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

OPYPA-MGAP / BID

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



- **Objetives**

- ✓ 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.

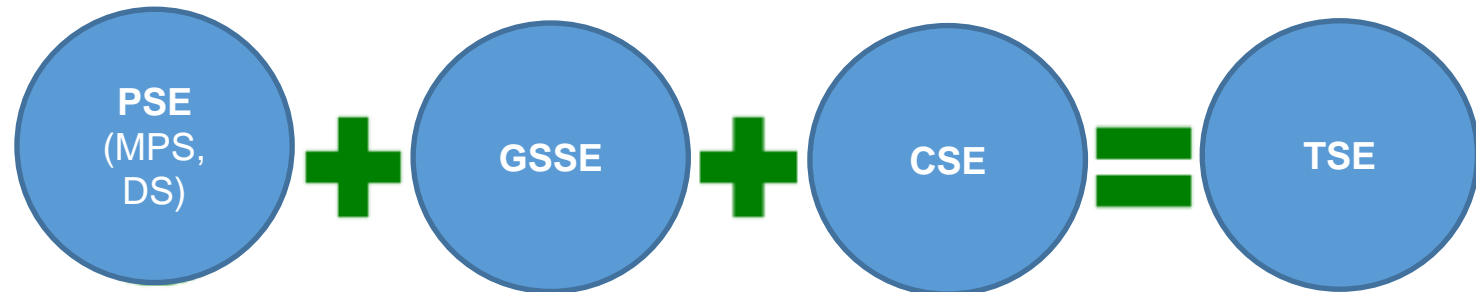


Agricultural Policies Monitoring System in Latin America and the Caribbean

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

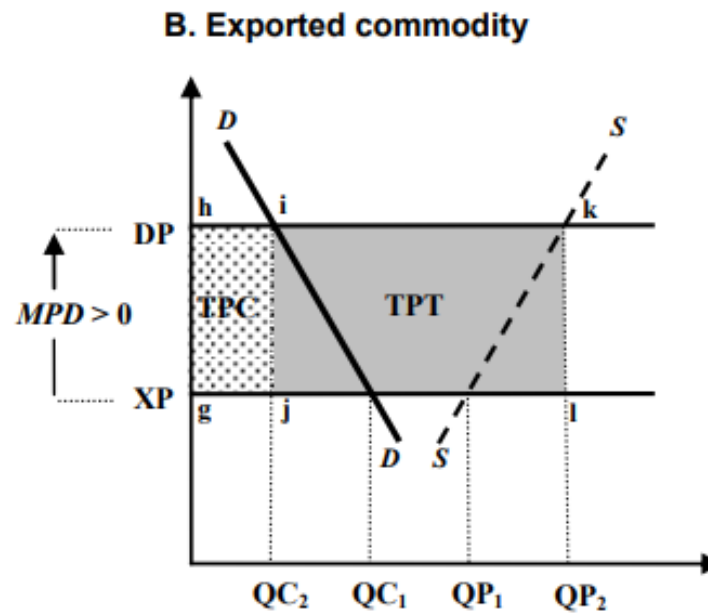
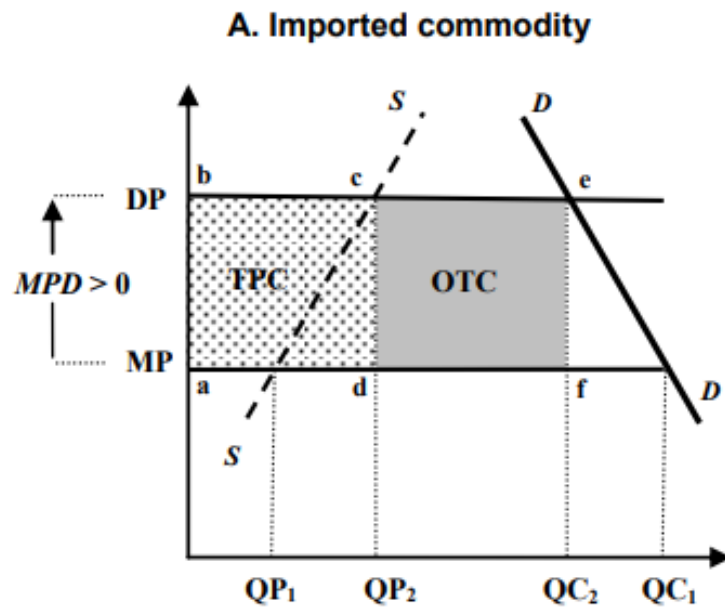
“Support” = gross transfers to agriculture from consumers and taxpayers, arising from governments’ policies that support agriculture.

