in the domestic market. Very little of the current policy mix targets agriculture productivity growth, the sustainable use of natural resources, and farm resilience.

4. While future growth in demand for high-quality food offers opportunities for agriculture and the food industry, challenges for meeting this demand sustainably continue to be significant. Productivity growth has fallen and remains below potential in many countries. While progress has been made in several dimensions of agricultural sustainability, such as nutrient balances and emission intensities of greenhouse gases, environmental pressures remain high and some of the positive trends have slowed down. Climate change, and weather-related production shocks, are expected to increase the challenge of improving productivity, sustainability, and resilience on farms. Increased public and private investment is needed in more responsive agricultural innovation systems, in robust inspection services, in rural infrastructure, and in other enabling services to the sector. While public expenditures on these general services have declined overall, relative to the sectors' size in OECD and emerging economies, increased investments in research and innovation by many countries, and strengthened efforts to improve rural infrastructure in emerging economies, are positive developments.

5. The ambition of many countries to enter into new and deeper free trade agreements with key trading partners, also covering agro-food trade, in light of stalled negotiations at the multilateral level, is also a pragmatic step forward, but should not replace multilateral ambitions to facilitate reforms of agricultural policies.

6. Given these challenges, it is important to reinvigorate reform ambitions. Governments need to roll back distortive, inefficient and environmentally harmful support and put emphasis on high-return policy interventions and the enabling environment for a productive, sustainable and resilient agri-food sector.

Recommendations

- Gradually dismantle policies generating market price support, starting with the most protected markets and most opaque measures. Other production-linked and trade-distorting support should also be reduced and eventually eliminated. This will allow markets to function better, reduce intra-sectoral distortions as well as environmental pressures from over-use of inputs, and make public funds available for more efficient and better targeted investments.
- Increasingly integrate markets. This is key to taking advantage of relative advantages and managing increased risks and should be pursued within a rules-based international trading system. The resolution of on-going trade disputes would contribute in that regard.
- Redirect support to improvements in public services benefitting producers, consumers and society at large. These means investing in agricultural innovation systems focusing public funding in areas that complement private efforts and facilitate collaboration between innovation actors, in hard and soft infrastructure, and in science-based biosecurity systems to ensure human, animal and plant health, amongst others.
- Consider all available economic instruments in pursuit of environmental and climate change mitigation and adaptation goals. Existing albeit partial evidence of the environmental performance of agriculture shows that progress in many countries has slowed or even reversed since the mid-2000s. Countries should invest in filling their knowledge gaps, which could be facilitated by digital technologies. Information, education, regulations, payments and taxes provide the toolbox needed for cost-effectively improving the environmental performance of the sector.
- Improve the understanding of the financial and well-being situation of farm households. Governments often lack consistent data on the income and wealth status of farm households that would allow the identification of those in need. This would allow the design of more effective and targeted income support measures, including social and tax policies that are not unique to agriculture.
- Focus risk-related support only on managing catastrophic risks for which private solutions cannot be developed, working towards clear definitions of the limits of catastrophic risks requiring public engagement. This would enable well-defined public intervention while creating incentives for privately-organised on-farm and market-based risk management tools. Care should be taken that public support does not crowd out private solutions based on market tools, and that programmes do not over compensate producers, or lead them to adopt risky and unsustainable practices. Governments should also be proactive in the collection and provision of data

facilitating the development of market solutions, and in providing access to skills on risk management strategies, in order to facilitate the development of relevant private strategies and market tools.

- Work towards the coherence of policy packages. Farm households respond to all economic, market and policy factors at play. Governments should account for this by considering trade-offs among different policy objectives and interactions between policy areas, and evaluate the effects of policies ex ante and ex post. This can best be achieved through a well-integrated and comprehensive approach to policy development, within and across levels of government and both domestically and internationally.