

Repurposing ag subsidies to transform food systems

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S V E R I G E S R I K S B A N K



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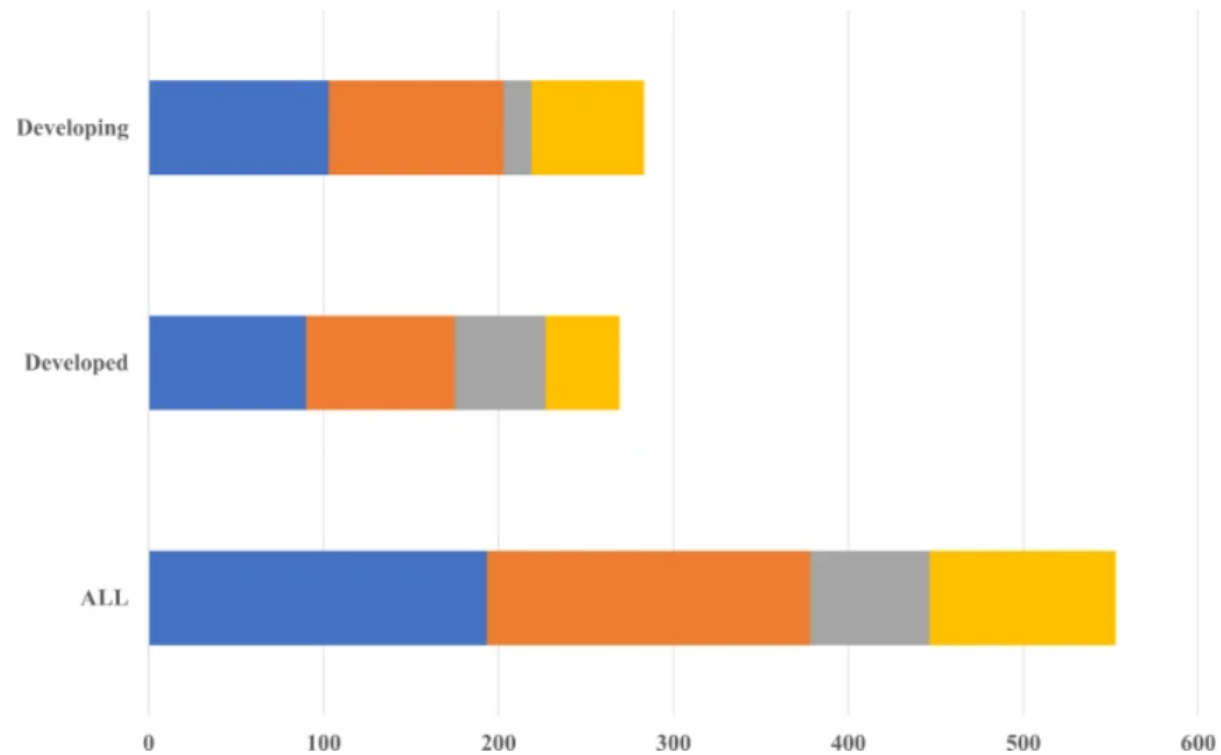
Sveriges Riksbank

Key facts

- Among countries accounting for 90 percent of global GDP, food and **agriculture subsidies amount to 0.3–0.7 percent of GDP** over the past decade and a half.
- Current support mostly consists of **price incentives**, such as import tariffs and export subsidies, **as well as fiscal subsidies which are tied to the production of a specific commodity or input.**
- UNEP-UNDP-FAO (2021) found that around **87% of the \$540 billion in total annual government support** given worldwide to agricultural producers includes measures that are **price distorting** and that can be **harmful to Nature and health.**
- The report called for **repurposing these incentives to achieve more of the 2030 SDGs** and realize the UN Decade of Ecosystem Restoration.

A mixed bag

Fig. 1: Agricultural producer support by main types of support, 2017–2019 (Values in billions of US\$ per year).

