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## A MULTI-BILLION-DOLLAR OPPORTUNITY

Repurposing agricultural support to transform food systems



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Embargoed Press Briefing | 9 September 2021

## Government agricultural support policies are not fit for today's food systems: What do we do?



- Food systems are the lifeblood of the SDGs and feed us all.
- But they need transforming for today's realities.



- Agricultural support policies are a key entry point to help fix this.
- Current support to farmers is in fact steering us away from achieving SDGs and the Paris Agreement.



- Repurposing this support could be a game changer  
**REDUCE / REPLACE / REFORM**

## Scope and definitions

**The focus** is on public policy measures targeting **agricultural producers**, both in the form of price incentives and fiscal subsidies, and discusses support to the general sector only marginally.

**Repurposing** = the reduction of funding allocated to certain activities that are unsustainable (e.g. removing environmentally harmful subsidies), and the increase of funding for other activities that are deemed sustainable and equitable (e.g. incentives for the adoption of sustainable land management practices)

### **The analysis excludes:**

- Public support to food consumers
- The role of the private sector in the transition to sustainable food systems
- Fisheries subsidies (the report covers land-based agriculture only)

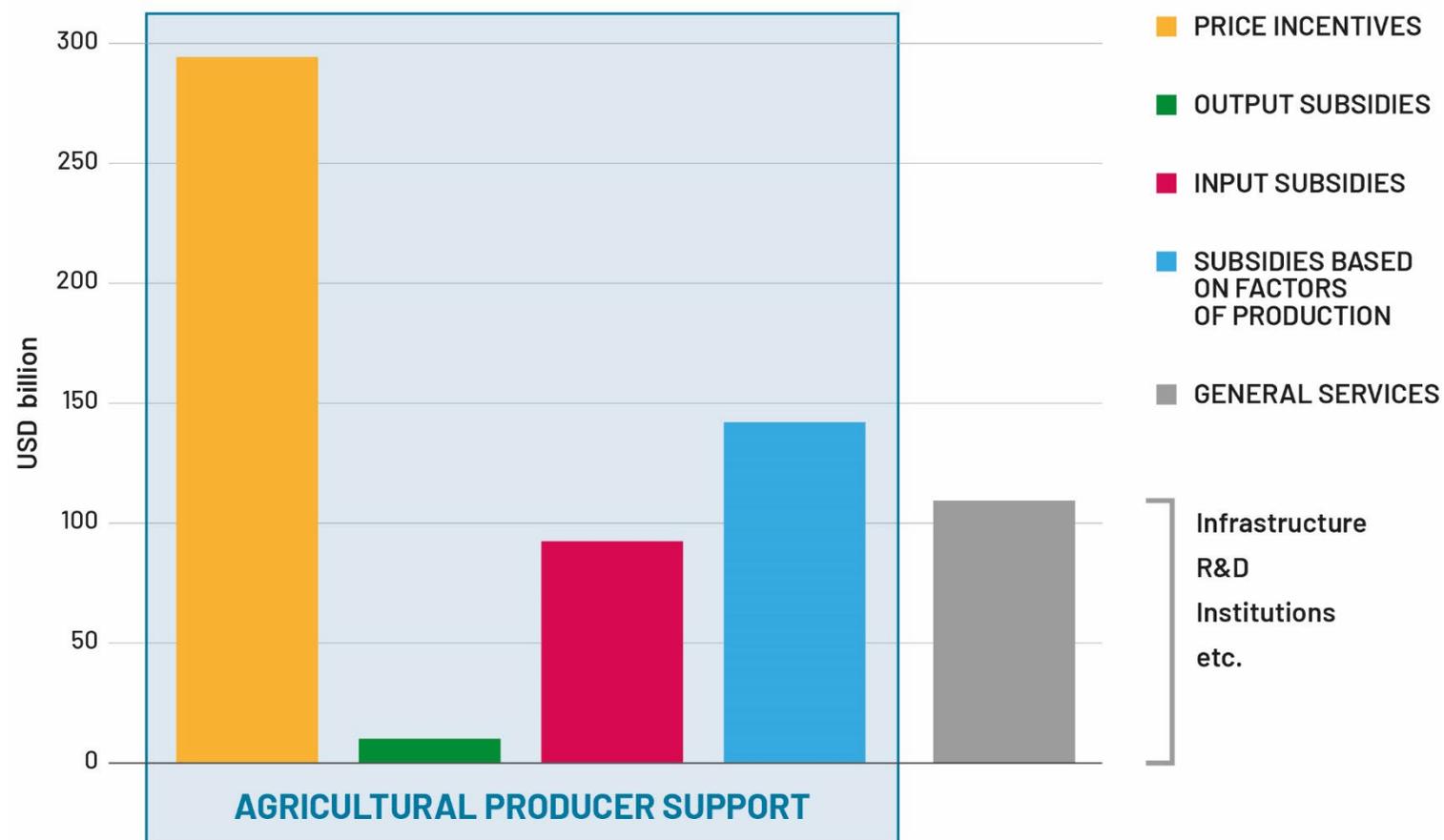
## Impacts of agricultural support on environment

