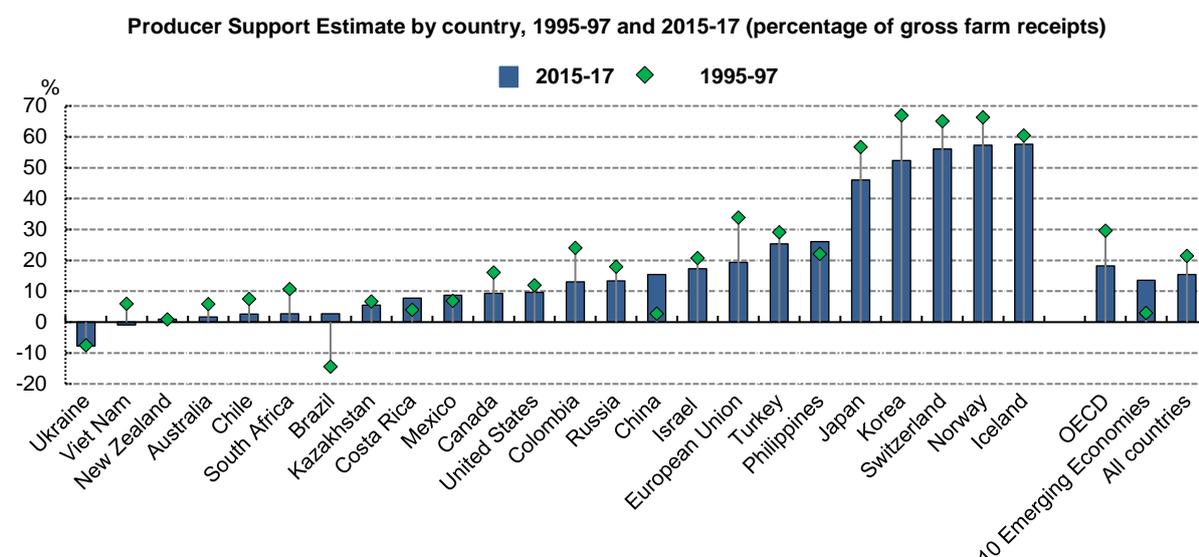


## OECD Agricultural Policy Monitoring and Evaluation 2018

### Highlights

Policy-induced transfers to agricultural sectors of 51 countries – including all OECD and EU members as well as ten emerging and developing economies – total USD 620 billion (EUR 556 billion) a year (average 2015-17). The 31<sup>st</sup> report on monitoring and evaluation of agricultural policies shows that, of this total, USD 484 billion (EUR 434 billion) are transferred directly to individual producers and more than 15% of gross farm receipts come from support measures, while only a comparatively small share of the total is used to support key institutions and services for the sector.

Support levels vary significantly between countries. In some cases, the level of support continues to be more than 45% of gross farm receipts, while support levels are less than 3% – or negative – in another seven economies.



Notes: For the Philippines and Viet Nam, 1995-97 is replaced by 2000-02. EU data are EU(15) for 1995-97 and EU(28) for 2015-17.

Most agricultural policies in place today are not well-aligned with shared objectives for the sector: to increase productivity sustainably, enhance environmental performance, and improve farmers' ability to manage risks and shocks.

Some countries have long provided support in a targeted manner and a number of others are moving in this direction. Lower levels of support and a shift towards less distorting and, in some cases, better-targeted measures have reduced the overall negative trade impacts of agricultural policies even beyond the reductions in support levels.

However, progress in policy reforms in many countries remains partial and is not shared across all countries, with reliance on production and trade distorting measures even increasing in some countries. In 2015-17, almost two-third of producer support continued to be provided through measures that distort farm business decisions particularly strongly. Moreover, policies that support market prices and that make up the largest part of support to producers, harm consumers and especially the less well-off among them, and reduce the competitiveness of the food industry.

Policy efforts should instead be shifted towards addressing the key challenges outlined above. This implies a clear separation of measures that provide income support to farm households in need from measures that promote increased farm productivity, sustainability, resilience and overall profitability. Targeting transitional income support to farm households in need can both make that support more effective and free up resources for public investment in agricultural innovation, environmental care, and resilience.

