

AGRICULTURAL POLICIES IN OECD COUNTRIES:

MONITORING AND EVALUATION 2005

HIGHLIGHTS

FOREWORD

These highlights contain extracts from the 17th annual report in a series examining agricultural policies in OECD countries. In alternate years this information is published in the shorter *OECD Agricultural Policies in OECD Countries: at a Glance*. These two publications respond to the request by OECD Ministers to annually monitor and evaluate the implementation of the principles for agricultural policy reform. The Secretariat uses a comprehensive system for measuring and classifying support to agriculture in order to provide insight into the increasingly complex nature of agricultural policy.

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Note to readers

The term *producers* refers to producers of primary agricultural products (generally farmers, growers and ranchers) and the term *consumers* refers to first consumers of these primary products — *e.g.* mills, dairies and slaughterhouses — and *not* to final consumers. Numbers relating to 2004 should be treated as provisional. All changes in prices and expenditure data are expressed in nominal terms unless stated otherwise.

On 1 May 2004, ten countries (Cyprus, the Czech Republic, Estonia, Hungary, Malta, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia) joined the European Union. Consequently, for 2004 and onwards, the estimates of support and derived indicators for the European Union are calculated for the EU25. For the four OECD members that joined the EU (the Czech Republic, Hungary, Poland and the Slovak Republic), 2003 is the final year for which separate country estimates of support are made. To help analyse the impact of an enlarged EU, estimates of support for the EU15 are made for 2004. It should be noted that the six new EU countries that are not members of the OECD are excluded from the calculation of the total OECD estimates of support and derived indicators.

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EXECUTIVE SUMMARY

There has been little change in the level of producer support since the late 1990s for the OECD as a whole. It has fallen from 37% of farm receipts in 1986-88 to 30% in 2002-04, but this level of support was first reached seven years ago in 1995-97. Annual fluctuations in the level of support mainly reflect policy measures limiting the transmission of international trade price developments to domestic markets. Policy reform has focussed on changing the way in which support is provided to producers, with a notable shift away from production-linked measures. While this shift may well continue over the coming years, production-linked measures still dominate producer support in most countries, encouraging output, distorting trade and contributing to lower world prices of agricultural commodities. In addition, some product sectors have remained relatively unaffected by reforms to date and there is a strong need to address this deficiency. Despite the move away from production-linked support, there is only a very modest move to policies targeted to clearly defined objectives and beneficiaries. Further efforts are needed to ensure that policies are more transparent in operation, tailored to specific outcomes and flexible in responding to changing priorities.

OECD agriculture continues to be characterised by high levels of support.

In 2004, the value of support to producers in the OECD as a whole is estimated at USD 279 billion or EUR 226 billion. As measured by the percentage PSE, support accounted for 30% of farm receipts, the same level as in 2003. Including support for general services to agriculture such as research, infrastructure, inspection, and marketing and promotion, total support to the agricultural sector was equivalent to 1.2% of OECD GDP in 2004.

Large differences in the level of support exist between countries.

Within the OECD, support to producers in 2002-04 was below 5% of farm receipts in Australia and New Zealand. It averaged around 20% in Canada, Mexico and the United States, and 25% in Turkey. At 34%, the level of support in the European Union (EU)¹ was above the OECD average of 30%. Support to producers in Japan and Korea averaged about 60% and around 70% in Iceland, Norway and Switzerland.

Progress in reducing the level of support remains uneven across countries.

Since 1986-88, the level of producer support has fallen in most countries, remained constant in Norway, but has risen in Turkey. The largest decrease in the level of producer support has occurred in Canada, with other notable decreases in Mexico (since 1991-93) and New Zealand. Among the high support countries, the greatest reduction has occurred in Switzerland. Total support to agriculture in the OECD has fallen from 2.3% to 1.2% of GDP between 1986-88 and 2002-04. This is a similar trend for all OECD countries except Turkey where the share of total agricultural support in GDP increased, reflecting among other things, GDP levels and growth.

1. From 2004 onwards, support estimates are calculated for the EU of 25 member states. The six non-OECD EU member states (Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia) are included in the estimates of support for the EU25 but not in the OECD total.

Greater efforts have been made in changing the way in which support is provided to producers.

The share of the most production and trade distorting forms of support – those linked to outputs or inputs – has declined from 91% of producer support in 1986-88 to 74% in 2002-04. A decrease in output-linked support is also shown by a reduction in the gap between producer and border prices. In 1986-88, the average producer price in the OECD as a whole was 60% higher than the border price; by 2002-04 the gap had reduced to 30%. The largest reductions in the gap have occurred in Switzerland, the EU and Norway, countries with a level of support above the OECD average. However, most of the reduction occurred before the late-1990s. Reductions in these forms of support have been accompanied by increases in payments based on area or animal numbers or on historical entitlements that have limited the impact on farm receipts, with some payments having compliance conditions.

Differences in support levels between commodities have declined but little reform has occurred in some sectors.

Between 1986-88 and 2002-04 differences in support levels between commodities have declined in all countries, with the smallest decreases in the EU, Japan and Korea and the largest in Canada and Switzerland. The greatest reductions in the level and improvements in the composition of support have occurred in the sheepmeat and grain (other than rice) sectors. Sugar, rice and milk remain the most highly supported commodities.

EU enlargement was a significant process for both the old and new member states.

On 1 May 2004, ten new member states joined the EU including four OECD countries, the Czech Republic, Hungary, Poland and the Slovak Republic. As a result of pre-accession treaties, trade flows between the EU25 countries had already increased and are expected to continue doing so after accession. Only in the grain sector are countries outside the EU25 significant import sources for the ten new members. For these new EU countries, the accession process resulted in a progressive increase in the level of support for both producers and general services to agriculture. While increasing, the level of producer support in the new member states remains lower than in the EU15. Consequently, the enlargement is estimated to have reduced the level of producer support in the EU by one percentage point.

Decisions were taken on how to implement the EU single payment schemes.

As part of the 2003 CAP reform, the majority of EU15 countries decided to begin implementing the single payment scheme in 2005, with the rest (Finland, France, Greece, the Netherlands and Spain) commencing in 2006. Germany, Ireland, Italy, Luxembourg and the United Kingdom chose to maximise, while France chose to minimise, the use of the decoupling provision of the single payment scheme. The majority will base the single payment on farm level historical entitlements, with Denmark, Finland, Germany, Luxembourg, Sweden and the United Kingdom using a mix of both farm level historical and regionalised payments. With the exception of Malta and Slovenia new member states implemented single area payment schemes (SAPS) in 2004, providing a flat rate (averaging EUR 48 per hectare across the eight) for all agricultural land, with all ten providing “top-up” payments. These contributed to increases in agricultural income in all new member states except Cyprus, Malta and Slovenia. After the transitional SAPS

phase, the new member states will implement the single payment scheme on the basis of the regional model.

Other notable developments in payment programmes occurred in 2004.

In the United States, lower cereal prices led to significant increases in support provided through the marketing loan and counter-cyclical payment programmes. The EU decided that commodity-linked payments for olive oil, hops, cotton and tobacco would be gradually incorporated into the single payment schemes from 2006 (2005 for hops). The Canadian Agricultural Income Stabilisation programme replaced several income support measures, and insurance programmes were expanded in France, Italy, Korea and Spain. A few countries reduced taxes or offered subsidies to compensate for higher fuel prices. Emergency payments in response to weather disasters were provided in many countries.

Production controls are gradually being lifted.

An important component of the Swiss AP 2004-07 programme is the gradual abolition of dairy quotas. The United States announced the abolition of tobacco quotas from 2005, replacing them with a ten-year quota buyout payment. Greater flexibility was introduced into the rice production adjustment system in Japan, with government purchases now determined by tender rather than by set prices. Norway has increased private trading possibilities for milk quotas.

Agri-environmental and food safety policies continue to be developed.

Australia, Canada, Mexico and the United States introduced measures to improve water allocation and/or use. Norway established a framework to better coordinate and target agri-environmental payments. Environmental cross-compliance conditions on support payments became mandatory in the EU and were introduced in Japan. Denmark and Norway increased taxes on agricultural pollutants. Several countries implemented traceability systems, including for GMOs, or restructured food regulations and administrations.

Trade agreements can be a catalyst for agricultural policy reform.

In 2004, almost all OECD countries were involved in either concluding or commencing implementation of bilateral or regional trade agreements. While these generally include an agricultural component, sensitive products are often exempt from liberalisation commitments. After stalling in September 2003, the Doha Development Agenda (DDA) round of trade negotiations was revived in 2004. Progress was made in establishing a framework for agriculture but many of the important details are still to be negotiated. While bilateral/regional agreements can trigger some policy adjustments, progress at the multilateral level is much needed to invigorate the process of agricultural policy reform.

The growing number of WTO agricultural panel disputes will influence the reform process.

Partly as a result of the delay in concluding the DDA, the number of agriculture-related WTO panel disputes is increasing. While both OECD and non-OECD countries have been the complainants, OECD countries have almost always been the respondents. Panels have covered a broad range of issues including domestic payments, export subsidies, market access arrangements, state trading enterprises, and phytosanitary requirements. The outcome of these panel decisions have important consequences for both domestic policy reform and for the multilateral commitments currently being negotiated.

EVALUATION OF SUPPORT POLICY DEVELOPMENTS

This chapter focuses on agricultural support in OECD countries, evaluating changes both in the short-term (2004 compared with 2003) and over the longer term (the 2002-04 average compared with the 1986-88 base period) (Box 1.1). It first discusses the *level of support* provided to producers at the OECD total level and how this varies between OECD countries. Changes in the *composition of support* are then considered. This is important because the effects of support on production, trade, income and the environment are related to the way in which it is provided to producers. The *spread in support levels* between commodities is then examined because this is also a potential source of distortion. Estimates are also provided on the level and composition of support to *general agricultural services* and the total value of support that results from agricultural policies. Finally, some conclusions are drawn about agricultural policy *reform progress* being made in OECD countries in terms of lowering the level of support, shifting its composition to less production-linked policy measures, and reducing differences in the level of support between commodities.

Box 1.1. How are support policy developments evaluated?

In 1987 Ministers stressed the need for a progressive reduction in agricultural support and a move towards those forms of support that are less production and trade distorting in order to let the agricultural sector respond more to market signals. Ministers also recognised that governments need flexibility in the choice of policy measures and in the pace of reform, taking into account the diverse situations in OECD countries, and the need to address a range of policy goals. In 1998 they agreed on a set of principles for agricultural policy reform and a set of operational criteria that should apply in designing and implementing policy measures .

The Producer Support Estimate (PSE) and derived indicators are the principal tools used to monitor and evaluate agricultural policy developments. It is important to distinguish between support provided to producers and its impact on individual production decisions, and support provided to general services for the agricultural sector as a whole. Policy measures within the PSE are classified in terms of how policies are implemented.

An explanation of the concepts, methodology, interpretation and guidelines for the calculation and use of the OECD support indicators in policy evaluation can be found in *Methodology for the Measurement of Support and Use in Policy Evaluation* [www.oecd.org/dataoecd/36/47/1937457.pdf] and in the OECD Policy Brief, *Agricultural Support: How is it Measured and What does it Mean?*, June 2004 [www.oecd.org/dataoecd/63/8/32035391.pdf].

It should be noted that for 2004 and onwards all the estimates of the value of support and derived indicators for the European Union are for the EU25. Separate estimates for the four OECD members who joined the Union in 2004 (the **Czech Republic, Hungary, Poland** and the **Slovak Republic**) are no longer made, finishing with 2003. In addition, the six new non-OECD EU member states (the four above plus Cyprus and Malta) are excluded in calculating the OECD support total.

The level of support to OECD producers remains high...

One indicator of the level of support provided to agricultural producers is to express the value of producer support (PSE), the monetary value of transfers from consumers and budgetary payments to producers, as a share of gross farm receipts (%PSE). The level of producer support in the OECD as a whole, as measured by the %PSE, is estimated at 30% in 2004, the same level as in 2003. In

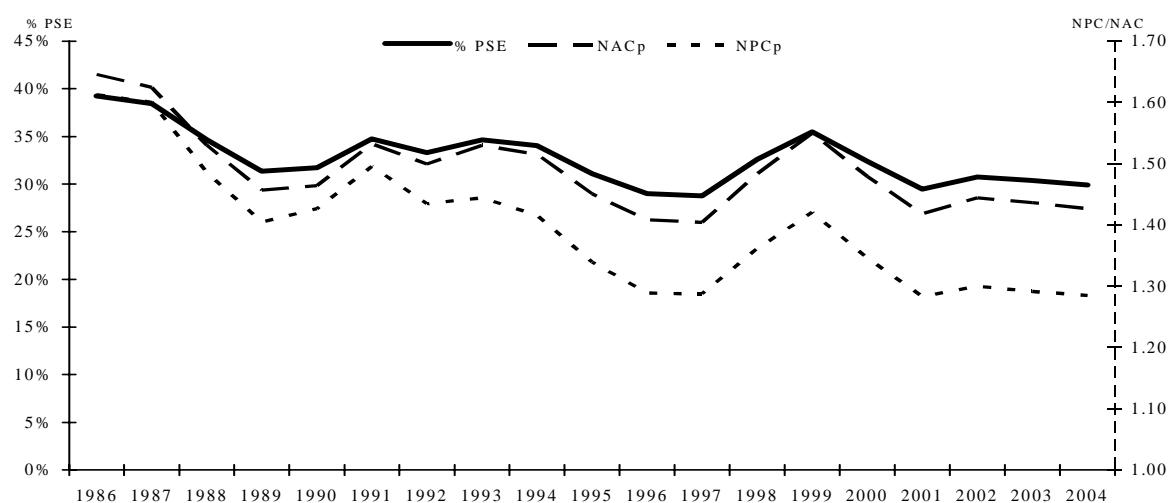
other words, close to one-third of current OECD gross farm receipts result from transfers associated with agricultural policies (Figure 1.1; Tables 1.1 and 1.2). The level of producer support has remained fairly constant since 2000, averaging 30% for the period 2002-04.

The level of producer support can also be measured by the producer Nominal Assistance Coefficient (NAC), which expresses the monetary value of transfers from consumers and taxpayers to producers (PSE) relative to current production valued at border prices. Like the %PSE, the producer NAC for the OECD as a whole has changed very little over the last three years, averaging 1.44 over 2002-04. In other words, current farm receipts are 44% higher than if valued at current world market prices without any support.

...and has changed little since the mid-1990s

As measured by the %PSE, the level of support to OECD producers as a whole has fallen from 37% in 1986-88 to 30% in 2002-04. Expressed in terms of the producer NAC, farm receipts in 1986-88 were on average 60% higher than they would be if entirely generated in world markets without any support. By 2002-04 this had fallen to 44%. This indicates some improvement in market orientation, with an increasing share of farm receipts being generated in markets rather than being provided by government intervention. However, since the early 1990s, the %PSE has varied on an annual basis within the 30-35% range. The current three year average of 30% was first achieved seven years ago, back in 1995-97.

Figure 1.1. Evolution of OECD Producer Support Estimate (%PSE), Nominal Protection Coefficient (NPCp) and Nominal Assistance Coefficient (NACp)



Source: OECD, PSE/CSE database, 2005.

Table 1.1. OECD: Estimates of support to agriculture
(USD million)

	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	596 509	740 239	652 674	745 549	822 493
<i>of which share of MPS commodities (%)</i>	72	68	68	68	70
Total value of consumption (at farm gate)	559 564	734 768	650 947	750 466	802 890
Producer Support Estimate (PSE)	242 867	254 244	226 451	256 752	279 527
Market price support	188 479	155 836	142 894	157 123	167 492
<i>of which MPS commodities</i>	135 955	106 598	96 882	106 361	116 553
Payments based on output	12 213	11 176	8 657	10 344	14 526
Payments based on area planted/animal numbers ¹	15 833	39 752	33 188	39 200	46 868
Payments based on historical entitlements	515	12 099	10 139	12 770	13 387
Payments based on input use	20 302	22 572	20 467	23 345	23 903
Payments based on input constraints	2 993	9 113	7 789	9 516	10 035
Payments based on overall farming income	2 250	3 667	3 013	4 253	3 734
Miscellaneous payments	281	29	304	201	-418
Percentage PSE	37	30	31	30	30
Producer NPC	1.57	1.29	1.30	1.29	1.28
Producer NAC	1.60	1.44	1.44	1.44	1.43
General Services Support Estimate (GSSE)	40 946	61 269	55 946	62 028	65 834
Research and development	4 004	6 732	6 105	6 755	7 337
Agricultural schools	764	1 742	1 553	1 727	1 946
Inspection services	1 094	2 357	2 107	2 406	2 559
Infrastructure	13 467	19 389	17 286	20 018	20 862
Marketing and promotion	12 793	25 121	22 948	25 397	27 017
Public stockholding	6 646	2 127	2 336	2 016	2 028
Miscellaneous	2 178	3 800	3 609	3 708	4 084
GSSE as a share of TSE (%)	13.4	17.7	18.0	17.8	17.4
Consumer Support Estimate (CSE)	-172 243	-148 181	-137 611	-154 191	-152 741
Transfers to producers from consumers	-188 357	-154 629	-141 450	-156 603	-165 832
Other transfers from consumers	-17 478	-26 009	-24 238	-30 357	-23 431
Transfers to consumers from taxpayers	21 697	30 317	27 733	30 641	32 577
Excess feed cost	11 895	2 139	344	2 127	3 945
Percentage CSE	-32	-21	-22	-21	-20
Consumer NPC	1.59	1.33	1.34	1.33	1.31
Consumer NAC	1.47	1.27	1.28	1.27	1.25
Total Support Estimate (TSE)	305 510	345 830	310 130	349 421	377 938
Transfers from consumers	205 835	180 637	165 688	186 959	189 264
Transfers from taxpayers	117 153	191 201	168 679	192 819	212 106
Budget revenues	-17 478	-26 009	-24 238	-30 357	-23 431
Percentage TSE (expressed as share of GDP) ²	2.33	1.17	1.17	1.18	1.16

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Notes:

MPS is net of producer levies and excess feed costs. MPS commodities: see notes to individual country tables in Part II.

1. This category provisionally includes the US counter-cyclical payments from 2002.

2. TSE as a share of GDP for 1986-88 for the OECD total excludes the Czech Republic, Hungary, Poland and the Slovak Republic as GDP data is not available for this period.

Source: OECD, PSE/CSE database 2005.

Table 1.2. OECD: Estimates of support to agriculture
(EUR million)

	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	540 270	672 161	692 530	659 933	664 020
<i>of which share of MPS commodities (%)</i>	72	68	68	68	70
Total value of consumption (at farm gate)	506 464	667 725	690 697	664 285	648 194
Producer Support Estimate (PSE)	220 776	231 072	240 279	227 268	225 670
Market price support	171 253	141 973	151 620	139 080	135 221
<i>of which MPS commodities</i>	123 600	97 013	102 798	94 146	94 096
Payments based on output	11 146	10 023	9 185	9 156	11 728
Payments based on area planted/animal numbers ¹	14 418	35 917	35 215	34 698	37 838
Payments based on historical entitlements	489	10 956	10 759	11 303	10 808
Payments based on input use	18 402	20 560	21 717	20 664	19 297
Payments based on input constraints	2 723	8 263	8 264	8 423	8 101
Payments based on overall farming income	2 077	3 325	3 197	3 764	3 015
Miscellaneous payments	268	54	323	178	-337
Percentage PSE	37	30	31	30	30
Producer NPC	1.57	1.29	1.30	1.29	1.28
Producer NAC	1.60	1.44	1.44	1.44	1.43
General Services Support Estimate (GSSE)	37 157	55 805	59 362	54 905	53 149
Research and development	3 624	6 127	6 477	5 979	5 924
Agricultural schools	692	1 583	1 648	1 529	1 571
Inspection services	992	2 144	2 236	2 130	2 066
Infrastructure	12 231	17 635	18 342	17 720	16 843
Marketing and promotion	11 617	22 881	24 350	22 481	21 812
Public stockholding	6 032	1 967	2 479	1 785	1 637
Miscellaneous	1 968	3 469	3 830	3 282	3 297
GSSE as a share of TSE (%)	13.4	17.9	18.0	17.8	17.4
Consumer Support Estimate (CSE)	-156 261	-135 270	-146 014	-136 485	-123 312
Transfers to producers from consumers	-171 090	-140 863	-150 088	-138 619	-133 881
Other transfers from consumers	-15 765	-23 835	-25 718	-26 871	-18 917
Transfers to consumers from taxpayers	19 716	27 616	29 426	27 123	26 300
Excess feed cost	10 879	1 811	365	1 882	3 185
Percentage CSE	-32	-21	-22	-21	-20
Consumer NPC	1.59	1.33	1.34	1.33	1.31
Consumer NAC	1.47	1.27	1.28	1.27	1.25
Total Support Estimate (TSE)	277 648	314 494	329 068	309 295	305 119
Transfers from consumers	186 856	164 698	175 806	165 490	152 798
Transfers from taxpayers	106 558	173 631	178 980	170 676	171 238
Budget revenues	-15 765	-23 835	-25 718	-26 871	-18 917
Percentage TSE (expressed as share of GDP) ²	2.33	1.17	1.17	1.18	1.16

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Notes: MPS is net of producer levies and excess feed costs. MPS commodities: see notes to individual country tables in Part II.

1. This category provisionally includes the US counter-cyclical payments from 2002.

2. TSE as a share of GDP for 1986-88 for the OECD total excludes the Czech Republic, Hungary, Poland and the Slovak Republic as GDP data is not available for this period.

Source: OECD, PSE/CSE database 2005.

Producer support decreased in 2004 in most countries...

In 2004, the level of support to producers, as measured by the %PSE, is estimated to have increased in **Korea, New Zealand** and the **United States** and remained constant in **Australia** (Table 1.3). In all other countries, the %PSE is estimated to have fallen, with slightly larger than average decreases in **Canada** and the high support countries of **Japan, Norway** and **Switzerland**.

Changes in the level of support (%PSE) are determined to a large extent by changes in the value of producer support (PSE). Analysing the factors contributing to changes in the value of support between 2003 and 2004 reveals some common and divergent experiences among OECD countries (Box 1.2). In 2004, the value of producer support increased by 31% in the **United States**, 14% in **New Zealand** and 11% in **Korea** (Table 1.4). It decreased in **Mexico, Canada** and **Australia** by 14, 12 and 10% respectively. In most countries, the significant component explaining the annual change in the value of support was market price support (MPS). In the United States, New Zealand and Korea, increases in MPS contributed to raising the value of producer support by more than 10%, whereas in Mexico MPS contributed to a fall in the PSE of more than 10%

Box 1.2. How are changes in the value of producer support explained?

Explaining how the value of producer support (PSE) has changed from one year to another is done through the "contribution analysis". It identifies the principal components of producer support, and estimates how changes in these contribute to the percentage change in the PSE (not to be confused with the %PSE which measures the value of producer support as a share of gross farm receipts). The analysis can be conducted for a given country or for the OECD as a whole, and can include one, several or all commodities. This box focuses on the calculation for all commodities in individual countries and the OECD as a whole.

Exchange rates play an important role in this analysis. For individual countries, the contribution analysis is based on data expressed in national currency. To aggregate the value of producer support to the OECD level (OECD PSE), a single country exchange rate must be chosen. However this introduces a systematic bias. To illustrate the point, the OECD PSE increased by 6% when measured in USD but fell by less than 1% in Euros between 2003 and 2004.

To mitigate this bias, the contribution analysis calculates the percentage change in the OECD PSE as an index of individual country changes (in national currency) weighted by the value of producer support in the previous year. An important consequence of this weighting scheme is that countries (and commodities) are weighted according to their contribution to the OECD PSE rather than by their contribution to the total value of production. It also means that the result is not equivalent to the percentage change in the OECD PSE measured in any common currency.

The elements of the PSE follow from the definition of producer support:

$$(1) \text{ Producer support estimate} = \text{market price support (MPS)} + \text{budgetary payments (BP)}$$

Results are shown in Table 1.4 where the percentage change in PSE (first column) is separated into the contributions from MPS (second column) and BP (third column). Using Australia as an example, the value of producer support decreased by 9.8% in 2004 relative to 2003. If BP are assumed to remain unchanged from 2003 levels, the actual change in MPS would have resulted in a slight increase of 0.4% in the value of producer support. Conversely, if MPS is fixed at 2003 levels, the change in BP would have contributed to a 10.2% decrease in the PSE.

The analysis further separates contributions within both BP and MPS. BP are separated into the various categories of payments (based on output, area or animal numbers, etc). In the Australian example, the contribution of BP to changes in the PSE is dominated by changes in the value of payments based on input use. Holding all other payments (and MPS) constant at 2003 levels, the change in these payments would have contributed to a 10.1% decrease in the PSE.

For MPS, the contribution analysis identifies the elements causing a change in the sum of MPS for the commodities for which it is directly calculated (Table 1.5). It excludes the aggregate "other" commodity as no representative prices are available for this category. Consequently, it does not correspond to the contribution of the total value of MPS to change in the PSE shown in Table 1.4. The elements of MPS follow from the definitions:

(2) $MPS = \text{quantity} \times \text{unit MPS}$

(3) $\text{Unit MPS} = \text{producer price} + \text{excess feed cost} - \text{border price (national currency)}$

(4) $\text{Border price} = \text{exchange rate} \times \text{world price (in US dollars)}$

The percentage change in MPS (first column) is separated into the independent contributions from quantity (column 2) and unit MPS (column 3). The unit MPS is further broken out into contributions from producer prices, excess feed cost, and the border price (in national currency). Lastly, the border price is split into the contribution of exchange rate and the world price (in USD).

The world price in the final column of the analysis is defined in USD. This assumption is reasonable for countries a high share of international transactions is denominated in USD. For other countries, another currency, such as the Euro, would be more representative. Nevertheless, “arbitrarily” choosing the USD facilitates cross-country comparisons.

The percentage change in MPS is very high for some countries. This is due to either a significant change in MPS or a very small level of MPS in the base year of comparison (2003). In the latter case the result is misleading. The percentage change in MPS for Australia of 201% is an example. This potential shortcoming also occurs in the analysis of the PSE, but is more likely to occur here because, for some countries, MPS is very small or close to zero.

Using Canada as an example MPS decreased by 13.4% in 2004 relative to 2003. The decrease is dominated by a reduction in unit MPS. If the quantity produced remained fixed at 2003 levels, the change in unit MPS would have resulted in a 14.1% decrease in MPS. The dominant elements contributing to the change in unit MPS are the producer price (7.8%) and the border price (-23%). A positive contribution from the producer price indicates that producer prices increased. A negative contribution from the border price indicates that border prices increased, thus narrowing the gap between domestic and border prices. Finally, the contribution of the border price can be separated into the contribution from changes in the exchange rate (29%) and the world price (-52%). The positive contribution of the exchange rate indicates that the Canadian dollar appreciated relative to the USD. The negative contribution of world prices to change in market price support indicates that world prices increased.

In all OECD countries, average world prices increased in USD, narrowing the gap between domestic and border prices, and reducing the level of market price support (Table 1.5). In 2004, policy measures were implemented in the context of stronger world market prices for all meats (with the exception of poultry), dairy products and rice. These more than offset lower prices for other cereals, poultry and eggs.²

Exchange rate movements, in particular a weaker USD and a stronger Euro, also exerted some influence. The USD weakened against the currencies of all OECD countries except **Mexico**, reversing to some extent (a greater extent in the case of **New Zealand**) the price gap narrowing effect caused by higher world prices. In Mexico, the depreciation of the Peso against the USD reduced the price gap even further. Only in **Norway** did average producer prices fall.

