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Agricultural policies in Uruguay: specific support quantification in 2017-2020 and its link to greenhouse gas emissions

OPYPA-MGAP / BID

Felipe García (OPYPA), Maria Noel Ackermann (OPYPA), Ángela Cortelezzi (OPYPA), Natalia Barboza (OPYPA), Nicolás Costa (OPYPA), Natalia Román (OPYPA), Gonzalo Muñoz (BID), Carmine Paolo De Salvo (BID)

2023, 19 th April



Ministerio
**de Ganadería,
Agricultura y Pesca**

Oficina de
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Política Agropecuaria**



1. Objectives
2. Methodological notes
3. Results
 - a) Quantification
 - b) International comparison
 - c) Relationship with GHG emissions
4. Limitations and extensions



- **Objectives**

- ✓ Obtain indicators and information about the **evolution and composition of agricultural policy support** between 2017-2020.

- ✓ Systematization of **GHG emissions** of the main commodities of the agricultural sector and analysis of the **correspondence of the implemented policies**.

- **OECD methodology aims to answer 4 questions:**

- ✓ What is the level of policy support provided to the agricultural sector?
 - ✓ In which way? What is its composition?
 - ✓ How has it evolved?
 - ✓ How does it compare to other countries?

- **What is this information useful for?**

- ✓ Tool for diagnosis, management and impact of policies with a comprehensive address of level, evolution and composition of support.
- ✓ International comparisons.
- ✓ Targeting of support, dialogue with producers.
- ✓ Input for dialogue and negotiation with other countries on trade issues.

