

Chapter 2

Country snapshots

This chapter contains a snapshot view of agricultural policy developments in the countries covered in this report. A more comprehensive discussion is provided in the country chapters published online (http://dx.doi.org/10.1787/agr_pol-2016-en).

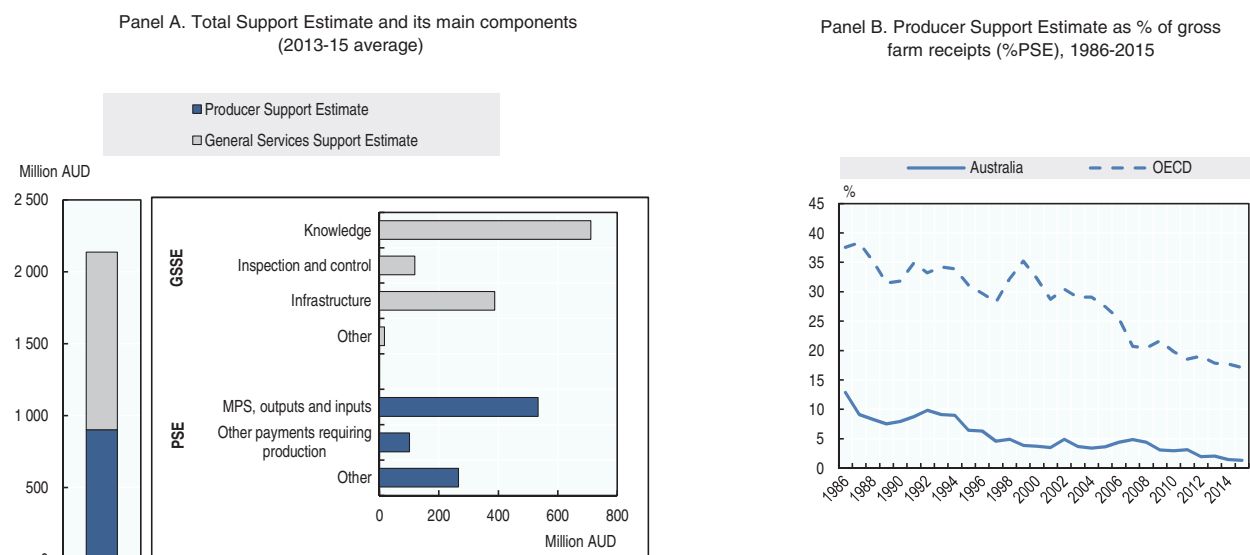
2.1. Australia

Support to agriculture

Support to producers in Australia has continuously been reduced from already relatively low levels in 1986-88 and at 1.3% its Producer Support (PSE) is the second lowest in the OECD (Figure 2.1). Total support to agriculture (TSE) amounted to around 0.1% of GDP in recent years. General services support (GSSE) makes up the largest share of total support, with the main elements funding for the Agricultural Knowledge and Innovation System and the development of infrastructure, which respectively account for 58% and 31% of GSSE expenditure. Payments based on input use and on income are the most important elements of the low Producer Support Estimate.

Reforms have led to domestic prices that are at parity with world prices, and Market Price Support (MPS) is zero. The share of potentially most distorting support has been reduced from 86% of PSE in 1986-88 to 7% in 2013-15. At the same time, agricultural support in Australia has shifted towards more targeted direct payments and the share of general services in total support has increased from 6% to 58%.

Figure 2.1. **Australia: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

StatLink <http://dx.doi.org/10.1787/888933374410>

Main policy changes

In July 2015, the Australian Government released the Agricultural Competitiveness "White Paper", which sets the broad parameters to guide the development of future Australian agricultural policy. The White Paper seeks to identify approaches for growing

farm profitability and boosting agriculture's contribution to economic growth, trade, innovation and productivity. The government also released a white paper to unlock the potential of Northern Australia.

The Government continued to implement drought assistance measures such as specific support payment for farmers experiencing financial hardship, a tax-advantaged savings scheme, and drought concessional loans programmes (loans at below market interest rates). Also, in late 2015 the Queensland parliament passed a new act to regulate the ownership of refined sugar in the Sugar Industry, in response to concerns from cane growers over competition issues. The major event in trade policies was the signing of the **Trans-Pacific Partnership** (TPP) agreement between Australia and 11 other members in February 2016.

Assessment and recommendations

- There has been continuous and significant progress on policy reform since 1986-88, reducing the level of support to agriculture as measured by the %PSE to close to 2%. Australia also removed the potentially most distorting forms of support in the early 2000s. The remaining support programmes are targeted to risk management, environmental conservation and provision of general services.
- Since the end of the Exceptional Circumstances programmes in 2013, Australia has continued to reform its drought policies. An Intergovernmental Agreement is now in place that aims to focus drought support measures on encouraging drought preparedness and resilience. Most policy measures have moved in this direction, however, new drought assistance measures implemented in 2014 have reintroduced concessional loans (loans at below market interest rates). These measures, as well as the new Act passed in 2015 in the Sugar industry, should be reviewed.
- The overall challenge for the future is to improve the economic viability of farms while ensuring a sustainable use of scarce resources, in particular, water. In this light, water market reforms and basin management should continue to be a policy priority.
- Australia should continue using its industry partnership arrangement through rural research and development corporations (RDCs) to foster innovation and the adoption of new technologies and practices, in order to improve productivity growth.

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

Million AUD


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	19 888	28 441	54 841	53 355	53 600	57 570
<i>of which: share of MPS commodities (%)</i>	86.4	75.3	68.1	67.3	67.9	69.2
Total value of consumption (at farm gate)	7 364	11 644	25 985	25 429	25 504	27 022
Producer Support Estimate (PSE)	2 022	1 694	901	1 125	794	784
Support based on commodity output	1 447	834	0	0	0	0
Market Price Support ¹	1 447	834	0	0	0	0
Payments based on output	0	0	0	0	0	0
Payments based on input use	324	614	533	649	466	486
Based on variable input use	306	376	81	222	11	11
with input constraints	0	0	4	0	3	10
Based on fixed capital formation	5	33	281	238	291	313
with input constraints	0	0	151	115	159	181
Based on on-farm services	13	205	171	189	164	161
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	19	101	86	110	107
Based on Receipts / Income	0	19	101	86	110	107
Based on Area planted / Animal numbers	0	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	250	227	219	325	177	157
With variable payment rates	250	137	201	300	152	151
with commodity exceptions	0	0	148	145	150	150
With fixed payment rates	0	90	18	25	25	6
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	1	47	66	42	34
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	47	66	42	34
Based on other non-commodity criteria	0	1	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	10.1	5.8	1.6	2.1	1.5	1.3
Producer NPC (coeff.)	1.08	1.03	1.00	1.00	1.00	1.00
Producer NAC (coeff.)	1.11	1.06	1.02	1.02	1.01	1.01
General Services Support Estimate (GSSE)	132	511	1 235	1 154	1 277	1 275
Agricultural knowledge and innovation system	132	385	711	726	714	694
Inspection and control	0	26	120	105	116	137
Development and maintenance of infrastructure	0	72	388	310	438	416
Marketing and promotion	0	27	17	13	8	29
Cost of public stockholding	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	6.2	23.6	58.1	50.6	61.7	61.9
Consumer Support Estimate (CSE)	-848	-386	0	0	0	0
Transfers to producers from consumers	-848	-386	0	0	0	0
Other transfers from consumers	0	0	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0	0
Excess feed cost	0	0	0	0	0	0
Percentage CSE (%)	-11.6	-3.3	0.0	0.0	0.0	0.0
Consumer NPC (coeff.)	1.13	1.03	1.00	1.00	1.00	1.00
Consumer NAC (coeff.)	1.13	1.03	1.00	1.00	1.00	1.00
Total Support Estimate (TSE)	2 154	2 204	2 136	2 279	2 070	2 059
Transfers from consumers	848	386	0	0	0	0
Transfers from taxpayers	1 306	1 818	2 136	2 279	2 070	2 059
Budget revenues	0	0	0	0	0	0
Percentage TSE (% of GDP)	0.7	0.4	0.1	0.1	0.1	0.1
GDP deflator (1986-88=100)	100	134	224	224	224	223

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Australia are: wheat, barley, oats, sorghum, rice, soybean, rapeseed, sunflower, sugar, cotton, milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

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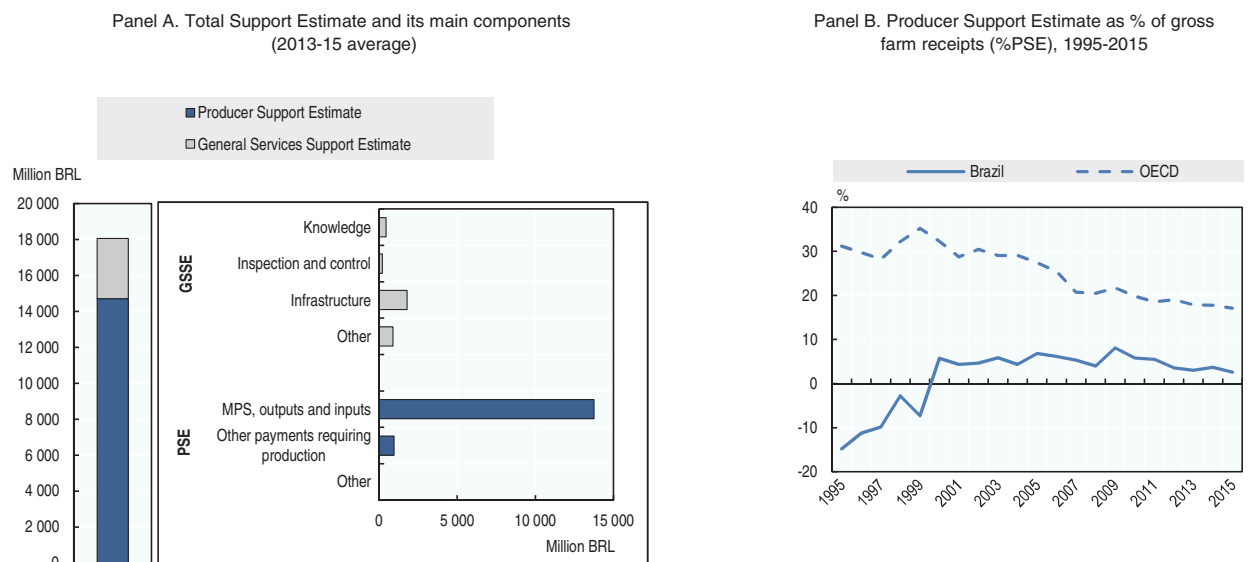
2.2. Brazil

Support to agriculture

Brazil provides a relatively low aggregate level of support and protection to agriculture, reflecting its position as a competitive exporter. The level of producer support (PSE) was 3.1% of gross farm receipts in 2013-15, compared to an OECD average of 17.6% (Figure 2.2). The total support estimate to agriculture (TSE) was around 0.3% of GDP in 2013-15. The direct support to farms (PSE) is the dominant part of the TSE (about 80%). Payments based on output and input use are the most important element of the support. As for the General Services Support Estimate (GSSE) the main element are payments on land restructuring for small family farms.

An important part of support to producers is provided through measures that distort farm prices and current costs although on aggregate the level of that type of support is moderate and there is a great deal of variation across commodities. While domestic prices were below world prices in the mid-1990s, generating negative market price support (MPS), prices are now almost aligned. Other important component of support to producers is support based on variable input, mainly through concessional credit and crop insurance subsidies. Credit is also available for farm investment. The role of direct payments is minor. Access to most farm support programmes is conditional on environmental criteria.

Figure 2.2. **Brazil: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", *OECD Agriculture Statistics* (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink  <http://dx.doi.org/10.1787/888933374424>

Main policy changes

In the continuation of previous policies the agricultural plan for 2015/16 continued to provide high levels of funding for credit subsidies. The agricultural plan for 2016/17 foresees a significant development of crop insurance, using funds previously dedicated to price guarantees. Efforts to restore domestic and international confidence in the safety of food (in particular animal) products include improvements in the inspection system.

Assessment and recommendations

- Despite the variety of regional price support programmes, prices received by agricultural producers in Brazil are more or less aligned with international levels. In 2015, minimum

guaranteed prices increased at a slower pace than inflation, and the depreciation of the BRL relative to USD further lowered price support. However, differences in support level by commodity create distortions within the sector, which should be removed.

- A number of initiatives, such as the development of better information and tools to analyse risk, and model contracts, were launched to improve the effectiveness of the crop insurance programme. This is expected to facilitate wider adoption, as foreseen in the agricultural plan for 2016/17, which allocates more funds for crop insurance subsidies to the detriment of funding for price support. It is essential to continue strengthening the information base to develop insurance products while using public funds efficiently, and monitor the effectiveness and efficiency of insurance subsidies, and ensure they are not crowding out market solutions.
- Agricultural credit at preferential interest rates has been growing consistently, in particular in recent years. Whereas the credit system is intended to address failures in financial markets, it also creates risks (default) for government and producers, particularly since the macroeconomic situation has deteriorated. The higher availability of funds for loans is partly explained by the obligation for banks to reserve a certain portion of their deposits for agricultural credit, thus potentially creating excess supply. Furthermore, most of this credit is concentrated on subsidising short-term borrowing such as working capital and commercialisation loans that further distort markets. A reform of the concessional credit system could consider a gradual downsizing of concessional loans for working capital to commercial producers, by gradually limiting the scope of eligible commercial producers and their supported activities. At the same time, access to credit by rural borrowers could be facilitated through simpler regulations and procedures. Agricultural credit support could then be re-focused to support on-farm investments that explicitly incorporate technological innovations and advanced farm management and environmental practices.
- Several programmes have been introduced recently to encourage environmental improvements and infrastructure development. For instance, insurance and credit support is conditioned by environmental criteria, and credit is available to modernise production systems and preserve natural resources, among others. Plans to extend irrigated areas foresee technical improvements in water use efficiency, but should ensure water abstraction remains sustainable.
- Access to export markets is crucial for Brazilian agriculture. The restructuring of the sanitary and phytosanitary inspection system with a view to improve its efficiency and reliability is an important contribution to gain or re-gain foreign markets, complemented by bilateral and multilateral trade discussions.
- Support to family farms aims to improve farmer incomes. However, existing mechanisms for social protection could protect farmer income more effectively and direct investment in infrastructure and public investments could trigger agricultural growth, for both commercial farms and smallholders, more efficiently.
- While weak infrastructure is still a significant bottleneck for agricultural development, financing of general services to agriculture constituted less than 20% of total support to the agricultural sector in 2013-15 and over time this share tended to decline. The main part of the Brazilian GSSE is represented by agrarian reform spending, which includes government purchase of lands for resettlement and investment in infrastructure and basic communal services for those settled areas.

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

Million BRL

	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	54 697	465 505	432 481	448 035	515 999
<i>of which: share of MPS commodities (%)</i>	73.3	78.4	77.2	81.8	76.2
Total value of consumption (at farm gate)	52 131	319 266	300 215	311 465	346 118
Producer Support Estimate (PSE)	-6 811	14 710	13 364	17 135	13 632
Support based on commodity output	-9 818	3 196	3 700	3 696	2 192
Market Price Support ¹	-9 893	1 926	2 690	1 989	1 100
Payments based on output	75	1 270	1 010	1 708	1 092
Payments based on input use	3 007	10 552	8 684	12 522	10 449
Based on variable input use	1 673	4 754	3 481	5 616	5 164
with input constraints	0	4 692	3 295	5 616	5 164
Based on fixed capital formation	1 200	4 846	3 895	6 163	4 481
with input constraints	0	4 846	3 895	6 163	4 481
Based on on-farm services	134	952	1 308	743	804
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	963	980	916	991
Based on Receipts / Income	0	963	980	916	991
Based on Area planted / Animal numbers	0	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	-12.0	3.1	3.0	3.7	2.6
Producer NPC (coeff.)	0.85	1.01	1.01	1.01	1.00
Producer NAC (coeff.)	0.89	1.03	1.03	1.04	1.03
General Services Support Estimate (GSSE)	2 914	3 346	3 056	3 353	3 628
Agricultural knowledge and innovation system	675	446	464	419	454
Inspection and control	109	209	269	172	186
Development and maintenance of infrastructure	1 697	1 792	1 589	1 819	1 968
Marketing and promotion	8	64	50	68	74
Cost of public stockholding	425	835	684	874	946
Miscellaneous	0	0	0	0	0
Percentage GSSE (% of TSE)	..	18.7	18.6	16.4	21.0
Consumer Support Estimate (CSE)	6 515	-2 691	-4 128	-2 537	-1 408
Transfers to producers from consumers	6 577	-1 926	-2 690	-1 989	-1 098
Other transfers from consumers	-110	-766	-1 439	-548	-310
Transfers to consumers from taxpayers	15	0	0	0	0
Excess feed cost	32	0	0	0	0
Percentage CSE (%)	12.4	-0.9	-1.4	-0.8	-0.4
Consumer NPC (coeff.)	0.89	1.01	1.01	1.01	1.00
Consumer NAC (coeff.)	0.89	1.01	1.01	1.01	1.00
Total Support Estimate (TSE)	-3 882	18 056	16 421	20 488	17 260
Transfers from consumers	-6 467	2 691	4 128	2 537	1 408
Transfers from taxpayers	2 695	16 131	13 731	18 499	16 162
Budget revenues	-110	-766	-1 439	-548	-310
Percentage TSE (% of GDP)	..	0.3	0.3	0.4	0.3
GDP deflator (1995-97=100)	100	402	374	399	432

.. Not available

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Brazil are: wheat, maize, rice, soybean, sugar, milk, beef and veal, pig meat, poultry, cotton, coffee.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375818>

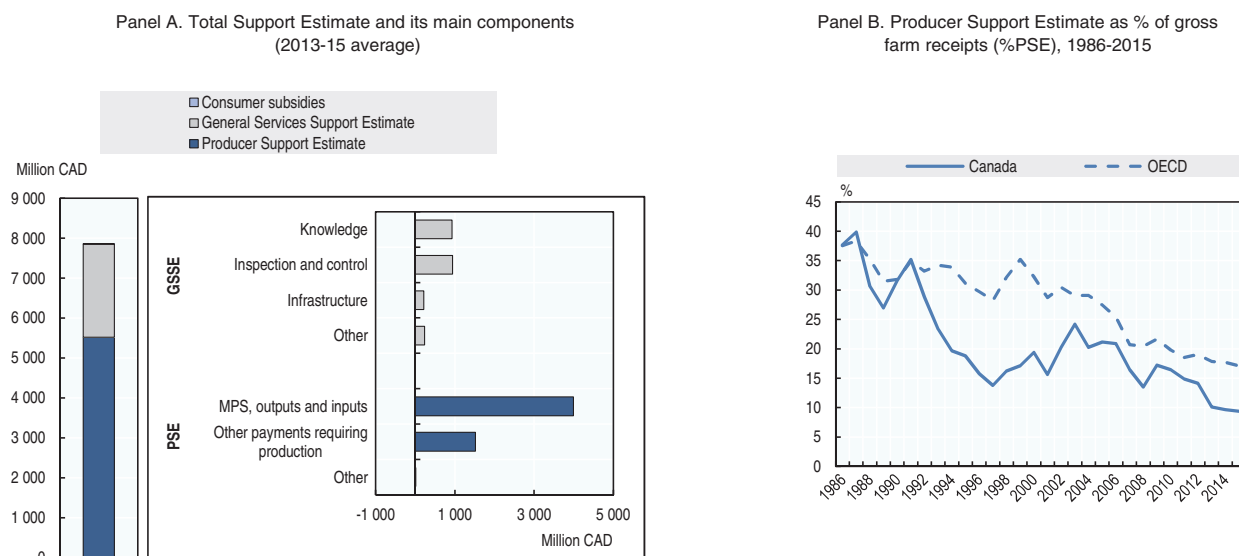
2.3. Canada

Support to agriculture

Canada has reduced agricultural support significantly since the late 1980s. Producer support as a share of receipts fell sharply between 1986-88 and 1995-97, in large part because market price support (MPS) to the grains industry was discontinued in 1995. The decline in the level of support since then has been more gradual because there have not been any significant policy changes to MPS for dairy, poultry, and eggs. MPS for these sectors accounts for around 64% of the producer support estimate (PSE) in 2013-15. Lower levels of disaster payments in recent years and a shift of budgetary expenditures towards generic, not farm-specific, support to the sector since the mid-1990s have resulted in lower farm income support overall.

Canada's PSE declined from 36% in 1986-88 to 10% in 2013-15, and has been consistently below the OECD average. However, the share of potentially most distorting support (based on output and variable input use – without input constraints) was 70% in 2013-15, above the OECD average and at a similar level to 1986-88. MPS for milk accounts for the largest share of potentially most distorting support. On average, prices received by farmers were 7% higher in 2013-15 than those observed in world markets. Since 1995, this has largely resulted from MPS for milk, poultry and eggs, as producer prices of other commodities are mostly aligned with border prices. As producer support has declined, the share of the General Services Support Estimate (GSSE) has increased in the Total Support Estimate to agriculture (TSE). The share of GSSE in TSE has almost doubled since 1986-88 to around 29%, as a greater proportion of budgetary transfers was shifted to indirect support, including Agricultural Knowledge and Innovation Systems and Inspection and Control.

Figure 2.3. **Canada: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374436>

Main policy changes

The current agricultural policy framework in Canada, *Growing Forward 2* (GF2), expires in 2018. There were several new initiatives under GF2 programmes in 2015-16. These

include two new *AgriRisk Initiatives*, which aim to develop new risk management tools for wheat and hog producers. Producers also received CAD 10.17 million (USD 7.95 million) in disaster relief payments under three *AgriRecovery Initiatives*.

Canada also made changes to the *Advance Payments Program (APP)*, the federal loan guarantee programme that gives producers easier access to credit through cash advances. These changes broadened programme eligibility and increased programme flexibility around repayment methods and options.

The Canadian Food Inspection Agency has embarked on a change agenda designed to strengthen how it administers and enforces regulations within its jurisdiction that relate to food, animals and plants. Policy developments include changes to modernise regulations and the development of a policy on private certification schemes used by industry.

In 2015, Canada concluded negotiations towards the **Trans-Pacific Partnership Agreement**, creating a regional trading bloc with 11 other countries, a free trade agreement (FTA) with the **Ukraine**, and the modernisation of existing FTAs with **Israel** and **Chile**.

Assessment and recommendations

Canada's domestic markets for most agricultural commodities are competitive. However, the dairy, poultry and egg sectors are protected from international competition and continue to receive high market price support. This distorts production and trade and acts as a barrier to entry into those supply-managed sectors, because high rents are capitalised in the value of quotas required to produce under the supply-management system. Over time, there has been an increasing emphasis on generic support to the sectors relative to farm income support through new programmes that target industry-led research and development, adoption of innovation in food and agriculture, and marketing initiatives.

There are a number of reforms that could contribute to Canada's long-term objective of improving the profitability, competitiveness and sustainability of the food and agriculture sector.

- As a step towards phasing out supply management, the amount of quota available should be increased and price support for the dairy, poultry and egg sectors should be reduced. This would encourage greater market responsiveness, stimulate innovation (to increase efficiency and diversify towards higher value products), and reduce quota rents, which currently act as a barrier to entry into supply-managed sectors.
- Stricter protocols and disciplines should be in place for *ad hoc* programmes. This would reduce potential pressure for additional support in situations where existing programmes suffice, and encourage farmers to find better ways to manage risk.
- The policy focus should continue to shift towards facilitating the adoption of innovation by targeting industry-led research and development, adoption of innovation in food and agriculture, and marketing initiatives. This would contribute to the long-term objectives of improving the competitiveness and sustainability of the sector.

