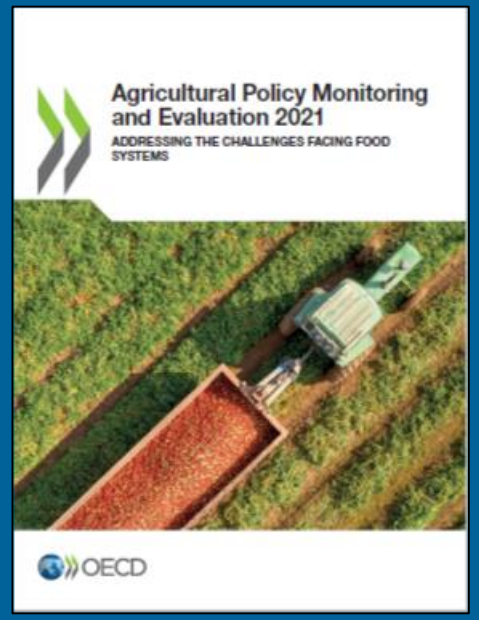


OECD Agricultural Policy Monitoring and Evaluation 2021:

Addressing the challenges facing food systems

Jibran Punthakey
Agricultural and Resource Policies Division
OECD Trade and Agriculture Directorate

ADB-OECD Webinar on Policy Responses to the COVID-19 Pandemic for Food Security in Asia and the Pacific, 26 August 2021

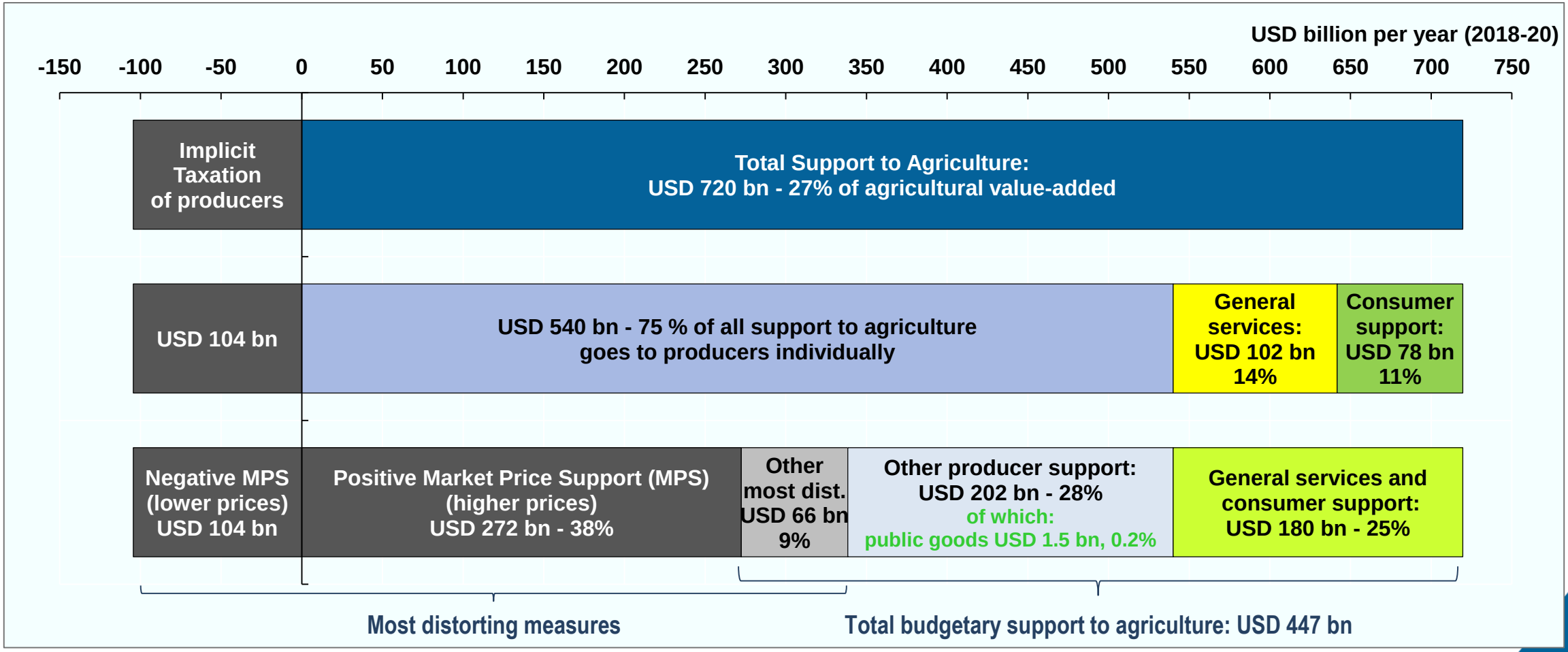
OECD
BETTER POLICIES FOR BETTER LIVES

Responses to the COVID-19 pandemic dominated policy developments in 2020

- **COVID-19 affected food systems in three ways**
  - On agricultural production: labour shortages, disruptions in input supply chains, and reductions in sales to specific channels
  - On consumer demand: reduced demand for high-value products due to unemployment and income disruptions, and for food away-from-home due to closed restaurants etc.
  - On supply chains: disruptions due to contamination in processing firms, transport and logistical problems, constraints in input supplies
- **Close to 800 unique policy measures in response to the pandemic reported**
  - Almost 500 of them in the first four months of 2020
  - A variety of measures from sector-wide to food assistance policies, but focus (37% of measures) on support for agriculture and food companies
  - More than two-thirds are temporary relief measure to contain negative impacts
- **USD 157 billion of earmarked support for agriculture and food in response to COVID-19**

