ISBN 92-64-02275-9
Agricultural Policies in OECD Countries
At a Glance 2006

Chapter 2

Country Focus

This part of the report provides detailed information on the recent and long-term developments of the level, composition and variability of support to agriculture in each OECD country. It provides a concise, consistent snapshot of support to agriculture in OECD member countries and the European Union as a whole. A substantial database underpins the material in this part, and is available on an OECD Web site (the link is www.oecd.org/agr/policy/ *under* Statistics*).*

Australia

The main policy development was an increase in support for sugar, reflecting higher funding under the 2004 *Sugar Industry Reform Program*, which provided a combination of short-term financial assistance and longer-term measures to help the industry undertake necessary reform.

- Support to producers (% PSE) changed little in 2005 compared to 2004. It decreased from 8% in 1986-88 to 5% by 2003-05, the second lowest in the OECD area.
- The combined share of the most distorting forms of support (market price support, output and input payments) in the PSE fell from 80% in 1986-88 to 55% by 2003-05. Nearly a third of producer support in 2003-05 was provided by fuel excise tax credits. Prices received by farmers have been aligned with world prices since 2001.
- The cost to consumers, as measured by the % CSE, declined from 8% in 1986-88 to 2% by 2003-05.
- Support for general services provided to agriculture was 34% of total support in 2003-05, compared to 22% in 1986-88, mainly due to higher expenditures on infrastructure, research and development. Total support to agriculture fell from 0.8% of GDP in 1986-88 to 0.3% by 2003-05.

Overall, Australia has eliminated most agricultural production and trade distorting support, reflecting the comprehensive market-orientated reforms undertaken over the past 15 years. The level of remaining support is low. The sector's environmental performance is being enhanced by using market based instruments, as in the case of the water reform agenda.

Figure 2.1. **Australia: Producer Support Estimate: level and composition over time**

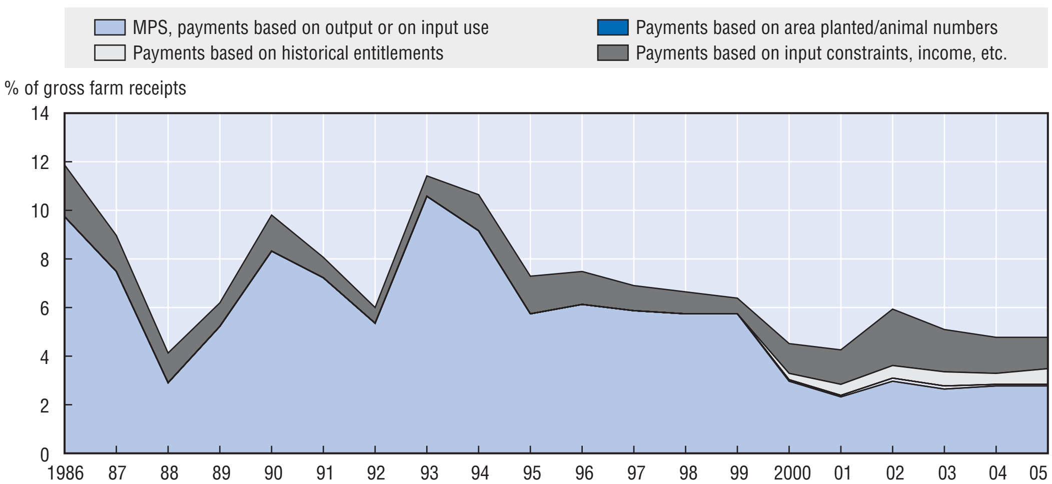

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Table 2.1. **Australia: Estimates of support to agriculture**

AUD million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**23 077**	**38 296**	**38 458**	**38 375**	**38 056**
of which share of MPS commodities (%)	*86*	*81*	*80*	*82*	*80*
Total value of consumption (at farm gate)	**6 189**	**11 748**	**11 397**	**11 595**	**12 252**
Producer Support Estimate (PSE)	**1 874**	**1 968**	**2 066**	**1 931**	**1 907**
Market Price Support (MPS)	939	3	4	3	3
of which MPS commodities	*784*	*3*	*3*	*2*	*3*
Payments based on output	0	0	0	0	0
Payments based on area planted/animal numbers	0	37	37	37	37
Payments based on historical entitlements	0	231	256	183	256
Payments based on input use	558	1 091	1 072	1 106	1 094
Payments based on input constraints	0	11	1	13	20
Payments based on overall farming income	376	593	697	585	496
Miscellaneous payments	1	2	0	3	1
Percentage PSE	**8**	**5**	**5**	**5**	**5**
Producer NPC	**1.05**	**1.00**	**1.00**	**1.00**	**1.00**
Producer NAC	**1.09**	**1.05**	**1.05**	**1.05**	**1.05**
General Services Support Estimate (GSSE)	**539**	**900**	**888**	**907**	**904**
Research and development	298	640	633	644	643
Agricultural schools	0	0	0	0	0
Inspection services	89	99	99	101	98
Infrastructure	62	136	132	138	137
Marketing and promotion	49	8	8	8	8
Public stockholding	0	0	0	0	0
Miscellaneous	41	16	16	16	17
GSSE as a share of TSE (%)	**22.3**	**33.9**	**32.5**	**34.5**	**34.8**
Consumer Support Estimate (CSE)	**–489**	**–221**	**–223**	**–215**	**–224**
Transfers to producers from consumers	–493	–3	–4	–3	–3
Other transfers from consumers	0	–2	0	–2	–3
Transfers to consumers from taxpayers	0	–216	–219	–210	–217
Excess feed cost	4	0	0	0	0
Percentage CSE	**–8**	**–2**	**–2**	**–2**	**–2**
Consumer NPC	**1.09**	**1.00**	**1.00**	**1.00**	**1.00**
Consumer NAC	**1.09**	**1.02**	**1.02**	**1.02**	**1.02**
Total Support Estimate (TSE)	**2 413**	**2 652**	**2 736**	**2 627**	**2 594**
Transfers from consumers	493	5	4	5	6
Transfers from taxpayers	1 920	2 649	2 732	2 624	2 591
Budget revenues	0	–2	0	–2	–3
Percentage TSE (expressed as share of GDP)	0.82	0.32	0.35	0.31	0.29
GDP deflator 1986-88 = 100	100	162	156	162	169

p: Provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
As a result of a technical revision of the Australian PSE database from 1990 onwards there has been an increase in the calculated PSE. This revision reflects improved information on the allocation of budgetary payments across the PSE time series and not any change in actual support provided by Australia.
Market price support is net of producer levies and excess feed costs.
MPS commodities for Australia are: wheat, other grains, rice, oilseeds, sugar, cotton, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

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Canada

The Farm Income Payment (FIP) was introduced to make exceptional payments to producers. This programme is similar in method and intent to the Transitional Industry Support Payment (TISP) offered in 2004. Supplementary payments of this type have been offered every year since 2000, and form a significant percentage of total budgetary payments.

- Support to producers (% PSE) was unchanged over 2004 and 2005 at 21%, but it fell from 36% in 1986-88 to 22% in 2003-05, compared to an OECD average of 30%.
- The combined share of the most distorting forms of support (market price support, output and input payments) in the PSE fell from 82% in 1986-88 to 56% in 2003-05. Prices received by farmers were 46% above those on the world market in 1986-88, but only 14% higher in 2003-05.
- The composition of support continues to move towards less-distorting forms such as payments based on historical entitlements or farm income. At 34%, the share of these payments in the PSE is one of the highest among OECD countries.
- The cost to consumers, as measured by the % CSE, fell from 25% in 1986-88 to 14% in 2003-05.
- Support for general services provided to agriculture, 19% of total support in 1986-88, has increased to 25% in 2003-05. Total support to agriculture as a percentage of GDP declined from 1.8% in 1986-88 to 0.8% in 2003-05.

Progress has been made to shift support from production and trade distorting policy instruments to more efficient and less distorting alternatives, although supply management schemes and *ad hoc* payments remain in place. While the percentage PSE remains below its 1986-88 average and below the OECD average, it has been trending upward since reaching a low of 14% in 1997.

Figure 2.2. **Canada: Producer Support Estimate: level and composition over time**

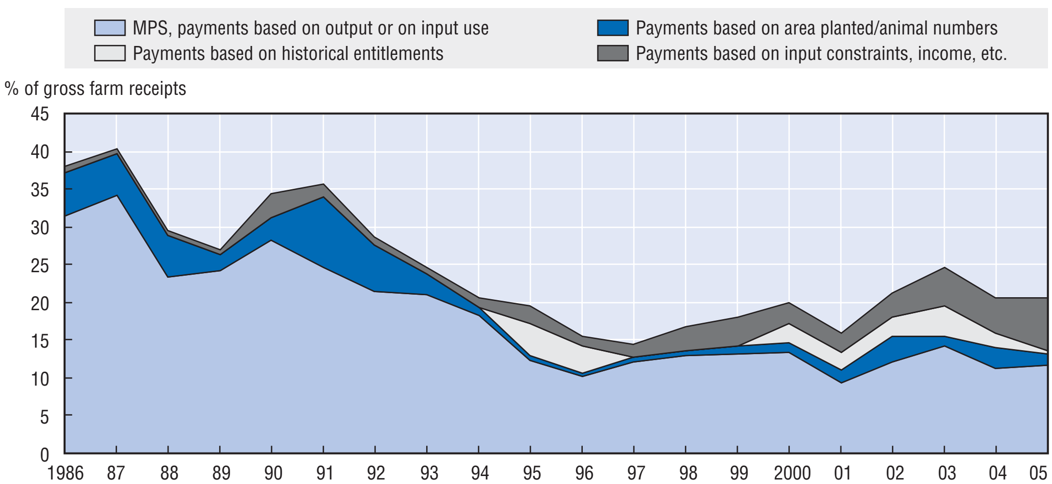

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Table 2.2. **Canada: Estimates of support to agriculture**

