

IPC Alert

International
Food & Agricultural Trade
Policy Council



September 23, 2011

WHAT NEXT FOR FARM POLICY IN THE U.S. AND EU?

“With the U.S. preparing for a new farm bill and the EU embarking on further reform to its Common Agricultural Policy, it is an opportune time to examine the objectives of U.S. and EU farm policies. We must be honest about whether policies truly meet their objectives, in particular in times of tight budgets,” notes IPC member Stefan Tangermann, former OECD Director for Trade and Agriculture.

IPC’s latest Policy Focus “What Next for Farm Policy in the U.S. and EU” cites OECD figures indicating that government transfers amount to ca.24% and 10% of the gross revenue from farming in the EU and U.S. respectively. The paper argues that recent record farm incomes throw further doubt on the need for **support of farm incomes**, which has been the traditional justification for the existence of government farm programs, arguing instead for **a better targeted approach to risk management** and **a renewed focus on research and development** to help farmers meet growing global demand and maintain their competitiveness.

Food Security is increasingly cited as an objective for farm programs. “It is really difficult to imagine either the U.S. or the EU running the risk of having insufficient supplies to meet the physical needs of their populations,” states co-author and IPC member Tim Josling, “and while both will be contributing to global food supplies, funds spent on supporting productive capacity in the U.S. and EU would be better spent assisting poorer countries with investments in their agricultural and food system infrastructure.”

Protection of the environment is another objective of farm programs. Whereas public goods provision may be a plausible reason for EU farm programs, these must be more carefully targeted and in some cases provided at the member state level. The authors also call for public goods provisions and rural development programs in the U.S. to be more targeted and less costly, since budgetary stringency will likely lead to less funding for incentive-based environmental programs, which have formed the cornerstone of U.S. policy in this area.

This policy brief draws from the September 2011 IPC Discussion Paper “Farm Policy in the U.S. and the EU: The Status of Reform and the Choices Ahead,” by David Blandford, Tim Josling, and Jean-Chris-

tophe Bureau, now available on IPC's website at <http://www.agritrade.org/Publications/FarmPolicyintheUSandEU.html>

A first policy brief, "The Future of Direct Payments," was released on September 7 and is also available at <http://www.agritrade.org/Publications/FarmPolicyintheUSandEU.html>.

Two further policy briefs on "Biofuel Policies in the U.S. and EU," and "Research and Development: The Future of Agriculture," will be released in late September and early October.

Funding for this set of papers was provided by the RISE Foundation (www.risefoundation.eu), and additional support was provided from the FarmFoundation (www.farmfoundation.org) under its Small Grants Program.

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About IPC

The International Food & Agricultural Trade Policy Council promotes the role of trade in creating a more open, equitable, productive and sustainable global food & agricultural system. IPC makes pragmatic trade policy recommendations to help solve the major challenges facing the global food & agricultural system in the 21st century—the need to promote global food security, to sustainably increase productivity, and to contribute to economic growth and development.

IPC convenes influential policymakers, agribusiness executives, farm and civil society leaders, and academics from around the world in order to clarify complex issues, foster broad stakeholder participation in policy deliberations, and build consensus around pragmatic policy recommendations. More information about the organization and its membership can be found on our website: www.agritrade.org.