

PART II

Chapter 2

**Developments in agricultural support
in the OECD area**

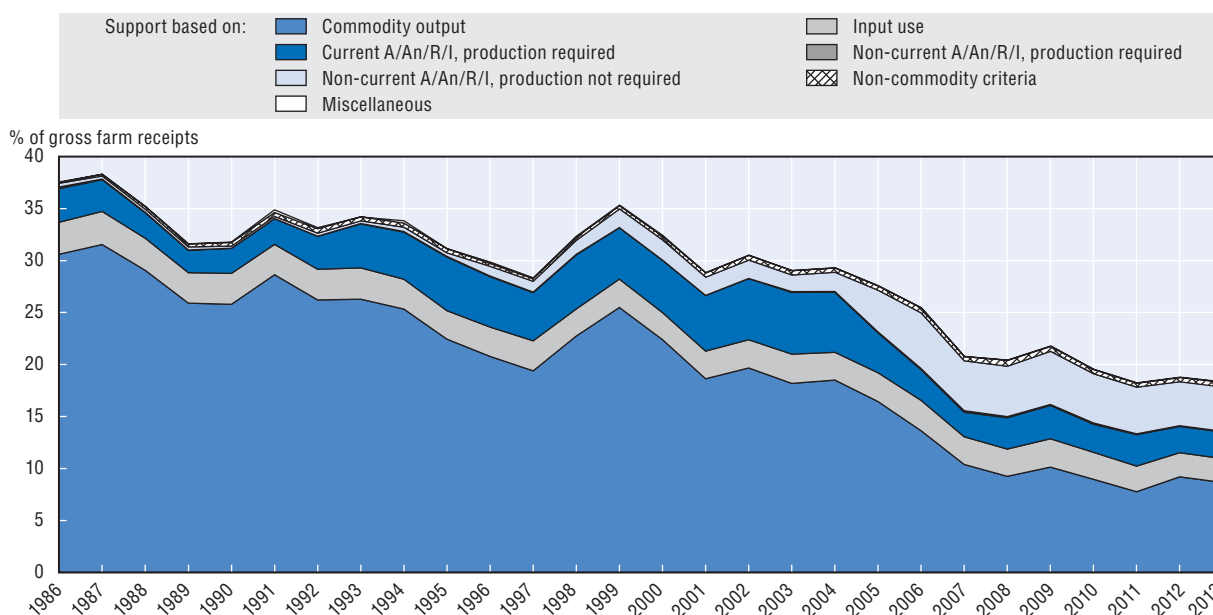
This chapter contains the information concerning the short- and long-term developments of the level and structure of support in the OECD area.

This chapter provides an overview of agricultural support in the OECD area as a whole as measured by the OECD indicators of agricultural support. The main drivers behind the changes in support between 2012 and 2013, and a more detailed analysis and evaluation of policy developments and support across OECD countries, are provided in Chapter 1 and the following country chapters.

The level and composition of agricultural support in the OECD area

Support to agriculture in the OECD area, as measured by the %PSE has been declining continuously: from 37% at the beginning of the period under review to less than 20% in the most recent years. The way support is delivered to farmers is also evolving (Figure 2.1).

Figure 2.1. **OECD: Level and composition of Producer Support Estimate, 1986-2013**



Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database, <http://dx.doi.org/10.1787/agr-pcse-data-en>.
StatLink  <http://dx.doi.org/10.1787/888933109403>

Support to agriculture in the OECD area is characterised by the long-term decline of support based on commodity output, mainly driven by reduced market price support. Support based on commodity output, comprising market price support and payments based on output is one of the most potentially production and trade distorting forms of support together with payments based on variable input use (without constraints). At the other end of the spectrum, the potentially less distorting forms of support, include payments based on parameters that are not linked to current production. Such payments can be based on non-current area or numbers of animals, receipts or income and do not require production in order to receive the payment. They can also be based on non-commodity criteria such as land set aside or payments for specific landscape features. These

potentially less distorting forms of support have grown only in the most recent years, from a 1% share of the PSE in 1986-88 and 4% in 1995-97 to the second largest category of support representing 26% of support in 2011-13. Payments based on current areas and animal numbers were reduced slightly over the period since 1986-88. Today, they represent less than 3% of support (Figure 2.1, Tables 2.1 and 2.2).

