

Chapter 2

Trends in the OECD area

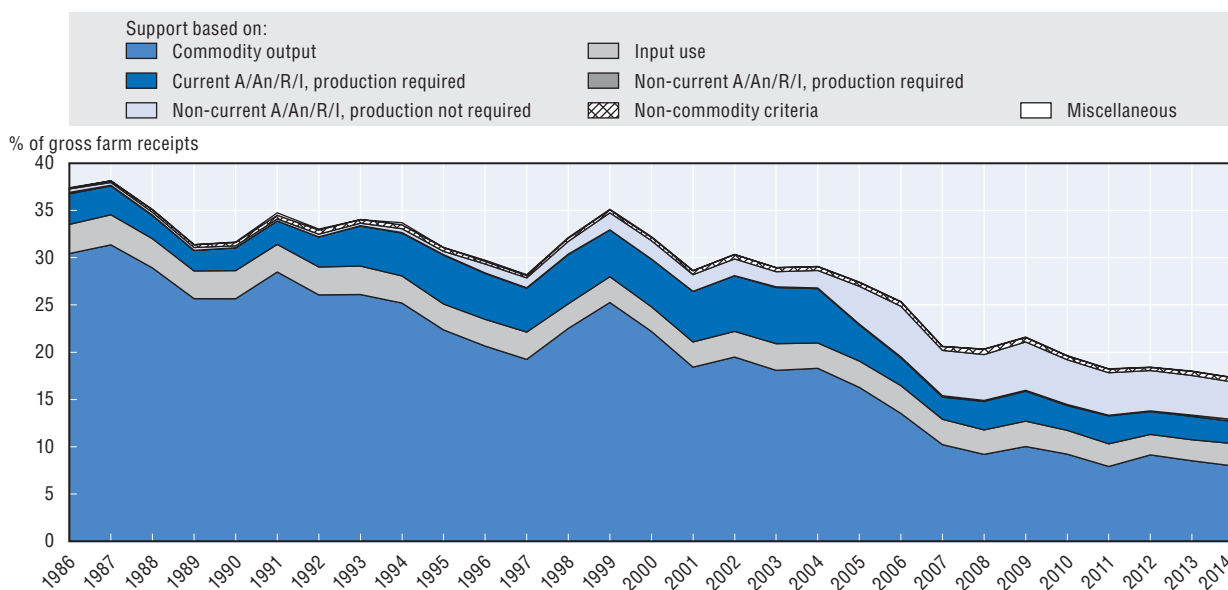
This chapter contains the information concerning the short and long-term developments of the level and structure of support in the OECD area.

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 2013 and 2014, 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, expressed as a share of gross farm receipts (%PSE) has been declining continuously: from 37% at the beginning of the period under review to an average of 18% in 2012-14. The way support is delivered to farmers was also evolving (Figure 2.1).

Figure 2.1. **OECD: Level and composition of Producer Support Estimate, 1986-2014**



Source: OECD (2015), "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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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, are the potentially less distorting forms of support, including payments based on parameters that are not linked to current production or based on non-commodity criteria such as land set aside or payments for specific landscape features. Payments based on current areas and animal numbers were reduced slightly over the period since 1986-88 and today represent less than 3% of total support (Figure 2.1, Tables 2.1, 2.2).

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

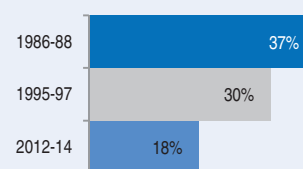
The nominal PSE, the total monetary value for the estimated policy transfers to producers, is expressed in the local currency of each country. It is converted into a common currency (USD, EUR) to allow aggregation into total PSE for the OECD area as a whole. Consequently, the year-on-year variation in 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. 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 of aggregates expressed in different currencies, 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 (at domestic prices) 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

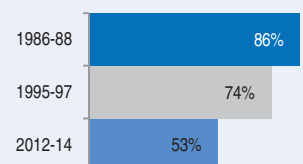
PSE as % of receipts (%PSE)

In the OECD area support to farmers, as measured by the %PSE, declined on average from 37% in 1986-88 to 18% in 2012-14.



