



# OECD AGRICULTURE POLICY MONITORING AND EVALUATION 2016

## Highlights & Recommendations

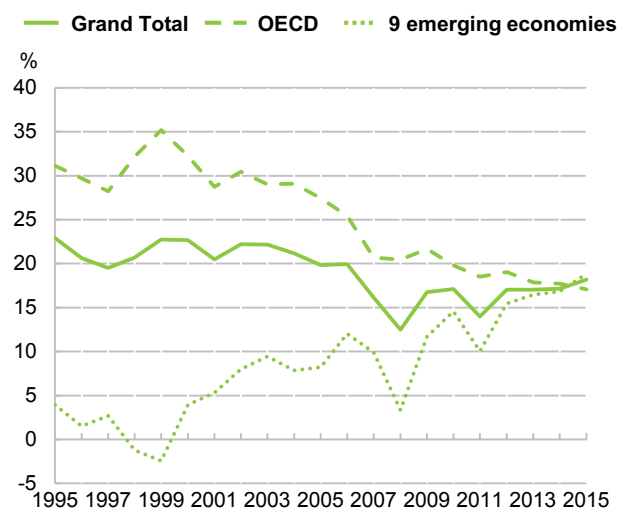
### SUMMARY

The OECD Agricultural Policy Monitoring and Evaluation 2016 report provides up-to-date estimates of government support to agriculture in OECD countries and a range of emerging economies. These 50 countries account for the majority of global agricultural value added and, to varying degrees, they all face the same challenges and opportunities: responding to growing demand for food and non-food uses of agricultural commodities; using available land, water and biodiversity resources more sustainably; adapting to and mitigating the effects of climate change; and coping with often unpredictable changes in supply, demand and the policy environment.

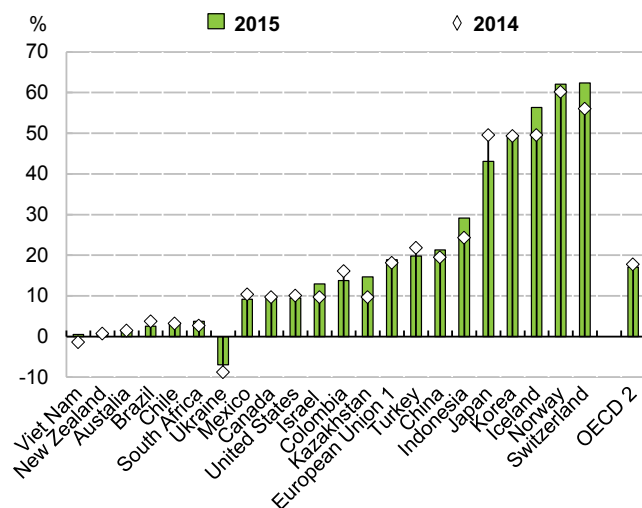
Together, these countries provided an annual average of USD 585 billion (EUR 469 billion) of support directly to agricultural producers in the years 2013-15, and spent an additional USD 87 billion (EUR 69 billion) on general services supporting the sector. For the 50 countries covered, on average 68% of support to farmers was provided in the form of market price support, and unconstrained output or input subsidies. These measures distort production decisions and can significantly distort markets and trade. Relatively little of the support provided directly addresses the recognised challenges and opportunities for the sector.

For OECD countries as a whole, support has roughly halved over the past 30 years and now amounts to 17% of gross farm receipts. At the same time, average support levels in the emerging economies have increased from very low or even negative levels to approach the OECD average. But these averages mask widely divergent levels of support: Australia, Brazil, Canada, Chile, Colombia, Israel, Kazakhstan, Mexico, New Zealand, South Africa, Ukraine, the United States, and Viet Nam have support levels below – and in some cases well below – the OECD average; support levels in the European Union (as a whole), the Russian Federation and Turkey are roughly at that average while China is just slightly higher; support levels in Indonesia are somewhat higher but still well below the highest levels of support provided by Iceland, Japan, Korea, Norway and Switzerland.

**Evolution of Producer Support Estimate, 1995 to 2015**  
percentage of gross farm receipts



**Producer Support Estimate by country, 2014 and 2015**  
percentage of gross farm receipts



# OECD MEETING OF AGRICULTURE MINISTERS

At the OECD Meeting of Agriculture Ministers on 7-8 April 2016, 46 countries plus the European Union agreed on a Declaration on *Better Policies to Achieve a Productive, Sustainable and Resilient Global Food System*. Ministers agreed that policies need to:

- Be coherent with economy-wide measures, including in relation to growth, development, trade, investment, employment, well-being, and the environment.
- Be transparent (with explicit objectives and intended beneficiaries), targeted (to specific outcomes), tailored (proportionate to the desired outcome), flexible (reflecting diverse situations and priorities over time and space), consistent (with multilateral rules and obligations) and equitable (within and across countries), while ensuring value for money for scarce government resources.
- Support a better-functioning multilateral trade system which will enable further integration of the sector, so that competitive suppliers are able to pursue market opportunities on an equitable, transparent, market oriented and non-discriminatory basis.
- Make innovation a priority in order to achieve sustainable productivity growth.
- Foster production systems that use available water, land, forest, energy, soil and biodiversity resources sustainably and which promote animal, plant and human health.
- Foster greater resilience of farmers to risk, to enable them to cope with more frequent, unpredictable events, such as weather-related shocks, disease outbreaks, and market volatility.

