

# Change, innovation and growth in the agri-food sector: the role of policies

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**Agriculture-related research and innovation in a changing world**  
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# Outline

- **Agricultural policy objectives and measures**
- **Evaluation of policy changes**
- **Future challenges and priorities for the agricultural and agri-food sector and for innovation systems**
- **Improving policy effectiveness and coherence**



# EU agricultural policy has various objectives

- Increase the productivity and competitiveness of the sector, by supporting restructuring, development and innovation;
- Ensure adequate and equitable income (fair standards of living);
- Stabilise markets;
- Assure the availability of supplies, at reasonable prices for consumers;
- Improve the environment and the countryside, by supporting land management;
- Improve rural quality of life (cultural heritage, rural viability).



## with changing priorities

- **From market regulation to land management**
- **From food security to sustainability**
- **Priority objectives increasingly have local characteristics**
- **But agriculture needs to respond to global challenges (e.g. climate change)**



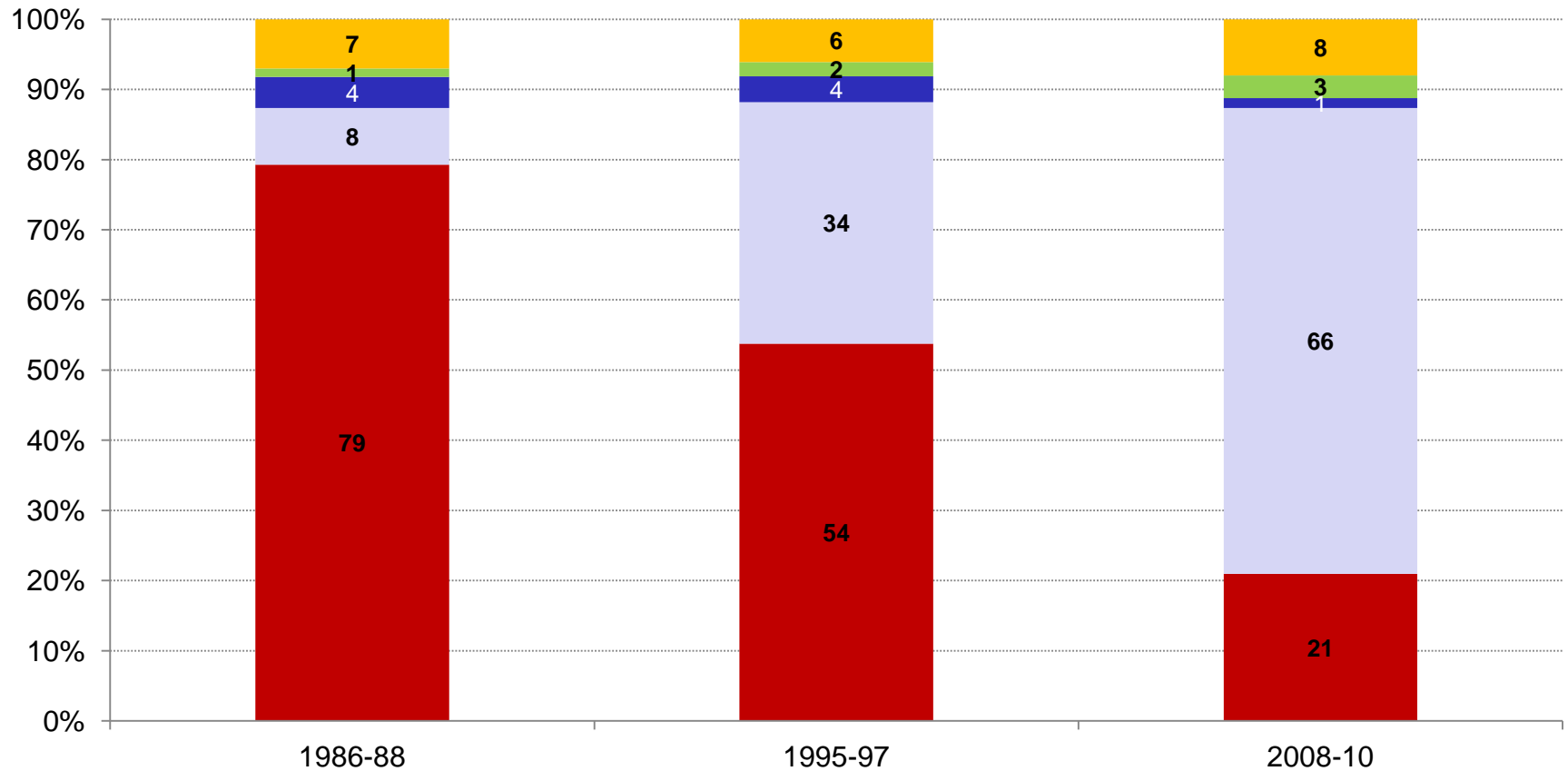
# and pursued with various instruments

- **Market price support:**
  - **Border measures: tariff, tariff quotas, export subsidisation**
  - **Domestic market interventions: production quota, administered prices, intervention purchase, private storage**
- **Various types of payments:**
  - **1st pillar: broad-based, more and more decoupled, with cross-compliance (single payment scheme)**
  - **2<sup>nd</sup> pillar (RD): mainly payments to farmers (investment aid, regional payments per ha, agri-environmental payments, early retirement, technical assistance) but also to all rural agents (diversification, rural infrastructure), national co-financing**
  - **Purely national measures (state aid)**
- **Taxes and regulations**



# Does agricultural policy reflect changing priorities? Total support in the EU

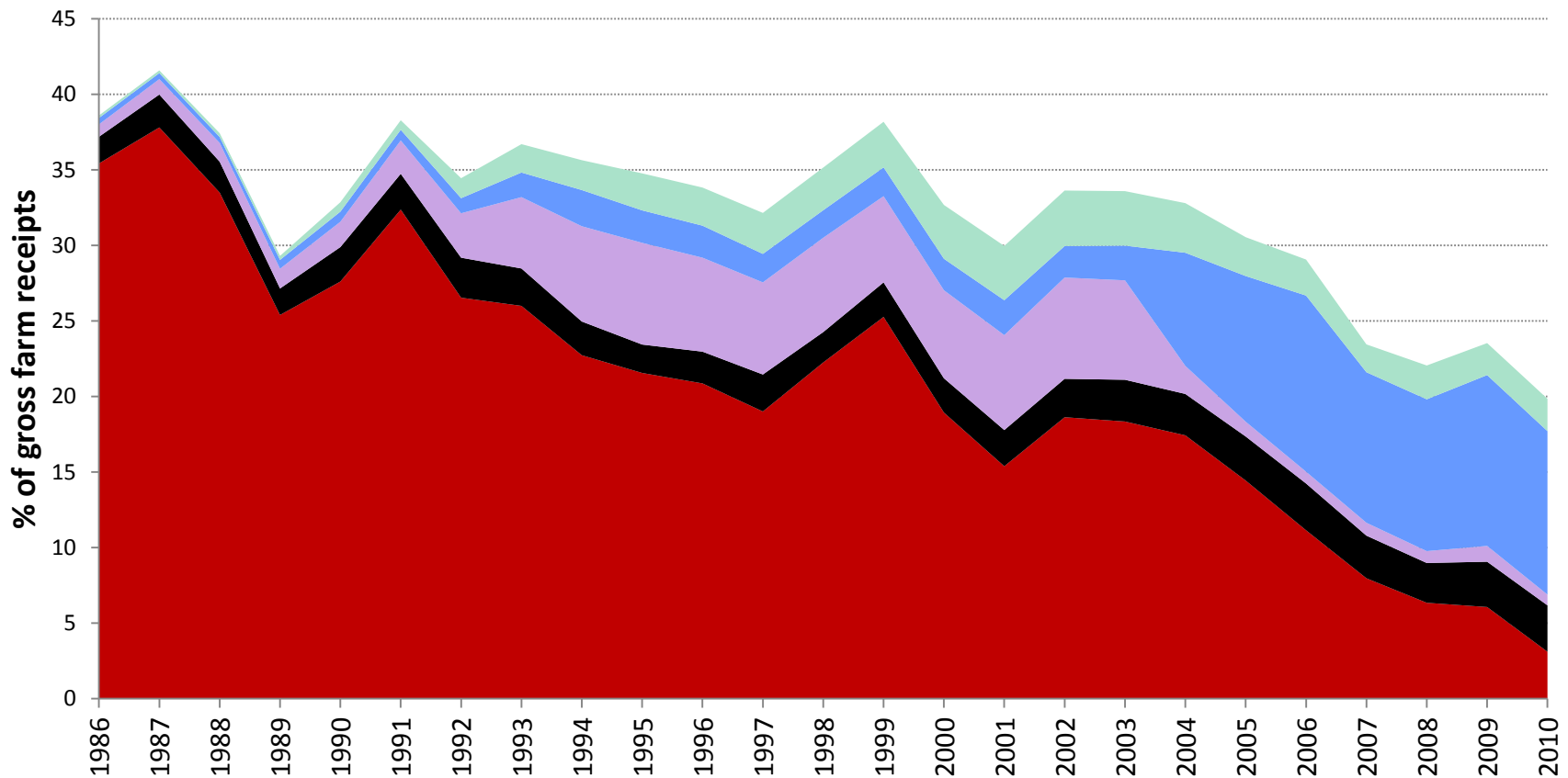
- Support based on commodity production
- Consumer subsidies
- Other general services
- Other support to producers
- R&D and agricultural education