Box 2.1. Use of the %PSE indicator in evaluating annual changes in agricultural support

The PSE, the total monetary value of the estimated policy transfers to producers, is expressed in the local currency of each country. It is converted into a common currency (USD, EUR) to allow aggregation into the total PSE for the OECD area as a whole. Consequently, the year-on-year variation in the total level of transfers denominated in a common currency will result from both changes in the level of transfers measured in each national currency and exchange rate movements against the currency used for the aggregation.

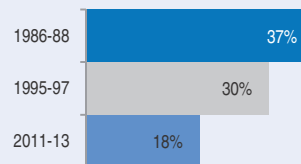
The OECD total value of agricultural policy transfers to producers, as measured by the nominal PSE, declined between 2012 and 2013 when expressed in USD – at USD 266 billion in 2012 and USD 258 billion in 2013 (Table 2.1). When expressed in Euros, the fall in the OECD total PSE was sharper from EUR 207 billion in 2012 to EUR 194 billion in 2013 (Table 2.2). How can these varying results expressed in different currencies be interpreted when the PSE is expressed in different currencies?

Exchange rate developments are the reason for the different movements, and consequently the best way to compare levels of support in the OECD as whole (as in individual countries) is to use relative indicators such as the %PSE, which expresses the value of policy transfers as a share of gross producer receipts. The latter represent the market value of agricultural output to which are added transfers to producers from taxpayers. The %PSE solves the problem of exchange rate choice because the same exchange rates are used to convert both the denominator and the numerator into a single currency. Consequently, the %PSE is the same regardless of the currency used (see Tables 2.1 and 2.2). Since the %PSE is a relative measure, it provides a sense of the importance of policy-induced transfers in the sector and is also appropriate for comparisons among OECD countries (as it eliminates the effects of the size of the agricultural sector) and over time (as it eliminates the effect of inflation).

Development of support to agriculture

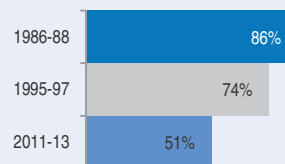
PSE as % of receipts (%PSE)

Support to farmers as measured by the %PSE declined from 37% in 1986-88 to 18% in 2011-13.



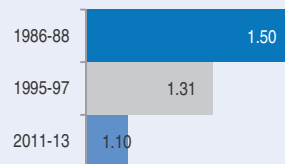
Potentially most distorting support as % of PSE

The share of potentially most distorting support (based on output and variable input use – without input constraints) has come down since 1986-88 and has levelled off in recent years. It now accounts for slightly more than half of the PSE in 2011-13.



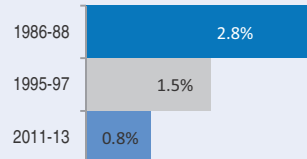
Ratio of producer price to border price (NPC)

Prices received by farmers in 1986-88 were 50% higher than those on world markets (NPC), compared to 10% in 2011-13.



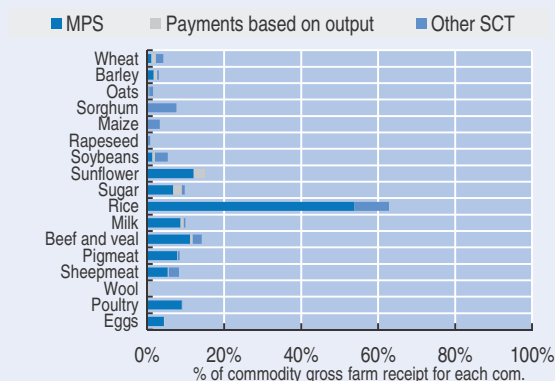
TSE as % of GDP

Total support was 2.8% of GDP in 1986-88, declining to 0.8% by 2011-13. The share of expenditures on general services (GSSE) to total support (TSE) has increased from 9% of TSE in 1986-88 to 13% in 2011-13.

