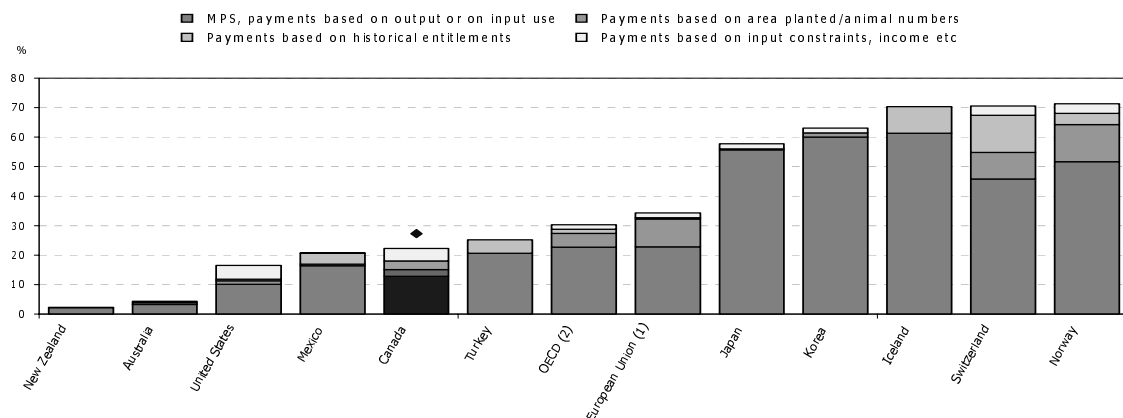


## CANADA

### 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.

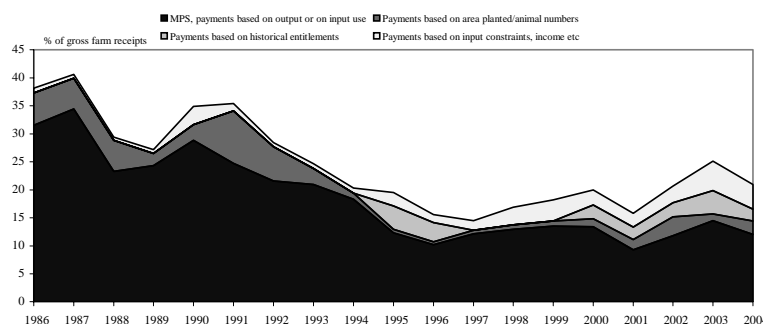
Source: OECD, PSE/CSE database, 2005.

## Summary of policy developments

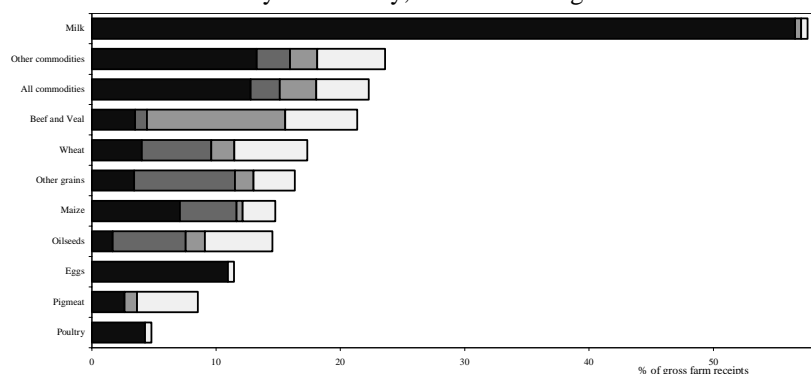
The main development in 2004 was the full implementation of the *Agriculture Policy Framework* and related reforms to major agricultural support programs, notably the introduction of the *Canadian Agriculture Income Stabilisation (CAIS)* program. The *Transitional Industry Support Program (TISP)* was 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.

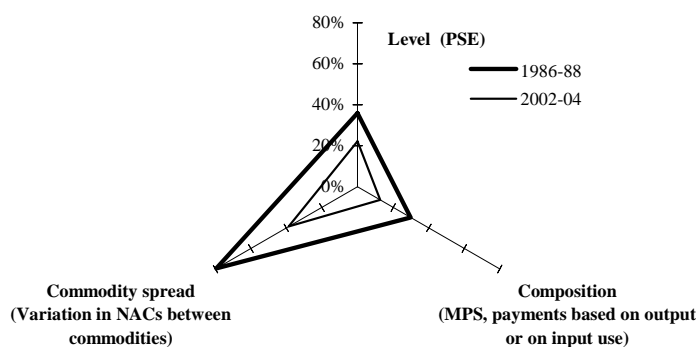
### Producer Support Estimate (PSE) Level and composition over time...



### ... 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
<b>Total value of production (at farm gate)</b>	<b>18 458</b>	<b>31 118</b>	<b>32 545</b>	<b>29 359</b>	<b>31 450</b>
<i>of which share of MPS commodities (%)</i>	82	74	75	73	75
<b>Total value of consumption (at farm gate)</b>	<b>15 396</b>	<b>23 313</b>	<b>24 272</b>	<b>24 118</b>	<b>21 548</b>
<b>Producer Support Estimate (PSE)</b>	<b>8 025</b>	<b>7 816</b>	<b>7 533</b>	<b>8 488</b>	<b>7 428</b>
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
<b>Percentage PSE</b>	<b>36</b>	<b>22</b>	<b>21</b>	<b>25</b>	<b>21</b>
<b>Producer NPC</b>	<b>1.40</b>	<b>1.14</b>	<b>1.12</b>	<b>1.16</b>	<b>1.13</b>
<b>Producer NAC</b>	<b>1.57</b>	<b>1.29</b>	<b>1.26</b>	<b>1.34</b>	<b>1.27</b>
<b>General Services Support Estimate (GSSE)</b>	<b>1 920</b>	<b>2 291</b>	<b>2 296</b>	<b>2 267</b>	<b>2 309</b>
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
<b>GSSE as a share of TSE (%)</b>	<b>19.2</b>	<b>22.6</b>	<b>23.4</b>	<b>20.9</b>	<b>23.7</b>
<b>Consumer Support Estimate (CSE)</b>	<b>-3 308</b>	<b>-3 514</b>	<b>-3 661</b>	<b>-3 433</b>	<b>-3 448</b>
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
<b>Percentage CSE</b>	<b>-22</b>	<b>-15</b>	<b>-15</b>	<b>-14</b>	<b>-16</b>
<b>Consumer NPC</b>	<b>1.32</b>	<b>1.18</b>	<b>1.18</b>	<b>1.17</b>	<b>1.19</b>
<b>Consumer NAC</b>	<b>1.28</b>	<b>1.18</b>	<b>1.18</b>	<b>1.17</b>	<b>1.19</b>
<b>Total Support Estimate (TSE)</b>	<b>9 987</b>	<b>10 135</b>	<b>9 829</b>	<b>10 841</b>	<b>9 736</b>
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
<b>Percentage TSE (expressed as share of GDP)</b>	<b>1.78</b>	<b>0.83</b>	<b>0.85</b>	<b>0.89</b>	<b>0.75</b>
<b>GDP deflator 1986-88 = 100</b>	<b>100</b>	<b>141</b>	<b>137</b>	<b>141</b>	<b>146</b>

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.