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.



### 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.

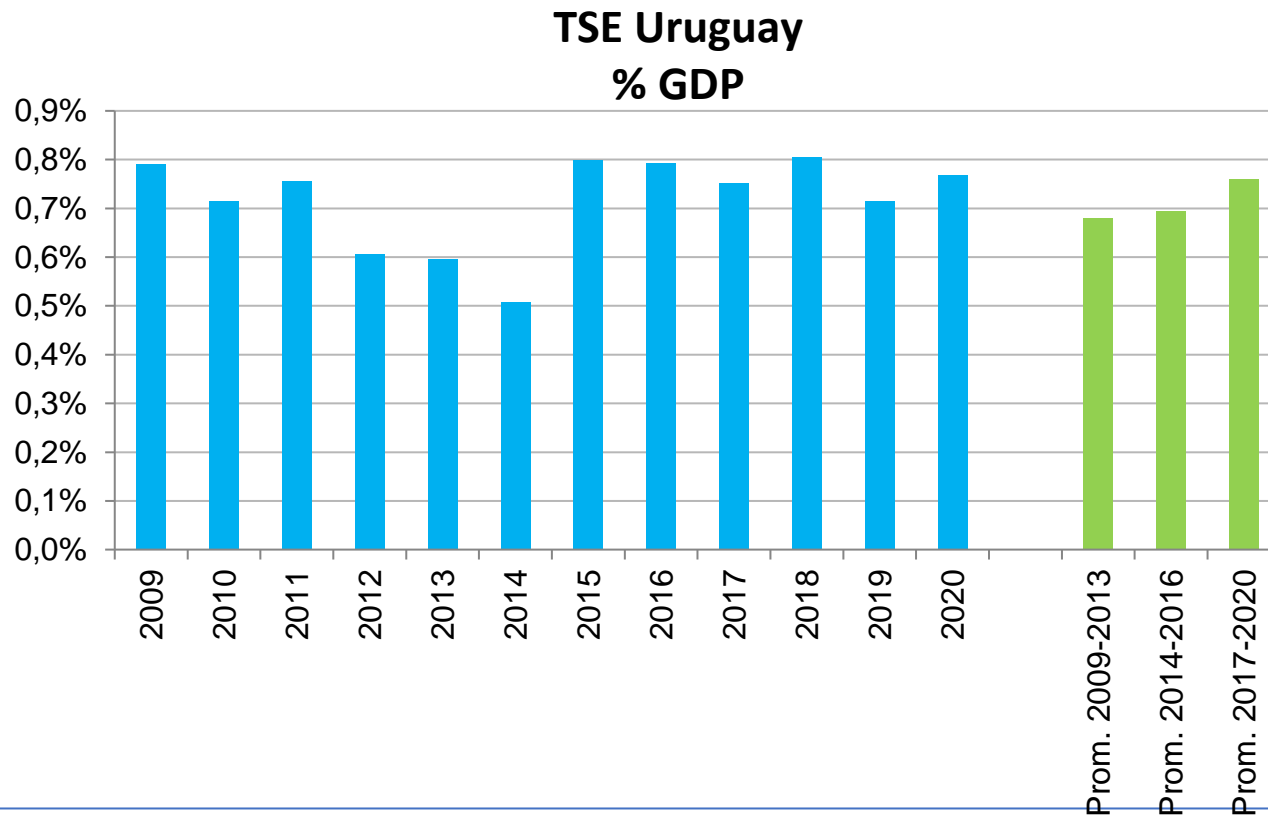
- GSSE categories :
  - Agricultural knowledge and innovation system
    - Agricultural knowledge generation
    - Agricultural knowledge transfer
  - Development and maintenance of rural infrastructure
  - Food inspection and control
  - Marketing and promotion
  - Cost of public stockholding:
  - Miscellaneous





