OECD Study Tracks Agriculture Support Levels in Russia and other Transition Economies

The proportion of government support in farmers' revenues rose last year in Russia and the six central and eastern European countries studied by the OECD in its latest report, Agricultural Policies in Transition Economies 2002. The study covers key policy developments in Russia, Bulgaria, Estonia, Latvia, Lithuania, Romania and Slovenia. It also provides extensive agricultural data for a wider group of 21 transition and emerging economies.

For the seven countries studied in detail, the level of support to farmers as a percentage of their revenue ranged from an average 3% in Bulgaria to 40% in Slovenia, according to the latest figures for 2001. In all the cases except Slovenia’s, these estimates of support to producers were nevertheless well below the averages for the European Union (35%) and for OECD countries (31%). In general, support to crops fell in these transition economies last year but rose in the livestock sector.

Support mainly took the form of propping up market prices. Such market distortions are an inefficient way of increasing farmers' incomes, the study says.

Agriculture as a share of GDP continued to fall in all seven countries last year although gross agricultural output was generally higher.

In Russia agricultural production increased for the third consecutive year in 2001. Livestock production rose for the first time for more than a decade, while grain output expanded by 30%. These increases were due partly to productivity gains from rising investment and large-scale farm restructuring but also to good weather conditions. However, with the recent appreciation of the ruble it should not be taken for granted that Russian agricultural output should continue to grow, the report adds.

Prospects for all seven countries analysed depend on a commitment to structural adjustments. The completion of land reform to achieve a functioning land market remains a challenge in many countries. Investment in market infrastructure, improved quality standards and institutional reforms are priorities. The EU accession process for the central and eastern European countries and future World Trade Organisation membership for Russia are important drivers of policy reform and are likely to lead more competitive agricultural sectors.

Journalists may obtain a copy of the report from the Media Relations Division (request by fax: 33 1 45 24 80 03 or news.contact@oecd.org). For further information, they should contact Olga Melyukhina (tel. 33 1 45 24 95 61 or olga.melyukhina@oecd.org), Andrzej Kwiecinski (tel. 33 1 45 24 95 08 or andrej.kwiecinski@oecd.org) or Alexandra Trzeciak-Duval (tel. 33 1 45 24 95 09 or alexandra.trzeciak-duval@oecd.org), in the OECD Directorate for Food, Agriculture and Fisheries.

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