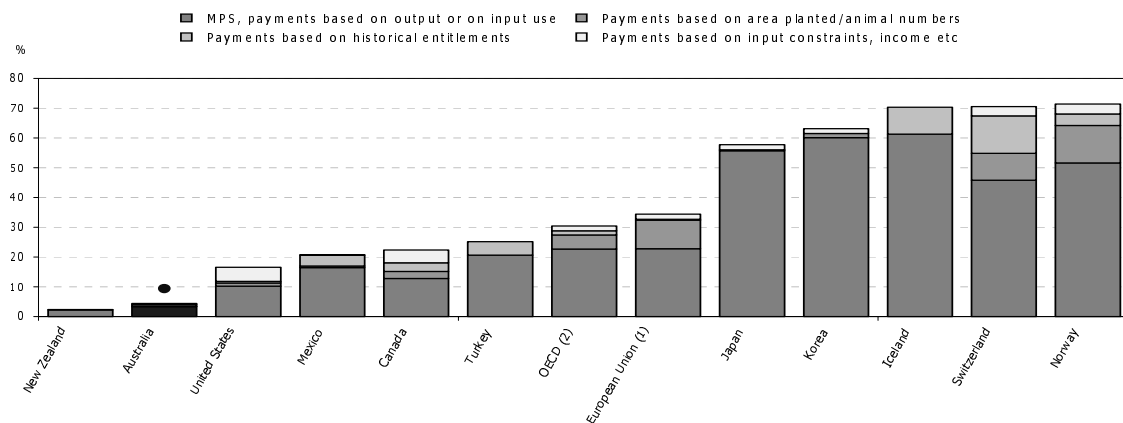


AUSTRALIA

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.

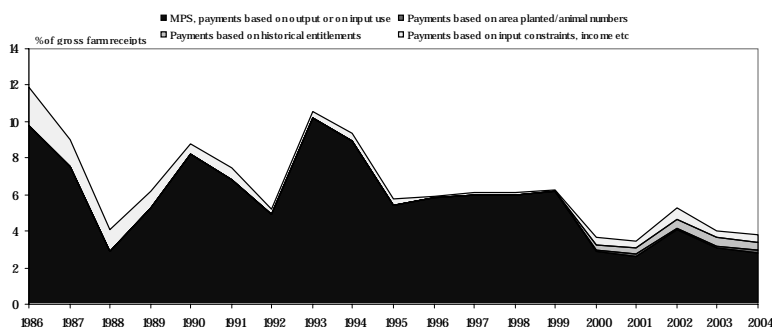
- The cost imposed on consumers (%CSE), has declined from 8% in 1986-88 to 2% in 2002-04, in particular, reflecting the reduction in the milk %CSE over this period from 40% to 14%.

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

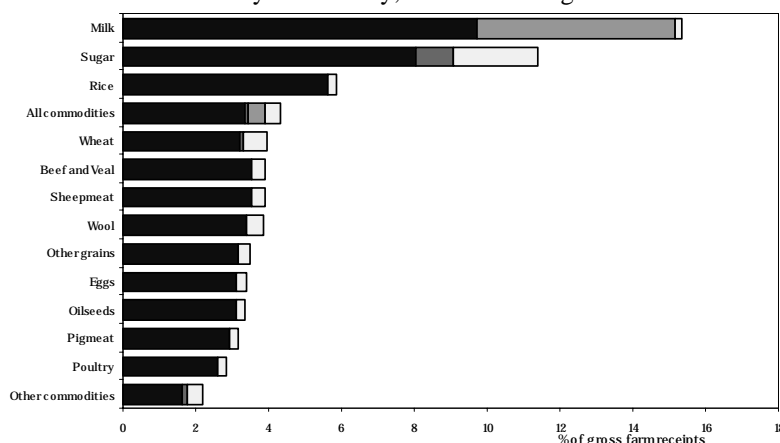
- The total cost to the economy of support as a share of GDP (%TSE) declined from 0.8% in 1986-88 to 0.3% by 2002-04.

Producer Support Estimate (PSE)

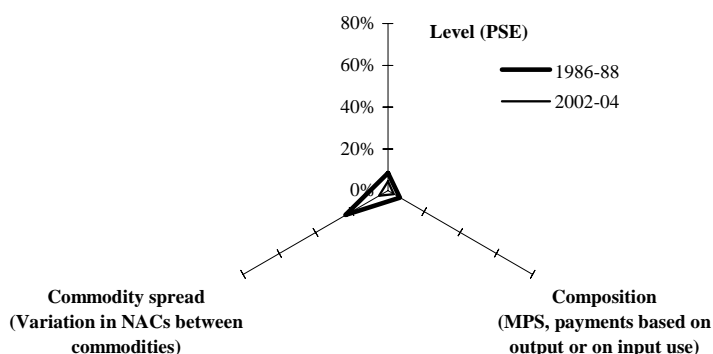
Level and composition over time...



... 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.