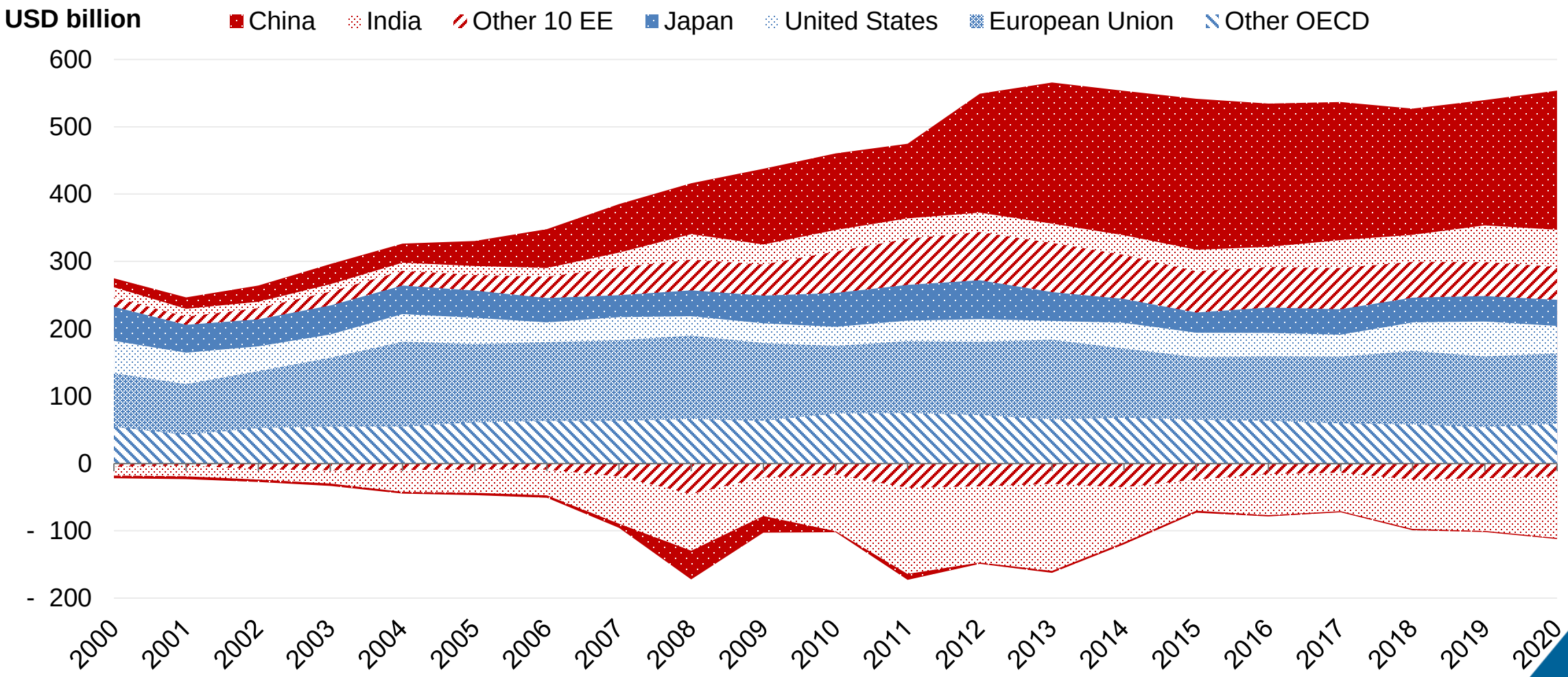
Agricultural support remains high across 54 countries
(all OECD countries plus 12 emerging economies)

The bulk of agricultural support is provided to individual producers – mainly in distorting forms



The past decade has seen little change in OECD support policies, while support in EEs has grown substantially