While changes in MPS are generally important, changes in budgetary payments contributed significantly to changes in the value of support in a few notable cases. In the **United States**, increases in budgetary payments contributed to an 18% increase in the value of support. This mainly resulted from increases in output payments (marketing loan programmes) and payments based on area (counter-cyclical payments), both increasing in response to lower cereal prices. In contrast, reductions in payments based on input use (a fall in the value of tax deductions for water conserving or conveying) contributed to a 10% decrease in the value of support in **Australia**.

2. Full details of commodity market developments can be found in *OECD Agricultural Outlook 2005*.

Table 1.3. OECD: Producer Support Estimate by country

		1986-88	2002-04	2002	2003	2004p
Australia	USD mn	1 321	1 068	1 058	1 063	1 085
	EUR mn	1 219	980	1 123	941	876
	Percentage PSE	8	4	5	4	4
	Producer NPC	1.05	1.00	1.00	1.00	1.00
	Producer NAC	1.09	1.05	1.06	1.04	1.04
Canada	USD mn	6 082	5 521	4 798	6 051	5 714
	EUR mn	5 548	5 020	5 091	5 357	4 613
	Percentage PSE	36	22	21	25	21
	Producer NPC	1.40	1.14	1.12	1.16	1.13
	Producer NAC	1.57	1.29	1.26	1.34	1.27
Czech Republic (1)	USD mn	1 350	1 003	967	1 165	n.c.
	EUR mn	1 097	1 012	1 026	1 031	n.c.
	Percentage PSE	31	26	25	29	n.c.
	Producer NPC	1.54	1.20	1.21	1.22	n.c.
	Producer NAC	1.49	1.35	1.33	1.40	n.c.
European Union (2)	USD mn	101 672	114 274	91 407	118 028	133 386
	EUR mn	92 308	103 050	96 989	104 474	107 686
	Percentage PSE	41	34	34	36	33
	Producer NPC	1.80	1.32	1.31	1.34	1.29
	Producer NAC	1.71	1.52	1.52	1.56	1.49
Hungary (1)	USD mn	880	1 573	1 871	1 685	n.c.
	EUR mn	716	1 592	1 986	1 492	n.c.
	Percentage PSE	16	28	33	28	n.c.
	Producer NPC	1.15	1.19	1.19	1.22	n.c.
	Producer NAC	1.20	1.39	1.49	1.39	n.c.
Iceland	USD mn	196	195	165	204	216
	EUR mn	177	177	175	180	175
	Percentage PSE	77	70	70	72	69
	Producer NPC	4.37	3.15	3.13	3.28	3.03
	Producer NAC	4.36	3.37	3.36	3.53	3.23
Japan	USD mn	48 976	46 924	44 162	47 874	48 737
	EUR mn	44 408	42 861	46 859	42 377	39 346
	Percentage PSE	61	58	58	59	56
	Producer NPC	2.47	2.27	2.29	2.33	2.20
	Producer NAC	2.58	2.37	2.39	2.43	2.28
Korea	USD mn	12 075	18 253	17 575	17 334	19 849
	EUR mn	10 840	16 672	18 648	15 344	16 025
	Percentage PSE	70	63	65	61	63
	Producer NPC	3.33	2.59	2.76	2.46	2.55
	Producer NAC	3.39	2.72	2.88	2.59	2.67
Mexico (3)	USD mn	8 255	7 024	8 961	6 661	5 452
	EUR mn	6 718	6 602	9 508	5 896	4 401
	Percentage PSE	28	21	26	19	17
	Producer NPC	1.35	1.17	1.27	1.14	1.09
	Producer NAC	1.39	1.26	1.35	1.24	1.20
New Zealand	USD mn	474	186	103	198	257
	EUR mn	451	164	109	176	208
	Percentage PSE	11	2	2	2	3
	Producer NPC	1.02	1.02	1.01	1.02	1.02
	Producer NAC	1.13	1.02	1.02	1.03	1.03

Table 1.3. OECD: Producer Support Estimate by country (cont'd)

		1986-88	2002-04	2002	2003	2004p
Norway	USD mn	2 812	2 902	2 755	2 995	2 955
	EUR mn	2 545	2 653	2 923	2 651	2 385
	Percentage PSE	71	71	74	72	68
	Producer NPC	4.29	2.80	3.27	2.73	2.41
	Producer NAC	3.45	3.52	3.88	3.54	3.12
Poland (1)	USD mn	1 433	2 065	2 681	1 224	n.c.
	EUR mn	1 180	2 161	2 844	1 084	n.c.
	Percentage PSE	11	14	19	8	n.c.
	Producer NPC	1.08	1.15	1.19	1.10	n.c.
	Producer NAC	1.13	1.17	1.23	1.09	n.c.
Slovak Republic (1)	USD mn	540	348	343	469	n.c.
	EUR mn	440	346	364	415	n.c.
	Percentage PSE	28	21	21	25	n.c.
	Producer NPC	1.17	1.13	1.14	1.20	n.c.
	Producer NAC	1.40	1.27	1.27	1.34	n.c.
Switzerland	USD mn	5 457	5 343	4 885	5 336	5 807
	EUR mn	4 925	4 865	5 184	4 723	4 688
	Percentage PSE	78	71	73	71	68
	Producer NPC	5.10	2.57	2.81	2.54	2.36
	Producer NAC	4.59	3.41	3.66	3.40	3.16
Turkey	USD mn	3 162	9 365	5 614	10 846	11 635
	EUR mn	2 868	8 317	5 957	9 601	9 393
	Percentage PSE	16	25	20	29	27
	Producer NPC	1.17	1.28	1.20	1.36	1.30
	Producer NAC	1.20	1.34	1.26	1.40	1.36
United States	USD mn	36 390	40 409	39 105	35 618	46 504
	EUR mn	33 295	36 855	41 493	31 527	37 544
	Percentage PSE	22	17	18	15	18
	Producer NPC	1.14	1.09	1.10	1.07	1.11
	Producer NAC	1.28	1.21	1.22	1.18	1.22
OECD (4)	USD mn	242 867	254 244	226 451	256 752	279 527
	EUR mn	220 776	231 072	240 279	227 268	225 670
	Percentage PSE	37	30	31	30	30
	Producer NPC	1.57	1.29	1.30	1.29	1.28
	Producer NAC	1.60	1.44	1.44	1.44	1.43

p: provisional. n.c.: not calculated. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Notes:

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004. The value of producer support (PSE) in the EU15 for 2004 is estimated to be EUR 100 236 million (USD 124 192 million).

3. For Mexico, 1986-88 is replaced by 1991-93.

4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database 2005.

Table 1.4. Contribution to change in Producer Support Estimate by country, 2003 to 2004

	Value of Producer Support (PSE) ¹	Contribution of:		Contribution of budgetary payments (BP) based on:						
		MPS	BP	Output	Area or Number	Historical Entitlement	Input Use	Input Constraint	Farm Income	Misc.
	% change	% change in PSE if all other variables are held constant								
Australia	-9.8	0.4	-10.2	0.0	0.0	0.0	-	0.0	-0.2	0.0
Canada	-12.5	-7.2	-5.3	-0.5	4.8	-7.7	0.5	0.1	0.0	-2.5
European Union ²	3.1	0.0	3.0	0.2	0.7	1.6	0.7	0.2	0.0	-0.3
Iceland	-2.1	-0.4	-1.7	-0.5	0.0	-0.9	-0.3	0.0	0.0	0.0
Japan	-4.9	-3.9	-1.0	-0.1	0.0	-0.1	-0.1	-0.6	0.0	0.0
Korea	10.9	11.8	-0.9	0.0	-0.3	0.0	0.2	0.0	-0.9	0.0
Mexico	-14.2	-15.1	0.8	0.5	-0.5	1.0	0.2	0.0	-0.3	0.0
New Zealand	14.0	10.2	3.9	0.0	0.0	0.0	2.2	0.0	1.6	0.0
Norway	-5.7	-5.0	-0.7	-0.8	0.3	-0.1	-0.3	0.1	0.1	0.0
Switzerland	0.9	0.4	0.5	-0.2	0.2	0.5	0.0	0.1	0.0	-0.1
Turkey	2.6	-0.1	2.7	1.0	0.0	1.3	0.4	0.0	0.0	0.0
United States	30.6	12.9	17.6	10.4	12.0	-3.4	0.0	-0.2	-1.3	0.0
OECD ³	0.9	-0.5	1.4	1.4	1.6	-0.6	-0.4	-0.1	-0.3	-0.2

Notes:

1. Percent changes in national currency.

2. EU15 for 2003 and EU25 for 2004.

3. Percent changes in national currency weighted by the value of PSE in the previous year *i.e.* not equivalent to the variation in OECD PSE in any common currency.

Table 1.5 Contribution to change in Market Price Support by country, 2003 to 2004

	Market Price Support (MPS) ¹	Contribution to change in MPS of:		Contribution to change in Unit MPS of:			Contribution to change in Border Price of:	
		Quantity	Unit MPS	Producer Price	Excess Feed Cost	Border Price	Exchange Rate	World Price (USD)
	% change	% change in MPS if all other variables are held constant						
Australia	200.8	7.8	193.0	1 540.7	0.0	-1 348.0	12 393.0	-13 741.0
Canada	-13.4	0.6	-14.1	7.8	1.2	-23.0	29.0	-52.1
European Union ²	1.7	15.3	-13.7	6.1	-2.3	-17.4	29.1	-46.5
Iceland	0.3	0.5	-0.2	9.2	0.0	-9.3	7.4	-16.7
Japan	1.3	6.2	-4.8	2.6	0.0	-7.5	5.0	-12.5
Korea	18.3	7.8	10.6	13.8	0.0	-3.2	2.3	-5.5
Mexico	-25.9	0.5	-26.5	66.2	1.8	-94.4	-30.1	-64.3
New Zealand	11.3	5.1	6.2	1.4	0.0	4.8	14.7	-9.9
Norway	-9.7	1.2	-10.9	-2.4	0.2	-8.7	3.4	-12.1
Switzerland	-1.4	2.0	-3.4	2.0	0.3	-5.7	5.8	-11.5
Turkey	0.2	3.0	-2.9	30.6	3.8	-37.3	13.8	-51.1
United States	43.5	-0.2	43.6	73.8	0.0	-30.2	0.0	-30.2

Notes:

1. Percent changes in national currency.

2. EU15 for 2003 and EU25 for 2004.

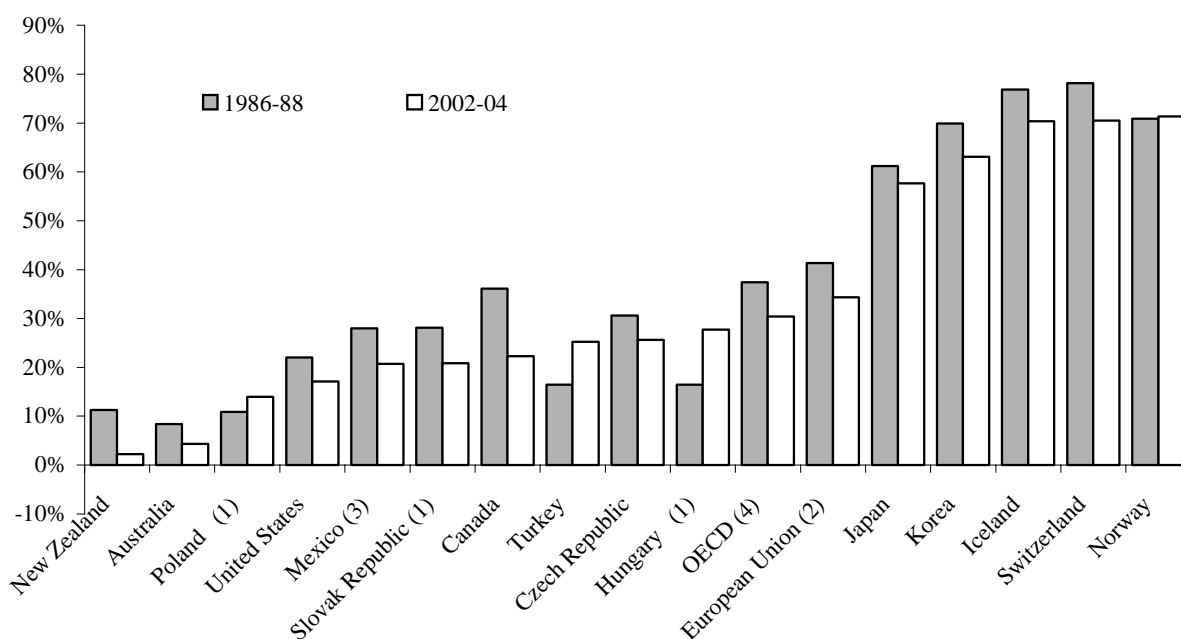
...but large difference between countries remain

There are large differences in the level of support among OECD countries, although the variation in support levels between countries has decreased. These difference reflect among other things, variations in policy objectives, the choice of policy instruments, and the pace and extent of policy reform.

The average %PSE for 2002-04 was below 5% in **Australia** and **New Zealand** (Figures 1.2 and 1.3). In North America (**Canada, Mexico** and the **United States**) the average was around 20% and it was 25% in **Turkey**. It averaged 34% in the **European Union** which was slightly above the OECD average. In **Japan** and **Korea** it averaged around 60% and 70% in **Iceland, Norway** and **Switzerland**.

Over the longer term, the level of producer support has fallen in most OECD countries. The average %PSE in 2002-04 was lower than the 1986-88 average in all countries, except **Turkey** where the level of support has increased but continues to be relatively low, and **Norway** where it has remained unchanged. The largest decreases in percentage terms have occurred in **New Zealand, Australia** and **Canada**, countries with levels of support below the OECD average.

Figure 1.2. Producer Support Estimate by country
(Percent of value of gross farm receipts)



Notes: Countries are ranked according to 2002-04 levels.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

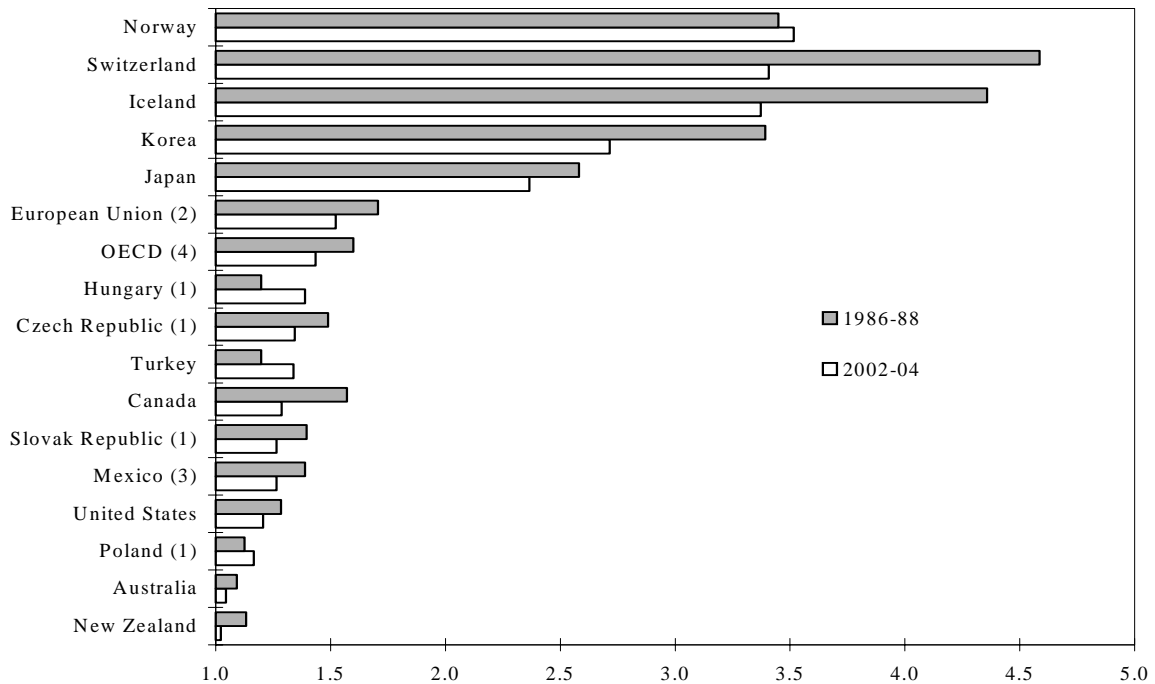
2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

3. For Mexico, 1986-88 is replaced by 1991-93.

4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Figure 1.3. Producer Nominal Assistance Coefficient by country



Notes: Countries are ranked according to 2002-04 levels.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

3. For Mexico, 1986-88 is replaced by 1991-93.

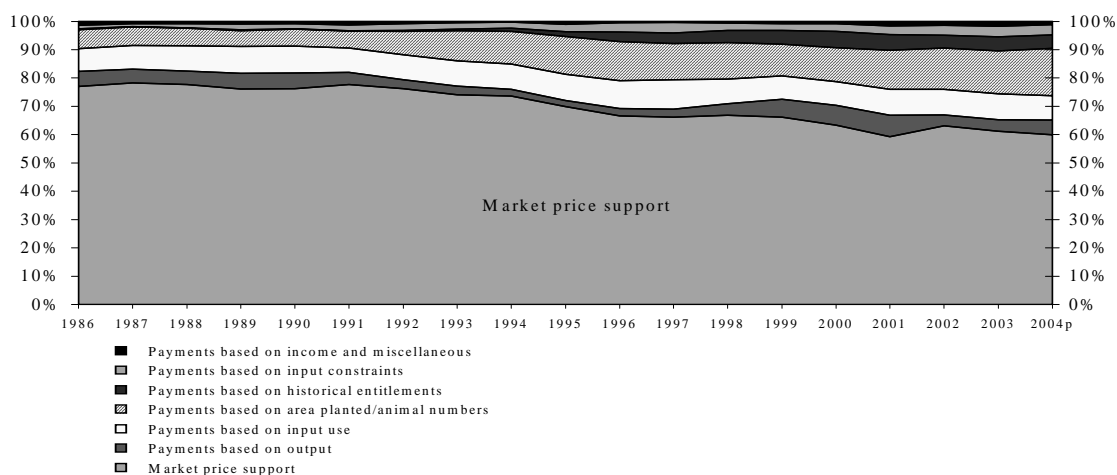
4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

The composition of support has improved with a decline in the most distorting forms of support...

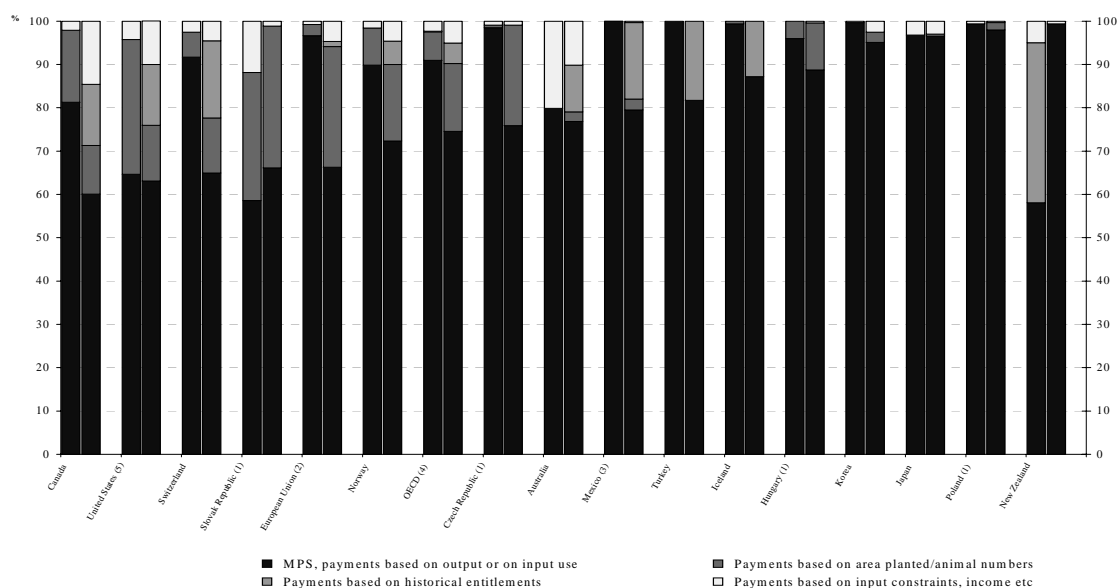
While the overall level of producer support for the OECD as a whole has fallen from 37% to 30%, there has been a greater change in the composition of support, with a noticeable shift away from transfers paid by consumers (MPS) to budgetary payments, and also between the different types of budget payments provided to producers. The share of MPS and output payments taken together decreased from 83% of overall OECD support to producers in 1986-88 to 65% in 2002-04 (Figures 1.4 and 1.5). This is important because the smaller the share of output-linked support measures, the greater the extent to which world markets influence domestic production decisions.

Figure 1.4. Composition of Producer Support Estimate for the OECD
(Percentage share in PSE)



Source: OECD, PSE/CSE database, 2005.

Figure 1.5. Composition of Producer Support Estimate by country, 1986-88 and 2002-04
(Percentage share in PSE)



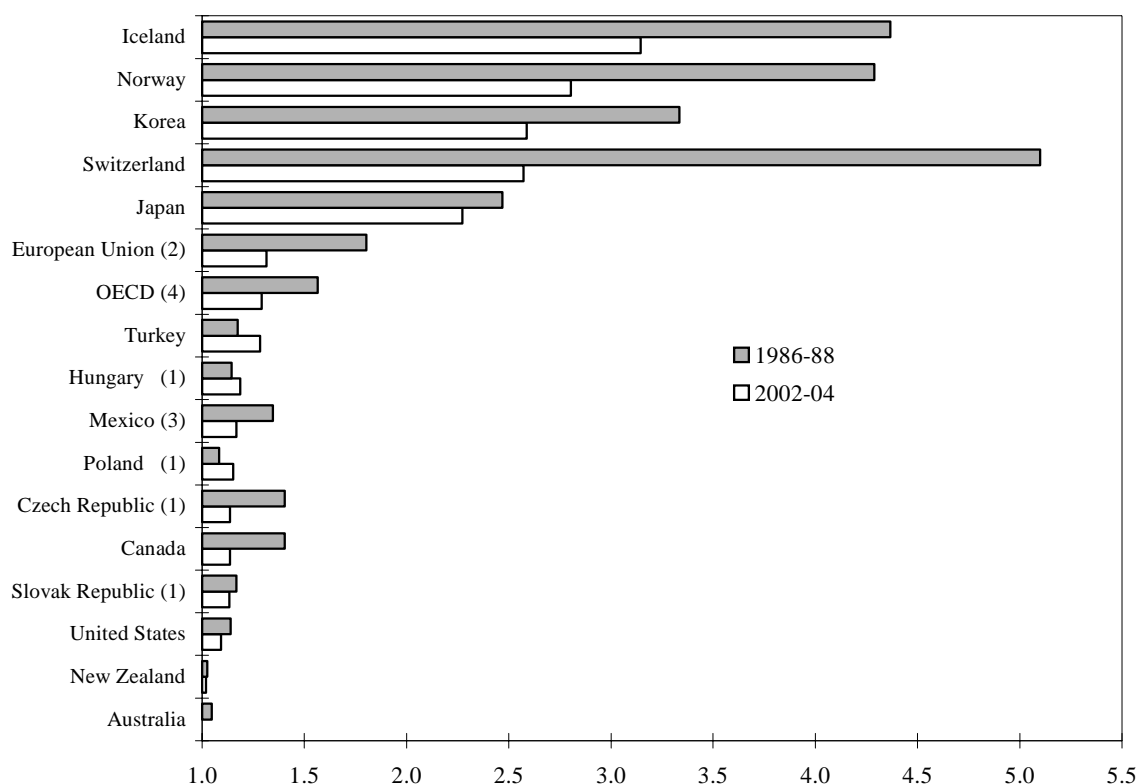
Notes: Countries are ranked according to the 2002-04 shares of market price support and payments based on output or on input use in the PSE.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.
2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.
3. For Mexico, 1986-88 is replaced by 1991-93.
4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.
5. Payments based on area planted for 2002-04 provisionally include US counter-cyclical payments from 2002.

Source: OECD, PSE/CSE database, 2005.

The reduction in the prevalence of MPS and output payments can be shown by the movement in the producer Nominal Protection Coefficient (NPC), which shows the degree of market protection provided to producers (Figures 1.1 and 1.6). In 1986-88, the overall OECD producer NPC indicated that prices received by producers were on average almost 60% higher than border prices. By 2002-04, the gap had halved to 30%. The largest reductions in absolute terms have occurred in the relatively high support countries, falling by 60% in **Switzerland** and the **European Union**, 45% in **Norway** and by one-third in **Iceland** and **Korea**. In these countries and in the OECD overall, market protection has fallen at a faster rate than overall support, although like the overall level of support there has been little downward movement since the mid-1990s.

Figure 1.6. Producer Nominal Protection Coefficient by country



Notes: Countries are ranked according to 2002-04 levels.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

3. For Mexico, 1986-88 is replaced by 1991-93.

4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

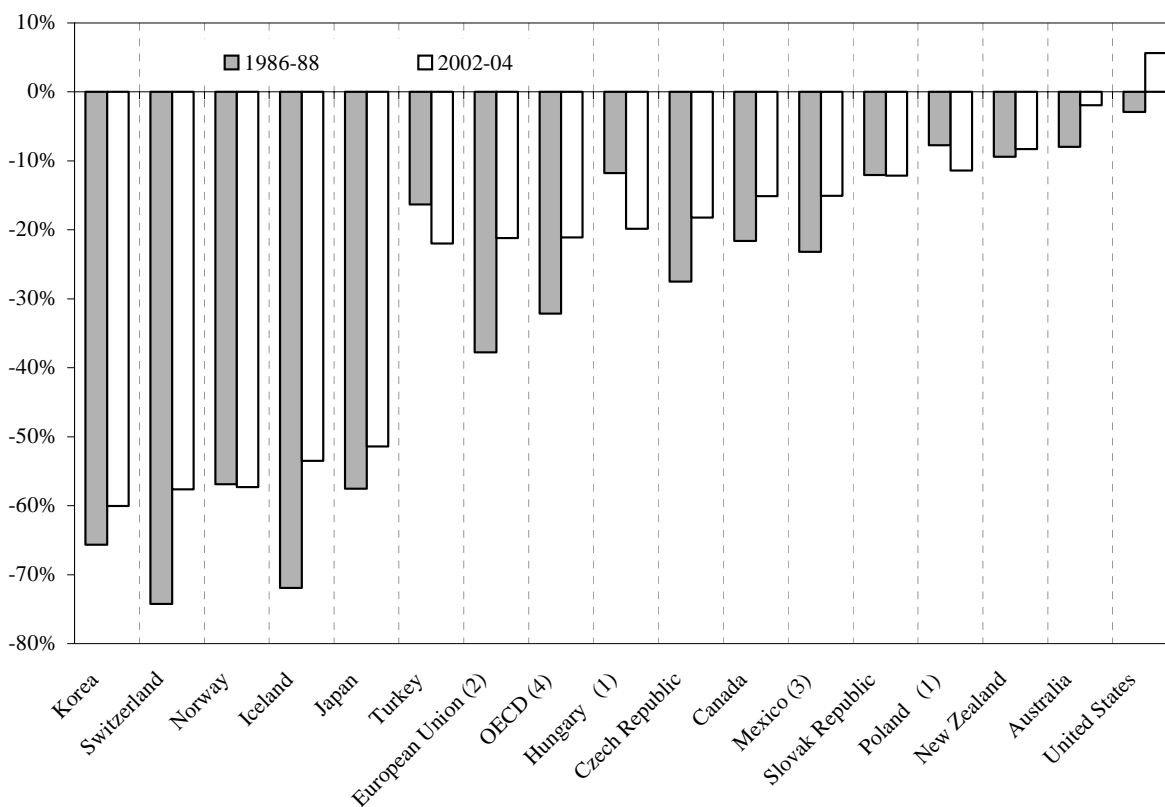
Source: OECD, PSE/CSE database, 2005.

