

IPC Alert

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US AND EU SHOULD NOT NEGLECT R&D

“The budgetary crunch the US and EU find themselves in is clearly very difficult,” IPC Vice Chairperson Carl Hausmann, who also serves as the Vice Chairperson of the CGIAR Consortium Board, acknowledges, “but one positive result would be if it leads policymakers to more effectively target limited funds. In the food and agricultural space, they are well advised to focus on investments in R&D, given the proven very positive return to society.”

IPC’s latest Policy Focus “**Keeping the Eye on the Ball: The Need to Prioritize US and EU Research and Development Funding for Agriculture**” by David Blandford, Jean-Christophe Bureau and Tim Josling laments the fact that public funds devoted to agricultural research are strikingly small compared to spending on US and EU farm income support. One of the most important global challenges is the need to produce more food from more environmentally friendly techniques, while at the same time halting deforestation and land degradation. This challenge of sustainable food production will not be met without significant investment in agricultural research and development

Although private investment in agricultural R&D has been increasing in OECD countries and will play a key role in the adaptation and application of new technologies in agriculture, it would be foolhardy to argue that increased private investment obviates the need for public sector investment. History shows that public investment in basic agricultural research plays a pivotal role in underpinning the generation of new technologies for the sector. A classic example was **the development of hybrid corn** – probably one of the most significant advances in U.S. agriculture in the twentieth century – which was pioneered by public sector research and subsequently developed by the private sector. The public role is likely to be even more relevant for innovation focusing on sustainability through input saving and environmentally-friendly production techniques.

The Policy Focus points out how **funding for agricultural R&D dwarfs in comparison to income support to agricultural producers** and argues that although farm groups are well aware of the potential contribution that research and development can make to competitiveness and to future profitability, the protection of resources for R&D tends to be assigned a lower priority than funding for commodity support, since the latter has a more immediate impact on a farmer’s bottom line.

In 2008 - the latest year for which data are available - **total US public expenditure on agricultural**

R&D (broadly defined) was estimated to be \$5.2 billion. This can be compared to support to agricultural producers, estimated at \$23.7 billion during the same year (as measured by the OECD Producer Support Estimate). The current trend in the US is for reduced research expenditures at both the federal and state levels.

Whereas funding for research at the EU level has been increasing, **total EU funding on agricultural R&D in 2008 was roughly €4.2 billion in comparison with the €43 billion provided as direct payments to EU farmers in 2008, or the €103 billion of total transfers to farmers** as measured as the OECD Producer Support Estimate. Although recently-tabled legislative proposals for the future CAP include increased funding for research and innovation, the EU's budgetary proposals for 2013-2020 show little sign of a major reorientation from farm income support and structural funds towards R&D.

Recent evidence of slackening growth in yields and the likely future impact of climate change reinforce the need for a more environmentally-friendly and more productive agriculture. This will require a high rate of innovation which will not materialize without action on R&D. EU and US policymakers should be encouraged to take a more pro-active approach to the funding of research and development in agriculture and the food system. Public investment in R&D plays an important supporting role for private investment in the sector and both yield high returns to society. The current priority given to supporting farmers' income rather than investing in the future of the sector seems to be extremely short-sighted given the growing challenges that agriculture faces.

About IPC

The International Food & Agricultural Trade Policy Council promotes the role of trade in creating a more open, equitable, productive and sustainable global food & agricultural system. IPC makes pragmatic trade policy recommendations to help solve the major challenges facing the global food & agricultural system in the 21st century—the need to promote global food security, to sustainably increase productivity, and to contribute to economic growth and development.

IPC convenes influential policymakers, agribusiness executives, farm and civil society leaders, and academics from around the world in order to clarify complex issues, foster broad stakeholder participation in policy deliberations, and build consensus around pragmatic policy recommendations. More information about the organization and its membership can be found on our website: www.agritrade.org.