



TRADE AND AGRICULTURE DIRECTORATE
ELECTRONIC DATA PRODUCTS

Explanatory Note
to
**OECD's Producer Support Estimate and
Consumer Support Estimate Database**

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This Explanatory Note is part of the OECD's 2008 Producer Support and Consumer Support database (PSE/CSE database) which also incorporates:

- Files with detailed data on indicators of agricultural support by country and for the OECD area (in MS Excel format).
- Summary table of data availability (in MS Excel format).
- Exchange rates used for calculation of the indicators (in MS Excel format).
- **PSE Browser**, a utility to quickly access specific policy data by country (in MS Excel format).
- **Definitions and Sources** with complete description of data and sources by country (PDF file).
- **PSE Manual** with comprehensive explanation of concepts, calculation, interpretation and use of the indicators of agricultural support (PDF file).

This **Explanatory Note** describes the structure of country data files and provides basic definitions of variables and indicators contained in these files.

For detailed explanation of concepts, calculation, interpretation and use of the OECD's support indicators it is recommended to refer to the **PSE Manual**.

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1. Structure of Country Data Files

The OECD calculates the indicators of support for each country within individual PSE Excel files (with the EU27 treated as one country – see below). There are four standard types of worksheets within each country file:

1. A worksheet named “TOTAL” (Table 1) in which most of the national (aggregate) indicators are calculated, such as the PSE, GSSE, CSE and TSE, as well as the %PSE, producer NAC, %CSE and consumer NAC. This worksheet contains all policy transfers included in the estimation of support for a country, shown under the appropriate PSE, GSSE and CSE categories. Labels are also attached to each transfer.
2. A worksheet named “SCT GCT” (Table 2) in which the individual commodity producer SCT values are combined to calculate national (aggregate) producer SCT and %SCT indicators. This worksheet is also used to identify the Group Commodity Transfers (GCT), and calculate All Commodity Transfers (ACT) and Other Transfers to Producers (OTP) based on the labels given to each policy measure in the worksheet “TOTAL”.
3. A group of standard worksheets named “XX SCT” (Tables 3.X) in which the Producer Single Commodity Transfer (producer SCT) and %SCT indicators are calculated for each commodity, including a worksheet for “non-MPS commodities” named “XE SCT”.
4. A group of standard worksheets named “XX MPS” (Tables 4.X) in which MPS is calculated for each commodity, where XX is a two-letter commodity abbreviation, *e.g.* WT stands for wheat and MK for milk. These worksheets also contain the data for calculating the Consumer Single Commodity Transfers (consumer SCT) as well as the producer NPC and consumer NPC, for the commodities concerned.

2. Overview of the series

All data series are available for the period 1986 to 2007.

The countries/areas covered are Australia, Canada, the European Union, Iceland, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and the United States.

The EU series called EU27 covers 12 countries for 1986-94, including ex-GDR from 1990, 15 countries for 1995-2003, 25 countries for 2004-06 and 27 countries from 2007.

From 2004, parallel series are presented for EU-15 and EU-25 in some of the tables. From 2004, the data for the Czech Republic, Hungary, Poland, and the Slovak Republic are thus integrated in the EU-25 calculations along with Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia. From 2007, Bulgaria and Romania are added to make the EU-27.

Country data are combined to derive indicators at the total OECD level.

Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years. The OECD total does not include the non-OECD EU member states.

Commodity coverage for each country is shown in the Annex.

3. Support indicators: key terms, definitions and distinctions

The OECD support indicators are different ways to analyse agricultural policy transfers and measure their levels in relation to various key economic variables. The names, abbreviations and definitions of the indicators are listed in Box 1. No single indicator can capture all aspects of agricultural support. Each serves a purpose, highlighting a dimension of the support framework. The indicators are interlinked and mutually reinforcing. When analysed together, they provide a comprehensive picture of the level and composition of support.