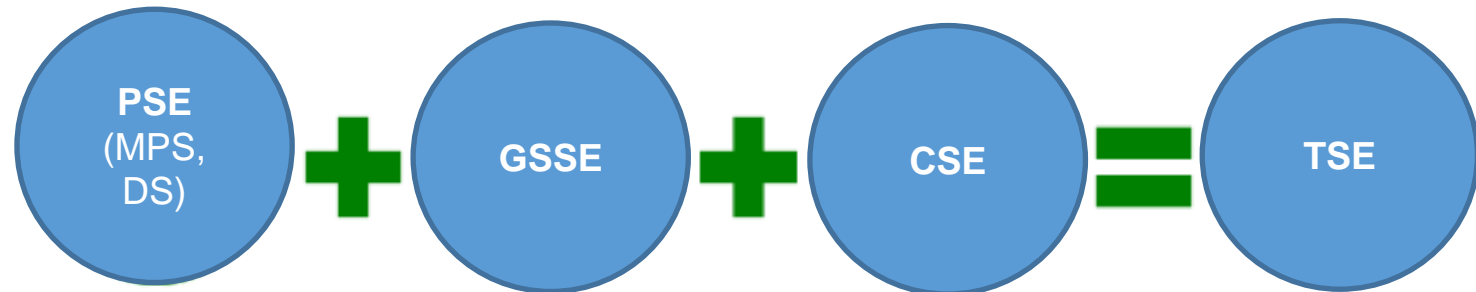


Agricultural Policies Monitoring System in Latin America and the Caribbean

<https://agrimonitor.iadb.org/home>

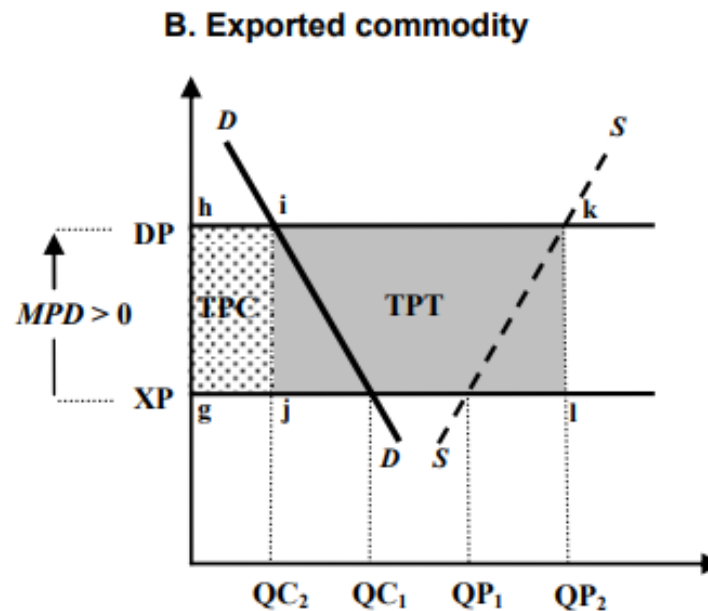
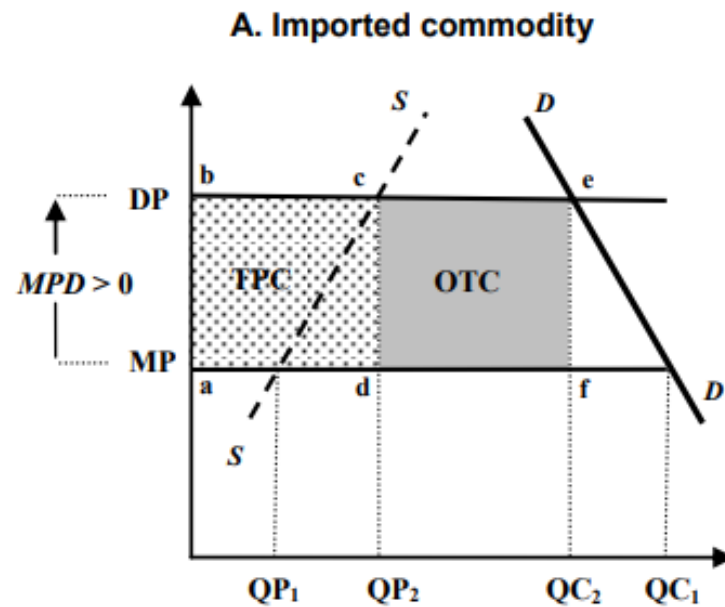
“Support” = gross transfers to agriculture from consumers and taxpayers, arising from governments’ policies that support agriculture.

Three groups are identified according to whether the policy measure provides transfers to producers individually (**PSE**) or collectively as general services to agriculture (**GSSE**), or whether it provides transfers to consumers individually (**CSE**).





Gross transfers to agricultural producers arising from policy measures that create a gap between domestic market prices and border prices of a specific agricultural commodity, measured at the farm gate level.



$$\text{EAP (Precios + Directos)} + \text{EASG} + \text{EAC} = \text{EAT}$$



Transfers to producers through programs or projects financed by the public budget.

- These are transfers that are targeted specifically at agricultural producers or treat them differently from other actors in the economy.
- It may be delivered in several ways: on the basis of the level of production of a specific commodity, based on input use (involves transfers that reduce expenditure or investment in variable inputs, gross fixed capital formation, on-farm services), payments based on area, number of animals, income or other.



Expenditures on public services provided to the agricultural sector collectively and are financed by the public budget.