- The **hidden costs** of the global food and land use system are estimated at around **US\$12 trillion per year** and are expected to grow to US\$16 trillion by 2050 (FOLU, 2019).
  - Over half (US\$6.6 trillion) arise from the impacts of obesity, undernutrition and pollution on human health.
  - US\$3.3 trillion result from the negative impacts on the climate and natural capital.
  - US\$2.1 trillion result from economic costs of food loss/waste, fertilizer leakage and rural welfare

## Supporting farmers yet hindering food system transformation

- Farmers individually receive USD 540 billion yearly on average (or 15% of total agricultural production value).
- Mostly in the form of price distortions or subsidies that can be harmful to the environment, health, equity and efficiency.

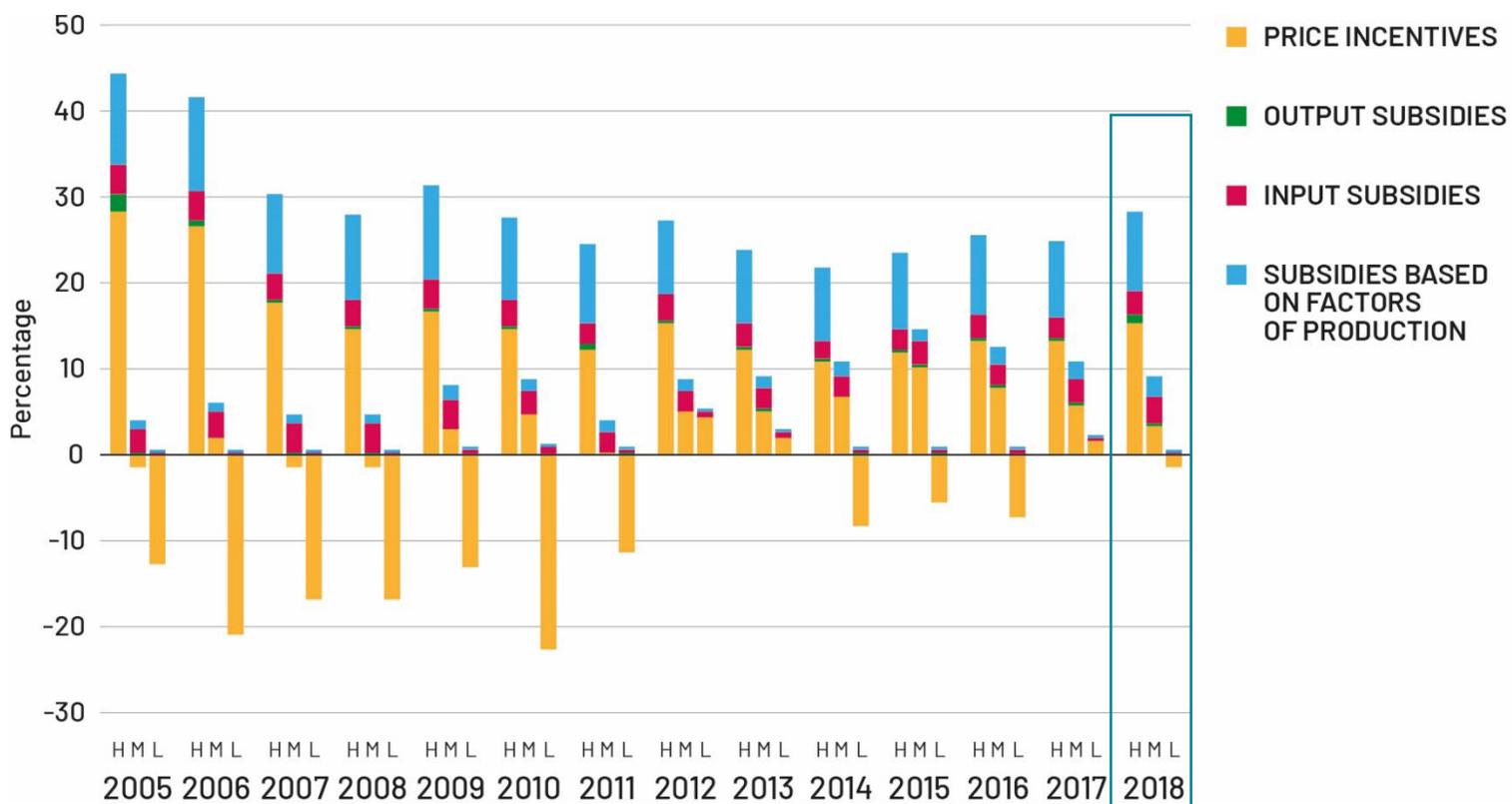
Level and breakdown of global agricultural sector support (average 2013–2018)



## How does support look around the world?

- Distorting support measures still common in high- and middle-income countries.
- Low-income countries have penalized producers.
- Emission-intensive commodities (i.e. beef, milk and rice) receive the most support.