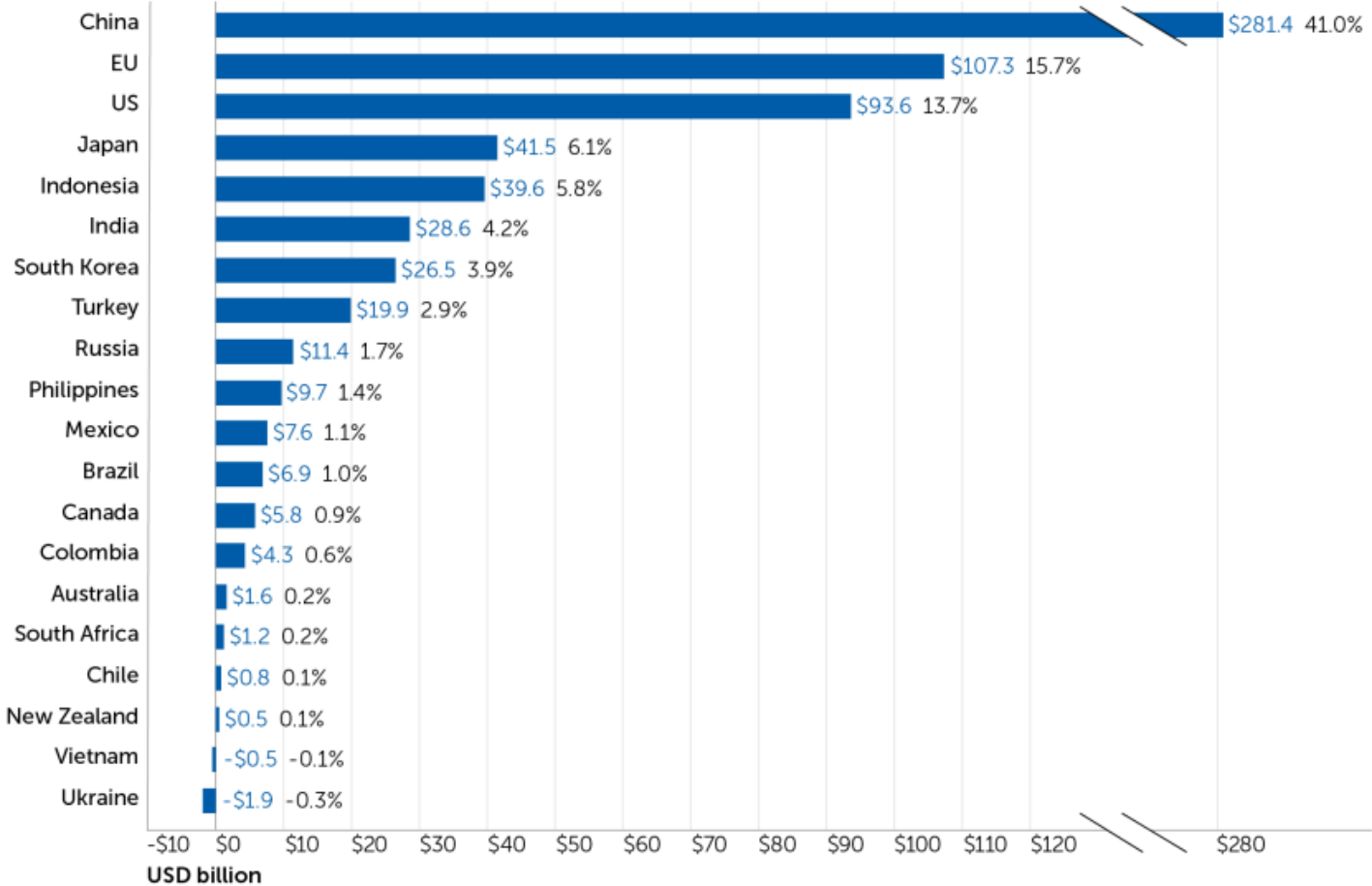


Source: Laborde, D., Mamun, A., Martin, W. *et al.* Agricultural subsidies and global greenhouse gas emissions. *Nat Commun* **12**, 2601 (2021).

