



Producer Support Estimate and related indicators

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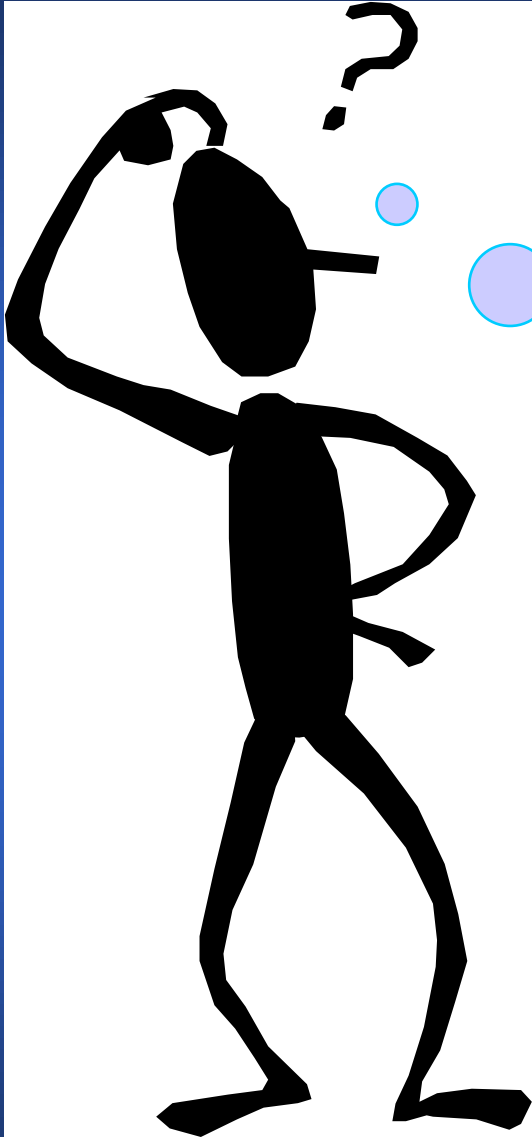
Outline

- **OECD support indicators**
- **2007 changes**
- **Conclusions**



Why does OECD calculate support indicators?

- Governments want to know where they stand
- ... and how they have progressed in improving policy performance
- ... and how other countries' policies develop
- ... in OECD Member countries, and increasingly also non-member economies
- Public transparency is decisive input into policy development
- To support further policy analysis, in particular policy impacts on production, trade, farm income and the environment



**OECD's
PSE, MPS...
CSE, GSSE, TSE...
NAC, NPC...
? ? ? ? ? ?**



Support indicators to evaluate policies

- **The level of support - as measured by the PSE and the TSE**
- **The level of protection - as measured by the NPC**
- **The policy mix - as reflected in the composition of the PSE**



What is the PSE?

PSE: an indicator of the annual monetary value of gross transfers to **farmers**, measured at the farm gate, arising from policy measures that support farmers, regardless of their nature, objective or impact on farm production or income or the environment



The PSE covers three broad policy categories

- **market price support** - policies maintaining domestic market prices for farm goods above those at the border (paid by consumers)
- **payments** - policies providing direct payments to farmers (paid by taxpayers)
- **budget revenue foregone** – e.g. through tax exemptions



What is the TSE?

TSE: an indicator of the annual monetary value of gross transfers to the **agricultural sector** arising from:

- policy measures that **support farmers (PSE)**;
- **general services (GSSE)**, such as R&D, training, inspection, marketing and promotion, and is net of any associated budget receipts;
- **budgetary transfers to consumers**



...and Commodity NPC?