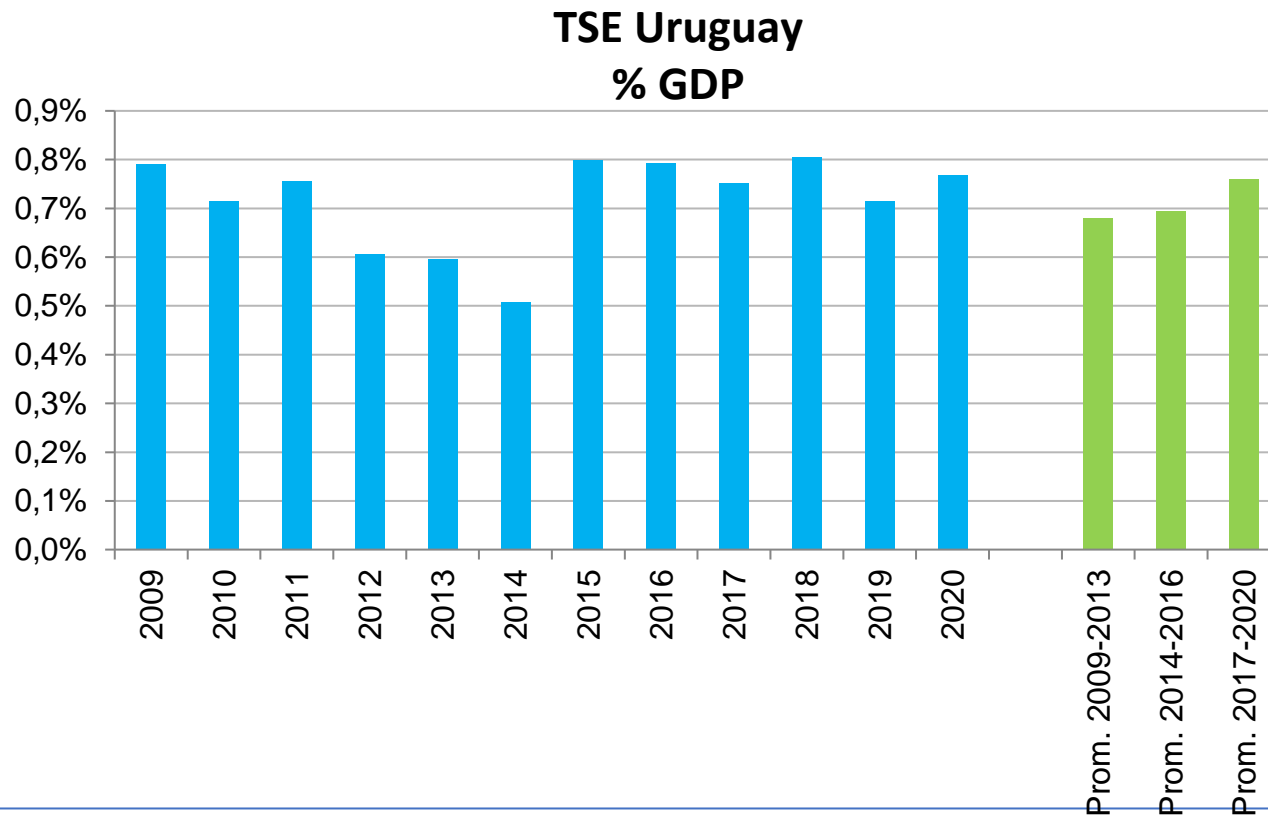
- GSSE categories :
 - Agricultural knowledge and innovation system
 - Agricultural knowledge generation
 - Agricultural knowledge transfer
 - Development and maintenance of rural infrastructure
 - Food inspection and control
 - Marketing and promotion
 - Cost of public stockholding:
 - Miscellaneous





| Total Support Estimate (TSE)