Nominal rate of assistance as percentage of production value

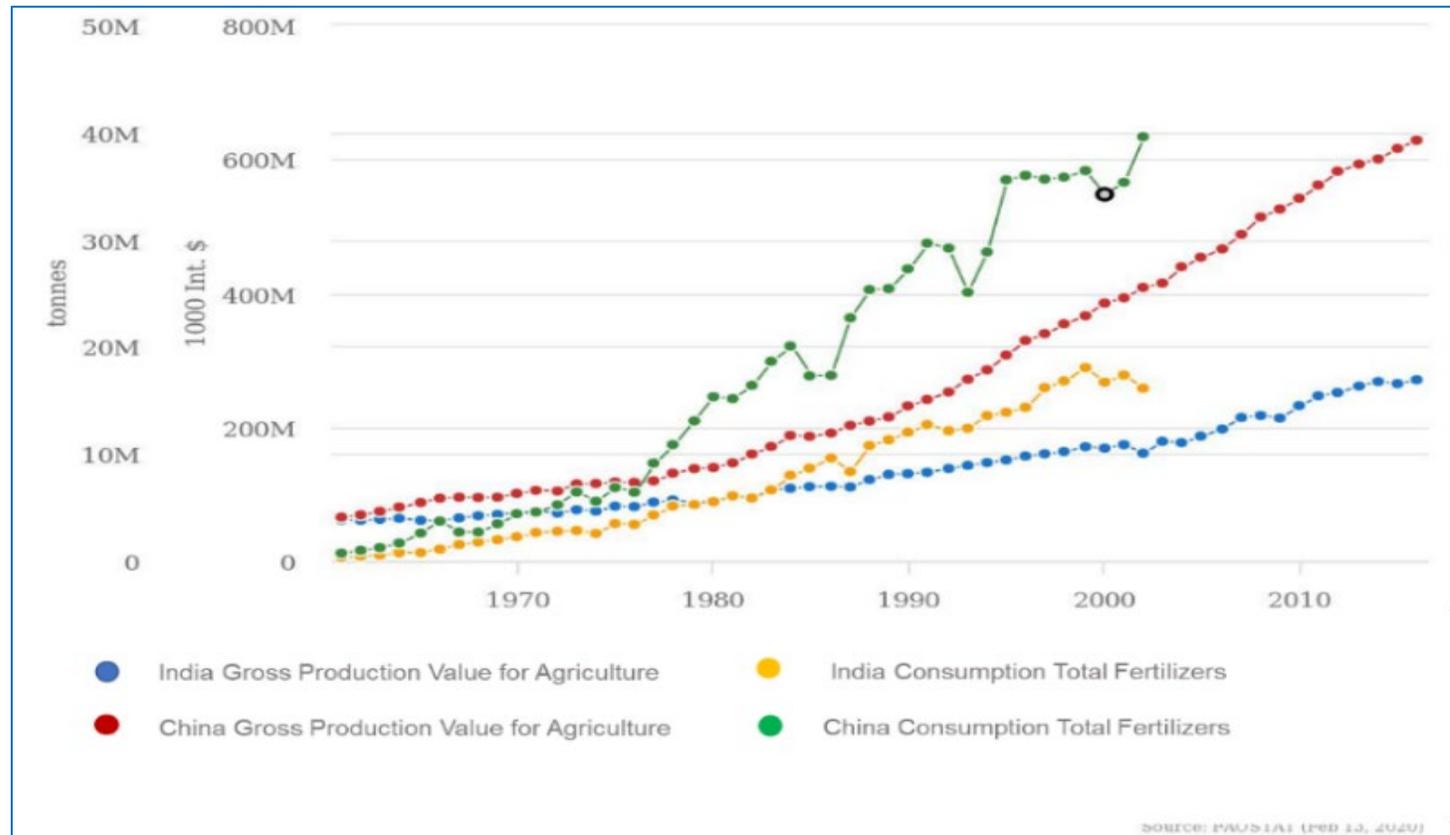


NOTE: H = high-income countries; M = medium-income countries; L = low-income countries.

USD 1.8 trillion in 2030

## Subsidies for pesticides and fertilizers are most common in developing countries, but they are widespread

Gross Production Value of Agriculture and Fertilizer Consumption in India and China (1960-2017)



## But... subsidies can create adverse incentives, leading to the over- or misuse of pesticides and fertilizers

### Health Impacts

- Chemical-induced disease or morbidity
- Nutritional deficiencies and stunting
- Disproportional health risks to poor and marginal populations

### Economic Impacts

- Significant fiscal burden
- Limited effects on reducing poverty incidence
- Undermining of welfare maximization