Reductions in MPS are also shown by changes in the %CSE (Figure 1.7). A negative %CSE is an indicator of the implicit tax on consumption (measured at the farm gate) resulting from policies which increase the price paid by consumers. In some countries the benefit received by consumers from a decrease in prices as a result of a reduction in MPS has been offset by a reduction in the level of subsidies paid to consumers.

As well as output-linked support, payments based on input use also distort production. While not as significant as output-linked support, the share of input payments in support to producers has remained fairly constant over the period, rising from 8% of the overall OECD PSE in 1986-88 to 9% in 2002-04. Together, the combined share of output and input-linked support decreased from 91% to 74%.

In 1986-88, the majority of OECD countries had a share of transfers associated with output and input-linked measures in producer support at or above the OECD average of 90%, including the **European Union, Iceland, Japan, Korea, Norway, Switzerland** and **Turkey**. As a consequence of policy developments, the share of these transfers in producer support is now below the 2002-04 OECD average of 75% in the European Union, Norway and Switzerland. However, they remain above 90% in Japan and Korea.

Figure 1.7. Consumer Support Estimate by country
(Percent of consumption expenditure at farm gate)



Notes: Countries are ranked according to 2002-04 levels. A negative percentage CSE is an implicit tax on consumption.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

3. For Mexico, 1986-88 is replaced by 1991-93.

4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Overall, this reduction is a positive step in the direction of the long-term reform objective of reducing the most production and trade distorting forms of support, particularly for those countries

which have reduced the share of these transfers the most. This trend in reducing such forms of support eases environmental pressure and offers the opportunity to more effectively target farmer incomes and the provision of specific environmental benefits.

Nevertheless, the current level of market protection is still an important factor in encouraging domestic production, distorting trade and depressing world prices of agricultural commodities. These create costs not only to domestic consumers and taxpayers, but also to other countries, in particular those producing competitive commodities. Increased production and protection in OECD countries reduces production incentives elsewhere, may affect consumption patterns and food security, and can limit growth opportunities in developing countries. Moreover, market protection is regressive as it mainly benefits large farms while penalising low-income household consumers for whom food constitutes a larger share of their total expenditure.

...and the introduction of new forms of support

The reduction in the most distorting forms of support in some countries has been accompanied by the introduction of other forms of support, which are potentially less distorting. In 2002-04, the share of payments based on area planted or animal numbers was 16% of support to producers, compared to 7% in 1986-88. These payments were particularly important in the **European Union** (28% of PSE) and **Norway** (18% of PSE). Payments based on historical entitlements (area, animal numbers, yields, support or receipts) were first introduced in 1993 and represent 5% of overall support to OECD producers in 2002-04. These payments are mainly used in **Mexico, Switzerland and Turkey** (18% of PSE) and the **United States** (14% of PSE).

While payments based on historical entitlements can be independent of current production decisions (based on past support, farm receipts, or area and yields of specific commodities), area or headage payments are determined by current planting or animal numbers. Links to current production parameters makes payments based on area or animal numbers more production distorting than payments based on historical entitlements. Both forms of payments may affect current production decisions in so far as they may lower production risks by reducing the variability of revenues and alter land values, although they are considerably less distorting than output and input-based support. For these reasons, attention needs to be paid to any production effects that such payments may have, in particular where such payments are large, such as in the **European Union** and the **United States**, for example.

Although these payments can be targeted to specific income or environmental objectives, they are most often implemented on a broad, sector-wide basis. They partly benefit landowners, who are not always farmers, and benefit large farms more than small ones. They may also encourage the use of environmentally fragile land, although payments are sometimes conditional upon farmers undertaking some type of environmental management practice (compliance), such as restrictions on mowing or timing and amounts of fertiliser application.

Some countries are increasingly using payments based on input constraints for sharing the costs of reducing, replacing or withdrawing resources from production, or changing production techniques, including for environmental purposes. While the value of transfers from these policies has more than tripled since 1986-88, they represent only 4% of the overall OECD PSE. In 2002-04, the share of these payments in the PSE was 5% in both the **European Union** and the **United States**, 3% in **Japan**, 2% in **Norway** and **Switzerland** and effectively zero in all other countries.

Payments based on input constraints are among the categories of support having a smaller impact on the production and trade of specific commodities. However, as these payments are based on land rental costs and/or costs of adopting and maintaining good farming practices, which

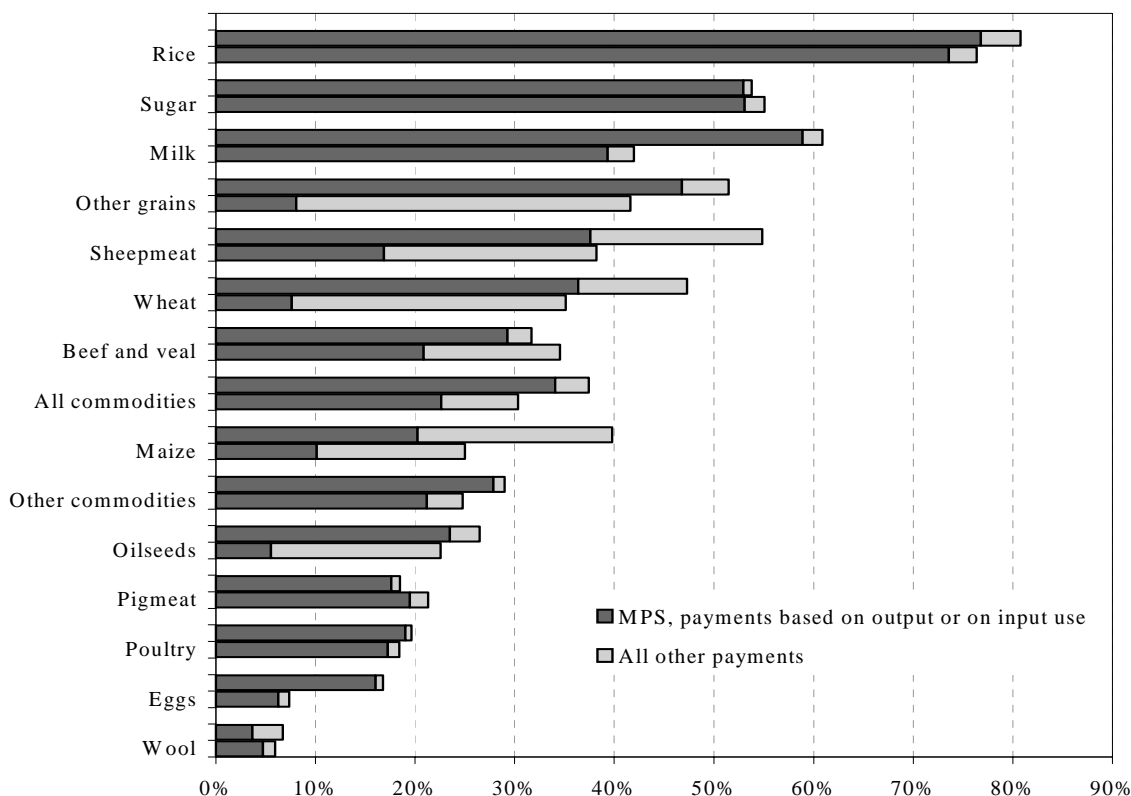
increase with production-linked payments, their level and hence the costs of providing environmental services or reducing environmental damage are higher than they would be in the absence of production-linked support. Policies requiring producers to pay for pollution they cause, such as through taxes and charges or meeting the costs of environmental regulations, also provide an important contribution to improving the environmental performance of agriculture.

Some countries also use payments based on overall farming income or revenue, which are the most effective measures in transferring income to producers and tend to be less production and trade distorting. In 2002-04 these payments represent 17% of the PSE in **Canada**, 10% in **Australia**, 5% in the **United States** and 3% in **Norway**. While significant in a few countries, the importance of these payments has remained consistently low at around 1% of the overall support to OECD producers.

The spread in support levels between commodities can be significant...

There is a wide difference in the level of support and protection between commodities (Figures 1.8 and 1.9; Table 1.6). For 2002-04, the average OECD commodity %PSE was below the overall commodity average of 30% for wool and eggs (under 10%), poultry, pigmeat and oilseeds (around 20%), and maize (about 25%). It was slightly above the OECD average for beef and wheat (about 35%), for sheepmeat, other grains and milk (approximately 40%), and significantly above for sugar (54%) and rice (80%).

Figure 1.8. Producer Support Estimate by commodity, 1986-88 and 2002-04
(OECD average as percent of value of gross farm receipts)



Note: For each commodity the first horizontal bar represents 1986-88, the second 2002-04. Commodities are ranked according to 2002-04 levels.

Source: OECD, PSE/CSE database, 2005.

Table 1.6. OECD: Producer Support Estimate by commodity

	1986-88	2002-04	2002	2003	2004p
Wheat					
USD mn	18 665	16 656	14 097	17 330	18 542
EUR mn	17 033	15 089	14 957	15 339	14 969
Percentage PSE	47	35	36	36	33
Producer NPC	1.69	1.08	1.06	1.11	1.08
Producer NAC	1.92	1.54	1.57	1.57	1.49
Maize					
USD mn	12 693	10 989	9 169	8 816	14 983
EUR mn	11 632	9 876	9 728	7 804	12 096
Percentage PSE	40	25	23	21	31
Producer NPC	1.30	1.10	1.03	1.06	1.20
Producer NAC	1.67	1.34	1.31	1.27	1.44
Other grains					
USD mn	11 182	9 230	7 602	9 212	10 875
EUR mn	10 221	8 333	8 066	8 154	8 780
Percentage PSE	51	42	41	40	43
Producer NPC	1.97	1.09	1.06	1.07	1.15
Producer NAC	2.13	1.71	1.71	1.67	1.76
Rice					
USD mn	26 964	23 923	21 869	23 366	26 532
EUR mn	24 504	21 769	23 204	20 683	21 420
Percentage PSE	81	76	78	76	75
Producer NPC	4.91	4.04	4.30	4.05	3.76
Producer NAC	5.24	4.24	4.53	4.24	3.96
Oilseeds					
USD mn	5 383	7 042	5 193	6 916	9 017
EUR mn	4 876	6 304	5 510	6 121	7 280
Percentage PSE	26	23	20	21	27
Producer NPC	1.27	1.04	1.03	1.03	1.06
Producer NAC	1.36	1.29	1.25	1.27	1.36
Sugar					
USD mn	5 778	6 963	5 888	7 197	7 803
EUR mn	5 258	6 306	6 247	6 371	6 299
Percentage PSE	54	55	49	58	58
Producer NPC	2.33	2.27	2.03	2.42	2.36
Producer NAC	2.19	2.24	1.97	2.38	2.38
Milk					
USD mn	49 374	40 048	39 638	41 378	39 127
EUR mn	44 883	36 758	42 059	36 626	31 588
Percentage PSE	61	42	47	43	36
Producer NPC	2.84	1.65	1.79	1.66	1.50
Producer NAC	2.59	1.73	1.88	1.74	1.57
Beef and Veal					
USD mn	22 316	31 163	26 372	33 443	33 676
EUR mn	20 345	28 257	27 982	29 602	27 187
Percentage PSE	32	35	34	35	34
Producer NPC	1.41	1.27	1.28	1.28	1.26
Producer NAC	1.47	1.53	1.51	1.55	1.52
Sheepmeat					
USD mn	4 676	4 447	2 894	5 524	4 925
EUR mn	4 207	3 978	3 070	4 889	3 976
Percentage PSE	55	38	33	45	37
Producer NPC	1.87	1.22	1.20	1.26	1.19
Producer NAC	2.23	1.63	1.49	1.80	1.60

Table 1.6. OECD: Producer Support Estimate by commodity (cont'd)

	1986-88	2002-04	2002	2003	2004p
Wool					
USD mn	288	135	150	125	129
EUR mn	262	125	159	110	104
Percentage PSE	7	6	6	6	6
Producer NPC	1.01	1.02	1.01	1.02	1.02
Producer NAC	1.07	1.06	1.07	1.06	1.06
Pigmeat					
USD mn	8 763	11 350	10 153	10 882	13 014
EUR mn	7 938	10 304	10 773	9 633	10 506
Percentage PSE	18	21	22	21	21
Producer NPC	1.30	1.22	1.23	1.23	1.22
Producer NAC	1.23	1.27	1.28	1.27	1.26
Poultry					
USD mn	4 893	7 654	6 864	6 698	9 400
EUR mn	4 389	6 934	7 283	5 929	7 589
Percentage PSE	20	18	19	17	20
Producer NPC	1.33	1.20	1.19	1.17	1.23
Producer NAC	1.25	1.23	1.23	1.20	1.24
Eggs					
USD mn	2 638	1 444	1 354	1 168	1 810
EUR mn	2 399	1 311	1 437	1 034	1 462
Percentage PSE	17	7	8	6	9
Producer NPC	1.22	1.06	1.06	1.04	1.07
Producer NAC	1.20	1.08	1.09	1.06	1.09
Other Commodities					
USD mn	69 254	83 201	75 210	84 698	89 694
EUR mn	62 830	75 729	79 803	74 972	72 412
Percentage PSE	29	25	25	25	24
Producer NPC	1.40	1.25	1.25	1.25	1.24
Producer NAC	1.41	1.33	1.33	1.33	1.32
All commodities					
USD mn	242 867	254 244	226 451	256 752	279 527
EUR mn	220 776	231 072	240 279	227 268	225 670
Percentage PSE	37	30	31	30	30
Producer NPC	1.57	1.29	1.30	1.29	1.28
Producer NAC	1.60	1.44	1.44	1.44	1.43

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

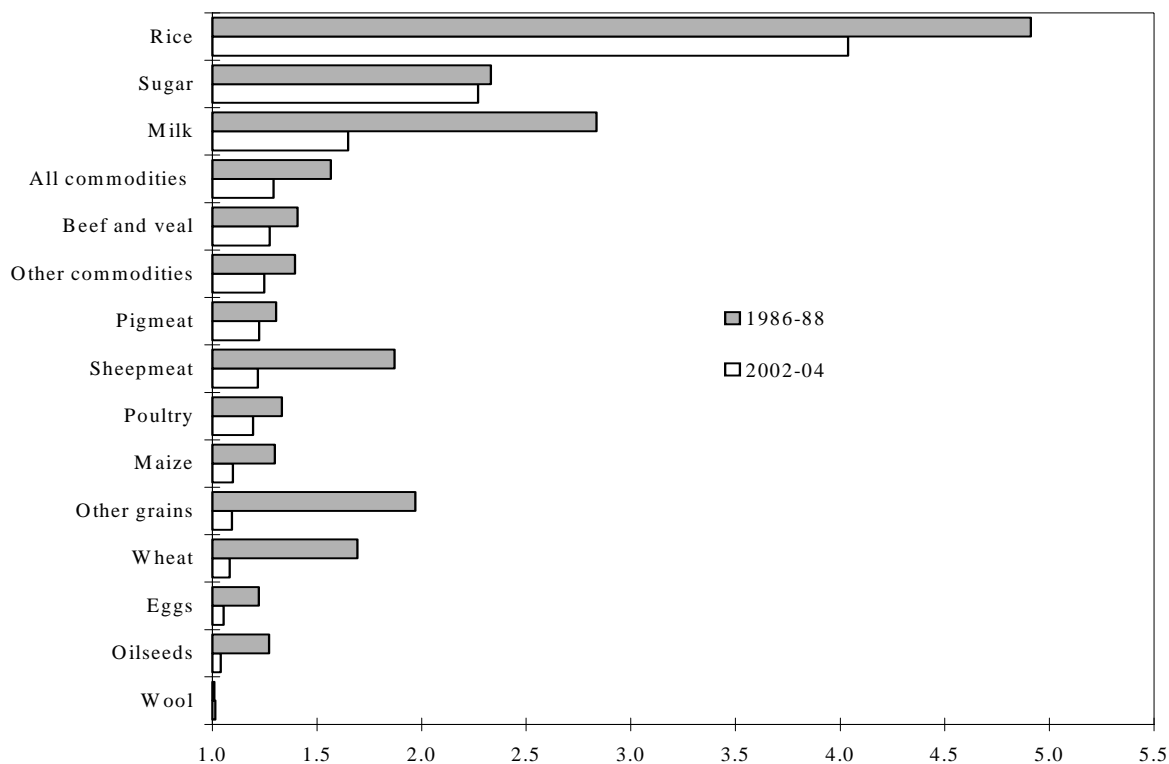
Note: 1. The PSE for other commodities is the residual of the PSE for all commodities minus the PSE for the commodities listed above.

Source: OECD, PSE/CSE database 2005.

Average commodity support levels have decreased compared with 1986-88 for all commodities except pigmeat, beef and sugar, which have increased slightly. The largest decreases, both in absolute and relative terms, have occurred in the non-rice grain sector (wheat, maize and other grains), sheepmeat, eggs and milk. Those commodities showing the largest decreases in the level of support are also those with the most significant decreases in the level of price support as indicated by the producer NPC. For example, in 1986-88 prices received by wheat producers were on average 70% higher than border prices. By 2002-04 they were only 8% higher. Similarly, the average

producer price for milk was 180% higher than border prices in 1986-88. By 2002-04 they were on average only 65% higher.³

Figure 1.9. Producer Nominal Protection Coefficient by commodity



Note: Commodities are ranked according to 2002-04 levels.

Source: OECD, PSE/CSE database, 2005.

The levels of support provided to the three livestock commodities of milk, sheepmeat and beef are converging at around 40%. However, while support levels are now similar, a major difference between the three is that market price support remains a much more significant component in the PSE for milk than for the other two commodities, where there has been a greater use of headage payments for example. Reduction has been driven by high world prices and could just as easily be reversed again if world prices fall.

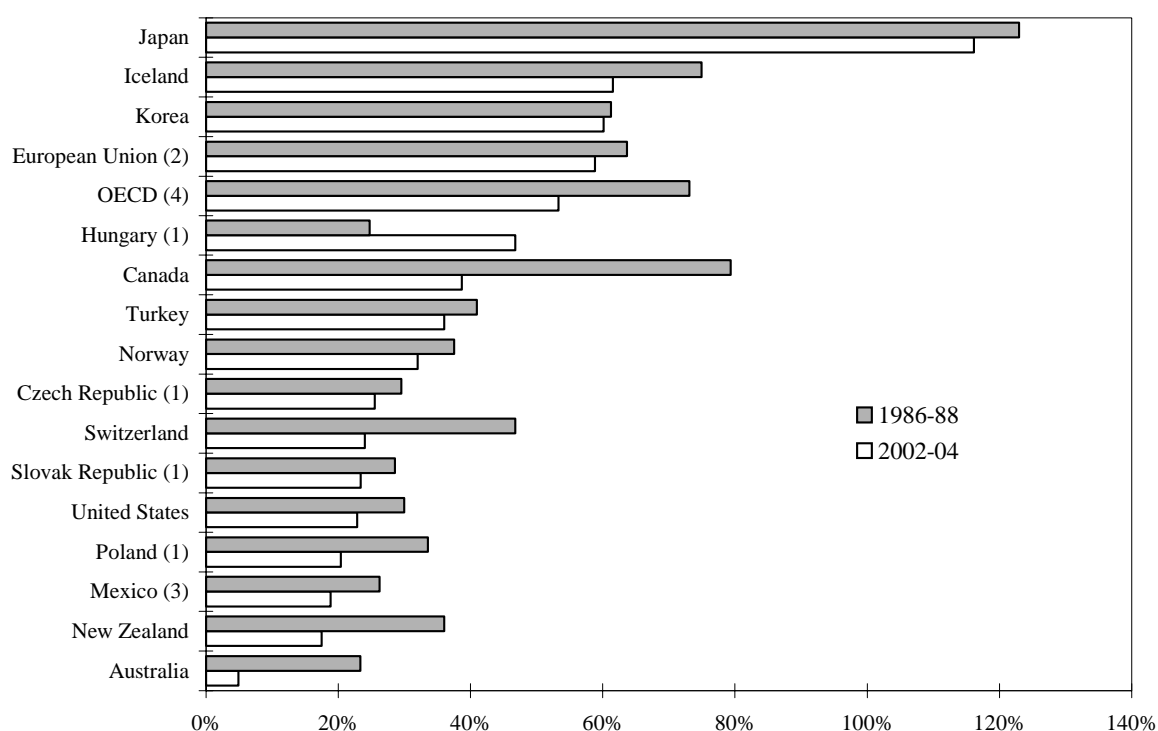
Rice and sugar are the two commodities with the highest levels of support. As support for rice and sugar is mainly provided through market price support, the associated levels of border protection are also the highest. Prices for sugar received by producers and those paid by consumers were, on average in 2002-04, around twice the level of border prices, and four times higher than the border prices for rice. Rice is produced in only six OECD countries but benefits from very high levels of support in **Japan** and **Korea** (approximately 80%), and moderate levels (around 30%) in the **European Union**, **Mexico** and the **United States**. Sugar is produced in more OECD countries and benefits from relatively high levels of support almost everywhere. Only in **Australia** are both commodities produced with minimal support, although even here support levels are higher than for all other commodities except milk.

3. A new methodology for estimating the reference price for milk was introduced in 2005 and was used to re-calculate the value of transfers from consumers back to 1986.

...but is reducing in all countries

Differences in the level of support and protection across commodities within the agricultural sector of a country can contribute significantly to distortions in intra-sectoral resource allocation. The spread in commodity support levels are greatest in **Japan, Iceland** and **Korea** where high levels of support are provided to a limited range of commodities (Figure 1.10). By comparison, **Norway** and **Switzerland**, two other high support countries, have a relatively even distribution in support levels between commodities. **New Zealand** had a low level of support in 1986-88 but a relatively large variation between commodities support levels. Between 1986-88 and 2002-04 the spread in commodity support levels has fallen in all countries, with some notable decreases in **Canada** and **Switzerland**, and the smallest decreases in the **European Union, Japan** and **Korea**.

Figure 1.10. Spread in commodity support by country



Notes: Spread in commodity support is measured by the coefficient of variation in commodity producer NACs, weighted by the value of production. Countries are ranked according to 2002-04 levels.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

3. For Mexico, 1986-88 is replaced by 1991-93.

4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Support for general services to agriculture is increasing...

While support to producers has been falling, there has been an increase in the value of support for general services to the agricultural sector (General Services Support Estimate), *i.e.* transfers to the agricultural sector as a whole and not received by producers (Table 1.7). These transfers at the overall OECD level have increased from 13% of the Total Support Estimate (TSE) (%GSSE) in 1986-88 to 18% in 2002-04.

The average %GSSE in 2002-04 was above 40% in **Australia** and **New Zealand**, 30% in the **United States**, around 20% in **Canada** and **Japan**, and less than 15% in all other countries. For all countries, with the exception of the **European Union**, **Iceland** and **Switzerland**, this was higher than in 1986-88, both in monetary terms (measured in USD or Euros) and as a share of the TSE.

There have been some notable changes in the composition of support within the GSSE. Marketing and promotion support has increased the most since the mid-1980s, rising from 31% in 1986-88 to 41% of the overall GSSE in 2002-04. It has always been the most important form of GSSE support in **Turkey** and the **United States**, and now also in the enlarged **European Union**. The costs associated with public stockholding of agricultural products is now a fifth of its 1986-88 level at 3% of the overall GSSE in 2002-04, reflecting lower public stocks as a result of a combination of policy and market developments. The fall in this budgetary cost explains the overall reduction in expenditure on general services in the European Union and **Iceland**.

About one-third of overall GSSE support is for infrastructure. It is particularly important in **Japan** and **Korea**, and has been increasing in the **European Union**, partly as a result of financing available through the Rural Development Regulation. Support for research and development, and for education remained stable at 12-14% of the overall GSSE, but is around 50% or more of the GSSE in **Australia**, **New Zealand** and **Norway**. While the share of inspection services in the overall GSSE remains small at just 4%, its share rose in a number of countries, reflecting a greater public policy focus on food safety and on maintaining sanitary and phytosanitary standards.

Support for general services to agriculture does not depend on individual farmers' production decisions regarding output or use of factors of production, and does not directly affect farm receipts. Efforts to ensure plant, animal and human health benefit both consumers and producers alike. For example, while general services in the areas of advisory services, training, research and development, and inspection services can improve long-term productivity or expand the sector's production capacity, the distorting effects on production and trade are lower than producer support.

Table 1.7. OECD: General Services Support Estimate by country

		1986-88	2002-04	2002	2003	2004p
Australia	USD mn	389	573	469	582	668
	EUR mn	352	517	498	515	539
	Percentage of TSE	22	38	33	39	42
Canada	USD mn	1 464	1 618	1 462	1 617	1 776
	EUR mn	1 328	1 472	1 552	1 431	1 434
	Percentage of TSE	19	23	23	21	24
Czech Republic (1)	USD mn	36	112	107	136	n.c.
	EUR mn	29	113	113	120	n.c.
	Percentage of TSE	3	10	10	10	n.c.
European Union (2)	USD mn	10 693	10 515	8 801	9 997	12 748
	EUR mn	9 677	9 493	9 338	8 849	10 292
	Percentage of TSE	9	8	8	8	8
Hungary (1)	USD mn	5	303	348	339	n.c.
	EUR mn	5	306	369	300	n.c.
	Percentage of TSE	1	16	16	17	n.c.
Iceland	USD mn	23	17	14	18	19
	EUR mn	20	15	15	16	15
	Percentage of TSE	9	8	8	8	8
Japan	USD mn	8 775	11 916	11 280	12 393	12 074
	EUR mn	7 889	10 895	11 969	10 970	9 747
	Percentage of TSE	15	20	20	21	20
Korea	USD mn	1 069	2 846	2 796	3 181	2 561
	EUR mn	954	2 617	2 967	2 816	2 067
	Percentage of TSE	8	14	14	15	11
Mexico (3)	USD mn	1 105	769	629	878	799
	EUR mn	900	697	667	777	645
	Percentage of TSE	10	10	6	12	13
New Zealand	USD mn	104	118	91	122	141
	EUR mn	94	106	97	108	114
	Percentage of TSE	17	40	47	38	35
Norway	USD mn	129	227	198	241	241
	EUR mn	117	206	210	213	194
	Percentage of TSE	4	7	7	7	7
Poland (1)	USD mn	257	312	375	357	n.c.
	EUR mn	209	313	398	316	n.c.
	Percentage of TSE	14	13	12	22	n.c.
Slovak Republic (1)	USD mn	72	54	62	64	n.c.
	EUR mn	58	54	66	56	n.c.
	Percentage of TSE	12	14	15	12	n.c.
Switzerland	USD mn	438	377	335	398	399
	EUR mn	396	343	355	352	322
	Percentage of TSE	7	7	6	7	6
Turkey	USD mn	308	1 120	2 028	903	428
	EUR mn	276	1 099	2 151	800	345
	Percentage of TSE	10	11	27	8	4
United States	USD mn	16 152	30 635	26 953	30 803	34 149
	EUR mn	14 762	27 811	28 598	27 266	27 569
	Percentage of TSE	25	32	30	33	31
OECD (4)	USD mn	40 946	61 269	55 946	62 028	65 834
	EUR mn	37 157	55 805	59 362	54 905	53 149
	Percentage of TSE	13	18	18	18	17

p: provisional. n.c.: not calculated.

