

Executive Summary

The agriculture sector in many OECD countries continued to be characterised by high levels of support and protection.

In 2003 support to producers across the OECD area, as measured by the percentage PSE, accounted for 32% of farm receipts, a slight increase from 2002, but down from 37% in 1986-88. The PSE in 2003 is estimated at USD 257 billion, or EUR 229 billion.

Reform has been reflected in the composition of support.

The share of the most production and trade distorting forms of support - output and input-linked support - has declined from over 90% of producer support in 1986-88 to about 75% in 2001-03. There has also been a slight narrowing of the spread of support levels between commodities. While this progress is notable, there is only a very modest use of policies targeted to specific objectives and beneficiaries, and hence a need for further efforts in these directions. Further efforts are also needed to ensure that policies are more transparent, tailored to specific outcomes, flexible in responding to changing priorities, and equitable. The still large share of output and input-linked support encourages domestic production, distorts trade and contributes to depressing world prices of agricultural commodities. Agricultural policies in OECD countries sometimes impose unnecessary costs on domestic consumers and taxpayers, and many support policies put pressure on the environment and penalise competitive suppliers, including those in developing countries.

Reform of agricultural policies remains highly uneven across countries.

There are large and increasing differences in the levels of support among OECD countries, and the extent to which further reform is necessary varies considerably. Support to producers in 2001-03 was below 5% of farm receipts in Australia and New Zealand, 20% or less in Canada, Mexico, Poland, Slovakia, Turkey and the United States, around 25% in the Czech Republic and Hungary, 35% in the European Union, and 60% or more in Iceland, Japan, Korea, Norway and Switzerland.

A number of policy changes were introduced in 2003.

It was the first year of implementation of the Agricultural Policy Framework in **Canada** and full implementation of the 2002 FSRI Act in the **United States**. **Norway** introduced a new

standard per hectare payment available to all farmers for their contribution to the cultural landscape. Emergency payments were provided in **Australia** (drought) and **Canada** (BSE). Some efforts were made to improve the efficiency of domestic markets behind significant border protection in **Japan** and **Korea** (rice) and **Norway** (dairy). The **Czech Republic, Hungary, Poland** and **Slovakia** continued to prepare for accession to the **European Union** in May 2004, including through changes to producer payments, spending on infrastructure, and development of food safety systems. Agreement was reached in the **European Union** on the reform of the Common Agricultural Policy, involving a significant further step in the direction of decoupling support from production decisions, to be implemented in 2005-07. A decision was also reached in **Switzerland** on the new agricultural reform package, to be implemented over the period 2004-07, continuing the long-term shift away from the most trade distorting measures.

Strong world prices for meat and oilseeds, dairy products and rice contrasted with lower world prices for sugar, wheat and maize in 2003. Meat markets were disrupted by disease outbreaks in several parts of the world. Significant exchange rate movements, in particular a weaker US dollar and a stronger Euro, were important factors influencing trade flows. While a number of countries continued to pursue needed policy reforms on a unilateral basis, multilateral trade negotiations stalled at the Ministerial meeting in Cancún. ***Making progress at the WTO would invigorate the process of agricultural policy reform.***

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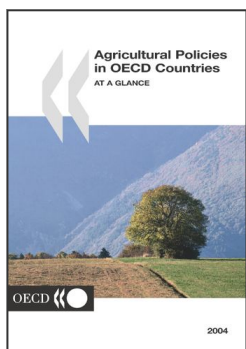
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