### Equity Impacts

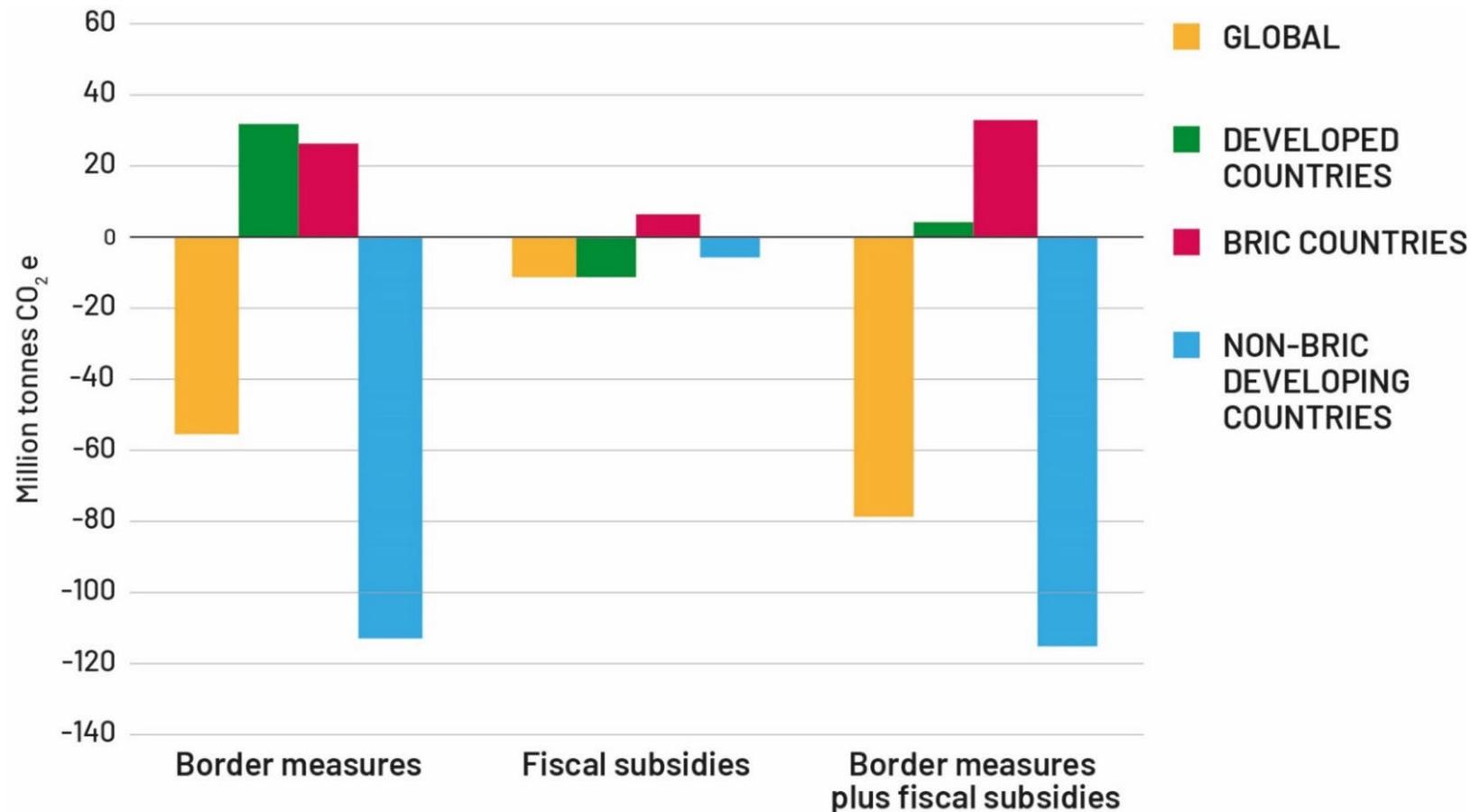
- Gender biases in the targeting of subsidies
- Mismanagement of funds and elite capture
- Ineffectiveness in reaching poor smallholder farmers

### Environmental Impacts

- Groundwater pollution and surface water eutrophication
- Soil degradation and acidification
- Biodiversity loss and GHG emissions

## Removing agricultural support would contribute to mitigation by 2030, but...

Estimated changes in GHG emissions in 2030 due to removal of agricultural producer support



