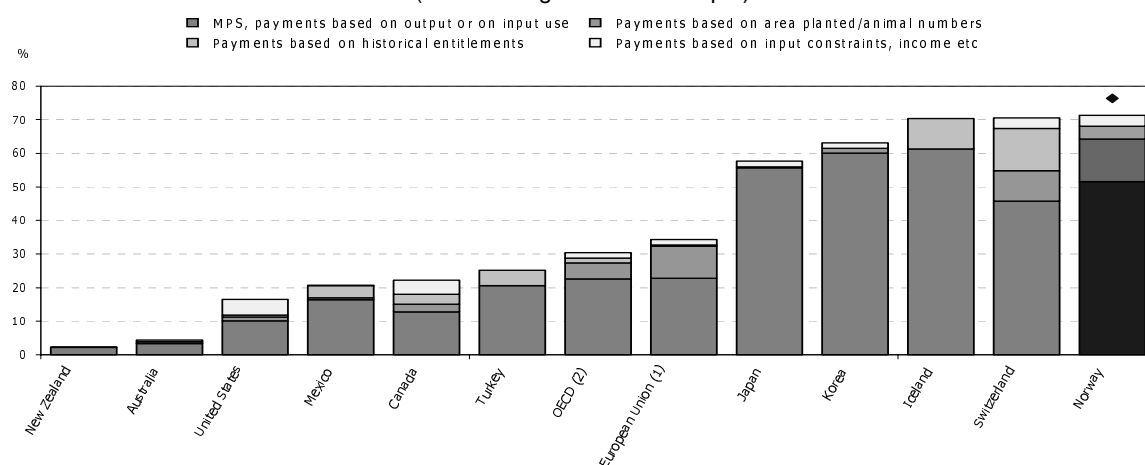


NORWAY

Evaluation of policy developments

- Overall, there has been limited progress in policy reform, with a very high level of producer support that has changed little since 1986-88. There has been a notable move away from output payments, but the most production and trade distorting policies still account for the largest share of support.
- The separation from 2003 of the former *Acreage and Cultural Landscape Programme* into two separate payments, with clearly identified goals for each payment and different payment rates, increases policy transparency.
- The establishment of a co-ordinated national agri-environmental plan with regional-based payments and individual farm plans also has the potential to improve the economic efficiency of policy.
- The use of taxes to reduce the environmental impact of pesticides is consistent with the polluter-pays-principle. The decision to sharpen the focus on the most harmful compounds should enhance the effectiveness of the measure.
- Improving the information flow to consumers, increasing direct trading opportunities for milk quotas, and moving from many to one single target price for milk will allow the market a greater role in determining the pattern of production.
- However, agricultural markets remain highly protected and greater effort is required to reduce the level of support, increase market access and improve the targeting of support policies to achieve environmental, income or other objectives in ways that are 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.

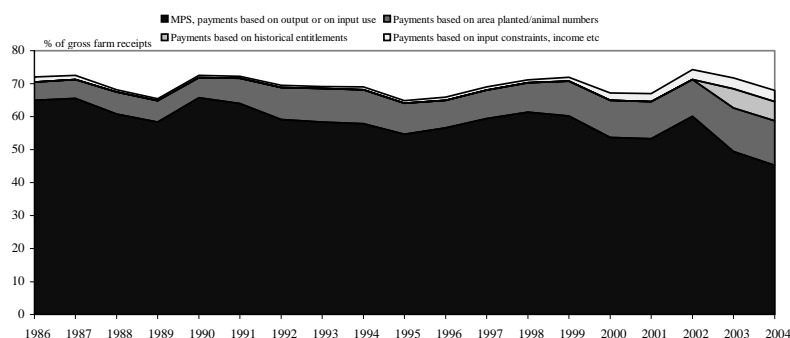
Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

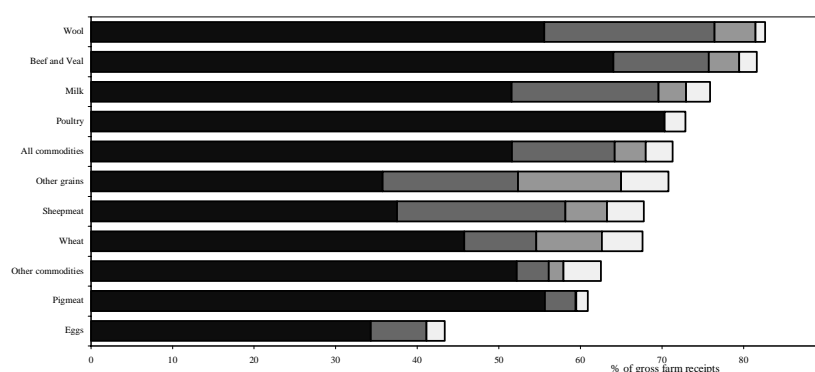
The major policy development in 2004 was the establishment of a national environmental programme, setting out national goals and a greater role for regional authorities including local specific payments. The quantity of milk quota able to be sold directly between farmers was increased, as were the maximum size limits on dairy, pig and poultry farms. A two year Action Plan to increase the involvement of consumers in food policy was established.