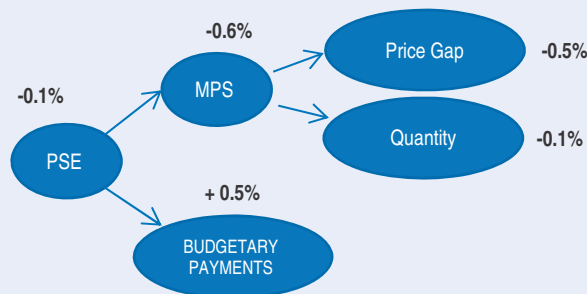


Single Commodity Transfers (SCT) represented 53% of the PSE compared to 88% in 1986-88. The share of the SCT was highest for rice.

Transfer to specific commodities (SCT), 2011-13



Decomposition of change in PSE, 2012 to 2013



The level of support decreased in 2013 due lower market price support offsetting higher budgetary payments. The decrease in MPS is explained by a reduced price gap, mainly due to higher border prices for milk and beef.

Table 2.1. OECD: Estimates of support to agriculture (USD)

Million USD

	1986-88	1995-97	2011-13	2011	2012	2013p
Total value of production (at farm gate)	592 135	771 656	1 269 093	1 262 274	1 273 578	1 271 427
of which: share of MPS commodities (%)	72.1	70.6	67.4	66.7	67.7	67.7
Total value of consumption (at farm gate)	559 273	760 864	1 181 432	1 185 605	1 193 449	1 165 242
Producer Support Estimate (PSE)	239 543	253 959	260 935	258 473	266 382	257 950
Support based on commodity output	196 678	178 504	120 385	110 060	130 649	120 447
Market Price Support ¹	184 080	171 469	114 247	104 136	124 358	114 249
Payments based on output	12 599	7 035	6 138	5 924	6 292	6 198
Payments based on input use	20 197	24 050	33 606	34 927	32 829	33 061
Based on variable input use	9 763	11 004	13 087	13 420	12 954	12 887
with input constraints	743	417	647	602	675	665
Based on fixed capital formation	6 870	7 385	12 645	13 503	12 185	12 248
with input constraints	1 235	743	2 369	2 305	2 404	2 397
Based on on-farm services	3 563	5 661	7 873	8 004	7 690	7 926
with input constraints	439	1 056	1 263	1 260	1 231	1 297
Payments based on current A/An/R/I, production required	18 734	41 774	38 284	42 892	35 824	36 135
Based on Receipts / Income	2 051	1 432	5 005	5 182	5 340	4 494
Based on Area planted / Animal numbers	16 683	40 342	33 278	37 710	30 484	31 641
with input constraints	3 719	15 476	23 707	25 635	22 321	23 167
Payments based on non-current A/An/R/I, production required	533	459	977	1 037	925	970
Payments based on non-current A/An/R/I, production not required	2 080	6 626	61 657	63 738	60 075	61 159