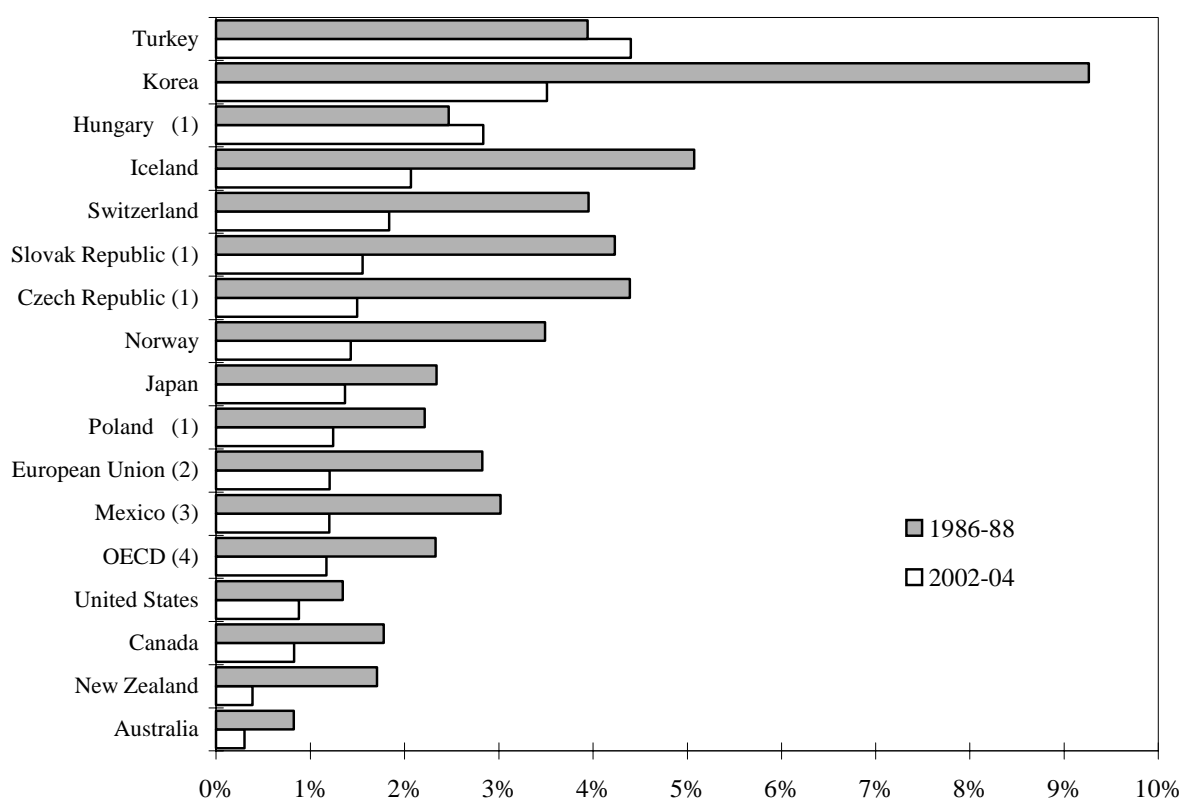
Notes: 1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03. 2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004. The value of general services to agriculture (GSSE) in the EU15 for 2004 is estimated to be EUR 9 165 million (USD 11 352 million). 3. For Mexico, 1986-88 is replaced by 1991-93. 4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database 2005.

...while total support to agriculture has decreased

For the OECD as a whole, transfers to agriculture as measured by the Total Support Estimate (TSE) amounted to USD 378 billion (EUR 305 billion) in 2004 (Table 1.8). When measured as a share of GDP (%TSE) overall support remained unchanged from 2002 at approximately 1.2% of GDP. This is almost half the 1986-88 average of 2.3%. Since then there has been a decrease in the value of transfers from consumers, who on average pay lower prices for their products, and an increase in transfers from taxpayers, reflecting the change in the composition of producer support.

Figure 1.11. Total Support Estimate by country
(Percentage of GDP)



Notes: Countries are ranked according to 2002-04 levels.

1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03.

2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

3. For Mexico, 1986-88 is replaced by 1991-93.

4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states. TSE as a share of GDP for the OECD total in 1986-88 excludes the Czech Republic, Hungary, Poland and Slovak Republic as GDP data is not available for this period.

Source: OECD, PSE/CSE database, 2005.

In 2002-04, the %TSE ranged from less than 0.4% in **Australia** and **New Zealand** to over 4% in **Turkey** (Figure 1.11). Across all OECD countries, the %TSE has fallen by 40% or more since 1986-88 (averaging 50%) with the exception of Turkey where it has increased. This reflects a combination of factors including overall GDP levels and growth, changes in the relative contribution of agriculture to GDP, and changes in the monetary value of transfers associated with agricultural policies.

Table 1.8. OECD: Total Support Estimate by country

		1986-88	2002-04	2002	2003	2004p
Australia	USD mn	1 710	1 504	1 412	1 505	1 595
	EUR mn	1 570	1 373	1 498	1 332	1 287
	Percentage of GDP	0.8	0.3	0.4	0.3	0.3
Canada	USD mn	7 577	7 160	6 261	7 729	7 490
	EUR mn	6 907	6 510	6 643	6 841	6 047
	Percentage of GDP	1.8	0.8	0.8	0.9	0.7
Czech Republic (1)	USD mn	1 386	1 117	1 076	1 303	n.c.
	EUR mn	1 126	1 127	1 141	1 153	n.c.
	Percentage of GDP	4.4	1.5	1.5	1.4	n.c.
European Union (2)	USD mn	117 216	128 881	103 643	132 431	150 568
	EUR mn	106 372	116 251	109 972	117 223	121 557
	Percentage of GDP	2.8	1.2	1.2	1.3	1.2
Hungary (1)	USD mn	901	1 876	2 219	2 024	n.c.
	EUR mn	733	1 897	2 355	1 792	n.c.
	Percentage of GDP	2.5	2.8	3.4	2.4	n.c.
Iceland	USD mn	260	215	182	226	239
	EUR mn	233	195	193	200	193
	Percentage of GDP	5.1	2.1	2.1	2.1	1.9
Japan	USD mn	57 644	58 881	55 489	60 304	60 850
	EUR mn	52 200	53 794	58 877	53 379	49 126
	Percentage of GDP	2.3	1.4	1.4	1.4	1.3
Korea	USD mn	13 217	21 247	20 460	20 753	22 528
	EUR mn	11 860	19 422	21 709	18 370	18 187
	Percentage of GDP	9.3	3.5	3.7	3.4	3.4
Mexico (3)	USD mn	10 874	7 848	9 685	7 573	6 287
	EUR mn	8 846	7 352	10 276	6 703	5 075
	Percentage of GDP	3.0	1.2	1.5	1.2	1.0
New Zealand	USD mn	578	304	194	320	398
	EUR mn	545	270	206	283	322
	Percentage of GDP	1.7	0.4	0.3	0.4	0.4
Norway	USD mn	3 162	3 146	2 974	3 252	3 212
	EUR mn	2 863	2 876	3 155	2 879	2 593
	Percentage of GDP	3.5	1.4	1.6	1.5	1.3
Poland (1)	USD mn	1 693	2 414	3 107	1 622	n.c.
	EUR mn	1 391	2 513	3 296	1 436	n.c.
	Percentage of GDP	2.2	1.2	1.6	0.8	n.c.
Slovak Republic (1)	USD mn	612	405	407	541	n.c.
	EUR mn	498	403	431	479	n.c.
	Percentage of GDP	4.2	1.6	1.7	1.7	n.c.
Switzerland	USD mn	6 546	5 834	5 361	5 889	6 252
	EUR mn	5 908	5 316	5 688	5 213	5 047
	Percentage of GDP	4.0	1.8	1.9	1.8	1.7
Turkey	USD mn	3 471	10 485	7 642	11 750	12 063
	EUR mn	3 145	9 416	8 109	10 400	9 739
	Percentage of GDP	3.9	4.4	4.2	4.9	4.1
United States	USD mn	64 009	96 972	90 020	92 199	108 696
	EUR mn	58 476	88 294	95 517	81 611	87 753
	Percentage of GDP	1.3	0.9	0.9	0.8	0.9
OECD (4)	USD mn	305 510	345 830	310 130	349 421	377 938
	EUR mn	277 648	314 494	329 068	309 295	305 119
	Percentage of GDP	2.3	1.2	1.2	1.2	1.2

p: provisional. n.c.: not calculated.

Notes: 1. For the Czech Republic, Hungary, Poland and the Slovak Republic, 1986-88 is replaced by 1991-93, and 2002-04 by 2001-03. 2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004. The value of the total support to agriculture (TSE) in the EU15 for 2004 is estimated to be EUR 113 007 million (USD 139 977 million).

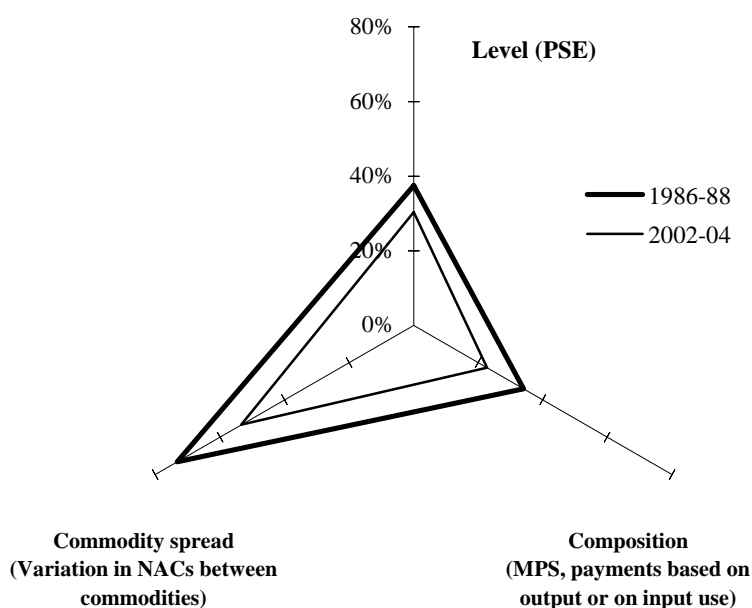
3. For Mexico, 1986-88 is replaced by 1991-93. 4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database 2005.

Overall, some progress in reform has occurred...

Progress towards the long-term objective of agricultural policy reform can be evaluated by examining trends in the three elements of producer support considered above: the level of support, the composition of support (*e.g.* the share of the most production and trade distorting forms), and the spread in support levels among commodities. The trends in these three support elements for the OECD as whole show that there has been some progress towards the goal of policy reform, although there have been year-on-year fluctuations (Figure 1.12). There has been a reduction in the level of support, a greater but modest improvement in the composition of support, and a decrease in the difference in support levels between commodities.

Figure 1.12. Changes in the level, composition and spread of OECD producer support



Notes:

1. The level of support is measured by the %PSE. The composition of support is measured by the share of market price support, payments based on output and payments based on input use in gross farm receipts. The spread in commodity support is measured by the coefficient of variation in commodity producer NACs, weighted by value of production.
2. All the axes are on the same scale shown on the vertical axis.

Source: OECD, PSE/CSE database, 2005.

... but remains highly uneven across countries...

Different patterns of support and reform are evidenced across OECD countries as shown by changes in the level, composition and spread of support between 1986-88 and 2002-04. In almost all countries there has been some progress in policy reform, *i.e.* a reduction in one or more of the three elements, but the extent to which further progress is necessary varies considerably.

- **Australia:** the level of producer support is the second lowest among OECD countries and domestic and border prices are generally aligned, although the level of producer support for milk and sugar remains considerably higher than for other products.

- **Canada:** considerable progress has been made in reducing the level of producer support and reliance on the most distorting forms of support, with the exception of producer support for milk, eggs and poultry.
- **European Union:** while the level of producer support has fallen marginally greater progress has been made in reducing the most distorting forms of support, although the difference in support levels between commodities has changed little, with greater reductions in support for cereals than for livestock and sugar.
- **Iceland:** the level of support has only fallen slightly with greater progress made in reducing the most distorting forms of support, with more progress made in other sectors than in milk.
- **Japan:** there has been little change in reducing the level of support, moving to less distorting forms of support, or decreasing differences in support levels between commodities with generally less progress made in cereals than in the livestock sectors.
- **Korea:** there has been a slight fall in both the level of support and the importance of the most distorting forms of support, with the spread in support remaining constant following a limited reduction in support for rice and increases for some livestock products.
- **Mexico:** progress has been made in reducing the level of support, improving the composition of support and decreasing differences in support levels between commodities, but support remains high for sugar, maize and milk.
- **New Zealand:** the level of support has been reduced from a relatively low base, domestic and border prices are closely aligned, and there has been a marked reduction in differences in support levels between commodities.
- **Norway:** there has been no change in the level of support but some progress in lowering the importance of the most distorting forms of support and reducing differences in support across commodities from an already low level.
- **Switzerland:** while the level of support has only fallen slightly, significant improvements have been made in shifting away from the most distorting forms of support and reducing the difference in support levels between commodities.
- **Turkey:** there has been an increase in the relatively low level of support and in the importance of the most distorting forms of support, although the difference in support levels between commodities has remained constant.
- **United States:** there has been a modest reduction in the level of support, reliance on the most distorting forms of support and in the spread in support across commodities, but with a reversal of the downward trend since the late 1990s.

...and further efforts to reform agricultural policies are clearly required

Government intervention continues to be significant, creating important spill-over effects on production, trade and the environment. Although some progress has been made since 1986-88, the current level, composition and spread in support levels across commodities in OECD countries still create distortions that demand further attention from policy makers. About three-quarters of the total support to agriculture transferred from taxpayers and consumers is still provided to individual producers. Producer support still accounts for about one-third of farm receipts, of which three-quarters is still generated by the most distorting forms of support. And there remain wide differences in the level of support between commodities.

While the cost of agricultural support policies has fallen for the OECD economy as a whole, over 60% of support to producers continues to be provided through policies generating higher producer prices. This can bear heavily on low-income consumer households, for whom food constitutes a larger share of their total expenditure. Moreover, as most of the support provided to producers is still either output- or input-linked, a high share of support goes to larger farms. Price support can increase rather than reduce farm income disparities.

OECD governments are increasingly focusing on environmental performance, the contribution of agriculture to rural development, animal welfare and food safety and quality issues. These reflect consumer and citizen concerns but very little support is being channelled to these areas compared to the level linked to production. Reform offers the opportunity to target these policy objectives in ways that are effective and economically efficient.

A number of countries are continuing to undertake unilateral efforts to reform their agricultural policies. These are often a positive step in the right direction of reducing trade distortions and improving the targeting of policies to specific objectives, although the extent of reform varies quite considerably. In addition, many countries have entered into bilateral or regional trade agreements. These can offer possibilities for increased competition among the countries concerned and spur structural adjustment and consequent efficiency gains. However, there are concerns about the trade diversion impacts of such agreements and the tariff transparency and administrative difficulties when there are many such arrangements in place.

A successful conclusion to the on-going trade negotiations in the context of the WTO Doha Development Agenda would invigorate the process of agricultural policy reform. It would help to neutralise the potentially adverse diversionary effects of bilateral and regional trade agreements, and ensure that a wider range of countries benefit from opening agricultural markets, although some will be affected by the erosion of long-standing preferences. It would also ensure that appropriate commitments and disciplines are placed on the use of domestic support and export subsidies.

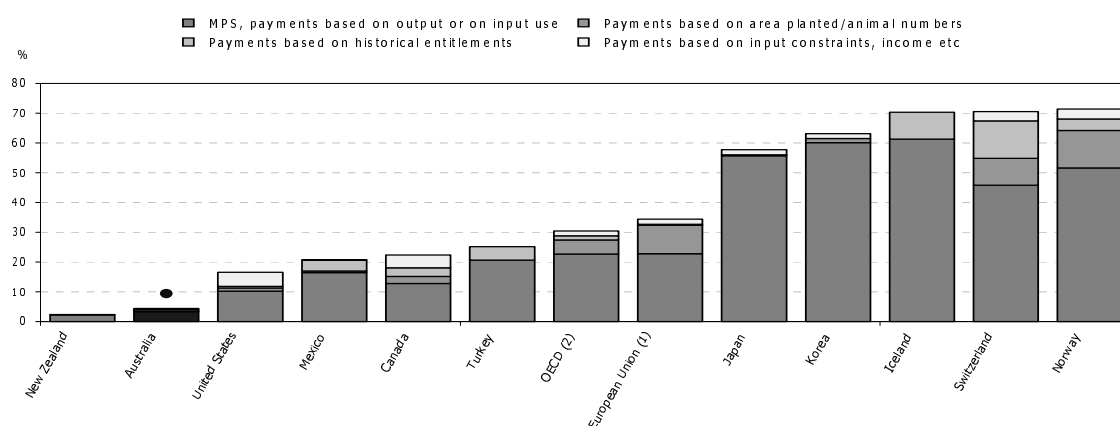
COUNTRY CHAPTERS

AUSTRALIA

Evaluation of policy developments

- Overall, significant progress has been made since 1986-88 in removing policies creating agricultural production and trade distortions. The level of producer support remains very low and domestic producer and world prices are broadly aligned.
- Deregulation of the dairy industry has increased the economic efficiency of the sector and lowered consumer retail milk prices.
- The 2004 *Sugar Industry Reform Program* will increase support over the next 5 years to improve the economic viability of the sector but its environmental performance also needs to be addressed.
- Much progress has been made in the reform of water policies. Market based instruments combined with other measures should help resolve outstanding water issues.
- A commitment has been made to streamline drought relief payment administration and promote greater farmer preparedness for drought, which could lower both future support levels and resource pressure.
- The creation of *Biosecurity Australia* as a separate agency to oversee sanitary and phytosanitary measures should ensure a continued commitment to a science based policy, but risk assessment procedures for imports can be lengthy, thus making access to agro-food markets difficult for some products.
- Agriculture is a market driven and export dependent sector, and trade policy is continuing to press strongly for more open global markets. A key domestic issue is to implement a mix of policy measures to ensure economic viability, the conservation of natural resources and environmental protection.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

Key policy developments in 2004 included: further deregulation of the dairy industry; an increase in support to reform and restructure the sugar industry under the *Sugar Industry Reform Program*; extension of water reform policies under the *National Water Initiative*; starting work towards reform of drought policy; and the creation of *Biosecurity Australia* as a separate agency to oversee a science based quarantine, sanitary and phytosanitary policy.

- Support to producers (%PSE) fell from 8% in 1986-88 to 4% by 2002-04, compared to a respective decline in the OECD average from 37% to 30%. The highest supported commodities are sugar and milk, but at levels much lower than the OECD average.

- The combined share of market price support, output payments and input subsidies in the PSE, decreased from 80% in 1986-88 to 77% by 2002-04. A large share of producer support in 2002-04 was accounted for by diesel fuel rebates (34%).

- Domestic producer prices have been closely aligned with world prices since 2001. In 1986-88 average domestic producer prices were 5% above world prices, 83% in the case of milk.

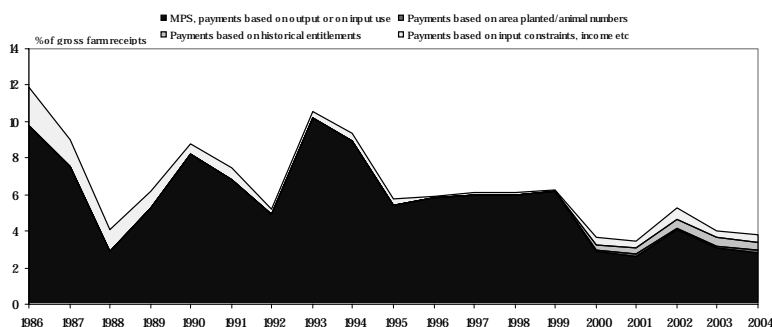
- The cost imposed on consumers (%CSE), has declined from 8% in 1986-88 to 2% in 2002-04, in particular, reflecting the reduction in the milk %CSE over this period from 40% to 14%.

- Support for general services accounted for 38% of total support (TSE) in 2002-04, mostly provided for research (68%) and infrastructure (19%).

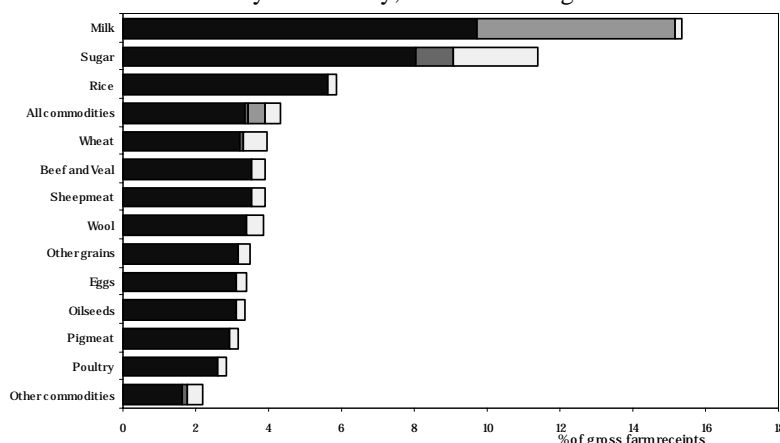
- The total cost to the economy of support as a share of GDP (%TSE) declined from 0.8% in 1986-88 to 0.3% by 2002-04.

Producer Support Estimate (PSE)

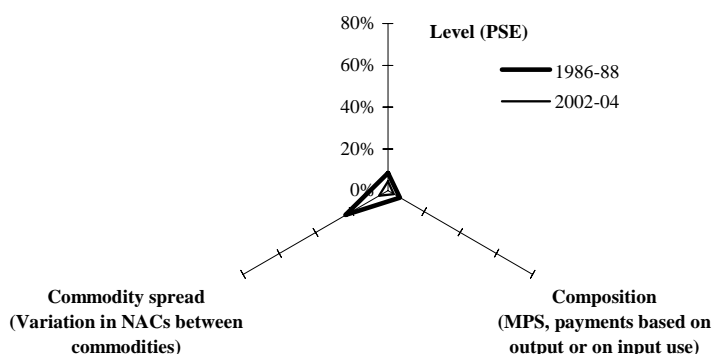
Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture accounts for over 60% of total land use and 70% of water use. Growth in agricultural production volume over the past decade has been amongst the most rapid across OECD countries, with agriculture contributing nearly 3.5% to GDP and 4% to employment. Around 65% of produce is exported and the sector's contribution to total exports is about 17%.

Table 2.1. Australia: Estimates of support to agriculture

(AUD million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	23 111	37 383	35 180	39 221	37 748
<i>of which share of MPS commodities (%)</i>	<i>86</i>	<i>83</i>	<i>85</i>	<i>81</i>	<i>82</i>
Total value of consumption (at farm gate)	6 183	11 430	11 755	11 222	11 314
Producer Support Estimate (PSE)	1 876	1 689	1 948	1 639	1 479
Market Price Support (MPS)	940	13	26	4	11
<i>of which MPS commodities</i>	<i>784</i>	<i>11</i>	<i>22</i>	<i>3</i>	<i>9</i>
Payments based on output	0	0	0	0	0
Payments based on area planted/animal numbers	0	37	37	37	37
Payments based on historical entitlements	0	183	183	183	183
Payments based on input use	558	1 284	1 485	1 267	1 102
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	376	171	218	149	147
Miscellaneous payments	1	0	0	0	0
Percentage PSE	8	4	5	4	4
Producer NPC	1.05	1.00	1.00	1.00	1.00
Producer NAC	1.09	1.05	1.06	1.04	1.04
General Services Support Estimate (GSSE)	541	891	863	898	910
Research and development	298	607	591	612	618
Agricultural schools	0	0	0	0	0
Inspection services	89	86	85	87	86
Infrastructure	65	173	163	175	182
Marketing and promotion	49	8	8	8	8
Public stockholding	0	0	0	0	0
Miscellaneous	41	16	16	16	16
GSSE as a share of TSE (%)	22.4	37.7	33.2	38.7	41.9
Consumer Support Estimate (CSE)	-490	-223	-227	-219	-222
Transfers to producers from consumers	-494	-8	-14	-3	-7
Other transfers from consumers	0	-1	-2	0	0
Transfers to consumers from taxpayers	0	-214	-212	-216	-215
Excess feed cost	4	0	0	0	0
Percentage CSE	-8	-2	-2	-2	-2
Consumer NPC	1.09	1.00	1.00	1.00	1.00
Consumer NAC	1.09	1.02	1.02	1.02	1.02
Total Support Estimate (TSE)	2 417	2 365	2 600	2 322	2 174
Transfers from consumers	494	9	15	4	7
Transfers from taxpayers	1 923	2 358	2 586	2 319	2 167
Budget revenues	0	-1	-2	0	0
Percentage TSE (expressed as share of GDP)	0.82	0.30	0.35	0.30	0.26
GDP deflator 1986-88 = 100	100	156	152	156	162

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Australia are: wheat, other grains, rice, oilseeds, sugar, cotton, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

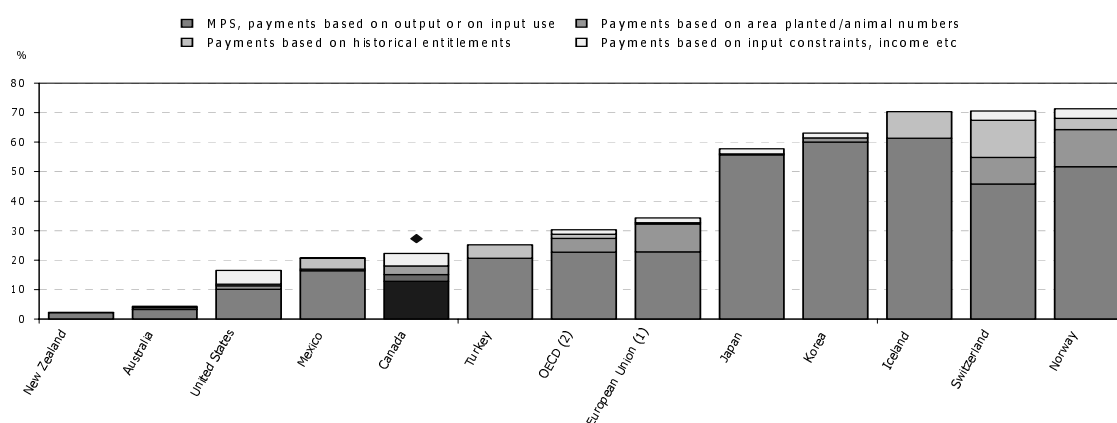
Source: OECD, PSE/CSE database 2005.