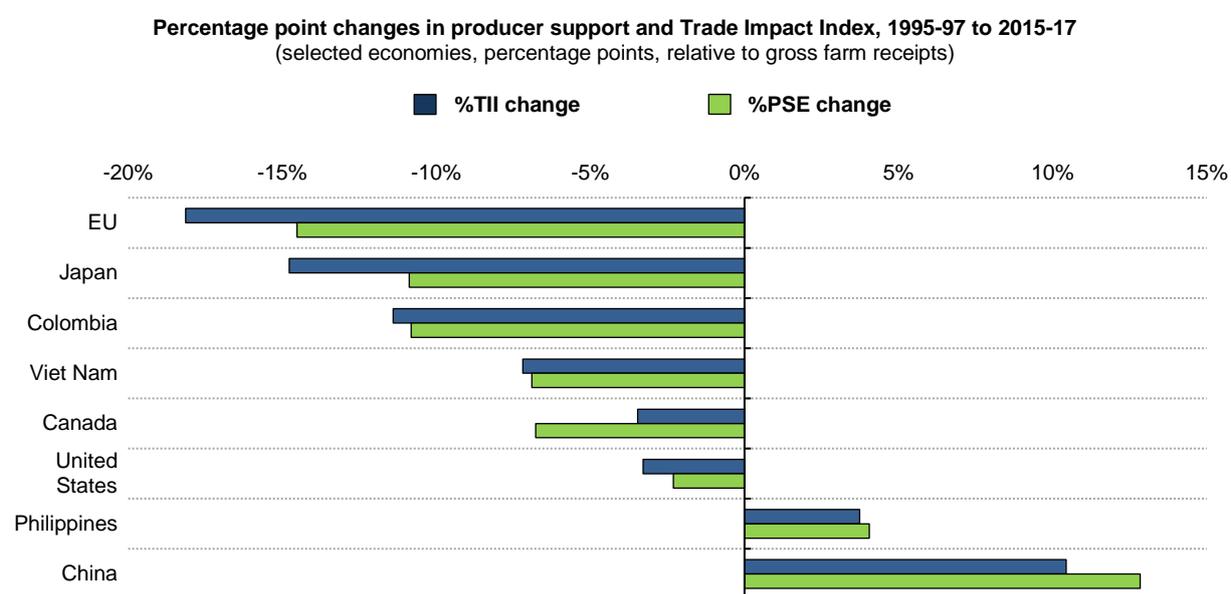
### ***Recommendations to policy makers***

- **Remove existing policy dis-incentives to increasing productivity, sustainability and resilience.** Over time, reduce and eventually eliminate remaining production- and trade-distorting support directly linked to output and input use. This would allow domestic and international markets to function better, discourage over-use of inputs that can damage the environment, and make limited public funds available for more efficient and effective investments.
- **Re-direct agricultural support to ensure the availability of public services that benefit producers, consumers and society overall.** This can include effective human, animal and plant health systems, appropriate science-based biosecurity efforts, well-functioning agricultural innovation systems, and adequate physical and 'soft' infrastructure, amongst others.
- **Encourage collaboration on knowledge generation and transfer with public and private actors – nationally, regionally and internationally.** Public investment in research, including efforts to ensure that the outputs of this research reach farmers, can go a long way to ensure that the sector has the capacity to respond to evolving needs and challenges. New information and communication technologies (ICT) also offer untapped potential to improve policy performance and performance on farms productivity, sustainability, and resilience.
- **Draw on the full range of economic instruments, including information, education, regulation, payments and taxes, in pursuit of environmental and climate change goals.** Where this knowledge is inadequate, relevant data and indicators need to be developed. Improved policy performance will require a robust information base on environmental outcomes from alternative agricultural production practices, and their links to policy incentives.
- **Streamline risk management policies by clearly defining the limits between normal business risks and risks for which market solutions can be developed,** and catastrophic risks requiring public engagement. Doing so enables pre-defined public intervention, when required, while sending clear signals to farmers and other private agents for developing relevant on-farm and market-based, privately-organised risk management tools. Governments can also play a proactive role in providing information on market risks and coping strategies for farmers and the private sector in order to facilitate the development of risk management strategies and tools.
- **Improve understanding of the financial and well-being situation of farm households to design effective farm-income support measures.** Internally consistent data are often lacking on the income and wealth status of farm households, going beyond aggregates and averages to encompass the distribution of financial conditions across the full range of farm households, relative to non-farm households in any given country.
- **Develop coherent policy packages that can address the many opportunities and challenges confronting the sector and farm households.** This requires a comprehensive and horizontal approach to policy development, within and across governments both domestically and internationally.

## Trade impacts of agricultural support policies

While many countries have reduced their levels of support to farms over the past two decades, the trade distorting impacts of the policy packages has often declined even more significantly. For the OECD as a whole, while the share of support in gross farm receipts has declined by 11 percentage points, the Trade Impact Index declined by 13 percentage points between 1995-97 and 2015-17. This index measures the level of market price support, expressed in percent of gross farm receipts that would generate the same trade effect as the entire policy package in place.

This difference between changes in overall support and changes in the trade impact is particularly visible in countries where policies have been redesigned in favour of more or less decoupled forms of support: Mexico, the European Union, Switzerland, Korea, and Japan have all reduced their trade impact by 15 percentage points or more in the past two decades, thanks to both reductions in overall support and declining reliance on most trade distorting measures. In Iceland, Turkey, the United States and Viet Nam, redesigned policy mixes also helped to lower trade impacts more strongly than support levels overall, although changes were more moderate here. Reductions in trade impacts and support levels were more similar in Colombia, Norway, Chile, Russia and Australia.