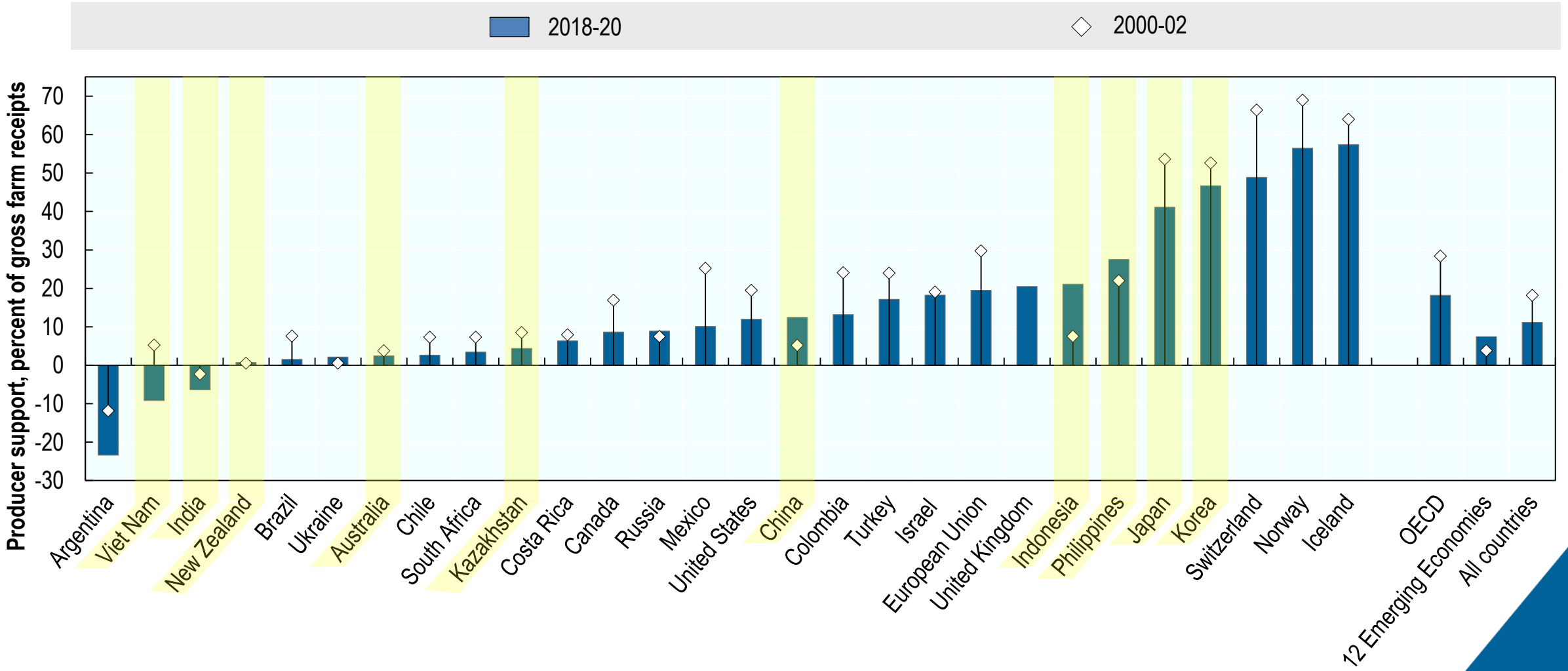
Evolution of total producer support in OECD and 12 emerging economies, 2000 to 2020