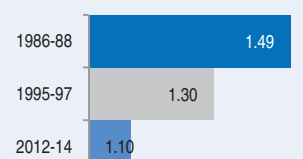
Potentially most distorting support as % of PSE

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 accounts for slightly more than half of the PSE in 2012-14.



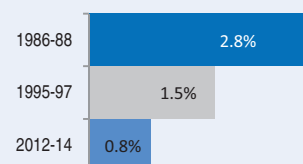
Ratio of producer price to border price (NPC)

Prices received by farmers in 1986-88 were 50% higher than those on world markets (NPC), compared to 10% in 2012-14.

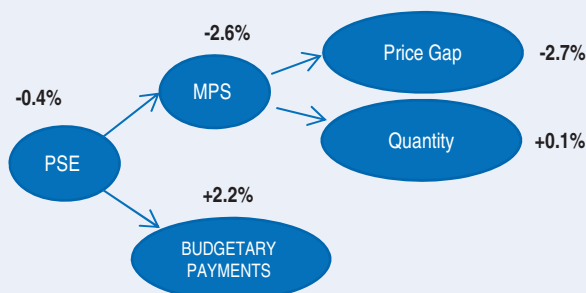


TSE as % of GDP

Total support was 2.8% of GDP in 1986-88, declining to 0.8% by 2012-14. The share of expenditures on general services (GSSE) in total support (TSE) has increased, from 9% in 1986-88 to around 14% in 2012-14.

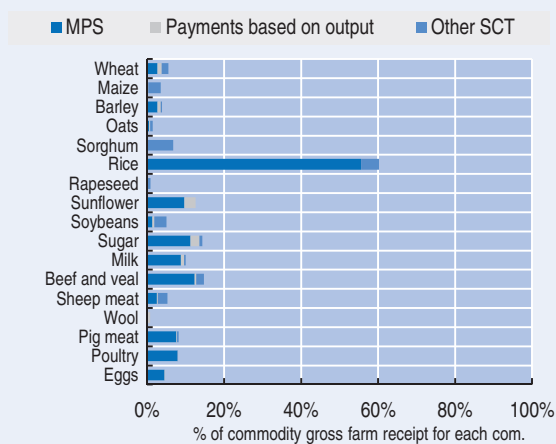


Decomposition of change in PSE, 2013 to 2014



The level of support decreased slightly in 2014 due to a reduction of market price support which was partly offset by higher budgetary payments. The decrease in MPS is explained by a reduced price gap.

Transfer to specific commodities (SCT), 2012-14



Single commodity transfers (SCT) represented 54% of the PSE compared to 88% in 1986-88. The share of the SCT was highest for rice.