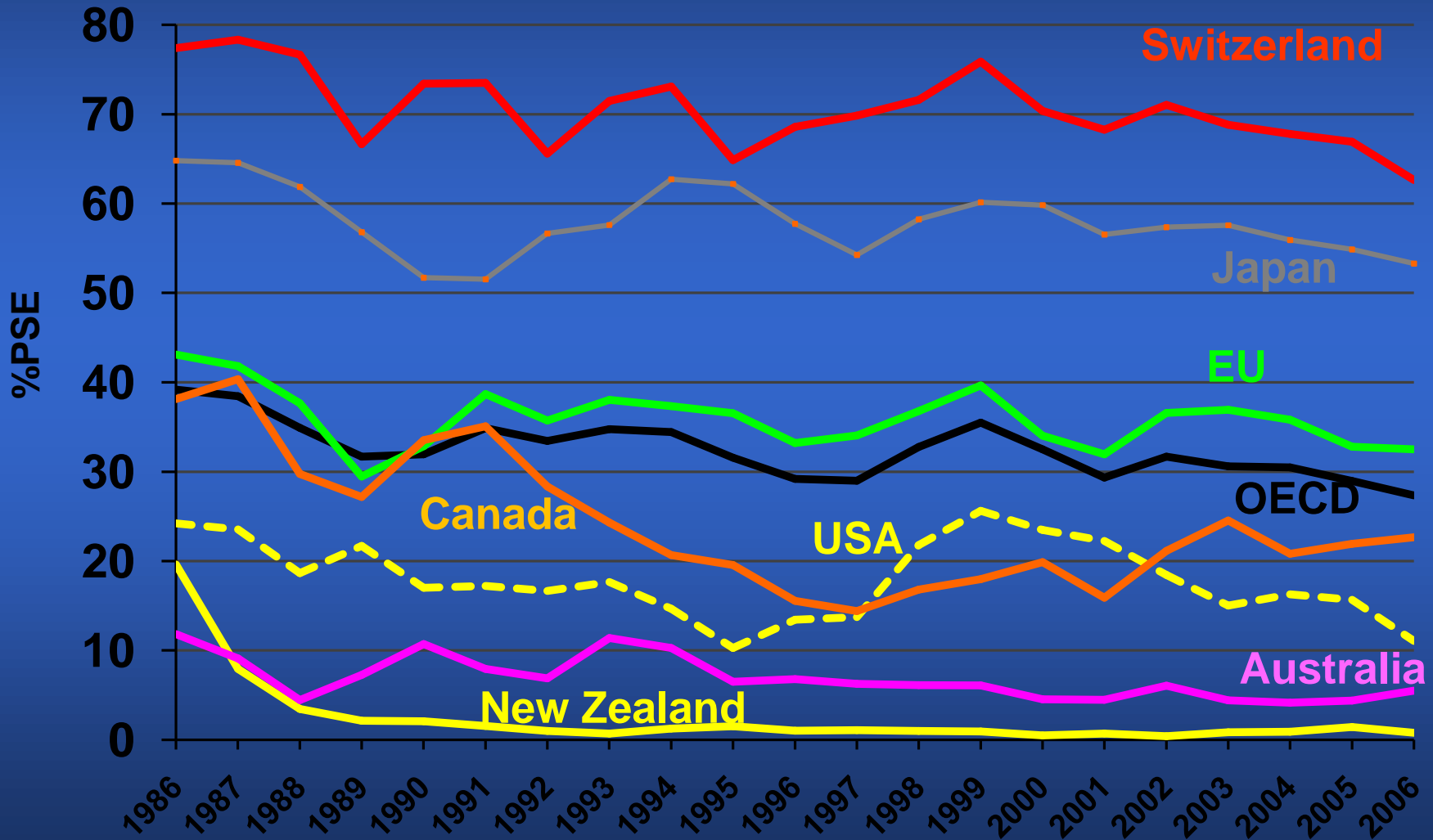
Measures the extent to which the price received by producers (domestic prices and payments per tonne) for a commodity diverge from the border price of the same commodity

Producer NPC for wheat = 1.5	Prices received by farmers for wheat are 50% above those observed on the world market (at the border)
NPC for wheat = 1	Domestic and border prices of wheat are aligned