CAD million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**18 458**	**30 925**	**29 598**	**31 653**	**31 522**
of which share of MPS commodities (%)	*82*	*74*	*73*	*74*	*74*
Total value of consumption (at farm gate)	**15 367**	**23 729**	**24 376**	**22 815**	**23 997**
Producer Support Estimate (PSE)	**8 003**	**7 677**	**8 332**	**7 410**	**7 289**
Market Price Support (MPS)	4 176	3 494	3 964	3 230	3 288
of which MPS commodities	*3 435*	*2 580*	*2 912*	*2 393*	*2 437*
Payments based on output	1 263	335	357	299	348
Payments based on area planted/animal numbers	1 247	642	432	981	513
Payments based on historical entitlements	0	754	1 407	676	179
Payments based on input use	1 160	505	476	536	501
Payments based on input constraints	0	43	2	47	80
Payments based on overall farming income	0	1 825	1 521	1 606	2 347
Miscellaneous payments	155	80	173	34	32
Percentage PSE	**36**	**22**	**25**	**21**	**21**
Producer NPC	**1.46**	**1.14**	**1.17**	**1.12**	**1.13**
Producer NAC	**1.57**	**1.28**	**1.33**	**1.26**	**1.26**
General Services Support Estimate (GSSE)	**1 920**	**2 605**	**2 385**	**2 556**	**2 875**
Research and development	332	466	470	470	458
Agricultural schools	277	272	288	263	266
Inspection services	327	659	595	634	749
Infrastructure	435	498	432	509	554
Marketing and promotion	549	709	600	680	848
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**19.3**	**25.3**	**22.1**	**25.6**	**28.3**
Consumer Support Estimate (CSE)	**–3 785**	**–3 405**	**–3 699**	**–3 228**	**–3 289**
Transfers to producers from consumers	–4 126	–3 443	–3 816	–3 227	–3 286
Other transfers from consumers	–11	–2	–2	–2	–3
Transfers to consumers from taxpayers	42	28	85	0	0
Excess feed cost	310	11	34	0	0
Percentage CSE	**–25**	**–14**	**–15**	**–14**	**–14**
Consumer NPC	**1.37**	**1.17**	**1.19**	**1.16**	**1.16**
Consumer NAC	**1.33**	**1.17**	**1.18**	**1.16**	**1.16**
Total Support Estimate (TSE)	**9 965**	**10 311**	**10 803**	**9 966**	**10 163**
Transfers from consumers	4 137	3 445	3 818	3 228	3 289
Transfers from taxpayers	5 839	6 868	6 986	6 740	6 878
Budget revenues	–11	–2	–2	–2	–3
Percentage TSE (expressed as share of GDP)	1.77	0.80	0.89	0.77	0.75
GDP deflator 1986-88 = 100	100	145	141	146	149

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 Canada are: wheat, maize, other grains, oilseeds, milk, beef and veal, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

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European Union

The sugar regime was revised in line with the 2003 and 2004 Common Agricultural Policy (CAP) reforms. From 2006, the administered price for raw and white sugar will be cut and a new payment will be integrated into the Single Payment Scheme. Implementation of the latter began in 2005 in ten EU countries and in 2006 in five others, while new member states can implement a transitional scheme up to the end of 2008. A new Rural Development Regulation was adopted for the 2007-13 period.

- Support to producers (% PSE) declined from 33% to 32% between 2004 and 2005 due to lower domestic prices and higher border prices. It fell from 41% in 1986-88 to 34% in 2003-05, compared to an OECD average of 30%.
- The combined share of market price support, output and input payments (those that are most distorting), fell from 97% of the PSE in 1986-88 to 63% in 2003-05. Prices received by farmers were 29% higher than those on the world market in 2003-05, compared to 78% in 1986-88.
- Since 1986-88, there has been a significant move from market price support to payments based on area planted and animal numbers, which accounted for 25% of the PSE in 2003-05. Since 2004, payments based on historical entitlements have partially replaced these earlier payments. They accounted for 16% of the PSE in 2005.
- The cost to consumers, as measured by the % CSE, fell from 37% in 1986-88 to 19% in 2003-05.
- Support for general services provided to agriculture decreased from 8.5% of total support in 1986-88 to 7.7% in 2003-05. Total support to agriculture as a percentage of GDP has halved since 1986-88, to 1.2% in 2003-05.

The sugar reform to be implemented in 2006 and the on-going 2003 and 2004 CAP reforms, including the introduction of the single payment, are consolidating the long term reduction in the most trade distorting forms of support. Although they have been falling gradually over the longer run, support and protection levels remain significant.

Figure 2.3. **European Union: Producer Support Estimate: level and composition over time**

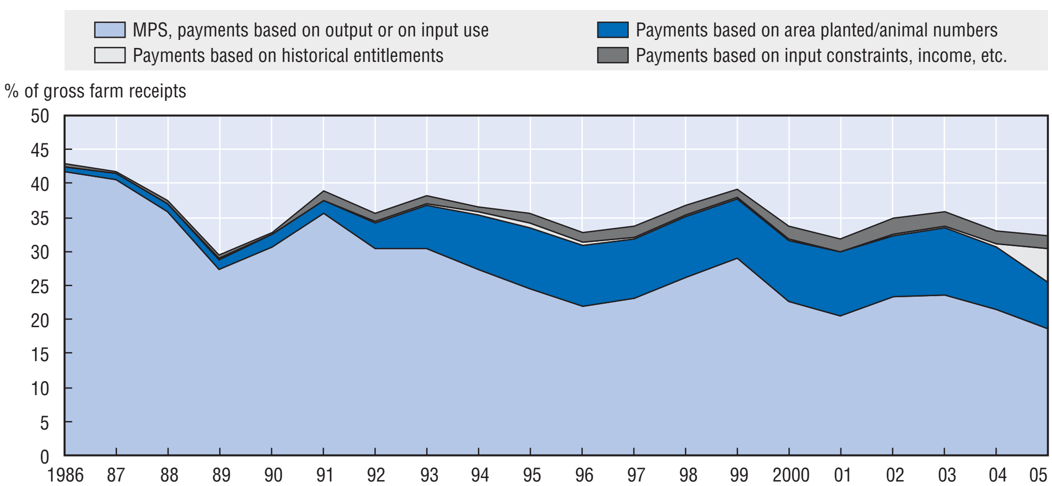

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Table 2.3.A. **European Union: Estimates of support to agriculture (EU25 from 2004)**

EUR million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**211 407**	**265 369**	**244 189**	**280 139**	**271 779**
of which share of MPS commodities (%)	*75*	*73*	*72*	*73*	*73*
Total value of consumption (at farm gate)	**189 637**	**254 710**	**241 488**	**264 465**	**258 177**
Producer Support Estimate (PSE)	**90 924**	**107 563**	**105 467**	**109 577**	**107 644**
Market Price Support (MPS)	78 791	53 560	56 139	57 519	47 021
of which MPS commodities	*58 869*	*38 981*	*40 610*	*42 147*	*34 186*
Payments based on output	4 524	4 025	3 562	3 740	4 772
Payments based on area planted/animal numbers	2 415	27 349	29 401	30 292	22 353
Payments based on historical entitlements	0	6 578	621	2 084	17 029
Payments based on input use	4 525	9 899	9 331	10 096	10 270
Payments based on input constraints	643	6 524	6 602	6 366	6 605
Payments based on overall farming income	0	17	0	29	22
Miscellaneous payments	26	–389	–190	–549	–428
Percentage PSE	**41**	**34**	**36**	**33**	**32**
Producer NPC	**1.78**	**1.29**	**1.33**	**1.29**	**1.25**
Producer NAC	**1.69**	**1.51**	**1.56**	**1.49**	**1.48**
General Services Support Estimate (GSSE)	**8 872**	**9 245**	**8 331**	**9 579**	**9 824**
Research and development	1 063	1 630	1 532	1 656	1 702
Agricultural schools	93	1 024	895	1 098	1 078
Inspection services	156	391	303	449	421
Infrastructure	1 122	2 448	2 067	2 449	2 827
Marketing and promotion	1 625	2 546	2 406	2 621	2 612
Public stockholding	4 776	928	999	965	819
Miscellaneous	38	279	130	341	365
GSSE as a share of TSE (%)	**8.5**	**7.7**	**7.1**	**7.8**	**8.1**
Consumer Support Estimate (CSE)	**–68 272**	**–47 712**	**–50 310**	**–50 775**	**–42 050**
Transfers to producers from consumers	–79 233	–52 230	–54 642	–55 421	–46 626
Other transfers from consumers	–1 496	–645	–951	–451	–533
Transfers to consumers from taxpayers	4 387	3 780	3 882	3 833	3 626
Excess feed cost	8 070	1 383	1 402	1 264	1 483
Percentage CSE	**–37**	**–19**	**–21**	**–19**	**–17**
Consumer NPC	**1.75**	**1.26**	**1.30**	**1.27**	**1.22**
Consumer NAC	**1.59**	**1.24**	**1.27**	**1.24**	**1.20**
Total Support Estimate (TSE)	**104 183**	**120 587**	**117 680**	**122 989**	**121 093**
Transfers from consumers	80 729	52 875	55 594	55 872	47 159
Transfers from taxpayers	24 950	68 358	63 038	67 568	74 467
Budget revenues	–1 496	–645	–951	–451	–533
Percentage TSE (expressed as share of GDP)	2.77	1.23	1.24	1.20	1.14
GDP deflator 1986-88 = 100	100	156	153	156	159

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 the European Community are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants and flowers and wine.
EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003, EU25 from 2004.
Source: OECD, PSE/CSE database, 2006.