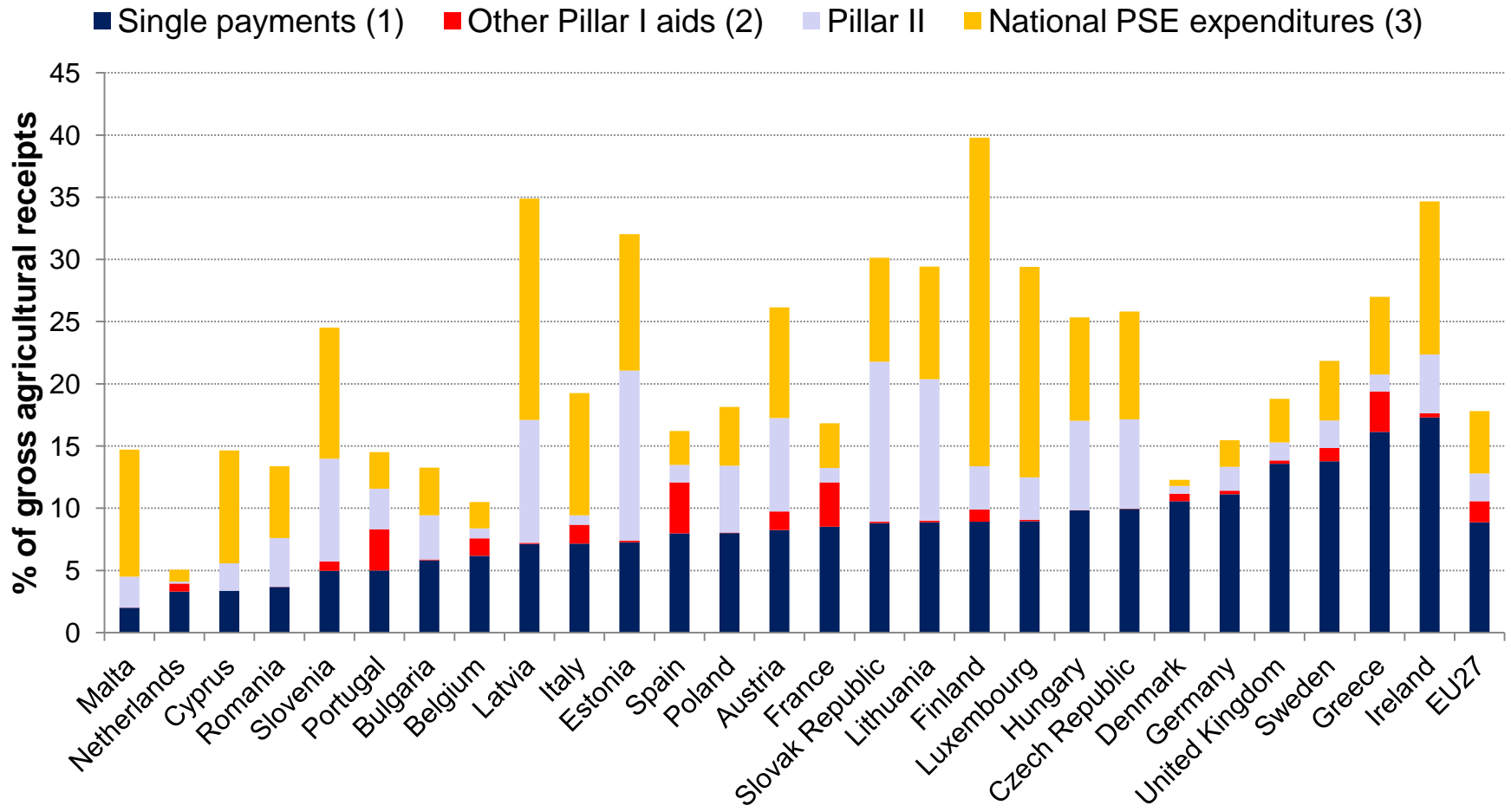
# Does agricultural policy reflect changing priorities? Producer support estimate