Table 2.3. **Canada: Estimates of support to agriculture**

Million CAD


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	18 458	27 549	54 838	52 542	55 719	56 254
<i>of which: share of MPS commodities (%)</i>	85.6	84.2	85.1	84.6	84.8	85.9
Total value of consumption (at farm gate)	15 732	20 858	32 953	31 395	32 872	34 591
Producer Support Estimate (PSE)	8 086	4 840	5 523	5 514	5 571	5 483
Support based on commodity output	4 592	2 465	3 549	3 644	3 548	3 456
Market Price Support ¹	4 116	2 296	3 549	3 644	3 548	3 456
Payments based on output	476	169	0	0	0	0
Payments based on input use	1 426	715	440	443	454	425
Based on variable input use	810	358	330	332	334	325
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	590	337	96	100	103	86
with input constraints	0	0	2	6	1	0
Based on on-farm services	26	20	14	11	18	14
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	1 789	840	1 519	1 411	1 553	1 593
Based on Receipts / Income	634	459	706	644	693	781
Based on Area planted / Animal numbers	1 155	382	813	766	860	812
with input constraints	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	1	0	1	1
Payments based on non-current A/An/R/I, production not required	0	790	0	1	0	0
With variable payment rates	0	733	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	58	0	1	0	0
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	10	0	0	1	0	0
Based on long-term resource retirement	10	0	0	1	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	269	30	13	15	15	9
Percentage PSE (%)	36.1	16.1	9.7	10.1	9.6	9.4
Producer NPC (coeff.)	1.39	1.10	1.07	1.07	1.07	1.07
Producer NAC (coeff.)	1.57	1.19	1.11	1.11	1.11	1.10
General Services Support Estimate (GSSE)	1 512	1 674	2 327	2 374	2 361	2 247
Agricultural knowledge and innovation system	633	723	932	935	916	946
Inspection and control	372	355	941	973	1 027	824
Development and maintenance of infrastructure	352	203	216	209	191	249
Marketing and promotion	111	346	218	237	210	207
Cost of public stockholding	0	0	0	0	0	0
Miscellaneous	45	47	20	21	17	22
Percentage GSSE (% of TSE)	15.8	25.8	29.6	30.1	29.7	29.1
Consumer Support Estimate (CSE)	-3 758	-2 415	-3 686	-4 152	-3 375	-3 532
Transfers to producers from consumers	-4 063	-2 405	-3 196	-3 619	-2 893	-3 075
Other transfers from consumers	-48	-26	-494	-536	-485	-459
Transfers to consumers from taxpayers	42	6	3	4	3	2
Excess feed cost	310	9	0	0	0	0
Percentage CSE (%)	-24.0	-11.6	-11.2	-13.2	-10.3	-10.2
Consumer NPC (coeff.)	1.36	1.13	1.13	1.15	1.11	1.11
Consumer NAC (coeff.)	1.32	1.13	1.13	1.15	1.11	1.11
Total Support Estimate (TSE)	9 641	6 519	7 853	7 892	7 935	7 732
Transfers from consumers	4 111	2 430	3 689	4 155	3 378	3 534
Transfers from taxpayers	5 578	4 115	4 657	4 273	5 042	4 657
Budget revenues	-48	-26	-494	-536	-485	-459
Percentage TSE (% of GDP)	1.7	0.8	0.4	0.4	0.4	0.4
GDP deflator (1986-88=100)	100	126	183	181	184	184

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Canada are: wheat, maize, barley, oats, soybean, rapeseed, flax, potatoes, lentils, dry beans, dry peas, milk, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

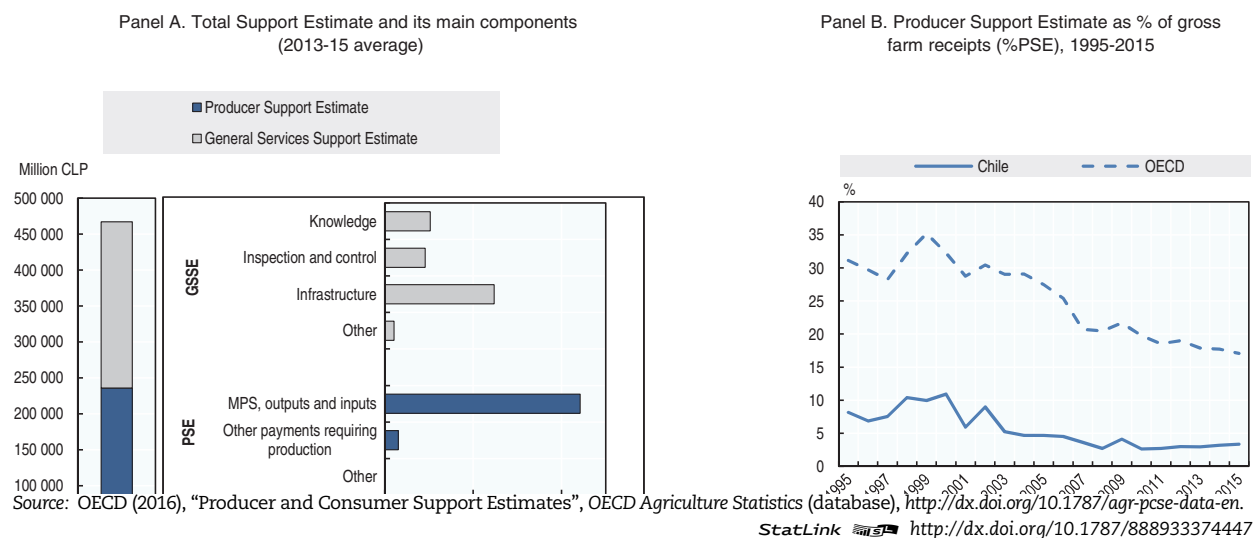
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2.4. Chile

Support to agriculture

Chilean agricultural policy does not create significant distortions on agricultural markets. Domestic prices are aligned with international prices, resulting in a Nominal Protection Coefficient (NPC) of unity in the years 2013-15. Producer Support Estimate (PSE) accounted for an average of 3% of gross farm receipts in 2013-15. Measures at the farm level (i.e. input payments) are directed mainly to smallholders (more than 75% of total spending) through payments that improve farm capital (e.g. on-farm infrastructure, irrigation, soil quality) and on-farm services (e.g. farm training). Around 50% of government spending on agriculture is provided through general services to develop agriculture as a whole (e.g. hydrological infrastructure, sanitary and phytosanitary services and agricultural knowledge and innovation system). Market Price Support (MPS) is relatively small, accounting for only 3% of the PSE.

Figure 2.4. **Chile: Level, structure and evolution of agricultural support**



Main policy changes

The fundamental orientation of agricultural policy remained unchanged; the policy objectives continue to emphasise agricultural competitiveness, with investments targeted to a number of areas, notably irrigation, and in maintaining Chile's strong sanitary and phytosanitary conditions, strengthening policy instruments that promote family farming and the development of rural economy. This is done through emphasising technological innovation, access to credit for smallholders, irrigation, and improving market information. Due to new challenges created by natural disasters, which have become more frequent over the past few years, some initiatives were taken in 2015 to better deal with risk and better manage water resources. Efforts were made through public-private partnerships to create more value added along the food value chains, and to improve the functioning of markets. Training and skills for agricultural workers and farmers were also strengthened.

Assessment and recommendations

- Chilean agricultural policy creates few market distortions and its PSE averages 3% of gross farm receipts in 2013-15. Total support to agriculture imposes a smaller burden on the economy than in most OECD countries, accounting for only 0.3% of GDP in 2015. General services account for 50% of total support to this sector, mainly directed at infrastructure, R&D and inspection services.
- NPC equals unity meaning that domestic prices are perfectly aligned with international prices. Chile has ensured that its agricultural policies remain well targeted to its principal objectives of facilitating smallholder development, i.e. 75% of direct payments go to smallholders to aim improving productivity and competitiveness.
- Total budgetary allocations to the agricultural sector (i.e. payments to farmers and spending on general services) remained more or less constant between 2014 and 2015. Support payments comprise mostly support for farm inputs, rural and territorial development, the recovery of degraded soils, and on-farm irrigation. Most of the allocations on general services consist of spending on infrastructure (irrigation), inspection services, R&D, knowledge transfer and improving market information.
- While gradually increasing payments to farmers are targeted towards small-scale agriculture and indigenous farmers, careful attention should be paid to assessing their effectiveness. Impact assessments should be carried out systematically.
- As more projects and programmes to develop agriculture are being created across different ministries, there is a greater need for co-ordination.

Table 2.4. Chile: Estimates of support to agriculture

Million CLP


	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	2 098 835	7 229 929	6 886 956	7 224 417	7 578 413
of which: share of MPS commodities (%)	64.6	63.2	65.5	61.3	62.6
Total value of consumption (at farm gate)	2 110 811	6 448 466	6 107 576	6 699 917	6 537 905
Producer Support Estimate (PSE)	159 715	236 064	208 181	238 140	261 871
Support based on commodity output	129 647	7 701	8 220	6 784	8 100
Market Price Support ¹	129 647	7 701	8 220	6 784	8 100
Payments based on output	0	0	0	0	0
Payments based on input use	25 910	213 217	195 338	212 232	232 082
Based on variable input use	6 697	45 524	44 263	46 865	45 444
with input constraints	0	0	0	0	0
Based on fixed capital formation	9 825	110 464	102 803	112 261	116 327
with input constraints	6 909	59 480	55 782	58 445	64 212
Based on on-farm services	9 389	57 229	48 272	53 106	70 310
with input constraints	307	17 196	13 937	16 263	21 389
Payments based on current A/An/R/I, production required	4 158	15 145	4 623	19 123	21 689
Based on Receipts / Income	0	0	0	0	0
Based on Area planted / Animal numbers	4 158	15 145	4 623	19 123	21 689
with input constraints	4 158	15 145	4 623	19 123	21 689
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	7.5	3.2	2.9	3.2	3.3
Producer NPC (coeff.)	1.07	1.00	1.00	1.00	1.00
Producer NAC (coeff.)	1.08	1.03	1.03	1.03	1.03
General Services Support Estimate (GSSE)	32 672	230 952	196 788	235 374	260 693
Agricultural knowledge and innovation system	9 085	51 450	47 957	52 311	54 082
Inspection and control	400	45 520	37 636	46 653	52 271
Development and maintenance of infrastructure	20 888	123 721	101 501	126 419	143 243
Marketing and promotion	2 078	10 260	9 693	9 991	11 097
Cost of public stockholding	0	0	0	0	0
Miscellaneous	220	0	0	0	0
Percentage GSSE (% of TSE)	16.3	49.4	48.6	49.7	49.9
Consumer Support Estimate (CSE)	-160 287	-19 384	-19 364	-18 700	-20 088
Transfers to producers from consumers	-132 208	-7 682	-8 161	-6 784	-8 100
Other transfers from consumers	-31 023	-11 702	-11 203	-11 915	-11 988
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	2 945	0	0	0	0
Percentage CSE (%)	-7.6	-0.3	-0.3	-0.3	-0.3
Consumer NPC (coeff.)	1.08	1.00	1.00	1.00	1.00
Consumer NAC (coeff.)	1.08	1.00	1.00	1.00	1.00
Total Support Estimate (TSE)	192 387	467 015	404 969	473 514	522 564
Transfers from consumers	163 232	19 384	19 364	18 700	20 088
Transfers from taxpayers	60 178	459 334	396 808	466 730	514 464
Budget revenues	-31 023	-11 702	-11 203	-11 915	-11 988
Percentage TSE (% of GDP)	0.6	0.3	0.3	0.3	0.3
GDP deflator (1995-97=100)	100	220	208	220	231

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Chile are: wheat, maize, apples, grapes, sugar, tomatoes, milk, beef and veal, pig meat and poultry.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agrcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375831>

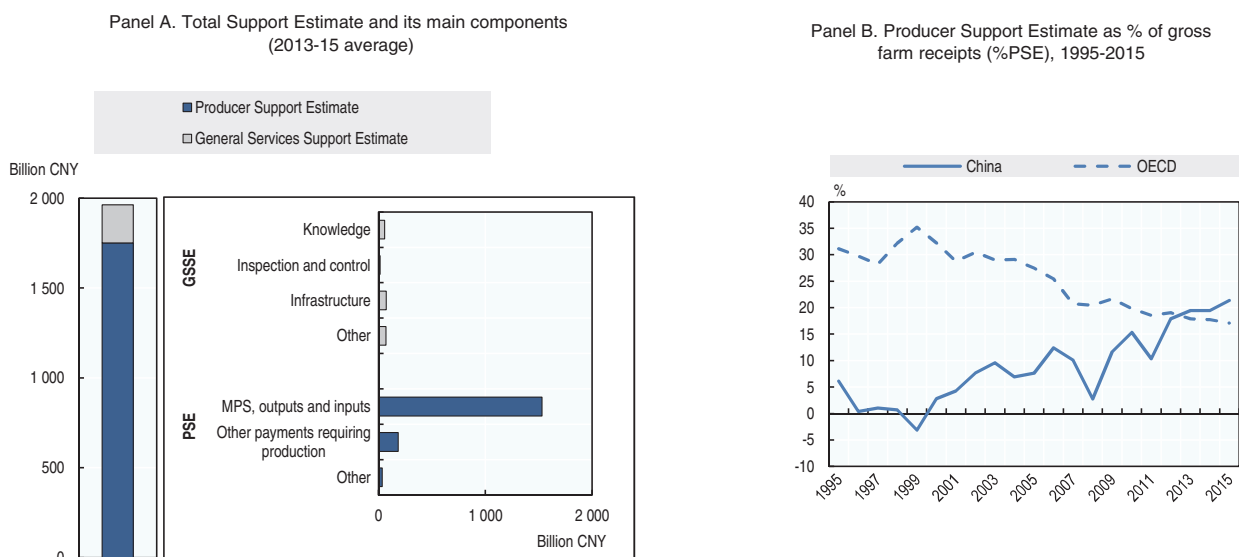
2.5. China

Support to agriculture

In the People's Republic of China (hereafter "China") support to agricultural producers continues to grow and at 20% of gross farm receipts in 2013-15 exceeded the OECD average. In 2015, the government kept minimum prices for rice and wheat at the 2014 level and expanded a range of commodities covered by reforms replacing government purchases at intervention prices by a system that compensates the difference between target prices and actual market prices. However, a continued fall of international prices drove market price support (MPS) to a new record high. The total support estimate (TSE) was 3.1% of GDP in recent years. While payments based on area planted tend to increase, the MPS remain the dominant part of the total support. Within the General Services Support Estimate (GSSE), three categories attract the largest financial support: development and maintenance of infrastructure, public stockholding and agricultural knowledge and innovation system.

The level of price distortions is high with domestic prices on average 23% above world prices. With the exception of eggs and poultry, producers are benefiting from high transfers accounting in most cases for between 20% and 40% of receipts. Following the discontinuation of intervention prices for cotton, in 2015 domestic cotton prices fell almost to the world levels and the fall has been covered by compensatory payments accounting for a growing share of cotton producers' receipts.

Figure 2.5. **China: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink  <http://dx.doi.org/10.1787/888933374450>

Main policy changes

In 2015, China undertook a number of policy measures to keep a growing positive gap between domestic and international prices under control. These measures included: keeping minimum prices for wheat and rice at the 2014 levels; a 10% reduction of the floor price for maize; continued application of target prices for cotton and soybeans combined with compensatory payments; discontinuation of floor prices for rapeseeds; and lowering of the floor price for sugar cane. China also started the process of combining three area

payments (direct payments for grain producers, comprehensive subsidy on agricultural inputs and seed variety subsidy) into a single payment called “agricultural support and protection subsidy”. Most of the funds for this new payment will go to traditional small-scale farmers who are expected to use the funds for land fertility improvements; a small proportion of the funds will be used to support larger-scale “new-style” farmers.

Assessment and recommendations

- Recent reforms to replace intervention prices by target prices combined with compensatory payments based partly on area planted could be extended to include maize, rice and wheat. In the future, the link between compensatory payments and production decisions should be further removed by providing them on a historical production area for example, and “greened” by making them conditional on environmentally friendly cultivation practices.
- As land and water are very scarce in China and environmental pollution caused by farming has become an alarming issue, any further increase in agricultural production should only be achieved through sustainable improvement of productivity. In this respect, existing agricultural policy instruments should be reviewed to improve their coherence with agro-environmental policy objectives. In particular, water price reform could be accelerated to cover water provision costs, in order to enhance more efficient water use.
- To address the issue of rural poverty, access of the rural poor to education, healthcare and physical infrastructure should be further improved. For the elderly, the government should – as envisaged – quickly take full responsibility for rural pensions and also gradually increase their level.
- To reduce potential volatility of food supplies on domestic markets, China should further diversify sources of food through stronger integration of domestic and international agro-food markets.
- To ease the re-allocation of land to more efficient farmers, recent land market reforms strengthening rural land-use rights should be further reinforced. This can be achieved by: providing all rural households with certificates detailing their land rights; establishing transparent exchange platforms for the transfer of rights for rural farmland and construction land; increasing the duration of the right to rural farmland, with contracts automatically renewable upon expiration; and universally introducing resident permits for migrant workers that provide access to public services, while protecting their land entitlements.

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


Million CNY	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	1 997 968	8 355 129	7 993 290	8 372 780	8 699 318
<i>of which: share of MPS commodities (%)</i>	73.1	54.5	53.4	55.8	54.3
Total value of consumption (at farm gate)	2 053 260	8 806 973	8 715 518	8 849 714	8 855 685
Producer Support Estimate (PSE)	48 223	1 750 414	1 621 984	1 697 605	1 931 653
Support based on commodity output	10 976	1 401 957	1 281 943	1 344 766	1 579 163
Market Price Support ¹	10 976	1 401 957	1 281 943	1 344 766	1 579 163
Payments based on output	0	0	0	0	0
Payments based on input use	31 931	128 230	129 158	137 396	118 135
Based on variable input use	17 115	23 265	22 636	24 473	22 686
with input constraints	0	0	0	0	0
Based on fixed capital formation	10 816	82 667	84 150	87 730	76 121
with input constraints	0	0	0	0	0
Based on on-farm services	3 999	22 298	22 372	25 193	19 329
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	3 866	184 387	176 435	179 465	197 260
Based on Receipts / Income	3 866	13 710	10 955	17 008	13 166
Based on Area planted / Animal numbers	0	170 677	165 480	162 457	184 094
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	1 450	20 317	19 812	20 528	20 611
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	1 450	20 317	19 812	20 528	20 611
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	15 524	14 636	15 451	16 485
Based on long-term resource retirement	0	15 524	14 636	15 451	16 485
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	2.5	20.1	19.5	19.5	21.3
Producer NPC (coeff.)	1.01	1.23	1.22	1.21	1.25
Producer NAC (coeff.)	1.03	1.25	1.24	1.24	1.27
General Services Support Estimate (GSSE)	46 121	212 909	202 802	232 867	203 057
Agricultural knowledge and innovation system	3 750	58 393	58 089	62 184	54 906
Inspection and control	2 214	13 678	12 944	14 263	13 828
Development and maintenance of infrastructure	10 773	71 553	71 776	76 420	66 462
Marketing and promotion	0	3 576	4 773	3 805	2 150
Cost of public stockholding	29 384	65 709	55 220	76 195	65 712
Miscellaneous	0	0	0	0	0
Percentage GSSE (% of TSE)	58.8	10.9	11.1	12.1	9.5
Consumer Support Estimate (CSE)	-21 124	-1 599 407	-1 483 291	-1 469 171	-1 845 759
Transfers to producers from consumers	-4 862	-1 463 200	-1 378 405	-1 391 534	-1 619 662
Other transfers from consumers	-12 328	-223 963	-182 089	-158 359	-331 441
Transfers to consumers from taxpayers	2 101	0	0	0	0
Excess feed cost	-6 035	87 756	77 203	80 722	105 343
Percentage CSE (%)	-1.2	-18.2	-17.0	-16.6	-20.8
Consumer NPC (coeff.)	1.01	1.24	1.22	1.21	1.28
Consumer NAC (coeff.)	1.01	1.22	1.21	1.20	1.26
Total Support Estimate (TSE)	96 446	1 963 323	1 824 786	1 930 472	2 134 710
Transfers from consumers	17 190	1 687 163	1 560 494	1 549 893	1 951 102
Transfers from taxpayers	91 583	500 122	446 381	538 938	515 048
Budget revenues	-12 328	-223 963	-182 089	-158 359	-331 441
Percentage TSE (% of GDP)	1.4	3.1	3.1	3.0	3.2
GDP deflator (1995-97=100)	100	177	176	177	177

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for China are: wheat, maize, rice, rapeseed, soybean, sugar, milk, beef and veal, sheep meat, pig meat, poultry, eggs, cotton, apples and peanuts.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

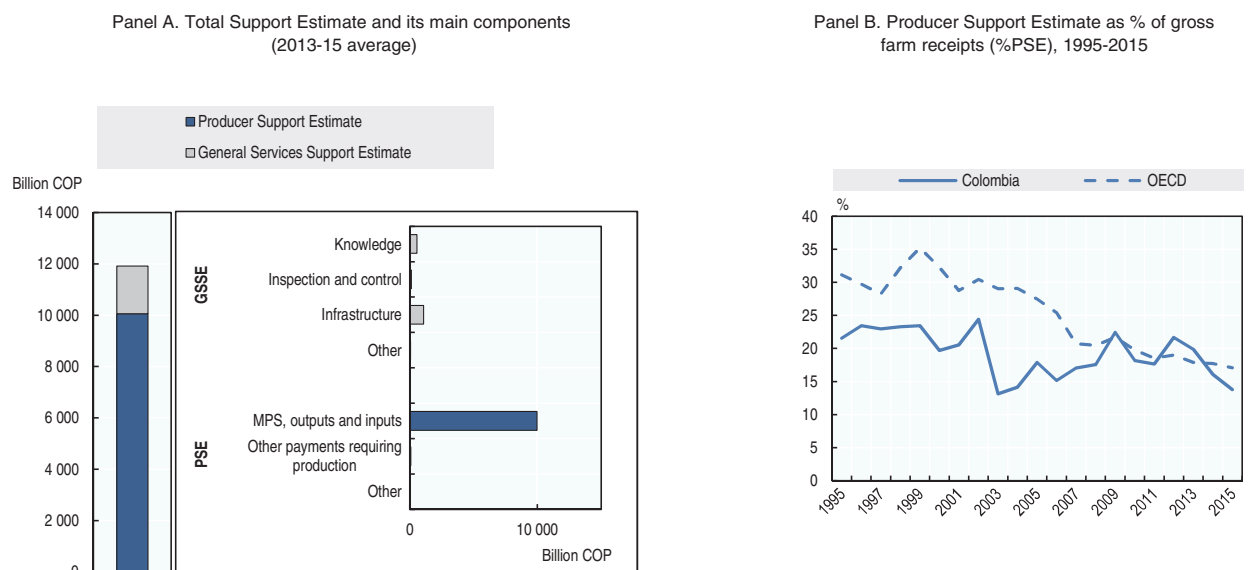
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2.6. Colombia

Support to agriculture

Colombia's level of support to producers (%PSE) averaged 17% of gross farm receipts over the period 2013-15, approximately at the same level as the OECD average. Market price support (MPS) is the main component of the PSE – accounting for around two-thirds of the total support provided over the period 2013-15. MPS is mostly determined by the use of border measures for several agricultural products like maize, rice, poultry, milk, sugar, and pig meat. Budgetary transfers accounted for 22% of the PSE during 2013-15 and have been dominated by payments based on variable input use. Budgetary payments to general services to support the sector as a whole, or GSSE have been relatively small, accounting on average for only 16% of the total support estimate (TSE). Expenditures on these items include: agricultural research and transfer, infrastructure particularly in irrigation and farm restructuring.

Figure 2.6. **Colombia: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374465>

Main policy changes

A new policy framework, *Colombia Siembra*, was created in 2015 and aims to raise agricultural production through an increase in the planted area and yields of several crops. It plans to create a zoning programme, a risk management programme and a range of financial instruments for producers, as well as to improve extension and technical assistance services. Several institutional reforms took place in 2015. For instance, the INCODER, the institution in charge of rural development and land issues, was dismantled and its functions will be implemented by several newly created agencies as of end 2016. Three main agencies were created in its place: the National Land Agency (*Agencia Nacional de Tierras, ANT*); the Rural Development Agency (*Agencia de Desarrollo Rural, ADR*); and the Renovation of Territory Agency (*Agencia de Renovación de Territorio, ART*). A new important programme was created in 2015 to deliver budgetary support to agriculture: 75% of the programme is delivering general services such as irrigation, marketing and promotion and

extension services. The remainder of transfers is given through a range of different input subsidies to farmers. In 2015, the Colombian government implemented a series of trade policy measures. All tariffs for fertilisers and pesticides imports were dismantled. Tariffs for beans, lentils, and garlic were set to 0% (until June 2016) as well as for palm oil (until August 2016). Tariffs for sugar were set to a maximum of 70% from a 117% in previous years.

Assessment and recommendations

- The agricultural sector in Colombia faces a wide series of structural and institutional challenges that hinder competitiveness. Underinvestment in public goods and services, poor land management, unsuccessful land tenure reforms (more than 40% of land ownership continues to be informal) and the long-running internal conflict, have deeply affected the performance of the Colombian agricultural sector.
- The sector is mostly supported through measures that distort markets, while general services have been neglected. Market price support (MPS) is the dominant form of support to producers and is provided through border protection through high import tariffs, tariff rate quotas and in particular the Andean Price Band System (SAFP). Colombia also implements a range of policies aimed at price stabilisation (Price Stabilisation Funds, FEP) which contribute to the high levels of price support. An assessment of the effectiveness of the Price Stabilisation Funds used in several agricultural products could be carried out.
- Critical areas such as infrastructure, agricultural research and development (R&D) and agricultural knowledge transfer and farm restructuring continue to receive limited support. Short term responses to the problems faced by agricultural producers have diverted scarce economic resources from the need to develop the enabling environment for more inclusive and sustainable agricultural growth. Input subsidies are an important feature of the policy landscape, and dominate the budgetary transfers to producers. Specific programmes are also in place related to land rights.
- Programmes should be more targeted to specific objectives and overlap between measures should be reduced. The majority of programmes cover very broad and different areas and are implemented through a bundle of policy instruments with unclear impact.
- A thorough review and impact assessment of the wide array of policy instruments and programmes to support agriculture, including those implemented by private producer associations with government support would allow the redefinition and reorganisation of policy instruments based on evidence of costs and benefits. Institutional co-ordination should be improved and information better disseminated to farmers.
- Colombia faces the twin challenges of high concentration of land ownership and the under-exploitation of arable land. Improved land rights should contribute to long-term growth in the agriculture sector and promote rural development.