Three distinctions can be made between the indicators (Table 1). The first one relates to the *intended recipient* of the transfer – producers individually, producers collectively, or consumers – although agriculture is always understood to be the economic sector supported by the policies. For example, nine indicators measure support directed to producers individually, while two indicators measure support provided to producers collectively.

A second distinction can be made in relation to the *unit of measurement*: nine indicators are expressed in *monetary* terms and nine represent *percentages* or *ratios*. An advantage of monetary indicators is that they can be used to analyse the composition of support, *e.g.* to calculate the shares of PSE or GSSE by policy category, or the shares of TSE according to whether the transfers come from consumers or taxpayers. However, the monetary indicators are influenced by the size and structure of the country's agricultural sector, as well as the country's rate of inflation. Consequently, there are difficulties in using them to compare support levels between countries, to evaluate changes over time, or to assess the level of support provided within a country to different commodities. In contrast, percentage indicators and ratios, which relate policy transfers to some other monetary base, *e.g.* the value of agricultural production, allow such comparisons to be made.

Finally, the indicators can be distinguished according to the *type of aggregation* at which they can be derived — across commodities or geographically. While all the indicators can be calculated at the national and multi-country level, some can also be calculated for individual commodities or for groups of commodities.

Formulas for calculating each indicator are given in the country data files and detailed explanations of calculations are provided in the *PSE Manual*.

Box 1. Names and definitions of the OECD indicators of agricultural support

INDICATORS OF SUPPORT TO PRODUCERS

Producer Support Estimate (PSE): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income.

Percentage PSE (%PSE): PSE transfers as a share of gross farm receipts (including support).

Producer Nominal Assistance Coefficient (producer NAC): the ratio between the value of gross farm receipts (including support) and gross farm receipts valued at border prices (measured at farm gate).

Producer Nominal Protection Coefficient (producer NPC): the ratio between the average price received by producers at farm gate (including payments per tonne of current output), and the border price (measured at farm gate).

Producer Single Commodity Transfers (producer SCT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures directly linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the transfer.

Producer Percentage Single Commodity Transfers (producer %SCT): the commodity SCT as a share of gross farm receipts for the specific commodity.

Group Commodity Transfers (GCT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures whose payments are made on the basis that one or more of a designated list of commodities is produced, i.e. a producer may produce from a set of allowable commodities and receive a transfer that does not vary with respect to this decision.

All Commodity Transfers (ACT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that place no restrictions on the commodity produced but require the recipient to produce some commodity of their choice.

Other Transfers to Producers (OTP): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that do not require any commodity production at all.

INDICATORS OF SUPPORT TO GENERAL SERVICES FOR AGRICULTURE

General Services Support Estimate (GSSE): the annual monetary value of gross transfers to general services provided to agricultural producers collectively (such as research, development, training, inspection, marketing and promotion), arising from policy measures that support agriculture regardless of their nature, objectives and impacts on farm production, income, or consumption. The GSSE does not include any transfers to individual producers.

Percentage GSSE (%GSSE): transfers to general services (GSSE) as a share of Total Support Estimate (TSE).

INDICATORS OF SUPPORT TO CONSUMERS

Consumer Support Estimate (CSE): the annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on consumption of farm products.

Percentage CSE (%CSE): CSE transfers as a share of consumption expenditure (measured at farm gate) net of taxpayer transfers to consumers.

Consumer Nominal Assistance Coefficient (consumer NAC): the ratio between the value of consumption expenditure on agricultural commodities (at farm gate) and that valued at border prices (measured at farm gate).

Consumer Nominal Protection Coefficient (consumer NPC): the ratio between the average price paid by consumers (at farm gate) and the border price (measured at farm gate).

Consumer Single Commodity Transfers (consumer SCT): the annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures directly linked to the production of a single commodity.

INDICATORS OF TOTAL SUPPORT TO AGRICULTURE

Total Support Estimate (TSE): the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.