## Total Support Estimate (TSE)

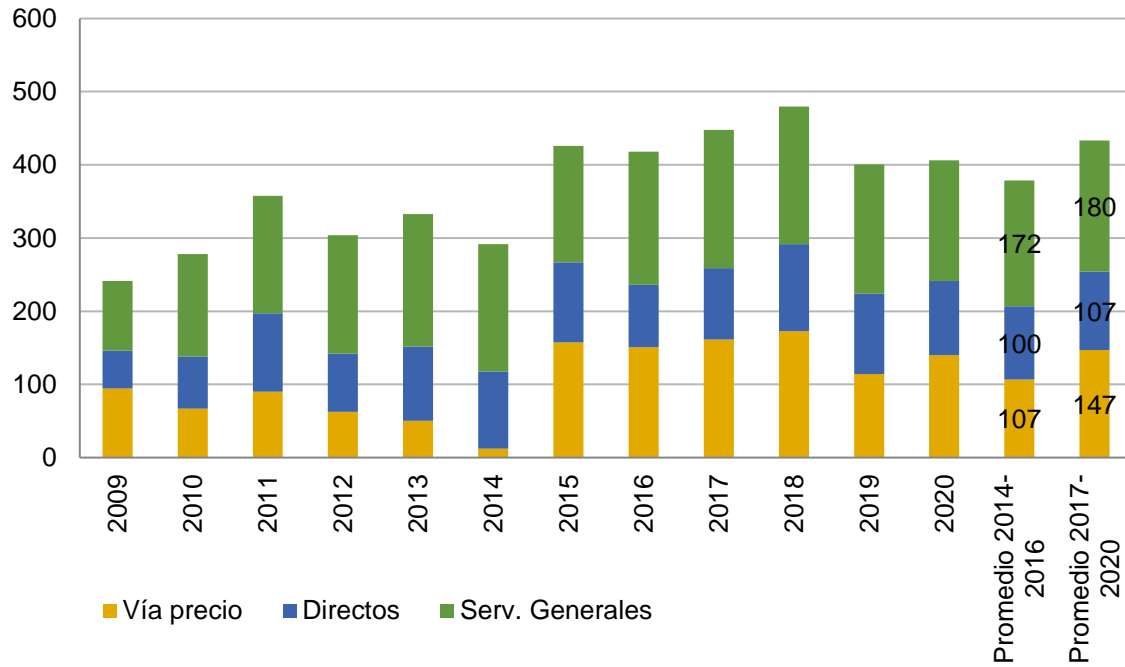
**Total Support Estimate (TSE) in Uruguayan agricultural sector averaged US\$430 million per year between 2017 and 2020, equivalent to 0.76% of the economy's GDP.**



