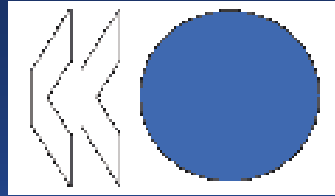


OECD



OCDE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# Challenges and Opportunities for Sustainable Agriculture in a Globalised Economy: an OECD perspective

**Wilfrid Legg**

Head of Policies and Environment Division, Agriculture Directorate

**XX EURAGRI Members Conference, Rome,  
28-29 September 2006**

# Main themes of presentation

- Background
- Challenges
- Opportunities
- 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

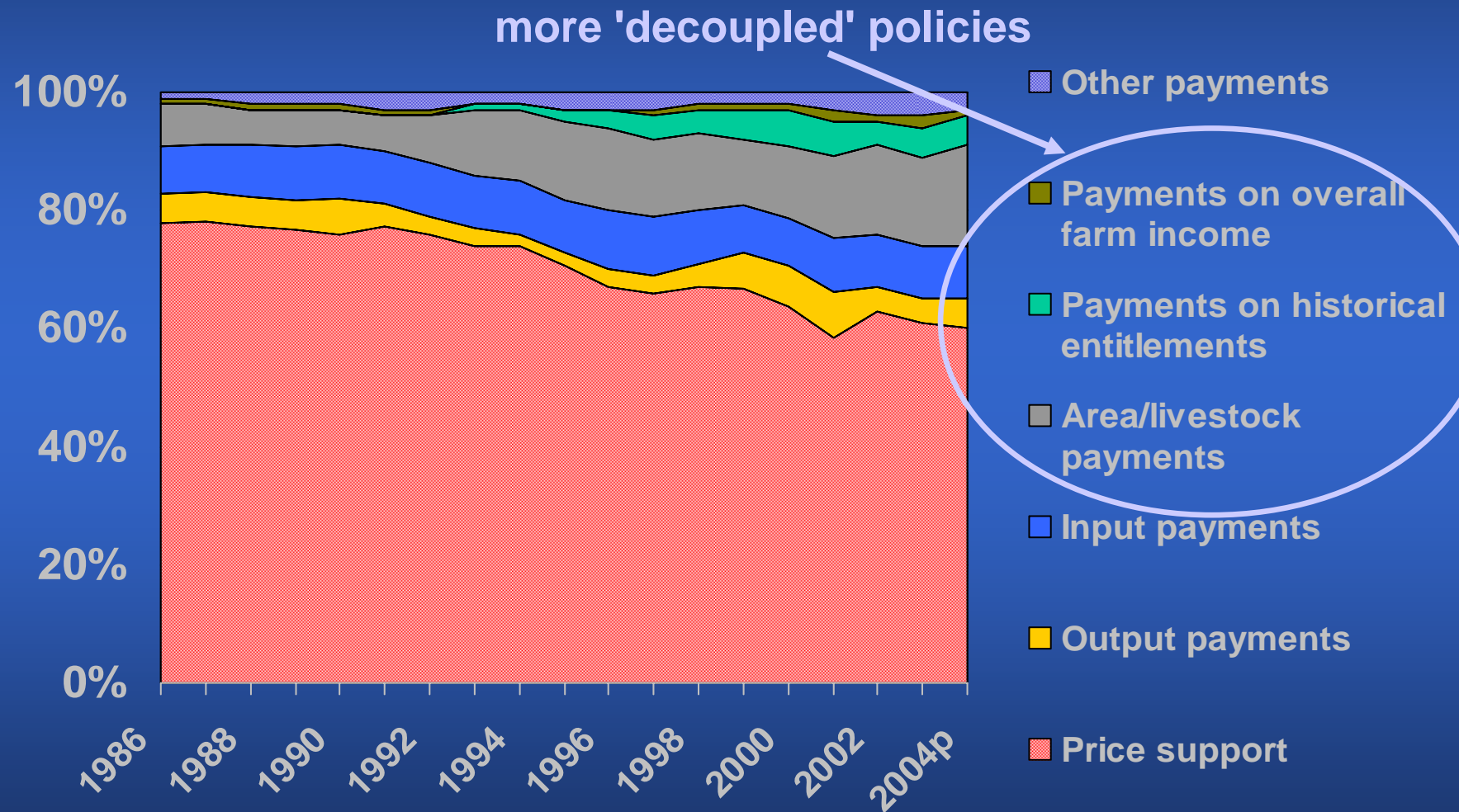
## ...in the context of

- 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



Source: OECD

## ...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%)

# Challenges

# 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*: integrating policy approaches
- *Agri-food sector* expected to meet many objectives

# 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**

# 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?

# Policy uncertainties

- Inertia against policy reform
- Unfavourable market conditions?
- Picking losers or costly interventions
- No WTO Doha agreement
- Budget situation
- Short term losses exceed long term gains?
- Unclear public demand for public goods

# Conclusions

# Conclusions: what's needed

- Clearly defined policy objectives
- Integrated policy approaches – including linking science and policy
- Policies that are compatible with market signals....
- ....and reflect dynamic forward-looking nature of agriculture and societal demands...
- ...and are effective and efficient in meeting desired objectives

**“The agri-food sector needs to be profitable to be sustainable”**

**Thank you for listening**

[wilfrid.legg@oecd.org](mailto:wilfrid.legg@oecd.org)

[www.oecd.org/agr/env](http://www.oecd.org/agr/env)