CANADA

Evaluation of policy developments

- Overall, there has been substantial progress in policy reform, with a reduction in the level of producer support and a shift towards policies based on historical entitlements or income. However, while lower than in 1986-88, the level of support has trended upward in the last decade.
- The recurring use of ad-hoc funding for income declines, most recently for drought and BSE, works against the goal of a more market-oriented agricultural sector. For the third year in a row, payments bridging to new programmes have been made.
- Reforms of major national farm income support programmes improve targeting to income variability. However, the objective of stabilising rather than raising farm income is partly undermined by modifications that expand coverage to negative margins and reduce the obligations of participants.
- An increasing emphasis on food safety and environmental issues has the potential to raise policy effectiveness in these areas. Federal spending to address agri-environmental problems has moved from mainly small-scale grants to national initiatives such as *National Environmental Farm Planning*. Significant investments are being made in environmental measurement and the development of food safety systems.
- Budgetary programmes have undergone significant review and reform, resulting in clearer policy goals and improvements in implementation. But some long-standing policies have yet to benefit from such reform, in particular the supply management systems for milk, eggs and poultry, the only significant source of market price support.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

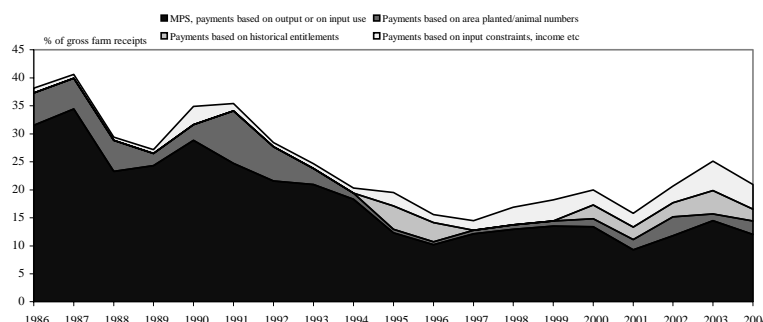
Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

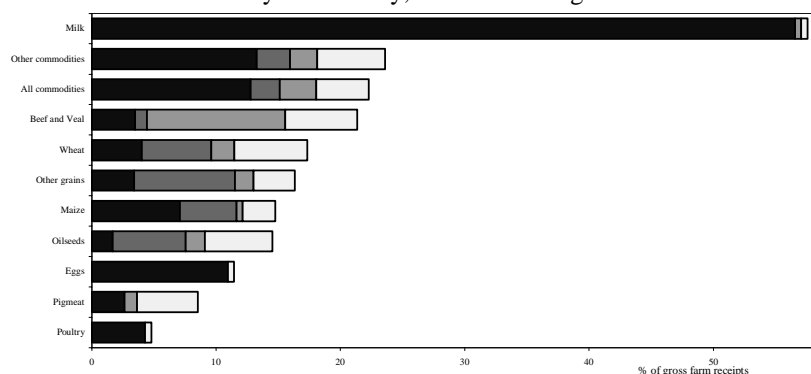
The main development in 2004 was the full implementation of the *Agriculture Policy Framework* and related reforms to major agricultural support programs, notably the introduction of the *Canadian Agriculture Income Stabilisation (CAIS)* program. The *Transitional Industry Support Program (TISP)* was also put in place in part to address financial losses related to the discovery of a case of BSE in Canada and the subsequent loss of beef export markets.

- Support to producers (%PSE) has fallen by one-third between 1986-88 and 2002-04, and now stands at around 22%.
- The combined share of market price support (MPS), output and input payments has fallen from 82% of producer support in 1986-88 to 57% in 2002-04. Prices received by farmers were 40% above those received in the world market in 1986-88 but only 14% higher in 2002-04
- The composition of support in Canada continues to move towards less-distorting forms such as payments based on historical entitlements or farm income. At 31%, the share of these payments in the PSE is one of the highest among OECD countries.
- The percentage CSE dropped from 22% in 1986-88 to 15% in 2002-04.
- Support for general services provided to agriculture, 19% of the TSE in 1986-88, is now 24% of the TSE in 2002-04.
- Total support to agriculture as a percentage of GDP, declined from 1.8% in 1986-88 to 0.8% in 2002-04.

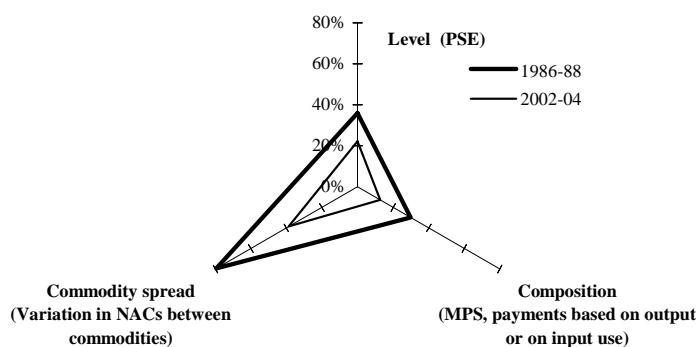
Producer Support Estimate (PSE) Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Primary agriculture represents 2% of GDP in Canada and employs approximately 324 000 people. About half of production by value is exported. Reforms to grain export policies in the mid 1990s that eliminated the transport subsidy for cereals and oilseeds has led to an increasing importance of livestock production via greater availability and lower feed grain prices.

Table 2.2. Canada: Estimates of support to agriculture

(CAD million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	18 458	31 118	32 545	29 359	31 450
<i>of which share of MPS commodities (%)</i>	82	74	75	73	75
Total value of consumption (at farm gate)	15 396	23 313	24 272	24 118	21 548
Producer Support Estimate (PSE)	8 025	7 816	7 533	8 488	7 428
Market Price Support (MPS)	4 203	3 737	3 696	4 064	3 452
<i>of which MPS commodities</i>	3 457	2 783	2 780	2 984	2 584
Payments based on output	1 262	345	223	428	383
Payments based on area planted/animal numbers	1 247	825	1 212	427	836
Payments based on historical entitlements	0	1 026	923	1 405	751
Payments based on input use	1 160	402	380	390	436
Payments based on input constraints	0	5	0	4	10
Payments based on overall farming income	0	1 362	1 017	1 533	1 535
Miscellaneous payments	153	114	81	236	24
Percentage PSE	36	22	21	25	21
Producer NPC	1.40	1.14	1.12	1.16	1.13
Producer NAC	1.57	1.29	1.26	1.34	1.27
General Services Support Estimate (GSSE)	1 920	2 291	2 296	2 267	2 309
Research and development	332	460	426	478	476
Agricultural schools	277	252	350	193	212
Inspection services	327	617	595	586	670
Infrastructure	474	439	418	414	484
Marketing and promotion	510	523	507	596	466
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	19.2	22.6	23.4	20.9	23.7
Consumer Support Estimate (CSE)	-3 308	-3 514	-3 661	-3 433	-3 448
Transfers to producers from consumers	-3 619	-3 338	-3 272	-3 443	-3 298
Other transfers from consumers	-41	-217	-388	-111	-150
Transfers to consumers from taxpayers	42	28	0	85	0
Excess feed cost	310	12	0	36	0
Percentage CSE	-22	-15	-15	-14	-16
Consumer NPC	1.32	1.18	1.18	1.17	1.19
Consumer NAC	1.28	1.18	1.18	1.17	1.19
Total Support Estimate (TSE)	9 987	10 135	9 829	10 841	9 736
Transfers from consumers	3 660	3 554	3 661	3 554	3 448
Transfers from taxpayers	6 368	6 798	6 557	7 398	6 439
Budget revenues	-41	-217	-388	-111	-150
Percentage TSE (expressed as share of GDP)	1.78	0.83	0.85	0.89	0.75
GDP deflator 1986-88 = 100	100	141	137	141	146

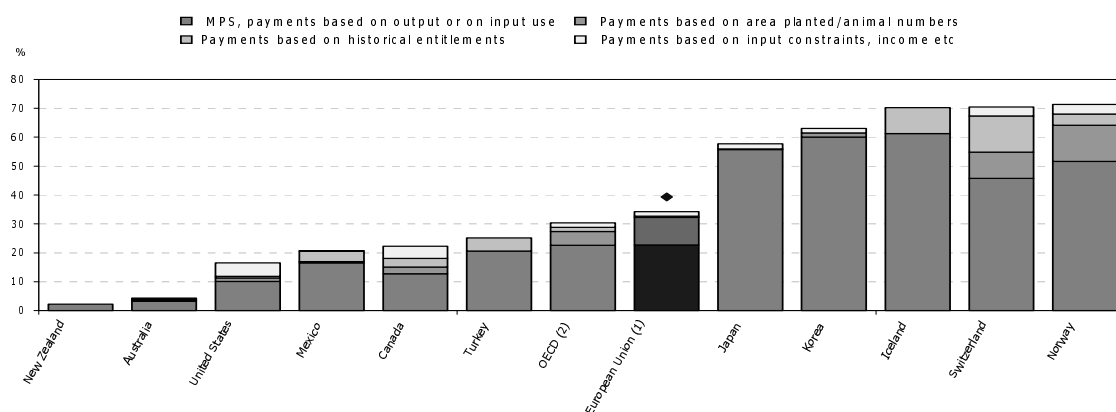
Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
MPS commodities for Canada are: wheat, maize, other grains, oilseeds, milk, beef and veal, pigmeat, poultry and eggs.
Market price support is net of producer levies and excess feed costs.
Source: OECD, PSE/CSE database 2005.

EUROPEAN UNION

Evaluation of policy developments

- Overall, progress in policy reform since 1986-88, with a reduction in the level of support, has improved market orientation. Despite a move away from market price support and output payments they still account for the majority of support.
- The gradual introduction of single payment schemes from 2005 will further reduce production and trade distortions, although the decision about what commodity-linked payments to include in the schemes differed widely between EU countries.
- The transfer of funds from the first pillar to the second pillar of the CAP through modulation opens up the possibility of moving towards more targeted measures, including for the environment, but so far the transfers involved are very modest.
- The expansion of cross-compliance associated with payments may prove effective in limiting environmental stress, but the stress would be lower if production-linked support was reduced.
- The regulation establishing an EU system to trace, label and market GM products should facilitate the approval of specific GM products for production and marketing by EU countries.
- Efforts are being made to simplify the administration of the CAP, but monitoring compliance and maintaining the dual system of payments established by the recent reforms will increase administration costs.
- Future efforts should focus on improving multilateral market access, continuing the shift to better targeted and less production and trade distorting forms of support, and including in key sectors such as milk and sugar.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

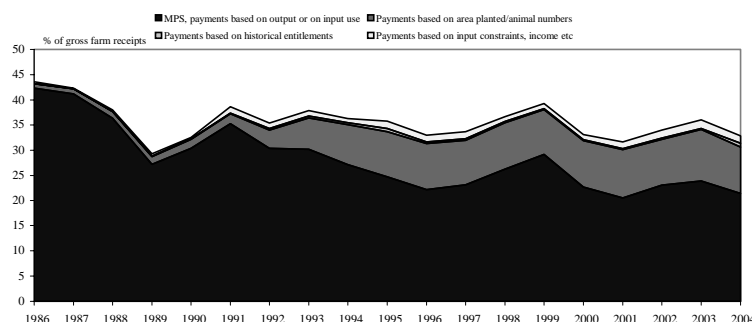
Summary of policy developments

The Common Agricultural Policy (CAP) started to apply in new member states at the date of accession in May 2004. The implementation of the 2003 CAP reform began in 2004, and the single payment scheme will replace most of the previous area and headage payments as of 2005 to 2007, depending on the country. The hop, tobacco and olive oil sectors were reformed in 2004, all along the same line of incorporating payments into the single payment.

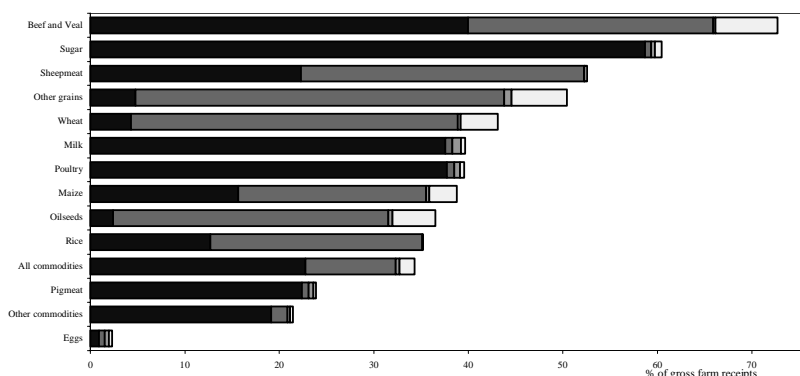
- Support to producers (%PSE) has decreased from 41% in 1986-88 to 34% in 2002-04¹, compared to an OECD average of 30%. Support decreased in 2004 to 33% for the EU25 (34% for the EU15), mainly due to higher border prices. The spread in the level of support between commodities has changed little over the period, and ranges between 2 and 73%.
- The combined share of market price support, output and input payments in the PSE has fallen from 98% in 1986-88 to 67% in 2002-04. Prices received by farmers were 32% higher than those on the world market in 2002-04, compared to 80% in 1986-88.
- Since 1986-88, there has been a significant move from market price support to payments based on area planted and animal numbers, which accounted for 28% of the PSE in 2002-04.
- The cost imposed on consumers as measured by the %CSE has fallen from 38% in 1986-88 to 21% in 2002-04.
- Support for general services provided to agriculture has decreased from 9% of total support in 1986-88 to 8% in 2002-04. Total support to agriculture as a percentage of GDP has been halved since 1986-88, to 1.3% in 2002-04.

Producer Support Estimate (PSE)

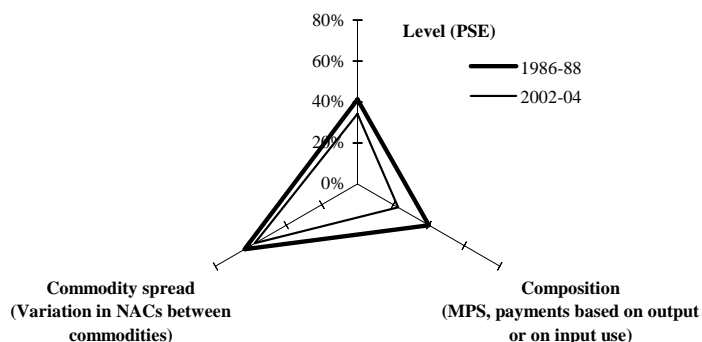
Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture accounts for 2% of GDP and 3.8% of total employment in the EU15. The share of agricultural and agri-food products in total trade is around 7%, down from its 1986-88 level. The EU agricultural sector presents a great diversity of production and structures, and that diversity increased with the addition of 10 new member states in 2004.

Table 2.3. European Union: Estimates of support to agriculture (EU25 for 2004)

(EUR million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	211 407	254 056	242 506	242 428	277 235
<i>of which share of MPS commodities (%)</i>	75	72	73	72	73
Total value of consumption (at farm gate)	188 931	251 806	238 004	240 557	276 857
Producer Support Estimate (PSE)	92 308	103 050	96 989	104 474	107 686
Market Price Support (MPS)	80 175	56 230	54 478	57 088	57 125
<i>of which MPS commodities</i>	59 903	40 764	39 633	40 991	41 669
Payments based on output	4 524	3 630	3 592	3 562	3 737
Payments based on area planted/animal numbers	2 415	28 715	26 170	29 636	30 339
Payments based on historical entitlements	0	1 188	598	621	2 344
Payments based on input use	4 525	8 457	7 519	8 586	9 267
Payments based on input constraints	643	4 961	4 501	5 084	5 297
Payments based on overall farming income	0	10	0	0	29
Miscellaneous payments	26	-142	130	-104	-452
Percentage PSE	41	34	34	36	33
Producer NPC	1.80	1.32	1.31	1.34	1.29
Producer NAC	1.71	1.52	1.52	1.56	1.49
General Services Support Estimate (GSSE)	9 677	9 493	9 338	8 849	10 292
Research and development	1 063	1 604	1 536	1 545	1 732
Agricultural schools	93	952	843	904	1 108
Inspection services	156	460	442	402	537
Infrastructure	1 122	2 212	1 888	2 048	2 701
Marketing and promotion	2 430	3 068	3 056	3 017	3 129
Public stockholding	4 776	907	1 424	816	482
Miscellaneous	38	289	149	115	603
GSSE as a share of TSE (%)	9.1	8.2	8.5	7.5	8.5
Consumer Support Estimate (CSE)	-69 690	-51 480	-50 033	-52 624	-51 782
Transfers to producers from consumers	-80 625	-55 366	-53 296	-56 164	-56 639
Other transfers from consumers	-1 517	-1 011	-388	-1 386	-1 259
Transfers to consumers from taxpayers	4 387	3 708	3 645	3 900	3 579
Excess feed cost	8 066	1 190	6	1 026	2 537
Percentage CSE	-38	-21	-21	-22	-19
Consumer NPC	1.78	1.29	1.29	1.31	1.26
Consumer NAC	1.61	1.26	1.27	1.29	1.23
Total Support Estimate (TSE)	106 372	116 251	109 972	117 223	121 557
Transfers from consumers	82 142	56 377	53 684	57 550	57 898
Transfers from taxpayers	25 747	60 884	56 676	61 059	64 919
Budget revenues	-1 517	-1 011	-388	-1 386	-1 259
Percentage TSE (expressed as share of GDP)	2.82	1.24	1.20	1.26	1.20
GDP deflator 1986-88 = 100	100	156	153	156	159

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for the European Community are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants & flowers and wine.

EU12 for 1986-94, including ex GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

Source: OECD, PSE/CSE database 2005.

Table 2.4. European Union: Estimates of support to agriculture (EU15 for 2004)

(EUR million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	211 407	245 289	242 506	242 428	250 933
<i>of which share of MPS commodities (%)</i>	75	72	73	72	72
Total value of consumption (at farm gate)	188 931	242 630	238 004	240 557	249 329
Producer Support Estimate (PSE)	92 308	100 576	96 989	104 474	100 264
Market Price Support (MPS)	80 175	55 166	54 478	57 088	53 932
<i>of which MPS commodities</i>	59 903	39 890	39 633	40 991	39 045
Payments based on output	4 524	3 565	3 592	3 562	3 540
Payments based on area planted/animal numbers	2 415	28 380	26 170	29 636	29 332
Payments based on historical entitlements	0	609	598	621	608
Payments based on input use	4 525	8 069	7 519	8 586	8 102
Payments based on input constraints	643	4 938	4 501	5 084	5 230
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	26	-151	130	-104	-480
Percentage PSE	41	35	34	36	34
Producer NPC	1.80	1.32	1.31	1.34	1.31
Producer NAC	1.71	1.53	1.52	1.56	1.51
General Services Support Estimate (GSSE)	9 677	9 117	9 338	8 849	9 164
Research and development	1 063	1 569	1 536	1 545	1 624
Agricultural schools	93	924	843	904	1 026
Inspection services	156	422	442	402	423
Infrastructure	1 122	2 105	1 888	2 048	2 379
Marketing and promotion	2 430	3 048	3 056	3 017	3 071
Public stockholding	4 776	907	1 424	816	482
Miscellaneous	38	141	149	115	159
GSSE as a share of TSE (%)	9.1	8.0	8.5	7.5	8.1
Consumer Support Estimate (CSE)	-69 690	-50 553	-50 033	-52 624	-49 003
Transfers to producers from consumers	-80 625	-54 440	-53 296	-56 164	-53 860
Other transfers from consumers	-1 517	-903	-388	-1 386	-935
Transfers to consumers from taxpayers	4 387	3 708	3 645	3 900	3 579
Excess feed cost	8 066	1 082	6	1 026	2 214
Percentage CSE	-38	-21	-21	-22	-20
Consumer NPC	1.78	1.30	1.29	1.31	1.28
Consumer NAC	1.61	1.27	1.27	1.29	1.25
Total Support Estimate (TSE)	106 372	113 401	109 972	117 223	113 007
Transfers from consumers	82 142	55 343	53 684	57 550	54 795
Transfers from taxpayers	25 747	58 960	56 676	61 059	59 146
Budget revenues	-1 517	-903	-388	-1 386	-935
Percentage TSE (expressed as share of GDP)	2.82	1.20	1.20	1.26	1.16
GDP deflator 1986-88 = 100	100	156	153	156	159

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for the European Community are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants & flowers and wine.

EU12 for 1986-94, including ex GDR from 1990; EU15 for 1995-2004.

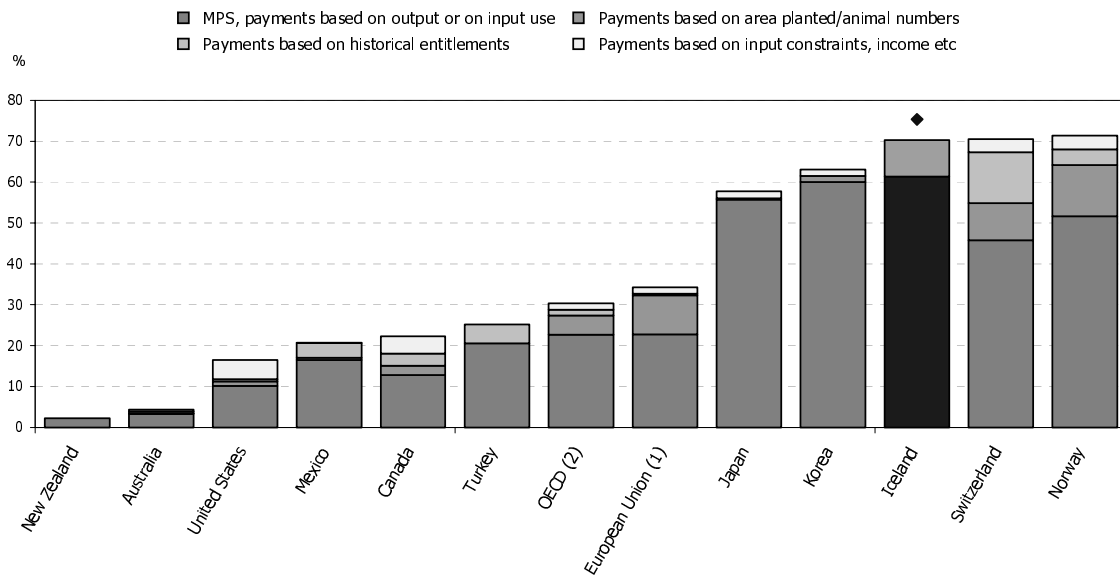
Source: OECD, PSE/CSE database 2005.

ICELAND

Evaluation of policy developments

- Overall, since 1986-88 there has been limited progress in policy reform, with only a slight fall in the level of producer support, which remains among the highest in the OECD. There has been a notable shift from market price support to payments based on historical entitlements for sheepmeat. As the result, the share of market price support in producer support has dropped significantly.
- The abolition of administered dairy prices at the wholesale level, scheduled for 2004, was postponed indefinitely. This was a missed opportunity to bring dairy into line with other agricultural sectors where all administered prices have been abolished.
- Payments to dairy farmers are based on output, which are highly production and trade distorting. Unfortunately no major changes are foreseen, as an eight-year framework agreement on government support to dairy production was signed in 2004.
- Further efforts are required to reduce the very high levels of support, improve market access, and introduce forms of support that are more efficient at targeting explicit policy objectives in ways that are less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

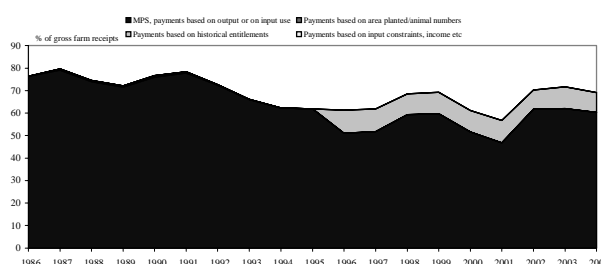
Summary of policy developments

The abolition of the administered price for milk at wholesale level which had been scheduled for 2004 was postponed indefinitely, with legislation providing for the possible abolition of administered prices at any time by decision of the competent authorities. A new agreement on a framework for government support to dairy production was signed between the government and the farmers' union in May 2004 which will continue the current system till 2012.

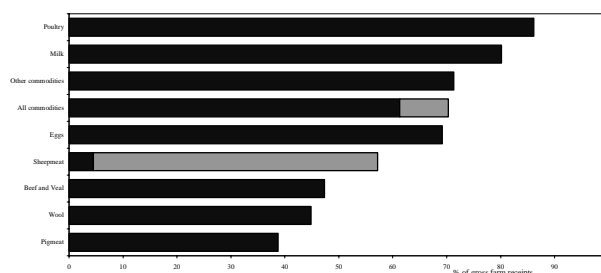
- Support to producers, as measured by the %PSE, has fallen from 77% in 1986-88 to 70% in 2002-04. However it is still more than twice the OECD average. Milk and sheepmeat account for the largest share of the total PSE, while poultry, milk and eggs report the highest %PSEs.
- The combined share of market price support (MPS), output and input payments in producer support has fallen from 99% in 1986-88 to 87% in 2002-04. Prices received by farmers in 1986-88 were over 4 times higher than those received in the world market. By 2002-04, the gap had decreased to just over 3 times.
- Payments based on historical entitlements began in 1996 and totalled ISK 1 957 million (USD 28 million) in 2004, accounting for 13% of PSE.
- The cost imposed on consumers, as measured by the %CSE, fell from 72% in 1986-88 to 54% in 2002-04.
- Support for general services provided to agriculture has decreased from 9% of total support in 1986-88 to 8% in 2002-04.
- Total support to agriculture as share of GDP has decreased from 5.1% in 1986-88 to 2.1% in 2002-04.

Producer Support Estimate (PSE)

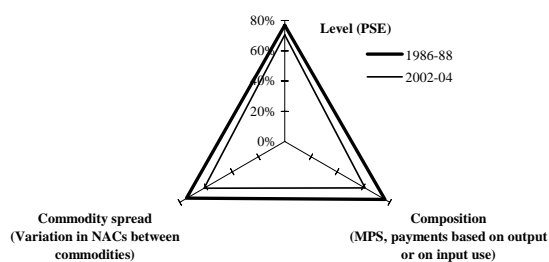
Level and composition over time...



...by commodity, 2002-04 average



...and reform progress



Agriculture accounts for 9% of GDP and 4% of total employment in Iceland. Milk and sheepmeat are the two major agricultural commodities and developments in domestic agricultural policies have been concentrated in these two sectors. Iceland allows only small quantities of imports that compete with major domestically produced commodities.