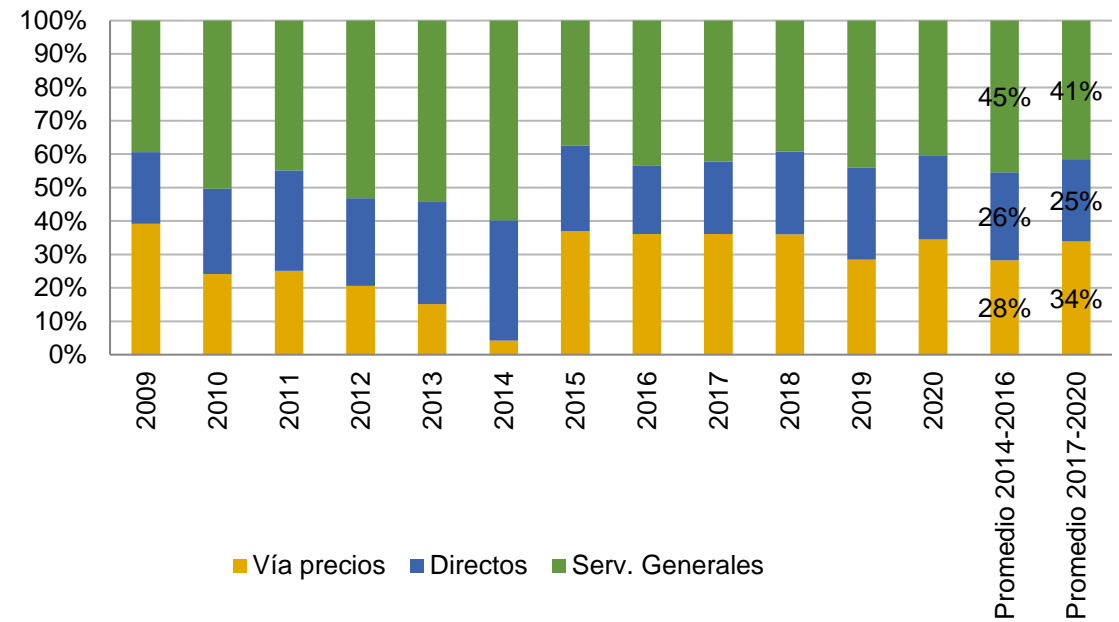


# Total Support Estimate (TSE)

TSE by component  
USD Million



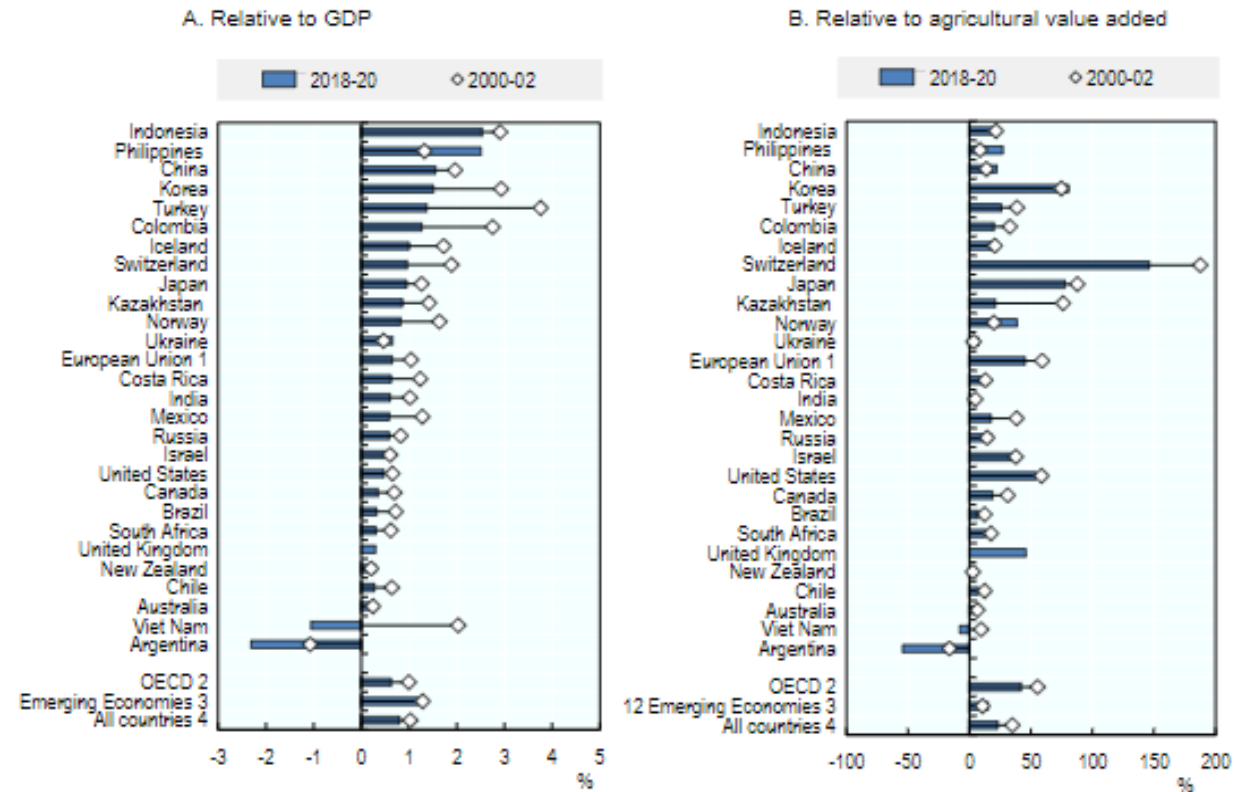
TSE by component  
Participation (%TSE)





- ▶ 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%.

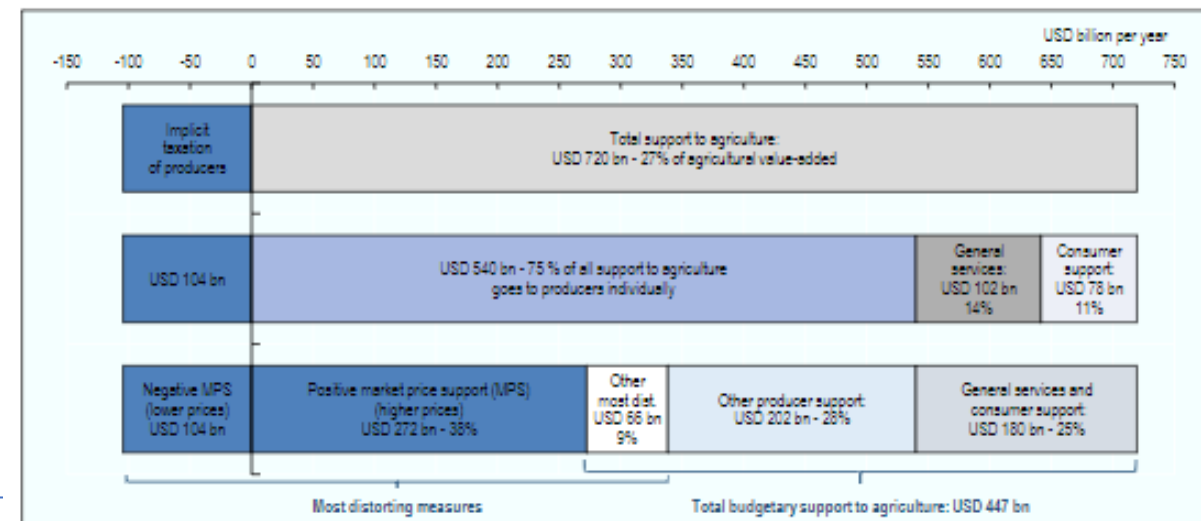
## TSE 2018-2020 (OECD, 2021)



- ▶ 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.