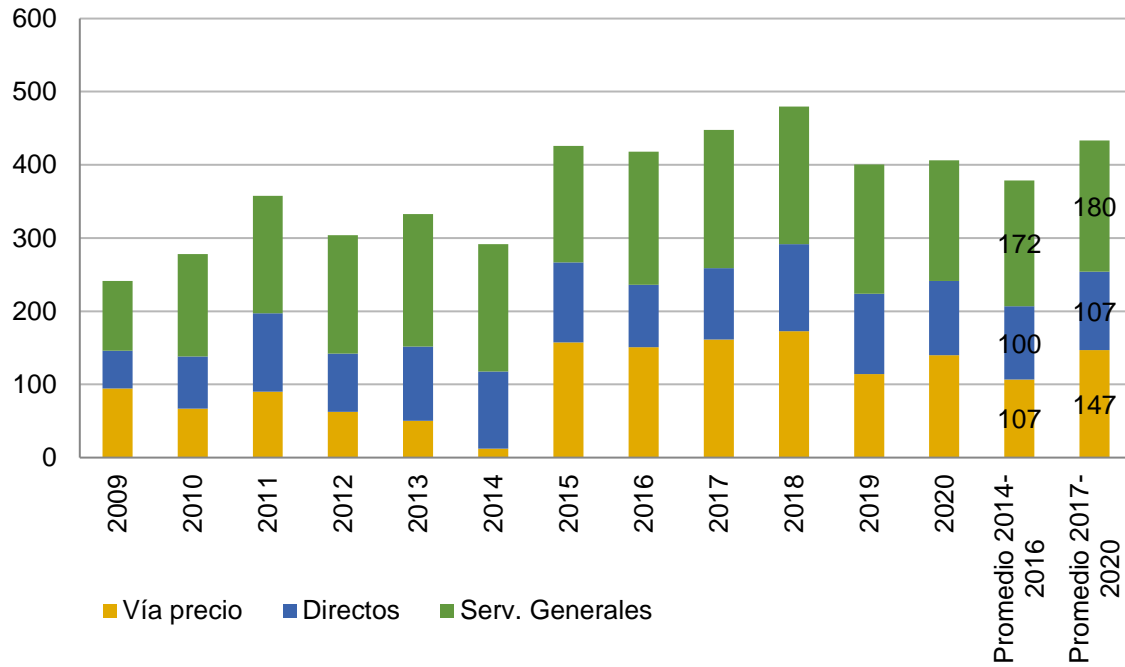
Total Support Estimate (TSE) in Uruguayan agricultural sector averaged US\$430 million per year between 2017 and 2020, equivalent to 0.76% of the economy's GDP.



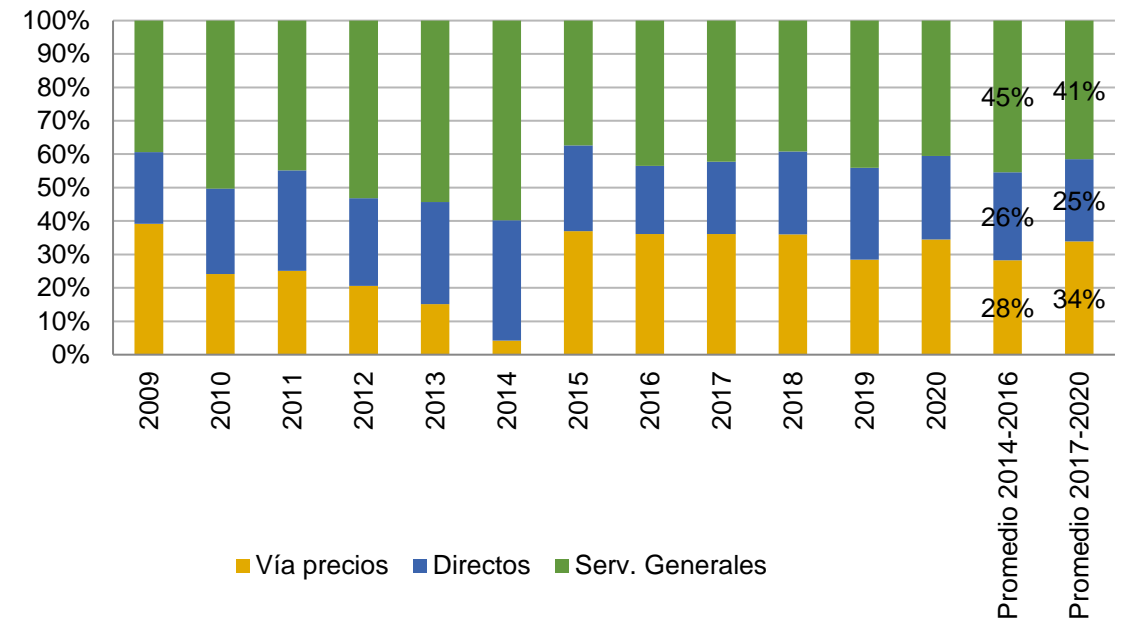


| Total Support Estimate (TSE)

TSE by component
USD Million



TSE by component
Participation (%TSE)