Table 2.6. Colombia: Estimates of support to agriculture

Million COP


	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	14 671 678	58 847 982	52 221 879	57 006 000	67 316 067
<i>of which: share of MPS commodities (%)</i>	72.9	76.6	76.2	77.7	76.0
Total value of consumption (at farm gate)	10 956 358	49 612 279	46 313 245	47 208 934	55 314 659
Producer Support Estimate (PSE)	3 376 350	10 058 799	11 010 188	9 603 613	9 562 595
Support based on commodity output	3 194 820	8 097 889	9 260 465	7 240 737	7 792 465
Market Price Support ¹	3 167 108	7 378 748	7 749 141	6 836 459	7 550 643
Payments based on output	27 712	719 141	1 511 323	404 279	241 823
Payments based on input use	180 958	1 874 349	1 490 041	2 362 876	1 770 130
Based on variable input use	130 669	1 136 001	1 035 400	1 355 873	1 016 730
with input constraints	112 678	719 036	768 588	641 401	747 118
Based on fixed capital formation	23 536	421 331	272 513	529 355	462 126
with input constraints	5 049	190 197	144 730	223 804	202 057
Based on on-farm services	26 753	317 017	182 128	477 648	291 274
with input constraints	0	122 847	94 673	206 441	67 426
Payments based on current A/An/R/I, production required	572	86 561	259 682	0	0
Based on Receipts / Income	0	0	0	0	0
Based on Area planted / Animal numbers	572	86 561	259 682	0	0
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	22.6	16.6	19.8	16.1	13.8
Producer NPC (coeff.)	1.28	1.14	1.21	1.11	1.11
Producer NAC (coeff.)	1.29	1.20	1.25	1.19	1.16
General Services Support Estimate (GSSE)	319 320	1 858 234	2 138 354	1 625 823	1 810 525
Agricultural knowledge and innovation system	80 888	567 185	378 562	566 341	756 651
Inspection and control	10 938	128 891	153 772	134 298	98 604
Development and maintenance of infrastructure	227 494	1 090 820	1 597 780	860 302	814 377
Marketing and promotion	0	70 805	8 239	64 881	139 293
Cost of public stockholding	0	0	0	0	0
Miscellaneous	0	533	0	0	1 600
Percentage GSSE (% of TSE)	8.7	15.6	16.3	14.5	15.9
Consumer Support Estimate (CSE)	-3 106 812	-7 468 316	-8 547 715	-5 755 832	-8 101 400
Transfers to producers from consumers	-2 873 678	-6 070 802	-7 594 218	-4 673 609	-5 944 578
Other transfers from consumers	-241 887	-1 441 945	-983 197	-1 115 995	-2 226 644
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	8 753	44 432	29 701	33 771	69 823
Percentage CSE (%)	-28.2	-15.1	-18.5	-12.2	-14.6
Consumer NPC (coeff.)	1.40	1.18	1.23	1.14	1.17
Consumer NAC (coeff.)	1.39	1.18	1.23	1.14	1.17
Total Support Estimate (TSE)	3 695 670	11 917 032	13 148 541	11 229 436	11 373 120
Transfers from consumers	3 115 565	7 512 747	8 577 416	5 789 604	8 171 223
Transfers from taxpayers	821 992	5 846 231	5 554 323	6 555 827	5 428 541
Budget revenues	-241 887	-1 441 945	-983 197	-1 115 995	-2 226 644
Percentage TSE (% of GDP)	3.0	1.6	1.9	1.5	1.4
GDP deflator (1995-97=100)	100	1 488	1 201	1 378	1 884

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Colombia are: maize, rice, sugar, milk, beef and veal, pig meat, poultry, eggs, bananas, plantains, coffee, palm oil and flowers.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

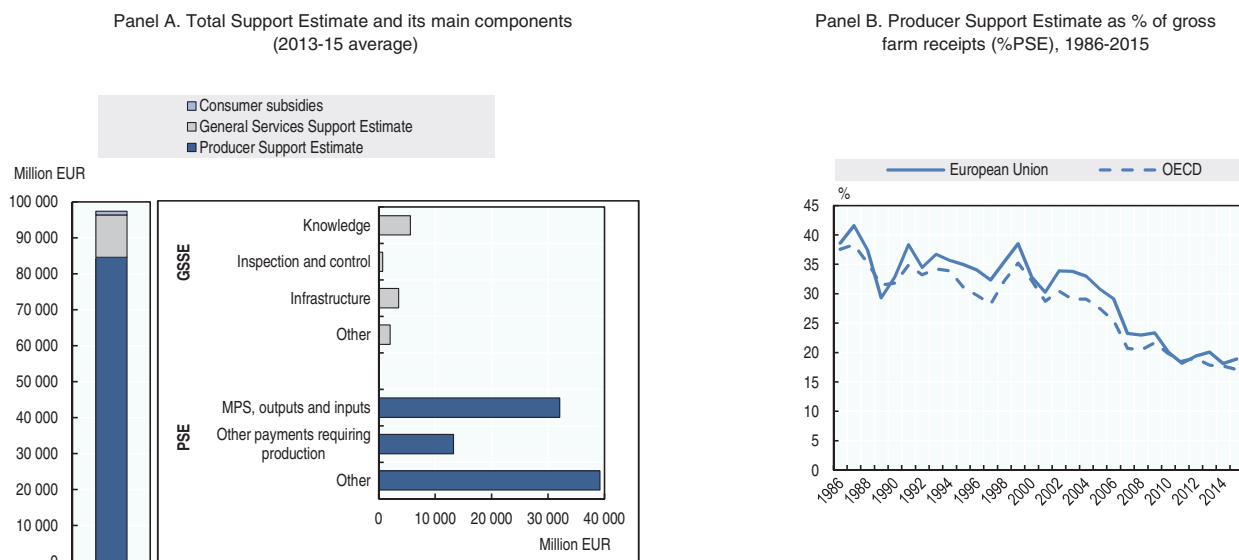
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2.7. European Union

Support to agriculture

The European Union has gradually reduced its support to agriculture since the mid-1990s. New instruments, in particular payments that do not require production have gained weight. However production-linked support rose in 2015 as prices increased on average at the EU level in a context of lower world prices. An overwhelming share of support to the sector, as measured by the TSE, goes to producers (more than 85%). Investments in knowledge and infrastructures are the main components of general services to the sector at large, as measured by the GSSE.

Figure 2.7. **European Union: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink <http://dx.doi.org/10.1787/888933374473>

Main policy changes

The main policy developments are linked to the phasing out of the CAP 2007-13 and the progressive implementation of the CAP 2014-20. Also of importance were the end of the milk production quota in April 2015 and the introduction of a number of emergency measures aiming to offset the market and income effects of a ban imposed since 7 August 2014 by the Russian Federation on imports of selected agricultural products from the European Union.

Assessment and recommendations

- Policy reforms since 1986-88 have considerably reduced the level and improved the composition of support. Payments that do not require production have gained weight. They offer producers the flexibility to respond to market signals and to make their production choices independently from government intervention. The end of the milk production quota in 2015 and the sugar quota in 2017 are important further steps away from production and trade distorting measures. However policy instruments remain in some sectors that disconnect prices paid to producers from world market prices. In 2015, they accounted for 32% of support to producers as measured by the PSE.

- The share of payments requiring production has increased. Payments that encourage specific commodity production are not evenly used across member states; they influence production choices at the farm level and may distort competition. The CAP 2014-20's small farmers scheme and the flexibility to introduce higher payment rates for the first hectares have redistributive effects, they may slow structural adjustment. Thirty per cent of direct payments are conditional to farming practices targeted to the environment; while exceptions to cross-compliance and "greening" requirements are permitted. The efficiency of greening measures should be assessed against the ambition to enhance the enforcement of environmental stewardship.
- Market access for agricultural products has improved through bilateral agreements and the reduction of applied tariffs. However, import and export licensing, Tariff Rate Quotas (TRQs) and special safeguards continue to apply to a number of products.
- Substantial progress has been made in reducing the level of support and the share of production and trade distorting support. However the CAP 2014-20 partly reverses this trend. Commodity-specific payments have increased as EU member states have used greater flexibility to implement coupled payments. Amendments to the CAP should focus on offering European farmers a levelled playing field, deepening market orientation and better targeting support to improve the long-term productivity, sustainability and efficiency of the sector. The allocation of a greater share of the budget to research and innovation programmes under the Horizon 2020 is a move in the right direction.

Table 2.7. European Union: Estimates of support to agriculture

Million EUR	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	211 380	239 230	379 526	385 031	385 031	368 516
<i>of which: share of MPS commodities (%)</i>	75.0	73.7	74.3	74.9	74.4	73.7
Total value of consumption (at farm gate)	188 226	230 175	368 198	382 577	364 920	357 096
Producer Support Estimate (PSE)	88 003	94 352	84 566	91 018	81 560	81 119
Support based on commodity output	79 854	57 676	20 553	23 185	17 039	21 435
Market Price Support ¹	74 791	54 160	19 923	22 499	16 357	20 913
Payments based on output	5 063	3 516	630	686	681	522
Payments based on input use	4 544	6 487	11 545	11 709	11 220	11 706
Based on variable input use	872	2 292	4 384	4 400	4 512	4 238
with input constraints	0	0	48	44	54	45
Based on fixed capital formation	2 685	2 541	5 652	5 596	5 291	6 069
with input constraints	0	86	86	106	62	89
Based on on-farm services	987	1 654	1 510	1 713	1 417	1 399
with input constraints	82	427	6	8	8	3
Payments based on current A/An/R/I, production required	3 212	29 865	13 173	14 443	13 675	11 402
Based on Receipts / Income	132	64	828	1 002	710	772
Based on Area planted / Animal numbers	3 080	29 801	12 345	13 441	12 964	10 630
with input constraints	852	11 373	10 398	11 309	10 929	8 956
Payments based on non-current A/An/R/I, production required	0	0	98	100	112	83
Payments based on non-current A/An/R/I, production not required	0	24	36 788	38 790	37 068	34 504
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	24	36 788	38 790	37 068	34 504
with commodity exceptions	0	0	9 875	15 420	14 174	31
Payments based on non-commodity criteria	428	988	2 109	2 651	2 302	1 374
Based on long-term resource retirement	426	882	518	634	555	366
Based on a specific non-commodity output	2	106	1 522	1 931	1 670	964
Based on other non-commodity criteria	0	0	69	86	76	43
Miscellaneous payments	-35	-687	300	139	146	614
Percentage PSE (%)	39.2	33.8	19.0	20.1	18.1	18.9
Producer NPC (coeff.)	1.70	1.33	1.06	1.07	1.05	1.07
Producer NAC (coeff.)	1.65	1.51	1.24	1.25	1.22	1.23
General Services Support Estimate (GSSE)	8 237	8 646	11 830	11 572	11 756	12 160
Agricultural knowledge and innovation system	1 638	3 148	5 611	5 221	5 668	5 943
Inspection and control	176	234	686	639	701	717
Development and maintenance of infrastructure	1 200	1 687	3 519	3 601	3 540	3 417
Marketing and promotion	1 087	1 665	1 956	2 059	1 805	2 004
Cost of public stockholding	4 114	1 865	22	15	8	43
Miscellaneous	22	47	36	37	34	36
Percentage GSSE (% of TSE)	8.2	8.1	12.2	11.1	12.5	12.9
Consumer Support Estimate (CSE)	-65 516	-47 051	-18 628	-21 189	-15 136	-19 560
Transfers to producers from consumers	-75 427	-51 952	-19 839	-22 297	-15 905	-21 315
Other transfers from consumers	-1 501	-486	-432	-712	-322	-262
Transfers to consumers from taxpayers	4 515	4 011	1 040	1 517	910	693
Excess feed cost	6 897	1 376	603	303	182	1 325
Percentage CSE (%)	-35.7	-20.8	-5.1	-5.6	-4.2	-5.5
Consumer NPC (coeff.)	1.70	1.30	1.06	1.06	1.05	1.06
Consumer NAC (coeff.)	1.56	1.26	1.05	1.06	1.04	1.06
Total Support Estimate (TSE)	100 755	107 010	97 435	104 107	94 227	93 972
Transfers from consumers	76 928	52 438	20 271	23 009	16 228	21 577
Transfers from taxpayers	25 327	55 057	77 596	81 809	78 321	72 656
Budget revenues	-1 501	-486	-432	-712	-322	-262
Percentage TSE (% of GDP)	2.6	1.5	0.7	0.8	0.7	0.7
GDP deflator (1986-88=100)	100	139	189	187	189	191


Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

EU12 for 1986-88; EU15 for 1995-97; EU27 for 2012-13; and EU28 from 2014 when available.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for the European Union are: wheat, maize, barley, oats, rice, rapeseed, sunflower, soybean, sugar, milk, beef and veal, sheep meat, pig meat, poultry, eggs, potatoes, tomatoes, plants and flowers, and wine.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375865>

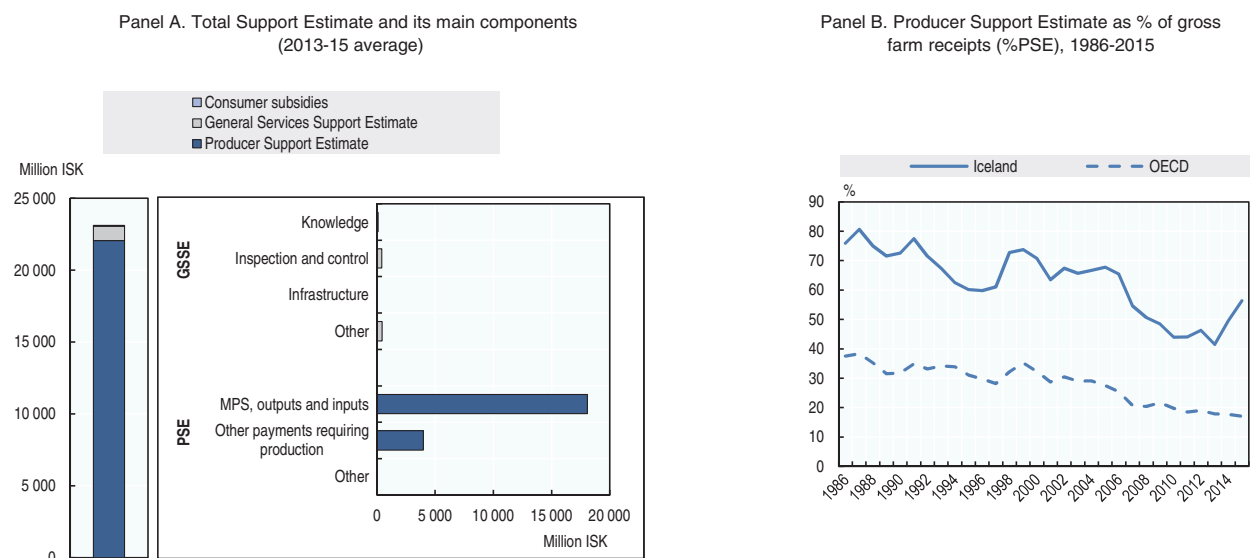
2.8. Iceland

Support to agriculture

Iceland's level of support remains among the highest within the OECD, although it has fallen significantly notably during the second half of the last decade due to higher world market prices and a strong devaluation of the Icelandic Króna. Reforms of the agricultural policies in Iceland have been limited, with a shift towards more decoupled payments in the sheep meat sector in the mid-1990s and the establishment of a market for dairy quotas. Nonetheless, due to falling international reference prices for dairy products, and to a lesser extent pig meat, support levels have picked up again in 2014 and 2015 to reach their highest level in almost ten years. The direct support to farmers (PSE) is the dominant part of the total support to agriculture. The Total Support Estimate has averaged -1.1% of the country's GDP in recent years. In contrast, support to general services corresponded to just over 4% of the total support, with much of it related to expenditures for inspection and control systems through the Agricultural Authority of Iceland.

Iceland continues to provide agricultural support through significant market price support (MPS), maintained by border measures, and through direct payments based on payment entitlements which are directly or indirectly coupled with production factors. Although it has fallen by about half over the period analysed in this report, the share of MPS in the total support to farmers continues to represent around 40% and has increased to 55% in 2015. Output payments for milk producers and the more decoupled payments to sheep meat producers represent most of the remaining PSE. As a consequence, three-quarters of farm support is provided through some of the most distorting forms, largely preventing farmers from receiving market signals and responding to them.

Figure 2.8. Iceland: Level, structure and evolution of agricultural support



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374485>

Main policy changes

Within the continued application of the current multi-year agreements between the Government of Iceland and the Farmer's Association, changes to the agricultural policy are limited. Responding to increasing domestic demand, the milk production quota was increased by some 20% between 2013 and 2015. During that period, a number of production levies for producers of milk, sheep meat and horse meat were abolished. Finally, new regulations on the welfare of livestock aim to ensure the appropriate holding, care and medical treatment of livestock animals.

Assessment and recommendations

- Iceland continues to provide high levels of agricultural support in forms known to distort agricultural production and trade and to prevent farmers from receiving market signals and responding to them. To reduce the level of support and its distortive effects in a sustainable manner, policies need to be changed away from border protection and in favour of measures less linked to production. The payments to sheep producers introduced in the mid-1990s are a step in this direction, even though some sheep holding needs to be maintained to remain eligible.
- Reforms need to efficiently target explicit policy objectives, including the protection of the environment and the conservation of natural resources, while reducing market distortions. The new animal welfare regulations are a good example, but an increasing share of support to farmers should be directly linked to the avoidance of negative externalities and the provision of public goods.
- More emphasis should also be given to a well-functioning agricultural knowledge and information system, for which public expenditures have been declining over the past decade.

Table 2.8. Iceland: Estimates of support to agriculture

Million ISK


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	9 644	10 326	33 463	32 004	33 956	34 429
<i>of which: share of MPS commodities (%)</i>	80.3	73.5	80.5	79.9	79.4	82.1
Total value of consumption (at farm gate)	8 388	9 706	28 852	28 274	29 364	28 916
Producer Support Estimate (PSE)	7 909	8 825	22 062	17 901	22 401	25 884
Support based on commodity output	7 374	7 645	16 801	12 684	17 177	20 542
Market Price Support ¹	7 307	4 533	10 755	6 762	11 141	14 361
Payments based on output	66	3 112	6 046	5 922	6 036	6 180
Payments based on input use	536	337	1 278	1 301	1 270	1 264
Based on variable input use	129	0	269	228	305	275
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	233	126	550	609	513	528
with input constraints	0	0	0	0	0	0
Based on on-farm services	174	210	459	464	452	461
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	-49	-181	168	192	118	192
Based on Receipts / Income	-49	-181	-476	-436	-529	-463
Based on Area planted / Animal numbers	0	0	644	628	647	656
with input constraints	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	1 011	3 815	3 724	3 836	3 886
Payments based on non-current A/An/R/I, production not required	48	14	0	0	0	0
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	48	14	0	0	0	0
with commodity exceptions	48	14	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	77.2	60.4	49.1	41.5	49.5	56.3
Producer NPC (coeff.)	4.22	2.32	1.76	1.50	1.75	2.02
Producer NAC (coeff.)	4.44	2.52	1.99	1.71	1.98	2.29
General Services Support Estimate (GSSE)	731	927	989	949	989	1 029
Agricultural knowledge and innovation system	187	327	104	109	99	105
Inspection and control	37	88	411	384	420	429
Development and maintenance of infrastructure	91	187	27	23	24	34
Marketing and promotion	58	75	44	40	41	51
Cost of public stockholding	359	249	403	393	405	410
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	6.8	9.1	4.4	5.0	4.2	3.8
Consumer Support Estimate (CSE)	-4 566	-4 012	-9 904	-6 504	-10 346	-12 862
Transfers to producers from consumers	-6 421	-4 340	-9 969	-6 568	-10 412	-12 928
Other transfers from consumers	-51	-35	0	0	0	0
Transfers to consumers from taxpayers	1 906	363	65	63	65	66
Excess feed cost	0	0	0	0	0	0
Percentage CSE (%)	-70.4	-42.9	-34.3	-23.1	-35.3	-44.6
Consumer NPC (coeff.)	4.44	1.82	1.55	1.30	1.55	1.81
Consumer NAC (coeff.)	3.50	1.75	1.55	1.30	1.55	1.80
Total Support Estimate (TSE)	10 546	10 115	23 116	18 913	23 455	26 979
Transfers from consumers	6 472	4 375	9 969	6 568	10 412	12 928
Transfers from taxpayers	4 124	5 775	13 147	12 346	13 044	14 051
Budget revenues	-51	-35	0	0	0	0
Percentage TSE (% of GDP)	5.0	2.1	1.1	1.0	1.2	1.2
GDP deflator (1986-88=100)	100	211	487	465	483	514

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Iceland are: milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375878>

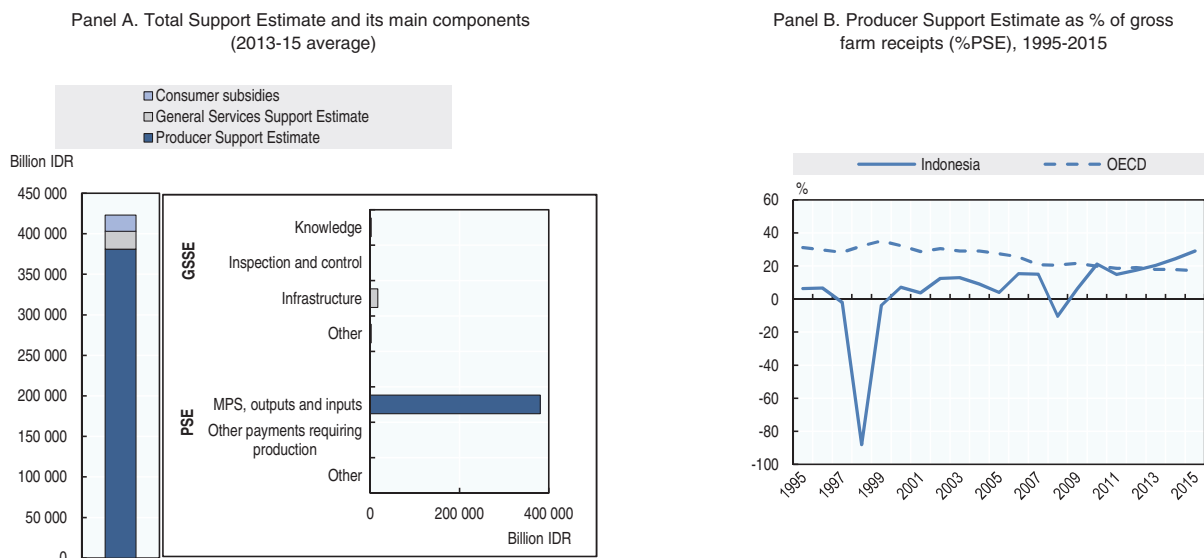
2.9. Indonesia

Support to agriculture

Indonesia's current agricultural policy settings were put in place in 2012 with the implementation of a series of reforms accompanying the new Food Law. These reforms saw a rise in the importance of food sovereignty and food self-reliance as the guiding principles underpinning agricultural policy. In practical terms, this has led to the implementation of policies and programmes to achieve self-sufficiency (a long-standing policy) in a number of products – those of rice, maize, soybeans, sugar and beef.

Producer support to agriculture in Indonesia has increased significantly in recent years. The pressures to increase self-sufficiency through market interventions have seen significant gaps appear between domestic and world market prices – these gaps have been compounded by the recent moderating of world market prices. With the vast majority of support provided in the form of market price support, Indonesia's percentage PSE rose from 20% of gross farm receipts in 2013 to 29% in 2015. Due to agriculture's large share in the domestic economy, total support to agriculture (%TSE) is also large at 4% – the highest of all countries examined. In contrast, support provided in the form of payments to general services to agriculture (GSSE) is relative low, and between 2013-15 average 5.2% of TSE.

Figure 2.9. **Indonesia: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink  <http://dx.doi.org/10.1787/888933374491>

Main policy changes

During 2015-16, Indonesia has maintained the main features of its agricultural policy settings that were adopted in 2012. Market price support delivered through domestic and trade policy settings, along with budgetary transfers for variable inputs (mainly in the form of subsidies to fertiliser, seeds and credit) have been the main form of support provided to producers. The Government maintains minimum purchase prices for sugar, soybeans and paddy rice. Similarly, Indonesia has maintained its export tax arrangements related to palm oil and cocoa, but in 2015, announced plans to increase the biofuels mandate to blend 20% palm biodiesel, up from 15%.