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Table 2.3.B. **European Union: Estimates of support to agriculture (EU15)**

EUR million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**211 407**	**247 457**	**244 189**	**253 449**	**244 733**
of which share of MPS commodities (%)	*75*	*72*	*72*	*73*	*72*
Total value of consumption (at farm gate)	**189 637**	**240 960**	**241 488**	**241 890**	**239 504**
Producer Support Estimate (PSE)	**90 924**	**101 866**	**105 467**	**101 632**	**98 498**
Market Price Support (MPS)	78 791	50 890	56 139	53 315	43 216
of which MPS commodities	*58 869*	*36 851*	*40 610*	*38 767*	*31 174*
Payments based on output	4 524	3 954	3 562	3 540	4 759
Payments based on area planted/animal numbers	2 415	26 601	29 401	29 489	20 914
Payments based on historical entitlements	0	5 506	621	622	15 275
Payments based on input use	4 525	8 946	9 331	8 930	8 577
Payments based on input constraints	643	6 394	6 602	6 311	6 268
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	26	–426	–190	–576	–511
Percentage PSE	**41**	**34**	**36**	**34**	**33**
Producer NPC	**1.78**	**1.30**	**1.33**	**1.30**	**1.26**
Producer NAC	**1.69**	**1.52**	**1.56**	**1.51**	**1.49**
General Services Support Estimate (GSSE)	**8 872**	**8 463**	**8 331**	**8 488**	**8 569**
Research and development	1 063	1 566	1 532	1 563	1 602
Agricultural schools	93	934	895	983	923
Inspection services	156	315	303	320	321
Infrastructure	1 122	2 235	2 067	2 190	2 449
Marketing and promotion	1 625	2 453	2 406	2 476	2 479
Public stockholding	4 776	813	999	794	646
Miscellaneous	38	147	130	162	149
GSSE as a share of TSE (%)	**8.5**	**7.4**	**7.1**	**7.5**	**7.7**
Consumer Support Estimate (CSE)	**–68 272**	**–45 966**	**–50 310**	**–48 119**	**–39 469**
Transfers to producers from consumers	–79 233	–50 593	–54 642	–52 959	–44 178
Other transfers from consumers	–1 496	–635	–951	–375	–578
Transfers to consumers from taxpayers	4 387	3 723	3 882	3 667	3 620
Excess feed cost	8 070	1 539	1 402	1 549	1 667
Percentage CSE	**–37**	**–19**	**–21**	**–20**	**–17**
Consumer NPC	**1.75**	**1.27**	**1.30**	**1.28**	**1.23**
Consumer NAC	**1.59**	**1.24**	**1.27**	**1.25**	**1.20**
Total Support Estimate (TSE)	**104 183**	**114 051**	**117 680**	**113 787**	**110 687**
Transfers from consumers	80 729	51 228	55 594	53 335	44 756
Transfers from taxpayers	24 950	63 458	63 038	60 827	66 509
Budget revenues	–1 496	–635	–951	–375	–578
Percentage TSE (expressed as share of GDP)	2.77	1.16	1.24	1.15	1.09
GDP deflator 1986-88 = 100	100	156	153	156	159

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 the European Community are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants and flowers and wine.
EU12 for 1986-94, including ex-GDR from 1990; EU15 from 1995 on.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/543676084176*

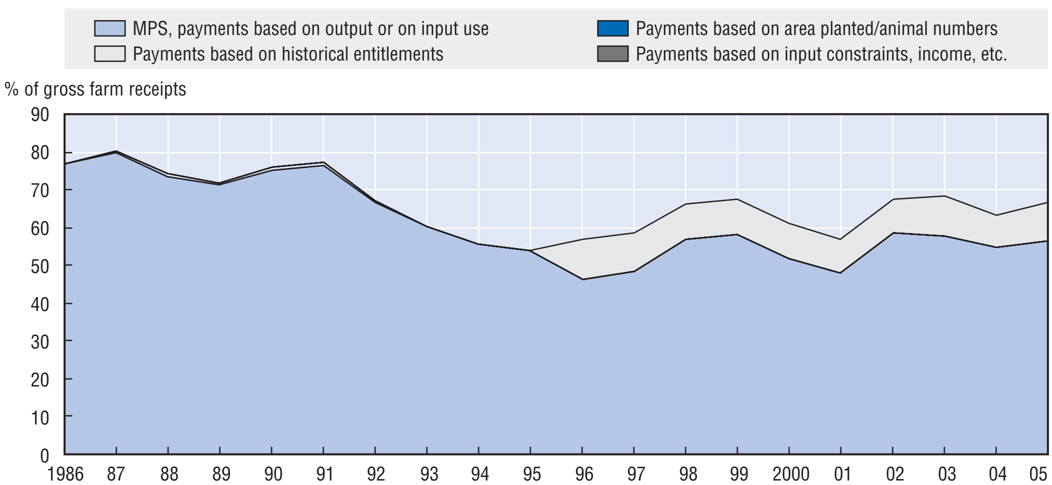
Iceland

The major policy development in 2005 was the re organisation of several agricultural institutions in order to increase efficiency and reduce administrative costs. The Agricultural University of Iceland, which was established on 1 January 2005, had taken over the operation of three institutions. The Agricultural Authority of Iceland started operations on 1 January 2006.

- Support to producers (% PSE) increased in 2005 to 67% compared to 63% in 2004, due to higher domestic prices. It fell from 77% in 1986-88 to 66% in 2003-05, but it is still more than twice the OECD average.
- The combined share of market price support, output and input payments (the most distorting measures) in the PSE fell from 99% in 1986-88 to 85% in 2003-05. Prices received by farmers in 1986-88 were almost 320% higher than those received in the world market. By 2003-05, the gap had decreased to 170%.
- There were no payments based on historical entitlements in the 1980s but in 2005, such payments totalled ISK 2 161 million and became the third most important component of support.
- The cost to consumers, as measured by the % CSE, fell from 71% in 1986-88 to 48% in 2003-05.
- Support for general services provided to agriculture has remained unchanged at around 7% of total support. Total support to agriculture as a share of GDP decreased from 5% in 1986-88 to 2% in 2003-05.

Overall, although there has been some progress in reducing the share of market price support in the PSE, the level of support to Iceland's farmers remains among the highest in the OECD. Further efforts to reduce the support level and to shift to less production and trade distorting policies are needed.

Figure 2.4. **Iceland: Producer Support Estimate: level and composition over time**



StatLink: *http://dx.doi.org/10.1787/205132204351*

Table 2.4. **Iceland: Estimates of support to agriculture**

ISK million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**9 644**	**13 739**	**13 104**	**13 566**	**14 547**
of which share of MPS commodities (%)	*80*	*80*	*77*	*79*	*83*
Total value of consumption (at farm gate)	**8 750**	**12 764**	**11 752**	**12 789**	**13 751**
Producer Support Estimate (PSE)	**8 034**	**13 586**	**13 628**	**12 653**	**14 476**
Market Price Support (MPS)	7 245	6 728	6 766	6 164	7 256
of which MPS commodities	*5 816*	*5 367*	*5 228*	*4 875*	*5 998*
Payments based on output	98	4 267	4 137	4 267	4 398
Payments based on area planted/animal numbers	48	0	0	0	0
Payments based on historical entitlements	0	1 981	2 096	1 687	2 161
Payments based on input use	643	609	629	535	662
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**77**	**66**	**68**	**63**	**67**
Producer NPC	**4.24**	**2.68**	**2.84**	**2.50**	**2.69**
Producer NAC	**4.42**	**2.95**	**3.15**	**2.71**	**2.99**
General Services Support Estimate (GSSE)	**769**	**1 143**	**1 203**	**1 152**	**1 074**
Research and development	140	338	344	319	352
Agricultural schools	47	129	168	160	60
Inspection services	40	137	129	131	151
Infrastructure	124	159	200	164	113
Marketing and promotion	54	97	97	92	102
Public stockholding	359	277	260	280	290
Miscellaneous	5	6	6	6	6
GSSE as a share of TSE (%)	**7.3**	**7.6**	**7.9**	**8.2**	**6.8**
Consumer Support Estimate (CSE)	**–5 007**	**–6 023**	**–5 942**	**–5 572**	**–6 555**
Transfers to producers from consumers	–6 614	–6 166	–6 180	–5 721	–6 598
Other transfers from consumers	–98	–168	–82	–159	–262
Transfers to consumers from taxpayers	1 705	311	320	309	305
Excess feed cost	0	0	0	0	0
Percentage CSE	**–71**	**–48**	**–52**	**–45**	**–49**
Consumer NPC	**4.37**	**2.00**	**2.14**	**1.85**	**2.00**
Consumer NAC	**3.58**	**1.95**	**2.08**	**1.81**	**1.95**
Total Support Estimate (TSE)	**10 509**	**15 040**	**15 151**	**14 113**	**15 855**
Transfers from consumers	6 712	6 334	6 262	5 880	6 860
Transfers from taxpayers	3 895	8 873	8 972	8 392	9 257
Budget revenues	–98	–168	–82	–159	–262
Percentage TSE (expressed as share of GDP)	5.00	1.69	1.87	1.59	1.62
GDP deflator 1986-88 = 100	100	279	270	278	289

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 Iceland are: milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/312345248847*

Japan

The major policy development in 2005 was a new basic plan for Food, Agriculture and Rural Areas. A feature of the new basic plan is a new orientation in direct payments which will shift from individual commodity to multi-commodity support and which will be restricted to farms above a minimum size. This new direct payment will be implemented from 2006.

- Support to producers (% PSE) fell from 58% in 2004 to 56% in 2005. It declined from 64% in 1986-88 to 58% in 2003-05 and remained at almost twice the OECD average.
- The combined share of market price support, output and input payments (those that are most distorting) has remained unchanged, at around 97% of the PSE in 1986-88 and 2003-05. Prices received by farmers were almost 170% higher than those in the world market in 1986-88, and 130% higher in 2003-05.
- There were no payments based on historical entitlements in the 1980s, but in 2005 such payments totalled JPY 23 billion. However, they account for less than 1% of the PSE.
- The cost to consumers, as measured by the % CSE, declined from 61% in 1986-88 to 51% in 2003-05.
- Support for general services provided to agriculture increased between 1986-88 and 2003-05, from 15% to 21% of total support. Total support to agriculture declined from 2.4% of GDP in 1986-88 to 1.4% in 2003-05.