- Support to producers (%PSE) has changed little between 1986-88 and 2002-04 at around 70% (68% in 2004). This is more than twice the OECD average. Support is very high across all commodities.
- The combined share of market price support, output and input payments has fallen from almost 90% of producer support in 1986-88 to 72% in 2002-04. In 1986-88 prices received by farmers were 4 times higher than those received in the world market; in 2002-04 the difference had fallen to below 3 times.
- Reductions in the most distorting forms of support have been offset in terms of farm receipts by increases in area/headage payments, and more recently payments based on overall farm income, and historical entitlements.
- The cost imposed on consumers, as measured by the %CSE, has also remained fairly constant, with some reduction in high prices but fewer consumer subsidies.
- Support for general services provided to agriculture increased between 1986-88 and 2001-03, from 4% to 7% of total support. Total support to agriculture represents 1.4% of GDP, down from 3.5% in 1986-88.

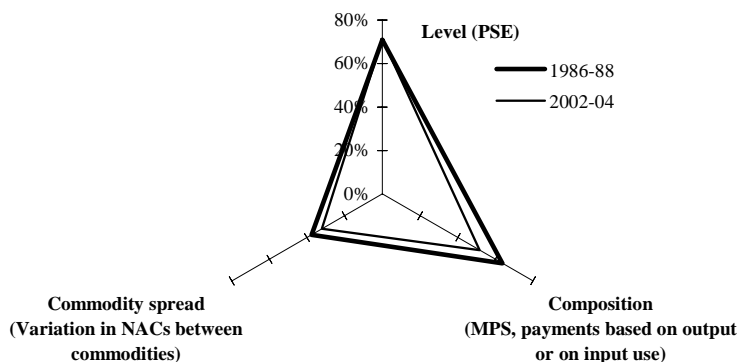
Producer Support Estimate (PSE) Level and composition over time...



... by commodity, 2002-04 average



... and reform progress



Agriculture accounts for 1.4% of GDP but 3.7% of total employment. Livestock dominates and in recent years there has been a slight move in area away from crops to grassland. Yields are relatively low because of climatic conditions. Norway exports very few commodities and imports mainly grains, fruits and vegetables; imports account for 50% of food consumption (energy basis).

Table 2.10. Norway: Estimates of support to agriculture

(NOK million)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	17 354	18 375	18 015	18 542	18 567
<i>of which share of MPS commodities (%)</i>	<i>73</i>	<i>80</i>	<i>79</i>	<i>80</i>	<i>80</i>
Total value of consumption (at farm gate)	17 899	18 103	17 993	18 154	18 162
Producer Support Estimate (PSE)	19 274	21 064	21 999	21 198	19 994
Market Price Support (MPS)	9 422	9 912	10 390	10 199	9 147
<i>of which MPS commodities</i>	<i>6 900</i>	<i>7 886</i>	<i>8 192</i>	<i>8 126</i>	<i>7 340</i>
Payments based on output	4 554	1 961	3 012	1 520	1 351
Payments based on area planted/animal numbers	1 645	3 721	3 304	3 896	3 963
Payments based on historical entitlements	0	1 128	0	1 700	1 685
Payments based on input use	3 346	3 367	4 393	2 890	2 818
Payments based on input constraints	308	437	408	443	461
Payments based on overall farming income	0	537	492	551	568
Miscellaneous payments	0	0	0	0	0
Percentage PSE	71	71	74	72	68
Producer NPC	4.29	2.80	3.27	2.73	2.41
Producer NAC	3.45	3.52	3.88	3.54	3.12
General Services Support Estimate (GSSE)	885	1 638	1 578	1 706	1 630
Research and development	472	675	630	631	764
Agricultural schools	0	0	0	0	0
Inspection services	33	308	261	366	296
Infrastructure	133	336	375	395	238
Marketing and promotion	247	98	103	107	85
Public stockholding	0	9	11	14	1
Miscellaneous	0	213	197	194	247
GSSE as a share of TSE (%)	4.1	7.2	6.6	7.4	7.5
Consumer Support Estimate (CSE)	-9 312	-10 296	-10 859	-10 464	-9 564
Transfers to producers from consumers	-11 542	-10 515	-11 057	-10 676	-9 812
Other transfers from consumers	-969	-446	-563	-411	-363
Transfers to consumers from taxpayers	1 522	130	170	111	109
Excess feed cost	1 677	535	591	512	501
Percentage CSE	-57	-57	-61	-58	-53
Consumer NPC	3.40	2.56	2.82	2.57	2.27
Consumer NAC	2.34	2.36	2.56	2.38	2.13
Total Support Estimate (TSE)	21 681	22 832	23 746	23 016	21 733
Transfers from consumers	12 511	10 961	11 620	11 087	10 175
Transfers from taxpayers	10 139	12 317	12 690	12 340	11 921
Budget revenues	-969	-446	-563	-411	-363
Percentage TSE (expressed as share of GDP)	3.49	1.43	1.56	1.47	1.28
GDP deflator 1986-88 = 100	100	167	161	165	174

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 Norway are: wheat, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

Source: OECD, PSE/CSE database 2005.