

## **Agricultural Policies in OECD Countries: Monitoring and Evaluation 2007**

*Summary in English*

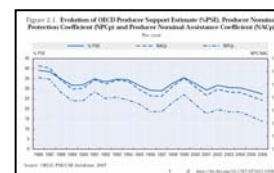
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- *Agricultural Policies in OECD Countries* offers up-to-date estimates of agricultural support in the OECD area, as well as country-by-country analysis of agriculture policies.
- The report shows that while state support for agriculture has fallen in the OECD area since the 1980s, it still remains substantial, albeit with very large variations between countries.
- The report also examines some recent significant developments in agriculture policy, including changes to Europe's C.A.P. and revisions in Japan and Korea, as well as possible future developments in U.S. and Swiss agriculture policy.

Agricultural policies in 2006 were implemented in the context of generally stronger world prices for agricultural commodities and continued US dollar weakness. On the domestic front, reform involved some further decoupling of support in the European Union through the Single Payment Scheme. Korea and Japan have both recently agreed on policy reform measures, while the United States is in the process of proposing new farm legislation to replace the current Farm Bill. Many countries are developing policies to stimulate biofuel production. Ongoing negotiations towards a Doha Development Agenda so far failed to reach agreement despite extensive talks, and the multilateral trade policy situation remained largely unchanged as a result.

As a share of gross farm receipts, the estimated level of support in the OECD area (%PSE) declined from an average 38% of receipts in 1986-88 to 29% in 2004-06. In 2006, the % PSE was 27%, a fall of two percentage points from 2005. However, there has been little change in the level of producer support since the late 1990s for the OECD as a whole. In the most recent period there was progress in the way that support is delivered to producers – through a noticeable shift away from measures linked to the production of specific commodities. But despite a sizeable reduction, production-linked measures still dominate producer support in most countries. As well, there has been only limited progress towards policies targeted to clearly defined objectives and beneficiaries. Better targeting of policies would increase their effectiveness in meeting domestic objectives, enhance efficiency, and improve transparency.

[Graph 2.1. Evolution of OECD Producer Support Estimate \(% PSE\), Nominal Protection Coefficient \(NPCp\) and Nominal Assistance Coefficient \(NACp\)](#)




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*Despite some reduction, OECD agriculture continues to be characterised by high support*

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In 2006, support to producers in the OECD area was estimated at USD 268 billion or EUR 214 billion and accounted for 27% of farm receipts. There has been a reduction of support as a share of farm receipts in the period 2004-06, relative to 1986-88. Together with support for general services to agriculture such as research, infrastructure, inspection, marketing and promotion, total support to the agricultural sector (% TSE) was equivalent to 1.1% of OECD GDP in 2004-06, this is less than half of the 1986-88 average of 2.5%.

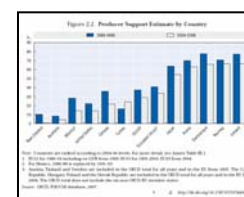
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*Large differences in the level of support persist between countries*

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While support has declined compared with 1986-88, wide differences remain in the level of support among countries. Support to producers in 2004-06 was around 1% of farm receipts in New Zealand and 5% in Australia. It was 14% in the United States and Mexico, 22% in Canada, and 24% in Turkey. At 34%, the level of support in the European Union was 5 percentage points above the OECD average. Support was 55% of farm receipts in Japan and over 60% in

[Figure 2.2. Producer Support Estimate by country](#)



Iceland, Norway, Korea and Switzerland.

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*Progress in reducing the level of support remains uneven across countries*

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Since 1986-88, producer support as a percentage of farm receipts has fallen most in Canada, Mexico (since 1991-93) and New Zealand. Among the high support countries, the greatest reductions have occurred in Iceland, Switzerland and Japan. Total support to agriculture expressed as a share of GDP has also fallen in all OECD countries, while the high share of total support in Turkey reflects the large agricultural sector and relatively low GDP.

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*Greater progress has been made in changing the way in which support is provided to producers*

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The share of the most production and trade distorting forms of support – those linked to outputs or variable inputs – declined from 86% of producer support in 1986-88 to 64% in 2004-06 in the OECD area. A decrease in production-linked support (including market price support, reflecting mainly border protection measures) is also shown by a significant reduction in the gap between domestic producer and border prices (as measured by the producer nominal protection coefficient, NPC). In 1986-88, average OECD producer prices were 51% higher than border prices; by 2004-06 the gap had halved to 25%. The largest reductions in the gap have occurred in Switzerland, Norway and Iceland, but producer prices are still more than twice border prices in these countries, as is also the case in Japan and Korea. Reductions in the most distorting forms of support have been accompanied by increases in payments based on current or non-current area, animal numbers, revenues or incomes. In the most recent years the payments not requiring any production grew in importance. Cross-compliance conditions, especially environmental, are increasingly being attached to payments.

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*Most support is still for specific commodities, but policies allowing more flexibility to producers are growing in importance.*

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Single commodity transfers (SCT) remain the most important component of the PSE, although their share in total producer support declined from 88% in 1986-88 to 64% in 2004-06. The reduction of transfers targeted to a single commodity has been uneven across commodities. While the SCT share in producer receipts for milk, eggs, grains and oilseeds fell by more than half, other traditionally highly protected sectors such as rice and sugar have experienced only a small decline (they remain the commodities with the highest percentage SCT and NPC). Support over the years has evolved towards budgetary payments less tied to producing a specific commodity (and therefore not in the SCT), either by allowing a group of commodities (or all

Figure 2.6. Producer NPC by country

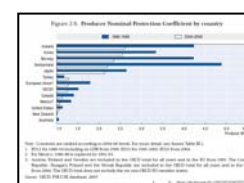
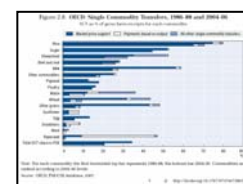


Figure 2.8. OECD: Single-Commodity Transfers by commodity



commodities) to be eligible for a payment, or by having no production requirement to receive payment.

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*A number of important policy changes were implemented during 2005 and 2006...*

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The implementation of the 2003 Common Agricultural Policy reform continued in the European Union with the introduction of the Single Payment Scheme starting in 2005, and extension of the reform to the sugar sector in 2006. A new Rural Development Regulation was adopted for the 2007-13 period, with EU countries developing their implementation programmes. Iceland is gradually replacing milk payments based on output by headage payments (2005-12). A new basic plan for Food, Agriculture and Rural Areas was established in Japan. One of its features was the introduction, from 2007, of new direct payments giving more flexibility in production decisions to producers. Korea began implementing revisions to its rice policy that include the abolition of government purchasing and the introduction of direct payments. Switzerland is gradually phasing out the milk quota production system.

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*... and some new changes are under consideration*

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The United States is in the final year of the 2002-07 Farm Bill and proposals for the new Farm Bill are under way. Switzerland's New Agricultural Policy proposals for 2007-11 (AP 2011) imply further moving away from measures supporting commodity prices.

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*Multilateral agricultural trade negotiations resumed, but a successful outcome remains elusive*

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The Doha Development Agenda (DDA) round of trade negotiations continued under the auspices of the WTO, but no conclusion was reached, and negotiations on bilateral and regional trade agreements increased. Progress in the multilateral trade negotiations would provide an added incentive for further agricultural policy reform.

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