Overall, although some progress has been made in reducing the level of support since the mid-80s, it remains very high. Moreover, trade distorting forms of support still dominate, although the changes decided in 2005 may, when implemented, bring about some improvement. Further efforts in reducing both are therefore needed.

Figure 2.5. **Japan: Producer Support Estimate: level and composition over time**

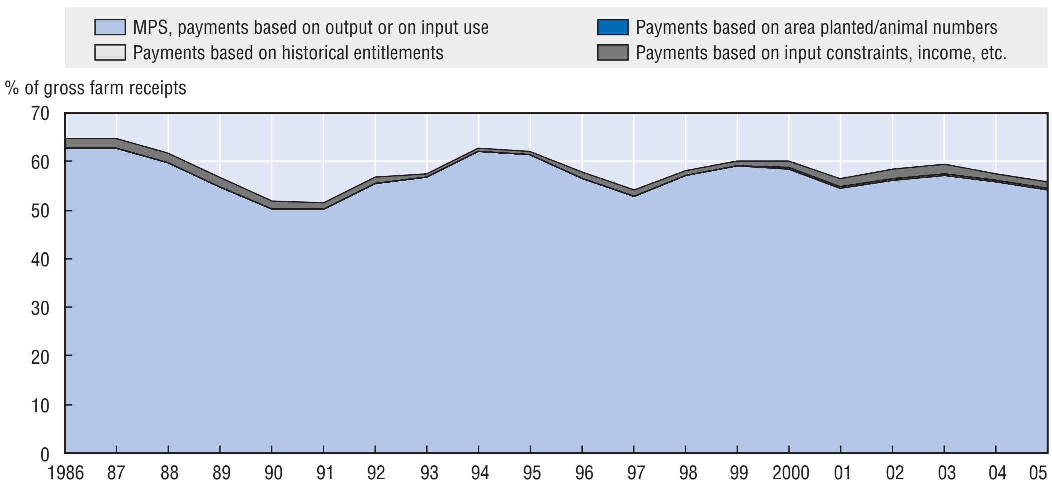


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Table 2.5. **Japan: Estimates of support to agriculture**

JPY billion

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**10 610**	**8 833**	**8 857**	**8 786**	**8 858**
of which share of MPS commodities (%)	*68*	*67*	*64*	*69*	*67*
Total value of consumption (at farm gate)	**13 385**	**13 037**	**13 566**	**12 668**	**12 875**
Producer Support Estimate (PSE)	**7 242**	**5 383**	**5 587**	**5 339**	**5 222**
Market Price Support (MPS)	6 496	4 881	5 039	4 857	4 747
of which MPS commodities	*4 447*	*3 250*	*3 225*	*3 363*	*3 162*
Payments based on output	220	151	171	151	131
Payments based on area planted/animal numbers	0	4	0	4	8
Payments based on historical entitlements	0	21	23	17	23
Payments based on input use	298	174	175	175	172
Payments based on input constraints	228	151	179	135	140
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**64**	**58**	**59**	**58**	**56**
Producer NPC	**2.64**	**2.27**	**2.36**	**2.27**	**2.19**
Producer NAC	**2.76**	**2.36**	**2.46**	**2.36**	**2.27**
General Services Support Estimate (GSSE)	**1 267**	**1 411**	**1 437**	**1 465**	**1 332**
Research and development	46	91	84	94	96
Agricultural schools	29	18	24	15	15
Inspection services	8	9	8	10	10
Infrastructure	1 008	1 126	1 150	1 192	1 037
Marketing and promotion	22	26	29	24	25
Public stockholding	43	28	32	28	24
Miscellaneous	110	113	110	102	126
GSSE as a share of TSE (%)	**14.9**	**20.8**	**20.4**	**21.5**	**20.3**
Consumer Support Estimate (CSE)	**–8 137**	**–6 623**	**–7 210**	**–6 475**	**–6 183**
Transfers to producers from consumers	–6 409	–4 880	–5 038	–4 856	–4 747
Other transfers from consumers	–1 724	–1 754	–2 183	–1 631	–1 448
Transfers to consumers from taxpayers	–16	4	4	4	4
Excess feed cost	11	7	7	7	7
Percentage CSE	**–61**	**–51**	**–53**	**–51**	**–48**
Consumer NPC	**2.55**	**2.04**	**2.14**	**2.05**	**1.93**
Consumer NAC	**2.55**	**2.04**	**2.14**	**2.05**	**1.92**
Total Support Estimate (TSE)	**8 494**	**6 798**	**7 029**	**6 808**	**6 558**
Transfers from consumers	8 133	6 634	7 221	6 487	6 195
Transfers from taxpayers	2 085	1 918	1 991	1 952	1 812
Budget revenues	–1 724	–1 754	–2 183	–1 631	–1 448
Percentage TSE (expressed as share of GDP)	2.36	1.35	1.41	1.35	1.28
GDP deflator 1986-88 = 100	100	101	102	101	100

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 Japan are: wheat, other grains, rice, sugar, milk, beef and veal, pigmeat, poultry, eggs, apples, cabbage, cucumbers, grapes, mandarins, pears, spinach, strawberries and Welsh onions.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/632262610887*

Korea

The major policy developments in 2005 were the abolition of government purchasing of rice and the introduction of a direct income support system, following the re-negotiation of Special Treatment in the WTO that was completed at the end of 2004 and ratified in Korea in late 2005. The direct income support system has two components, one which is fixed and the other which will be triggered by market price levels.

- Support to producers (% PSE) in 2005 remained unchanged from 2004. It decreased from 70% in 1986-88 to 62% in 2003-05, but it is still double the OECD average.
- The share of market price support fell from 99% of producer support in 1986-88 to 92% in 2003-05. Prices received by farmers in 1986-88 were 234% higher than those received in the world market. By 2003-05 the gap had decreased to 153%.
- Payments based on area, on input use and on overall farm income each accounted for 2% of the PSE in 2003-05. Payments based on historical entitlements accounted for 1%, almost all of which was due to the recently introduced fixed payment for paddy fields.
- The cost to consumers, as measured by the % CSE, fell from 66% in 1986-88 to 59% in 2003-05. Consumers still paid on average two and a half times the world price for agricultural commodities in 2003-05.
- Support provided to general services for agriculture increased between 1986-88 and 2003-05, from 8% to 13% of the TSE. Total support to agriculture is 3.4% of GDP, less than half of the share in 1986-88.

The shift from price support to direct income support, when fully implemented, will improve the composition of the Korean PSE (Box 1.2). Since some key commodities, including rice, remain isolated from international market signals, further efforts are needed to decrease the support level and bring about a shift to less trade distorting forms of support.

Figure 2.6. **Korea: Producer Support Estimate: level and composition over time**

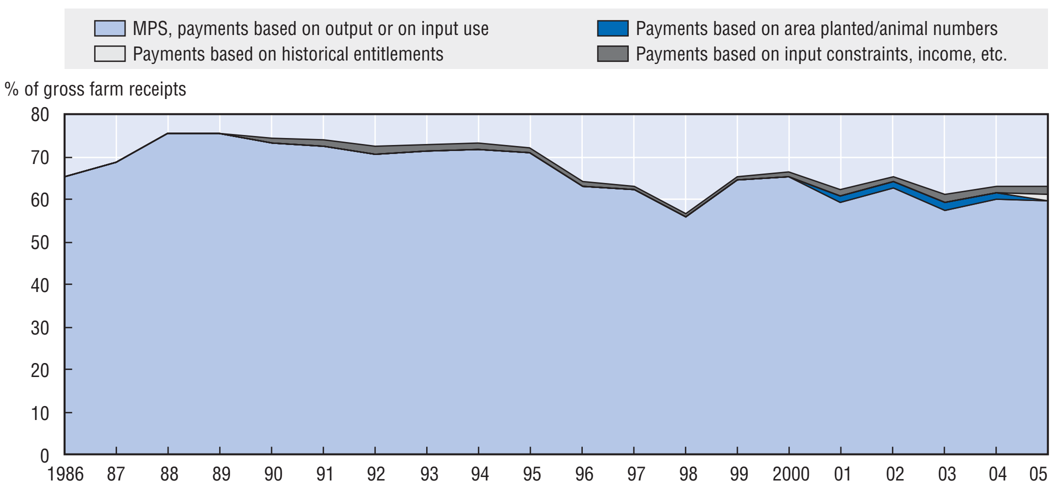

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Table 2.6. **Korea: Estimates of support to agriculture**

KRW billion

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**13 624**	**34 685**	**31 809**	**36 156**	**36 092**
of which share of MPS commodities (%)	*72*	*58*	*57*	*59*	*57*
Total value of consumption (at farm gate)	**14 367**	**44 837**	**44 543**	**42 926**	**47 042**
Producer Support Estimate (PSE)	**9 638**	**22 716**	**20 544**	**23 729**	**23 874**
Market Price Support (MPS)	9 541	21 007	18 780	22 177	22 063
of which MPS commodities	*6 855*	*12 128*	*10 787*	*13 042*	*12 556*
Payments based on output	0	0	0	0	0
Payments based on area planted/animal numbers	0	359	555	498	25
Payments based on historical entitlements	0	208	0	10	614
Payments based on input use	69	501	506	473	523
Payments based on input constraints	0	103	103	109	99
Payments based on overall farming income	28	538	600	463	550
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**70**	**62**	**61**	**63**	**63**
Producer NPC	**3.34**	**2.53**	**2.44**	**2.59**	**2.57**
Producer NAC	**3.39**	**2.66**	**2.58**	**2.70**	**2.70**
General Services Support Estimate (GSSE)	**845**	**3 376**	**3 784**	**3 157**	**3 188**
Research and development	52	444	382	450	499
Agricultural schools	5	73	54	83	83
Inspection services	21	132	131	137	126
Infrastructure	374	2 056	2 450	1 878	1 839
Marketing and promotion	0	38	36	36	42
Public stockholding	394	634	730	573	599
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**8.0**	**12.9**	**15.4**	**11.7**	**11.7**
Consumer Support Estimate (CSE)	**–9 415**	**–26 334**	**–25 660**	**–24 787**	**–28 555**
Transfers to producers from consumers	–9 294	–20 763	–18 780	–21 446	–22 063
Other transfers from consumers	–180	–5 730	–7 180	–3 438	–6 571
Transfers to consumers from taxpayers	59	159	301	97	79
Excess feed cost	0	0	0	0	0
Percentage CSE	**–66**	**–59**	**–58**	**–58**	**–61**
Consumer NPC	**2.93**	**2.44**	**2.40**	**2.38**	**2.56**
Consumer NAC	**2.92**	**2.44**	**2.38**	**2.37**	**2.55**
Total Support Estimate (TSE)	**10 542**	**26 251**	**24 629**	**26 983**	**27 141**
Transfers from consumers	9 475	26 493	25 961	24 883	28 634
Transfers from taxpayers	1 248	5 488	5 849	5 538	5 078
Budget revenues	–180	–5 730	–7 180	–3 438	–6 571
Percentage TSE (expressed as share of GDP)	9.26	3.41	3.40	3.47	3.35
GDP deflator 1986-88 = 100	100	239	234	241	241