- Based on commodity production
- Based on unconstrained input use
- Other support without input constraints
- With mandatory input constraints
- With voluntary input constraints



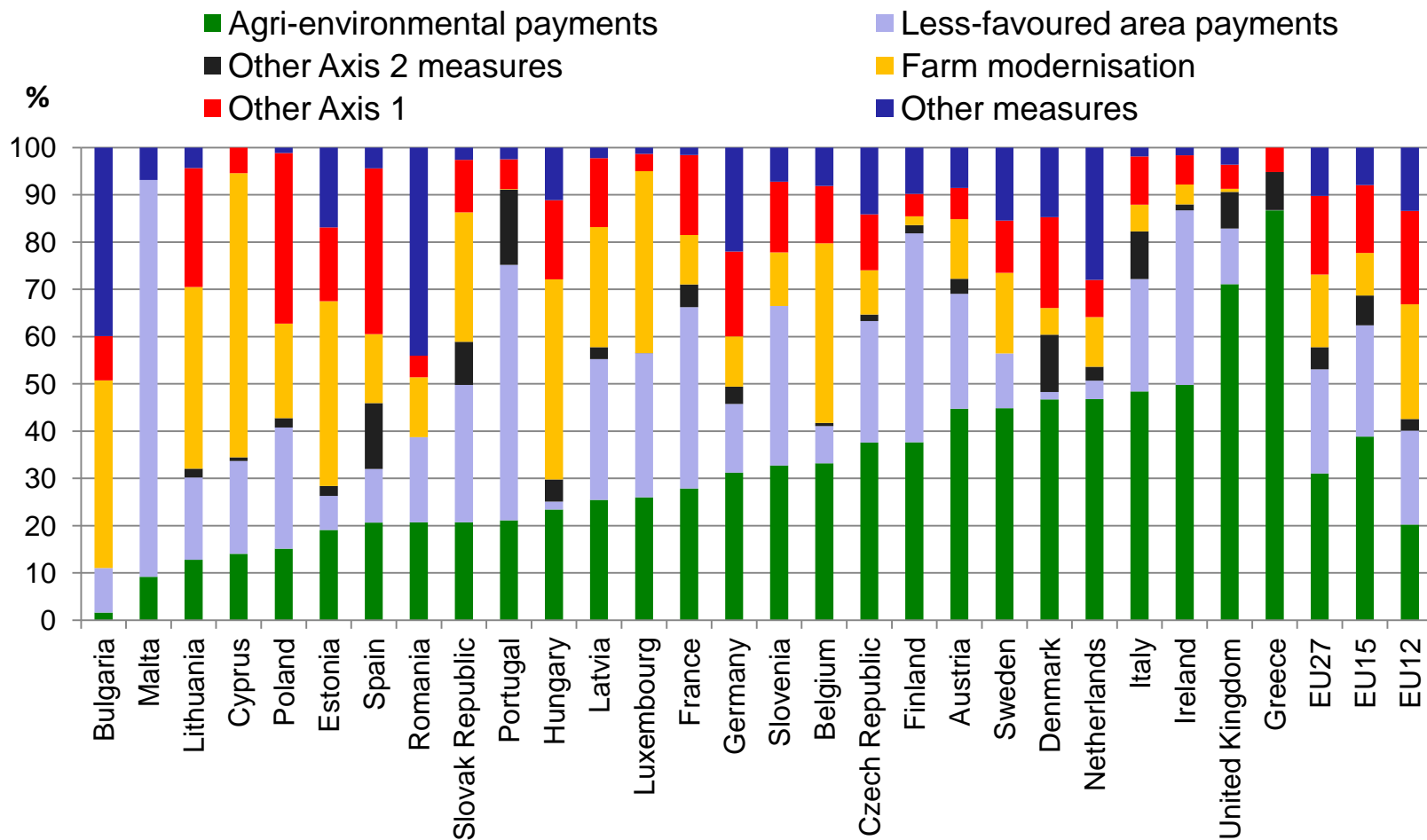


# A wide diversity across member states, 2009





# in the use of pillar II measures, 2009





# Evaluation of CAP developments

- **Reduction of support and increase in market orientation**
- **Clear trend towards decoupling support from current production**
  - Large and increasing share of support with no requirement to produce
  - Most remaining area payments not linked to specific commodities
- **Generalisation of constraints on production practices**
- **Targeting still limited, particularly in terms of income objective**
- **More funds for land management and local public goods**
- **Increasing flexibility to respond to higher diversity in the EU**
- **More systematic evaluation of impacts**
- **Progress in transparency?**