China EU and US in the subsidy lead



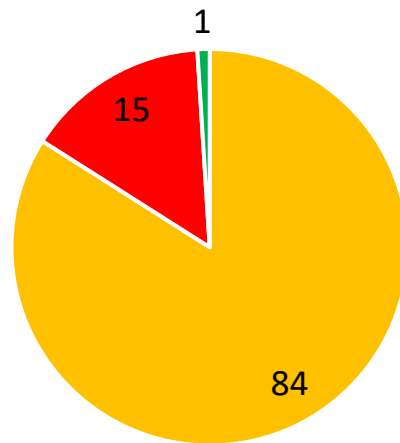
Figure 5: Total support estimate by country, 2015



Source: Chatham House, 2019

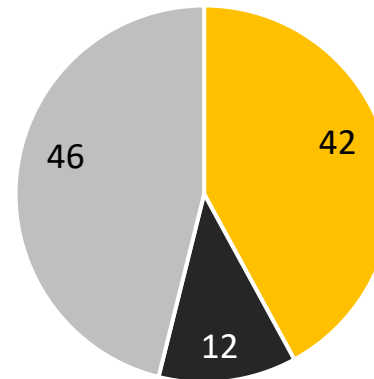
Price distortion

U.S. Ag. Subsidies (% of total)



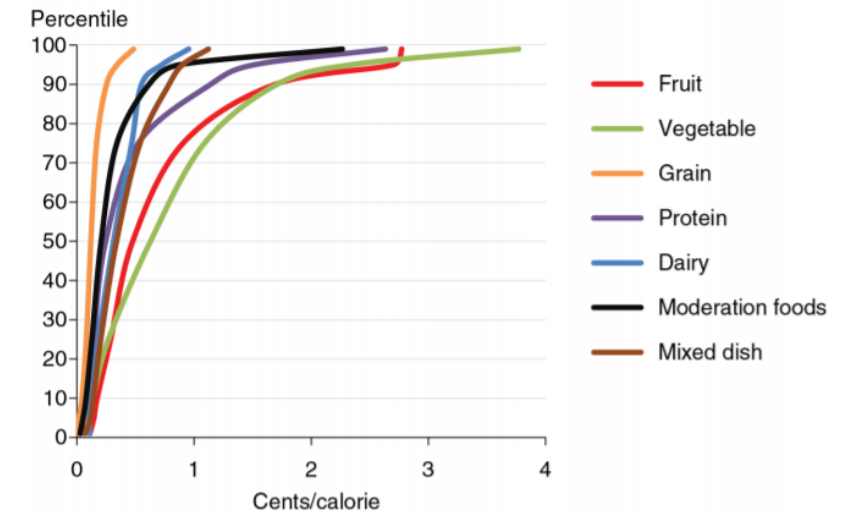
■ Grains ■ Meat/Dairy ■ Fruit/Vegs.

Use of grains
(% of total U.S. acreage planted)



■ Animal Feed ■ Ethanol ■ Rest

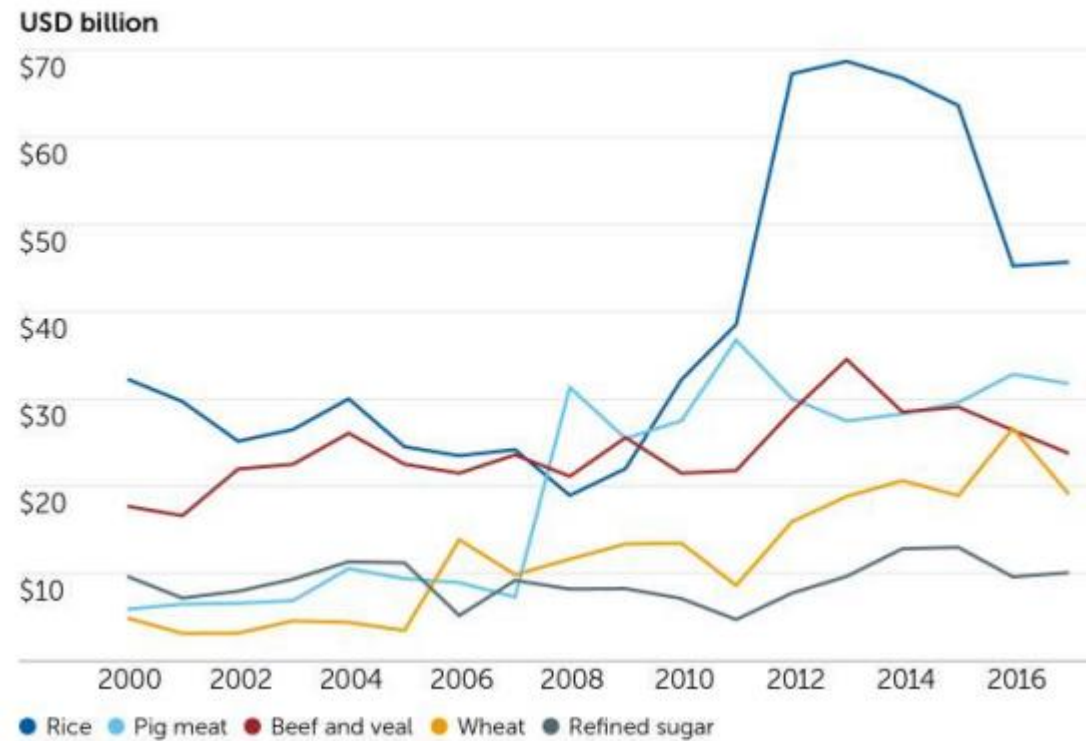
Figure 1a
Distribution of food energy prices