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

Million USD	1986-88	1995-97	2012-14	2012	2013	2014p
Total value of production (at farm gate)	592 135	771 656	1 262 987	1 273 675	1 270 501	1 244 785
<i>of which: share of MPS commodities (%)</i>	72.5	71.0	69.6	68.4	69.4	71.0
Total value of consumption (at farm gate)	548 337	746 653	1 148 932	1 173 636	1 157 130	1 116 030
Producer Support Estimate (PSE)	238 465	252 958	250 881	259 930	253 712	239 000
Support based on commodity output	195 598	177 496	119 657	128 971	120 074	109 925
Market Price Support ¹	183 000	170 461	113 958	122 706	114 976	104 193
Payments based on output	12 599	7 035	5 698	6 265	5 097	5 732
Payments based on input use	20 197	24 053	31 509	30 546	31 298	32 684
Based on variable input use	9 763	11 004	12 940	12 762	12 688	13 371
with input constraints	743	417	702	675	705	727
Based on fixed capital formation	6 870	7 386	11 781	11 047	12 062	12 234
with input constraints	1 235	744	2 228	2 417	2 287	1 979
Based on on-farm services	3 563	5 663	6 788	6 737	6 549	7 079
with input constraints	439	1 056	1 254	1 231	1 227	1 303
Payments based on current A/An/R/I, production required	18 736	41 779	33 691	34 120	34 842	32 111
Based on Receipts / Income	2 053	1 432	4 942	4 675	4 925	5 225
Based on Area planted / Animal numbers	16 683	40 346	28 749	29 445	29 917	26 886
with input constraints	3 719	15 476	21 591	21 805	22 607	20 363
Payments based on non-current A/An/R/I, production required	533	459	1 949	965	1 920	2 961
Payments based on non-current A/An/R/I, production not required	2 080	6 626	57 995	60 270	59 070	54 645
With variable payment rates	181	639	2 484	321	339	6 791
with commodity exceptions	0	0	2 301	155	140	6 607
With fixed payment rates	1 899	5 988	55 512	59 949	58 731	47 854
with commodity exceptions	1 561	4 917	26 798	27 861	27 032	25 501
Payments based on non-commodity criteria	1 077	3 135	5 609	4 588	6 051	6 187
Based on long-term resource retirement	1 076	2 951	2 995	3 132	3 122	2 733
Based on a specific non-commodity output	1	183	2 461	1 292	2 751	3 340
Based on other non-commodity criteria	0	1	152	163	179	115
Miscellaneous payments	243	-589	471	470	457	476
Percentage PSE (%)	36.9	29.6	17.9	18.4	18.0	17.3
Producer NPC (coeff.)	1.49	1.30	1.10	1.11	1.10	1.10
Producer NAC (coeff.)	1.58	1.42	1.22	1.23	1.22	1.21
General Services Support Estimate (GSSE)²	26 881	45 886	47 012	45 105	50 549	45 381
Agricultural knowledge and innovation system	4 820	8 347	13 831	13 940	13 862	13 690
Inspection and control	1 147	1 553	4 035	4 093	4 107	3 905
Development and maintenance of infrastructure	10 973	24 248	20 187	18 514	23 159	18 887
Marketing and promotion	2 415	6 243	5 813	5 354	6 379	5 706
Cost of public stockholding	6 003	3 460	1 145	1 105	993	1 337
Miscellaneous	1 523	2 035	2 002	2 100	2 050	1 856
Percentage GSSE (% of TSE)	9.4	14.2	13.5	12.7	14.3	13.6
Consumer Support Estimate (CSE)	-158 691	-169 553	-79 930	-93 692	-78 554	-67 544
Transfers to producers from consumers	-168 133	-166 745	-108 990	-117 863	-110 979	-98 128
Other transfers from consumers	-21 973	-30 243	-21 132	-25 684	-18 929	-18 784
Transfers to consumers from taxpayers	19 875	25 291	49 421	49 555	50 354	48 355
Excess feed cost	11 540	2 144	771	300	1 000	1 013
Percentage CSE (%)	-30.1	-23.4	-7.3	-8.3	-7.1	-6.3
Consumer NPC (coeff.)	1.53	1.36	1.13	1.14	1.13	1.12
Consumer NAC (coeff.)	1.43	1.31	1.08	1.09	1.08	1.07
Total Support Estimate (TSE)	285 221	324 134	347 314	354 590	354 615	332 737
Transfers from consumers	190 106	196 988	130 122	143 547	129 908	116 912
Transfers from taxpayers	117 088	157 389	238 324	236 727	243 636	234 608
Budget revenues	-21 973	-30 243	-21 132	-25 684	-18 929	-18 784
Percentage TSE (% of GDP)	2.8	1.5	0.8	0.8	0.8	0.7

Note: 1986-88, 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.

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 the Annex 1.A1 to Chapter 1)

Source: OECD (2015), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). doi: dx.doi.org/10.1787/agr-pcse-data-en


