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OECD Forecasts Rising World Agriculture Output but Says Progress in Cutting Subsidies too Slow

World prices for wheat, coarse grains and oilseeds are projected to fall sharply this year as production recovers from drought-reduced levels in North America and Australia, according to OECD projections. Although most agricultural product prices are expected to rise over the medium term, this should be moderated by increasing crop and livestock supplies.

The OECD’s latest Agricultural Outlook 2003-2008 forecasts an increase in world demand for agricultural products from 2004 onwards, mostly from the more rapidly developing non-OECD countries, and mostly for more processed food and higher protein products such as meats.

It adds that cereal productivity improvements are expected to continue, underpinning forecasts for a rise of around 15% in world wheat and coarse grains production from 2002 to 2008. Demand for cereals is expected to be driven by increased use of grains and oilseeds in animal feeds, particularly in developing countries where diets are expected to change in favour of more processed foods, meats and diary products.

The Outlook which provides a comprehensive set of projections for all sections of agriculture over the next five years, also points out that slow progress in reducing the high levels of government support to farmers in most developed countries is continuing to have a major impact on markets by stimulating production and distorting trade.

The assessment is based on another new report, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2003, which shows that agricultural policies in 2002 made no progress in reducing market protection across OECD countries as a whole or in providing better targeting of measures to achieve the environmental and other socio-economic goals governments have set themselves.

The report says that between 2000 and 2002 average support to farmers (as measured by the producer support estimate) was below 5% of gross farm receipts in Australia and New Zealand and below 25% in Canada, the Czech Republic, Hungary, Mexico, Poland, the Slovak Republic, Turkey and the US. It was 35% in the European Union and around 60% or more in Iceland, Japan, Korea, Norway and Switzerland.

An in-depth analysis in the report of the 2002 US Farm Act argues that its policy measures will impose higher costs not only on domestic taxpayers but could also increase commodity support, leading to downward pressure on world prices and could delay necessary reforms in other countries.

Journalists may obtain a summaries of both reports by contacting Nicole Le Vourch, OECD’s Media Relations Division (nicole.levourch@oecd.org; tel [33] 1 45 24 80 88). For further information, please contact Stephen Di Biasio in the Media Relations Division (stephen.dibiatio@oecd.org; tel. [33] 1 45 24 81 03).