Source: EWG Farm Subsidy Database 1995-2020. USDA, 2021.

Concentration of support

Single commodity transfers by type of commodity

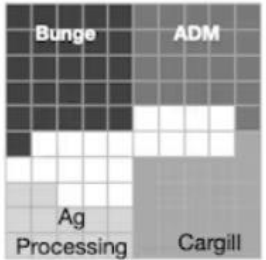


Source: Chatham House (2019)

Overproduction, global market concentration, shared monopolies and land grabs

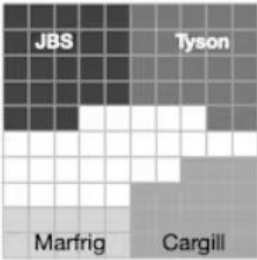
U.S. Market Concentration

Soybean processing



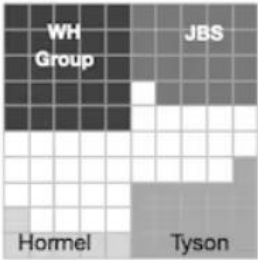
CR4: 80%

Beef processing



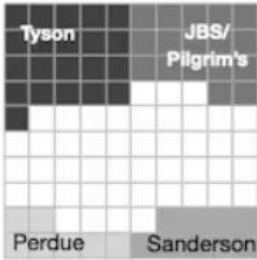
CR4: 73%

Pork processing



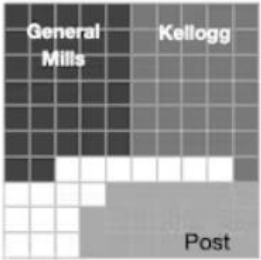
CR4: 67%

Chicken processing



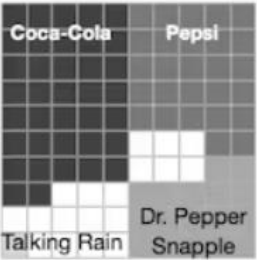
CR4: 54%

Cold cereal



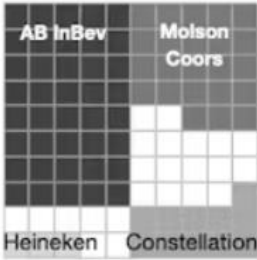
CR3: 83%

Soft drinks



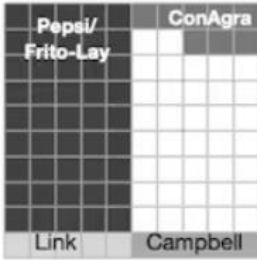
CR4: 82%

Beer



CR4: 77%

Salty snacks



CR4: 63%

Positive subsidies reform examples

- Zero Budget Natural Farming in the Indian state of Andhra Pradesh
- Single Payment Scheme, in the United Kingdom, that removed subsidies in agreement with the National Farmers Union (NFU)
- PRACAS in Senegal is a programme called incentivizes farmers to cultivate more diverse crops
- In the European Union, crop diversification has been incentivized through reform of the Common Agricultural Policy (CAP)

Conclusions

- The current food system is neither healthy, nor sustainable.
- Imbalanced diets, are responsible for the greatest mortality burden globally.
- When it comes to the environment, the food system is responsible for a third of all GHG emissions and over $\frac{3}{4}$ of all freshwater resources
- Current ag subsidies favor this state of affairs by fostering concentration, mechanization, Nature-negative farming practices and price fixing.
- It is possible and desirable to reform the structure and amount of subsidies to agriculture.
- Change must be holistic, transparent, multistakeholder, consider political economy.