Fertiliser subsidies remain the most significant component of budgetary outlays provided to the sector. Funding for these has increased, with some of the savings generated by reforms to the country's fuel subsidy arrangements being channelled into this policy area. Government investment in irrigation infrastructure also continued to grow in 2015 as the Government of Indonesia has continued its push to improve the country's irrigation infrastructure. Much of this is targeted towards rice production.

For rice, BULOG maintains its market operations and purchasing functions. However, the effects of trade barriers associated with Indonesia's self-sufficiency policies have maintained domestic rice prices consistently above international prices. The market price support schemes for rice remain the most important contributor to the longer run significant increases in the level of support in Indonesia, as measured by PSEs, explaining close to 40% of the total PSE in this country in 2015. To counter some of these price effects, BULOG has continued to distribute rice within the RASKIN system. In 2015, this entailed large budgetary transfers to support the system of close to IDR 21 trillion (USD 1.7 billion), up from close to IDR 19 trillion spent in 2014 (USD 1.4 billion).

Assessment and recommendations

The current direction of Indonesian agricultural policy has seen significant price gaps appear between domestic and international markets. The policy focus has been on self-sufficiency as a tool to achieve food security and food accessibility. However, the observed price effects are likely to be working against some of the main objectives that underpin the Food Law of 2012. And while the RASKIN programme has been put in place to improve food accessibility for poor households, recent OECD analysis has brought into question the effectiveness of this programme in improving food security as measured by rates of undernourishment (OECD, 2015).

A number of reforms to the current policy setting would, if implemented, better situate Indonesian agriculture to contribute to improvements in food security, improve its productivity performance and to increase the accessibility of food to citizens.

- To ease dependence on rice supplies, and deliver greater improvements in food security, Indonesia might consider reforming the RASKIN system through replacing the in-kind rice distribution with conditional cash transfers.
- Fertilizer subsidies have been found to be costly and the extent to which benefits accrue to farmers has been questioned. A more efficient scheme would be to convert these subsidies to decoupled payments per unit of land as has been progressively implemented in China.
- A greater focus should be placed on policies that combat poverty and stimulate domestic productivity through investments in infrastructure, the innovation system and through easing constraints on private investment in agriculture. Budgetary savings from reduced input subsidises could be re-allocated to reinforce Indonesia's Agricultural Innovation System and to improve long-term agricultural productivity.
- Indonesia applies a growing number of administrative requirements on agro-food imports related to food safety, quarantine, product standards and labelling. The combination of these requirements, uneven enforcement and poor transparency over changing rules is adding to trade costs. Ensuring that requirements are set on a scientific basis and improving transparency and consistency in application should help ease these growing costs.

Table 2.9. Indonesia: Estimates of support to agriculture

Million IDR	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	82 758 356	1 500 805 695	1 365 194 458	1 524 403 609	1 612 819 018
<i>of which: share of MPS commodities (%)</i>	68.3	61.8	62.7	64.3	58.5
Total value of consumption (at farm gate)	78 785 517	1 310 545 924	1 242 333 736	1 282 746 686	1 406 557 350
Producer Support Estimate (PSE)	2 916 704	381 145 823	283 755 274	378 198 030	481 484 164
Support based on commodity output	2 140 286	348 536 563	258 739 919	346 595 459	440 274 309
Market Price Support ¹	2 140 286	348 536 563	258 739 919	346 595 459	440 274 309
Payments based on output	0	0	0	0	0
Payments based on input use	769 754	32 013 831	24 532 409	30 602 570	40 906 513
Based on variable input use	429 579	26 045 066	19 798 916	23 523 189	34 813 093
with input constraints	0	0	0	0	0
Based on fixed capital formation	310 214	5 649 921	4 636 261	6 977 732	5 335 770
with input constraints	7 873	50 308	64 032	86 358	534
Based on on-farm services	29 961	318 843	97 232	101 649	757 650
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	6 664	595 430	482 947	1 000 000	303 342
Based on Receipts / Income	6 664	595 430	482 947	1 000 000	303 342
Based on Area planted / Animal numbers	0	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	3.6	24.6	20.4	24.3	29.1
Producer NPC (coeff.)	1.03	1.32	1.25	1.32	1.40
Producer NAC (coeff.)	1.04	1.33	1.26	1.32	1.41
General Services Support Estimate (GSSE)	1 140 356	22 001 525	18 408 549	20 183 854	27 412 174
Agricultural knowledge and innovation system	248 204	2 454 514	2 371 251	2 200 154	2 792 138
Inspection and control	59 838	678 452	736 876	587 483	710 998
Development and maintenance of infrastructure	829 971	16 842 306	12 851 822	14 749 051	22 926 044
Marketing and promotion	1 884	244 211	183 768	167 287	381 579
Cost of public stockholding	0	1 734 568	2 206 013	2 433 247	564 445
Miscellaneous	459	47 474	58 820	46 632	36 969
Percentage GSSE (% of TSE)	..	5.2	5.7	4.8	5.2
Consumer Support Estimate (CSE)	-2 504 026	-390 091 329	-313 529 318	-380 145 718	-476 598 951
Transfers to producers from consumers	-2 490 741	-387 687 989	-299 168 018	-383 000 831	-480 895 117
Other transfers from consumers	-26 503	-34 228 186	-41 385 623	-30 547 344	-30 751 590
Transfers to consumers from taxpayers	50 433	20 034 504	20 310 112	18 800 000	20 993 400
Excess feed cost	-37 216	11 790 342	6 714 211	14 602 458	14 054 356
Percentage CSE (%)	-3.3	-30.0	-25.7	-30.1	-34.4
Consumer NPC (coeff.)	1.04	1.48	1.38	1.48	1.57
Consumer NAC (coeff.)	1.04	1.43	1.35	1.43	1.52
Total Support Estimate (TSE)	4 107 493	423 181 852	322 473 935	417 181 883	529 889 738
Transfers from consumers	2 517 244	421 916 175	340 553 641	413 548 176	511 646 707
Transfers from taxpayers	1 616 752	35 493 863	23 305 917	34 181 052	48 994 621
Budget revenues	-26 503	-34 228 186	-41 385 623	-30 547 344	-30 751 590
Percentage TSE (% of GDP)	0.8	4.0	3.4	4.0	4.6
GDP deflator (1995-97=100)	100	364	356	363	373

.. Not available.

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Indonesia are: palm oil, cocoa beans, cassava, bananas, rubber, coffee, maize, rice, soybean, sugar, milk, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

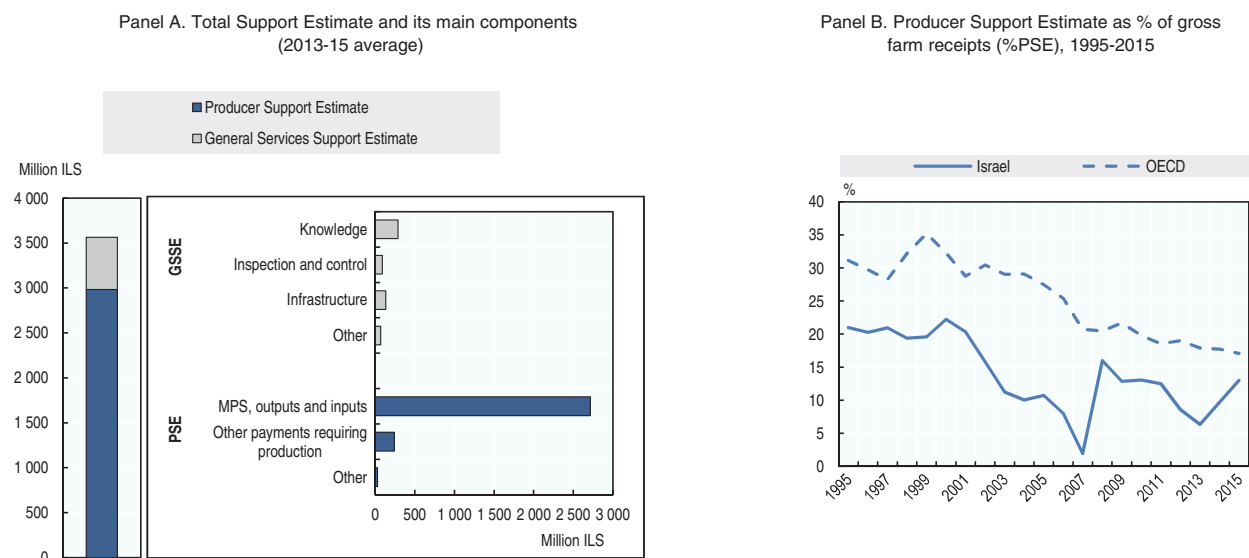
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2.10. Israel

Support to agriculture

In less than 20 years, producer support in Israel has been halved, and is currently seven percentage points below the OECD average (Figure 2.10). Potentially most distorting support still dominates and represents 86% of support provided to producers. Some commodities continue to be subject to price controls. As domestic prices have not come down to the same degree as international prices in recent years the price gap with international markets widened and producer support rose. Total support to agriculture (TSE) was 0.3% of GDP in 2013-15. Direct support to producers (PSE) accounts for 9.7% of the TSE and this support is composed predominantly of payments based on output (including MPS) and input use. The share of the General Services Support Estimate (GSSE) in total support has declined but payments financing the Agricultural Knowledge and Innovation System have increased over time and now represent more than half of GSSE expenditure in recent years.

Figure 2.10. **Israel: Level, structure and evolution of agricultural support**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2016), "Producer and Consumer Support Estimates", *OECD Agriculture Statistics* (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink  <http://dx.doi.org/10.1787/888933374509>

While the level of price distortion for all products has fallen over the long term (as measured by the NPC), prices of selected products continue to be regulated by the government and trade barriers applied at the border remain high. During the last two decades, the share of MPS in total support has increased from 56% to 60%. However, the increase in MPS was offset by a reduction in payments based on input, keeping the share of potentially most distorting support unchanged over the period.

Main policy changes

Due to the dissolution of the Israeli Parliament in December 2014, the state budget was not approved until the 4th quarter of 2015 and most reforms announced in the previous fiscal year were kept on hold for the major part of this year. Despite this, there were some

changes over the period. In early 2015, two laws that are expected to increase competition among both wholesalers and retailers came in force. The Israeli government also continued its efforts to reduce support to agriculture by increasing the target price of water for agricultural use and by reducing guaranteed prices for a number of commodities. However, for some products guaranteed prices were reduced by less than the fall in international prices over the same period. Thus, the positive price differential for these products increased considerably. This is the dominant factor behind the overall rise in support for Israeli agriculture in 2015. In addition, there was an increase in subsidies for insurance schemes for farmers following the decision to extend the eligibility criteria for these programs. In 2014, the Israeli government announced its commitment to gradually increase duty-free quotas on a range of dairy products. In anticipation of the decision to increase import quotas, compensatory measures for producers were proposed in June 2015.

Assessment and recommendations

- Since 1995, Israel has reduced support to agriculture as a result of domestic policy reforms and lower border protection resulting from bilateral trade liberalisation agreements. Recent world price declines have led to an increase in support in 2015.
- While the level of support to agriculture has fallen over the long term, its composition remains trade- and production distorting. This mostly reflects the continued high share of support to farm inputs and high border protection for agricultural commodities, which pushes domestic prices above international levels.
- Transfers to farmers from consumers through market price support policies, sustained by a complex system of border protection measures should further be reduced.
- There is a wide range of policy reforms that could be undertaken to improve the efficiency of the Israeli agricultural sector and its international competitiveness while reducing the cost to taxpayers and consumers. In addition to structural reforms, such as diminishing administrative burdens on agricultural land market transactions, Israel could implement and extend the reforms announced in 2012 aimed at reducing and simplifying customs duties.
- The environmental performance of agriculture has been mixed and can be further improved, in particular with regard to water management. The recent implementation of a multiyear water quota for the farming sector combined with the increase in fees for fresh water should contribute to improving water use efficiency. However, the level of water price support remained high in 2015 and the reforms may prove to be insufficient to achieve the objectives agreed between the government and producers to fully recover average water supply costs.

Table 2.10. Israel: Estimates of support to agriculture

Million ILS

	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	11 651	30 068	30 191	30 005	30 007
<i>of which: share of MPS commodities (%)</i>	72.4	79.0	77.9	78.3	80.9
Total value of consumption (at farm gate)	9 274	22 483	22 241	22 594	22 616
Producer Support Estimate (PSE)	2 604	2 983	1 958	2 977	4 014
Support based on commodity output	1 755	2 229	1 303	2 247	3 137
Market Price Support ¹	1 691	2 165	1 235	2 183	3 077
Payments based on output	65	64	68	63	61
Payments based on input use	688	484	399	528	524
Based on variable input use	457	354	282	401	379
with input constraints	0	0	0	0	0
Based on fixed capital formation	183	75	58	89	78
with input constraints	0	0	0	0	0
Based on on-farm services	48	55	59	39	67
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	102	241	222	178	323
Based on Receipts / Income	97	205	201	136	278
Based on Area planted / Animal numbers	5	36	22	42	44
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	56	29	34	24	30
With variable payment rates	0	29	34	24	30
with commodity exceptions	0	0	0	0	0
With fixed payment rates	56	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	2	0	0	0	0
Percentage PSE (%)	20.7	9.7	6.3	9.7	13.0
Producer NPC (coeff.)	1.19	1.08	1.05	1.08	1.11
Producer NAC (coeff.)	1.26	1.11	1.07	1.11	1.15
General Services Support Estimate (GSSE)	390	582	607	603	537
Agricultural knowledge and innovation system	155	289	267	299	302
Inspection and control	56	91	83	95	95
Development and maintenance of infrastructure	11	133	192	138	69
Marketing and promotion	59	3	5	1	3
Cost of public stockholding	108	55	55	58	51
Miscellaneous	0	12	7	12	17
Percentage GSSE (% of TSE)	13.0	17.4	23.7	16.8	11.8
Consumer Support Estimate (CSE)	-2 336	-2 379	-1 540	-2 558	-3 037
Transfers to producers from consumers	-1 843	-2 035	-1 200	-2 102	-2 803
Other transfers from consumers	-513	-361	-368	-492	-223
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	20	18	28	36	-12
Percentage CSE (%)	-25.1	-10.6	-6.9	-11.3	-13.4
Consumer NPC (coeff.)	1.34	1.12	1.08	1.13	1.15
Consumer NAC (coeff.)	1.34	1.12	1.07	1.13	1.16
Total Support Estimate (TSE)	2 994	3 565	2 565	3 581	4 551
Transfers from consumers	2 355	2 396	1 568	2 594	3 026
Transfers from taxpayers	1 151	1 530	1 365	1 479	1 748
Budget revenues	-513	-361	-368	-492	-223
Percentage TSE (% of GDP)	0.9	0.3	0.2	0.3	0.4
GDP deflator (1995-97=100)	327	535	526	531	547

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Israel are: wheat, cotton, peanuts, tomatoes, peppers, potatoes, avocados, bananas, oranges, grapefruit, grapes, apples, milk, beef and veal, sheep meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

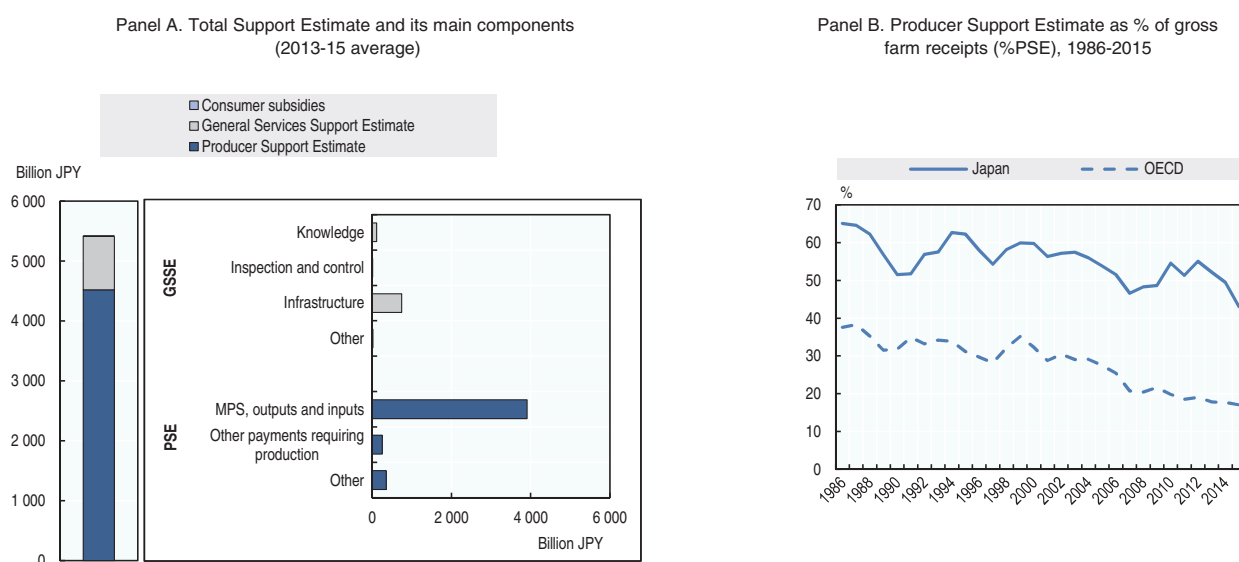
StatLink  <http://dx.doi.org/10.1787/888933375892>

2.11. Japan

Support to agriculture

Japan has gradually reduced its support to agriculture but the change is relatively moderate. Support remains high and averaged 48% of gross farm receipts in 2013-15 – almost three times the OECD average. Market price support (MPS) remains the main element of producer support and is sustained by trade barriers, in particular for rice. The total support estimate to agriculture (TSE) was around 1% of GDP in the most recent years, mostly composed of support to farmers (PSE). Less than one-sixth of total support is devoted to expenditures on General Services Support (GSSE) for the sector as a whole. Around 80% of the GSSE are payments for the development and maintenance of infrastructure.

Figure 2.11. **Japan: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374511>

Main policy changes

Japan adopted a new Basic Plan on Food Agriculture and Rural Areas in 2015, which lays out the strategic policy goals and plans for the next 10 years. The plan sets food self-sufficiency targets for the year 2025 on a calorie supply basis (45%) and on a production value basis (73%). Those lie above current ratios of 39% and 64% respectively. Developing the economic potential of agriculture and food processing is a main orientation of the plan and it stresses encouraging exports, innovation, and farmland protection. It also aims at instituting a voluntary scheme where farmers and the government would work jointly towards better balancing of demand and supply of rice and which would replace the current rice supply management system.

The area-based income support payment for upland crops, which was introduced in 2007, was recoupled with current area in 2015, while it was based on past area before 2014.

Japan and 11 other Pacific Rim nations concluded the Trans-Pacific Partnership (TPP) negotiations in late 2015. Under the agreement, market access of agricultural products, including for rice, pork, dairy, beef, wheat, and sugar, will be improved.

Assessment and recommendations

- Japan began implementing policy reforms based on the agricultural reform plan announced in 2013. These reforms present a mixed picture. While phasing out of the administrative allocation of rice production by the 2018 crop year is an important step to give farmers more freedom to respond to market signals, the remaining incentives to produce diversion crops, such as rice for feed and manufacturing, through commodity specific payments, will keep the price of rice high. Further efforts are needed to gradually reduce those measures and narrow the gap between domestic and international prices of rice, and to reduce production cost by facilitating farm size growth.
- Japan has made commitments to reduce border measures of some commodities under the TPP framework. Once implemented, this will be a move towards more market-orientation and has a potential to strengthen the competitiveness of the sector. However, Japan proposed various domestic measures to cushion the adverse effects of TPP on domestic producers such as revision of the income stabilisation programme for livestock producers and the purchase of rice for stock. These measures should be transitory and should be operated to further promote structural change and productivity growth of the sector.
- Japan has made significant efforts to promote land consolidation to “business farmers” certified by authorities. The establishment of the farmland bank, various types of supports for which only business farms are eligible, and the payment for young farmers could contribute structural change and productivity growth, but other factors that hamper the growth of efficient farms still remain in place. Land-use regulation should be made more transparent, with a more predictable framework for conversion from farmland to non-farmland use. Tax concessions on idled land should be reduced, so as to encourage its productive use.
- Japan’s current agricultural innovation system is characterised by a traditional top-down approach, where scientists in the public sector develop new technologies that are disseminated by extension officers to farmers. The agricultural innovation system should evolve to meet the needs of business farmers in a more inclusive, interactive and participatory approach, including reforms to public R&D funding, extension services and agricultural education.

Table 2.11. Japan: Estimates of support to agriculture

Billion JPY


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	10 610	10 128	8 428	8 467	8 364	8 452
<i>of which: share of MPS commodities (%)</i>	68.4	67.9	66.0	66.4	65.4	66.3
Total value of consumption (at farm gate)	14 298	15 070	12 200	12 185	12 734	11 682
Producer Support Estimate (PSE)	7 267	6 239	4 520	4 902	4 603	4 055
Support based on commodity output	6 740	5 822	3 761	4 156	3 854	3 274
Market Price Support ¹	6 519	5 651	3 578	3 973	3 669	3 092
Payments based on output	221	171	183	182	185	181
Payments based on input use	299	298	150	156	164	131
Based on variable input use	149	124	51	51	51	51
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	129	153	68	74	81	49
with input constraints	0	0	0	0	0	0
Based on on-farm services	21	21	31	31	31	30
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	0	252	238	204	314
Based on Receipts / Income	0	0	76	72	75	80
Based on Area planted / Animal numbers	0	0	176	166	129	234
with input constraints	0	0	42	8	8	111
Payments based on non-current A/An/R/I, production required	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	228	119	356	352	381	336
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	228	119	356	352	381	336
with commodity exceptions	228	119	258	216	250	308
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	64.0	58.1	48.2	52.2	49.5	43.1
Producer NPC (coeff.)	2.65	2.31	1.79	1.93	1.82	1.61
Producer NAC (coeff.)	2.78	2.40	1.94	2.09	1.98	1.76
General Services Support Estimate (GSSE)	1 266	2 054	894	964	903	815
Agricultural knowledge and innovation system	75	95	115	125	114	106
Inspection and control	8	10	11	12	11	11
Development and maintenance of infrastructure	1 118	1 858	746	807	756	675
Marketing and promotion	22	27	7	6	7	7
Cost of public stockholding	43	63	15	15	15	16
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	14.9	24.7	16.5	16.4	16.4	16.7
Consumer Support Estimate (CSE)	-8 910	-8 080	-4 932	-5 232	-5 068	-4 496
Transfers to producers from consumers	-6 423	-5 603	-3 579	-3 972	-3 670	-3 094
Other transfers from consumers	-2 483	-2 503	-1 358	-1 265	-1 403	-1 406
Transfers to consumers from taxpayers	-16	26	1	1	1	1
Excess feed cost	11	0	4	5	4	3
Percentage CSE (%)	-62.3	-53.6	-40.4	-42.9	-39.8	-38.5
Consumer NPC (coeff.)	2.66	2.17	1.68	1.75	1.66	1.63
Consumer NAC (coeff.)	2.65	2.16	1.68	1.75	1.66	1.63
Total Support Estimate (TSE)	8 518	8 318	5 415	5 867	5 507	4 871
Transfers from consumers	8 906	8 106	4 937	5 237	5 073	4 500
Transfers from taxpayers	2 095	2 715	1 836	1 894	1 837	1 777
Budget revenues	-2 483	-2 503	-1 358	-1 265	-1 403	-1 406
Percentage TSE (% of GDP)	2.3	1.6	1.1	1.2	1.1	1.0
GDP deflator (1986-88=100)	100	109	92	90	92	94

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Japan are: wheat, barley, soybean, rice, sugar, milk, beef and veal, pig meat, poultry, eggs, apples, chinese cabbage, cucumbers, grapes, mandarins, pears, spinach, strawberries and Welsh onions.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

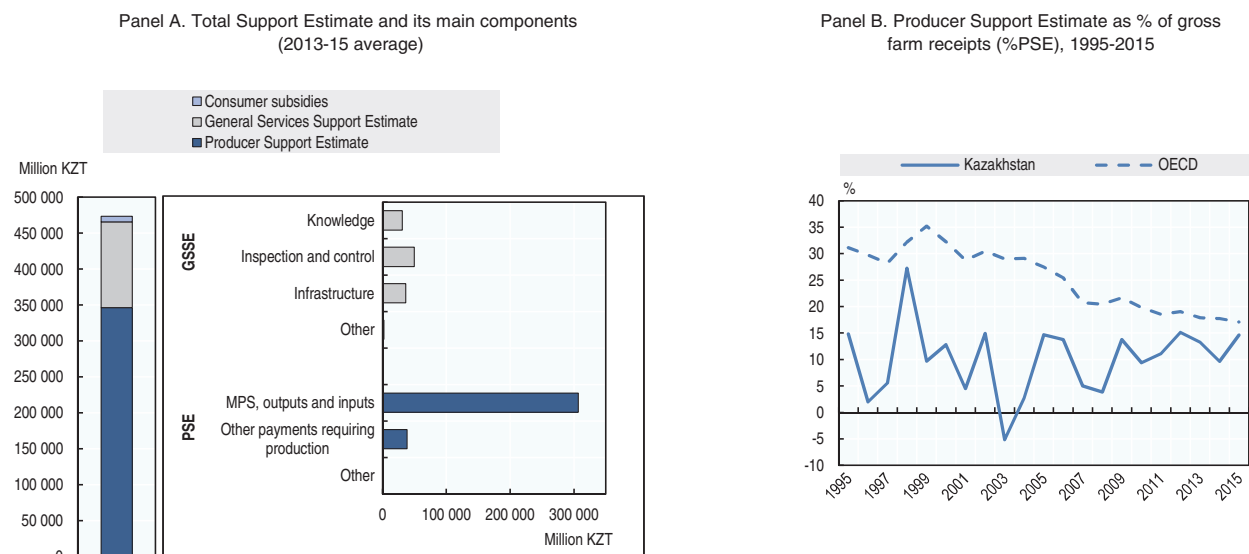
StatLink  <http://dx.doi.org/10.1787/888933375900>

2.12. Kazakhstan

Support to agriculture

The level of producer support fluctuated substantially prior to 2009 and has stabilised at around 12% in more recent years. In 2015, it rose to 15% from 10% in 2014. This strong increase was mainly related to substantially higher market price support (MPS), which accounted for around 40% of producer support. Budgetary transfers to producers are mainly in the form of subsidies to farm investments. Almost three-quarters of total support to agriculture (TSE) is provided to producers individually, the rest is directed to general services and supports food processors.