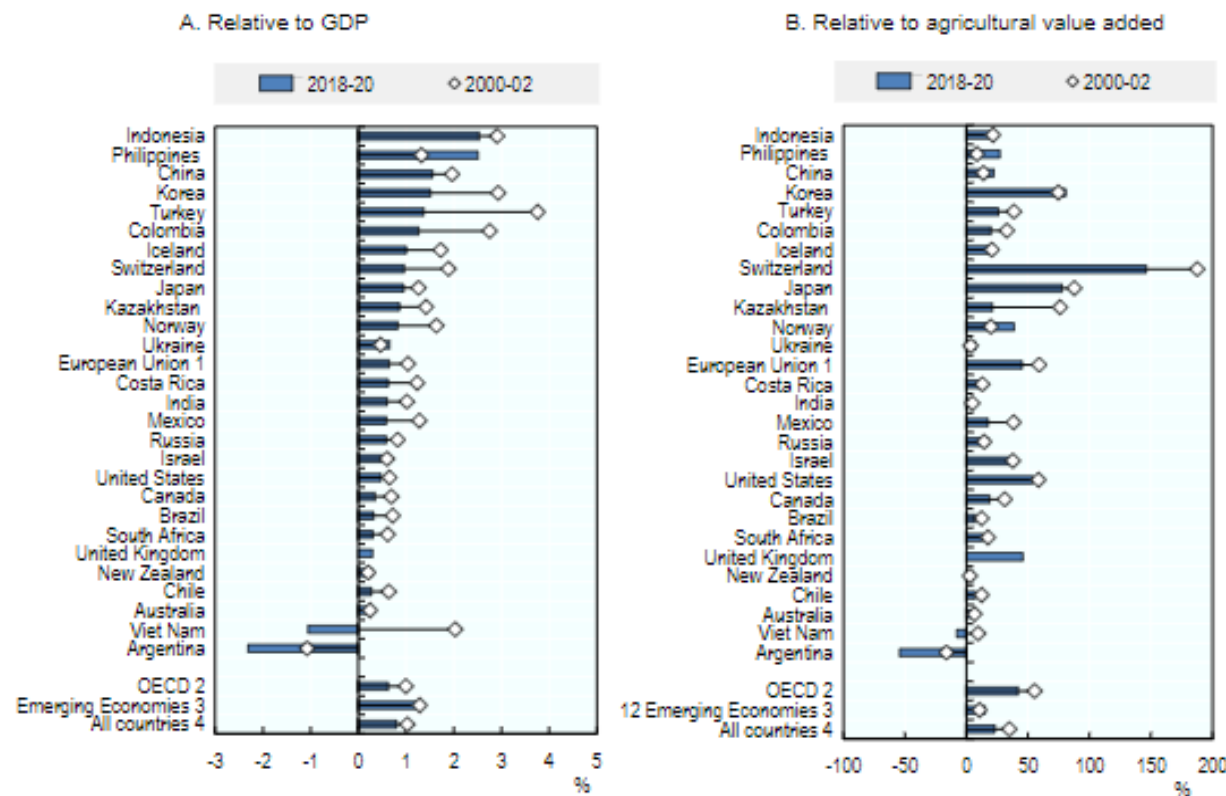


Vía precios Directos Serv. Generales



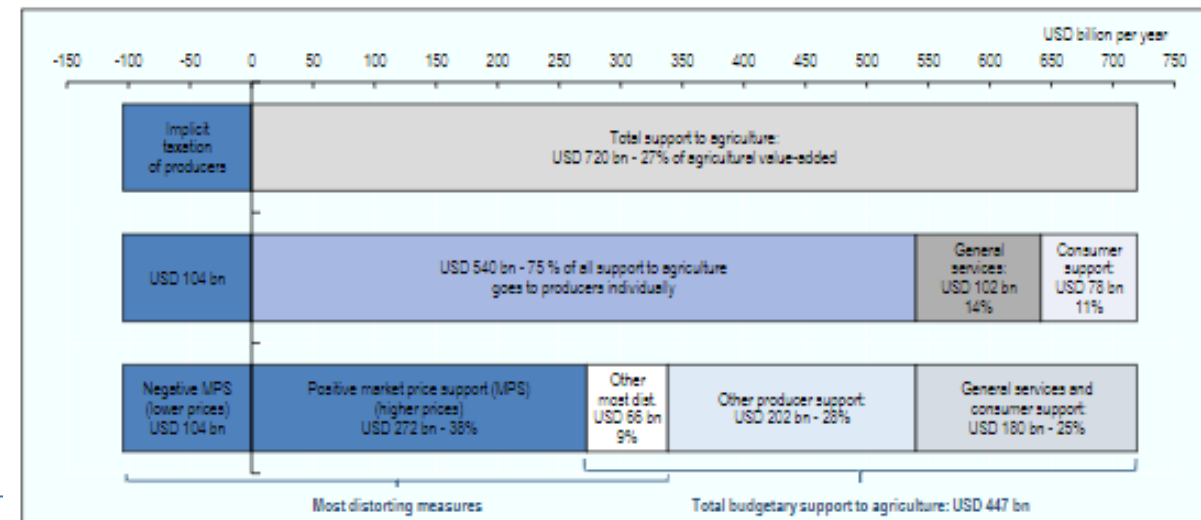
- ▶ At the international level, **agricultural support policies have been in decline since the mid-1990s**. However, **reforms in OECD countries have slowed in the last ten years**, with little change in the level or composition of support.
- ▶ **Support levels remain high in relation to their agricultural GDP, representing 42% in 2018-2020 with large variations among countries.**
 - This proportion varies from 146% in Switzerland, 81% in South Korea and 78% in Japan, to less than 10% in countries such as Australia, Chile and New Zealand. The European Union and the United States report total support in relation to agricultural GDP at 39%.

TSE 2018-2020 (OECD, 2021)



- ▶ At the international level, policies of transfers to individual producers dominate total support::
 - ✓ **Three-quarters of total supports** between 2018-2020 in the countries analyzed by OECD (2021) **were directed to individual producers (PSE)**, either in the form of higher prices or through direct payments.
 - ✓ **General services support (GSSE)** accounted for nearly **14%** of total support.
 - ✓ The remaining percentage (**11%**) is allocated to **support for consumers of agricultural products (CSE)**.
- ▶ Differences between countries: GSSE prevail in New Zealand, Australia and Chile, while in the USA their support structure is based on consumer support.

