A comparative analysis of global agricultural policies - Lessons for the future CAP

Simone Sterly, IfLS
Roel Jongeneel, WUR
Structure of the Presentation

1. Aim and approach
2. Global agricultural policy evolution
3. Country studies
4. Selected instruments
5. Policy proposals and recommendations

Summary
1. Aim and approach

Aim

- Drawing lessons for the future of the CAP from a comparative analysis of global agricultural policies

Approach

- Overview of trends in global agricultural support
- Identification of recent changes and initiatives in global agricultural policies
- In depth analysis of selected instruments in five countries: Australia, Canada, Japan, Switzerland, US
2. Global agricultural policy evolution

Global
- Not much change in agricultural support from 1995-97 to 2015-17; potentially most distorting forms of support still represent almost two-thirds of total support

Emerging economies
- Support to agriculture has increased substantially in the long term; with the dominant part in market price support

OECD countries
- Total support to agriculture has decreased. Support based on commodity output shows a long term decline in favor of direct payments uncoupled from output
3.1 Results from country studies

Total Support Estimate as % of GDP by country
3.2 Results from country studies

- **Australia** has lowest level of support: rural research and development, farm financing and drought relief
- **Canada** aims to keep costs to the Treasury as low as possible: supply management and business risk management
- **Japan** strives for self-sufficiency in rice: market price support and investments support
- **Switzerland** maintains high price levels, mainly relies on direct payments and market price support
- **US** main objective is support to farm income and stabilization of farm commodity markets: support recently shifted from direct payments to insurance type products
4.1 Selected instruments

- Regions with natural handicaps (2)
- Rural development (2)
- Environment and climate (6)
- Knowledge, innovation and farm advice (2)
- Risk management (5)
- Other measures (2)

Total number of instruments: 17
4.2 Selected instruments
(Example 1: Environment and climate)

**Australia: Emission Reduction Fund (ERF)**

- Carbon abatement subsidy scheme rather than agricultural policy per se
- Carbon credit units are granted for avoided carbon loss and sequestered carbon (EUR 1.7 billion in 3 years)
  - Most of the offsets (64%) were for avoided clearing and removal of stock
- Via price auctions, land holders express interest to take action to increase carbon sequestration
- Project selection based on lowest cost per unit carbon sequestered
4.3 Selected instruments (Example 2: Risk management)

Canada: Agrilnvest

- Objective is to stabilise agricultural incomes
- Self-managed producer-government savings account
  - Annual deposits by farmer based on percentage of his Allowable Net Sales; matching contributions from federal, provincial, and territorial governments
- Management of small income shortfalls, support for investments to improve market income or to reduce on-farm risks.
4.4 Selected instruments
(Example 3: Rural development)

Japan: Multifunctionality payments

- Support of communal activities that conserve and improve the quality of local resources:
  - farmland maintenance and resource improvement
- Payments are made to local groups of farmers and/or non-farmers
- Payment rate is based on 66.7 % of the average cost associated with implementation
  - EUR 382 million (2.4 % of annual budget, 2017)
5.1 Policy proposals and recommendations

- **EU** has an advanced position in agricultural policy with a comprehensive set of policy goals and the availability of instruments.
- **EU** could still learn from other countries:
  - Farm income resilience through risk management tools
  - Climate and other environmental objectives.
5.2 Policy recommendations

Risk management instruments

- The risk retention measures (AUS, CA) represent savings deposits that are interesting to be further considered for adoption in the CAP, as both in the current and the proposed CAP precautionary savings measures are missing.

- Implementation approaches of risk management tools (AUS, US) show possibilities to increase farmer adoption rates beyond current EU levels.
5.3 Policy recommendations

Environment and climate instruments

- The CRP (US) and the ERF (AUS) provide long-term support for nature conservation and climate action, and could be beneficial to achieve biodiversity, environmental and climate objectives.

- Selection of programme or measure beneficiaries via auctioning systems could contribute to cost-effective delivery of results.

- AGGP, PRRP (both CA), and the Resources Programme (CH) indicate innovative and broadly applicable strategies to provide a stronger link between project, action and area-related interventions.
5.4 Policy recommendations

Rural development instruments
- Multifunctionality payments (JP) would provide financial assistance to local groups consisting of farmers and other rural actors for the costs concomitant with preserving agricultural and commonly managed resources.

Support instruments in regions with natural constraints
- The instrument (JP) provides unique opportunities to combine a local tailoring of conditionalities (baseline adjusted to local needs via a communal approach to habitat and landscape management) with income support.
Summary

- **Stable** global agricultural support since 1995; **increasing** in emerging economies, **decreasing** in OECD countries.
- EU has a comprehensive set of policy goals and the corresponding instruments are available.
- Country studies showed promising approaches for instruments, in particular in the thematic clusters **risk management** and **environment and climate**.
  - **Risk retention** measures representing savings deposits
  - Approaches to increase farmer adoption rates
  - **Long-term support** for nature conservation and climate action
  - **Auctioning systems** for cost-effective delivery of results
  - Combine local conditionalities with income support
Authors

Simone Sterly  
Dr. Holger Pabst  
Institute for Rural Development Research  
www.ifls.de/en  
Sterly@ifls.de, pabst@ifls.de

Dr. Roel Jongeneel  
Dr. Huib Silvis  
Wageningen University and Research Centre  
www.wur.nl/en  
roel.jongeneel@wur.nl, huib.silvis@wur.nl