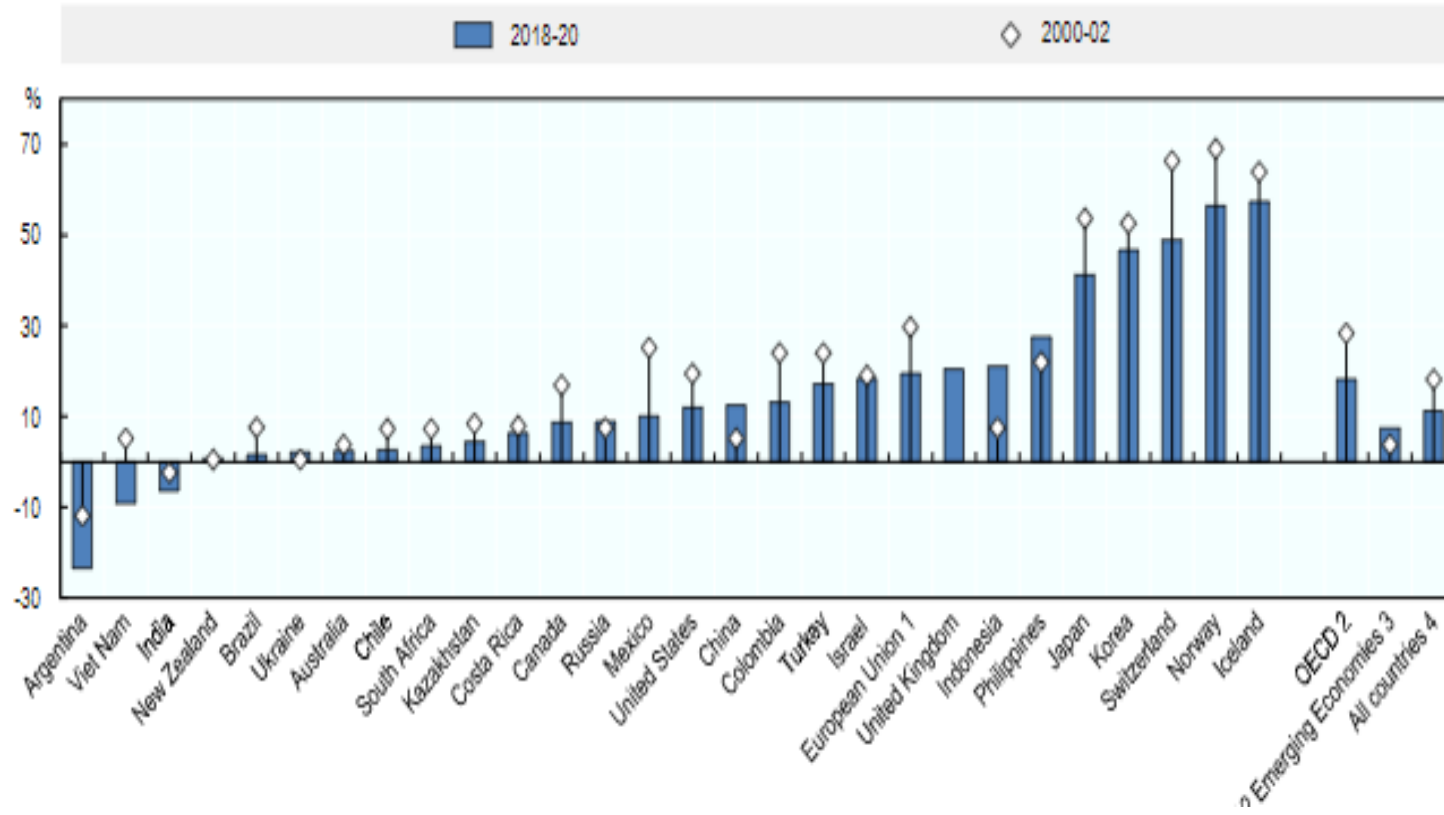
*TSE 2018-2020 – all countries (OCDE, 2021)*





## 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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