

## **Agricultural Policies in OECD Countries: At a Glance - 2006 Edition**

*Summary in English*

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### **The agriculture sector across the OECD area continues to be characterised by high levels of support**

In 2005, support to producers in the OECD area, as measured by the percentage PSE, accounted for 29% of farm receipts, the same as in 2004, but down from 37% in 1986-88. The PSE in 2005 is estimated at USD 280 billion or EUR 225 billion. Total support to the agricultural sector, which combines support to producers, budgetary transfers to consumers and general services to agriculture, was equivalent to 1.1% of GDP in 2005 compared to 2.3% in 1986-88.

### **There continues to be a gradual shift away from the most production and trade distorting policy instruments.**

Policy reform is changing the way in which support is provided to producers. The share of the most production and trade distorting forms of support – those linked to production or input use — declined from 91% of producer support in 1986-88 to 72% in 2003-05. A decrease in output-linked support is also shown by a significant reduction in the gap between domestic producer and border prices. In 1986-88, the average OECD producer price was 57% higher than the border price; by 2003-05 the gap had fallen to 27%. Reductions in these forms of support have been accompanied by increases in payments based on area or animal numbers or on historical entitlements, dampening the impact on farm receipts. Compliance conditions, especially environmental, are increasingly being attached to such payments. However, measures linked to production or input use still dominate producer support in most countries, encouraging output, putting stress on natural resources and distorting trade. Moreover, there has been only very modest progress towards policies targeted to clearly defined objectives and beneficiaries. Further efforts are needed to ensure that policies are more transparent in operation, tailored to specific outcomes and flexible in responding to changing priorities.

### **Reform of agricultural policies has been uneven across countries**

Since 1986-88, producer support as a percentage of farm receipts has fallen in virtually all countries. The largest decrease in percentage points of this indicator has occurred in Canada, Mexico (since 1991-93) and New Zealand. Among the high support countries, the greatest reductions have occurred in Iceland, Switzerland and Korea. Total

support to agriculture has also fallen in virtually all OECD countries as a share of total agricultural support in GDP.

### **Some policy changes were implemented at the national level in 2005, and others were decided**

The implementation of the 2003 reform continued in the European Union with the partial shift to the milk payment and, in ten member states, the Single Payment Scheme. Korea began implementing revisions to its rice policy that include the abolition of government purchasing and the introduction of direct payments. Canada introduced the Farm Income Payment programme to make exceptional payments to producers, the latest of a series of ad hoc payments. In the United States, the quota and price support for tobacco were replaced by term-limited payments, and the dairy income loss payment was extended to 2007. Turkey extended its Agricultural Reform Implementation Project to 2007. Iceland reorganised its institutions to improve administrative efficiency.

In 2005, the European Union Council agreed to change the sugar regime. 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. Also, a new Rural Development Regulation was adopted for the 2007-2013 period. A new basic plan for Food, Agriculture and Rural Areas was established in Japan. One of its features is the introduction, from 2006, of new direct payments which will shift the basis of support from individual commodity to multi-commodities. A final agreement was reached in Norway on the national environmental programme, while regional programmes were established.

### **Multilateral reform of agricultural policies remained elusive**

The Doha Development Agenda (DDA) round of trade negotiations continued, with discussion on agriculture based on the framework agreed in 2004. A method to establish ad valorem tariffs equivalents was agreed and concrete proposals were made. Negotiations at the Hong Kong Ministerial in December 2005 achieved an agreement to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect by the end of 2013, subject, of course, to agreement on the DDA more generally. Important issues related to trade distorting forms of domestic support and to improving market access, in particular rates of tariff cuts, are also still outstanding. Progress in these negotiations is urgently needed to inject new life into the process of agricultural policy reform.

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