Percentage TSE (%TSE): TSE as a share of GDP

Table 1. The OECD indicators of agricultural support

Intended recipient	Unit of measurement		Type of aggregation		
	Monetary	Percentage or ratio	Individual commodity or groups of commodities	Geographical	
				National ¹ (aggregate)	Multi-country (e.g. OECD total)
Producers individually	PSE	%PSE and producer NAC	nc	*	*
	-	producer NPC	*	*	*
	producer SCT	producer %SCT	*	*	*
	GCT	nc	*	*	*
	ACT and OTP	nc	nc	*	*
Producers collectively	GSSE	%GSSE	nc	*	*
Consumers	CSE	%CSE and consumer NAC	nc	*	*
	-	consumer NPC	*	*	*
	consumer SCT	nc	*	*	*
All recipients	TSE	%TSE	nc	*	*

Symbols: “-” not applicable; “nc” not calculated; “*” calculated

1. The European Union (EU) is treated as one country for the purpose of indicator calculations, given the common policy for agriculture applied throughout the Union, and specifically: the EU12 for 1986-94 including ex-GDR from 1990, EU15 for 1995-2003, EU25 for 2005-07 and EU27 from 2007 onwards.

4. Classification of Policy Transfers: Summary Table

The classification of total transfers associated with agricultural policies (TSE) groups policy measures into three main categories: transfers to producers individually (PSE), transfers to consumers individually (CSE) and transfers to general services to agriculture collectively (GSSE) (Box 2).

Sections 5, 6 and 7 provide definitions and explanations to the elements included in the three groups which constitute total transfers associated with agricultural policies: PSE (categories A to G), GSSE (categories H to N) and CSE (categories O to R).

Box 2. Estimates of Support to Agriculture

- I. **Producer Support Estimate (PSE)** □ Sum of A to G □
- A. Support based on commodity output
 - A.1. Market price support
 - A.2. Payments based on output
 - B. Payments based on input use
 - B.1. Variable input use
 - B.2. Fixed capital formation
 - B.3. On-farm services
 - C. Payments based on current A/An/R/I, production required
 - C.1. Based on current Receipts/Income
 - C.2. Based on current Area/Animal Numbers
 - 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
 - F.1. Long-term resource retirement
 - F.2. Specific non-commodity output
 - F.3 Other non-commodity criteria
 - G. Miscellaneous payments
- II. **General Services Support Estimate (GSSE)** □ Sum of H to N □
- H. Research and development
 - I. Agricultural schools
 - J. Inspection services
 - K. Infrastructure
 - L. Marketing and promotion
 - M. Public stockholding
 - N. Miscellaneous
- III. **Consumer Support Estimate (CSE)** □ Sum of O to R □
- O. Transfers to producers from consumers
 - P. Other transfers from consumers
 - Q. Transfers to consumers from taxpayers
 - R. Excess Feed Cost
- IV. **Total Support Estimate (TSE)** □ I + II + Q or S+T+U □
- S. Transfers from consumers
 - T. Transfers from taxpayers
 - U. Budget revenues

1. A (area), An (animal numbers), R (receipts) or I (income).

Labels to be attached to each programme in the above categories of policy measures:

- With/without L (with or without current commodity production limits and/or payment limits).
- With V/F rates (with variable or fixed payment rates).
- With/without C (with or without input constraints, with mandatory/with voluntary/without input constraints).
- With/without E (with or without any commodity exceptions).
- Based on A/An/R/I (based on area, animal numbers, receipts or income).
- Based on SC/GC/AC (based on a single commodity, group of commodities or all commodities).

