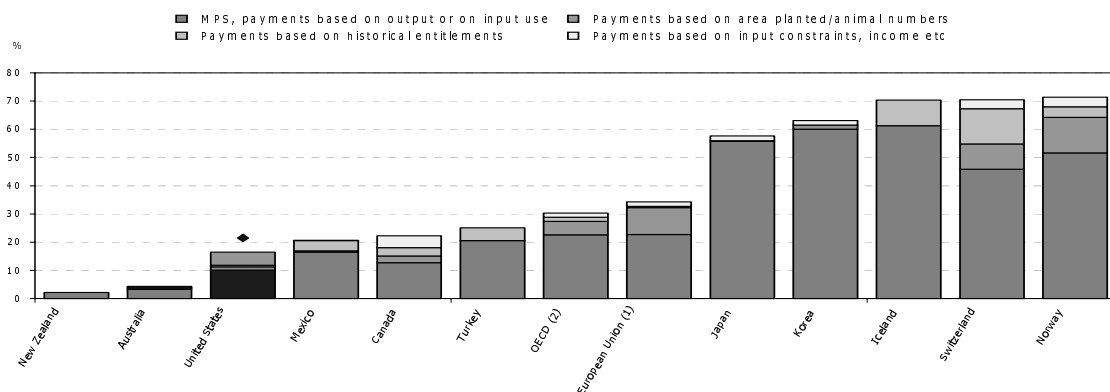


## UNITED STATES

### 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.

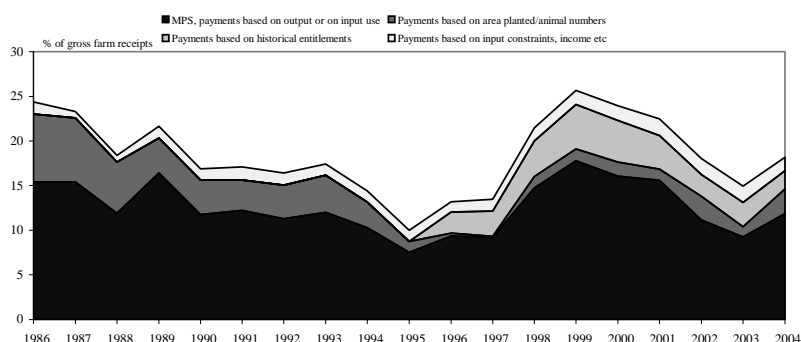
- The share of area payments requiring production of specific crops decreased from 31% of PSE in 1986-88 to 5% in 2002-04, and counter cyclical and direct payments based on historical area and/or current prices of crops with no production requirement were 19% in 2002-04.

- 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*).

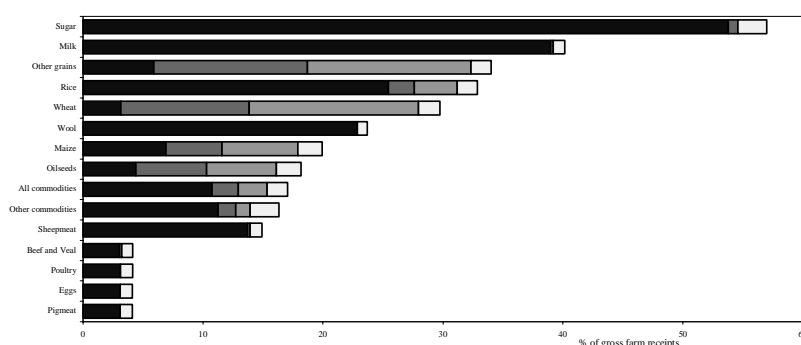
- Support for general services provided to agriculture has increased from 25% of total support in 1986-88 to 32% in 2002-04. Total support to agriculture represents 0.9% of GDP, down from 1.3% in 1986-88.

