

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The international context of agriculture and sustainable development

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Agriculture for sustainable development:
A dialogue on societal demand, pressures and options for policy
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Main themes of presentation

- Background
- Sustainability
- Challenges and Opportunities
- Similarities and Differences
- Conclusions

Background

Growing interest in sustainable agriculture...

- Significant knowledge of agriculture's environmental effects
- Increased public demand for better use and management of natural resources and agri-environmental performance....
- While ensuring economic efficiency and social responsibility
- Public concerns over risk – including environmental ones
- Agriculture sectors under pressure to adjust to policy reform, globalisation, technical change, and international agreements – with consequences for sustainability

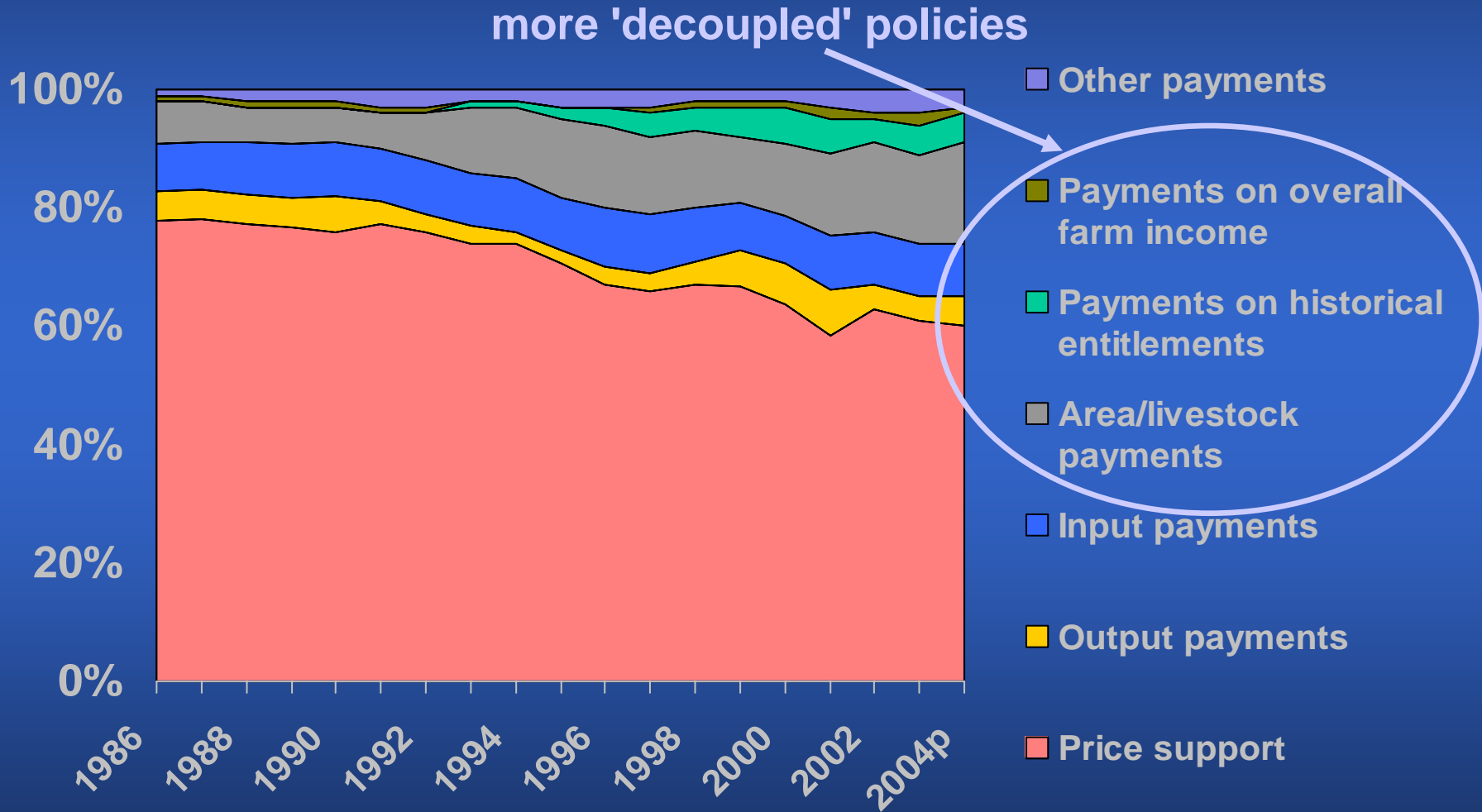
...in the context of

- Abundant food supplies in OECD countries
- Trade agreements and globalisation
- Significant support to the agricultural sector
- Small share of agriculture to GDP (2%) and jobs (6%), but a big user of land (38%), water (46%) and provider of biodiversity
- Absent or poorly functioning markets for environmental goods and services