5. Producer Support Estimate (PSE): definition of categories and classification

In the process of recent policy reform, many OECD countries – to different degrees and at different speeds – have moved towards providing support that is less dependent on producing specific commodities. Policies are also increasingly providing support based on farm area or on historical (fixed) criteria, which may be land, animal numbers, or income, for example. In some cases, production is required (but the actual commodities produced – currently or in the past – are not specified); in other cases no agricultural commodity production is required or support is provided for the production of non-commodity outputs. In many cases, farmers must also meet other criteria in order to be entitled to support; these include implementing constraints on the use of inputs or leaving land idle from commodity production but kept in “good agricultural or environmental condition”.

The thrust of many of the changes in policies has been to move in the direction of decoupling support from specific commodity production and to base it on other criteria. While there is increasingly more flexibility in what farmers can produce in order to be entitled to support, there is often less flexibility and greater regulatory constraints or conditions in how farmers manage their operations. Consequently, policies have become more varied and complex, and more difficult to group into the previous PSE classification in such a way as to allow for more accurate monitoring and evaluation of policy reform and its use in quantitative policy analysis.

To reflect these policy developments, a new PSE classification (Box 3) has been developed and applied in 2007. The key underlying criteria is that the policy measures continue to be classified according to the way they are implemented. The proposed categories are distinguished depending on:

- the transfer basis for support: output (category A), input (category B), area/animal numbers/receipts/income (categories C, D and E), non-commodity criteria (category F);
- whether the support is based on current (categories A, B, C, F) or historical (fixed) basis (categories D and E, as well as F, depending on implementation conditions); and
- whether production is required (categories C and D) or not (category E).

The new PSE classification also includes labels that may be applied to individual policies to provide further specification on the way each measure is implemented: with or without production limits or input constraints, and whether payments are at fixed or variable rates (Box 3). The applied labels are provided in the PSE database.

Box 3. New PSE classification: definitions of categories and labels in the applied since 2007

Definitions of categories

Market price support (MPS): transfers from consumers and taxpayers to agricultural producers from policy measures that create a gap between domestic market prices and border prices of a specific agricultural commodity, measured at the farm gate level.

Payments based on output: transfers from taxpayers to agricultural producers from policy measures based on current output of a specific agricultural commodity.

Payments based on input use: transfers from taxpayers to agricultural producers arising from policy measures based on on-farm use of inputs:

- **Variable input use** that reduces the on-farm cost of a specific variable input or a mix of variable inputs.
- **Fixed capital formation** that reduce the on-farm investment cost of farm buildings, equipment, plantations, irrigation, drainage and soil improvements.
- **On-farm services** that reduce the cost of technical, accounting, commercial, sanitary and phyto-sanitary assistance and training provided to individual farmers.

Payments based on current A/An/R/I, production required: transfers from taxpayers to agricultural producers arising from policy measures based on current area, animal numbers, receipts or income, and requiring production.

Payments based on non-current A/An/R/I, production required: transfers from taxpayers to agricultural producers arising from policy measures based on non-current (*i.e.* historical or fixed) area, animal numbers, receipts or income, with current production of any commodity required.

Payments based on non-current A/An/R/I, production not required: transfers from taxpayers to agricultural producers arising from policy measures based on non-current (*i.e.* historical or fixed) area, animal numbers, receipts or income, with current production of any commodity not required but optional.

Payments based on non-commodity criteria: transfers from taxpayers to agricultural producers arising from policy measures based on:

- **Long-term resource retirement:** transfers for the long-term retirement of factors of production from commodity production. The payments in this subcategory are distinguished from those requiring short-term resource retirement, which are based on commodity production criteria.
- **A specific non-commodity output:** transfers for the use of farm resources to produce specific non-commodity outputs of goods and services, which are not required by regulations.
- **Other non-commodity criteria,** transfers provided equally to all farmers, such as a flat rate or lump sum payment.

Miscellaneous payments: transfers from taxpayers to farmers for which there is a lack of information to allocate them among the appropriate categories.

Note: A (area), An (animal numbers), R (receipts) or I (income).