## ... there is trade-offs in the farm sector

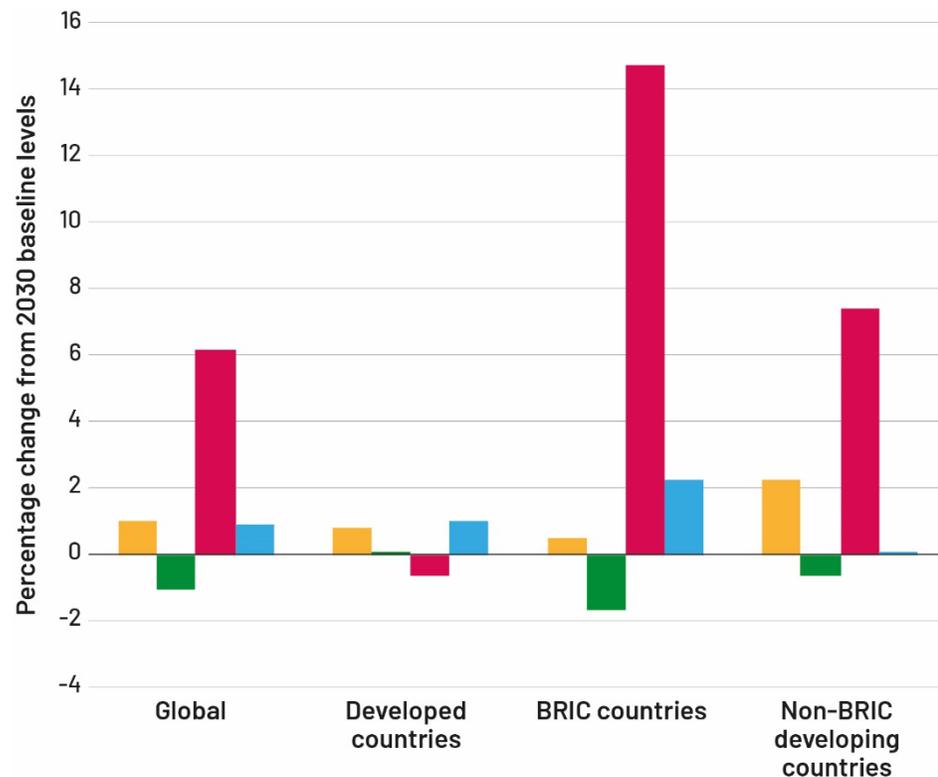
### Impacts of removing agricultural producer support on the farm sector

ITEM	BORDER MEASURES	FISCAL SUBSIDIES			ALL SUPPORT	
		TOTAL	OUTPUT SUBSIDIES	INPUT SUBSIDIES		FACTORS OF PRODUCTION
<b>PERCENT CHANGE FROM 2030 LEVELS</b>						
Crop production	0.22	-1.60	-0.39	-0.80	-0.43	-1.30
Livestock production	0.21	-0.46	0.01	-0.13	-0.35	-0.19
Crop yields	1.82	-1.09	-0.13	-0.50	-0.47	-1.34
World prices	0.84	1.35	0.61	-0.18	0.93	1.94
Farm income	0.19	-5.70	-0.81	-1.46	-3.58	-6.29