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 Korea are: other grains, garlic, red pepper, Chinese cabbage, rice, oilseeds, milk, beef and veal, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/514808083528*

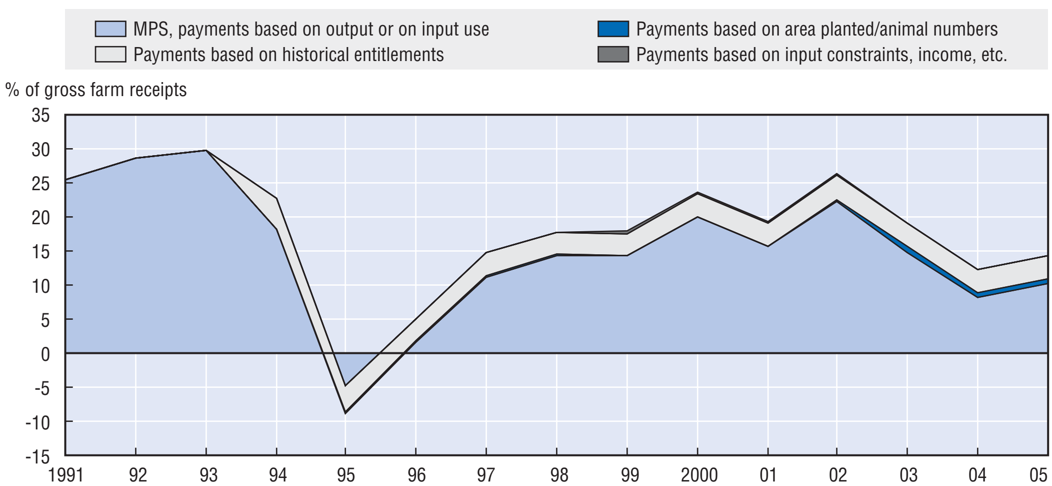
Mexico

No change in the overall policy setting, a slight appreciation of the peso and some increases in domestic prices, helped drive market price support higher in 2005 relative to 2004. Increases in domestic prices led to lower payments based on output under the Target Income Programme. Whereas PROCAMPO payments rose very little, payments based on input use rose by 15% in 2005 as compared to 2004 with higher energy and capital subsidies.

- Support to producers (% PSE) increased to 14% in 2005 compared to 2004. It was 15% in 2003-05, as compared to 3% in 1986-88 and 28% in the more stable 1991-93 period. It was half the OECD average of 30% in 2003-05.
- The share of the most distorting forms of support (market price support, output and input payments) fell from 100% of the PSE in 1991-93 to 73% in 2003-05. Prices received by farmers were 9% higher than world prices in 2003-05.
- Payments based on historical entitlement – PROCAMPO – accounted for 23% of the PSE in 2003-05, and support linked to input use accounted for 25%.
- The cost to consumers, as measured by the % CSE, was 10% in 2003-05, as compared to 23% in 1991-93.
- Support to general services provided to agriculture has increased from 10% of total support in 1991-93 to over 13% in 2003-05. Total support to agriculture fell from 3% as a per cent of GDP in 1991-93 to less than 1% in 2003-05.

Agricultural policy in Mexico was re-oriented over the last 15 years away from trade restrictions and market intervention and towards payments tied to historical entitlements. The process appears to have faltered recently: production-enhancing payments based on input use have risen, lifting the level of support.

Figure 2.7. **Mexico: Producer Support Estimate: level and composition over time**



StatLink: *http://dx.doi.org/10.1787/728750770301*

Table 2.7. **Mexico: Estimates of support to agriculture**

MXN million

	1991-93	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**86 539**	**366 562**	**336 553**	**377 470**	**385 662**
of which share of MPS commodities (%)	*69*	*68*	*67*	*69*	*68*
Total value of consumption (at farm gate)	**80 624**	**356 818**	**331 554**	**365 673**	**373 229**
Producer Support Estimate (PSE)	**25 454**	**60 457**	**71 074**	**50 103**	**60 194**
Market Price Support (MPS)	21 218	27 034	37 346	17 855	25 901
of which MPS commodities	*14 578*	*18 321*	*25 075*	*12 383*	*17 504*
Payments based on output	160	2 183	2 774	2 121	1 654
Payments based on area planted/animal numbers	10	2 599	2 679	2 546	2 571
Payments based on historical entitlements	0	13 717	13 111	13 810	14 231
Payments based on input use	4 066	14 857	14 964	13 771	15 837
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	0	67	200	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**28**	**15**	**19**	**12**	**14**
Producer NPC	**1.35**	**1.09**	**1.14**	**1.06**	**1.08**
Producer NAC	**1.39**	**1.18**	**1.24**	**1.14**	**1.17**
General Services Support Estimate (GSSE)	**3 407**	**9 420**	**9 474**	**9 342**	**9 445**
Research and development	339	1 641	1 585	1 625	1 712
Agricultural schools	550	2 005	1 944	2 064	2 008
Inspection services	0	1 804	1 378	1 828	2 204
Infrastructure	809	1 204	1 264	1 323	1 024
Marketing and promotion	322	2 684	3 213	2 394	2 444
Public stockholding	1 210	0	0	0	0
Miscellaneous	177	84	89	109	54
GSSE as a share of TSE (%)	**10.2**	**13.4**	**11.7**	**15.6**	**13.5**
Consumer Support Estimate (CSE)	**–17 651**	**–33 486**	**–44 459**	**–24 940**	**–31 057**
Transfers to producers from consumers	–22 158	–27 537	–38 654	–19 199	–24 758
Other transfers from consumers	–770	–6 937	–6 665	–7 167	–6 978
Transfers to consumers from taxpayers	4 666	378	367	390	377
Excess feed cost	612	610	493	1 036	302
Percentage CSE	**–23**	**–10**	**–13**	**–7**	**–8**
Consumer NPC	**1.40**	**1.11**	**1.16**	**1.08**	**1.09**
Consumer NAC	**1.30**	**1.11**	**1.16**	**1.07**	**1.09**
Total Support Estimate (TSE)	**33 527**	**70 255**	**80 915**	**59 836**	**70 016**
Transfers from consumers	22 929	34 474	45 319	26 366	31 736
Transfers from taxpayers	11 369	42 718	42 261	40 637	45 258
Budget revenues	–770	–6 937	–6 665	–7 167	–6 978
Percentage TSE (expressed as share of GDP)	3.02	0.93	1.17	0.78	0.85
GDP deflator 1991-93 = 100	100	492	466	494	517

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 Mexico are: wheat, maize, other grains, coffee beans, tomatoes, rice, oilseeds, sugar, milk, beef and veal, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/443455626742*

New Zealand

Recent policy initiatives in New Zealand relate to sustainable development, biosecurity controls, and water management. In 2005, there was a sharp increase in emergency payments for climatic disaster resulting from two severe floods in 2004.

- Support to producers (% PSE) rose from 2% to 3% in 2005. It was 2% in 2003-05, down from 11% in 1986-88 and has been the lowest in the OECD since the agricultural reforms in the mid-1980s.
- Price support is provided only for poultry and eggs through border measures. As a result, prices received by farmers have been 2% above those on the world market since 1986-88.
- The share of input payments has decreased from 39% of the PSE in 1986-88 to 17% in 2003-05. The share of payments based on overall farm income has increased sharply in 2005 over 2003 and 2004, but is nonetheless only 5% of the total.
- The cost to consumers, as measured by the % CSE, was 8% in 2003-05 (9% in 1986-88).
- Support for general services provided to agriculture as a share of total support increased between 1986-88 and 2003-05, from 17% to 41%. This support consists mainly of basic research, the control of pests and diseases, and flood control. Total support to agriculture as a share of GDP is the lowest among the OECD countries at 0.4%, which is a quarter of the share in 1986-88.

Overall, New Zealand agriculture is market-oriented and domestic prices of agricultural products are aligned with world market prices. Accomplishing freer rules-based trade through the WTO Doha Round negotiation is the top agricultural policy priority.