Note: EE = emerging economies

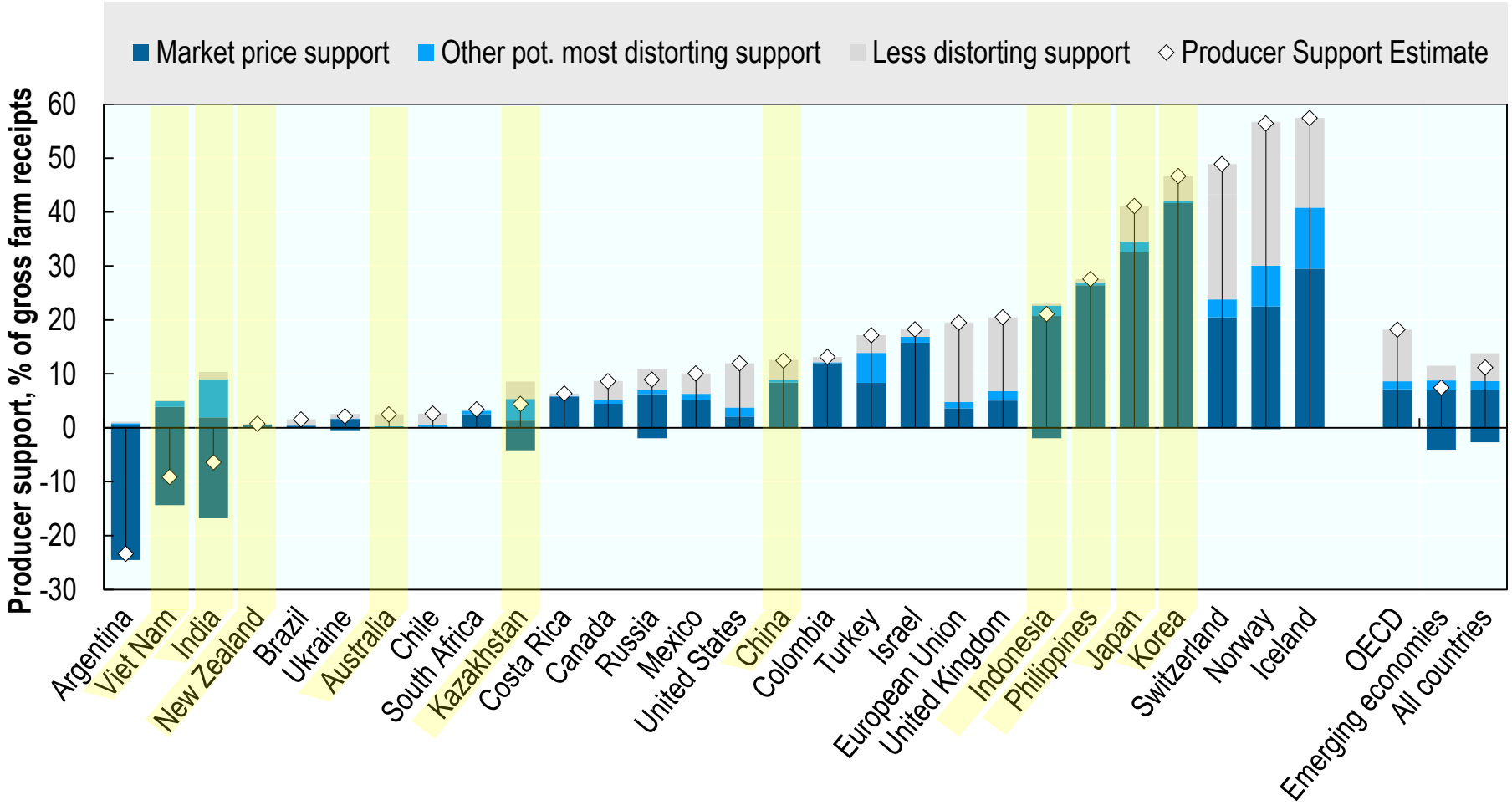
Producer support is an important driver of farm receipts in many countries in the Asia-Pacific region

In some countries, between 40% and 60% of gross farm receipts are policy-induced



Distorting measures dominate support and undermine the performance of food systems

Market price support and 15% of all budgetary transfers to agriculture are highly distorting