...with limited progress in policy reform

- Support to *farmers* (PSE) was \$US 280 bn. or 29% of farm receipts in OECD in 2005
- Support to the *agricultural sector* was \$US 385 bn. or 1.1% GDP in OECD in 2005
- High share of support is production-linked, but down from 91% of PSE in mid-1980s to 69% today
- Average OECD farm prices were 57% above those on the world market in the mid-80s & 27% today
- Wide range of commodity and country support
- 5% of farm support (20% of budgets) is for the environment, but more if indirect support included

Composition of Producer Support OECD average



...and mixed environmental performance

- Land for agriculture and *soil* loss has decreased, but agricultural *water* use has increased
- Reduction in *nutrient surpluses* in many countries, easing pressure on water quality, but pockets of high concentrations
- Less *pesticide* application, but long-term risks are unclear
- Long term decrease in *biodiversity* appears to have been halted
- Some reduction in *greenhouse gas* emissions
- Overall, agricultural *output is increasing faster than inputs*, easing some environmental pressure
- OECD agricultural output since 1990 is up 5%, with more water (3%) and energy use (6%), but less land (4%) and labour (10%)

Sustainability

Sustainable Agriculture

- *Sustainable agriculture*: ensuring that the stock of physical, human and natural capital can be used in ways to provide for present demands for food, fibre and other services from agriculture without compromising future needs
- In other words – “living within our means”

Sustainable Agriculture

- *What do we want to sustain?* People in the sector or in rural areas; land, soil, water and capital resources; provision of ecological services; agri-food system?
- *Which methods to use?* Markets; payments; regulations, cross-compliance; zoning, voluntary, co-operative efforts?
- *What time dimension?* What is the perspective of present generations – the discount rate ?
- *What spatial dimension?* Local, national, international?
- *What are the trade-offs?* Between economic, environmental and social dimensions; unintended spillovers; trade effects; information deficiencies; resilience to exogenous events.....

Challenges and Opportunities

Challenges

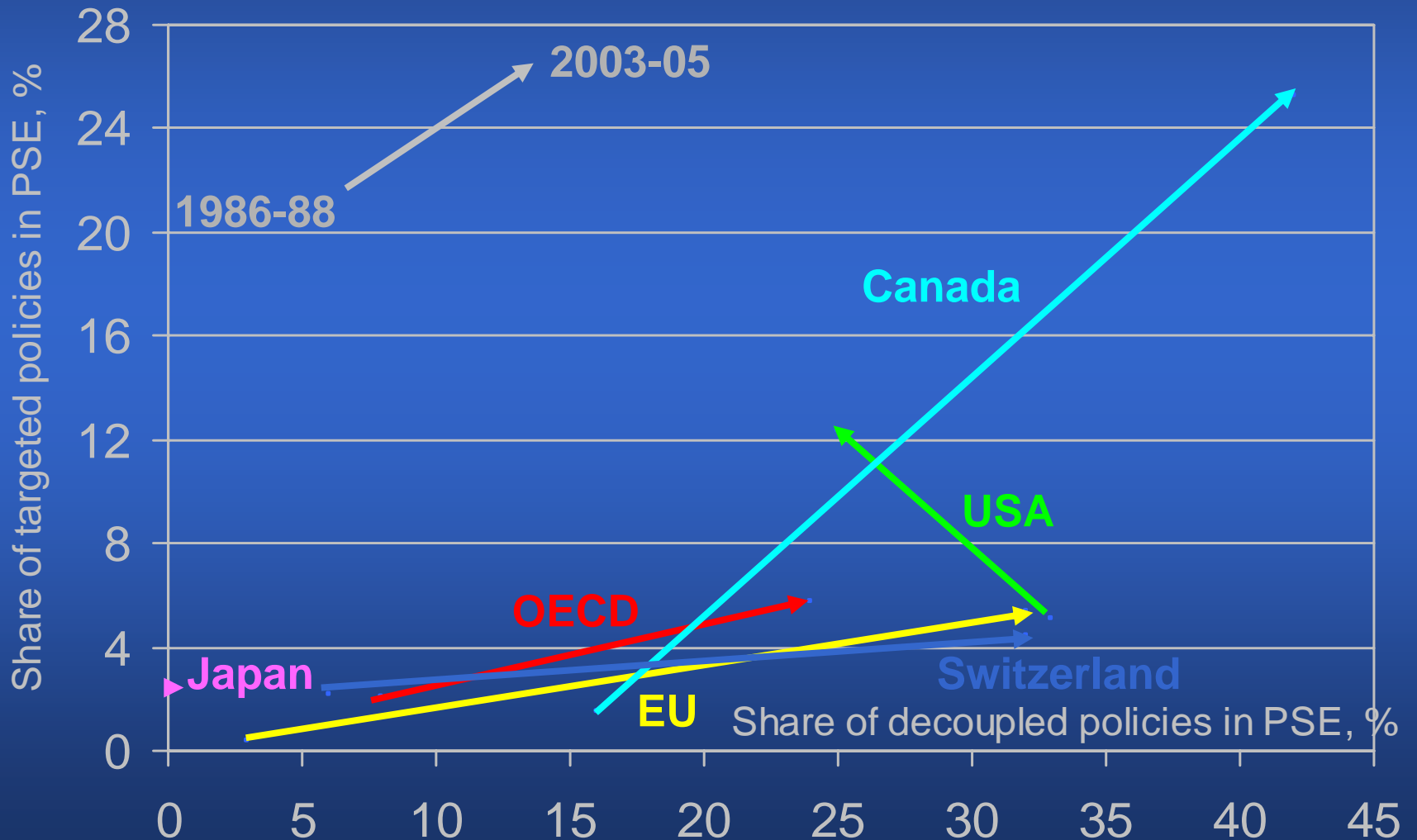
- *Economic*: facilitating a competitive, dynamic and innovative agricultural sector
- *Environment*: conserving natural resources
- *Health*: producing safe, healthy food
- *Risk*: insuring against extreme events
- *Social*: fostering viable rural communities
- *Ethics and equity*: respecting societal values
- *Coherence*: integrated, comprehensive policies
- *Agri-food sector* expected to meet many objectives