Figure 2.12. **Kazakhstan: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374523>

Main policy changes

A number of policy changes were implemented and approved during 2015 and early 2016. One decision was to abolish state purchases of grain as from January 2016. It was also decided to eliminate per hectare payments for priority crops, as well as a subsidy for cotton quality expertise and a seed subsidy. Changes to the land legislation allowing private ownership of agricultural land will take effect on 1 July 2016. Amendments to the Tax Law were approved to implement a five-fold increase in the land tax rate for agricultural enterprises as a measure to reduce non-cultivated agricultural land areas. A Law on Agricultural Co-operation that came into effect on 1 January 2016 facilitates the creation and operation of producer cooperatives and makes them eligible for a range of support measures. Kazakhstan's WTO accession is the major development in the trade area. The 19-year accession negotiations were closed on 22 June 2015 and the country became a WTO member on 30 November 2015.

Assessment and recommendations

- Several reforms were introduced to limit production and trade distorting support, most of them to be implemented in 2016.
- A broad agricultural debt restructuring has been implemented since 2013. This policy requires prudence in granting new concessions and monitoring compliance with new terms to avoid the creation of soft budget constraints which enable chronic loss-makers to continue operations.
- More transparent and competitive procedures to grant public support should be established to increase the effectiveness of the government support. The intended electronic system of subsidy payments would be a step in the right direction.
- The introduction of private ownership on agricultural land is an important step for developing a viable land market in the country, attracting long-term investment to the sector and improving land productivity.
- The elimination of per hectare payments for priority crops is welcome. However, making support payments and access to concessional credit conditional on compliance with regional specialisation schemes may erode the positive effect from this reform. It also may limit production diversification and therefore farm risk management capacities.
- A greater focus needs to be placed on enabling producers to better manage market and climate-related risks and on generating incentives for the sustainable use of natural resources. Developing a national system of extension services and improving attractiveness of rural areas to young professionals can present more effective policies for improving farm decision-making and performance than granting support conditioned on compliance with administratively specified requirements.
- A number of infrastructure projects launched recently have the potential to reduce weaknesses in the transport infrastructure and improve water and land management. Investments in these areas are essential to attain the stated agricultural development goals and will need to be pursued.

Table 2.12. **Kazakhstan: Estimates of support to agriculture**


Million KZT	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	269 202	2 554 226	2 386 104	2 527 890	2 748 684
<i>of which: share of MPS commodities (%)</i>	74.0	70.8	71.9	68.6	72.1
Total value of consumption (at farm gate)	245 430	2 336 543	2 411 975	2 532 749	2 064 905
Producer Support Estimate (PSE)	18 000	346 102	330 642	266 842	440 822
Support based on commodity output	17 670	171 476	252 000	53 694	208 733
Market Price Support ¹	17 670	144 509	228 106	27 559	177 861
Payments based on output	0	26 967	23 893	26 136	30 872
Payments based on input use	295	135 538	55 376	168 368	182 871
Based on variable input use	126	41 209	25 881	52 242	45 503
with input constraints	0	0	0	0	0
Based on fixed capital formation	169	91 968	27 131	113 918	134 856
with input constraints	0	0	0	0	0
Based on on-farm services	0	2 361	2 364	2 208	2 512
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	38 473	23 267	43 581	48 573
Based on Receipts / Income	0	0	0	0	0
Based on Area planted / Animal numbers	0	38 473	23 267	43 581	48 573
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	35	615	0	1 199	646
Percentage PSE (%)	7.5	12.5	13.3	9.6	14.6
Producer NPC (coeff.)	1.00	1.07	1.11	1.04	1.05
Producer NAC (coeff.)	1.08	1.14	1.15	1.11	1.17
General Services Support Estimate (GSSE)	926	119 576	77 611	149 978	131 137
Agricultural knowledge and innovation system	0	30 925	15 620	40 237	36 918
Inspection and control	823	49 765	60 181	46 795	42 320
Development and maintenance of infrastructure	103	36 586	559	58 516	50 683
Marketing and promotion	0	1 269	306	2 471	1 030
Cost of public stockholding	0	746	932	1 305	0
Miscellaneous	0	285	13	655	186
Percentage GSSE (% of TSE)	5.1	25.5	18.8	35.3	22.5
Consumer Support Estimate (CSE)	-5 786	-133 234	-219 850	-119 723	-60 130
Transfers to producers from consumers	-3 956	-129 086	-211 649	-104 870	-70 740
Other transfers from consumers	-861	-12 215	-12 681	-16 265	-7 699
Transfers to consumers from taxpayers	0	7 578	4 123	8 197	10 413
Excess feed cost	-969	490	356	-6 784	7 896
Percentage CSE (%)	0.5	-5.6	-9.1	-4.7	-2.9
Consumer NPC (coeff.)	1.03	1.06	1.10	1.05	1.04
Consumer NAC (coeff.)	1.03	1.06	1.10	1.05	1.03
Total Support Estimate (TSE)	18 925	473 255	412 377	425 017	582 373
Transfers from consumers	4 817	141 302	224 330	121 136	78 439
Transfers from taxpayers	14 969	344 169	200 728	320 146	511 632
Budget revenues	-861	-12 215	-12 681	-16 265	-7 699
Percentage TSE (% of GDP)	1.6	1.2	1.2	1.1	1.4
GDP deflator (1995-97=100)	100	809	770	811	846

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Kazakhstan are: wheat, rice, maize, barley, sunflower, potatoes, cotton, milk, beef and veal, pig meat, sheep meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375919>

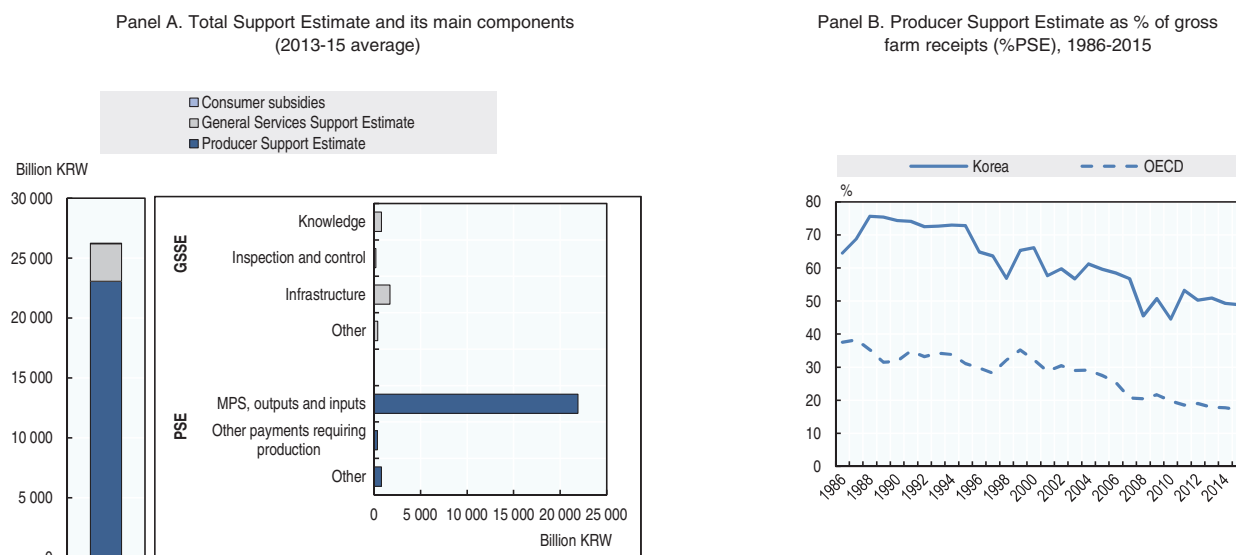
2.13. Korea

Support to agriculture

Korea has gradually reduced its support to agriculture especially in the last decade and very modest progress has been made towards more market oriented policies; however, producer support, as percentage of gross farm receipts (%PSE), is still almost three times higher than the OECD average. Korea has the fourth highest percentage PSE, following Switzerland, Norway and Iceland. The Total Support Estimate to agriculture (TSE) as percentage of GDP has significantly been reduced from 8.8% in 1986-88 to 1.8% in 2013-15. The transfer to individual farmers represents 86.1% of the TSE, while the General Services Support Estimate (GSSE) takes up 13.7% of the TSE. The expenditure on development and maintenance of infrastructure accounts for 46.5% of the GSSE, followed by Agricultural knowledge and innovation system.

The Market Price Support (MPS) is the dominant factor in the PSE for Korea, although the ratio of producer price to border price has been reduced from 3.35 in 1986-88 to 1.87 in 2015. As the government purchase programme for rice, in which the government paid a higher price than the market price, was abolished in 2005, Korea adopted a public stockholding scheme for rice, which is a purchase and release mechanism based on the current market price, supplemented with a rice income compensation scheme. This policy change increased direct payments to farmers.

Figure 2.13. Korea: Level, structure and evolution of agricultural support



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374537>

Main policy changes

As of 1 January 2015, the tariffication of rice went into effect, replacing the previous non-tariff measures. The tariff rate on rice imports is applied at 513%, but a minimum market access (MMA) volume of 408 700 tonnes is maintained at a 5% tariff rate. On the other hand, the government announced the mid-term plan to balance the supply and demand of rice by 2018 through a gradual reduction of production area, encouraging crop diversification and expanding consumption. To enhance innovation Korea announced the

plan to expand the “Smart Farm” concept: greenhouses and cattle sheds that can be remotely controlled using smart phones and PCs, and is starting to develop an improved farm production management models based on big data analysis.

Assessment and recommendations

- Although the share of support through budgetary payment schemes has gradually increased in most recent years through introducing new payment schemes and increasing the rate of payments, market price support still dominates. More than 90% of producer support is commodity specific, and concentrates on a limited number of products.
- Reforms of the rice production system should be a policy priority, and the plan to balance the supply and demand of rice is a first step in that direction.
- To improve market functioning and reduce distortive effects, direct payment schemes need to move away from production and price support toward measures to target explicit policy objectives which match the objectives of society, including the provision of the environmental services such as water management, flood buffering and biodiversity.
- Public investment for general services, especially the agricultural knowledge and innovation system, is relatively low compared to the OECD average. Further efforts are needed to expand budget expenditure towards longer term growth and competitiveness in the sector.

Table 2.13. Korea: Estimates of support to agriculture

Billion KRW


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	13 624	27 747	44 650	44 609	44 919	44 421
<i>of which: share of MPS commodities (%)</i>	72.0	64.3	63.8	61.3	63.0	67.1
Total value of consumption (at farm gate)	14 367	30 693	52 968	52 449	54 040	52 414
Producer Support Estimate (PSE)	9 605	19 277	23 071	23 523	22 930	22 760
Support based on commodity output	9 511	18 199	21 312	21 950	21 313	20 671
Market Price Support ¹	9 511	18 199	21 312	21 950	21 313	20 671
Payments based on output	0	0	0	0	0	0
Payments based on input use	70	871	594	547	554	683
Based on variable input use	23	136	214	233	205	202
with input constraints	3	11	68	76	64	64
Based on fixed capital formation	44	725	264	221	269	302
with input constraints	0	70	43	44	41	43
Based on on-farm services	3	10	117	92	80	179
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	24	206	362	300	264	521
Based on Receipts / Income	24	196	244	251	219	263
Based on Area planted / Animal numbers	0	11	117	49	45	259
with input constraints	0	0	53	49	45	65
Payments based on non-current A/An/R/I, production required	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	803	726	798	884
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	0	803	726	798	884
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	69.7	67.1	49.7	50.9	49.3	48.9
Producer NPC (coeff.)	3.35	2.97	1.91	1.97	1.90	1.87
Producer NAC (coeff.)	3.38	3.09	1.99	2.04	1.97	1.96
General Services Support Estimate (GSSE)	842	2 852	3 120	3 314	2 903	3 144
Agricultural knowledge and innovation system	54	315	799	865	735	799
Inspection and control	21	63	207	196	195	229
Development and maintenance of infrastructure	374	2 121	1 708	1 682	1 689	1 754
Marketing and promotion	0	12	57	65	69	37
Cost of public stockholding	394	341	349	505	216	325
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	7.9	12.7	11.9	12.3	11.2	12.1
Consumer Support Estimate (CSE)	-9 425	-19 748	-24 268	-24 944	-24 304	-23 557
Transfers to producers from consumers	-9 304	-17 861	-20 625	-21 228	-20 705	-19 942
Other transfers from consumers	-181	-2 148	-3 686	-3 764	-3 640	-3 655
Transfers to consumers from taxpayers	59	260	43	48	41	40
Excess feed cost	0	0	0	0	0	0
Percentage CSE (%)	-65.7	-64.8	-45.9	-47.6	-45.0	-45.0
Consumer NPC (coeff.)	2.94	2.91	1.85	1.91	1.82	1.82
Consumer NAC (coeff.)	2.93	2.89	1.85	1.91	1.82	1.82
Total Support Estimate (TSE)	10 507	22 390	26 234	26 884	25 874	25 943
Transfers from consumers	9 484	20 009	24 311	24 992	24 345	23 597
Transfers from taxpayers	1 203	4 529	5 609	5 657	5 169	6 001
Budget revenues	-181	-2 148	-3 686	-3 764	-3 640	-3 655
Percentage TSE (% of GDP)	8.8	4.9	1.8	1.9	1.7	1.7
GDP deflator (1986-88=100)	100	187	275	273	274	280

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Korea are: barley, garlic, red pepper, chinese cabbage, rice, soybean, milk, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

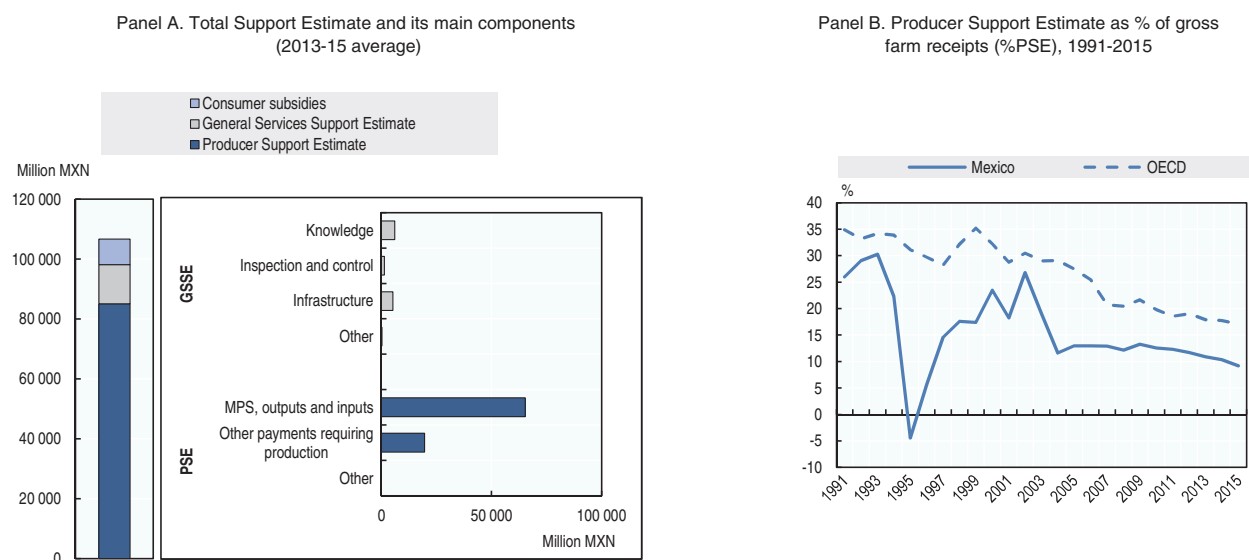
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2.14. Mexico

Support to agriculture

Mexico has undertaken significant agricultural policy reform since the early 1990s and considerably reduced price distortions and the share of support in farm gross receipts. The shift away from less distorting support, however, has been partly reversed since 2000. Support linked to variable costs increased, in particular the subsidies for electricity and for price hedging contracts. The programme Productive PROAGRO introduced in 2014 to succeed PROCAMPO, re-coupled area payments to production. In 2013-15, transfers to producers (the PSE) constituted 80% of the total support to the agricultural sector, with the remaining 12% directed to general services and 8% to provide direct budgetary subsidies to consumers. Market price support, payments linked to output and variable and capital inputs used dominate support to producers, altogether accounting for 77% of its total. General services are focussed on infrastructure and agricultural knowledge systems, which absorbed 87% of total allocations for general services in 2013-15.

Figure 2.14. **Mexico: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", *OECD Agriculture Statistics* (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374549>

Main policy changes

Mexico's Agricultural Development Plan for 2013-18 seeks to boost agricultural production, achieve greater self-sufficiency in principal grains and oilseeds, and eliminate the negative balance in agro-food trade. The implementation of the main programmes under this Plan continued in 2015 with no major changes, however, additional support was provided to crop growers whose incomes were affected by a fall in international prices during the 2014 spring-summer crop cycle. A streamlining of rural development and small farmer support programmes was undertaken to improve the efficiency and transparency of budgetary spending and reduce the administration costs of these programmes. The issue of antidumping and countervailing duties on sugar imports from Mexico into the United States was resolved by an agreement to establish a quota on Mexican sugar deliveries to the United States. The WTO dispute since 2008 with the United States on the

US mandatory country of origin labelling (COOL) provisions in application to imported Mexican cattle has been also resolved.

Assessment and recommendations

- A greater policy focus should be placed on strategic investments in the long-term productivity, sustainability and profitability of the agricultural sector. This implies a shift away from input and output-linked subsidies towards supporting the adoption of new technologies, knowledge transfer, in particular extension services, development of food safety system, and infrastructure.
- The Productive-PROAGRO – re-coupling support to production and the use of inputs – requires an evaluation in terms of its environmental impacts and the extent to which it is effective in raising incomes of small farmers, which has been a rationale for these area payments.
- Phasing-out subsidies to electricity for pumping water would help a more optimal use of water – an issue of important policy concern. Direct support could be considered to help farmers adopt the practices for more efficient and sustainable use of water.
- Commercial farmers need to be equipped with a range of tools to manage normal business risks. High subsidies for one specific risk management instrument, such as price hedging, should be avoided. Government support for catastrophic events beyond the capacity of individual farmers to manage their consequences needs to be available and be based on a well-defined set of rules.
- Policy approaches should be differentiated to respond to the needs of commercial farms and small farmers producing largely for own consumption. As the overall economy develops, poverty reduction should be pursued through place-based development policies and targeted social assistance, rather than through production-linked subsidies.

Table 2.14. Mexico: Estimates of support to agriculture

Million MXN

	1991-93	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	86 539	182 276	771 311	718 941	773 516	821 474
<i>of which: share of MPS commodities (%)</i>	68.7	70.1	67.9	69.1	67.5	67.2
Total value of consumption (at farm gate)	82 475	181 399	779 170	750 503	803 832	783 175
Producer Support Estimate (PSE)	25 994	13 108	85 084	85 118	88 166	81 967
Support based on commodity output	21 538	412	16 364	22 581	12 582	13 927
Market Price Support ¹	21 379	333	15 372	22 181	11 299	12 636
Payments based on output	160	79	992	401	1 284	1 291
Payments based on input use	4 445	5 729	49 020	42 542	54 575	49 945
Based on variable input use	2 296	2 373	17 880	17 361	17 893	18 385
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	1 680	2 340	23 912	20 004	28 625	23 108
with input constraints	0	0	0	0	0	0
Based on on-farm services	469	1 016	7 228	5 176	8 057	8 452
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	10	266	3 850	4 341	4 218	2 992
Based on Receipts / Income	0	100	0	0	0	0
Based on Area planted / Animal numbers	10	166	3 850	4 341	4 218	2 992
with input constraints	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	15 849	15 654	16 791	15 104
Payments based on non-current A/An/R/I, production not required	0	6 701	0	0	0	0
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	6 701	0	0	0	0
with commodity exceptions	0	9	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	28.4	5.3	10.2	10.9	10.4	9.2
Producer NPC (coeff.)	1.34	1.00	1.02	1.03	1.02	1.02
Producer NAC (coeff.)	1.40	1.06	1.11	1.12	1.12	1.10
General Services Support Estimate (GSSE)	3 229	2 743	13 024	12 339	14 133	12 599
Agricultural knowledge and innovation system	889	1 486	6 133	5 785	6 152	6 463
Inspection and control	0	156	1 343	1 129	1 175	1 726
Development and maintenance of infrastructure	875	453	5 250	5 119	6 529	4 101
Marketing and promotion	255	161	298	305	278	310
Cost of public stockholding	1 210	487	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	10.1	..	12.2	11.7	12.6	12.2
Consumer Support Estimate (CSE)	-19 399	-883	-7 997	-14 448	-2 559	-6 985
Transfers to producers from consumers	-21 870	-1 952	-14 320	-22 181	-10 209	-10 569
Other transfers from consumers	-771	-3 513	-2 209	0	-1 900	-4 728
Transfers to consumers from taxpayers	2 629	4 515	8 531	7 733	9 549	8 312
Excess feed cost	612	67	0	0	0	0
Percentage CSE (%)	-24.3	1.3	-1.1	-1.9	-0.3	-0.9
Consumer NPC (coeff.)	1.38	1.02	1.02	1.03	1.02	1.02
Consumer NAC (coeff.)	1.32	1.00	1.01	1.02	1.00	1.01
Total Support Estimate (TSE)	31 853	20 366	106 639	105 189	111 848	102 878
Transfers from consumers	22 640	5 465	16 529	22 181	12 109	15 297
Transfers from taxpayers	9 983	18 414	92 319	83 009	101 639	92 309
Budget revenues	-771	-3 513	-2 209	0	-1 900	-4 728
Percentage TSE (% of GDP)	2.6	0.6	0.6	0.7	0.7	0.6
GDP deflator (1991-93=100)	100	201	720	687	719	755


.. Not available.

Note: 1991-93, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Mexico are: wheat, maize, barley, sorghum, coffee, beans, tomatoes, rice, soybean, sugar, milk, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375931>

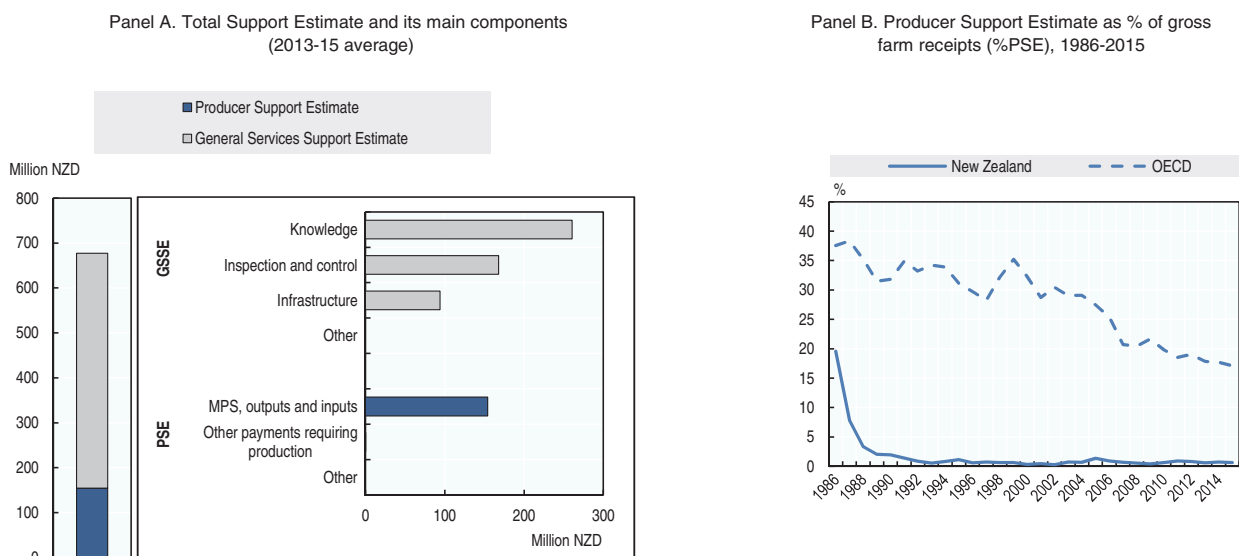
2.15. New Zealand

Support to agriculture

Since its reforms of agricultural policies in the mid-1980s, production and trade distorting policies supporting the sector in New Zealand have virtually disappeared. For more than 25 years, the level of support to farmers has been the lowest among OECD countries. Support is provided mainly in the context of animal disease control, relief in the event of natural disasters, and the agricultural knowledge and information system. In recent years, more than three-quarters of all support was through these and other general services.

