This is the fifth report to be issued since 1988 following the request by OECD Ministers for an annual review of agricultural policy reform policies adopted by the OECD in 1987.

In 1991 the market situation continued to show that output-based support policies in OECD countries encouraged the expansion of production. Restrictions on import access impeded trade while the desire to preserve or increase market shares led some exporting countries to continue to use high export subsidies, particularly for wheat. The economic and political crises in the former USSR, and the changing situation in Central and Eastern European countries, where consumption has fallen faster than output, weakened commercial demand. As a result, international agricultural markets remained depressed and commodity prices remained low, although they firmed somewhat for some products by the second half of the year.

The medium term outlook is for an expanding structural surplus, if policies do not change. The OECD projections up to 1996 show, for the area as a whole, distinctly higher export availabilities than in 1991, except for dairy products for which a small reduction is anticipated.

The market situation and outlook point to the insufficient adjustments in agricultural policies over the last few years, thereby distorting competitive conditions on international markets and adding to the structural surpluses in most commodities. It is thus clearly imperative to reform existing agricultural support policies.

In fact, neither the support to agricultural production, as measured by the Producer Subsidy Equivalent (PSE), nor the implicit tax on consumers,
through which most of this support is financed, and which is measured by the Consumer Subsidy Equivalent (CSE), have shown any significant decrease in 1991. For the OECD as a whole (see attached table) the total PSE reached US$177 billion as against US$180 billion in 1990. The total CSE was US$135 billion as against 133 billion in the previous year. In 1991 the percentage PSE (i.e. the PSE as a percentage of the value of agricultural production) remained unchanged at 45 per cent.

An estimate by the Secretariat of the total transfers to agriculture based mainly on the PSE and CSE calculations, shows that the combined transfers from taxpayers and consumers were estimated at US$320 billion in 1991, an increase of 5 per cent over the 1990 estimates. Almost all of this increase occurred in contributions from taxpayers, which rose by 10 per cent.

The report describes, on a country-by-country basis, the main features of the changes that occurred in 1991 in assistance to agriculture, and evaluates the main policy changes in the light of the Ministerial principles of 1987.

Journalists may obtain a copy of the report from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 or 80 89).