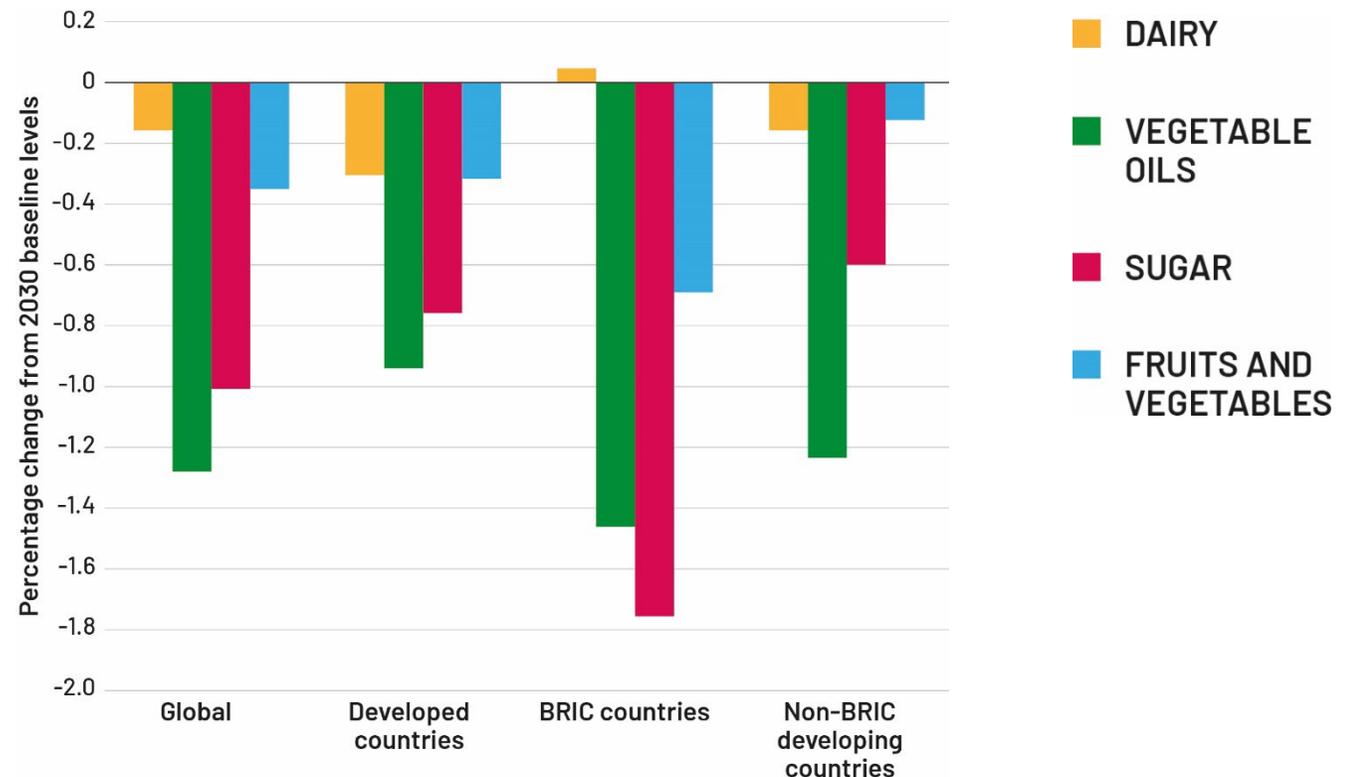
## Removing agricultural support has varying effects on per capita consumption