Figure 2.8. **New Zealand: Producer Support Estimate: level and composition over time**

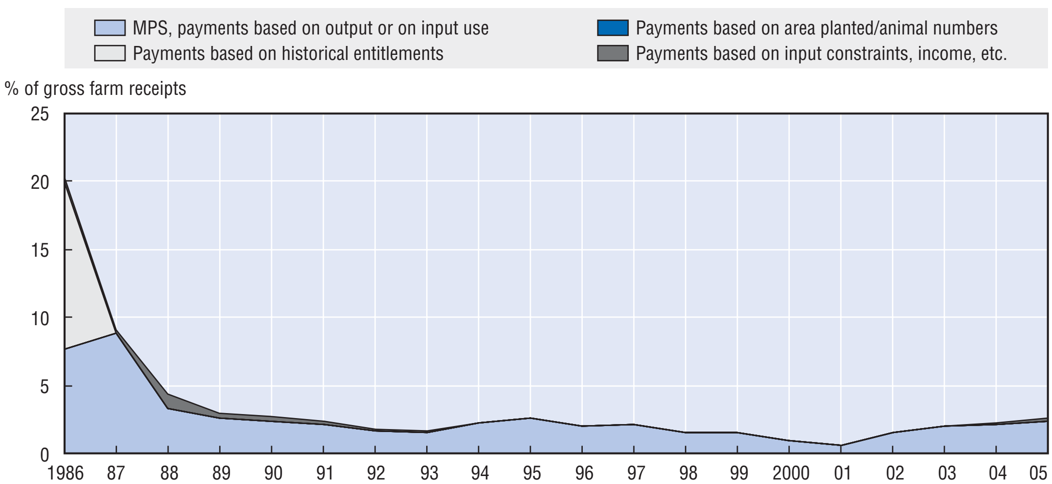


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Table 2.8. **New Zealand: Estimates of support to agriculture**

NZD million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**6 860**	**14 247**	**14 319**	**14 208**	**14 214**
of which share of MPS commodities (%)	*72*	*76*	*76*	*76*	*78*
Total value of consumption (at farm gate)	**1 671**	**2 807**	**2 816**	**2 868**	**2 738**
Producer Support Estimate (PSE)	**852**	**324**	**284**	**314**	**373**
Market Price Support (MPS)	158	251	231	249	275
of which MPS commodities	*114*	*192*	*175*	*189*	*214*
Payments based on output	3	0	0	0	0
Payments based on area planted/animal numbers	0	0	0	0	0
Payments based on historical entitlements	315	0	0	0	0
Payments based on input use	334	56	53	60	55
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	42	16	0	6	43
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**11**	**2**	**2**	**2**	**3**
Producer NPC	**1.02**	**1.02**	**1.02**	**1.02**	**1.02**
Producer NAC	**1.13**	**1.02**	**1.02**	**1.02**	**1.03**
General Services Support Estimate (GSSE)	**177**	**221**	**209**	**220**	**233**
Research and development	77	93	98	96	86
Agricultural schools	0	18	15	18	21
Inspection services	54	72	69	75	71
Infrastructure	47	37	28	29	55
Marketing and promotion	0	0	0	0	0
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	1	0
GSSE as a share of TSE (%)	**17.2**	**40.6**	**42.5**	**41.2**	**38.5**
Consumer Support Estimate (CSE)	**–156**	**–233**	**–222**	**–227**	**–250**
Transfers to producers from consumers	–152	–233	–222	–227	–250
Other transfers from consumers	–4	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	0	0	0	0
Percentage CSE	**–9**	**–8**	**–8**	**–8**	–9
Consumer NPC	**1.10**	**1.09**	**1.09**	**1.09**	**1.10**
Consumer NAC	**1.10**	**1.09**	**1.09**	**1.09**	**1.10**
Total Support Estimate (TSE)	**1 029**	**545**	**493**	**534**	**606**
Transfers from consumers	156	233	222	227	250
Transfers from taxpayers	877	311	271	307	356
Budget revenues	–4	0	0	0	0
Percentage TSE (expressed as share of GDP)	1.71	0.38	0.37	0.37	0.40
GDP deflator 1986-88 = 100	100	152	147	153	156

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 New Zealand are: wheat, maize, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/071810150502*

Norway

The major policy development in 2005 was the national agri-environmental programme. All counties have established regional environmental programmes, while some national environmental programmes, such as payments to extensive grazing and mountain farming were removed. Target prices were increased for beef, milk, poultry and horticultural products. The maximum milk quota per farm was also increased.

- Support to producers (% PSE) fell to 64% in 2005 compared to 67% in 2004. It declined from 71% in 1986-88 to 67% in 2003-05, and is still more than twice the OECD average.
- The combined share of the most distorting forms of support (market price support, output and input payments) fell from almost 90% of producer support in 1986-88 to 67% in 2003-05. Prices received by farmers in 2003-05 were around three times higher than those received in the world market.
- Reductions in the most distorting forms of support have been offset in terms of farm receipts by increases in area and headage payments, and more recently by payments based on overall farm income and historical entitlements.
- The cost to consumers, as measured by the % CSE, declined from 56% in 1986-88 to 53% in 2003-05, with reduced consumer subsidies partially offsetting some price reductions.
- Support for general services provided to agriculture increased from 4% to 8% of total support between 1986-88 and 2003-05. Total support to agriculture represented 1.3% of GDP in 2003-05, down from 3.5% in 1986-88.

The most production and trade distorting forms of support have been reduced but they remain dominant and the level of support remains among the highest in OECD countries. The national agri-environmental programme with regional-based payments and individual farm plans is a step towards targeting, but the transfers involved are low. Further efforts are needed to achieve the long-term reform objectives.

Figure 2.9. **Norway: Producer Support Estimate: level and composition over time**

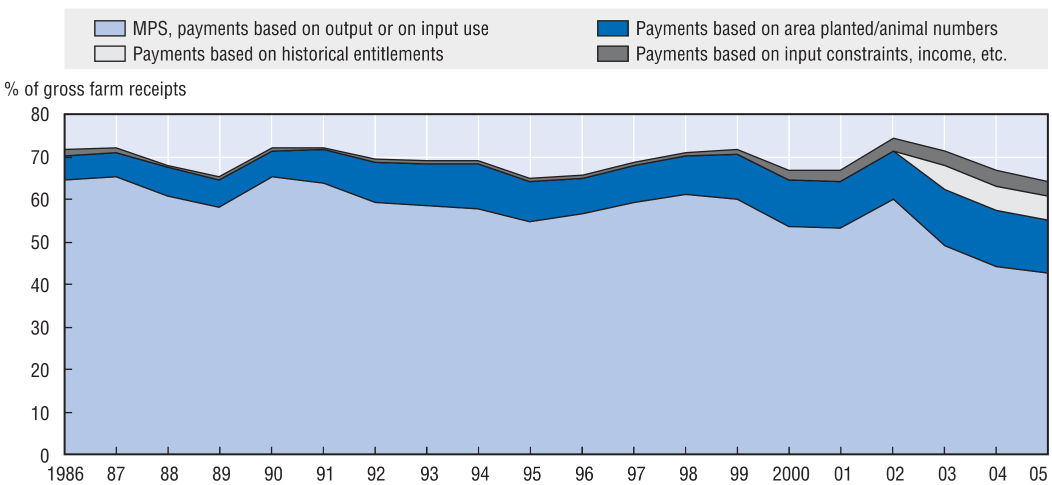

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Table 2.9. **Norway: Estimates of support to agriculture**

NOK million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**17 354**	**18 521**	**18 543**	**18 704**	**18 317**
of which share of MPS commodities (%)	*73*	*80*	*80*	*81*	*80*
Total value of consumption (at farm gate)	**17 899**	**18 299**	**18 270**	**18 240**	**18 388**
Producer Support Estimate (PSE)	**19 203**	**19 834**	**21 185**	**19 732**	**18 584**
Market Price Support (MPS)	9 351	8 969	10 085	8 821	8 001
of which MPS commodities	*6 849*	*7 215*	*8 060*	*7 160*	*6 425*
Payments based on output	4 554	1 423	1 519	1 390	1 359
Payments based on area planted/animal numbers	1 645	3 820	3 912	3 920	3 629
Payments based on historical entitlements	0	1 684	1 689	1 679	1 685
Payments based on input use	3 346	2 899	2 888	2 892	2 917
Payments based on input constraints	308	430	431	432	428
Payments based on overall farming income	0	608	662	597	566
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**71**	**67**	**71**	**67**	**64**
Producer NPC	**4.22**	**2.41**	**2.70**	**2.31**	**2.23**
Producer NAC	**3.42**	**3.10**	**3.50**	**3.00**	**2.80**
General Services Support Estimate (GSSE)	**848**	**1 780**	**1 688**	**1 883**	**1 769**
Research and development	472	789	723	817	825
Agricultural schools	0	0	0	0	0
Inspection services	33	300	251	365	285
Infrastructure	133	376	399	365	363
Marketing and promotion	210	77	108	81	43
Public stockholding	0	5	14	0	1
Miscellaneous	0	233	194	253	252
GSSE as a share of TSE (%)	**3.9**	**8.2**	**7.3**	**8.7**	**8.6**
Consumer Support Estimate (CSE)	**–9 244**	**–9 582**	**–10 433**	**–9 271**	**–9 043**
Transfers to producers from consumers	–11 474	–9 843	–10 709	–9 633	–9 188
Other transfers from consumers	–969	–349	–353	–216	–480
Transfers to consumers from taxpayers	1 522	111	111	108	113
Excess feed cost	1 677	500	518	470	512
Percentage CSE	**–56**	**–53**	**–57**	**–51**	**–49**
Consumer NPC	**3**	**2**	**3**	**2**	**2**
Consumer NAC	**2**	**2**	**2**	**2**	**2**
Total Support Estimate (TSE)	**21 573**	**21 725**	**22 984**	**21 723**	**20 466**
Transfers from consumers	12 443	10 193	11 062	9 849	9 668
Transfers from taxpayers	10 099	11 881	12 276	12 090	11 278
Budget revenues	–969	–349	–353	–216	–480
Percentage TSE (expressed as share of GDP)	3.56	1.28	1.47	1.29	1.11
GDP deflator 1986-88 = 100	100	175	165	174	185

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, 2006.

StatLink: *http://dx.doi.org/10.1787/070803267653*

Switzerland

There were no major policy changes during 2005. The AP 2007 agricultural policy reform programme, which provides the basic legislative framework governing agricultural policy for 2004-07 is currently being implemented and discussions on a new policy reform package for 2008-11 (AP 2011) are underway. A revision of the food hygiene legislation in line with the EU legislation was adopted by the Federal Council.