Almost all prices are aligned with world market prices due to open trade. Exceptions are due to New Zealand's Import Health Standards which effectively prevent fresh poultry, eggs and some bee products from being imported under current economic conditions, thus generating some market price support for these sectors.

Figure 2.15. **New Zealand: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", *OECD Agriculture Statistics* (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
 StatLink <http://dx.doi.org/10.1787/888933374551>

Main policy changes

New Zealand's recent policy changes focus on specific individual problems and thus comprise a set of detailed developments related to damage prevention, reparation and compensation, animal welfare, innovation for sustainable growth, biosecurity risks, and the facilitation of Maori agribusiness. Responses to the significant drought and unusually severe storms and flooding faced by parts of the country in 2015 included additional funds for reparation of infrastructure, for limiting soil erosion and for assisting affected farm households. Investments into research focused on nutrient management, GHG emissions and forage quality. Research is also looking at ways to improve the productivity of Māori-owned land.

The major event in trade policies was the signing of the **Trans-Pacific Partnership** (TPP) agreement between New Zealand and 11 other members in February 2016.

Assessment and recommendations

- New Zealand policies strongly focus on limiting biosecurity risks, enhancing productivity and encouraging reduced GHG emissions and other environmental externalities from agricultural production by way of specific and targeted measures.
- New Zealand's Import Health Standards effectively prevent fresh poultry, eggs and some bee products from being imported under current economic conditions; New Zealand should investigate alternatives to the current system for achieving its sanitary objectives.
- Kiwifruit exports to markets other than Australia continue to be regulated by requiring authorisation by Kiwifruit New Zealand for third-country exports by groups other than Zespri.

Table 2.15. New Zealand: Estimates of support to agriculture

Million NZD


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	6 860	9 669	23 347	26 319	21 984	21 737
<i>of which: share of MPS commodities (%)</i>	72.1	72.1	75.4	80.6	74.8	70.8
Total value of consumption (at farm gate)	1 667	2 325	4 000	4 081	3 784	4 133
Producer Support Estimate (PSE)	775	79	155	158	161	145
Support based on commodity output	104	43	124	127	131	115
Market Price Support ¹	101	43	124	127	131	115
Payments based on output	3	0	0	0	0	0
Payments based on input use	314	35	30	31	30	30
Based on variable input use	3	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	271	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Based on on-farm services	40	35	30	31	30	30
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	42	1	0	1	0	0
Based on Receipts / Income	42	1	0	1	0	0
Based on Area planted / Animal numbers	0	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	315	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0	0
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	10.2	0.8	0.7	0.6	0.7	0.7
Producer NPC (coeff.)	1.02	1.00	1.01	1.00	1.01	1.01
Producer NAC (coeff.)	1.12	1.01	1.01	1.01	1.01	1.01
General Services Support Estimate (GSSE)	203	180	523	502	515	550
Agricultural knowledge and innovation system	102	116	261	253	255	274
Inspection and control	54	43	168	156	167	181
Development and maintenance of infrastructure	47	20	94	94	94	95
Marketing and promotion	0	0	0	0	0	0
Cost of public stockholding	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	26.9	69.7	77.1	76.1	76.2	79.1
Consumer Support Estimate (CSE)	-93	-36	-112	-116	-119	-103
Transfers to producers from consumers	-93	-36	-112	-116	-119	-103
Other transfers from consumers	0	0	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0	0
Excess feed cost	0	0	0	0	0	0
Percentage CSE (%)	-5.7	-1.6	-2.8	-2.8	-3.1	-2.5
Consumer NPC (coeff.)	1.06	1.02	1.03	1.03	1.03	1.03
Consumer NAC (coeff.)	1.06	1.02	1.03	1.03	1.03	1.03
Total Support Estimate (TSE)	978	259	677	661	676	696
Transfers from consumers	93	36	112	116	119	103
Transfers from taxpayers	885	222	565	545	557	593
Budget revenues	0	0	0	0	0	0
Percentage TSE (% of GDP)	1.6	0.3	0.3	0.3	0.3	0.3
GDP deflator (1986-88=100)	100	128	189	185	189	191

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for New Zealand are: wheat, maize, oats, barley, milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agrcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933375941>

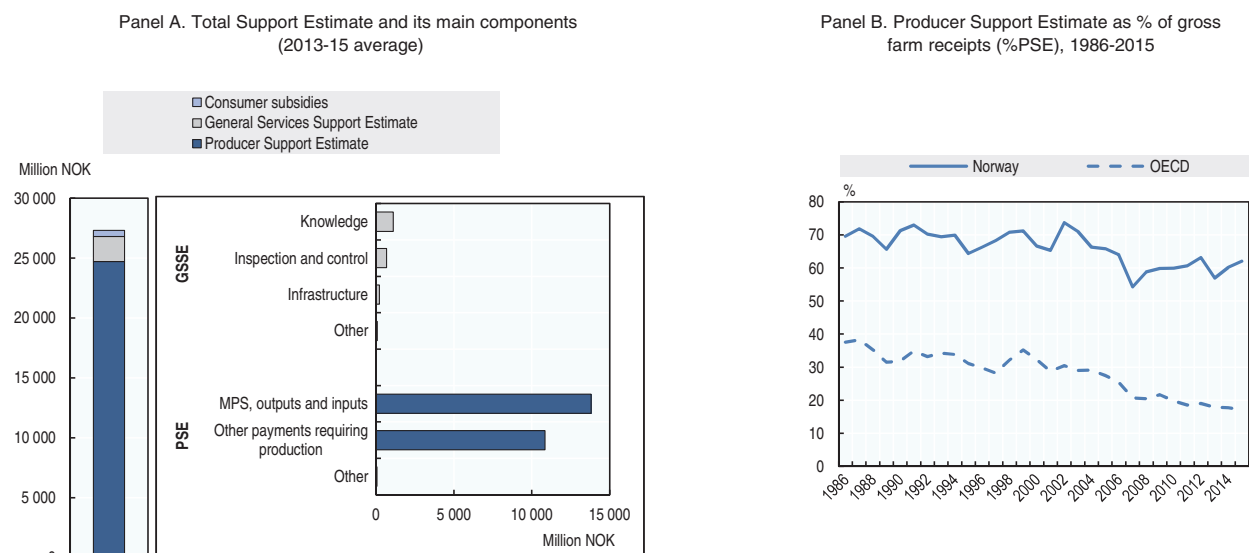
2.16. Norway

Support to agriculture

Progress in reducing the level of support has been modest and it is amongst the countries with the highest levels of support to the farming sector. The Total Support Estimate to agriculture (TSE) was slightly less than 1% of GDP in recent years. Support to farmers (PSE) accounts for 60% of gross farm receipts. Market price support (MPS), mainly due to border protection, still remains the main component of support to farmers, and has only slightly been reduced from 48% of the PSE in 1986-88 to 43% in 2013-15.

While the share of potentially most production and trade distorting support has declined, it still represented most of the support in recent years. Support that is based on individual commodities (mainly market price support) represents 60% of support to farmers and is relatively evenly distributed over commodities. Prices received by producers are on average 80% above world market prices. Expenditures on general services for the sector as a whole (General Service Support Estimate – GSSE) are relatively small and mostly finance the agricultural knowledge and innovation system.

Figure 2.16. **Norway: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink  <http://dx.doi.org/10.1787/888933374568>

Main policy changes

The strategic objectives of agricultural and food policies, as set out in the White Paper No. 9 (2011-12) are: food security; agriculture throughout the country; creating more added-value; and sustainable agriculture. The agricultural policy aims at safeguarding agricultural resources, developing know-how and contributing to the creation of employment and value added in farming and farm-based products throughout the country. Agricultural support policy is a substantial component of Norway's regional and rural policies.

In past decades, farm support has been reduced only modestly and remains three times higher than the OECD average. Notwithstanding some reforms, mainly in the area of introducing more flexibility in the dairy quota system, farm support remains substantial

and market distorting and there remains considerable scope for accelerating the pace of reforms. Reform of agricultural policies is on the government's agenda and several commissions and white-paper processes have been launched.

Assessment and recommendations

- Agricultural support remains overly concentrated on maintaining the *status quo* and progress towards reform has been very modest. Despite lower price distortions, Norway's agricultural sector remains among the most highly protected in the OECD area. The cost-efficiency and tenability of the policy mechanisms are questionable. Attention should be focused on balancing the costs and distortions of support against its claimed benefits (generally in the form of public goods such as food security and sustaining rural economies).
- Border protection should be reduced, by lowering import tariffs, preferably through a legislated multi-year programme of reductions in order to signal policy commitment and provide a planning horizon for producers. Plans to phase out export subsidies for agricultural products would reduce the distortions associated with these measures and enhance the exposure of producers to market signals.
- Payments for output and inputs should be reduced, in order to improve producers' awareness of market signals, and measures that hinder structural shifts towards a more viable agricultural sector should be removed. The proposal of the Government to lighten the legislation on land use and land transfer is a step towards facilitating structural adjustment of the sector.
- Greater efforts can be made to further strengthen the links between stated policy-objectives and payments for cultural and environmental support mechanisms.
- An assessment of whether the current format of annual negotiation between government and farmer representatives is well-suited to promoting reform would also be beneficial.

Table 2.16. Norway: Estimates of support to agriculture

Million NOK

	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	17 354	18 232	27 326	26 682	27 192	28 105
<i>of which: share of MPS commodities (%)</i>	73.3	77.5	78.1	76.8	79.6	77.8
Total value of consumption (at farm gate)	17 899	18 129	28 711	28 696	28 142	29 294
Producer Support Estimate (PSE)	19 175	19 246	24 714	23 028	24 884	26 229
Support based on commodity output	13 877	11 997	12 429	10 926	12 490	13 870
Market Price Support ¹	9 274	8 444	10 674	9 255	10 715	12 052
Payments based on output	4 603	3 554	1 755	1 671	1 775	1 818
Payments based on input use	1 721	960	1 370	1 378	1 380	1 354
Based on variable input use	1 020	551	715	741	733	671
with input constraints	0	1	0	0	0	0
Based on fixed capital formation	628	339	569	549	561	597
with input constraints	0	0	0	0	0	0
Based on on-farm services	73	70	86	88	86	85
with input constraints	2	0	0	0	0	0
Payments based on current A/An/R/I, production required	3 577	6 254	7 625	7 445	7 700	7 730
Based on Receipts / Income	0	0	944	896	969	968
Based on Area planted / Animal numbers	3 577	6 254	6 681	6 549	6 731	6 762
with input constraints	0	104	602	594	597	615
Payments based on non-current A/An/R/I, production required	0	0	3 228	3 222	3 245	3 215
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0	0
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	34	62	57	68	60
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	34	62	57	68	60
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	70.3	66.3	59.7	56.9	60.2	62.0
Producer NPC (coeff.)	4.08	2.50	1.80	1.68	1.83	1.89
Producer NAC (coeff.)	3.38	2.97	2.49	2.32	2.51	2.63
General Services Support Estimate (GSSE)	848	1 046	2 092	2 145	1 955	2 176
Agricultural knowledge and innovation system	472	623	1 115	1 078	1 001	1 265
Inspection and control	33	173	680	779	647	613
Development and maintenance of infrastructure	202	108	221	219	222	222
Marketing and promotion	141	120	76	68	85	76
Cost of public stockholding	0	22	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	3.9	5.0	7.7	8.4	7.1	7.5
Consumer Support Estimate (CSE)	-9 141	-8 343	-11 465	-10 450	-11 373	-12 572
Transfers to producers from consumers	-11 381	-9 038	-11 218	-10 091	-11 502	-12 062
Other transfers from consumers	-959	-548	-789	-836	-611	-921
Transfers to consumers from taxpayers	1 522	542	496	427	574	487
Excess feed cost	1 677	700	47	50	165	-76
Percentage CSE (%)	-55.8	-47.5	-40.6	-37.0	-41.3	-43.6
Consumer NPC (coeff.)	3.24	2.13	1.72	1.61	1.76	1.80
Consumer NAC (coeff.)	2.27	1.91	1.69	1.59	1.70	1.77
Total Support Estimate (TSE)	21 545	20 834	27 302	25 600	27 413	28 892
Transfers from consumers	12 340	9 585	12 007	10 927	12 112	12 983
Transfers from taxpayers	10 164	11 796	16 084	15 509	15 912	16 830
Budget revenues	-959	-548	-789	-836	-611	-921
Percentage TSE (% of GDP)	3.5	2.0	0.9	0.8	0.9	0.9
GDP deflator (1986-88=100)	100	128	270	270	271	268

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Norway are: wheat, barley, oats, milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

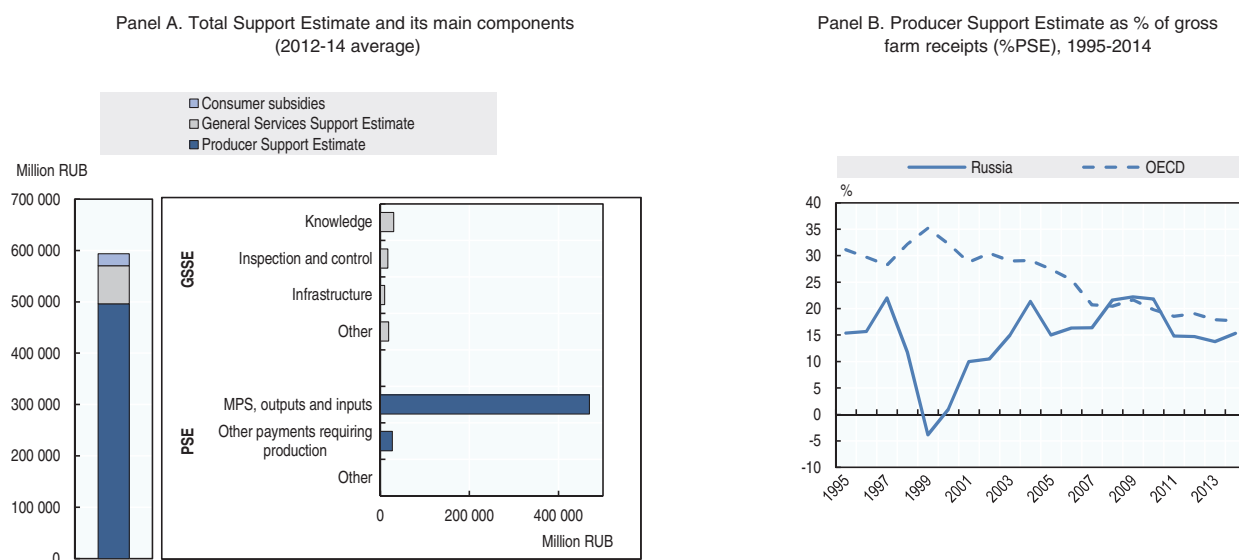
StatLink  <http://dx.doi.org/10.1787/888933375951>

2.17. Russian Federation

Support to agriculture

Support to agricultural producers fluctuated over the long-term, but has remained at approximately the same level between 2012 and 2014.¹ Nearly 85% of total support to agriculture (TSE) in 2012-14 was provided to producers individually (PSE), with the rest directed to general services for agriculture (12%) and to food wholesalers and processors (3%). Producer support overwhelmingly (95%) derives from market price support and output and input subsidies. The aggregate market price support, however, disguises strong variations in support across commodities: it represents a mix between the border protection for imported livestock products and sugar and taxation of exported grains and oilseeds. Livestock producers also benefit from domestic grain prices being below the world levels. Support to general services is relatively evenly distributed among the principal areas, however, the largest amount of resources is directed to the agricultural knowledge system.

Figure 2.17. **Russian Federation: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374575>

Main policy changes

The on-going State Programme for Development of Agriculture for 2013-20 entered its fourth year of implementation in 2016. The deteriorated macroeconomic situation led to several revisions of the Programme's initial financing targets. The allocations were increased for some of the sub-programmes, but reduced for others, investment grants were introduced as a new assistance, while the previous decision to cease certain investment credit subsidies was suspended. The sectors defined for priority support with the view to import substitution include milk and meat, greenhouse and early vegetables, seed potatoes, fruits and berries. The ban on agro-food imports from a number of countries imposed previously in the context of the Ukrainian crisis was extended. A Treaty on the Eurasian Economic Union (EAEU) came into effect with the Russian Federation as one of the parties. EAEU's activity in the agro-food

area in 2015-16 was focussed on the harmonising of the sanitary and phytosanitary and food safety regulation of its member countries.

Assessment and recommendations

- Agricultural policy formulated at the inception of the State Programme for Development of Agriculture for 2013-20 aimed at boosting the agricultural production and agro-food import substitution. The political context of the recent years has intensified country's import substitution orientation into a long-lasting self-sufficiency policy in agro-food area.
- Non-tariff border protection based on sanitary and phytosanitary and technical regulation grounds remains an active policy, in certain cases raising concerns among trading partners about application by the Russian Federation of undue trade restrictions.
- The government continued to focus on the cushioning of the effects of the current economic recession on the agro-food sector. Domestic policy has concentrated on increasing the flows of financial resources into agriculture, in particular to support investments in import competing sectors.
- A new emphasis has been put on the development of domestic seed production and pedigree livestock breeding to reduce dependence on imports of these agricultural inputs, as well as on the improvements in agro-marketing and food distribution infrastructure. A surge in food prices has activated the plans to establish an infrastructure for domestic food aid.
- Overall, distorting subsidy and import protection continue to prevail as policy instruments to achieve the stated goals. Substantial and sustained improvements in the competitiveness of agriculture are more likely to be achieved through prioritising investments in the sector's long-term productivity, such as R&D, knowledge transfer, infrastructure, plant and livestock health systems, and also through improving the living conditions in rural areas.

Table 2.17. Russian Federation: Estimates of support to agriculture


Million RUB	1995-97	2012-14	2012	2013	2014
Total value of production (at farm gate)	200 360	3 164 954	2 753 825	3 099 869	3 641 169
<i>of which: share of MPS commodities (%)</i>	82.0	76.4	75.7	75.2	78.2
Total value of consumption (at farm gate)	245 885	3 740 941	3 529 144	3 627 548	4 066 130
Producer Support Estimate (PSE)	40 710	496 148	438 936	461 025	588 485
Support based on commodity output	19 174	297 551	221 024	257 439	414 190
Market Price Support ¹	14 437	273 074	211 227	213 997	393 997
Payments based on output	4 737	24 477	9 797	43 442	20 194
Payments based on input use	19 943	172 074	211 482	163 339	141 402
Based on variable input use	11 959	57 155	87 987	45 818	37 661
with input constraints	0	0	0	0	0
Based on fixed capital formation	7 826	111 159	118 438	114 037	101 002
with input constraints	0	0	0	0	0
Based on on-farm services	159	3 760	5 057	3 484	2 739
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	26 523	6 430	40 247	32 892
Based on Receipts / Income	0	2 257	5 423	1 277	72
Based on Area planted / Animal numbers	0	24 266	1 007	38 969	32 820
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	1 593	0	0	0	0
Percentage PSE (%)	17.7	14.6	14.7	13.8	15.3
Producer NPC (coeff.)	1.08	1.09	1.08	1.09	1.12
Producer NAC (coeff.)	1.22	1.17	1.17	1.16	1.18
General Services Support Estimate (GSSE)	10 186	74 312	63 411	104 796	54 731
Agricultural knowledge and innovation system	1 268	29 751	30 225	33 608	25 418
Inspection and control	824	16 802	20 161	19 732	10 513
Development and maintenance of infrastructure	1 639	9 266	6 997	12 278	8 523
Marketing and promotion	119	316	51	530	368
Cost of public stockholding	0	800	0	448	1 951
Miscellaneous	6 336	17 378	5 976	38 201	7 958
Percentage GSSE (% of TSE)	16.6	12.7	12.1	17.7	8.2
Consumer Support Estimate (CSE)	-20 385	-414 839	-356 033	-344 101	-544 383
Transfers to producers from consumers	-12 649	-268 637	-189 368	-222 759	-393 785
Other transfers from consumers	-5 892	-159 952	-168 302	-148 187	-163 369
Transfers to consumers from taxpayers	15	23 239	20 313	25 407	23 997
Excess feed cost	-1 859	-9 489	-18 677	1 437	-11 227
Percentage CSE (%)	-6.0	-11.1	-10.1	-9.6	-13.5
Consumer NPC (coeff.)	1.07	1.13	1.11	1.11	1.16
Consumer NAC (coeff.)	1.08	1.12	1.11	1.11	1.16
Total Support Estimate (TSE)	50 911	593 700	522 659	591 227	667 213
Transfers from consumers	18 541	428 590	357 669	370 946	557 154
Transfers from taxpayers	38 262	325 063	333 292	368 469	273 428
Budget revenues	-5 892	-159 952	-168 302	-148 187	-163 369
Percentage TSE (% of GDP)	2.6	0.9	0.8	0.9	0.9
GDP deflator (1995-97=100)	100	862	794	870	923

Note: 2015 data not available. 1995-97 and 2012-14: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Russia are: wheat, maize, rye, barley, oats, sunflower, sugar, potatoes, milk, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

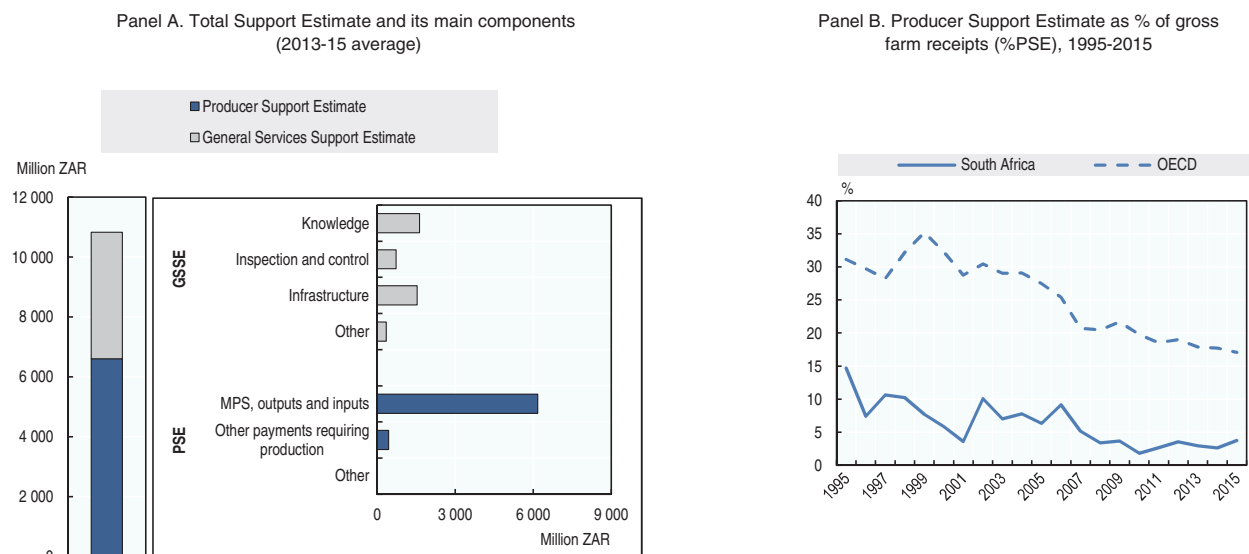
StatLink  <http://dx.doi.org/10.1787/888933375962>

2.18. South Africa

Support to agriculture

South Africa reduced its support to agriculture during the 1990s and support to farms has remained below 5% of gross farm receipts since 2010 (Figure 2.18). Total support estimate to agriculture (TSE) was around 0.3% of GDP in 2013-15. Direct support to farms (PSE) is the largest part of the TSE. Support based on output (including MPS) and input use is the most important element. As for the General Services Support Estimate (GSSE), the main elements are payments financing the Agricultural knowledge and innovation system and expenditure on infrastructure.