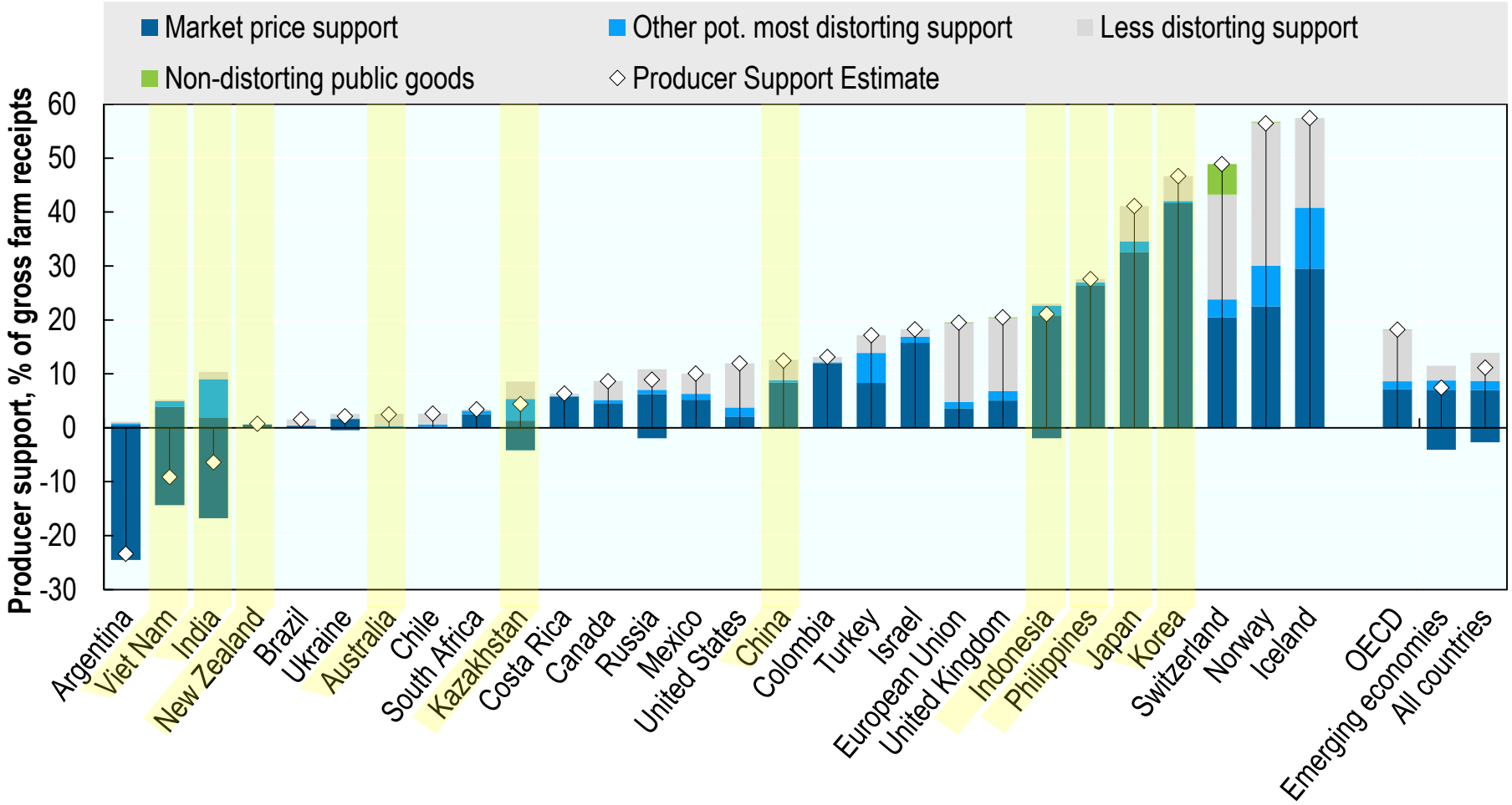


MPS, output and unconstrained **input support** total **USD 338 bn (63% of producer support)**

- **Impede efficient allocation** of resources
- Trade measures weaken **balancing role** of trade, contribute to **price volatility**
- **Inefficient & inequitable** way of transferring income
- Contributes to **resource pressures**

Less distorting support is still not serving the needs of food systems

The remaining PSE, USD 202 billion (45% of budgetary support), is less coupled and less distorting



Income support:

- ✓ Lower adverse impacts on food security
- ✓ Limits resource pressures

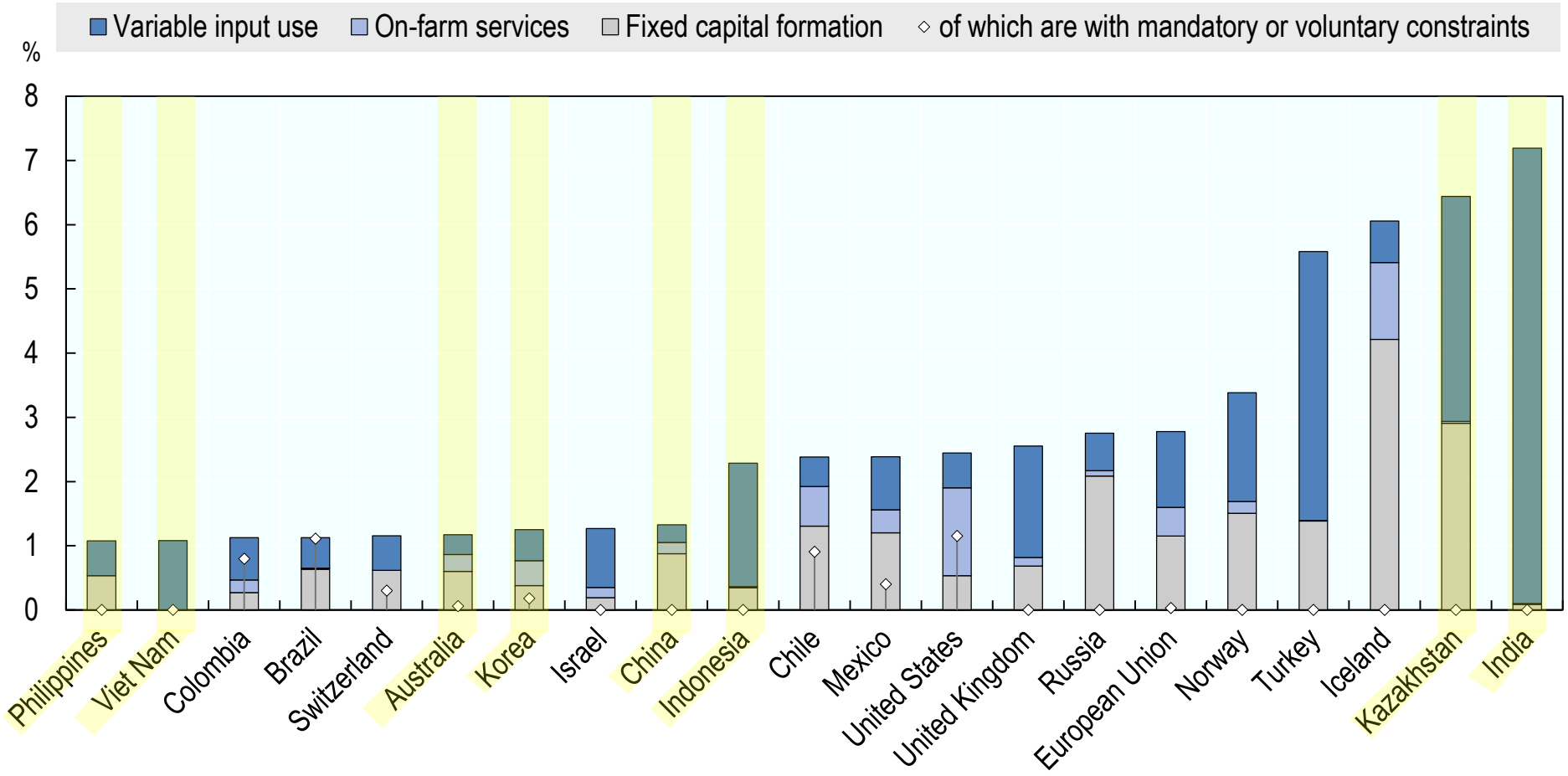
But:

- ➢ Unequally distributed, rarely based on needs

Only USD 1.5 billion linked clearly to environmental **public goods** (mainly Switzerland, EU)

Input subsidies can encourage the excessive use of energy and fertilisers

Support based on input use, 2018-20 (% of gross farm receipts)

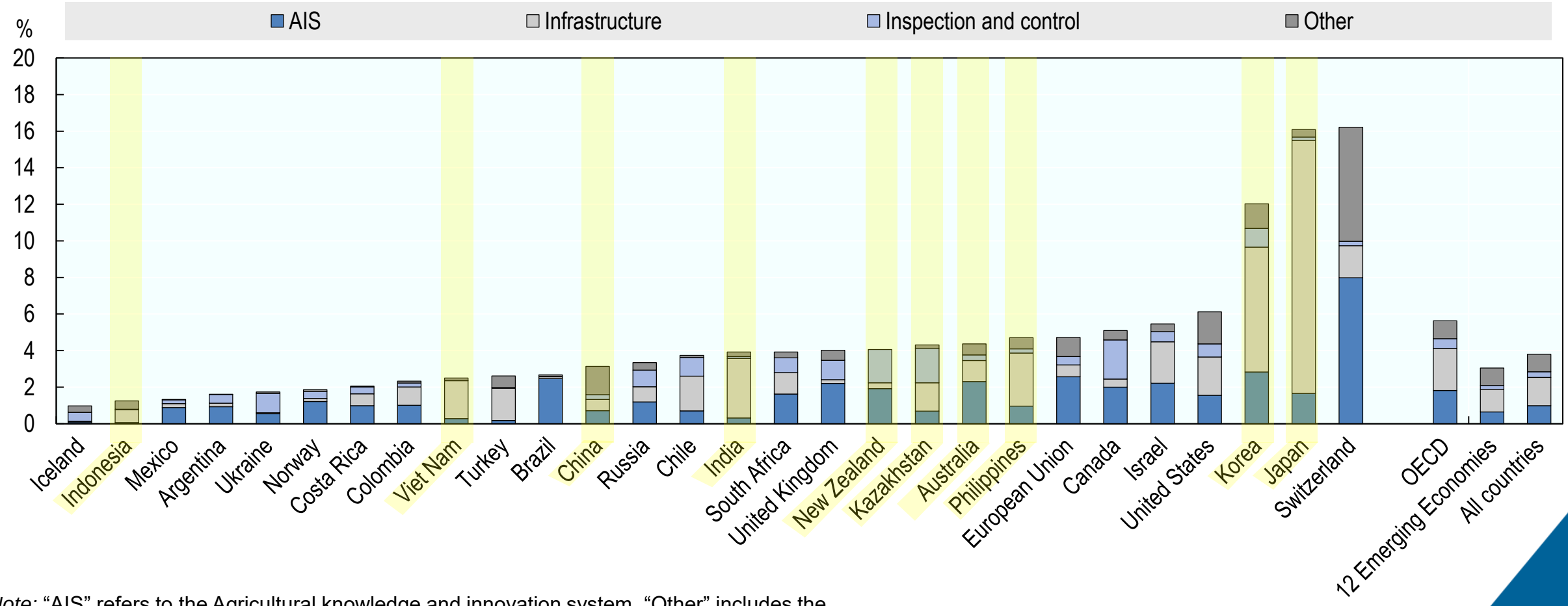


- Over-application of fertilisers and animal manure leads to substantial nutrient surpluses and nitrogen and phosphorus run-off
- Nitrogen pollution causes severe damage to freshwater ecosystems
- Energy subsidies create incentives for increased production and can lead to the unsustainable expansion of irrigation and freshwater usage

Note: Figure presents countries having share of payments based on input use above 1% for the 2018-20 period.