- Support to producers (% PSE) remained unchanged in 2005 at 68%, declining from 78% in 1986-88 to 70% in 2003-05. However, it remains more than twice the OECD average. While in 1986-88 prices received by farmers were on average more than three and a half times world prices, in 2003-05 this had fallen to around two and a half times.
- The share of market price support, output and input payments (those that are most distorting) fell from 91% of the PSE in 1986-88 to 64% in 2003-05.
- Payments based on historical entitlements, area and headage, witnessed the largest increase and are subject to environmental cross-compliance conditions. Payments based on input constraints, which include measures for environmental purposes, are increasing, but represent only 2% of producer support.
- The cost to consumers, as measured by the % CSE, decreased from 74% in 1986-88 to 56% in 2003-05.
- Support for general services remained fairly stable between 1986-88 and 2003-05, at around 7% of total support. Total support to agriculture is 1.8% of GDP, less than half of its share in 1986-88.

Changes in support measures have substantially narrowed the gap between domestic and border prices and improved the targeting of policies, but overall support remains the highest in the OECD area. Further efforts are needed to reduce the level of support and the most production and trade distorting policies to achieve the long-term reform objectives.

Figure 2.10. **Switzerland: Producer Support Estimate: level and composition over time**

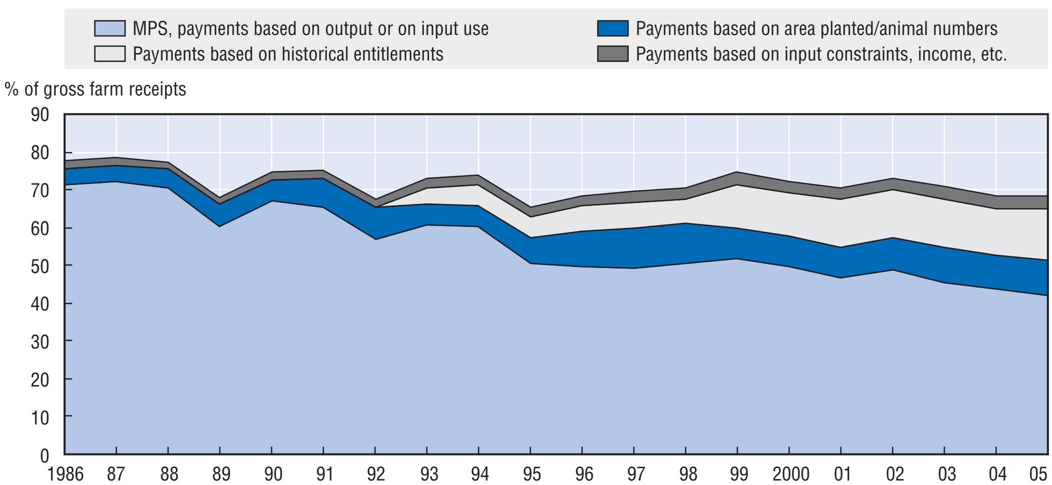

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Table 2.10. **Switzerland: Estimates of support to agriculture**

CHF million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**9 482**	**7 091**	**6 948**	**7 381**	**6 945**
of which share of MPS commodities (%)	*85*	*78*	*79*	*76*	*78*
Total value of consumption (at farm gate)	**11 624**	**8 577**	**8 418**	**8 885**	**8 429**
Producer Support Estimate (PSE)	**8 505**	**7 173**	**7 249**	**7 267**	**7 002**
Market Price Support (MPS)	7 046	3 877	3 967	3 991	3 673
of which MPS commodities	*5 959*	*3 012*	*3 121*	*3 053*	*2 860*
Payments based on output	102	337	349	332	329
Payments based on area planted/animal numbers	494	956	952	956	959
Payments based on historical entitlements	0	1 337	1 318	1 318	1 375
Payments based on input use	647	322	320	324	322
Payments based on input constraints	0	150	144	154	154
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	216	194	199	193	190
Percentage PSE	**78**	**69**	**71**	**68**	**68**
Producer NPC	**4.97**	**2.41**	**2.55**	**2.38**	**2.31**
Producer NAC	**4.49**	**3.24**	**3.43**	**3.14**	**3.14**
General Services Support Estimate (GSSE)	**688**	**510**	**540**	**502**	**488**
Research and development	135	91	94	91	89
Agricultural schools	38	19	20	18	19
Inspection services	14	12	12	12	12
Infrastructure	137	94	102	95	85
Marketing and promotion	45	60	69	56	55
Public stockholding	103	40	44	38	38
Miscellaneous	216	194	199	193	190
GSSE as a share of TSE (%)	**6.7**	**6.5**	**6.8**	**6.3**	**6.4**
Consumer Support Estimate (CSE)	**–7 823**	**–4 673**	**–4 729**	**–4 800**	**–4 491**
Transfers to producers from consumers	–7 258	–3 898	–3 876	–4 078	–3 742
Other transfers from consumers	–1 959	–1 055	–1 158	–1 013	–994
Transfers to consumers from taxpayers	1 020	179	210	183	145
Excess feed cost	374	101	96	108	99
Percentage CSE	**–74**	**–56**	**–58**	**–55**	**–54**
Consumer NPC	**4.83**	**2.37**	**2.49**	**2.34**	**2.28**
Consumer NAC	**3.82**	**2.26**	**2.36**	**2.23**	**2.18**
Total Support Estimate (TSE)	**10 213**	**7 862**	**7 998**	**7 952**	**7 635**
Transfers from consumers	9 217	4 953	5 034	5 091	4 735
Transfers from taxpayers	2 955	3 963	4 122	3 874	3 893
Budget revenues	–1 959	–1 055	–1 158	–1 013	–994
Percentage TSE (expressed as share of GDP)	3.94	1.77	1.84	1.78	1.68
GDP deflator 1986-88 = 100	100	132	131	132	133

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 Switzerland are: wheat, maize, other grains, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/424461625550*

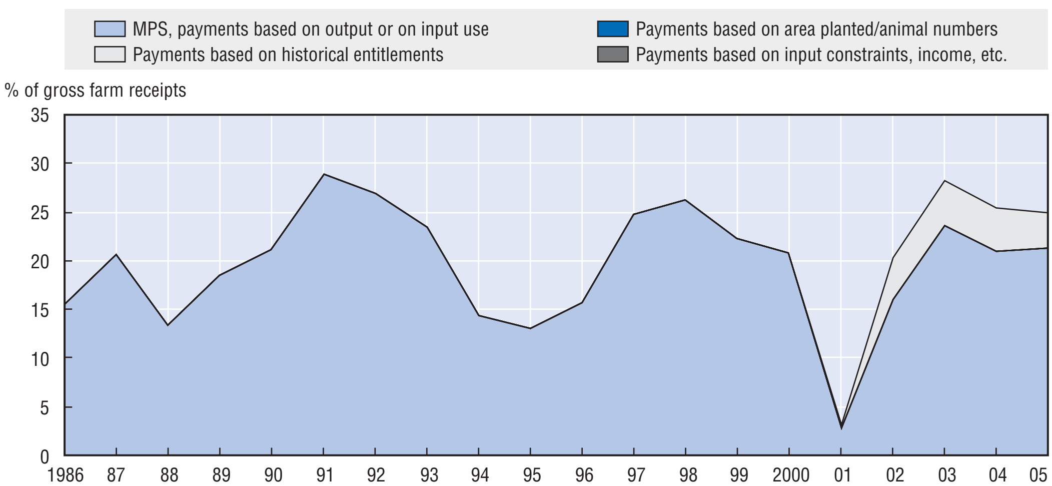
Turkey

The main policy development in 2005 was the extension of the 2001-05 Agricultural Reform Implementation Project (ARIP) to the end of 2007 with the addition of a new Conservation Reserve Payment (CATAK). To define the strategic objectives, principles, and priorities of agricultural policies to be implemented after the ARIP, the Government published the Agricultural Policy Paper 2006-10, which could move agricultural policies closer to those of the European Union.

- In 2005, support to producers (% PSE) remained unchanged from the previous year at 25%, but it increased from 16% in 1986-88 to 26% in 2003-05.
- The combined share of market price support, output and input payments (those that are most distorting) fell from 100% of producer support in 1986-88 to 83% in 2003-05. Prices received by farmers in 2003-05 were about 32% higher than those received in the world market.
- The share of input payments fell from 30% in 1986-88 to less than 2% in 2003-05. Reductions in the most distorting forms of support have been offset by a flat rate per hectare payment to all farmers, which represents 16% of support.
- The cost to consumers, as measured by the % CSE, increased from 16% in 1986-88 to 23% in 2003-05. Consumer prices were 21% higher than the world prices in 1986-88 and 32% in 2003-05.
- Support for general services provided to agriculture decreased from about 10% of total support in 1986-88 to 9% in 2003-05. Total support to agriculture averaged around 4% of GDP in 1986-88 and 2003-05.

Overall, the recent shift from market price support and input payments to an income support payment is in line with an improvement in market orientation. Together with improved marketing infrastructure and support services such as training, advisory and research, this could increase the efficiency and productivity of the agricultural sector.