(Box 3 continued)

Definitions of labels

With or without current commodity production limits and/or limit to payments: defines whether or not there is a specific limitation on current commodity production (output) associated with a policy providing transfers to agriculture and whether or not there are limits to payments in the form of limits to area or animal numbers eligible for those payments. Applied in categories A – F.

With variable or fixed payment rates: Any payments is defined as subject to a variable rate where the formula determining the level of payment is triggered by a change in price, yield, net revenue or income or a change in production cost. Applied in categories A – E.

With or without input constraints: defines whether or not there are specific requirements concerning farming practices related to the programme in terms of the reduction, replacement, or withdrawal in the use of inputs or a restriction of farming practices allowed. Applied in categories A – F. The payments with input constraints are further broken down to:

- Payments conditional on compliance with basic requirements that are mandatory (*with mandatory*);
- Payments requiring specific practices going beyond basic requirements and voluntary (*with voluntary*).

With or without commodity exceptions: defines whether or not there are prohibitions upon the production of certain commodities as a condition of eligibility for payments based on non-current A/An/R/I of commodity(ies). Applied in Category E.

Based on area, animal numbers, receipts or income: defines the specific attribute (*i.e.* area, animal numbers, receipts or income) on which the payment is based. Applied in categories C – E.

Based on a single commodity, a group of commodities or all commodities: defines whether the payment is granted for production of a single commodity, a group of commodities or all commodities. Applied in categories A – D.

Indicators of producer support based on the degree of commodity specificity

To reflect the gradual shift of policies away from direct commodity-linked support, the PSE can be divided into four separate indicators of support based on the degree to which policy measures deliver support on a commodity basis; *i.e.* support provided to a single commodity, a group of commodities, all commodities or whether producers are not required to produce commodities to receive support (Table 2).

Table 2. Degree of commodity specificity indicators

Indicator	Relationship with PSE categories
I. Producer Single Commodity Transfers (producer SCT)	Sum of all single commodity transfers in PSE categories A, B, C and D
— Commodity <i>i</i> (1 to <i>n</i>) (producer SCT _{<i>i</i>})	- Includes only specific policy measures for commodity <i>i</i>
II. Group Commodity Transfers (GCT)	Sum of transfers to groups of commodities in PSE categories B, C and D
— Group <i>k</i> (1 to <i>m</i>) (GCT _{<i>k</i>})	- Includes only specific policy measures for group <i>k</i>
III. All Commodity Transfers (ACT)¹	Sum of transfers to all commodities in PSE categories B, C and D
IV. Other Transfers to Producers (OTP)	Sum of transfers in PSE categories E, F and G
Total PSE (I+II+III+IV)	Sum of transfers to single, group and all commodities and other transfers (producer SCT+GCT+ACT+OTP)

1. For policy measures applying to groups of commodities, a document *Definitions and Sources* for each country contains complete information on the list of commodities included in groups.

These four categories are mutually exclusive in the sense that payments included in one category are not included in others, e.g. transfers to wheat in the producer SCT are not included in transfers to cereals as a group in the GCT category. In this way, there are no overlaps between the categories and they therefore add up to the total PSE.

6. General Services Support Estimate (GSSE): definition of categories

While implementation criteria are used to distinguish the transfers in the PSE, the definition of the categories in the GSSE and the allocation of policy measures to these categories are done according to the nature of the service (Box 4).

The **Research and development** category includes payments to institutions for research related to agricultural technologies and production methods. In most cases, these payments include the financing of public research institutions (mostly through the budget of the Ministry of Agriculture) as well as grants financed by public funding provided to private research institutions and agricultural universities.

The **Agricultural schools** category includes the public funding of education and training targeted specifically on the agricultural sector. These payments do not include public expenditure which finances basic school education. They cover public expenditure on agricultural vocational schools and training for farmers. Where educational establishments provide training beyond primary agriculture, a suitable estimation method should be sought in order to include only services provided to farming.