Agricultural policy evolution

A history of more flexibility as to what farmers can produce, but less flexibility as to how they do it?

- Until mid-1980s – most farm policies were commodity linked: ***farm income*** objective dominant
- Mid-1980s to late 1990s – progressive but limited decoupling of policies from commodity production: ***environmental protection*** objective more prominent
- From 2000 – more attention to targeted policies to achieve ***multiple objectives***
- Future - greater focus on ***economy-wide measures and regulations*** applied to the agri-food sector?

Decoupling increased more than targeting



Policy picture

- *Agricultural policy*: commodity-based policies dominate and rarely achieve income, rural or environmental objectives
- *Environment*: farmers over use some natural resources (water), do not always pay for pollution, but are not always rewarded for ecosystem services provided
- *Trade liberalisation*: Uruguay Round made progress, but Doha Development Round is stalled

Opportunities

- *Agricultural policy reform*: Decoupled, targeted policies can better achieve objectives – income safety nets, revenue insurance schemes, education, training and advice
- *Agri-environmental measures*: Targeted policies can improve environmental performance
- *Trade liberalisation*: Greatest benefits to those countries that liberalise – cutting tariffs - even unilaterally
- *Rural resource measures*: Investing in physical, natural and human capital improves rural viability
- *Markets and diversification*: facilitating off farm income streams, niche and ecosystem markets offer opportunities – but biofuels?

Similarities and Differences

Policy uncertainties

- Inertia against policy reform
- Do strong or weak markets favour reform?
- New players becoming important – G20
- No WTO Doha agreement (yet)
- Budget pressures – EU enlargement, US deficit
- Short term losses exceed long term gains?
- Unclear public demand for public goods
- Which winners (losers?) to back – biofuels?

EU and US policy similarities?

- More attention to environment and rural development goals in agricultural policy (Farm Bill 2007, CAP Reform 2003)
- Decoupling income support and coupling support to environmental outcomes
- Agriculture is expected to meet economy-wide environmental standards
- Agri-environmental measures designed to be compatible with the WTO green box
- More US focus on working lands (as in EU)?
- Goals combine competitiveness & conservation?

EU and US policy differences?

- Wide differences in levels and composition of *farm support* and trade protection
- EU focus on agriculture as a *provider* of environmental services; US focus on agriculture as an environmental *polluter*?
- EU focus on farm *practices*, US on expected environmental *outputs*?
- EU *cross compliance* system broader base (SFP) than US system
- EU *rural* policy more closely linked to agricultural policy than in the US

**“It is necessary but not sufficient
that the agri-food sector needs to
be profitable to be sustainable”**

Thank you for listening

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