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IMPORTANT NEW UNITED NATIONS REPORT CALLS FOR REDIRECTION OF PUBLIC FINANCE FOR AGRICULTURE*Report falls short in use of methodology, reliance on upcoming controversial Food Systems Summit*

MINNEAPOLIS— This week, three United Nations agencies released an important report examining public subsidies for agriculture in 88 countries around the world. According to the Institute for Agriculture and Trade Policy ([IATP](http://iatp.org)), the report is timely and important. Crucially, the report concludes that public finance for sustainable agriculture should be protected, but repurposed.

The report is clearly inspired by the U.N. Sustainable Development Goals (SDGs), and its ambition reflects an evolution in global food security strategies that has prioritized outcomes including women's empowerment, increased small-scale farm household income, biological diversity, climate mitigation and adaptation. The report explains that several relatively powerful governments spend billions of dollars on agricultural programs that undermine agricultural sustainability and the broader ambition of the SDGs. This message is critical, especially because the report's conclusion is not to end public investment but rather to redirect it to better effect.

Nonetheless, the report is disappointing in three important ways. First, the report authors rely on a methodology developed 40 years ago called the Producer Support Estimate (PSE) that is predicated on the idea that a subsidy is any cost differential between a perfect market and the actual cost of a given product in the national market. The numbers used in the report do not correlate to actual budgetary outlays, risking confusion for advocates who might hope that the billions of dollars cited in the report might be turned into billions of dollars of public investment in agroecological food systems.

"PSE blurs the difference between a supply managed milk sector, such as Canada's, and a direct payment to a milk producer based on litres of production or head of dairy cow. Supply management costs the state little money, limits waste and protects farmers from the concentrated market power," says IATP's Executive Director Sophia Murphy. "In contrast, direct payments can contribute to overproduction, depressed prices and a concentrated processing sector by artificially scaling up production beyond what an unsubsidized market would bear."

Second, underlying the assumptions of the PSE are assumptions about agricultural markets that ignore centuries of experience. Agricultural markets are prone to boom-and-bust cycles that require intervention to protect a stable food supply. By relying on the PSE, the role of tools such as public grain reserves and production quotas are dismissed without consideration of how second-best instruments might address agricultural market failures.

Third, the report summary mentions only one institution for concerted follow up at the multilateral level: The highly controversial one-day U.N. Food System Summit. There is no mention of the WTO, whose Agreement on Agriculture establishes the world's *only* binding rules on permitted domestic support for agriculture

"The summit is hardly a multilateral space with clear rules of engagement and decision-making. Instead, it is a jamboree by the promoters of multi-stakeholder-ism that leaves much to be desired when it comes to multilateral governance and transparency," says Shiney Varghese, senior policy expert and agroecology lead at IATP.

"IATP hopes the report can open a real public debate over how to invest in more agroecological, sustainable food systems. Investments must be accompanied by clear, enforceable regulations that address distortions created by the concentrated market power of agribusiness and that smooth the risks associated with food production and distribution systems to protect an affordable food supply for all. Unless agriculture is remunerative and the costs externalized by markets are also met, societies will not achieve a just and green transformation of food systems," says Murphy.

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Based in Minneapolis with offices in Washington, D.C., and Berlin, Germany, the Institute for Agriculture and Trade Policy works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems. To learn more, visit: www.iatp.org.