Spending on R&D, innovation and infrastructure can boost sustainable productivity growth and strengthen food security

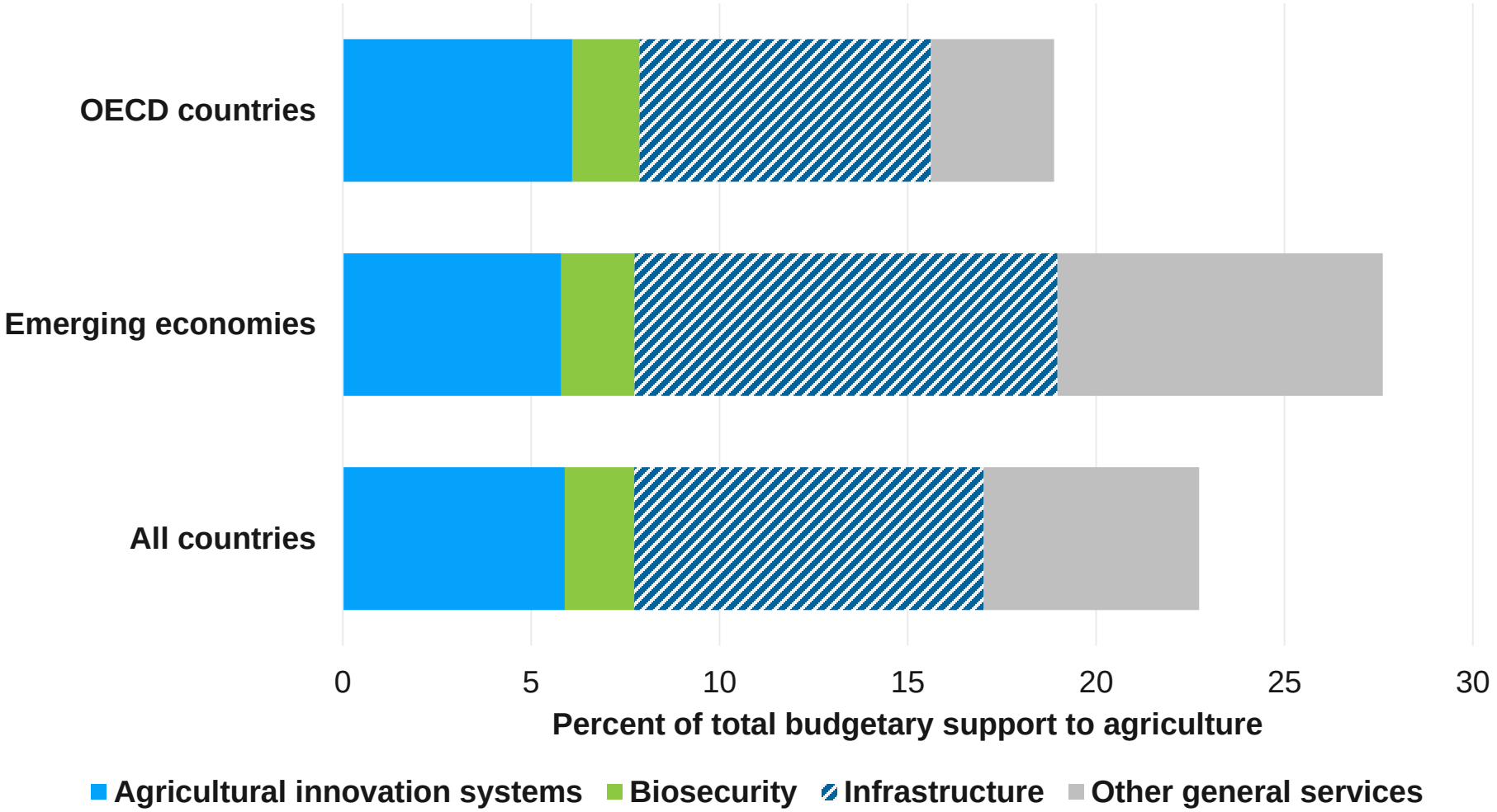
General Services Support Estimate, 2018-20 (% of agricultural value added)



Note: "AIS" refers to the Agricultural knowledge and innovation system. "Other" includes the marketing and promotion, cost of public stockholding, and miscellaneous categories of the GSSE.

Much greater emphasis on innovation is needed to provide sustainable productivity growth & bolster resilience

Just one in six budgetary dollars transferred to the sector is spent to support three key services



R&D, biosecurity, infrastructure:

- ✓ Potential to support **sustainable productivity growth**
- ✓ Potential to improve **resilience**

R&D:

- ✓ Evidence of **high returns**

Infrastructure:

- ➢ May be a necessary public good, but can also distort decisions and markets

Three specific actions to better address the “triple challenge” facing food systems

Reforms to stimulate sustainable productivity growth and resilience:

i. Phase out price interventions and other distorting producer support

- Removal of trade protection & support for producers may require transitional assistance and extension of social safety nets.
- Removal of export barriers may call for targeted income transfers to poorer households whose access to food may be worsened

ii. Target income support to farm households in need, incorporate into social policies