Figure 2.18. **South Africa: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink  <http://dx.doi.org/10.1787/888933374581>

The level of price distortions is low and domestic prices are almost aligned with world price levels, except for sugar and in recent years, milk and wheat. Most of the budgetary payments are related to the implementation of the land reforms and assistance to emerging farmers, and to general services for the whole sector.

Main policy changes

Most of the policy measures and direct payments continue to be targeted to the smallholder sub-sector. The Government provides post settlement assistance, including production loans to new and upcoming farmers (mostly operating on redistributed or resituated land). Changes were made to policies related to land redistribution. Under the amended regulation, all the newly acquired land has been registered as state owned on the *Agricultural Land Holding Account* and provided to selected beneficiaries under lease contracts. The beneficiaries may dispose of the land after an agreed lease period, provided the project is economically viable.

In response to the severe droughts in 2014 and 2015, the Government reprioritised ZAR 330 million from programmes supporting agriculture for FY 2015/16 to drought relief expenditure, and in February 2016, the National Treasury announced that an additional

ZAR 1 billion (USD 86 million) will go towards assisting drought relief. The money will go mostly towards water provision, agriculture support, the provision of transport, and feed for livestock. In the most recent years South Africa has been increasing its border protection for some agricultural commodities (sugar, wheat, poultry, and potatoes). South Africa lifted its ban on meat imports from the US in order to retain preferential access for its farming goods to the US market granted under the African Growth and Opportunity Act (AGOA).

Assessment and recommendations

- The current relatively low level of Market Price Support for South African agriculture is the result of sharp policy reforms implemented in the mid-1990s. Policy changes included deregulating the marketing of agricultural products, liberalising domestic markets, and reducing barriers to agricultural trade. These reforms reduced market price support and budgetary support to commercial farming resulting in a substantial reduction of total support to agriculture.
- Increased budgetary spending went to financing the land reform process and supporting its beneficiaries (subsistence, smallholders and commercial farmers). The main agricultural policy developments and the main challenges in most recent years are related to the implementation of the land reform programme and creating an enabling environment for new farmers. During 2013-15, policies that aimed to ensure the viability of new entrants and to restore and recapitalise failed projects continued to be implemented with increased budgetary spending.
- The main challenge into the future continues to be implementing and effectively targeting support programmes that are tailored to the needs of emerging farmers. Involving private stakeholders (experienced commercial farmers) in the support programmes in the form of private-public partnerships is an efficient way to engage the available resources and address the current weaknesses in supporting programmes and services from public authorities.
- The pace of land reform should be closely linked to the development of the enabling environment for the beneficiaries of land reform; otherwise land redistribution by itself cannot deliver the expected outcomes, such as improving the welfare of the black rural population, increasing food security in rural areas and developing a viable commercial sector.

Table 2.18. South Africa: Estimates of support to agriculture

Million ZAR


	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	37 243	207 077	184 197	203 400	233 632
<i>of which: share of MPS commodities (%)</i>	74.0	76.2	76.5	75.5	76.7
Total value of consumption (at farm gate)	34 730	196 609	173 629	195 506	220 691
Producer Support Estimate (PSE)	3 983	6 607	5 497	5 419	8 904
Support based on commodity output	3 824	3 788	2 733	2 712	5 917
Market Price Support ¹	3 824	3 788	2 733	2 712	5 917
Payments based on output	0	0	0	0	0
Payments based on input use	62	2 384	2 270	2 213	2 668
Based on variable input use	30	1 342	1 156	1 353	1 517
with input constraints	0	0	0	0	0
Based on fixed capital formation	30	1 015	1 081	841	1 122
with input constraints	3	0	0	0	0
Based on on-farm services	1	27	33	19	28
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	97	435	494	494	318
Based on Receipts / Income	87	435	494	494	318
Based on Area planted / Animal numbers	10	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	10.9	3.1	2.9	2.6	3.8
Producer NPC (coeff.)	1.13	1.02	1.02	1.01	1.03
Producer NAC (coeff.)	1.12	1.03	1.03	1.03	1.04
General Services Support Estimate (GSSE)	2 120	4 216	3 753	4 363	4 532
Agricultural knowledge and innovation system	1 797	1 627	1 616	1 747	1 518
Inspection and control	146	721	610	694	857
Development and maintenance of infrastructure	175	1 529	1 238	1 588	1 760
Marketing and promotion	2	340	289	334	397
Cost of public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Percentage GSSE (% of TSE)	35.2	39.6	40.6	44.6	33.7
Consumer Support Estimate (CSE)	-3 922	-3 365	-2 037	-2 119	-5 941
Transfers to producers from consumers	-3 681	-3 037	-1 886	-2 119	-5 107
Other transfers from consumers	-382	-344	-161	0	-872
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	141	16	11	0	38
Percentage CSE (%)	-11.4	-1.6	-1.2	-1.1	-2.7
Consumer NPC (coeff.)	1.14	1.02	1.01	1.01	1.03
Consumer NAC (coeff.)	1.13	1.02	1.01	1.01	1.03
Total Support Estimate (TSE)	6 103	10 823	9 250	9 782	13 436
Transfers from consumers	4 063	3 381	2 047	2 119	5 978
Transfers from taxpayers	2 422	7 785	7 364	7 663	8 329
Budget revenues	-382	-344	-161	0	-872
Percentage TSE (% of GDP)	1.0	0.3	0.3	0.3	0.3
GDP deflator (1995-97=100)	100	1 910	1 778	1 906	2 044

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for South Africa are: wheat, maize, sunflower, sugar, milk, beef and veal, pig meat, sheep meat, poultry, eggs, peanuts, grapes, oranges and apples.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agrcse-data-en.

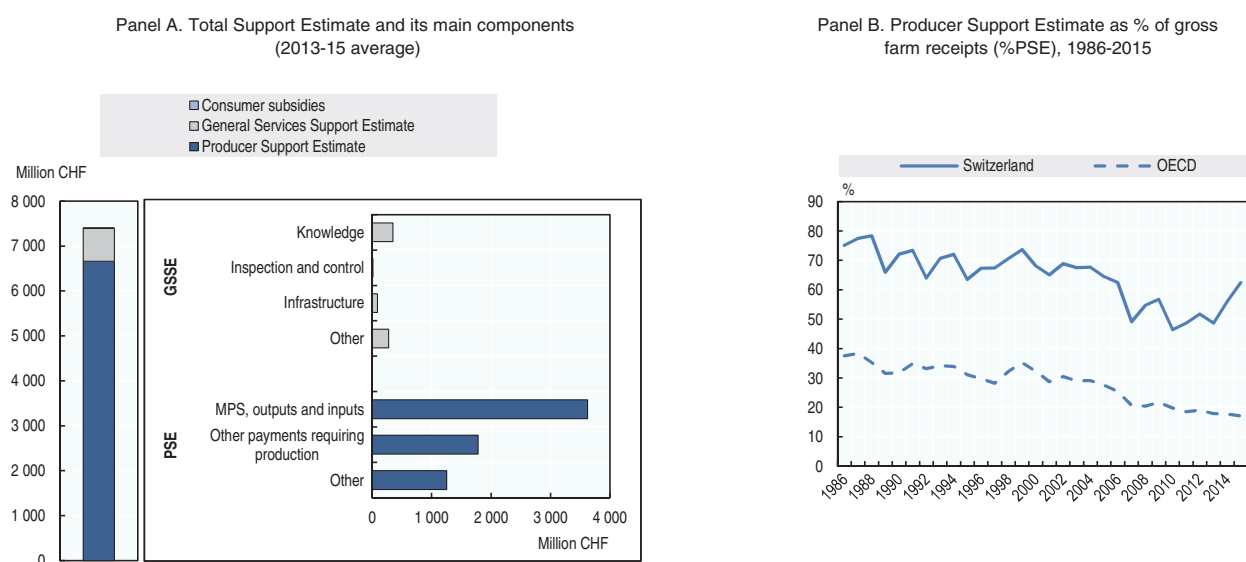
StatLink  <http://dx.doi.org/10.1787/888933375976>

2.19. Switzerland

Support to agriculture

Switzerland has progressively reduced its support to agriculture but the change is relatively moderate and support remains high in terms of its share on gross farm receipts, which is three times above the OECD average (Figure 2.19). Total support estimate to agriculture (TSE) was around 1% of GDP in the most recent years. The direct support to farms (PSE) is the dominant part of the TSE. Support based on output (including MPS) and input use is the most important element of the support. The main element of the General Services Support Estimate (GSSE) is payments financing the Agricultural knowledge and innovation system, which is almost a half of the GSSE expenditure.

Figure 2.19. **Switzerland: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink  <http://dx.doi.org/10.1787/888933374595>

One of the main components of support provided to Swiss farming is market price support (MPS) resulting from important trade barriers applied at the border. Over the analysed period the MPS has been reduced from 80% to around 50% of total support to farmers. Also the level of price distortions has been significantly reduced, although domestic prices were on average 60% above world prices in 2013-15. Switzerland also provides important direct payments to farms (all subject to environmental cross-compliance) in the form of payments per area to secure food supplies, payments to maintain farming in less favoured conditions and in the form payments to farmers who voluntarily apply stricter farming practices related to environmental and animal welfare objectives. The role of the direct payments has been increasing over time and while it represented around 20% of total support in the 1980s it has increased to around 50% in the current years.

Main policy changes

Switzerland adopted a new policy framework for the period 2014-17 (*Politique Agricole 2014-17*). The main change is the suppression of general area payments and reallocation of payments more closely related to specific objectives (agricultural practices)

complemented by a system of transition payments to make the reform socially acceptable. Although the structure of the programmes providing direct payments is set for the whole period 2014-17 and the yearly budgeted amount is stable, there were important shifts within those payments in 2015 (second year of the implementation of AP 2017). Some payments, mainly to contribute to landscape quality and biodiversity have increased, while the transitional payments were reduced. On the other side, there were no further reforms to the border measures and the protection remains relatively high. The export subsidies for selected processed products were increased in 2015 from the budgeted CHF 70 million to CHF 95.6 million, to compensate for a sharp strengthening of the CHF related to the end of intervention of the Swiss Central Bank.

Assessment and recommendations

- The removal of milk price controls, together with the elimination of export subsidies on primary agricultural products and the reduction of some tariff barriers have a potential to improve economic efficiency of the sector. Further reduction of import barriers and the elimination of the export subsidies to processed products should be considered to further reduce the burden to consumers and interference with markets.
- Security of food supply should be sought through a more competitive agriculture rather than by direct payments. Much, but not all, of Swiss farming occurs in difficult natural conditions and support policies maintain production where it would not otherwise occur. A better distinction could be made, though, between policies that address market failures (the provision of positive externalities and public goods as well as the avoidance of negative externalities), and those that address income problems.
- Post 2017, the focus should be on further developing a set of better targeted direct payments to meet the various societal concerns and to further reduce border protection in order to meet the declared (and sometimes conflicting) objectives at the lowest costs to consumers and taxpayers. This may result in a reduced amount of total direct payments to farms. Instead some of those payments may be redirected to general services type support (e.g. knowledge transfer) in order to strengthen the productivity of the sector.
- Switzerland has made great progress in reducing environmental pressures from agriculture. For some objectives such as sustainable use of resources and animal welfare the existing regulations could be made more stringent, while animal welfare and environmental compensation payments can be reduced. In practical terms current cross compliance requirements can be incorporated into mandatory regulation, which then provides a new baseline for more stringent cross-compliance requirements linked to support payments.

Table 2.19. **Switzerland: Estimates of support to agriculture**

Million CHF

	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	12 486	11 619	8 433	8 448	8 432	8 418
<i>of which: share of MPS commodities (%)</i>	61.9	58.3	57.2	54.9	58.8	57.8
Total value of consumption (at farm gate)	15 004	13 482	10 160	10 417	9 994	10 069
Producer Support Estimate (PSE)	10 741	9 352	6 660	5 841	6 692	7 446
Support based on commodity output	9 323	6 912	3 421	2 580	3 461	4 223
Market Price Support ¹	9 281	6 829	3 127	2 281	3 168	3 930
Payments based on output	42	83	295	299	293	293
Payments based on input use	562	407	202	202	196	208
Based on variable input use	454	309	71	80	67	67
with input constraints	0	180	4	13	0	0
Based on fixed capital formation	72	78	131	121	130	141
with input constraints	0	0	8	0	6	17
Based on on-farm services	36	21	0	0	0	0
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	612	1 203	1 048	1 332	894	918
Based on Receipts / Income	15	0	0	0	0	0
Based on Area planted / Animal numbers	597	1 203	1 048	1 332	894	918
with input constraints	340	1 050	1 001	1 284	849	869
Payments based on non-current A/An/R/I, production required	28	569	733	101	1 047	1 052
Payments based on non-current A/An/R/I, production not required	0	0	561	1 196	308	178
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	0	561	1 196	308	178
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	61	487	223	576	663
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	61	487	223	576	663
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	216	200	207	208	210	204
Percentage PSE (%)	77.0	66.1	55.7	48.6	56.0	62.4
Producer NPC (coeff.)	4.54	2.80	1.61	1.37	1.60	1.86
Producer NAC (coeff.)	4.36	2.96	2.29	1.95	2.27	2.66
General Services Support Estimate (GSSE)	677	590	733	726	730	742
Agricultural knowledge and innovation system	173	164	350	343	352	356
Inspection and control	14	15	13	14	13	13
Development and maintenance of infrastructure	126	83	91	90	89	95
Marketing and promotion	45	45	59	57	58	62
Cost of public stockholding	103	83	38	38	38	38
Miscellaneous	216	200	180	184	179	179
Percentage GSSE (% of TSE)	5.4	5.4	10.0	11.0	9.8	9.1
Consumer Support Estimate (CSE)	-10 340	-7 572	-3 576	-2 763	-3 596	-4 368
Transfers to producers from consumers	-9 332	-7 134	-2 898	-2 064	-2 950	-3 679
Other transfers from consumers	-2 327	-1 717	-707	-721	-680	-721
Transfers to consumers from taxpayers	1 099	1 053	9	11	8	7
Excess feed cost	221	227	21	12	26	24
Percentage CSE (%)	-74.3	-60.9	-35.3	-26.5	-36.0	-43.4
Consumer NPC (coeff.)	4.50	2.91	1.57	1.36	1.57	1.78
Consumer NAC (coeff.)	3.91	2.56	1.56	1.36	1.56	1.77
Total Support Estimate (TSE)	12 517	10 995	7 401	6 578	7 430	8 195
Transfers from consumers	11 660	8 851	3 605	2 785	3 630	4 399
Transfers from taxpayers	3 185	3 860	4 503	4 513	4 479	4 517
Budget revenues	-2 327	-1 717	-707	-721	-680	-721
Percentage TSE (% of GDP)	4.6	2.8	1.2	1.0	1.2	1.3
GDP deflator (1986-88=100)	100	125	138	139	138	136

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Switzerland are: wheat, maize, barley, rapeseed, sugar, milk, beef and veal, sheep meat, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

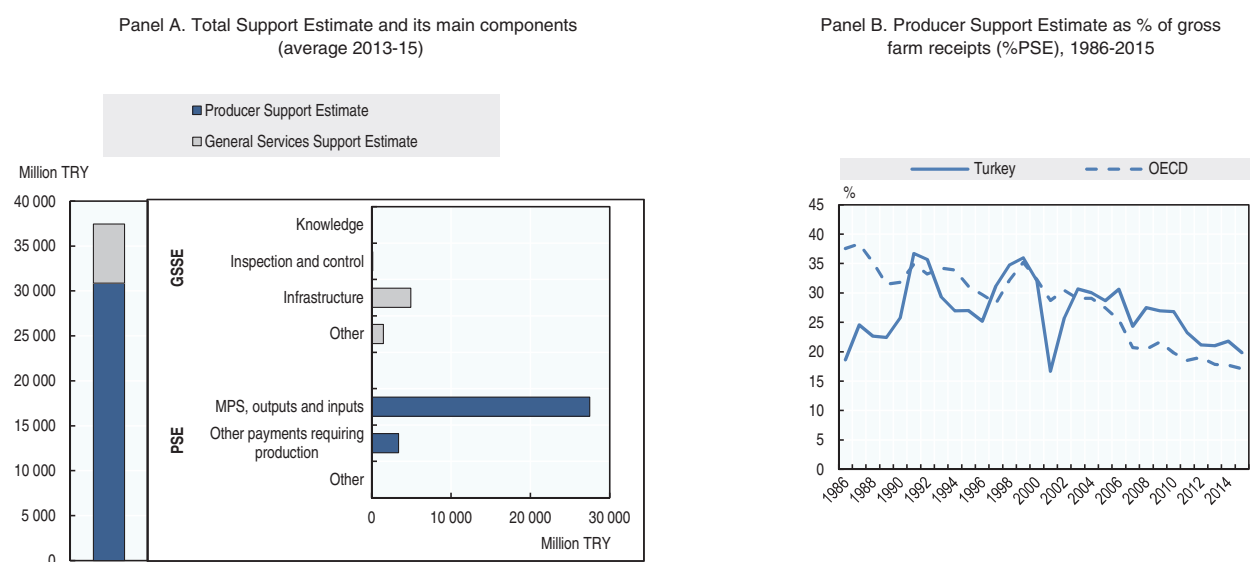
StatLink  <http://dx.doi.org/10.1787/888933375988>

2.20. Turkey

Support to agriculture

Despite a series of ambitious reforms since the late 1990s, the level of support made available varies from year to year and remains higher than the average for the OECD area. The most distorting forms of support prevail as Market Price Support accounts for three-fourths of the producer support (Figure 2.20). Total support estimate to agriculture (TSE) was around 2% of GDP in most recent years. Payments based on output and input use are the most important element of the support. As for the General Services Support Estimate (GSSE) the main element is financing the development and maintenance of infrastructure, which accounts for approximately 80% of the GSSE expenditure.

Figure 2.20. **Turkey: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink  <http://dx.doi.org/10.1787/888933374607>

The level of price distortions has been reduced only slightly: domestic prices remain on average 20% above world prices. Decoupled direct payments were abolished in 2009, while payments based on commodity output have increased since then. The main instrument of direct payments to farms in Turkey is deficiency payments ("premium payments") provided for the products that are in short domestic supply.

Main policy changes

The strategic objectives of agricultural policies, as identified in the 10th Development Plan (2014-18) are to develop a globally competitive and environmentally-friendly agricultural sector, whose fundamental aim is to provide sufficient and balanced nutrition to population.

After the abolition of decoupled direct payments in 2009, commodity-specific deficiency payments and the payments based on current area or animal number became the main programme of producer support. Recently, Turkey introduced a reform to the deficiency payment to differentiate the crops that will be eligible for the payments to rationalize the production structure based on the most suitable ecological conditions.

Assessment and recommendations

- Turkey has made remarkable progress in the last decade towards strengthening the agricultural sector's legal and institutional framework.
- Since 1986-88, policy efforts aimed at improving market orientation have been variable. There have been *ad hoc* changes to policy settings within a macro-economic context of high inflation and volatile exchange rates. The share of producer support in gross farm receipts (%PSE) in 2013-15 remained almost unchanged from 1986-88 levels, at around 20%, which is slightly higher than the OECD average.
- Producer support largely derives from the most market distorting measures, hindering the sustained improvements in agricultural productivity. Further efforts are required to reduce the most distorting support.
- Greater efforts need to be made to transform the state economic enterprises into economically viable entities operating under competitive market conditions.
- More public investment is required into agriculture knowledge and innovation system which so far has received a very small share of total support.

Table 2.20. Turkey: Estimates of support to agriculture

Million TRY


	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	18	2 440	140 448	130 446	140 078	150 822
<i>of which: share of MPS commodities (%)</i>	56.5	74.9	74.6	75.3	75.3	73.2
Total value of consumption (at farm gate)	15	2 227	109 404	99 385	111 291	117 535
Producer Support Estimate (PSE)	4	757	30 868	28 964	32 138	31 501
Support based on commodity output	3	564	25 965	24 172	27 466	26 259
Market Price Support ¹	3	555	23 237	21 532	24 715	23 463
Payments based on output	0	10	2 729	2 640	2 751	2 796
Payments based on input use	1	189	1 526	1 655	1 348	1 574
Based on variable input use	1	182	1 207	1 299	1 071	1 251
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	0	6	296	333	254	301
with input constraints	0	0	0	0	0	0
Based on on-farm services	0	1	22	22	23	22
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	4	3 377	3 137	3 324	3 668
Based on Receipts / Income	0	0	392	290	357	529
Based on Area planted / Animal numbers	0	4	2 984	2 847	2 967	3 139
with input constraints	0	0	57	37	53	81
Payments based on non-current A/An/R/I, production required	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0	0
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	21.9	27.8	20.9	21.0	21.8	19.8
Producer NPC (coeff.)	1.25	1.30	1.20	1.21	1.21	1.19
Producer NAC (coeff.)	1.28	1.39	1.26	1.27	1.28	1.25
General Services Support Estimate (GSSE)	0	278	6 582	6 141	6 351	7 255
Agricultural knowledge and innovation system	0	4	77	82	73	76
Inspection and control	0	7	111	105	116	111
Development and maintenance of infrastructure	0	58	4 924	4 582	5 133	5 056
Marketing and promotion	0	202	1 471	1 371	1 029	2 012
Cost of public stockholding	0	0	0	0	0	0
Miscellaneous	0	6	0	0	0	0
Percentage GSSE (% of TSE)	6.9	26.3	17.6	17.5	16.5	18.7
Consumer Support Estimate (CSE)	-3	-543	-15 261	-15 285	-15 423	-15 076
Transfers to producers from consumers	-3	-543	-16 137	-16 147	-16 249	-16 013
Other transfers from consumers	0	-29	-170	-93	-269	-147
Transfers to consumers from taxpayers	0	0	0	0	0	0
Excess feed cost	0	29	1 045	955	1 095	1 084
Percentage CSE (%)	-21.1	-23.6	-14.0	-15.4	-13.9	-12.8
Consumer NPC (coeff.)	1.29	1.33	1.18	1.20	1.17	1.16
Consumer NAC (coeff.)	1.27	1.31	1.16	1.18	1.16	1.15
Total Support Estimate (TSE)	5	1 035	37 450	35 105	38 489	38 756
Transfers from consumers	3	572	16 306	16 240	16 519	16 160
Transfers from taxpayers	1	492	21 313	18 957	22 240	22 743
Budget revenues	0	-29	-170	-93	-269	-147
Percentage TSE (% of GDP)	4.0	4.5	2.1	2.2	2.2	2.0
GDP deflator (1986-88=100)	100	13 840	542 461	501 336	543 109	582 939

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Turkey are: wheat, maize, barley, sunflower, sugar, potatoes, tomatoes, grapes, apples, cotton, tobacco, milk, beef and veal, sheep meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agrcse-data-en.

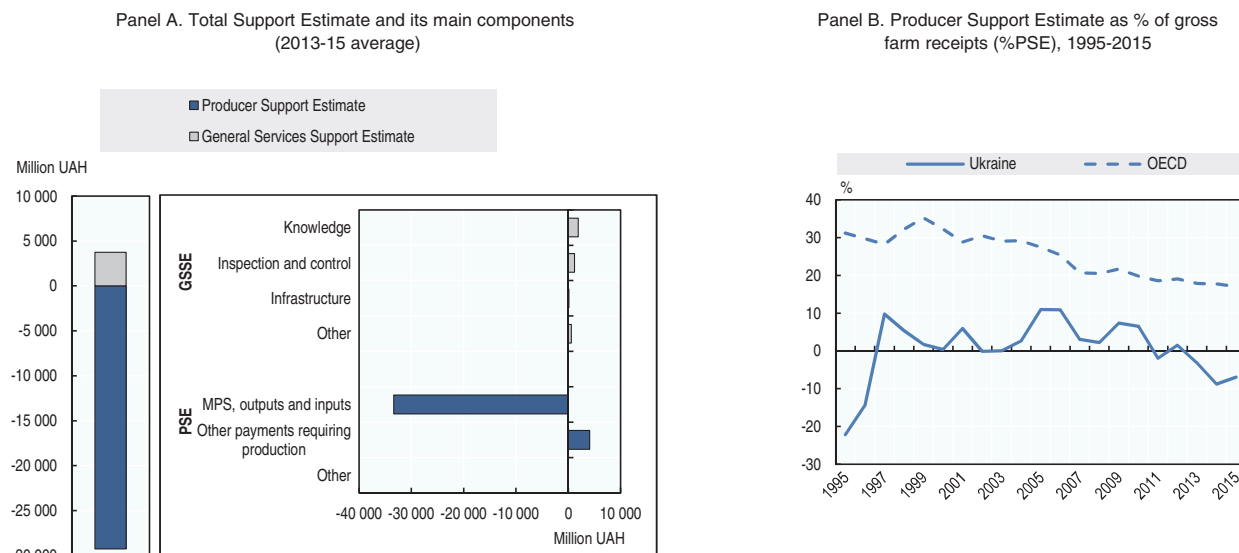
StatLink  <http://dx.doi.org/10.1787/888933375991>

2.21. Ukraine

Support to agriculture

Producer support has been negative in recent years. In 2015, it slightly increased compared to 2014, but remained negative at minus 7%. Policies continue to tax agricultural producers on aggregate, although this outcome results from a combination of taxation of export sectors and protection of import sectors. The level of general services support shrank further.