Producer Support Estimate in OECD countries

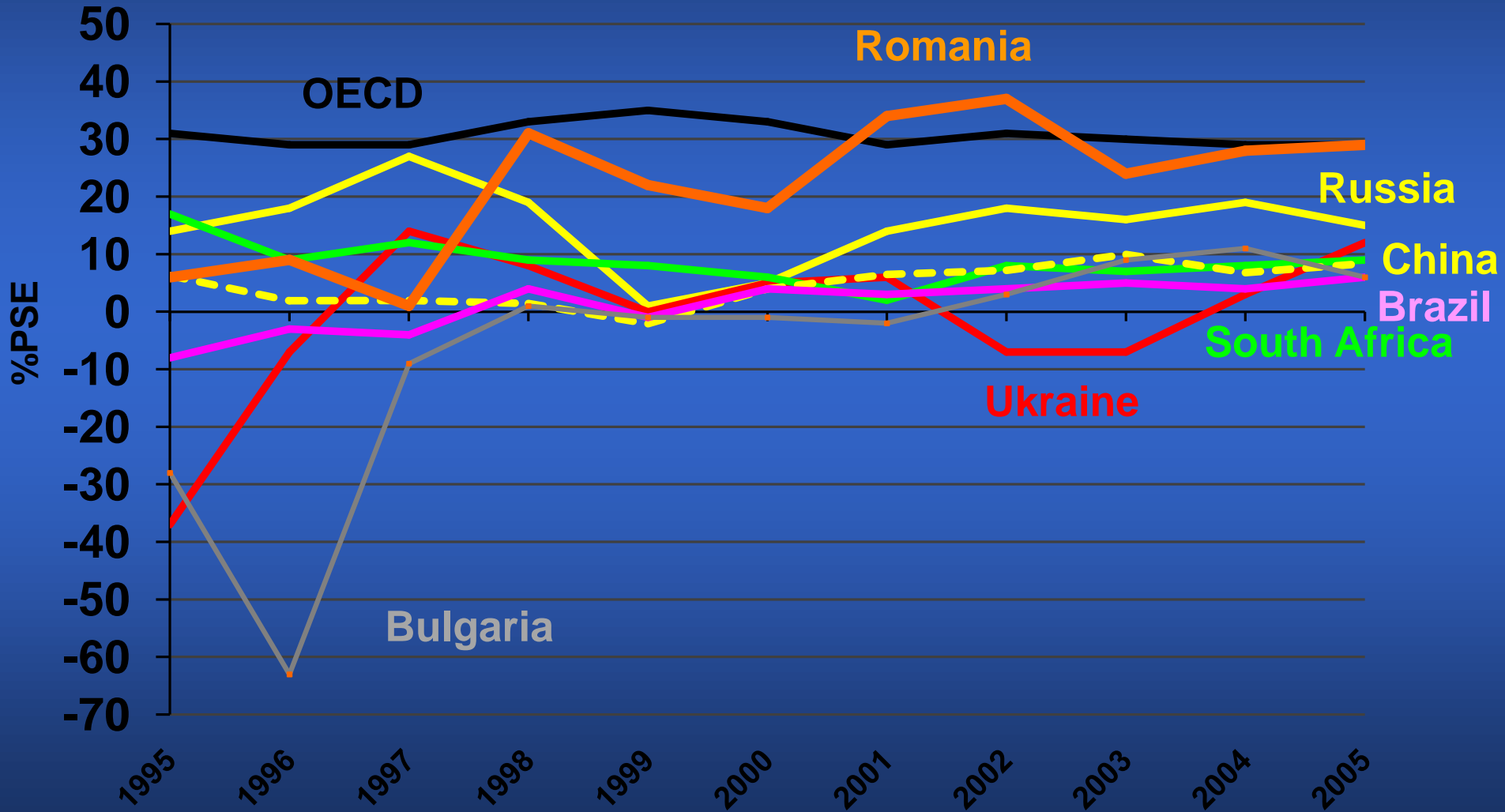
% of gross farm receipts





Producer Support Estimate for selected non members

% of gross farm receipts

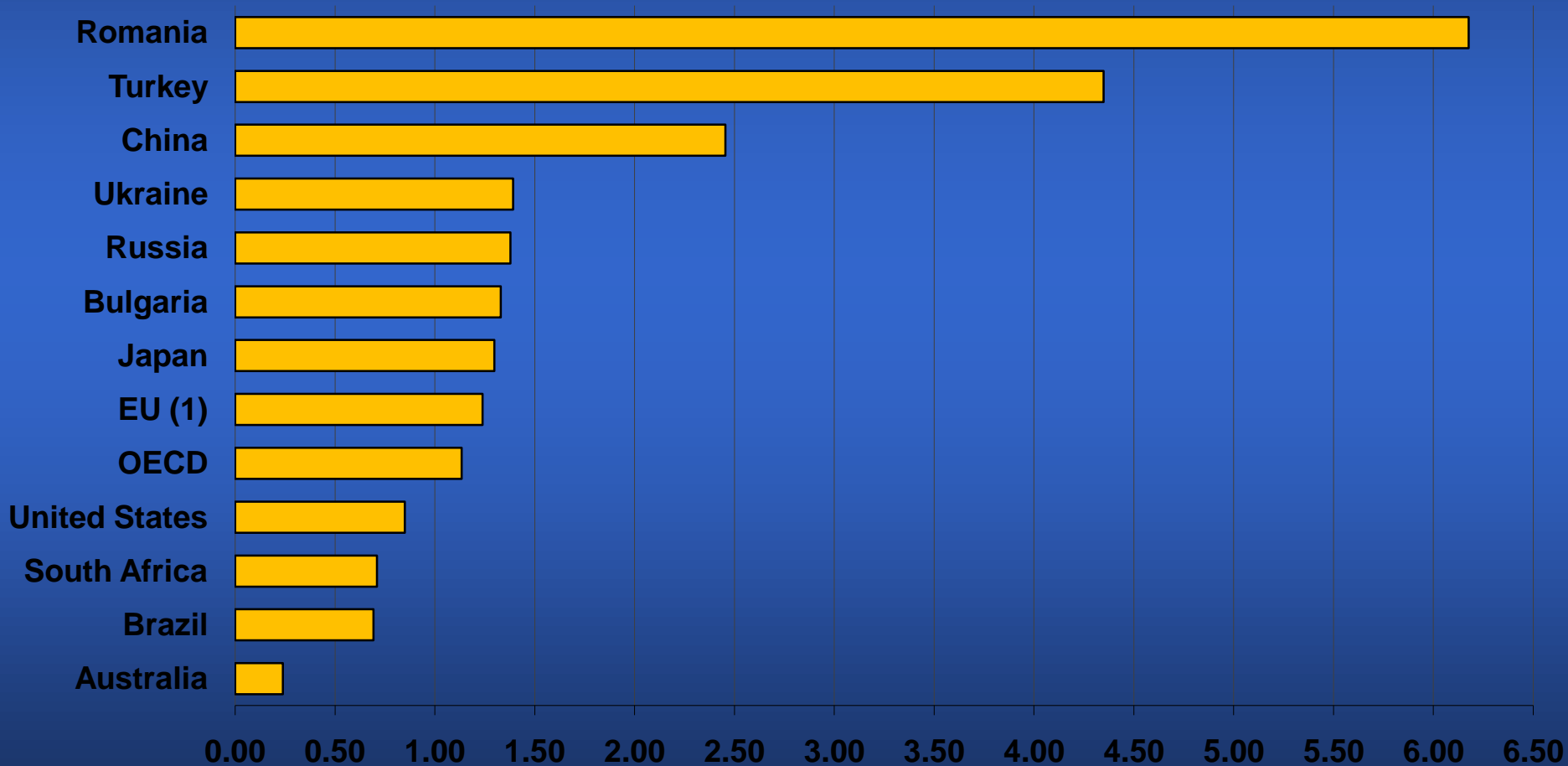


Source: OECD



Total Support Estimate for selected countries

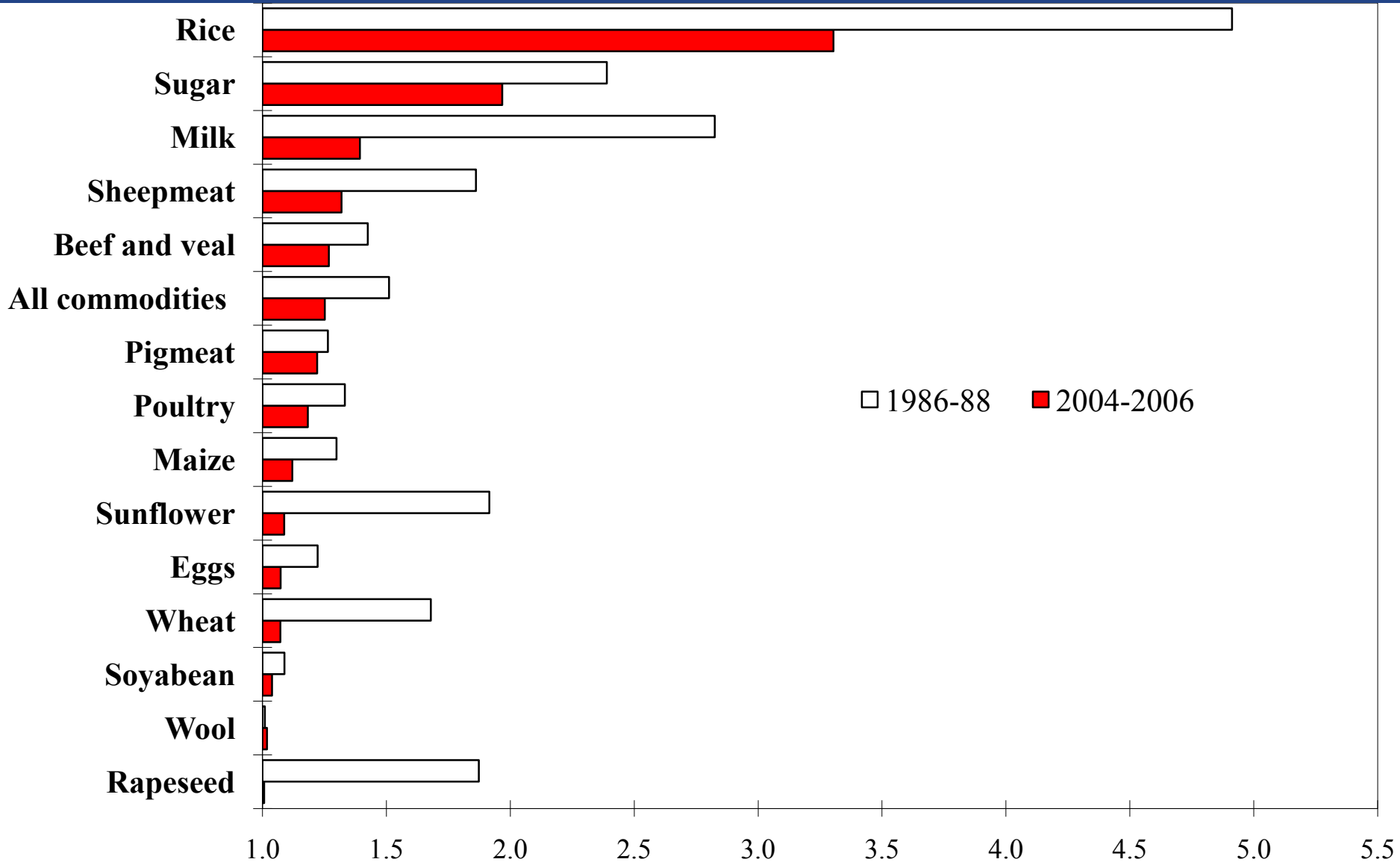
average 2003-2005 - as per cent of GDP



1. 2003: EU15, from 2004 : EU25.



Commodity NPCs for OECD countries





Changes in 2007...

- New classification of policies applied
- New PSE database with more detailed information on individual policies constructed
- Commodity PSEs no longer calculated and new commodity indicators used
- Revised calculations backdated to 1986-88



... to respond to the evolving agricultural policy environment ...

- Policies gradually moving away from commodity specific support measures
- Farmers have more production flexibility to be eligible for support
- Some support is based on non-commodity criteria



... but fundamentals have not changed

- Scope and coverage of policies unchanged
- Policies continue to be classified according to the implementation criteria – not by objectives or impacts
- PSE, %PSE and total support (USD, €) have not changed
- Derived indicators – CSEs, NACs and NPCCs continue to be calculated
- The estimation and classification of GSSE remains the same



New PSE classification (each with sub-categories or labels)

- A. Support based on commodity output
 - A.1. Market price support
 - A.2. Payments based on output
- B. Payments based on input use
- C. Payments based on current A/An/R/I, production required
- D. Payments based on non-current A/An/R/I, production required
- E. Payments based on non-current A/An/R/I, production not required
- F. Payments based on non-commodity criteria
- G. Miscellaneous payments



The use of labels...