- Requires better information on incomes and assets of farm households
- Implies underwriting aspects of agricultural risk management that cannot be covered by farmers or risk markets

iii. Reorient public expenditures towards investments in public goods

- Make investment in innovation systems central to agricultural support policies
- Support for essential public goods could be doubled by redirecting market-distorting payments

Significant opportunities ahead to build momentum for policy change

- **Global agriculture continues to increase food production for a rising world population**
  - But is faced with rising **GHG emissions,** declining **biodiversity,** persistence of **hunger,** rising rates of **obesity, pressures** on land, water and other **resources,** and an **inability** to generate **sustainable livelihoods** for many poor farmers
- **The Covid-19 pandemic and the climate emergency provide a fresh opportunity to re-focus agricultural policy**
  - Sustainable productivity growth and resilience are central priorities
- **Three major events in 2021 can build international momentum for policy change**
  - COP-26 UN Climate Change Conference
  - COP-15 Meeting of the Conference of the Parties to the Convention on Biological Diversity
  - UN Food Systems Summit
- **Need to seize the opportunity to translate international awareness into specific national actions**

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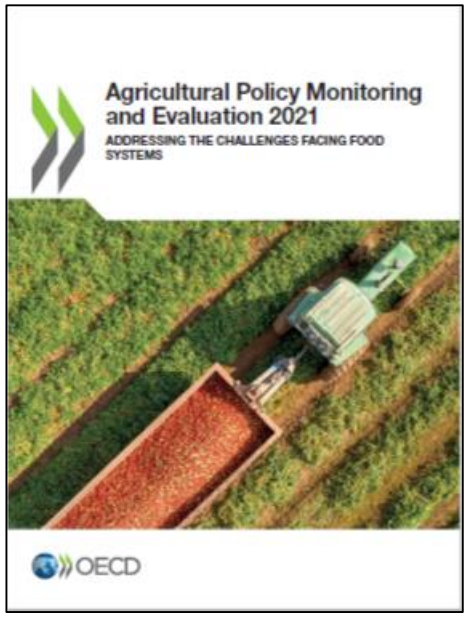

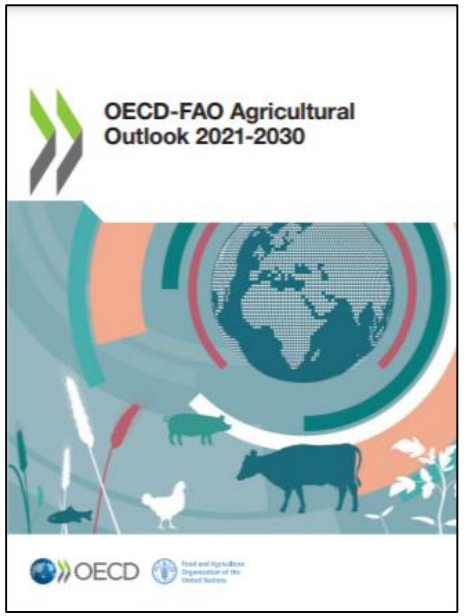

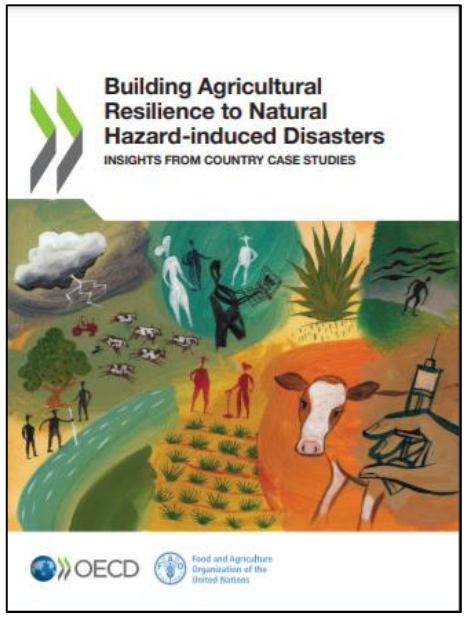

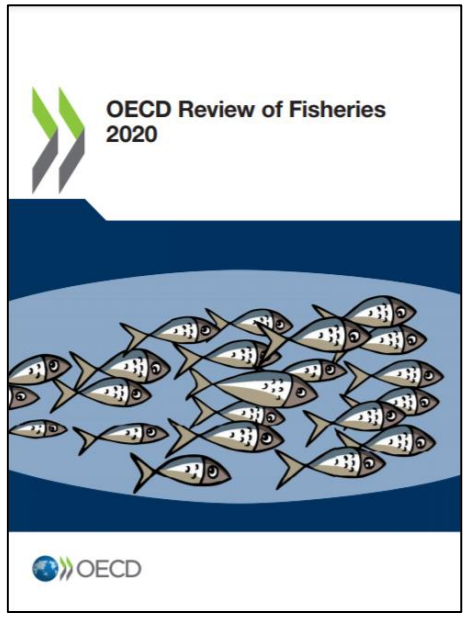

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