Figure 2.11. **Turkey: Producer Support Estimate: level and composition over time**



StatLink: *http://dx.doi.org/10.1787/757630084082*

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Table 2.11. **Turkey: Estimates of support to agriculture**

New Turkish Lira, TRY, million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**18**	**59 174**	**55 960**	**59 266**	**62 296**
of which share of MPS commodities (%)	*57*	*60*	*60*	*61*	*59*
Total value of consumption (at farm gate)	**15**	**54 300**	**51 290**	**54 170**	**57 440**
Producer Support Estimate (PSE)	**3.0**	**16 403**	**16 741**	**16 043**	**16 425**
Market Price Support (MPS)	2.1	12 834	13 381	12 395	12 725
of which MPS commodities	*1.2*	*7 723*	*8 080*	*7 524*	*7 564*
Payments based on output	0.0	542	353	509	765
Payments based on area planted/animal numbers	0.0	0	0	0	0
Payments based on historical entitlements	0.0	2 660	2 740	2 830	2 409
Payments based on input use	0.9	367	267	308	527
Payments based on input constraints	0.0	0	0	0	0
Payments based on overall farming income	0.0	0	0	0	0
Miscellaneous payments	0.0	0	0	0	0
Percentage PSE	**16**	**26**	**28**	**25**	**25**
Producer NPC	**1.17**	**1.32**	**1.35**	**1.30**	**1.30**
Producer NAC	**1.20**	**1.36**	**1.39**	**1.34**	**1.33**
General Services Support Estimate (GSSE)	**0.3**	**1 553**	**1 479**	**946**	**2 234**
Research and development	0.1	43	54	38	37
Agricultural schools	0.0	7	9	6	5
Inspection services	0.1	132	107	132	157
Infrastructure	0.0	5	6	4	4
Marketing and promotion	0.1	1 347	1 282	750	2 008
Public stockholding	0.0	0	0	0	0
Miscellaneous	0.1	20	21	17	23
GSSE as a share of TSE (%)	**9.7**	**8.6**	**8.1**	**5.6**	**12.0**
Consumer Support Estimate (CSE)	**–2.3**	**–12 222**	**–13 282**	**–11 331**	**–12 053**
Transfers to producers from consumers	–2.4	–13 536	–14 205	–12 885	–13 519
Other transfers from consumers	0.0	396	106	634	450
Transfers to consumers from taxpayers	0.0	0	0	0	0
Excess feed cost	0.1	918	817	921	1 016
Percentage CSE	**–16**	**–23**	**–26**	**–21**	**–21**
Consumer NPC	**1.21**	**1.32**	**1.38**	**1.29**	**1.29**
Consumer NAC	**1.20**	**1.29**	**1.35**	**1.26**	**1.27**
Total Support Estimate (TSE)	**3.4**	**17 956**	**18 220**	**16 989**	**18 660**
Transfers from consumers	2.4	13 140	14 100	12 251	13 069
Transfers from taxpayers	1.0	4 420	4 015	4 104	5 141
Budget revenues	0.0	396	106	634	450
Percentage TSE (expressed as share of GDP)	3.96	4.21	5.06	3.95	3.81
GDP deflator 1986-88 = 100	100	273 231	249 888	274 511	295 294

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 Turkey are: wheat, maize, other grains, oilseeds, sugar, potatoes, tomatoes, grape, apple, cotton, tobacco, milk, beef and veal, sheepmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/226567123325*

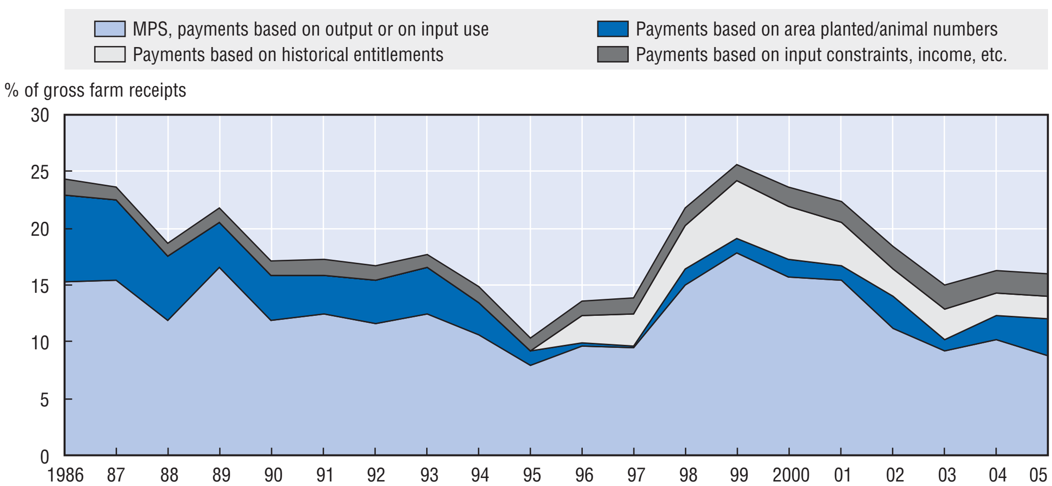
United States

The main policy developments in 2005 were the termination of the tobacco quota and price support programme, compensated by new term-limited payments, and the extension of the National Dairy Market Loss Payment to 2007. There was also an increase in disaster and counter-cyclical payments for crops. Other provisions of the multi-year current Farm Act continue through to 2007.

- In 2005, support to producers (% PSE) remained unchanged from the previous year at 16%. But it decreased from 22% in 1986-88 to 16% in 2003-05 and remained below the OECD average.
- The combined share of market price support, output and input payments (those that are most distorting) in the PSE decreased from 64% in 1986-88 to 60% in 2003-05. Prices received by farmers in 2003-05 were around 7% higher than those received in the world market. They were 14% higher in 1986-88.
- The share of area payments requiring production of specific crops decreased from 31% of the PSE in 1986-88 to 5% in 2003-05. Payments with no production requirement were 22% of the PSE in 2003-05.
- Although domestic prices were on average 6% higher than world prices, the cost to consumers (as measured by the % CSE) changed from a tax of 3% in 1986-88 to a subsidy of 9% in 2003-05 mainly due to Food Stamps.
- Support for general services provided to agriculture increased from nearly 25% of total support in 1986-88 to 32% in 2003-05. Total support to agriculture represents 0.9% of GDP, down from 1.4% in 1986-88.

While the termination of tobacco price support improves market orientation, the extension of the dairy price compensation does not. Continuously large output payments together with an increase in area and counter-cyclical payments also reduced the market orientation for crops.

Figure 2.12. **United States: Producer Support Estimate: level and composition over time**



StatLink: *http://dx.doi.org/10.1787/178602356641*

Table 2.12. **United States: Estimates of support to agriculture**

USD million

	1986-88	2003-05	2003	2004	2005p
Total value of production (at farm gate)	**143 469**	**226 691**	**214 023**	**234 094**	**231 955**
of which share of MPS commodities (%)	*69*	*67*	*67*	*68*	*67*
Total value of consumption (at farm gate)	**134 717**	**207 882**	**200 131**	**212 940**	**210 574**
Producer Support Estimate (PSE)	**36 958**	**40 489**	**35 929**	**42 869**	**42 669**
Market Price Support (MPS)	13 640	10 514	10 271	12 550	8 721
of which MPS commodities	*9 401*	*7 085*	*6 846*	*8 554*	*5 854*
Payments based on output	2 919	5 201	3 213	6 176	6 214
Payments based on area planted/animal numbers	11 313	2 274	2 103	1 385	3 333
"Counter cyclical payments"	0	3 331	544	4 224	5 224
Payments based on historical entitlements	0	5 675	6 488	5 299	5 239
Payments based on input use	7 061	8 365	8 404	8 226	8 466
Payments based on input constraints	1 114	2 956	2 450	3 025	3 394
Payments based on overall farming income	912	2 173	2 456	1 984	2 078
Percentage PSE	**22**	**16**	**15**	**16**	**16**
Producer NPC	**1.14**	**1.07**	**1.07**	**1.08**	**1.07**
Producer NAC	**1.29**	**1.19**	**1.18**	**1.19**	**1.19**
General Services Support Estimate (GSSE)	**15 710**	**32 960**	**29 956**	**32 772**	**36 153**
Research and development	1 099	2 057	1 976	2 049	2 144
Agricultural schools	n.a.	n.a.	n.a.	n.a.	n.a.
Inspection services	384	808	768	797	859
Infrastructure	3 862	5 413	4 814	5 901	5 524
Marketing and promotion	9 266	22 387	20 112	21 730	25 320
Public stockholding	0	155	167	143	154
Miscellaneous	1 098	2 140	2 119	2 151	2 151
GSSE as a share of TSE (%)	**24.5**	**32.4**	**32.7**	**31.7**	**33.0**
Consumer Support Estimate (CSE)	**–3 030**	**15 874**	**13 638**	**13 430**	**20 553**
Transfers to producers from consumers	–13 306	–10 514	–10 271	–12 550	–8 721
Other transfers from consumers	–1 486	–1 771	–1 869	–1 861	–1 584
Transfers to consumers from taxpayers	11 468	28 159	25 778	27 841	30 858
Excess feed cost	294	0	0	0	0
Percentage CSE	**–3**	**9**	**8**	**7**	**11**
Consumer NPC	**1.13**	**1.06**	**1.06**	**1.07**	**1.05**
Consumer NAC	**1.03**	**0.92**	**0.93**	**0.93**	**0.90**
Total Support Estimate (TSE)	**64 136**	**101 608**	**91 663**	**103 482**	**109 680**
Transfers from consumers	14 793	12 285	12 140	14 411	10 306
Transfers from taxpayers	50 830	91 094	81 392	90 932	100 958
Budget revenues	–1 486	–1 771	–1 869	–1 861	–1 584
Percentage TSE (expressed as share of GDP)	1.35	0.87	0.84	0.88	0.88
GDP deflator 1986-88 = 100	100	149	145	149	153

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 the United States are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.
Source: OECD, PSE/CSE database, 2006.

StatLink: *http://dx.doi.org/10.1787/421374348780*

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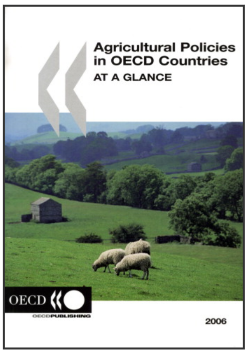

From:

Agricultural Policies in OECD Countries 2006

At a Glance

Access the complete publication at:

https://doi.org/10.1787/agr_oecd-2006-en

Please cite this chapter as:

OECD (2006), “Country Focus”, in *Agricultural Policies in OECD Countries 2006: At a Glance*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/agr_oecd-2006-3-en