

Reforming agricultural policy

22/06/2021 – Agricultural support has continued to grow worldwide in recent years, but is often failing to meet its stated aims of improving food security, livelihoods and environmental sustainability, according to a new report from the OECD.

[Agricultural Policy Monitoring and Evaluation](#) shows that the 54 countries monitored – including all OECD and EU economies, plus 11 key emerging economies – provided on average USD 720 billion of support to agriculture annually over the 2018-20 period.

Consumers paid for more than one-third of the annual support, or USD 272 billion, through higher prices, in the form of market price support, while taxpayers paid for the remaining USD 447 billion, through budgetary transfers.

Just 6% of all budgetary transfers to the sector, or USD 26 billion per year, was spent on agricultural innovation systems, despite their high social returns. Investments in agricultural innovation, biosecurity and infrastructure accounted for only USD 76 billion, or 17% of support to agriculture, despite their strong potential to boost sustainable productivity growth and improve resilience – key channels for ensuring food security, viable livelihoods and sustainable resource use.

In contrast, half of support to agriculture is market distorting, inequitable and harmful to both the environment and global food security, according to the report. In addition to the USD 272 billion of market price support, this includes USD 66 billion of annual budgetary transfers linked to output or to the unconstrained use of variable inputs, such as energy or fertiliser.

“Only one in six dollars of budgetary support to agriculture globally is spent in ways that are effective in promoting sustainable productivity growth and agricultural resilience,” said OECD Director for Trade and Agriculture Marion Jansen. **“Most support is either ineffective in improving the performance of food systems, or even harmful. As we emerge from the COVID-19 pandemic, governments should make agricultural innovation central to their support for the sector.”**

The OECD report underlines that much of the support offered today is *inefficient* at transferring income to farmers; *inequitable*, as benefits are weighted toward large producers; and *environmentally harmful*, as it often damages water quality and biodiversity and increases resource use and greenhouse gas emissions. Market price support – and the associated use of border measures – also harms food security at the global level by impeding the efficient allocation of resources, undermining the role of trade in moving food from surplus to deficit regions and contributing to increased

price volatility in international food markets.

Further distortions to global markets also come from policies in small number of countries that suppress prices for some or all commodities. This negative price support amounts to USD 104 billion per year transferred away from producers.

Food systems around the world face the formidable “triple challenge” of providing safe, nutritious food to a growing world population, providing livelihoods along the food chain, and improving sustainability, by protecting natural resources such as land, water and biodiversity, and reducing greenhouse gas emissions.

The OECD report proposes three reforms to ensure that agricultural policies accelerate progress toward addressing the “triple challenge” faced by food systems and better support sustainable productivity growth and improved resilience:

- Phase out price interventions and market distorting producer support.
- Target income support to farm households most in need, and where possible incorporate such support into economy-wide social policies and safety-nets.
- Re-orient public expenditures towards investments in public goods – in particular innovation systems.

About the OECD Agricultural Policy Monitoring and Evaluation report

The OECD’s annual Agricultural Policy Monitoring and Evaluation report provides up-to-date estimates of government support to agriculture for all 38 OECD members (including Costa Rica, which joined the Organisation in May 2021) and the European Union as a whole, plus key emerging economies: Argentina, Brazil, People’s Republic of China, India, Indonesia, Kazakhstan, the Philippines, the Russian Federation, South Africa, Ukraine, and Viet Nam.

On 5 July 2021, the OECD and the United Nations Food and Agriculture Organization will issue the 2021-2030 edition of the [OECD-FAO Agricultural Outlook](#). The Outlook will provide a comprehensive medium-term baseline for projections for agricultural commodity markets at national, regional and global levels, along with an analysis of the COVID-19 impacts.

► [More information on Agricultural Policy Monitoring and Evaluation at the OECD](#)

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