

## CHAPTER 1

### INTRODUCTION

#### 1.1. Objectives

1. The main objectives of this manual are the following:
  - To provide a comprehensive description of the methodology employed by the OECD to calculate indicators of agricultural support, by using descriptive text, mathematical equations and empirical examples.
  - To describe the economic theory and principles which underlie this methodology.
  - To illustrate the practical application of this methodology, including how best to deal with data limitations, and to assist those wishing to replicate the method and apply it to other countries or commodities.
  - To explain how the indicators can be used for policy evaluation and modelling.
2. This manual is to be used in conjunction with other publicly available documentation, including the annual report *Agricultural Policies in OECD Countries*<sup>1</sup>, the bi-annual report *Agricultural Policies in Emerging Economies: Monitoring and Evaluation*; and the indicator database available at <http://www.oecd.org/agriculture/pse>.

#### 1.2. Target readership

3. This manual will be of assistance to those wanting to gain a greater appreciation of the method and process used to calculate the indicators, including:
  - Policy makers and analysts who would like to use the methodology for policy evaluation, to classify a new policy measure, or to evaluate the impact of a policy change on the indicators.
  - Researchers who would like to use the economic information contained within the database or to calculate the indicators for other commodities or countries.
  - Modellers who would like to use the information contained in the indicator database as an input into their own models, so that they understand the character of the information, and can appropriately take this into account in designing their model structures and values.

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1. Alternating each year between the titles *Agricultural Policies in OECD Countries: Monitoring and Evaluation* and *Agricultural Policies in OECD Countries: At a Glance*.

### **1.3. Structure**

4. The Manual is organised as follows. Part I provides an introduction to the basic concepts, as covered in Chapter 1. Chapter 2 introduces the main purpose and principles behind the calculations of the indicators, with a short history in Annex 2.1. Chapter 3 explains the criteria used to identify policies included in the calculation of the indicators, how to distinguish policy transfers according to recipient, and, finally, how to classify policies.

5. Part II details the methodology for calculating the indicators. Chapter 4 explains the method used to calculate transfers derived from policies that affect the market price received by producers of agricultural commodities. Chapter 5 focuses on other transfers, including budgetary payments to producers and support based on revenue foregone, *e.g.* tax or credit concessions. Chapters 6 and 7 show how to bring these transfers together to calculate the indicators of support to producers and consumers respectively. Chapter 8 details the calculation of indicators that measure support through general services to agriculture and the total support to agriculture. Chapter 9 explains the aggregation of support indicators across countries to obtain multi-country totals, *e.g.* at the OECD level. Chapter 10 concludes Part II by outlining the data and information requirements for calculating the indicators of support.

6. Part III shows how the indicators are used to analyse policy developments and in economic modelling. Chapter 11 explains how the indicators are used to interpret policy developments and what they can and cannot reveal, including appropriate wording and presentation (tables and graphs). These suggestions are neither absolute nor exhaustive, but are the result of many years of analysis, presentation and discussion of findings. Finally, Chapter 12 outlines how the indicator database is used in agricultural policy modelling at the OECD.