With variable payment rates	181	639	368	404	321	378
with commodity exceptions	0	0	205	237	155	223
With fixed payment rates	1 899	5 988	61 289	63 334	59 754	60 780
with commodity exceptions	1 561	4 917	27 773	29 253	27 862	26 205
Payments based on non-commodity criteria	1 077	3 135	5 570	5 388	5 611	5 712
Based on long-term resource retirement	1 076	2 951	3 214	3 298	3 150	3 193
Based on a specific non-commodity output	1	183	2 169	1 861	2 297	2 350
Based on other non-commodity criteria	0	1	187	229	163	169
Miscellaneous payments	244	-589	456	432	468	467
Percentage PSE (%)	37.0	29.7	18.4	18.2	18.8	18.2
Producer NPC (coeff.)	1.50	1.31	1.10	1.09	1.11	1.10
Producer NAC (coeff.)	1.59	1.42	1.23	1.22	1.23	1.22
General Services Support Estimate (GSSE)²	25 621	43 464	43 919	43 888	44 192	43 675
Agricultural knowledge and innovation system	4 842	8 400	13 509	13 608	13 451	13 467
Inspection and control	1 072	1 504	3 861	3 846	3 882	3 854
Development and maintenance of infrastructure	10 264	22 757	17 938	17 206	18 926	17 683
Marketing and promotion	2 192	5 475	5 318	6 104	4 677	5 173
Cost of public stockholding	5 872	3 518	759	635	781	860
Miscellaneous	1 379	1 809	2 534	2 489	2 474	2 638
Percentage GSSE (% of TSE)	9.0	13.5	12.7	12.8	12.6	12.7
Consumer Support Estimate (CSE)	-159 865	-171 139	-94 833	-91 578	-105 929	-86 992
Transfers to producers from consumers	-169 187	-167 732	-110 242	-101 729	-119 756	-109 243
Other transfers from consumers	-22 093	-30 309	-25 473	-29 388	-26 276	-20 754
Transfers to consumers from taxpayers	19 875	24 761	40 524	39 208	39 756	42 608
Excess feed cost	11 540	2 141	358	330	347	397
Percentage CSE (%)	-29.7	-23.2	-8.3	-8.0	-9.2	-7.7
Consumer NPC (coeff.)	1.52	1.35	1.13	1.12	1.14	1.13
Consumer NAC (coeff.)	1.42	1.30	1.09	1.09	1.10	1.08
Total Support Estimate (TSE)	285 040	322 184	345 378	341 570	350 329	344 234
Transfers from consumers	191 280	198 041	135 715	131 116	146 032	129 997
Transfers from taxpayers	115 853	154 452	235 135	239 841	230 573	234 992
Budget revenues	-22 093	-30 309	-25 473	-29 388	-26 276	-20 754
Percentage TSE (% of GDP)	2.8	1.5	0.8	0.8	0.8	0.8