- Provides additional information e.g. on production limits; payment rates; input constraints...
- ...thus giving considerable flexibility in policy analysis:
 - To break down the total PSE into categories and sub-categories reflecting specific characteristics of policies
 - To produce specific aggregations of payments
 - To give emphasis to a specific implementation criteria for certain policies
 - To use the information in quantitative analysis based on PSE data (PEM , GTAP) or when linking policies with environmental issues (SAPIM).

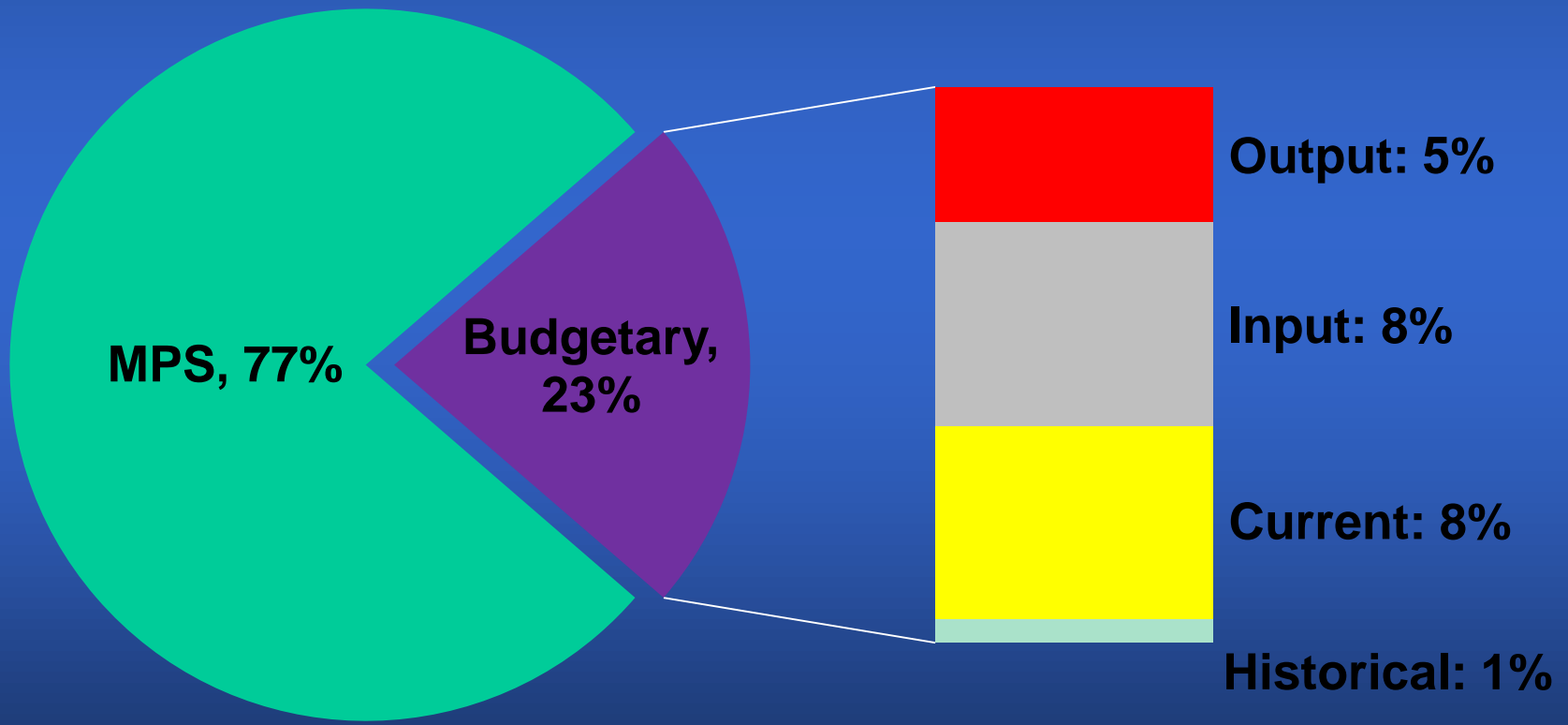


New way to show commodity transfers in PSE

- Previously, commodity PSEs were shown: commodity specific support plus the allocation of other support to each commodity
- Now, only commodity specific transfers are shown; support to groups of commodities are reported separately and, along with other support, add up to the total PSE for each country