» For more information visit [www.oecd.org/agriculture/ministerial](http://www.oecd.org/agriculture/ministerial)

## RECOMMENDATIONS

In this policy context, gradual, though uneven, progress has been made in reducing overall support levels and shifting more of it towards less distortive policies. Nonetheless, the Agricultural Policy Monitoring and Evaluation 2016 report concludes that a further reorientation of current food and agriculture policies is needed in many countries.

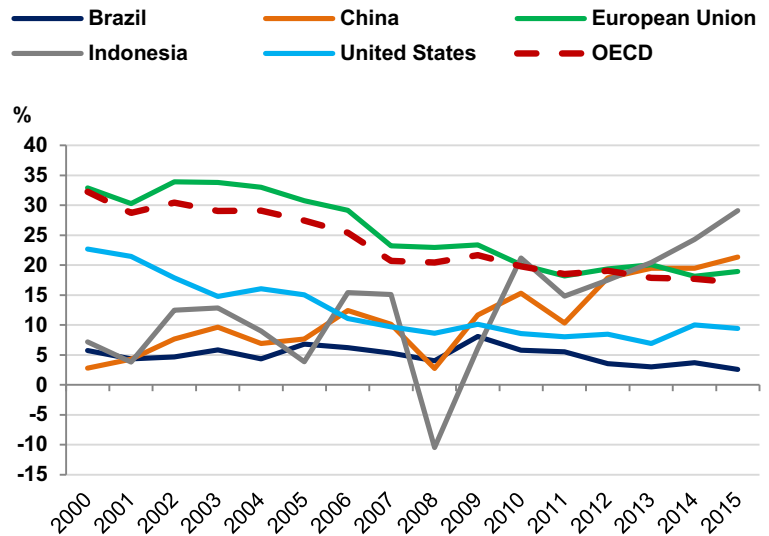
- **Countries should focus their agricultural policies on addressing the emerging opportunities and challenges for the sector:** to improve productivity growth, sustainable use of natural resources and resilience of farm households. In particular, investments in people (education, skills, and in some cases health services), strategic physical infrastructure, and agricultural innovation systems that are responsive to the needs of producers and consumers are required.
- **Countries should clarify and streamline their risk management policies.** The boundaries between normal business risks, risks that can be handled through market-based tools, and catastrophic risks need to be defined in a transparent and operational manner.
- **To improve the efficiency of direct payments, countries should define their specific policy objectives,** such as improving environmental performance, supporting farm incomes, or improving rural community well-being, identify intended beneficiaries of such support, and target policy measures accordingly.
- **Market price support should be progressively eliminated.** It is not well targeted and does not reach the intended beneficiaries; it imposes significant costs on the food industry and on consumers, with particularly damaging implications in low-income countries.
- **Payments based on output should also be gradually eliminated or targeted to specific objectives and intended beneficiaries.** Input subsidies without constraints should be gradually eliminated; a significant share of these outlays leaks away outside the farm sector and there can be negative environmental impacts if the support leads to an over-use of inputs.

# COUNTRY HIGHLIGHTS

## Big trading countries

**Brazil, China, the European Union, Indonesia** and the **United States** are the most important agro-food traders, either in terms of exports or imports, or both. In the EU and US the support to farmers is on a downwards trend: near OECD average in the EU and well below it in the US. In Brazil, China and Indonesia the support has been increasing. While in Brazil the support moved from negative rates in the 1990s (taxing farmers) to a very low level of support (less than 5% of gross farm receipts resulting from agricultural policies), the support in China and Indonesia has increased and now accounts for respectively 20% and 25% of gross farm receipts generated through farm policies.

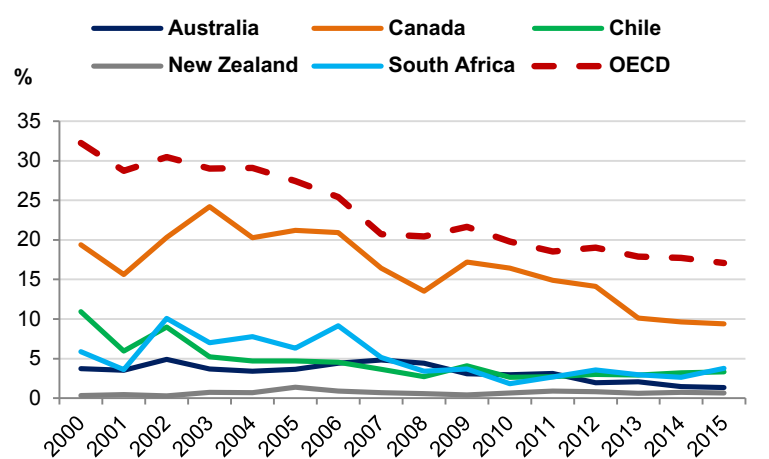
Evolution of support to farms in selected countries (percentage of gross receipts)



## Traditional agro-food exporters

**Australia, Canada, Chile, New Zealand** and **South Africa** are traditional agro-food exporters and also key players on world markets for some commodities. Support to farmers is very low in Australia, Chile, New Zealand and South Africa (below 5% of gross farm receipts from agricultural policies) and the domestic prices for agricultural commodities are mostly aligned to world market prices. In Canada prices for most commodities are also aligned to world prices, however due to policy interventions on markets for milk, poultry and eggs and a range of direct payments to farms, around 10% of gross farm receipts are generated by agricultural policies.