### Impacts of removing agricultural support on per capita consumption of various food items

a. Impacts of removing border measures



b. Impacts of removing fiscal subsidies



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## 6 steps to repurpose

### Step 1



Estimate the support already provided

### Step 2



Identify and estimate the impact of the support provided

### Step 3



Design the approach for repurposing agricultural producer support

### Step 4



Estimate the future impact of reform and repurposing strategies

### Step 5

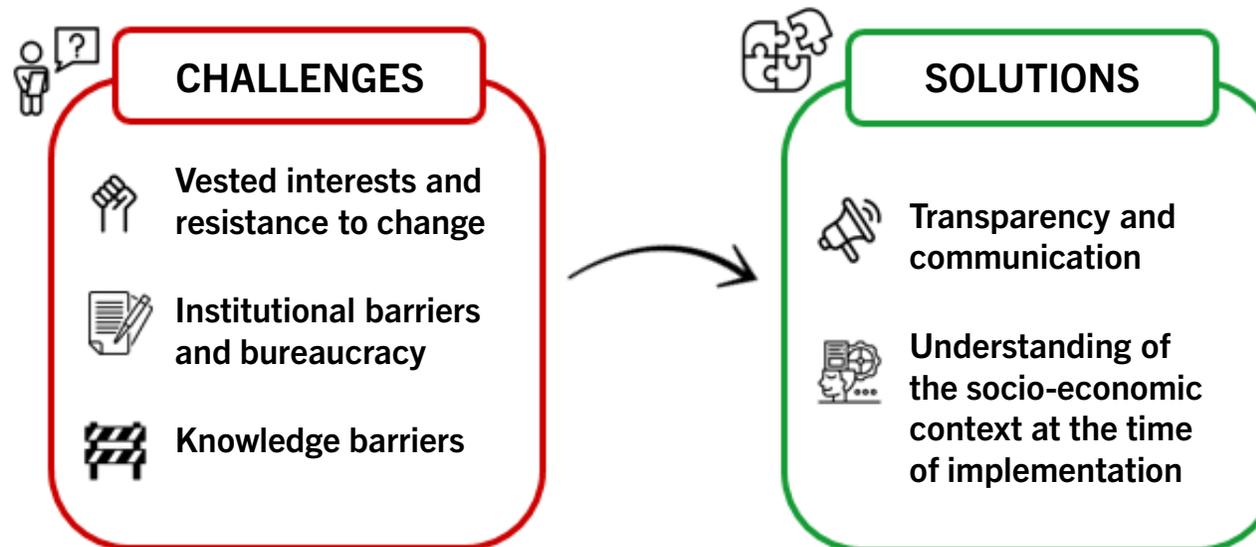


Review and refinement of the reform and repurposing strategy, and implementation

### Step 6



Monitor the outcomes of the new agricultural support