Table 2.5. Iceland: Estimates of support to agriculture

(ISK million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	9 644	13 411	13 481	13 079	13 672
<i>of which share of MPS commodities (%)</i>	80	78	78	77	78
Total value of consumption (at farm gate)	8 750	12 178	12 561	11 721	12 254
Producer Support Estimate (PSE)	8 022	15 346	15 127	15 623	15 288
Market Price Support (MPS)	7 218	6 931	7 069	6 894	6 828
<i>of which MPS commodities</i>	5 795	5 385	5 501	5 318	5 335
Payments based on output	113	5 928	5 742	6 061	5 980
Payments based on area planted/animal numbers	48	0	0	0	0
Payments based on historical entitlements	0	1 965	1 840	2 096	1 957
Payments based on input use	643	524	476	572	523
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	77	70	70	72	69
Producer NPC	4.37	3.15	3.13	3.28	3.03
Producer NAC	4.36	3.37	3.36	3.53	3.23
General Services Support Estimate (GSSE)	935	1 331	1 265	1 393	1 335
Research and development	93	221	217	233	214
Agricultural schools	149	546	469	608	561
Inspection services	39	118	123	108	124
Infrastructure	281	185	179	192	184
Marketing and promotion	10	10	27	2	2
Public stockholding	359	244	244	244	244
Miscellaneous	5	6	7	6	6
GSSE as a share of TSE (%)	8.8	7.9	7.6	8.0	7.9
Consumer Support Estimate (CSE)	-5 076	-6 374	-6 696	-6 183	-6 243
Transfers to producers from consumers	-6 682	-6 493	-6 641	-6 384	-6 454
Other transfers from consumers	-99	-146	-301	-86	-51
Transfers to consumers from taxpayers	1 705	265	246	287	262
Excess feed cost	0	0	0	0	0
Percentage CSE	-72	-54	-54	-54	-52
Consumer NPC	4.49	2.20	2.24	2.23	2.13
Consumer NAC	3.68	2.15	2.19	2.18	2.09
Total Support Estimate (TSE)	10 662	16 942	16 638	17 303	16 885
Transfers from consumers	6 781	6 639	6 942	6 470	6 506
Transfers from taxpayers	3 980	10 449	9 998	10 918	10 430
Budget revenues	-99	-146	-301	-86	-51
Percentage TSE (expressed as share of GDP)	5.07	2.07	2.14	2.14	1.94
GDP deflator 1986-88 = 100	100	274	274	272	278

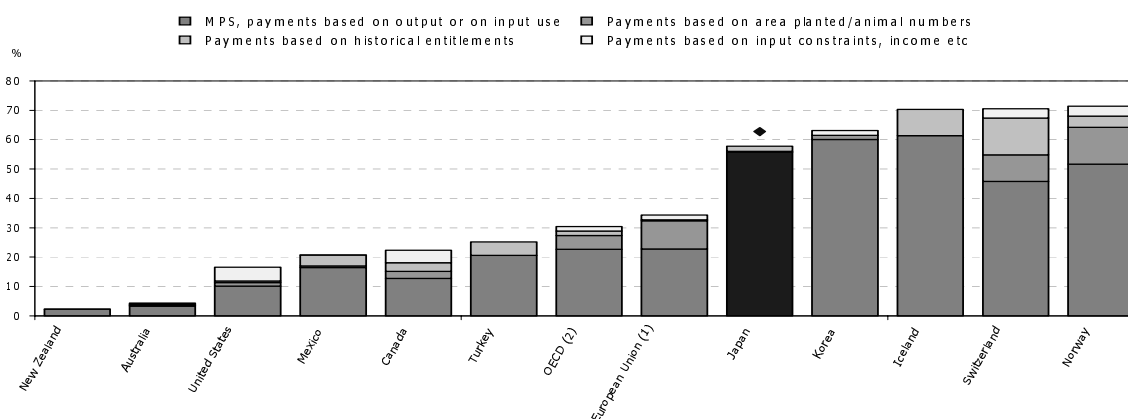
Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
Market price support is net of producer levies and excess feed costs.
MPS commodities for Iceland are: milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database 2005.

JAPAN

Evaluation of policy developments

- Overall, little progress in market orientation has occurred since 1986-88, with the level of producer support remaining very high. Most support continues to be provided through market price support, largely for rice, with little narrowing of the gap between domestic and world prices.
- A key proposal in the *Basic Plan for Food, Agriculture and Rural Areas* is to move away from support based on individual commodities to a multi-commodity system. This has the potential to shift support from price-based measures to direct payments for crops other than rice.
- Policy reforms underway in the rice sector will reduce the direct influence of policies on prices, but with the high level of border protection, the actual effect on reducing prices will be limited.
- The introduction of a framework for agri-environmental policies, including clearer goals and an emphasis on performance assessment, has potential to improve policy effectiveness, but its economic efficiency may be limited given the high levels of output-linked support.
- Japan has recently agreed two important bilateral trade agreements and others are being negotiated. These should open the market for some agricultural products, contributing to sector adjustment.
- Further efforts are needed to reduce the levels of support, increase market access and implement measures that are less costly, while continuing to pursue targeted environmental, rural and income policies in ways that are less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

In 2004 discussion about a new *Basic Plan for Food, Agriculture and Rural Areas* got underway. One of the main features of the new Plan will be a shift away from a support system based on individual commodities to a multi-commodity system in which support will be concentrated on the largest and most efficient and stable farms. Rice policy reforms are continuing, including the abolition of the orderly marketing system and changes to the production adjustment system.

- Support to producers, as measured by the %PSE, has declined from 61% in 1986-88 to 58% in 2002-04. However it remains almost twice the OECD average.

- Rice, wheat, other grains and milk are the most heavily supported commodities. Variation in PSE between commodities is very high, with support concentrated on these commodities.

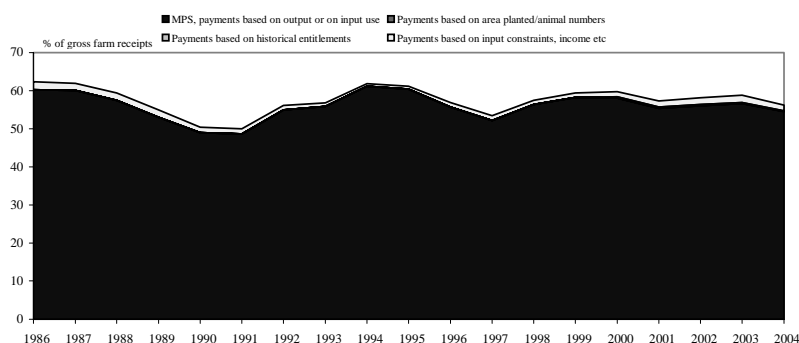
- The combined share of market price support (MPS) and output payments in PSE has remained unchanged at around 90% in 1986-88 and 2002-04. Prices received by farmers in 1986-88 were almost 150% higher than those in the world market. It has changed little since then and was 130% higher in 2002-04.

- The cost imposed on consumers, as measured by the %CSE, fell from 58% in 1986-88 to 51% in 2002-04.

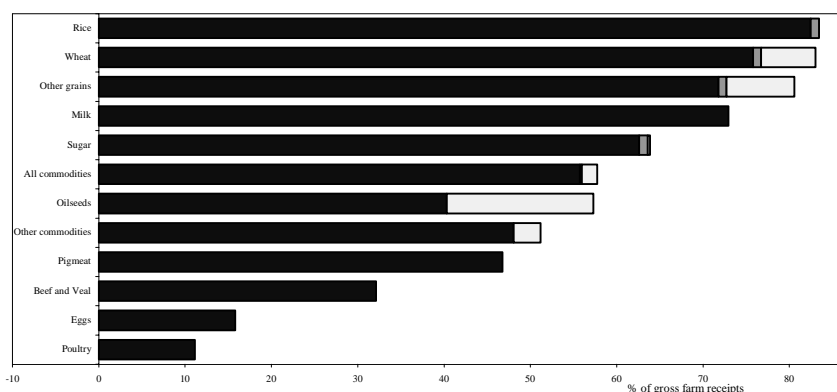
- Support for general services provided to agriculture has increased between 1986-88 and 2002-04, from 15% to 20% of total support.

- Total support to agriculture has declined from 2.3% of GDP in 1986-88 to 1.4% in 2002-04.

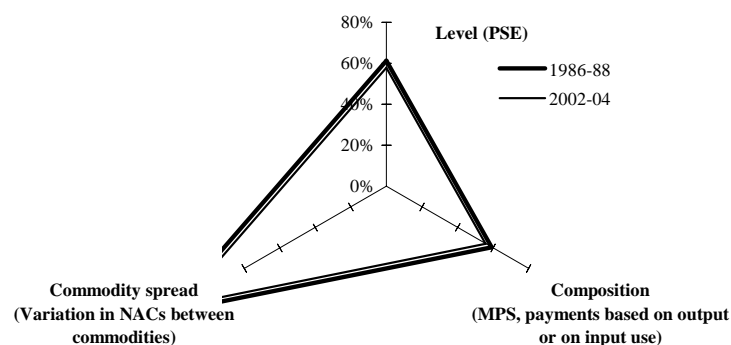
Producer Support Estimate (PSE) Level and composition over time...



...by commodity, 2000-04 average



...and reform progress



Agriculture accounts for 1.3% of GDP and 4.6% of total employment. Rice is the most important commodity in terms of the number of farmers and receives the highest level of support. Japan is the one of the largest net food importing countries, with imports accounting for 60% of consumption. The average farm size is very small, approximately 1.6 hectares.

Table 2.6. Japan: Estimates of support to agriculture

(JPY billion)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	10 936	8 912	8 930	8 901	8 904
<i>of which share of MPS commodities (%)</i>	<i>69</i>	<i>66</i>	<i>65</i>	<i>65</i>	<i>69</i>
Total value of consumption (at farm gate)	13 938	13 325	13 118	13 750	13 107
Producer Support Estimate (PSE)	7 155	5 456	5 532	5 553	5 283
Market Price Support (MPS)	6 408	4 915	4 950	5 005	4 789
<i>of which MPS commodities</i>	<i>4 447</i>	<i>3 256</i>	<i>3 220</i>	<i>3 252</i>	<i>3 296</i>
Payments based on output	221	173	185	171	164
Payments based on area planted/animal numbers	0	0	0	0	0
Payments based on historical entitlements	0	24	33	23	17
Payments based on input use	298	179	195	174	168
Payments based on input constraints	228	164	168	179	145
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	61	58	58	59	56
Producer NPC	2.47	2.27	2.29	2.33	2.20
Producer NAC	2.58	2.37	2.39	2.43	2.28
General Services Support Estimate (GSSE)	1 267	1 386	1 413	1 437	1 309
Research and development	46	87	82	84	95
Agricultural schools	29	21	25	24	15
Inspection services	8	9	8	8	10
Infrastructure	1 008	1 102	1 125	1 150	1 030
Marketing and promotion	22	27	29	29	24
Public stockholding	43	33	34	32	32
Miscellaneous	110	107	109	110	102
GSSE as a share of TSE (%)	15.1	20.2	20.3	20.6	19.8
Consumer Support Estimate (CSE)	-8 026	-6 848	-6 836	-7 215	-6 494
Transfers to producers from consumers	-6 322	-4 914	-4 949	-5 004	-4 789
Other transfers from consumers	-1 700	-1 946	-1 899	-2 222	-1 718
Transfers to consumers from taxpayers	-16	5	6	4	4
Excess feed cost	11	7	6	7	9
Percentage CSE	-58	-51	-52	-52	-50
Consumer NPC	2.36	2.06	2.09	2.11	1.99
Consumer NAC	2.36	2.06	2.09	2.10	1.98
Total Support Estimate (TSE)	8 407	6 847	6 950	6 994	6 596
Transfers from consumers	8 022	6 860	6 848	7 226	6 507
Transfers from taxpayers	2 085	1 933	2 001	1 990	1 807
Budget revenues	-1 700	-1 946	-1 899	-2 222	-1 718
Percentage TSE (expressed as share of GDP)	2.34	1.37	1.39	1.40	1.30
GDP deflator 1986-88 = 100	100	101	103	101	98

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Japan are: wheat, other grains, rice, sugar, milk, beef and veal, pigmeat, poultry, eggs, apples, cabbage, cucumbers, grapes, mandarins, pears, spinach, strawberries and Welsh onions.

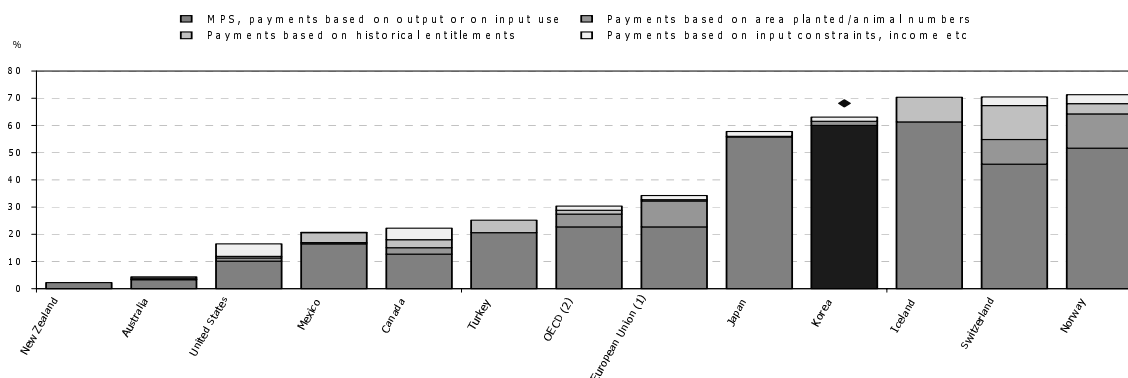
Source: OECD, PSE/CSE database 2005.

KOREA

Evaluation of policy developments

- Overall, little progress in market orientation has occurred since 1986-88, with the level of producer support remaining very high. Most support continues to be provided through market price support, largely for rice, although the gap between domestic and border prices has fallen. There has been a limited shift towards the use of payments but these are generally linked to production.
- Recent efforts to reform rice policies, including a set-aside payment, are small steps in the right direction. The proposal to eliminate target prices would continue the adjustment process, required by the increasing level of imports.
- The introduction of an agri-environmental payment for livestock producers increases the sectoral coverage of such measures although their economic efficiency may be limited by the high level of output-linked support.
- The launching of a traceability scheme for agricultural products is a clear response to consumers' concerns about food safety.
- The recent focus on rural development initiatives could lead to policy measures that are more effective and less trade distorting.
- On-going efforts to pursue bilateral and regional trade agreements offer the possibility to open the market for some agricultural products, leading to some sector adjustment.
- Further efforts are needed to reduce the very high levels of support, increase market access and implement measures that are less costly, while continuing to pursue targeted environmental, rural development and income objectives in ways that are less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes: 1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

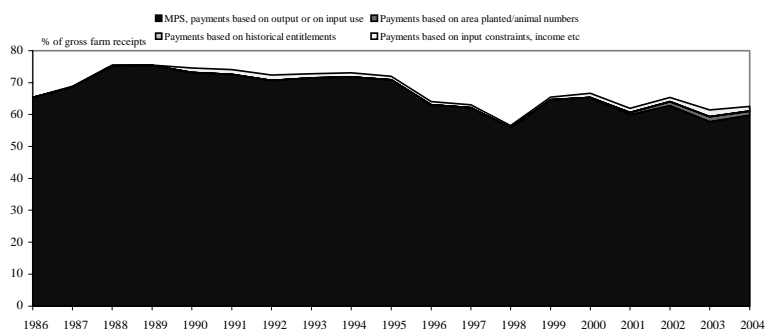
Summary of policy developments

Policy is increasingly focused on rural development, and new legislation and payments were introduced. A new livestock agri-environmental payment began and regulations for livestock facilities tightened. The crop insurance scheme became nationally available and a pilot traceability scheme introduced in the beef sector. Negotiations concluded with major rice exporting countries that further delayed rice tariffication but increased the annual level of rice imports out to 2014.

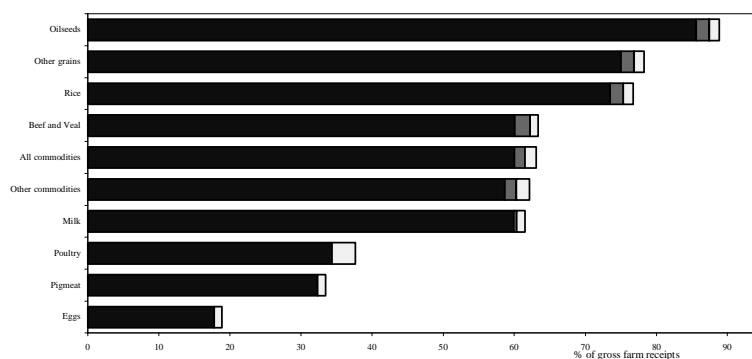
- Support to producers (%PSE) has decreased from 70% in 1986-88 to 63% in 2002-04, but it is still double the OECD average. The support level varies widely across commodities, from 33% for eggs to 76% for rice and 89% for oilseeds.
- The share of market price support has fallen from 99% of producer support in 1986-88 to 93% in 2002-04. Prices received by farmers in 1986-88 were 233% higher than those received in the world market. By 2002-04 the gap had decreased to 159%.
- Payments based on area, on input use or on overall farm income now each account for 2% of the PSE. Almost all area payments are contingent on the respect of environmentally friendly farming practices.
- The cost imposed on consumers, as measured by the %CSE, has fallen from 66% in 1986-88 to 60% in 2002-04. Consumers still paid on average two and a half times the world price for agricultural commodities in 2002-04.
- Support provided to general services for agriculture has increased between 1986-88 and 2002-04, from 8% to 13% of the TSE. Total support to agriculture is 3.5% of GDP, less than half of the share in 1986-88.

Producer Support Estimate (PSE)

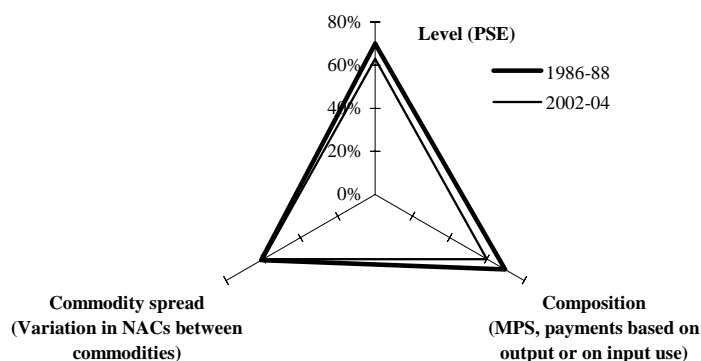
Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture accounts for 3.6% of GDP but 8.8% of employment in the economy. This reflects the labour intensive nature of the predominantly small-scale farming system. The real net value of agricultural production has fallen since 2001. Agricultural imports and exports represent about 2% and 0.5% of GDP respectively.

Table 2.7. Korea: Estimates of support to agriculture

(KRW billion)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	13 624	32 978	32 147	31 809	34 977
<i>of which share of MPS commodities (%)</i>	<i>72</i>	<i>60</i>	<i>61</i>	<i>57</i>	<i>60</i>
Total value of consumption (at farm gate)	14 367	42 570	41 571	44 543	41 598
Producer Support Estimate (PSE)	9 638	21 826	21 987	20 620	22 872
Market Price Support (MPS)	9 541	20 206	20 479	18 855	21 283
<i>of which MPS commodities</i>	<i>6 854</i>	<i>12 047</i>	<i>12 493</i>	<i>10 830</i>	<i>12 817</i>
Payments based on output	0	0	0	0	0
Payments based on area planted/animal numbers	0	502	458	555	494
Payments based on historical entitlements	0	3	0	0	10
Payments based on input use	69	560	621	506	553
Payments based on input constraints	0	79	21	103	113
Payments based on overall farming income	28	475	407	600	419
Miscellaneous payments	0	0	0	0	0
Percentage PSE	70	63	65	61	63
Producer NPC	3.33	2.59	2.76	2.46	2.55
Producer NAC	3.39	2.72	2.88	2.59	2.67
General Services Support Estimate (GSSE)	845	3 411	3 498	3 784	2 951
Research and development	52	386	420	383	355
Agricultural schools	5	53	51	54	55
Inspection services	21	131	120	131	143
Infrastructure	374	2 088	2 192	2 450	1 622
Marketing and promotion	0	38	40	36	40
Public stockholding	394	714	676	730	735
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	8.0	13.4	13.7	15.3	11.4
Consumer Support Estimate (CSE)	-9 415	-25 444	-26 587	-25 772	-23 973
Transfers to producers from consumers	-9 294	-19 981	-20 479	-18 855	-20 609
Other transfers from consumers	-180	-5 640	-6 220	-7 200	-3 501
Transfers to consumers from taxpayers	59	177	112	283	136
Excess feed cost	0	0	0	0	0
Percentage CSE	-66	-60	-64	-58	-58
Consumer NPC	2.93	2.53	2.80	2.41	2.38
Consumer NAC	2.92	2.52	2.79	2.39	2.37
Total Support Estimate (TSE)	10 542	25 414	25 596	24 687	25 959
Transfers from consumers	9 474	25 621	26 699	26 056	24 109
Transfers from taxpayers	1 248	5 433	5 117	5 832	5 351
Budget revenues	-180	-5 640	-6 220	-7 200	-3 501
Percentage TSE (expressed as share of GDP)	9.26	3.51	3.74	3.42	3.39
GDP deflator 1986-88 = 100	100	234	230	235	237

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Korea are: other grains, garlic, chinese cabbage, rice, oilseeds, milk, beef and veal, pigmeat, poultry and eggs.

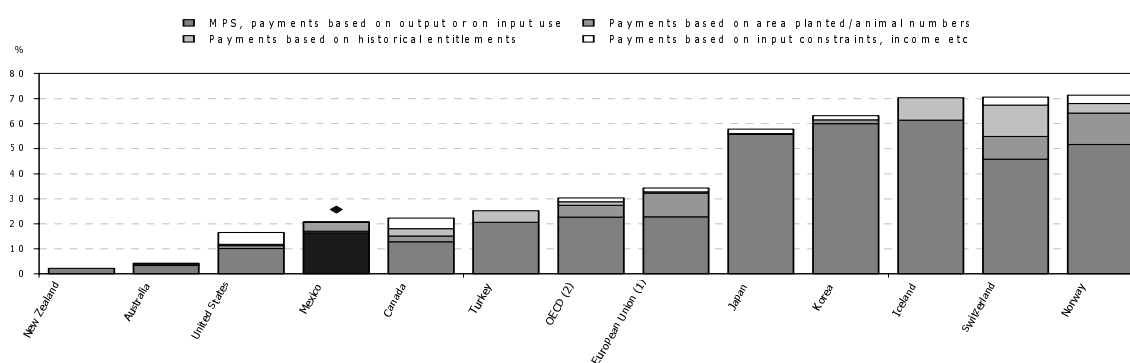
Source: OECD, PSE/CSE database 2005.

MEXICO

Evaluation of policy developments

- The level of support to agricultural producers remains relatively low. Since the early 1990's, heavy market interventions and traditional consumption subsidies for staples have been drastically reduced, while a pro-active food component was introduced in the poverty alleviation programmes. In the last few years there has been a reduction in market price support coinciding with the end of the transition period of NAFTA.
- However, the introduction of new deficiency payments for some crops and additional energy subsidies are movements in the opposite direction towards more distorting forms of support.
- Further, the irrigation subsidy appears to be in contradiction with the new programme to purchase water rights from farmers in over-exploited aquifers, raising the cost to the government of achieving their environmental objective.
- Some recent programmes have been better targeted to specific objectives such as traceability and extensification of cattle (cross-compliance conditions for headage payments), and improving the standards of meat processing plants (payments to animals slaughtered in certified plants) and this is a positive development.
- Administrative developments to computerise the management of the main support programmes have the potential to reduce their administrative costs and assist their evaluation.
- Trade liberalisation is placing adjustment pressure on the agriculture sector, and will require appropriate policy responses to ensure that the maximum benefit arises from the opportunities.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

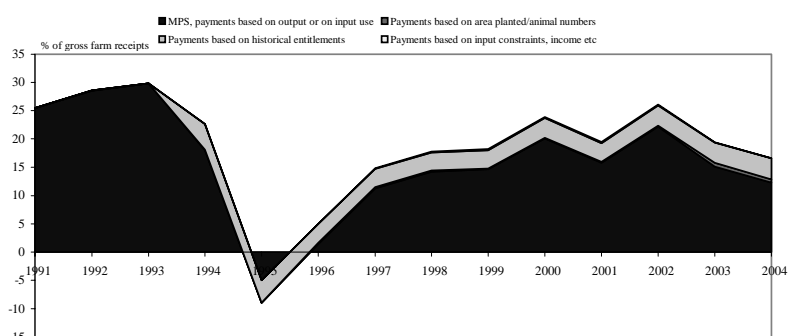
In 2004 the measures announced in the 2003 National Agreement on Agriculture were fully implemented. These include payments based on crop output, direct payments per head of cattle with cross-compliance conditions (PROGAN programme) and a higher subsidy to electricity and diesel for agricultural use. Mexico signed free trade agreements with Japan and Uruguay.

- Support to producers as measured by the %PSE was 21% in 2002-04 as compared to 3% in 1986-88 and 28% in the more stable currency period 1991-93. This is below the OECD average of 30% in 2002-04.
- The commodities with the highest level of support (above 30%) are sugar, maize and milk, while all meats have lower levels of support.
- The combined share of market price support, output and input payments in producer support fell in the last decade from 100% to 79% in 2002-04. Prices received by farmers in 2002-04 were 17% higher than those received in the world market.
- There has been a significant increase in payments based on historical entitlements due to the growing importance of PROCAMPO payments since 1994. PROCAMPO accounts for 18% of producer support in 2002-04.
- According to the %CSE, the implicit tax on consumers was 15% in 2002-04 as compared to 23% in 1991-93.

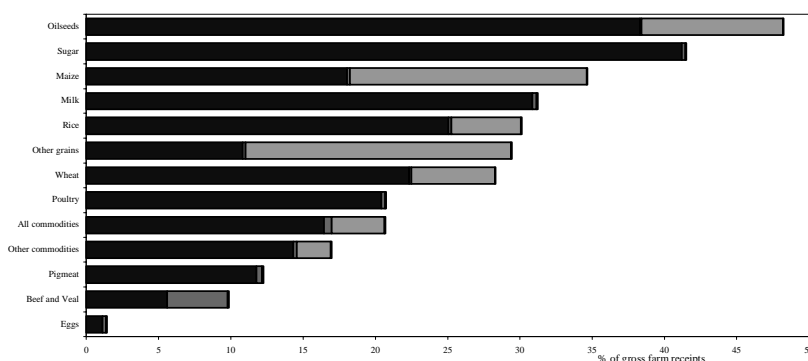
- Support for general services provided to agriculture represents 10% of TSE in both 1991-93 and 2002-04. Total support to agriculture as a per cent of GDP has fallen from 3.0% in 1991-93 to 1.2% in 2002-04, close to the OECD average.

Agriculture accounts for 4% of GDP (8% in 1990) and 16% of total employment (27% in 1990). Mexico is undergoing profound economic adjustment characterised by the migration of labour out of agriculture, consistent with its stage of development. Mexico exports mainly coffee, sugar, fruits and vegetables, and imports mainly grains, meats and milk powder.

Producer Support Estimate (PSE) Level and composition over time...