Notes: For the Philippines and Viet Nam, 1995-97 is replaced by 2000-02. EU data are EU(15) for 1995-97 and EU(28) for 2015-17.

In a few countries, including South Africa, Canada and Israel, overall support declined more significantly than trade impacts. In these countries, reductions in support concerned measures which were more decoupled from production decisions and which, therefore, were less distorting.

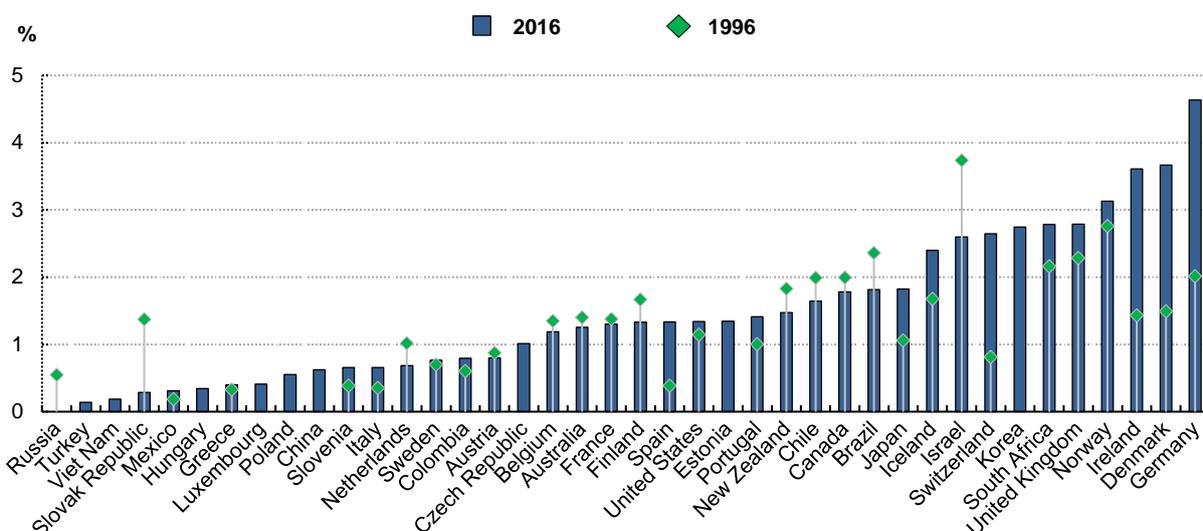
In contrast, China, the Philippines and Costa Rica have increased their support levels, and the trade impacts have followed, albeit less strongly. Given that some of the increased support in China is in less coupled forms linked to crop area, farm incomes or historical entitlements, the difference is particularly visible in this economy.

Finally, Brazil's development has been very different. While Brazil has also increased farm support, it did so from a negative overall level to slightly positive support. As the negative market price support in the 1990s had as distorting an effect on trade as positive MPS would have, overall trade distortions were reduced substantially. Ukraine, too, reduced the implicit taxation of farmers and, hence, the trade distortions it had created.

## Agricultural innovation for sustainable productivity growth

Innovation is vital for the sustainable productivity growth the sector needs in the face of climate change and resource pressures. To meet the challenges ahead, agricultural innovation systems (AIS) need to be well-functioning, robust, relevant and capable of cost-efficiently delivering demand-driven innovations that meet the diverse and evolving needs of farmers. In many of the countries featured within the report, agricultural innovation objectives explicitly feature within policy frameworks, and the public sector plays an important role in agricultural innovation systems – knowledge generation in particular. However, while the public sector remains a key funder and performer of agricultural research and development (R&D) in most countries, agricultural R&D intensity is decreasing in some cases.

**Public R&D intensity of agricultural sciences, 1996 and 2016**  
Government budget appropriations or outlays for research and development (GBAORD) on agricultural sciences as a percentage of agricultural value added



Notes: Data may refer to nearest available year. For the Russian Federation, recent data are not available.

Beyond agricultural R&D, the capacity of AIS to contribute to sustainable agricultural productivity growth depends on the availability of knowledge transfer efforts – namely effective education, extension, training and advisory services from a diversity of actors. Knowledge transfer measures are key for the diffusion and adoption of new agricultural technologies and practices by farmers. The last two decades have witnessed a shift away from the delivery of advice by governments, and towards various combinations of private and public funding of services, often delivered by private sector organisations.

While ensuring sufficient funding of AIS is important, so is ensuring that funding is both effective and relevant for the AIS of a particular country. In some cases, this has been achieved by means of collaboration between public and private actors on extension and advisory services as well as in R&D. Collaboration across national systems, regions, and internationally, can also serve to maximise the gains from domestic resources and to benefit from specialisation and knowledge spill-overs, as demonstrated by a number of ongoing regional and international research collaboration efforts.