Figure 2.21. **Ukraine: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink <http://dx.doi.org/10.1787/888933374614>

Main policy changes

Ukraine ratified the Association Agreement with the European Union in September 2014 and has begun its implementation. The Ministry of Agrarian Policy and Food of Ukraine (MAPF) has prepared "The Strategy for Agriculture and Rural Development 2015-2020", which was approved in late 2015. In the context of budget constraints, the government focused on deregulation and liberalisation of the sector. The Cabinet of Ministers of Ukraine revised and substantially reduced quantities of grain and sugar beet procurements and completely abolished wheat purchases for state grain reserves for the 2015-16 season. The number of agricultural programmes was reduced from 32 in 2014 to 19 in 2015, with many programmes having obtained either less or no funding in 2015. Despite the initial intentions to end support based on Value Added Tax (VAT) concessions, it continued to be an important policy. On 1 January 2016, the Deep and Comprehensive Free Trade Area between the European Union and Ukraine entered into force. Starting from 1 January 2016, the Russian Federation has suspended the free trade regime with Ukraine under the Agreement on Free Trade in the Commonwealth of Independent States (CIS) Area and extended to Ukraine its ban on imports of agro-food products from the European Union. Ukraine subsequently prohibited a broad range of agro-food imports from the Russian Federation.

Assessment and recommendations

- On average, policies tax producers – this, however, results from taxation of export sectors and protection of import sectors. Most policies are implemented on an *ad hoc* basis and are missing a long-term strategic orientation.
- Financial constraints led to the elimination of some important tax concessions to agriculture. The number of agricultural programmes was substantially reduced in 2015, with many programmes either less or not funded at all.
- Export policies should be reformed. Export restrictions are trade distorting and have a dampening effect on domestic producer prices. By reducing the profitability of the country's most competitive commodities, they impair the international competitiveness of the sector. VAT refunds on export sales are ineffective, create distrust and harm business environment.
- General services support declined, mainly due to the cuts in the budget for inspection and control services. In deteriorating economic conditions, the government focused on deregulation and liberalisation of the sector. While the policy of deregulation deserves attention, maintaining an adequate level of basic general services to producers should remain a priority. Moreover, compliance with EU food safety, veterinary and phytosanitary requirements remains a major barrier for Ukraine's access to the EU market.
- The sector showed an impressive total factor productivity growth during 2003-12. This, however, occurred under conditions of a deteriorating capital stock and to sustain high productivity growth major investment will be required in the upcoming years. However, high economic and political uncertainties lead farms and external investors to delay investments. A return to macroeconomic and political stability remains a critical condition for maintaining a productive agricultural sector.
- The high dependence of the country's agricultural sector on weather requires elaboration of a system of measures allowing an effective management of weather-related risks and adaptation of agricultural production to climate change.

Table 2.21. **Ukraine: Estimates of support to agriculture**

Million UAH	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	22 623	425 861	330 901	399 704	546 978
<i>of which: share of MPS commodities (%)</i>	87.7	83.0	81.0	83.0	84.9
Total value of consumption (at farm gate)	15 842	250 434	213 308	228 685	309 309
Producer Support Estimate (PSE)	-1 775	-29 264	-11 157	-36 798	-39 836
Support based on commodity output	-2 850	-49 266	-28 486	-55 165	-64 146
Market Price Support ¹	-2 866	-50 315	-30 862	-55 936	-64 146
Payments based on output	16	1 049	2 376	771	0
Payments based on input use	551	15 891	13 257	14 105	20 310
Based on variable input use	391	15 565	12 401	14 000	20 293
with input constraints	0	0	0	0	0
Based on fixed capital formation	139	326	856	105	17
with input constraints	0	0	0	0	0
Based on on-farm services	21	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	525	4 111	4 072	4 262	4 000
Based on Receipts / Income	525	3 767	3 500	3 800	4 000
Based on Area planted / Animal numbers	0	345	572	462	0
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	-8.9	-6.3	-3.2	-8.8	-7.0
Producer NPC (coeff.)	0.88	0.88	0.90	0.86	0.88
Producer NAC (coeff.)	0.93	0.94	0.97	0.92	0.93
General Services Support Estimate (GSSE)	521	3 750	5 253	3 487	2 509
Agricultural knowledge and innovation system	131	1 900	1 995	1 951	1 755
Inspection and control	40	1 164	1 602	1 292	597
Development and maintenance of infrastructure	329	118	293	9	51
Marketing and promotion	5	28	56	16	12
Cost of public stockholding	0	459	1 168	180	28
Miscellaneous	17	81	139	39	66
Percentage GSSE (% of TSE)
Consumer Support Estimate (CSE)	3 108	28 652	11 999	35 443	38 513
Transfers to producers from consumers	3 210	36 733	20 273	43 029	46 898
Other transfers from consumers	245	-754	-2 166	20	-118
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	-346	-7 327	-6 108	-7 605	-8 268
Percentage CSE (%)	24.2	11.2	5.6	15.5	12.5
Consumer NPC (coeff.)	0.83	0.88	0.92	0.84	0.87
Consumer NAC (coeff.)	0.84	0.90	0.95	0.87	0.89
Total Support Estimate (TSE)	-1 253	-25 514	-5 904	-33 311	-37 327
Transfers from consumers	-3 454	-35 979	-18 107	-43 049	-46 780
Transfers from taxpayers	1 957	11 219	14 369	9 717	9 572
Budget revenues	245	-754	-2 166	20	-118
Percentage TSE (% of GDP)
GDP deflator (1995-97=100)	100	352	333	353	370


.. Not available.

Note: 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Ukraine are: wheat, maize, rye, barley, oats, sunflower, sugar, potatoes, milk, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

StatLink  <http://dx.doi.org/10.1787/888933376003>

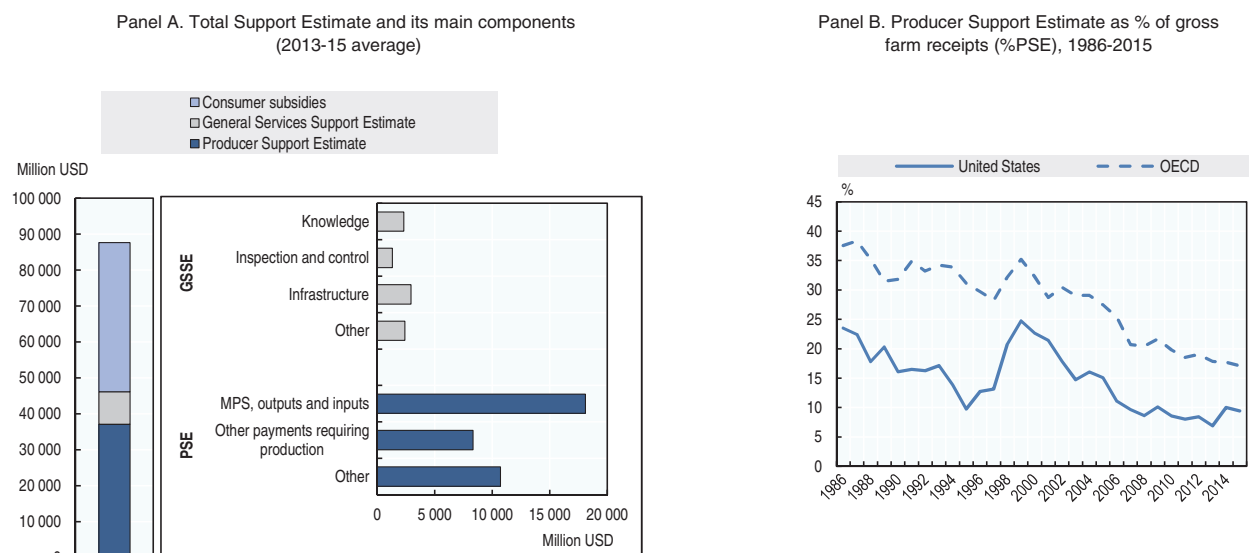
2.22. United States

Support to agriculture

Total support to agriculture represents 0.5% of US GDP in 2013-15. Support for general services provided to agriculture (GSSE) represents 11% of total support (TSE) in 2013-15.² Producer support as a percentage of gross farm receipts is at about half the level of the OECD average.

The share of payments based on commodity output and payments based on input use in the producer support estimate (PSE) remains high at 49% of the PSE (the OECD average is at 60%). However, 38% of the payments based on input use in the United States are also subject to voluntary environmental constraints. Payments requiring production (based on current A/An/R/I) represent 20% of the PSE. These payments are related primarily to farm insurance and are based on the difference between observed production, yield or revenue, and a pre-planting reference at individual farm or county level. Close to half of the Total Support Estimate is made up of support to consumers from taxpayers through the Supplemental Nutrition Assistance Program (SNAP).

Figure 2.22. **United States: Level, structure and evolution of agricultural support**



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>. StatLink  <http://dx.doi.org/10.1787/888933374622>

Main policy changes

With implementation of the 2014 Farm Act underway there have been few domestic policy developments in the United States in calendar year 2015. There have been some developments related to the implementation of the Farm Act, particularly expansions of programmes accomplished in 2015. However, most implementation began in 2014 and has remained unchanged in 2015. Some important developments have occurred in the area of preferential and regional trade agreements. For example, the **Trade Preferences Extension Act of 2015** (TPEA) provides preferential duty-free entry for a wide range of products imported from designated beneficiary countries and territories in **Africa**. The US completed negotiation of the **Trans-Pacific Partnership** (TPP) in October 2015 while continuing negotiations with the **European Union** on the **Transatlantic Trade and**

Investment Partnership (TTIP). Other developments concern labelling and food safety. Finally, other initiatives encourage new farmers or target rural poverty.

Assessment and recommendations

- Levels of producer support and border protection have decreased substantially since 1986-88. However, since 2002 the decline has been primarily due to higher world commodity prices, as several of the support policies in place are linked to changes in prices. Overall, the average support for 2013-15 represented 8.8% of gross farm receipts, with support in 2015 at 9.4%.
- The increasing emphasis on insurance and risk management policy tools is, in principle, a good approach to providing support to farmers when they are in need. However, the policy tools within the 2014 Farm Act may transfer some part of normal risks from farmers to the public budget.
- While established environmental programmes like the Environmental Quality Incentives Program (EQIP) and the programmes consolidated into the Agricultural Conservation Easement Program (ACEP) appear to be effective in addressing soil conservation and water pollution problems, careful assessments are needed to ensure that newer programmes like the Regional Conservation Partnership Program are well targeted to providing intended environmental benefits at a local level.
- Overall, the long-term effects on sustainable improvements in agricultural productivity and efficiency brought about by the 2014 Farm Act require continued assessment.

Table 2.22. United States: Estimates of support to agriculture

Million USD

	1986-88	1995-97	2013-15	2013	2014	2015p
Total value of production (at farm gate)	143 469	200 325	393 982	394 251	405 217	382 477
<i>of which: share of MPS commodities (%)</i>	78.3	76.5	79.2	78.8	79.4	79.3
Total value of consumption (at farm gate)	121 087	162 235	304 215	306 185	318 670	287 791
Producer Support Estimate (PSE)	35 337	25 617	37 126	29 020	43 572	38 785
Support based on commodity output	15 114	11 487	9 409	3 404	13 935	10 888
Market Price Support ¹	12 003	11 336	8 983	3 079	13 390	10 480
Payments based on output	3 111	151	426	325	545	408
Payments based on input use	7 061	6 641	8 677	9 238	8 376	8 416
Based on variable input use	3 697	3 088	2 772	3 413	2 719	2 183
with input constraints	739	264	594	587	606	588
Based on fixed capital formation	1 233	554	1 745	1 958	1 641	1 636
with input constraints	1 233	537	1 697	1 876	1 602	1 613
Based on on-farm services	2 131	2 999	4 160	3 867	4 015	4 598
with input constraints	349	543	1 209	1 188	1 264	1 176
Payments based on current A/An/R/I, production required	12 231	1 825	8 325	9 036	8 022	7 915
Based on Receipts / Income	912	721	1 598	1 269	1 693	1 833
Based on Area planted / Animal numbers	11 319	1 104	6 726	7 767	6 329	6 082
with input constraints	2 565	557	6 611	7 591	6 209	6 033
Payments based on non-current A/An/R/I, production required	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	338	3 824	8 653	4 995	11 312	9 653
With variable payment rates	0	0	4 936	0	5 191	9 618
with commodity exceptions	0	0	4 936	0	5 191	9 618
With fixed payment rates	338	3 824	3 717	4 995	6 122	35
with commodity exceptions	0	3 824	2 923	4 043	4 726	0
Payments based on non-commodity criteria	592	1 839	2 062	2 347	1 927	1 912
Based on long-term resource retirement	592	1 839	2 028	2 283	1 903	1 897
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	34	64	24	16
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	21.2	11.9	8.8	6.9	10.0	9.4
Producer NPC (coeff.)	1.12	1.06	1.02	1.01	1.04	1.03
Producer NAC (coeff.)	1.27	1.14	1.10	1.07	1.11	1.10
General Services Support Estimate (GSSE)	3 108	4 239	9 012	10 413	7 889	8 735
Agricultural knowledge and innovation system	1 129	1 479	2 311	2 299	2 299	2 335
Inspection and control	372	559	1 328	1 335	1 328	1 320
Development and maintenance of infrastructure	13	27	2 958	4 282	2 017	2 575
Marketing and promotion	495	654	1 189	1 267	1 020	1 279
Cost of public stockholding	0	52	1	4	-1	-1
Miscellaneous	1 100	1 468	1 226	1 226	1 226	1 227
Percentage GSSE (% of TSE)	6.4	8.9	10.4	11.8	8.0	11.4
Consumer Support Estimate (CSE)	-2 629	6 157	31 628	45 217	32 359	17 308
Transfers to producers from consumers	-11 699	-11 146	-8 758	-2 970	-13 019	-10 284
Other transfers from consumers	-1 314	-1 143	-1 090	-271	-1 255	-1 743
Transfers to consumers from taxpayers	10 089	18 437	41 475	48 459	46 633	29 334
Excess feed cost	294	8	0	0	0	0
Percentage CSE (%)	-2.4	4.3	12.0	17.5	11.9	6.7
Consumer NPC (coeff.)	1.12	1.08	1.03	1.01	1.05	1.04
Consumer NAC (coeff.)	1.03	0.96	0.89	0.85	0.89	0.94
Total Support Estimate (TSE)	48 534	48 292	87 613	87 892	98 094	76 854
Transfers from consumers	13 013	12 288	9 847	3 242	14 274	12 026
Transfers from taxpayers	36 835	37 147	78 856	84 922	85 075	66 570
Budget revenues	-1 314	-1 143	-1 090	-271	-1 255	-1 743
Percentage TSE (% of GDP)	1.0	0.6	0.5	0.5	0.6	0.4
GDP deflator (1986-88=100)	100	128	181	178	181	183

Note: 1986-88, 1995-97 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for the United States are: wheat, maize, barley, sorghum, alfalfa, cotton, rice, soybean, sugar, milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agr-pcse-data-en.

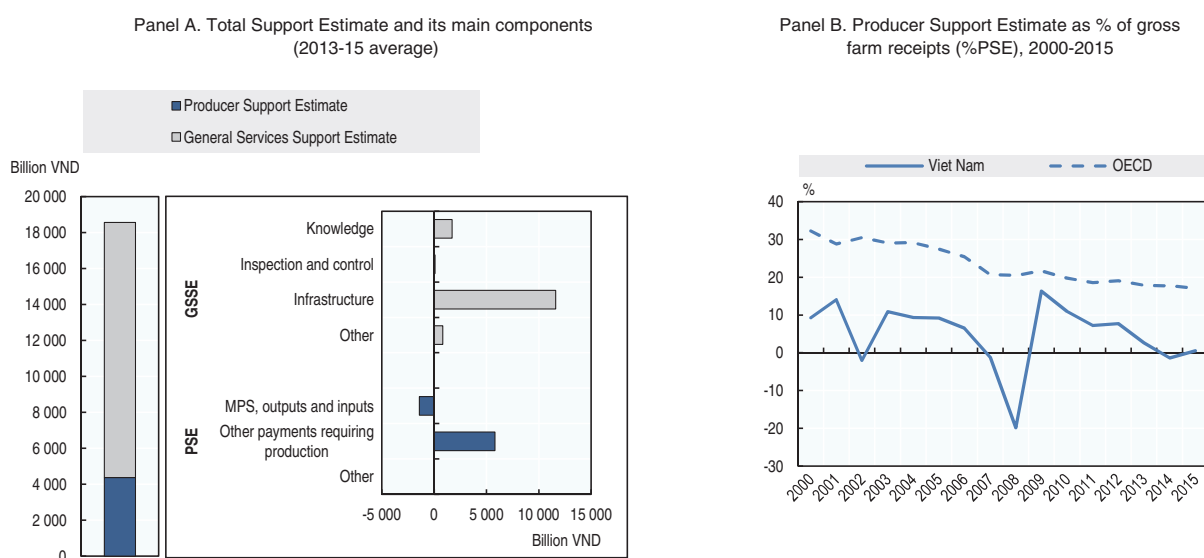
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2.23. Viet Nam

Support to agriculture

The level of support to agriculture fluctuates, largely driven by changes in market price support (MPS). An average for 2013-15 was just 0.6%, but it hides varied results across commodities. While producers of import-competing commodities, such as sugar and beef, benefit from tariff protection, producers of several exported commodities are implicitly taxed. Rice producers benefit from a price support system based on target prices designed to provide farmers with a profit of 30% and from direct payments per hectare, tied to maintaining land in rice production. The Total Support Estimate (TSE) is low at 0.5% of GDP. Within the General Services Estimate, the development and maintenance of infrastructure, in particular irrigation, is by far the most important component.

Figure 2.23. Viet Nam: Level, structure and evolution of agricultural support



Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink <http://dx.doi.org/10.1787/888933374630>

Main policy changes

In 2015, basic domestic policy instruments remained unchanged, but Viet Nam continued to be active in pursuing trade liberalisation through regional and bilateral trade agreements. In particular, Viet Nam together with eleven other countries successfully concluded negotiations on a Free Trade Agreement (FTA) within the Trans-Pacific Partnership Agreement (TPP). Viet Nam also signed an FTA with the European Union. While both agreements still need to be ratified, when implemented, they will have wide-reaching implications for all sectors of the Vietnamese economy, including for agriculture. In addition, Viet Nam signed an FTA with the Euroasia Economic Union and the FTA with Korea came into force at the end of the year.

Assessment and recommendations

- Over the next ten years, both domestic and international conditions will be more challenging for Viet Nam's agricultural sector than they were over the previous two decades. Prices of many commodities exported by Viet Nam declined over recent years

from the peaks seen in 2007-08 and are projected to fall further in real terms over the medium term. Most of the easy sources of lifting production, e.g. expanding land area, employing more cheap labour and using higher rates of fertilisers, have been fully exploited and negative environmental impacts are increasingly seen. These will become major challenges for Viet Nam, but will also open opportunities to adopt new technologies, to give incentives for larger farms and to focus attention on quality and higher value added products.

- To improve the enabling environment for agriculture, the re-allocation of factors of production across sectors should be eased and constraints on investment alleviated. Likewise, agricultural institutions and governance systems should be improved by: strengthening of institutional co-ordination between the Ministry of Agriculture and Rural Development and other relevant ministries implementing programmes supporting agriculture; reinforcement of the transparency and accountability of publicly-funded programmes; founding policy decision on adequate and accurate information; and integrating monitoring and review mechanisms into the policy process.
- To improve the allocation of scarce land resources, farm consolidation could be encouraged, including through various forms of co-operation between farmers, and restrictions on crop choice should be removed. Moreover, the scope of compulsory land conversions should be limited and compensations for such conversions should be based on open market land prices. To limit the scope of social conflicts and corruption in the land administration, participatory land use plans could be encouraged and direct transactions between land users without state involvement should be allowed.
- While the waiver of irrigation service fees has increased farmer income, it has several negative side effects. It has reduced the incentive for farmers to save water; it has made the national budget fully responsible for financing operation and maintenance costs in addition to capital investment; and it diminished incentives for irrigation and drainage management companies to provide quality irrigation services. While the government could remain responsible for all capital investment in the irrigation systems, farmers should cover operation and maintenance costs. Re-establishing a water fee based on a per unit of water charge rather than a per hectare charge, as previously applied, would encourage greater water use efficiency.

Notes

1. Complete budgetary information for 2015 was not available within the timeline for the preparation of this Report – support estimates thus cover the period up to 2014.
2. With the introduction of the new calculation method for GSSE in 2015, the GSSE for the US does not include two major sources of previously reported expenditures: 1) the share of the US Supplemental Nutrition Assistance Program (SNAP) expenditures (USD 61 billion in 2015) attributable to the food supply chain beyond the farm; and 2) expenditures on international food assistance (USD 1.4 billion in 2013), both of which had been included under “Marketing and promotion” under the previous GSSE.

Table 2.23. Viet Nam: Estimates of support to agriculture

Million VND

	2000-02	2013-15	2013	2014	2015p
Total value of production (at farm gate)	128 610 574	811 974 500	746 515 510	799 807 710	889 600 281
<i>of which: share of MPS commodities (%)</i>	81.6	77.5	79.3	82.0	71.1
Total value of consumption (at farm gate)	112 148 440	699 038 819	614 531 247	681 196 766	801 388 446
Producer Support Estimate (PSE)	8 684 007	4 372 957	19 886 191	-11 280 103	4 512 784
Support based on commodity output	6 863 146	-8 455 068	7 603 222	-22 638 603	-10 329 821
Market Price Support ¹	6 863 146	-8 455 068	7 603 222	-22 638 603	-10 329 821
Payments based on output	0	0	0	0	0
Payments based on input use	1 510 528	7 018 925	7 090 469	7 296 745	6 669 562
Based on variable input use	1 510 528	7 008 440	7 079 984	7 286 260	6 659 077
with input constraints	0	0	0	0	0
Based on fixed capital formation	0	10 485	10 485	10 485	10 485
with input constraints	0	0	0	0	0
Based on on-farm services	0	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	5 809 100	5 192 500	4 061 755	8 173 044
Based on Receipts / Income	0	44 667	134 000	0	0
Based on Area planted / Animal numbers	0	5 764 433	5 058 500	4 061 755	8 173 044
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	310 333	0	0	0	0
Based on long-term resource retirement	310 333	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	7.1	0.6	2.6	-1.4	0.5
Producer NPC (coeff.)	1.07	1.00	1.01	0.98	1.01
Producer NAC (coeff.)	1.08	1.01	1.03	0.99	1.01
General Services Support Estimate (GSSE)	3 353 248	14 193 876	13 119 542	14 672 960	14 789 124
Agricultural knowledge and innovation system	349 070	1 694 216	1 699 665	1 681 468	1 701 514
Inspection and control	51 601	74 801	73 560	74 162	76 682
Development and maintenance of infrastructure	2 852 840	11 615 812	10 660 047	12 093 695	12 093 695
Marketing and promotion	18 429	26 715	26 271	26 486	27 386
Cost of public stockholding	81 308	782 332	660 000	797 149	889 848
Miscellaneous	0	0	0	0	0
Percentage GSSE (% of TSE)
Consumer Support Estimate (CSE)	-9 376 321	-36 552 584	-33 201 967	-14 047 572	-62 408 213
Transfers to producers from consumers	-9 459 449	-25 608 530	-32 004 747	-9 451 542	-35 369 303
Other transfers from consumers	-292 172	-18 128 755	-840 906	-11 274 888	-42 270 472
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	375 300	7 184 702	-356 314	6 678 858	15 231 562
Percentage CSE (%)	-8.9	-5.1	-5.4	-2.1	-7.8
Consumer NPC (coeff.)	1.11	1.07	1.06	1.03	1.11
Consumer NAC (coeff.)	1.10	1.05	1.06	1.02	1.08
Total Support Estimate (TSE)	12 037 255	18 566 833	33 005 733	3 392 857	19 301 909
Transfers from consumers	9 751 621	43 737 286	32 845 653	20 726 430	77 639 775
Transfers from taxpayers	2 577 806	-7 041 697	1 000 987	-6 058 685	-16 067 394
Budget revenues	-292 172	-18 128 755	-840 906	-11 274 888	-42 270 472
Percentage TSE (% of GDP)	2.4	0.5	0.9	0.1	0.5
GDP deflator (2000-02=100)	142	471	463	480	..


.. Not available.

Note: 2000-02 and 2013-15: unweighted averages. p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Viet Nam are: rice, rubber, coffee, maize, cashew nuts, sugar, pepper, tea, beef and veal, pig meat, poultry and eggs.

Source: OECD (2016), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). DOI: dx.doi.org/10.1787/agrcse-data-en.

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