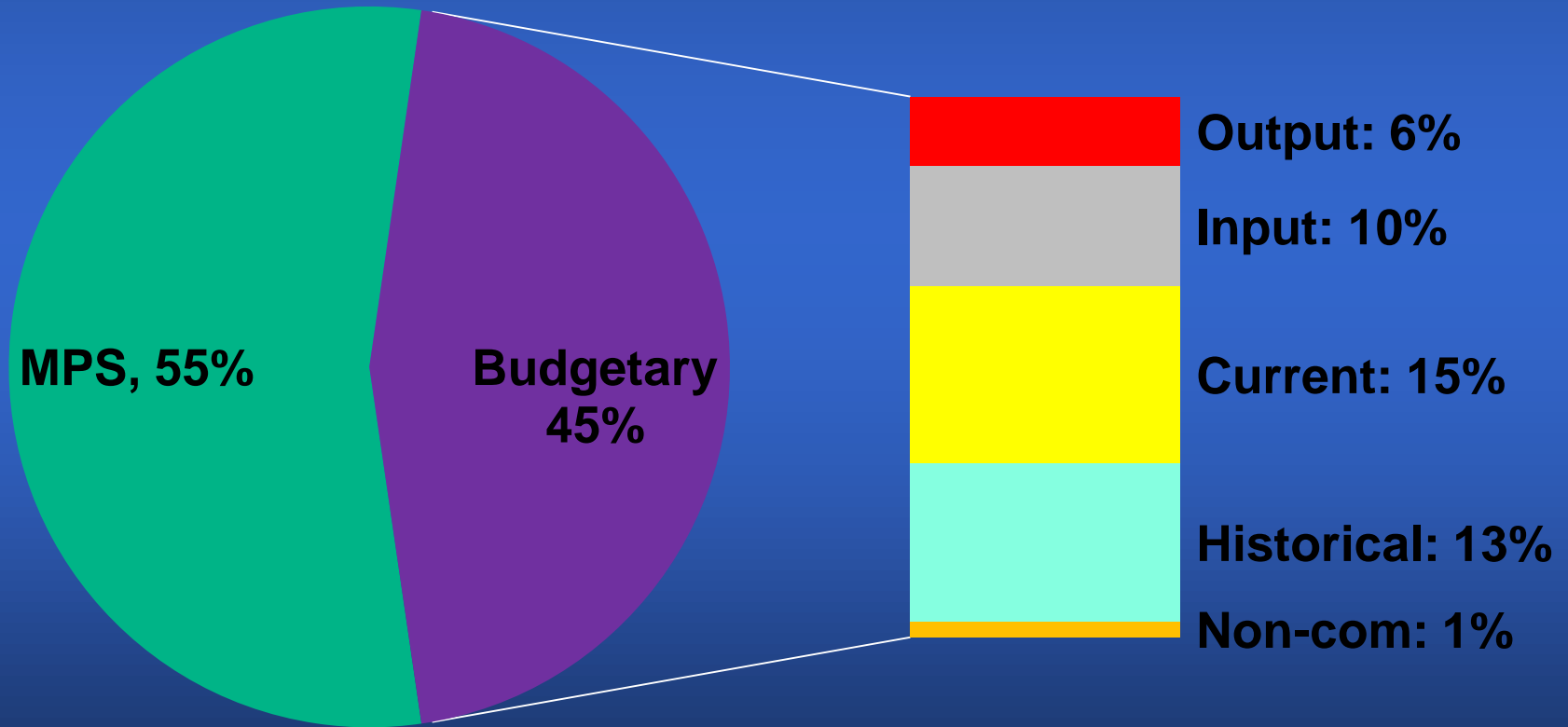


Composition of Producer Support Estimates, OECD Countries 1986-88



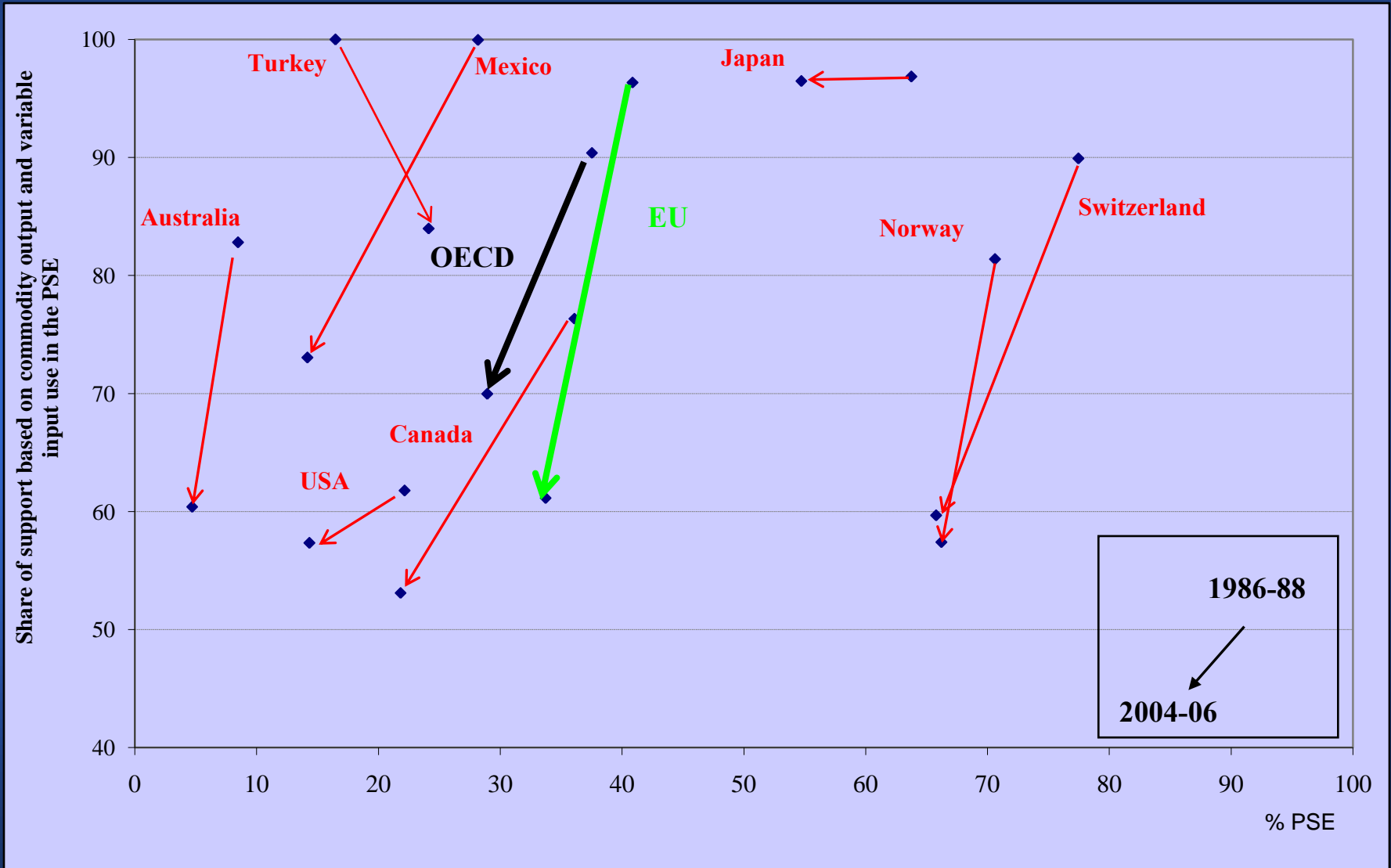


Composition of Producer Support Estimates, OECD Countries 2004-06





Progress in Policy Reform





Future developments

- Continuing to improve policy (e.g. water, taxation) coverage – and allocation between PSE and GSSE
- Developing a commodity specificity index and improving the use of labels to help the policy monitoring and analysis process
- Focusing on how well policies are being targeted to achieve objectives (environment, income distribution)
- Doing more to show the distribution of support across farmers and farming categories
- Deepening the analysis of the impacts of different policies on the production factors, especially land
- Making sure that the OECD support calculations are the gold standard – and internationally recognised!



OECD Regional Meeting on Agricultural Policy Reform

Bucharest , Romania

Thank you!

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