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. A/An/R/I: Area planted/Animal numbers/Receipts/Income. The OECD total for 1986-88 includes all countries, except Chile, Israel and Slovenia, for which data is not available. TSE as a share of GDP for 1986-88 for the OECD is an estimate based on available data.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities: see notes to individual country tables in Part II.
2. A revised GSSE definition with new categories was introduced in 2014. When possible, the revision was implemented for the whole time series. The GSSE series and the resulting TSE are not comparable with the series published previously (for more details, see Annex 1.A2)

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database, doi: <http://dx.doi.org/10.1787/agr-pcse-data-en>.


StatLink  <http://dx.doi.org/10.1787/888933110239>

Table 2.2. **OECD: Estimates of support to agriculture (EUR)**


Million EUR

	1986-88	1995-97	2011-13	2011	2012	2013p
Total value of production (at farm gate)	536 394	625 221	952 130	907 775	990 852	957 763
of which: share of MPS commodities (%)	72.1	70.6	67.4	66.7	67.7	67.7
Total value of consumption (at farm gate)	506 239	615 795	886 308	852 638	928 511	877 774
Producer Support Estimate (PSE)	217 332	205 293	195 814	185 883	207 246	194 314
Support based on commodity output	178 364	144 142	90 510	79 151	101 646	90 733
Market Price Support ¹	166 876	138 450	85 902	74 890	96 751	86 064
Payments based on output	11 489	5 692	4 608	4 260	4 895	4 669
Payments based on input use	18 293	19 510	25 188	25 118	25 541	24 904
Based on variable input use	8 863	8 900	9 812	9 651	10 078	9 708
with input constraints	683	334	486	433	525	501
Based on fixed capital formation	6 214	5 974	9 472	9 710	9 480	9 226
with input constraints	1 124	596	1 778	1 658	1 871	1 806
Based on on-farm services	3 217	4 636	5 903	5 756	5 983	5 971
with input constraints	397	869	947	906	958	977
Payments based on current A/An/R/I, production required	17 101	33 763	28 646	30 846	27 871	27 220
Based on Receipts / Income	1 906	1 169	3 755	3 726	4 155	3 385
Based on Area planted / Animal numbers	15 195	32 594	24 890	27 120	23 717	23 835
with input constraints	3 300	12 518	17 751	18 436	17 365	17 451
Payments based on non-current A/An/R/I, production required	505	371	732	746	719	731
Payments based on non-current A/An/R/I, production not required	1 900	5 467	46 216	45 838	46 739	46 071
With variable payment rates	161	498	275	291	250	285
with commodity exceptions	0	0	153	171	121	168
With fixed payment rates	1 739	4 969	45 941	45 547	46 489	45 786
with commodity exceptions	1 417	4 099	20 818	21 037	21 677	19 740
Payments based on non-commodity criteria	942	2 526	4 181	3 875	4 365	4 303
Based on long-term resource retirement	941	2 376	2 409	2 372	2 451	2 406
Based on a specific non-commodity output	1	149	1 632	1 338	1 787	1 770
Based on other non-commodity criteria	0	0	140	164	127	127
Miscellaneous payments	227	-486	342	310	364	352
Percentage PSE (%)	37.0	29.7	18.4	18.2	18.8	18.2
Producer NPC (coeff.)	1.50	1.31	1.10	1.09	1.11	1.10
Producer NAC (coeff.)	1.59	1.42	1.23	1.22	1.23	1.22
General Services Support Estimate (GSSE)²	23 119	35 153	32 948	31 563	34 382	32 901
Agricultural knowledge and innovation system	4 383	6 819	10 132	9 787	10 465	10 145
Inspection and control	972	1 226	2 896	2 766	3 020	2 903
Development and maintenance of infrastructure	9 241	18 314	13 473	12 373	14 725	13 320
Marketing and promotion	1 975	4 451	3 975	4 390	3 639	3 897
Cost of public stockholding	5 294	2 876	571	457	607	648
Miscellaneous	1 254	1 467	1 901	1 790	1 925	1 988
Percentage GSSE (% of TSE)	9.0	13.5	12.7	12.8	12.6	12.7
Consumer Support Estimate (CSE)	-144 680	-137 960	-71 268	-65 859	-82 413	-65 531
Transfers to producers from consumers	-153 312	-135 388	-82 874	-73 159	-93 171	-82 292
Other transfers from consumers	-19 953	-24 382	-19 071	-21 134	-20 443	-15 634
Transfers to consumers from taxpayers	18 030	20 100	30 408	28 197	30 930	32 097
Excess feed cost	10 555	1 710	269	238	270	299
Percentage CSE (%)	-29.7	-23.2	-8.3	-8.0	-9.2	-7.7
Consumer NPC (coeff.)	1.52	1.35	1.13	1.12	1.14	1.13
Consumer NAC (coeff.)	1.42	1.30	1.09	1.09	1.10	1.08
Total Support Estimate (TSE)	258 481	260 546	259 171	245 643	272 558	259 311
Transfers from consumers	173 265	159 770	101 945	94 294	113 614	97 926
Transfers from taxpayers	105 169	125 159	176 297	172 484	179 388	177 019
Budget revenues	-19 953	-24 382	-19 071	-21 134	-20 443	-15 634
Percentage TSE (% of GDP)	2.8	1.5	0.8	0.8	0.8	0.8

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. A/An/R/I: Area planted/Animal numbers/Receipts/Income. The OECD total for 1986-88 includes all countries except Chile, Israel and Slovenia, for which data is not available. TSE as a share of GDP for 1986-88 for the OECD is an estimate based on available data.

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