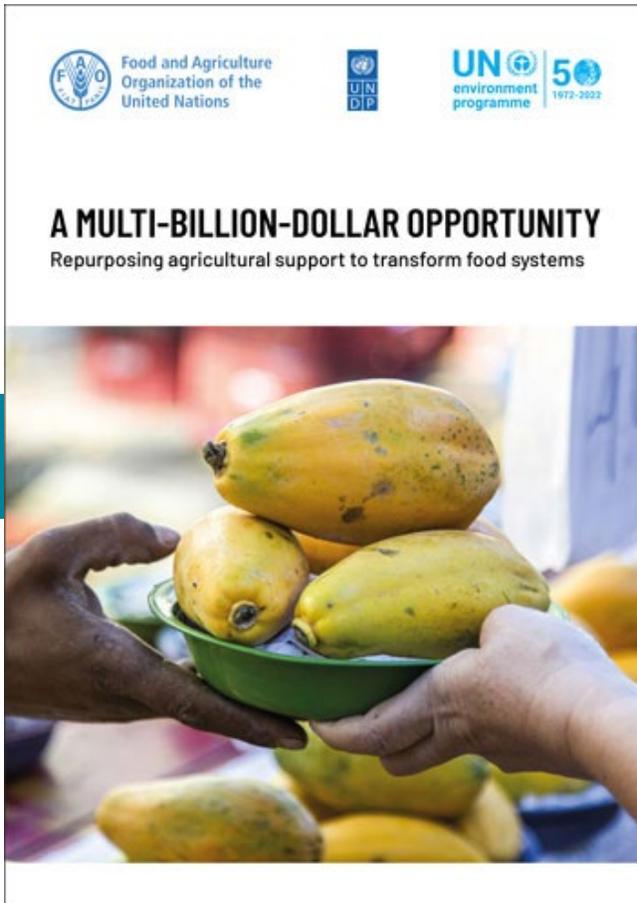


## Conclusions

- **Shift** from distorting/harmful support to support designed to boost productivity, reduce negative environmental impacts and achieve better health/equity outcomes.
- **Scale-up** investment in public goods and services for agriculture.
- **Mitigate** to address any short-term negative implications.
- **Repurpose** to support recovery from COVID-19.
- **Involve** all food systems actors with transparency and gender-sensitivity.
- **A momentous opportunity**, but not without strong backing of governments and leveraging urgent action at upcoming international forums.

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THANK YOU