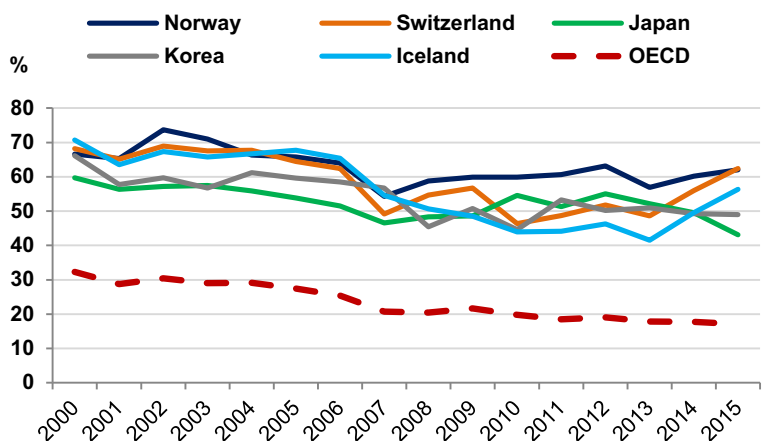
Evolution of support to farms in selected countries (percentage of gross receipts)



## Countries with highest support

Support to farmers continues to be high in **Japan, Korea, Iceland, Norway** and **Switzerland**, where around half of gross farm receipts come from agricultural policies. Farm support in Japan, Korea and to some extent Iceland, remains dominated by the most production and trade distorting forms of support (mainly through supporting market prices). In Norway and Switzerland the share of those measures has been reduced and replaced by direct income payments to farmers.

Evolution of support to farms in selected countries (percentage of gross receipts)



# FOCUS ON VIET NAM

A country covered in the Monitoring & Evaluation report for the first time

**CONTEXT** Viet Nam is a mid-size country in terms of area, but its population of 93 million makes it the 13th most populous country in the world. Around two-thirds of the population live in rural areas. Since the mid-1980s, a long series of reforms has continued to move the economy, including the agricultural sector, in the direction of open markets for trade and investment. The economy boomed and agricultural production more than tripled in volume between 1990 and 2014. Poverty was alleviated as much as in any other country in the world with the exception of China. Undernourishment fell from 46% in 1990-92 to 12% in 2012-14. Agriculture remains a key sector in the Vietnamese economy, contributing 18% to GDP and employing 47% of the working age population. The agro-food sector is well integrated with international markets as shown by the ratio of total agro-food exports to agricultural GDP at 70-80% in the early 2010s. Farm structures are dominated by smallholders, each using 0.8 ha on average.

**MAIN POLICY INSTRUMENTS** **Market price support** is the dominant form of support provided to Vietnamese producers with border protection the main tool used to support prices. In particular, producers of import-competing commodities such as beef and veal and sugar cane are protected by tariffs. Farm gate rice prices are supported by a subsidy to rice purchasing enterprises for the temporary storage of rice during harvest and establishment of target prices. **Budgetary transfers** to producers are relatively small. Expenditure associated with subsidising the irrigation fee exception is the dominant payment. A hectare payment with the objective of keeping about 4 million ha in paddy rice production has been provided since 2012. Since 2009, a number of policy packages have been introduced to provide farmers with cheaper credit to purchase machinery, facilities and materials. Since 2003, most farming households and organisations have been exempt from paying agricultural land use tax or have had the amount they pay reduced. **General services** for the agricultural sector are dominated by expenditure on irrigation systems. Expenditure on some general services such as extension services, research and development, inspection and control and marketing and promotion receive relatively limited support.

**SUPPORT TO AGRICULTURE** The level of support to agriculture fluctuates, largely driven by changes in market price support (MPS). The average for 2013-15 was just 0.6%, but it hides varied results across commodities. While producers of import-competing commodities, such as sugar and beef, benefit from tariff protection, producers of several exported commodities are implicitly taxed. Rice producers benefit from a price support system based on target prices designed to provide farmers with a profit of 30% and from direct payments per hectare, tied to maintaining land in rice production. The Total Support Estimate (TSE) is low at 0.5% of GDP. Within the General Services Estimate, the development and maintenance of infrastructure, in particular irrigation, is by far the most important component.

**Total Support Estimate and its main components**  
2013-2015 average

**Producer support estimate as % of gross farm receipts (%PSE)**  
2000-2015