# ◀ Environmental performance is difficult to measure

- Set-aside had significant environmental impacts, positive overall
- Decoupling is expected to be beneficial through extensification
- Cross-compliance conditions are expected to deliver minimum level of environmental management across farmland, but they do not target specific problems
- The evaluation of agri-environmental measures showed:
  - Benefits for biodiversity, at least reduction of the rate of losses
  - Positive impact on landscape
  - Little evidence on soil and water quality due to lack of data



# Agricultural policies and innovation

- **Total support to agriculture was EUR 96 billion in 2008-10**
  - About EUR 3 billion for agricultural R&D and education (EU and national funds), and
  - EUR 84 billion for individual producers, including EUR 20 billion for commodity support (mainly market price support)
- **Market price support slows structural adjustment and the adoption of innovation**
- **Little evidence of the impact of other types of support (e.g. decoupled payments, investment assistance, agri-environmental measures) on innovation and productivity growth**



# Future challenges and opportunities

- **Growing population to be fed: Need for higher total factor productivity in the food and agricultural system, reduced wastes, and for ecological, economic and social sustainability**
- **Scarce resources**
- **Climate change, changing environment**
- **Relatively higher world prices**
- **Higher and more diverse demand**
- **Innovation and generation and diffusion of new technology are key factors for the future**
- **Better information needed on all these aspects**

## Global food security, green growth and climate change

- Foster innovation and improved productivity growth
- Improve environmental performance and climate change adaptation/mitigation
- Assure a well-functioning rules-based multilateral trading system
- Improve transmission of price signals along the food chain
- Facilitate risk management at the farm level
- Improve policy coherence across sectors (and globally)
- Create a more supportive investment climate for food and agriculture, including in developing countries

*Source:* OECD 2010 Ministerial Communiqué ([www.oecd.org/agriculture/ministerial](http://www.oecd.org/agriculture/ministerial)).



# Recognition of green growth

- *“Ministers recognised that:*
  - *green growth offers opportunities to contribute to sustainable economic, social and environmental development,*
  - *agriculture has an important role to play in the process, as do open markets that facilitate the sharing of technologies and innovations supportive to green growth*
  - *In this context care needs to be taken to avoid all forms of protectionism.*
  - *Climate change presents challenges and opportunities for the agricultural sector in reducing greenhouse gas emissions, in carbon sequestration, and the need for adaptation.”*

*Source: OECD 2010 Ministerial Communiqué ([www.oecd.org/agriculture/ministerial](http://www.oecd.org/agriculture/ministerial)).*



# Green growth strategy for agriculture and food

- **Increase productivity in a sustainable manner.** This means according a higher priority to R&D, innovation, education and information
- **Ensure that well-functioning markets provide the right signals,** i.e. reflect the scarcity value of natural resources, as well as positive and negative environmental impacts. This includes reducing economically and environmentally harmful subsidies, while encouraging environmentally friendly measures and consumer information; applying polluter-pays principle through charges and regulations, providing incentives for the supply of environmental goods and services, reducing waste and post-harvest losses...
- **Establish and enforce well-defined property rights,** to ensure optimal resource use. This is a complex area, increasingly global rather than national.

*Source: OECD (2011), A Green Growth Strategy for Food and Agriculture: Preliminary Report, May.*





# The EU Common Agricultural Policy post-2013

- A favourable context for a new approach, building on past successes and responding to challenges and opportunities.
- Shift of policy emphasis from supporting farm income to investing in further improving the productivity, profitability, sustainability and long-term competitiveness of the agri-food sector.
- This means:
  - investing more in innovation;
  - providing an effective framework for producer risk management;
  - using a range of instruments adapted to specific situations to improve the long run sustainability of agriculture;
  - adopting a place-based, non sectoral, approach to rural development;
  - considering income issues on the basis of reliable and comparable information on income and wealth across the economy.



# Policy coherence

- **Foster a culture of evaluation and transparency with clear objectives, evaluation criteria, performance indicators, impact analysis,**
- **Sharing information, tools and results**
- **Distinguish short-term and long-term issues**
- **Innovation systems approach including all actors (reflecting users' demand, recognising their contribution in the provision of innovation, paying attention to adoption)**
- **Networking and coordination to avoid duplication of efforts**
- **Well-functioning IPR system to foster partnerships**
- **Focus resources on priorities**



# Thank You

## Trade and Agriculture Directorate



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