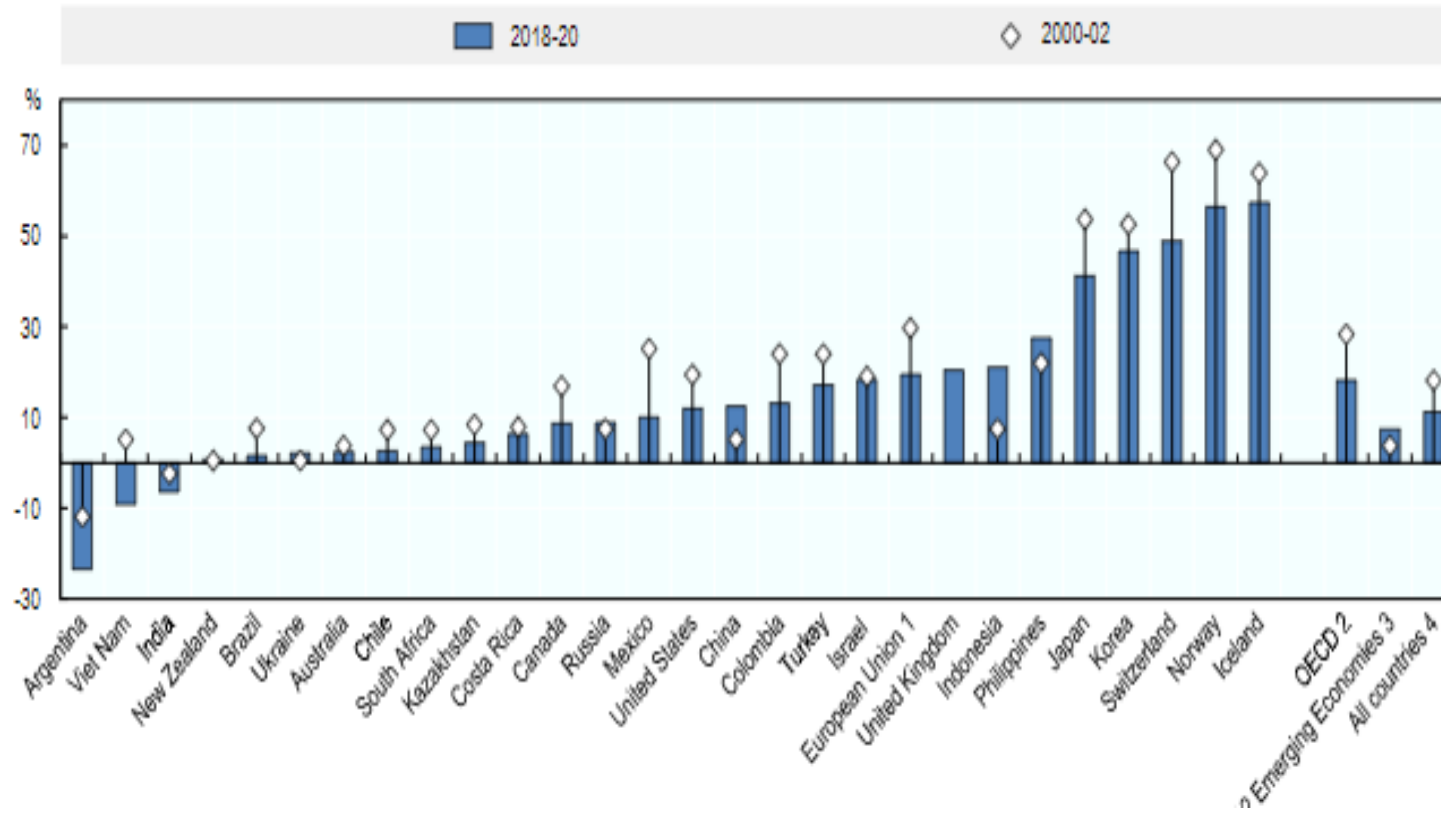
TSE 2018-2020 – all countries (OCDE, 2021)





EAP (OCDE, 2021)

% de ingresos brutos de los productores



OECD:

For every 100 monetary units of gross income received by producers, 18 came from transfers

URUGUAY:

For every 100 monetary units of gross income received by producers, less than 5 come from transfers on average in 2017-2020 (from the lowest levels internationally).

► **Objective:**

Analyze the alignment of incentives derived from support policies with Climate Change mitigation goals.

► **Main results:**

- The commodities with the highest amount of support have very low total and per unit of product emissions.
- The items with the highest amount of emissions are export items and do not have border policies that distort prices.
- Milk production shows an intermediate level of both emissions and specific support; however, there is no evidence of border policies that generate price differentials.

The results would allow us to affirm that **agricultural policies that generate differences between producer prices and the international reference are aimed at activities with less impact on climate change.**

In general, **support to the sector is consistent with international climate commitments** and the goals established by the country for climate change mitigation, especially considering that **many of the direct and general supports have a strong emphasis on climate promotion.**

The study can be complemented in the future with a more comprehensive view of the environmental dimension, so that the analysis goes beyond GHG emissions and visualizes the impact on other resources such as water, land and energy use.



| Limitations and extensions

- ✓ Is the support structure in line with the government's agricultural agenda?
- ✓ Is it useful for trade negotiations?
- ✓ Efficiency of public spending?
- ✓ What is the impact of this support at the production level? → **Competitiveness**
- ✓ Comparison with fiscal pressure in the agricultural sector?
- ✓ **Food security**

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