

# SUMMARY

Government intervention in the agri-food sector varies significantly from country to country. At the farm level, for example, the rate of government assistance (assistance as a share of market value of production) is 28% in the EU, 6% in Brazil, 10% in the US, and 19% in Canada (as reported by the OECD for the 2006 to 2008 period). Australia's has fallen from a 10% level 20 years ago to 4.1%, driven down by the country's focus on competition, the level of government resources, and the elimination of economic distortions from government intervention. Noticeable trends also emerge in the level and form of assistance. When expressed as a percentage of output value, the level of support has declined in general, with a larger share of support decoupled from, or not directly linked to, output. This transformation is in large part a response to WTO rules, which provide incentives for non-trade-distorting programming. As well, the portion of assistance provided by taxpayers has increased across the OECD, from 23% in the late 1980s to 53% today. This reflects in large part the effect of lower binding tariff levels, which is an outcome of WTO negotiations. As a result, government intervention in the sector is less trade-distorting than in the past, with the possible exception of the US situation.

In China and Brazil, the level of intervention is low compared with the OECD average. These countries have removed distortions and the net tax imposed on their agri-food sectors. China and Brazil have refocused their macro-economic policies and are emphasizing productivity improvements to increase supply and to be low-cost suppliers. Agricultural support has helped these countries integrate more fully into the world trading system, thereby improving their export earnings, their rural development, and their internal food security. Brazil currently has a low-cost supply-push export strategy.

Agri-food policies in some countries, including the Netherlands and Australia, focus on competitive positioning through R&D, innovation, and a consumer-pull strategy. The Australian Department of Agriculture states that its primary goal is to

facilitate the development of self-reliant, profitable, competitive, and sustainable farms and industries. Australia bases its policy on its comparative advantages, as well as developing competitive advantages through global supply chains and industry clusters. Its current national policy focuses on R&D expenditures and finding innovative approaches to reducing greenhouse gases, improved soil management, and adapting and adjusting to climate change.

As the fourth largest agri-food exporter (after the US, EU, and Brazil), Canada is more export-dependent. The export value of Canada's agri-food products was 93% of the value of farm production in 2008, while the export value of the top three exporters was well under 50% of the value of farm production. Exporters such as the US and Australia have stated that increasing exports is a priority, and Brazil has a low-cost supply-push strategy. Canada's export strategy should account for the priorities of these competitors.

In the EU and US, there is an ongoing debate over whether to accommodate societal concerns such as food safety, food quality, animal welfare, sustainability, environmental considerations, and concepts such as carbon footprints. Policy interventions in the areas of biofuels, adaptation to climate change (carbon taxes and green tariffs), and climate change mitigation (producer rebates for specific production practices) can have large impacts on the global agri-food sector. The pace of change may be slow due to political pressures and lobbying of vested interest groups to maintain the status quo. At the same time, interest groups can leverage these policy issues into new means to support farm incomes and promote rural development.

As Canada moves forward on developing policies for the agri-food sector, its sights should focus on countries such as Australia and the Netherlands. By contrast, Canada has little to learn from American-style interventions.