The **Inspection services** category includes payments to finance institutions for the control of food quality, animal health, and agricultural inputs. In most cases, these services are financed by public (governmental) organisations, and hence the budgets of these organisations are included in the GSSE. Should these services be provided by private institutions, the GSSE should account only for the amount of public finance granted to these institutions. If the unpaid services are provided on farms (e.g. animal vaccinations), the corresponding costs should be allocated to the PSE (category *B.3 Payments based on on-farm services*). However, expenditures with respect to quarantine systems, even if applied at the farm level, are included in the GSSE.

The **Infrastructure** category includes public expenditure financing the development of production-related infrastructure in rural areas. Special care should be given to distinguish support between on- and off-farm infrastructures. For example, structural improvement measures such as farm consolidation, construction of irrigation and drainage installations on farms are included in the PSE, as direct investment assistance. The physical on-farm (PSE) and off-farm (GSSE) principle for classification of infrastructural expenditures in the PSE or GSSE is a matter of convention, required for consistent treatment of various infrastructural programmes across countries.

Marketing and promotion covers publicly (co)financed investments in development of agricultural marketing and processing typically carried out within projects related to the structural adjustment and competitiveness of the agricultural sector. This category also includes forms of government assistance to increase sales of primary agricultural commodities, such as agricultural exhibitions, fairs, promotional campaigns, advertising, and publications.

Box 4. Names and definitions of the GSSE categories

H. Research and development: budgetary payments financing research and development activities improving agricultural production.

I. Agricultural schools: budgetary payments financing agricultural training and education.

J. Inspection services: budgetary payments financing control of quality and safety of food, agricultural inputs and the environment.

K. Infrastructure: budgetary payments financing improvement of off-farm collective infrastructure.

L. Marketing and promotion: budgetary payments financing assistance to marketing and promotion of agro-food products.

M. Public stockholding: budgetary payments meeting the costs of storage, depreciation and disposal of public storage of agricultural products.

N. Miscellaneous: budgetary payments financing other general services that cannot be disaggregated and allocated to the above categories due, for example, to a lack of information.

7. Consumer Support Estimate (CSE): definition of categories

The term “*consumer*” in the definitions and methodology is understood as a farm gate (first consumer) buyer of agricultural commodities.

The CSE represents explicit and implicit policy transfers from (to) consumers to producers of agricultural commodities (Box 5). When negative, CSE indicates the implicit tax on consumption associated with policies to support agricultural producers.

Box 5. CSE categories

O. Transfers to producers from consumers – market price support on domestically produced consumption

P. Other transfers from consumers – transfers to the budget and/or importers on the share of consumption that is imported

Q. Transfers to consumers from taxpayers – any payment to consumers to compensate them for their contribution to market price support of a specific commodity

R. Excess feed cost – the producer contribution (as consumers of domestically produced crops) to the market price support on crops used in animal feed

The CSE therefore includes *price transfers from consumers* (sum of categories O and P minus category R), which is effectively the inverse value of market price support, but applied to the quantities consumed rather than quantities produced (as in the PSE). CSE is also net of *budgetary transfers* to first-stage consumers to compensate for their contribution to market price support, as well as consumption subsidies based on the disposal of intervention stocks (category Q).

8. Total Support Estimate (TSE): definition of categories

Two methods exist to calculate the TSE for a country and both are used to help to ensure that all indicators of support are correctly calculated.

The first method (see Box 1) sums up the transfers distinguished by recipient, *i.e.* transfers *to producers* (PSE), transfers *to general services* (GSSE) and transfers *to consumers* from taxpayers (Q).

This, in fact, corresponds to the sum of PSE, GSSE and CSE, adjusted for the double-counting given that the transfers associated with market price support policies appear in both the PSE and CSE calculation.

The second method sums up the transfers distinguished by source, *i.e.* transfers **from consumers** (*S*) and transfers **from taxpayers** (*T plus U*).