... by commodity, 2002-04 average



... and reform progress

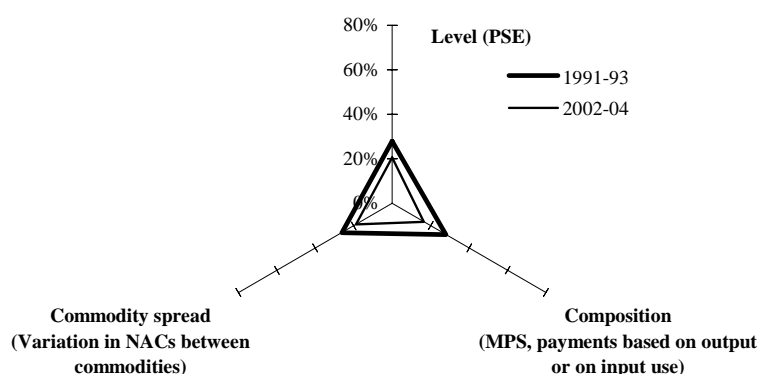


Table 2.8. Mexico: Estimates of support to agriculture

(MXN million)	1991-93	2002-04	2002	2003	2004p
Total value of production (at farm gate)	86 539	326 460	305 380	336 553	337 447
<i>of which share of MPS commodities (%)</i>	<i>69</i>	<i>68</i>	<i>68</i>	<i>67</i>	<i>69</i>
Total value of consumption (at farm gate)	80 628	319 423	297 398	329 287	331 584
Producer Support Estimate (PSE)	25 435	73 356	86 564	71 868	61 638
Market Price Support (MPS)	21 199	41 944	60 141	38 256	27 436
<i>of which MPS commodities</i>	<i>14 565</i>	<i>28 489</i>	<i>40 752</i>	<i>25 686</i>	<i>19 028</i>
Payments based on output	160	3 053	3 270	2 774	3 114
Payments based on area planted/animal numbers	10	1 878	667	2 679	2 287
Payments based on historical entitlements	0	12 924	11 851	13 111	13 812
Payments based on input use	4 066	13 312	10 099	14 848	14 989
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	0	245	536	200	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	28	21	26	19	17
Producer NPC	1.35	1.17	1.27	1.14	1.09
Producer NAC	1.39	1.26	1.35	1.24	1.20
General Services Support Estimate (GSSE)	3 407	8 195	6 074	9 474	9 036
Research and development	339	1 510	1 373	1 585	1 573
Agricultural schools	550	1 938	1 735	1 944	2 134
Inspection services	0	1 231	1 158	1 378	1 156
Infrastructure	809	1 005	783	1 264	968
Marketing and promotion	322	2 397	864	3 213	3 115
Public stockholding	1 210	0	0	0	0
Miscellaneous	177	113	161	89	90
GSSE as a share of TSE (%)	10.2	10.0	6.5	11.6	12.7
Consumer Support Estimate (CSE)	-17 632	-47 310	-65 563	-44 809	-31 559
Transfers to producers from consumers	-22 139	-42 096	-62 000	-39 004	-25 284
Other transfers from consumers	-770	-6 744	-6 417	-6 665	-7 149
Transfers to consumers from taxpayers	4 666	564	925	367	400
Excess feed cost	612	966	1 930	493	474
Percentage CSE	-23	-15	-22	-14	-10
Consumer NPC	1.40	1.19	1.30	1.16	1.11
Consumer NAC	1.30	1.18	1.28	1.16	1.11
Total Support Estimate (TSE)	33 507	82 115	93 562	81 709	71 074
Transfers from consumers	22 909	48 840	68 417	45 669	32 433
Transfers from taxpayers	11 369	40 019	31 562	42 705	45 790
Budget revenues	-770	-6 744	-6 417	-6 665	-7 149
Percentage TSE (expressed as share of GDP)	3.02	1.20	1.49	1.21	0.95
GDP deflator 1991-93 = 100	100	458	430	458	485

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Mexico are: wheat, maize, other grains, coffee beans, tomatoes, rice, oilseeds, sugar, milk, beef and veal, pigmeat, poultry and eggs.

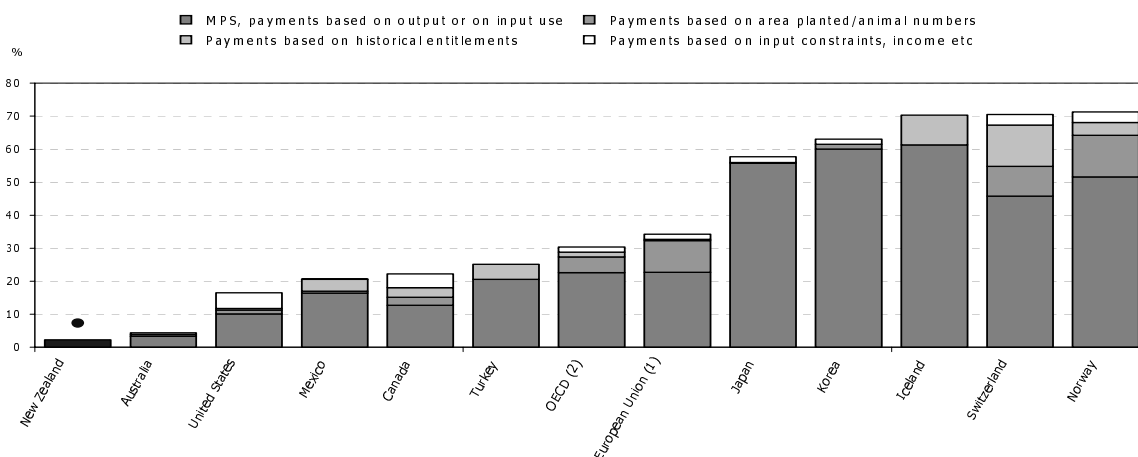
Source: OECD, PSE/CSE database 2005.

NEW ZEALAND

Evaluation of policy developments

- Overall, significant progress has been made since 1986-88 in removing policies causing agricultural production and trade distortions. The level of producer support is the lowest across OECD members, domestic and border prices are aligned, and payments are only provided for pest control or relief against climate disasters.
- Efforts to deregulate the producer and marketing boards continued, with the *Meat Board* and *Wool Board* merging their research and marketing promotion functions. This should result in efficiency gains for the sector.
- Food safety and biosecurity were the focus of considerable attention, responding to consumer concerns. Food safety has been reinforced by consolidation of legislation covering animal products. The creation of *Biosecurity New Zealand* should improve consistency in risk assessment and efforts to deal with unwanted pests and diseases.
- A partnership between the dairy industry and both central and local governments has the potential to reduce water pollution. The government's effort to develop additional market-based approaches to deal with both water quality and quantity issues highlights the need for action and should be encouraged.
- Agriculture is a market driven export-oriented sector, and trade policy is continuing to press strongly for more open global agricultural markets, while domestic policy efforts continue to address environmental and food safety issues.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

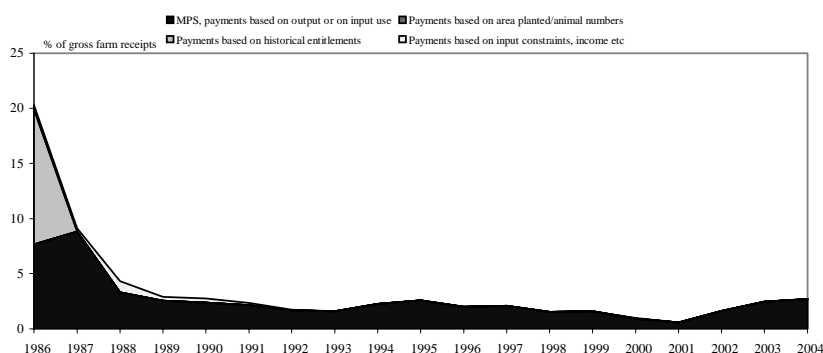
Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

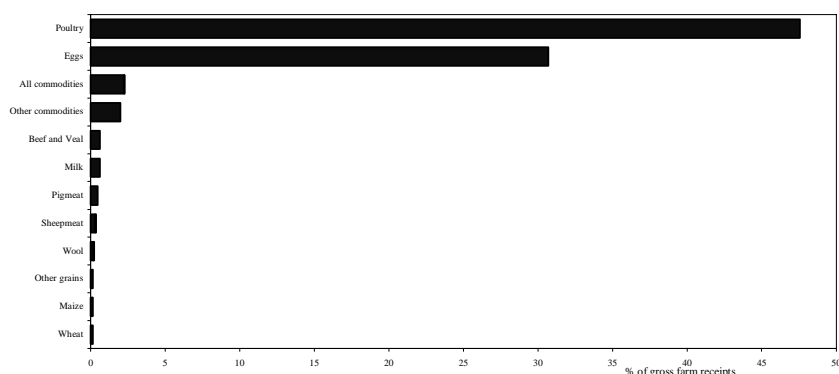
The main policy developments in 2004 include the establishment of a single biosecurity authority, the merging of the Meat and Wool Boards' industry good functions, and programmes to assist farmers and rural communities in response to severe storm damage. A climate change research strategy was finalised, and new policy measures to address water quality and water use issues are being developed. Reviews of both domestic and imported food regimes are also underway.

- Support to producers (%PSE) was 2% in 2002-04, down from 11% in 1986-88. Support is very low across all commodities. Poultry and eggs are supported through MPS due to sanitary measures at the border. Prices received by farmers have been aligned with those on the world market since 1988.
- The share of input payments, which is the only other heading under which producer support arises in New Zealand, has decreased from 39% of the PSE in 1986-88 to 17% in 2002-04.
- The cost imposed on consumers, as measured by the %CSE, was 8% in 2002-04 (9% in 1986-88).
- Support for general services provided to agriculture as a share of total support increased between 1986-88 and 2002-04, from 17% to 40%. It consists mainly of basic research and the control of pests and diseases.
- Total support to agriculture as a share of GDP is the lowest among the OECD countries at 0.4%, which is a quarter of the share in 1986-88.

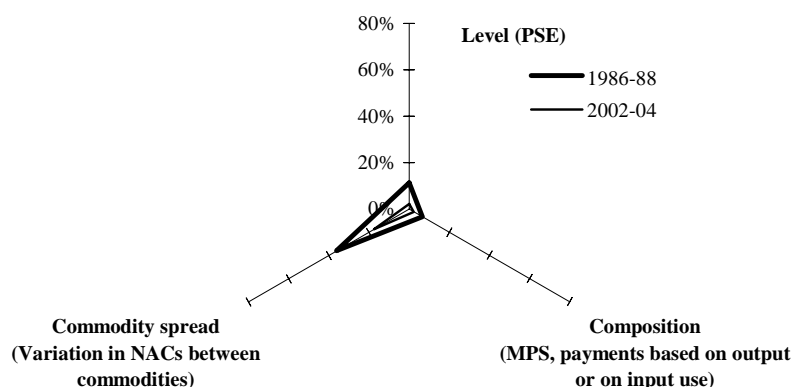
Producer Support Estimate (PSE) Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture contributes nearly 9% of GDP and 8% of employment although the real net value of agricultural production has been falling. A large proportion of agricultural output is exported. Agriculture accounts for 43% of total exports, with meat and dairy exports accounting for more than half of this.

Table 2.9. New Zealand: Estimates of support to agriculture

(NZD million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	6 860	13 933	13 697	13 848	14 252
<i>of which share of MPS commodities (%)</i>	<i>72</i>	<i>72</i>	<i>73</i>	<i>71</i>	<i>71</i>
Total value of consumption (at farm gate)	1 671	3 052	3 005	3 011	3 139
Producer Support Estimate (PSE)	852	318	223	342	390
Market Price Support (MPS)	158	262	172	289	324
<i>of which MPS commodities</i>	<i>114</i>	<i>187</i>	<i>127</i>	<i>205</i>	<i>229</i>
Payments based on output	3	0	0	0	0
Payments based on area planted/animal numbers	0	0	0	0	0
Payments based on historical entitlements	315	0	0	0	0
Payments based on input use	334	55	51	53	60
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	42	2	0	0	6
Miscellaneous payments	0	0	0	0	0
Percentage PSE	11	2	2	2	3
Producer NPC	1.02	1.02	1.01	1.02	1.02
Producer NAC	1.13	1.02	1.02	1.03	1.03
General Services Support Estimate (GSSE)	177	207	197	209	214
Research and development	77	99	102	98	96
Agricultural schools	0	13	6	15	18
Inspection services	54	66	59	69	69
Infrastructure	47	29	30	28	29
Marketing and promotion	0	0	0	0	0
Public stockholding	0	0	0	0	0
Miscellaneous	0	1	0	0	1
GSSE as a share of TSE (%)	17.2	39.4	46.9	38.0	35.4
Consumer Support Estimate (CSE)	-156	-254	-166	-276	-319
Transfers to producers from consumers	-152	-254	-166	-276	-319
Other transfers from consumers	-4	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	0	0	0	0
Percentage CSE	-9	-8	-6	-9	-10
Consumer NPC	1.10	1.09	1.06	1.10	1.11
Consumer NAC	1.10	1.09	1.06	1.10	1.11
Total Support Estimate (TSE)	1 029	525	420	551	603
Transfers from consumers	156	254	166	276	319
Transfers from taxpayers	877	271	254	275	284
Budget revenues	-4	0	0	0	0
Percentage TSE (expressed as share of GDP)	1.71	0.39	0.33	0.41	0.42
GDP deflator 1986-88 = 100	100	148	145	148	152

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for New Zealand are: wheat, maize, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

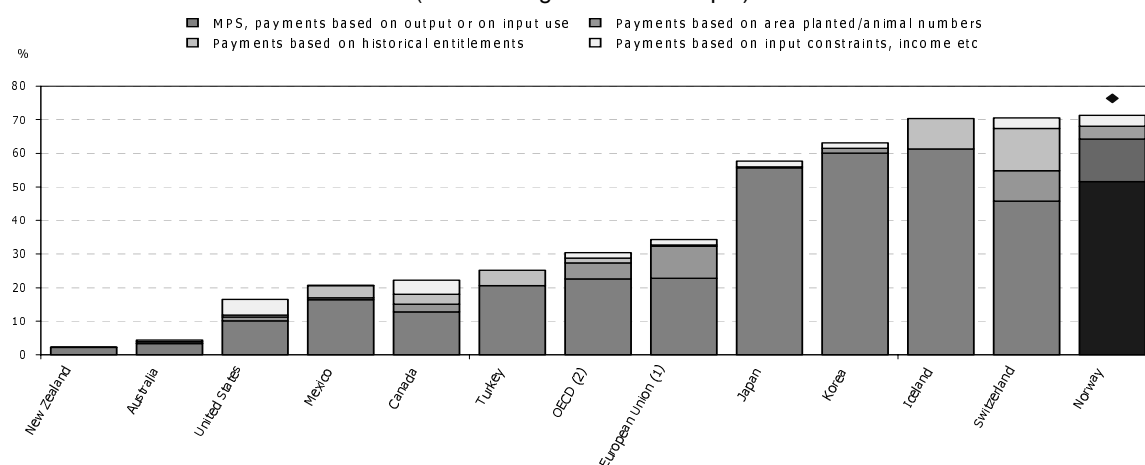
Source: OECD, PSE/CSE database 2005.

NORWAY

Evaluation of policy developments

- Overall, there has been limited progress in policy reform, with a very high level of producer support that has changed little since 1986-88. There has been a notable move away from output payments, but the most production and trade distorting policies still account for the largest share of support.
- The separation from 2003 of the former *Acreage and Cultural Landscape Programme* into two separate payments, with clearly identified goals for each payment and different payment rates, increases policy transparency.
- The establishment of a co-ordinated national agri-environmental plan with regional-based payments and individual farm plans also has the potential to improve the economic efficiency of policy.
- The use of taxes to reduce the environmental impact of pesticides is consistent with the polluter-pays-principle. The decision to sharpen the focus on the most harmful compounds should enhance the effectiveness of the measure.
- Improving the information flow to consumers, increasing direct trading opportunities for milk quotas, and moving from many to one single target price for milk will allow the market a greater role in determining the pattern of production.
- However, agricultural markets remain highly protected and greater effort is required to reduce the level of support, increase market access and improve the targeting of support policies to achieve environmental, income or other objectives in ways that are less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes: 1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

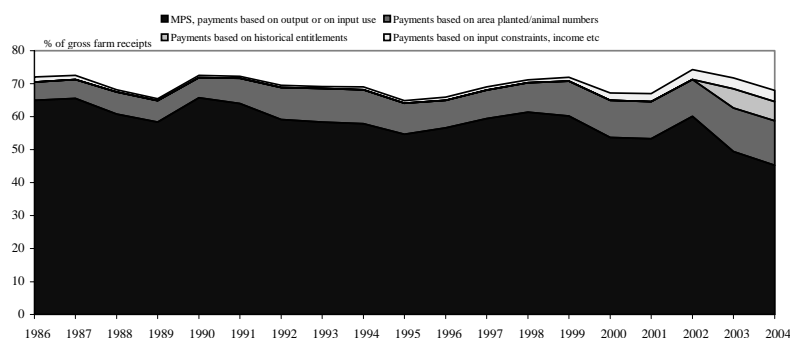
Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

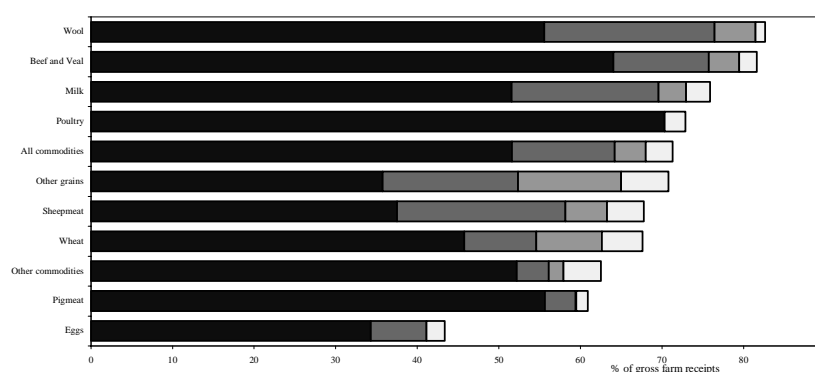
The major policy development in 2004 was the establishment of a national environmental programme, setting out national goals and a greater role for regional authorities including local specific payments. The quantity of milk quota able to be sold directly between farmers was increased, as were the maximum size limits on dairy, pig and poultry farms. A two year Action Plan to increase the involvement of consumers in food policy was established.

- Support to producers (%PSE) has changed little between 1986-88 and 2002-04 at around 70% (68% in 2004). This is more than twice the OECD average. Support is very high across all commodities.
- The combined share of market price support, output and input payments has fallen from almost 90% of producer support in 1986-88 to 72% in 2002-04. In 1986-88 prices received by farmers were 4 times higher than those received in the world market; in 2002-04 the difference had fallen to below 3 times.
- Reductions in the most distorting forms of support have been offset in terms of farm receipts by increases in area/headage payments, and more recently payments based on overall farm income, and historical entitlements.
- The cost imposed on consumers, as measured by the %CSE, has also remained fairly constant, with some reduction in high prices but fewer consumer subsidies.
- Support for general services provided to agriculture increased between 1986-88 and 2001-03, from 4% to 7% of total support. Total support to agriculture represents 1.4% of GDP, down from 3.5% in 1986-88.

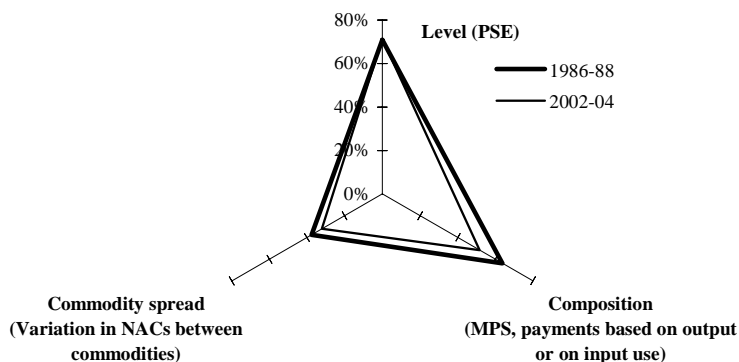
Producer Support Estimate (PSE) Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture accounts for 1.4% of GDP but 3.7% of total employment. Livestock dominates and in recent years there has been a slight move in area away from crops to grassland. Yields are relatively low because of climatic conditions. Norway exports very few commodities and imports mainly grains, fruits and vegetables; imports account for 50% of food consumption (energy basis).

Table 2.10. Norway: Estimates of support to agriculture

(NOK million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	17 354	18 375	18 015	18 542	18 567
<i>of which share of MPS commodities (%)</i>	<i>73</i>	<i>80</i>	<i>79</i>	<i>80</i>	<i>80</i>
Total value of consumption (at farm gate)	17 899	18 103	17 993	18 154	18 162
Producer Support Estimate (PSE)	19 274	21 064	21 999	21 198	19 994
Market Price Support (MPS)	9 422	9 912	10 390	10 199	9 147
<i>of which MPS commodities</i>	<i>6 900</i>	<i>7 886</i>	<i>8 192</i>	<i>8 126</i>	<i>7 340</i>
Payments based on output	4 554	1 961	3 012	1 520	1 351
Payments based on area planted/animal numbers	1 645	3 721	3 304	3 896	3 963
Payments based on historical entitlements	0	1 128	0	1 700	1 685
Payments based on input use	3 346	3 367	4 393	2 890	2 818
Payments based on input constraints	308	437	408	443	461
Payments based on overall farming income	0	537	492	551	568
Miscellaneous payments	0	0	0	0	0
Percentage PSE	71	71	74	72	68
Producer NPC	4.29	2.80	3.27	2.73	2.41
Producer NAC	3.45	3.52	3.88	3.54	3.12
General Services Support Estimate (GSSE)	885	1 638	1 578	1 706	1 630
Research and development	472	675	630	631	764
Agricultural schools	0	0	0	0	0
Inspection services	33	308	261	366	296
Infrastructure	133	336	375	395	238
Marketing and promotion	247	98	103	107	85
Public stockholding	0	9	11	14	1
Miscellaneous	0	213	197	194	247
GSSE as a share of TSE (%)	4.1	7.2	6.6	7.4	7.5
Consumer Support Estimate (CSE)	-9 312	-10 296	-10 859	-10 464	-9 564
Transfers to producers from consumers	-11 542	-10 515	-11 057	-10 676	-9 812
Other transfers from consumers	-969	-446	-563	-411	-363
Transfers to consumers from taxpayers	1 522	130	170	111	109
Excess feed cost	1 677	535	591	512	501
Percentage CSE	-57	-57	-61	-58	-53
Consumer NPC	3.40	2.56	2.82	2.57	2.27
Consumer NAC	2.34	2.36	2.56	2.38	2.13
Total Support Estimate (TSE)	21 681	22 832	23 746	23 016	21 733
Transfers from consumers	12 511	10 961	11 620	11 087	10 175
Transfers from taxpayers	10 139	12 317	12 690	12 340	11 921
Budget revenues	-969	-446	-563	-411	-363
Percentage TSE (expressed as share of GDP)	3.49	1.43	1.56	1.47	1.28
GDP deflator 1986-88 = 100	100	167	161	165	174

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Norway are: wheat, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

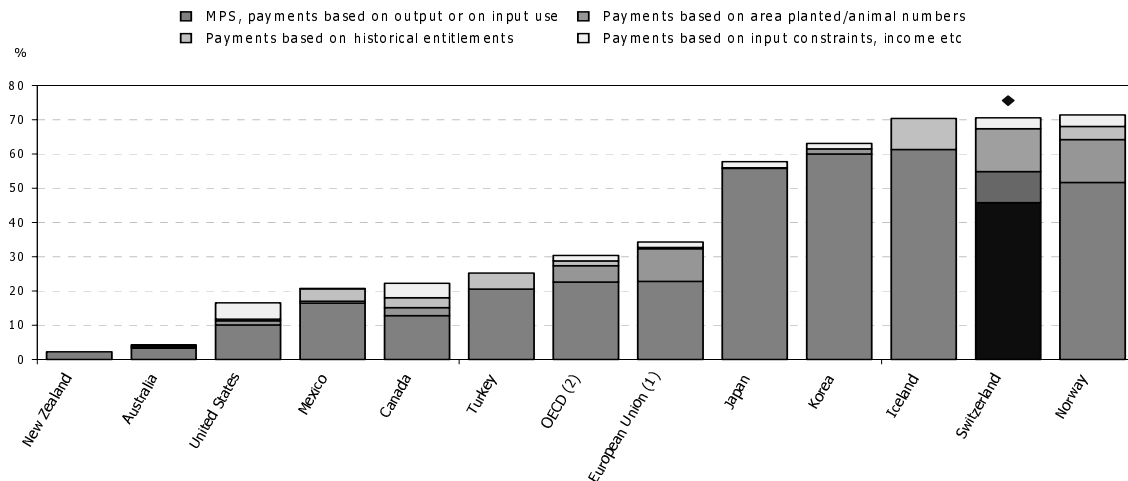
Source: OECD, PSE/CSE database 2005.

SWITZERLAND

Evaluation of policy developments

- Overall, there has been limited progress in policy reform. While the very high level of producer support has changed little since 1986-88, the gap between domestic and border prices has narrowed considerably as a result of a move away from market price support towards area and headage payments. But production and trade distorting policies still account for the largest part of support.
- The abolition of the target price for milk and the commitment to gradually abolish the milk quota system are important steps to improve the economic efficiency of the sector.
- Similarly, the adoption of greater flexibility in the administration of the import tariff rate quota system should allow a greater role for the market.
- Payments introduced for providing environmental services, organic farming and animal welfare respond to consumer concerns. They are conditional on compliance with environmental standards and management practices and are among the least production and trade distorting forms of support. However, they account for only a small share of support and are implemented in the context of production-linked policies.
- Despite progress away from market price support measures, greater efforts are required to reduce the level of support, increase market access and improve the targeting of support policies to meet policy objectives in ways that are less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

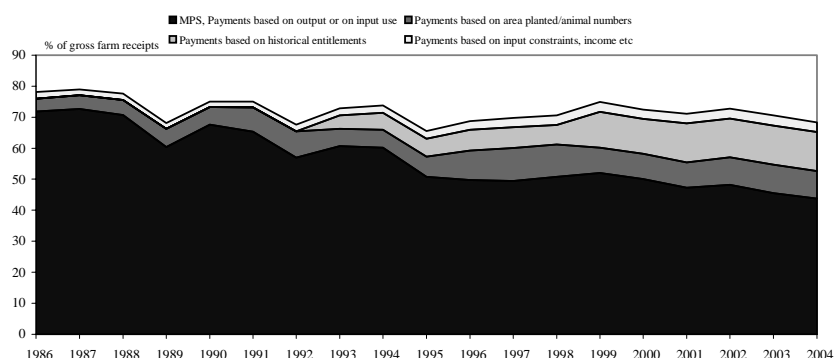
Summary of policy developments

The main policy development in 2004 was the implementation of the new agricultural policy reform package (AP 2007) for the period 2004-07. Its key aspects entail the progressive abolition of the milk quota system, changes in the administration of import tariff quotas for livestock and meat products, diversification of rural income, enhancement of rural development and institutionalisation of the precautionary principle in food production.

