

## Technical Note: Repurposing Public Support to Agriculture

### The Scope and Extent of Public Support

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- The OECD tracks public support to agriculture in 54 developed and emerging countries that account for 2/3 of global agricultural production. Between 2017 and 2019, **governments in these 54 countries provided some US\$708 billion per year in support** of their agriculture sectors.
- These countries provide support to their farmers through a variety of channels. **Of the \$708 billion in total support, \$425 billion is in the form of subsidies directly out of government budgets. The remaining \$283 billion is a transfer from consumers to producers**, through government policies like tariffs and import barriers.
- On average, **the total dollar amount of agricultural support in a country's economy is rising in emerging countries** (while remaining relatively flat in OECD countries). Notably, government support to agriculture is growing rapidly in China, Indonesia, and India. For the 2017-2019 period, total support to agriculture averaged 1.3% of GDP in emerging and developing economies – more than double the OECD average.
- However, **the level of support relative to the total added value of the agricultural sector is high in OECD countries (but varies widely)** – e.g., 150% in Switzerland, 81% in Japan, 40% in Norway, 44% in the EU. In emerging and developing economies, the share of support ranges widely as well but is generally lower (e.g., 36% in China, 21% in Russia, 7% in Brazil).
- Of the \$708 billion, \$536 billion supports individual producers; **only \$42 billion goes to support public goods like research and innovation**; \$35 billion to conservation and land retirement; and \$14 billion to food safety and inspection.
- **Some country policies tax rather than support their agricultural sectors**, in particular India, Argentina, Vietnam, Indonesia, Russia, and Kazakhstan. Globally, these taxes amount to US\$89 billion. Just as much producer support does not create incentives for sustainable production, tax policies also harm producers and distort production and trade and do not encourage more sustainable production systems.

### Current Problems with Public Support

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- **Public support for agriculture can have profound environmental costs.** Fertilizer subsidies are often instituted to increase food production, but they encourage overuse of fertilizers with negative impacts on water quality and greenhouse gas emissions. Poorly designed irrigation subsidies can result in unsustainable water use. Support measures that are tied to the production of specific crops can encourage large-scale monocropping that erodes biodiversity and soil health,

and discourage more environmentally beneficial, nutrient-dense crop rotations. In the 1990s, many countries ‘decoupled’ their public support from individual commodities with positive environmental outcomes; but efforts to ‘de-couple’ subsidies have slowed in the last decade.

- **Virtually none of the current public support to agriculture is *designed* to mitigate climate change.** On the contrary, it is a large part of the reason 25% of the world’s greenhouse gas emissions come from the agriculture sector.
- **Rice, milk, and beef/veal production jointly account for the majority of agricultural greenhouse gas emissions – and each of these commodities receives substantial public support.** In the OECD, support to rice was the equivalent of ~60% of income for this commodity. Milk and beef/veal production both received an equivalent of ~15% of income.

## Intended Outcomes of Repurposing Public Support

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- As much as US\$600 billion in current public agricultural support can be repurposed in support of environmental health, climate change mitigation, and farmer livelihoods.
  - **Direct producer support** (27% or \$162B) could be coupled to GHG mitigation, improved soil and water quality.
  - **Land conservation and retirement payments** (5% or \$30B) could be targeted to enhance water quality and biodiversity; create incentives to protect forested and peat lands; or restore low productivity land.
  - **Research and technical assistance** (6% or \$36B) could be redirected to innovations to cut emissions from ruminant systems.
  - **Input and irrigation subsidies** (10% or \$60B) could be repurposed to research, technical assistance, and payments to improve fertilizer use efficiency.
  - **Direct producer support** could be tied to protecting forests and biodiversity and improving management of ruminant livestock.
- As a recent World Bank report explains, *“The single most important source of mitigation in agriculture results from increases in the efficiency with which agriculture uses natural resources and chemical inputs. That includes more efficient use of land, which includes increasing yields and so helps to avoid land use change. That also involves more efficient use of animals, water, and chemicals.”* For the agricultural sector to increase the efficiency of water, land and soil, governments need to increase the level of investment in research, innovation and technical assistance.
- Agricultural policies repurposed in support of environmentally positive outcomes can simultaneously facilitate rapid adaptation—and thus resilience—to climate change, a critical need for hundreds of millions of smallholder farmers around the world.

### Sources

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