### Producer Support Estimate (PSE)

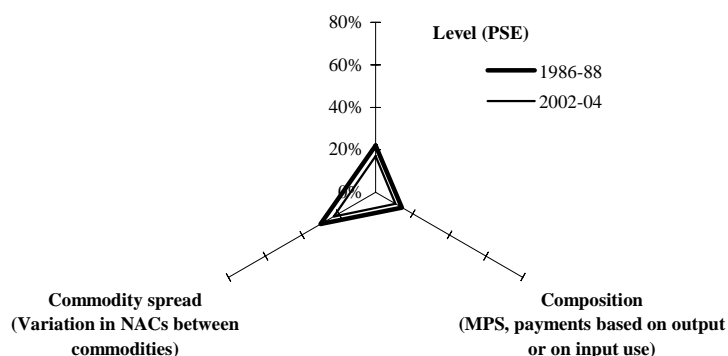
Level and composition over time...



... 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          |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Total value of production (at farm gate)</b>   | <b>143 469</b> | <b>210 871</b> | <b>193 151</b> | <b>214 023</b> | <b>225 437</b> |
| <i>of which share of MPS commodities (%)</i>      | <i>69</i>      | <i>66</i>      | <i>64</i>      | <i>67</i>      | <i>68</i>      |
| <b>Total value of consumption (at farm gate)</b>  | <b>134 717</b> | <b>196 556</b> | <b>182 692</b> | <b>200 380</b> | <b>206 594</b> |
| <b>Producer Support Estimate (PSE)</b>            | <b>36 390</b>  | <b>40 409</b>  | <b>39 105</b>  | <b>35 618</b>  | <b>46 504</b>  |
| 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          |
| <b>Percentage PSE</b>                             | <b>22</b>      | <b>17</b>      | <b>18</b>      | <b>15</b>      | <b>18</b>      |
| <b>Producer NPC</b>                               | <b>1.14</b>    | <b>1.09</b>    | <b>1.10</b>    | <b>1.07</b>    | <b>1.11</b>    |
| <b>Producer NAC</b>                               | <b>1.28</b>    | <b>1.21</b>    | <b>1.22</b>    | <b>1.18</b>    | <b>1.22</b>    |
| <b>General Services Support Estimate (GSSE)</b>   | <b>16 152</b>  | <b>30 635</b>  | <b>26 953</b>  | <b>30 803</b>  | <b>34 149</b>  |
| 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          |
| <b>GSSE as a share of TSE (%)</b>                 | <b>25.2</b>    | <b>31.6</b>    | <b>29.9</b>    | <b>33.4</b>    | <b>31.4</b>    |
| <b>Consumer Support Estimate (CSE)</b>            | <b>-3 461</b>  | <b>9 725</b>   | <b>6 814</b>   | <b>12 317</b>  | <b>10 045</b>  |
| 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              |
| <b>Percentage CSE</b>                             | <b>-3</b>      | <b>6</b>       | <b>4</b>       | <b>7</b>       | <b>6</b>       |
| <b>Consumer NPC</b>                               | <b>1.13</b>    | <b>1.09</b>    | <b>1.10</b>    | <b>1.07</b>    | <b>1.10</b>    |
| <b>Consumer NAC</b>                               | <b>1.03</b>    | <b>0.95</b>    | <b>0.96</b>    | <b>0.93</b>    | <b>0.95</b>    |
| <b>Total Support Estimate (TSE)</b>               | <b>64 009</b>  | <b>96 972</b>  | <b>90 020</b>  | <b>92 199</b>  | <b>108 696</b> |
| 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         |
| <b>Percentage TSE (expressed as share of GDP)</b> | <b>1.34</b>    | <b>0.88</b>    | <b>0.86</b>    | <b>0.84</b>    | <b>0.93</b>    |
| <b>GDP deflator 1986-88 = 100</b>                 | <b>100</b>     | <b>145</b>     | <b>142</b>     | <b>144</b>     | <b>147</b>     |

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.