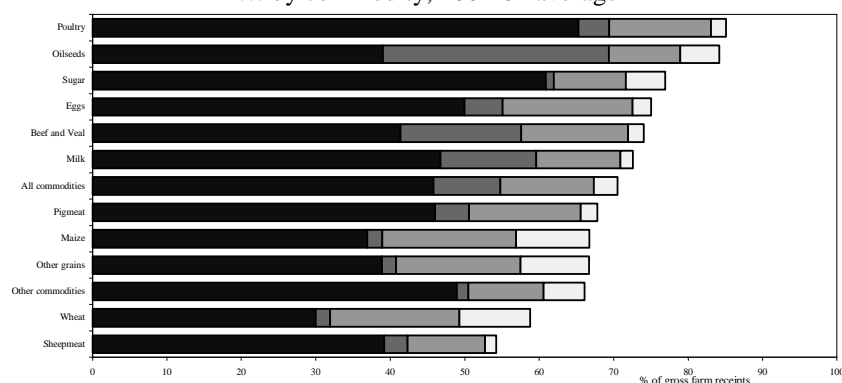
- The level of support to producers declined from 78% in 1986-88 to 71% in 2002-04, still more than twice the OECD average. Support is very high across all commodities.
- The share of market price support, output and input payments has fallen from 92% of the PSE in 1986-88 to 66% in 2002-04. In 1986-88, producer prices and consumer prices at the farmgate were five times world prices, by 2002-04 these were, on average, more than two and a half times higher. Consequently, the implicit tax on consumers decreased from 74% in 1986-88 to 58% in 2001-04.
- Payments based on historical entitlements, area and headage witnessed the largest increase. These are subject to environmental cross-compliance requirements. Input constraint payments, primarily measures for environmental purposes, are increasing, but still represent only 2% of support to producers.

- Support for general services has changed little between 1986-88 and 2002-04 at around 6.5% of total support to agriculture. Total support to agriculture was 1.8% of GDP, almost half the share in 1986-88.

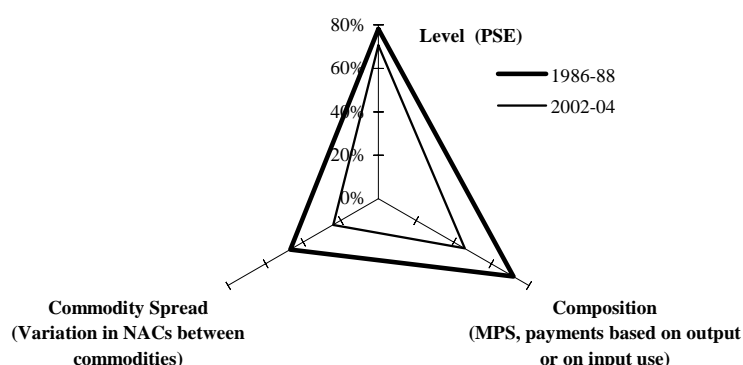
Producer Support Estimate (PSE) Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



The agro-food sector as a whole accounts for 8% of GDP. Agriculture alone contributes 1.3% to GDP and 4% to total employment. Between 2000-03, the total area set-aside for ecological compensation increased by 3% and the total amount of land devoted to organic farming rose by 7%. However, the use of fertilisers containing nitrates and phosphates has stagnated.

Table 2.11. Switzerland: Estimates of support to agriculture

(CHF million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	9 482	7 152	7 187	6 935	7 333
<i>of which share of MPS commodities (%)</i>	85	78	78	79	77
Total value of consumption (at farm gate)	11 624	8 629	8 631	8 350	8 908
Producer Support Estimate (PSE)	8 553	7 339	7 605	7 175	7 238
Market Price Support (MPS)	7 094	4 085	4 329	3 949	3 976
<i>of which MPS commodities</i>	6 000	3 179	3 361	3 109	3 066
Payments based on output	102	348	363	349	332
Payments based on area planted/animal numbers	494	936	923	936	950
Payments based on historical entitlements	0	1 307	1 316	1 284	1 320
Payments based on input use	647	332	350	321	324
Payments based on input constraints	0	141	129	142	151
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	216	191	195	194	185
Percentage PSE	78	71	73	71	68
Producer NPC	5.10	2.57	2.81	2.54	2.36
Producer NAC	4.59	3.41	3.66	3.40	3.16
General Services Support Estimate (GSSE)	688	518	521	535	498
Research and development	135	91	90	94	89
Agricultural schools	38	20	22	20	18
Inspection services	14	12	13	12	12
Infrastructure	137	96	90	102	95
Marketing and promotion	45	63	64	69	56
Public stockholding	103	45	47	44	44
Miscellaneous	216	191	195	194	185
GSSE as a share of TSE (%)	6.7	6.5	6.2	6.8	6.4
Consumer Support Estimate (CSE)	-7 872	-4 877	-5 055	-4 667	-4 908
Transfers to producers from consumers	-7 306	-4 103	-4 424	-3 855	-4 030
Other transfers from consumers	-1 960	-1 048	-986	-1 117	-1 042
Transfers to consumers from taxpayers	1 020	162	219	210	57
Excess feed cost	374	113	136	96	107
Percentage CSE	-74	-58	-60	-57	-55
Consumer NPC	4.93	2.49	2.68	2.47	2.32
Consumer NAC	3.88	2.36	2.51	2.34	2.25
Total Support Estimate (TSE)	10 261	8 019	8 345	7 920	7 792
Transfers from consumers	9 266	5 151	5 410	4 972	5 072
Transfers from taxpayers	2 955	3 916	3 921	4 064	3 762
Budget revenues	-1 960	-1 048	-986	-1 117	-1 042
Percentage TSE (expressed as share of GDP)	3.95	1.84	1.94	1.83	1.75
GDP deflator 1986-88 = 100	100	130	129	130	132

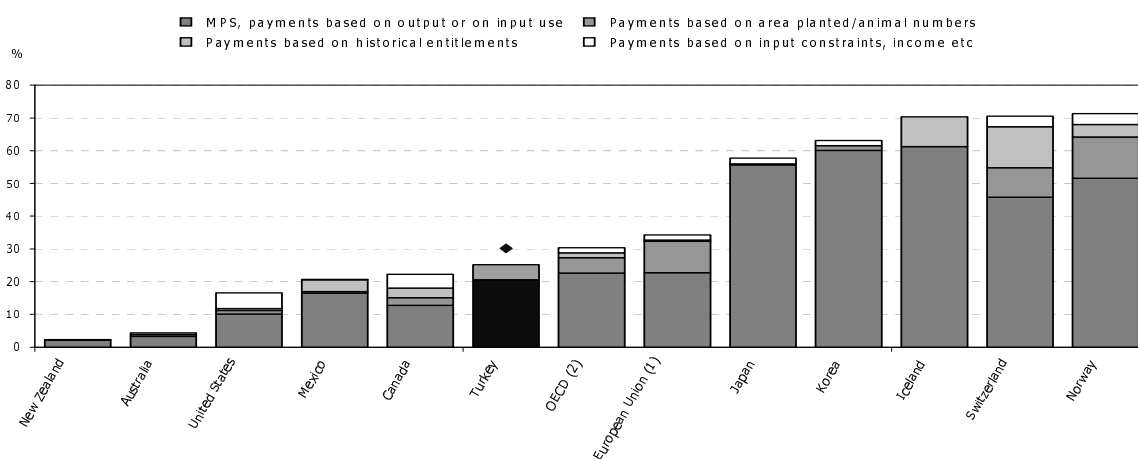
Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
Market price support is net of producer levies and excess feed costs.
MPS commodities for Switzerland are: wheat, maize, other grains, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database 2005.

TURKEY

Evaluation of policy developments

- Overall, variable progress has been made in policy reform since 1986-88. Support has been characterised by frequent *ad hoc* changes to policy settings in a context of high inflation. While the level of producer support has increased, there has been some improvement in moving away from market price support and input payments to income support payments.
- Nevertheless, the recent increase in payments based on output or on input use are movements back towards more distorting forms of support.
- Reductions in the output- and input-linked support have been offset by increases in *Direct Income Support* payments. Granted with a flat rate per hectare to smaller farms, these payments provide a greater benefit to subsistence farmers than output and input-linked support, which benefit larger farms.
- Efforts to converge agricultural policy with that of the European Union were accelerated. In particular, the introduction of a *Nitrate Directive* and *National Biodiversity Strategy and Action Plan* could help to reduce the pressure of agriculture on the environment.
- Recent changes are broadly in line with an improvement in market orientation. The success of further reforms depend on the extent to which increases in output- and input-linked support will be contained, and whether the training and advisory services will be upgraded to support farmers with advice on appropriate cropping practices, access to new technologies, and better marketing.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

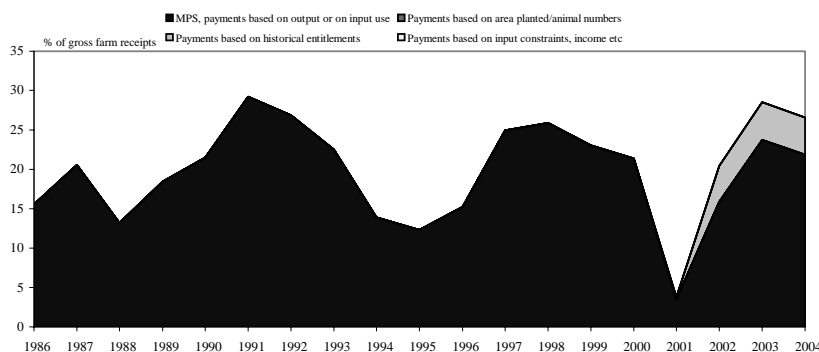
Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

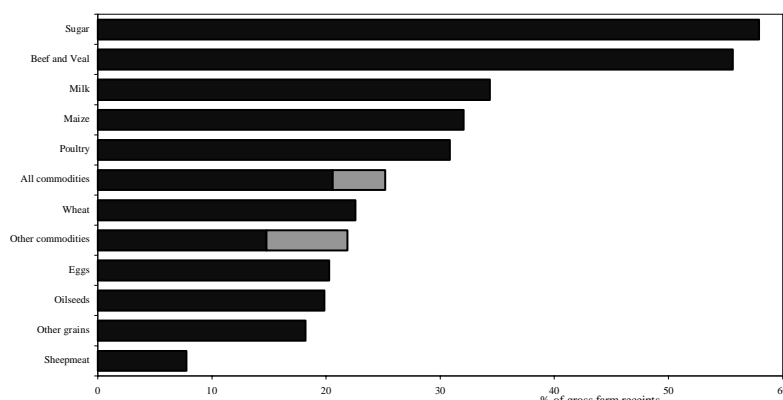
For the first time, sugar beet growers received a payment to compensate for losses associated with production quota. Input subsidies that in 2002 were about three-quarters lower than in 1999, increased by over one-third in the following two years. The financial support to Agricultural Sales Co-operatives (ASC) and their unions (ASCU) was reduced by over three-quarters. Efforts to converge agricultural policy with that of the European Union were accelerated.

- Support to producers (%PSE) increased from 16% in 1986-88 to 25% in 2002-04, but remains below the OECD average. Support is over 55% for sugar and beef, and 30% for milk, maize and poultry.
- The combined share of market price support, output and input payments has fallen from 100% of producer support in 1986-88 to 82% in 2002-04. Producer prices in 2002-04 were 28% higher than world prices, but were only 16% higher in 1986-88.
- The share of input payments has fallen from 30% in 1986-88 to less than 2% in 2002-2004. Reductions in the most distorting forms of support have been offset in terms of farm receipts by the *Direct Income Support* payment, granted at a flat rate per hectare to all farmers, and represents 18% of producer support.
- The cost imposed on consumers, as measured by the %CSE, increased from 16% in 1986-88 to 22% in 2002-04. Consumers paid prices 21% higher than the world prices in 1986-88 and 31% in 2002-04.
- Support for general services provided to agriculture increased from 10% of total support in 1986-88 to 11% in 2002-04. Total support to agriculture increased from 3.9% of GDP in 1986-88 to 4.4% in 2002-04.

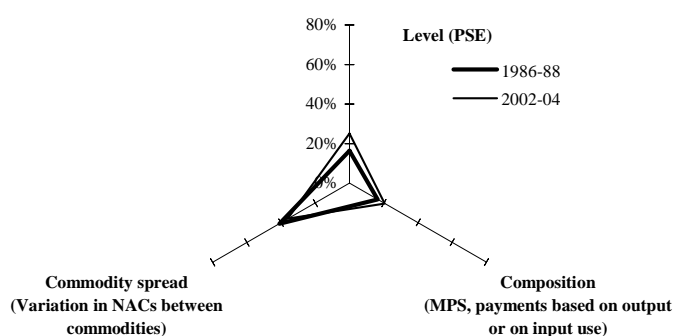
Producer Support Estimate (PSE)
Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture share in employment decreased from 43% in 1993 to 34% in 2003, but remains the most important employment sector. Agriculture's contribution to GDP declined from 20% in 1980 to 12% in 2002. Agriculture supplies 10% of exports, and accounts for 4% of imports. About two-thirds of farm holdings are smaller than 5 ha, while 94% are smaller than 20 ha.

Table 2.12. Turkey: Estimates of support to agriculture

(TRL billion)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	18 179	50 760 974	39 241 204	53 830 890	59 210 829
<i>of which share of MPS commodities (%)</i>	<i>57</i>	<i>63</i>	<i>62</i>	<i>63</i>	<i>63</i>
Total value of consumption (at farm gate)	14 795	45 286 648	34 273 304	49 332 677	52 253 964
Producer Support Estimate (PSE)	3 026	13 837 147	8 490 753	16 297 285	16 723 404
Market Price Support (MPS)	2 114	10 720 988	6 168 678	13 004 522	12 989 765
<i>of which MPS commodities</i>	<i>1 212</i>	<i>6 723 083</i>	<i>3 819 163</i>	<i>8 168 694</i>	<i>8 181 391</i>
Payments based on output	12	373 938	255 994	352 751	513 068
Payments based on area planted/animal numbers	0	0	0	0	0
Payments based on historical entitlements	0	2 525 605	1 876 570	2 740 246	2 960 000
Payments based on input use	900	216 616	189 511	199 766	260 572
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	16	25	20	29	27
Producer NPC	1.17	1.28	1.20	1.36	1.30
Producer NAC	1.20	1.34	1.26	1.40	1.36
General Services Support Estimate (GSSE)	326	1 679 489	3 066 507	1 357 195	614 766
Research and development	54	47 375	49 762	53 667	38 696
Agricultural schools	3	13 297	7 225	9 315	23 350
Inspection services	55	114 413	103 819	107 323	132 097
Infrastructure	7	4 352	3 230	5 955	3 870
Marketing and promotion	114	1 482 242	2 886 936	1 160 006	399 785
Public stockholding	0	0	0	0	0
Miscellaneous	93	17 811	15 536	20 929	16 968
GSSE as a share of TSE (%)	9.7	10.8	26.5	7.7	3.5
Consumer Support Estimate (CSE)	-2 298	-10 174 795	-5 962 933	-12 955 995	-11 605 456
Transfers to producers from consumers	-2 394	-10 939 282	-6 054 921	-13 799 116	-12 963 808
Other transfers from consumers	-35	140 332	-56 907	24 363	453 540
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	132	624 156	148 896	818 759	904 812
Percentage CSE	-16	-22	-17	-26	-22
Consumer NPC	1.21	1.31	1.22	1.39	1.31
Consumer NAC	1.20	1.28	1.21	1.36	1.29
Total Support Estimate (TSE)	3 352	15 516 637	11 557 261	17 654 479	17 338 171
Transfers from consumers	2 430	10 798 950	6 111 828	13 774 753	12 510 269
Transfers from taxpayers	958	4 577 355	5 502 340	3 855 363	4 374 362
Budget revenues	-35	140 332	-56 907	24 363	453 540
Percentage TSE (expressed as share of GDP)	3.94	4.40	4.16	4.91	4.12
GDP deflator 1986-88 = 100	100	240 008	203 972	249 888	266 165

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Turkey are: wheat, maize, other grains, oilseeds, sugar, potatoes, tomatoes, grape, apple, cotton, tobacco, milk, beef and veal, sheepmeat, poultry and eggs.

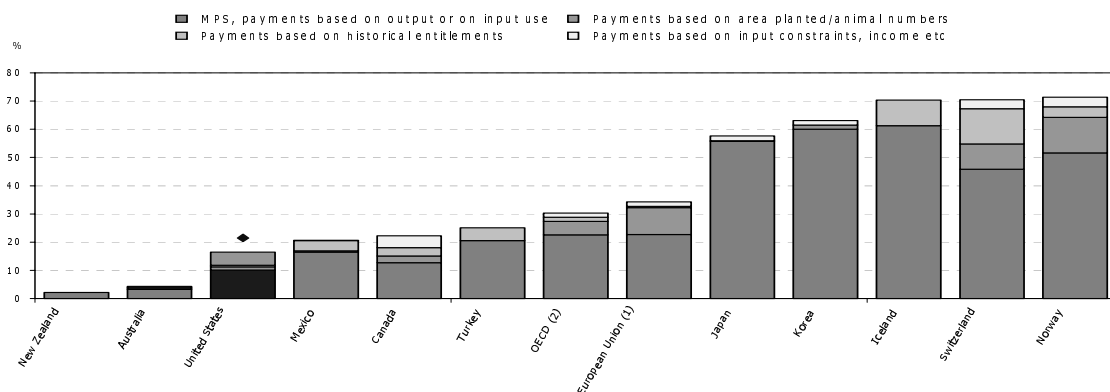
Source: OECD, PSE/CSE database 2005.

UNITED STATES

Evaluation of policy developments

- Overall, progress in policy reform since 1986-88 has improved market orientation. The level of producer support has decreased, but sugar and milk continue to be very highly supported through market price support.
- There has been some shift away from payments based on output or area to counter-cyclical and direct payments based on past area with no requirement to produce. Although potentially less distorting, counter-cyclical payments, together with marketing loans that also offset lower prices, continue to be significant and limit market signals.
- Ad-hoc emergency payments continue supplementing programmed payments and would benefit from further integration into existing insurance schemes.
- Termination of the tobacco quota will allow the market a greater role in determining crop production decisions, and the limitation of the compensatory payment to ten years should help to avoid creating payment dependency.
- The *Conservation Security Program* broadens the scope of agri-environmental payments to address environmental issues linked with production, although the payments involved are very modest in relation to those linked with production that raise environmental stress.
- Further efforts need to focus on reducing market price and production-linked payments in key sectors, including sugar and dairy. There is scope to target policies to clearly defined objectives in ways that are less costly, and less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

In 2004, a six fold increase in payments under the marketing loan and counter-cyclical programmes was triggered by lower crop prices. Some environmental and rural development initiatives established by the 2002 Farm Act began, including the *Conservation Security Program*. Additional emergency payments and a new trade related price-linked payment were given, but mandatory country-of-origin labelling was postponed. Production quotas for tobacco will be terminated in 2005, compensated by new term-limited payments.

- Support to producers (%PSE) decreased from 22% in 1986-88 to 17% in 2002-04 and remained below the OECD average. Support is 57% for sugar, 40% for milk, 33% for rice, and 30% for wheat.

- The combined share of market price support, output and input payments in the PSE decreased from 65% in 1986-88 to 63% in 2002-04. Producer prices were 14% higher than world prices in 1986-88 and 9% higher in 2002-04.

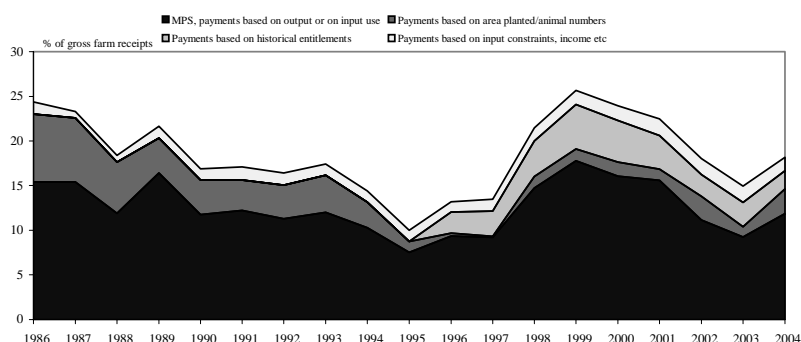
- The share of area payments requiring production of specific crops decreased from 31% of PSE in 1986-88 to 5% in 2002-04, and counter cyclical and direct payments based on historical area and/or current prices of crops with no production requirement were 19% in 2002-04.

- Although domestic prices are on average 9% higher than world prices, the %CSE changed from an implicit tax of 3% in 1986-88 to an implicit subsidy of 6% in 2002-04, in part due to food consumption aid (part of *food stamps*).

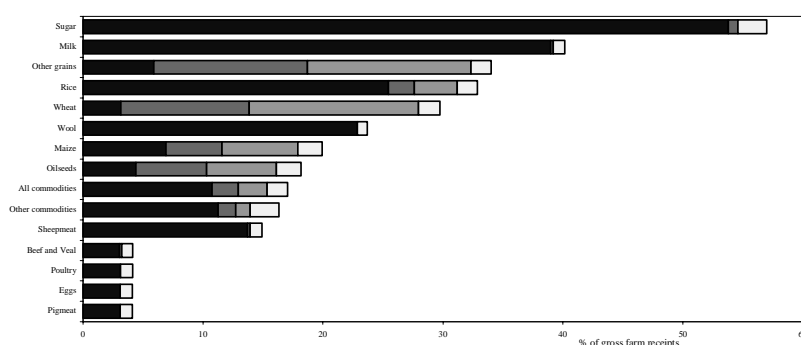
- Support for general services provided to agriculture has increased from 25% of total support in 1986-88 to 32% in 2002-04. Total support to agriculture represents 0.9% of GDP, down from 1.3% in 1986-88.

Producer Support Estimate (PSE)

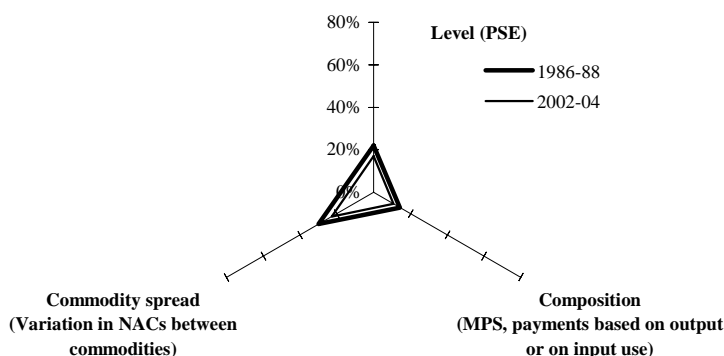
Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture accounts for 1.5% of GDP, 2% of employment, 4% of imports, and 7% of exports. About 8% of the farms account for 70% of the value of farm production on 30% of farm land. In the last decade, farm household income has annually increased on average by over 4%, and since 2000 it has remained over 10% higher than the US average household income.

Table 2.13. United States: Estimates of support to agriculture

(USD million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	143 469	210 871	193 151	214 023	225 437
<i>of which share of MPS commodities (%)</i>	<i>69</i>	<i>66</i>	<i>64</i>	<i>67</i>	<i>68</i>
Total value of consumption (at farm gate)	134 717	196 556	182 692	200 380	206 594
Producer Support Estimate (PSE)	36 390	40 409	39 105	35 618	46 504
Market Price Support (MPS)	14 084	14 272	15 105	11 549	16 162
<i>of which MPS commodities</i>	<i>9 707</i>	<i>9 471</i>	<i>9 671</i>	<i>7 698</i>	<i>11 043</i>
Payments based on output	2 919	4 093	2 141	3 220	6 920
Payments based on area planted/animal numbers	11 313	2 494	4 002	2 095	1 386
"Counter cyclical payments"	0	2 703	1 805	655	5 650
Payments based on historical entitlements	0	5 691	5 292	6 488	5 291
Payments based on input use	6 526	7 118	6 919	7 212	7 222
Payments based on input constraints	637	1 959	2 044	1 943	1 889
Payments based on overall farming income	912	2 079	1 798	2 456	1 984
Percentage PSE	22	17	18	15	18
Producer NPC	1.14	1.09	1.10	1.07	1.11
Producer NAC	1.28	1.21	1.22	1.18	1.22
General Services Support Estimate (GSSE)	16 152	30 635	26 953	30 803	34 149
Research and development	1 458	2 691	2 609	2 687	2 776
Agricultural schools	n.a.	n.a.	n.a.	n.a.	n.a.
Inspection services	384	779	751	768	819
Infrastructure	3 945	4 973	4 058	4 895	5 966
Marketing and promotion	9 266	19 769	17 241	20 112	21 955
Public stockholding	0	248	119	167	458
Miscellaneous	1 098	2 174	2 174	2 174	2 174
GSSE as a share of TSE (%)	25.2	31.6	29.9	33.4	31.4
Consumer Support Estimate (CSE)	-3 461	9 725	6 814	12 317	10 045
Transfers to producers from consumers	-13 735	-14 272	-15 105	-11 549	-16 162
Other transfers from consumers	-1 487	-1 931	-2 043	-1 912	-1 837
Transfers to consumers from taxpayers	11 468	25 928	23 962	25 778	28 043
Excess feed cost	294	0	0	0	0
Percentage CSE	-3	6	4	7	6
Consumer NPC	1.13	1.09	1.10	1.07	1.10
Consumer NAC	1.03	0.95	0.96	0.93	0.95
Total Support Estimate (TSE)	64 009	96 972	90 020	92 199	108 696
Transfers from consumers	15 223	16 203	17 148	13 461	17 998
Transfers from taxpayers	50 274	82 700	74 915	80 650	92 534
Budget revenues	-1 487	-1 931	-2 043	-1 912	-1 837
Percentage TSE (expressed as share of GDP)	1.34	0.88	0.86	0.84	0.93
GDP deflator 1986-88 = 100	100	145	142	144	147

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
Market price support is net of producer levies and excess feed costs.
MPS commodities for the United States are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database 2005.

Annex I.

Definitions of the OECD indicators of support*

Producer Support Estimate (PSE): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. It includes market price support and budgetary payments, *i.e.* gross transfers from taxpayers to agricultural producers arising from policy measures based on: current output, area planted/animal numbers, historical entitlements, input use, input constraints, and overall farming income. The %PSE measures the transfers as a share of gross farm receipts.

Market Price Support (MPS): the annual monetary value of gross transfers from consumers and taxpayers 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.

Producer Nominal Protection Coefficient (NPCp): the ratio between the average price received by producers (at farm gate), including payments per tonne of current output, and the border price (measured at farm gate).

Producer Nominal Assistance Coefficient (NACp): the ratio between the value of gross farm receipts including support and gross farm receipts valued at border prices.

Consumer Support Estimate (CSE): the annual monetary value of gross transfers to (from) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on consumption of farm products. If negative, the CSE measures the burden on consumers by agricultural policies, from higher prices and consumer charges or subsidies that lower prices to consumers. The %CSE measures the implicit tax (or subsidy, if CSE is positive) on consumers as a share of consumption expenditure at the farm gate.

Consumer Nominal Protection Coefficient (NPCc): the ratio between the average price paid by consumers (at farm gate) and the border price (measured at farm gate).

Consumer Nominal Assistance Coefficient (NACc): the ratio between the value of consumption expenditure on agricultural commodities (at farm gate) and that valued at border prices.

General Services Support Estimate (GSSE): the annual monetary value of gross transfers to general services provided to agriculture collectively, arising from policy measures that support agriculture regardless of their nature, objectives and impacts on farm production, income, or consumption.

Total Support Estimate (TSE) the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products. The %TSE measures the overall transfers from agricultural policy as a percentage of GDP.

Total Support Estimate (TSE) the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of of farm products. The %TSE measures the overall transfers from agricultural policy as a percentage of GDP.

*Source: OECD (2002), Methodology for Measurement of Support and Use in Policy Evaluation, www.oecd.org/agr/policy.