StatLink  <http://dx.doi.org/10.1787/888933235122>

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

Million EUR	1986-88	1995-97	2012-14	2012	2013	2014p
Total value of production (at farm gate)	536 394	625 221	959 854	990 927	957 066	931 569
<i>of which: share of MPS commodities (%)</i>	72.5	71.0	69.6	68.4	69.4	71.0
Total value of consumption (at farm gate)	496 332	604 212	873 323	913 096	871 664	835 211
Producer Support Estimate (PSE)	216 353	204 471	190 737	202 227	191 121	178 862
Support based on commodity output	177 384	143 314	91 019	100 340	90 451	82 266
Market Price Support ¹	165 896	137 622	86 684	95 466	86 611	77 976
Payments based on output	11 489	5 692	4 335	4 874	3 840	4 290
Payments based on input use	18 293	19 513	23 934	23 765	23 577	24 460
Based on variable input use	8 863	8 900	9 831	9 929	9 558	10 007
with input constraints	683	334	533	525	531	544
Based on fixed capital formation	6 214	5 975	8 945	8 595	9 086	9 156
with input constraints	1 124	596	1 695	1 881	1 723	1 481
Based on on-farm services	3 217	4 638	5 157	5 241	4 933	5 297
with input constraints	397	869	953	958	924	976
Payments based on current A/An/R/I, production required	17 103	33 767	25 608	26 546	26 247	24 031
Based on Receipts / Income	1 908	1 169	3 753	3 637	3 710	3 910
Based on Area planted / Animal numbers	15 195	32 597	21 855	22 908	22 537	20 121
with input constraints	3 300	12 518	16 411	16 964	17 029	15 239
Payments based on non-current A/An/R/I, production required	505	371	1 471	751	1 447	2 216
Payments based on non-current A/An/R/I, production not required	1 900	5 467	44 094	46 891	44 497	40 895
With variable payment rates	161	498	1 862	250	255	5 082
with commodity exceptions	0	0	1 724	121	105	4 944
With fixed payment rates	1 739	4 969	42 232	46 641	44 242	35 813
with commodity exceptions	1 417	4 099	20 375	21 676	20 363	19 084
Payments based on non-commodity criteria	942	2 526	4 253	3 569	4 558	4 631
Based on long-term resource retirement	941	2 376	2 278	2 437	2 351	2 045
Based on a specific non-commodity output	1	149	1 859	1 005	2 072	2 499
Based on other non-commodity criteria	0	0	116	127	135	86
Miscellaneous payments	226	-486	358	366	344	364
Percentage PSE (%)	36.9	29.6	17.9	18.4	18.0	17.3
Producer NPC (coeff.)	1.49	1.30	1.10	1.11	1.10	1.10
Producer NAC (coeff.)	1.58	1.42	1.22	1.23	1.22	1.21
General Services Support Estimate (GSSE)²	24 255	37 114	35 711	35 092	38 078	33 962
Agricultural knowledge and innovation system	4 362	6 777	10 511	10 846	10 442	10 246
Inspection and control	1 040	1 266	3 067	3 184	3 093	2 922
Development and maintenance of infrastructure	9 882	19 523	15 328	14 404	17 445	14 135
Marketing and promotion	2 176	5 072	4 413	4 165	4 805	4 270
Cost of public stockholding	5 411	2 823	869	860	748	1 001
Miscellaneous	1 384	1 652	1 522	1 634	1 544	1 389
Percentage GSSE (% of TSE)	9.4	14.2	13.5	12.7	14.3	13.6
Consumer Support Estimate (CSE)	-143 610	-136 665	-60 872	-72 893	-59 175	-50 548
Transfers to producers from consumers	-152 351	-134 578	-82 912	-91 699	-83 600	-73 437
Other transfers from consumers	-19 843	-24 327	-16 099	-19 982	-14 259	-14 057
Transfers to consumers from taxpayers	18 030	20 527	37 558	38 554	37 931	36 188
Excess feed cost	10 555	1 712	581	233	753	758
Percentage CSE (%)	-30.1	-23.4	-7.3	-8.3	-7.1	-6.3
Consumer NPC (coeff.)	1.53	1.36	1.13	1.14	1.13	1.12
Consumer NAC (coeff.)	1.43	1.31	1.08	1.09	1.08	1.07
Total Support Estimate (TSE)	258 638	262 112	264 005	275 874	267 130	249 012
Transfers from consumers	172 195	158 905	99 011	111 680	97 859	87 494
Transfers from taxpayers	106 287	127 534	181 094	184 175	183 530	175 576
Budget revenues	-19 843	-24 327	-16 099	-19 982	-14 259	-14 057
Percentage TSE (% of GDP)	2.8	1.5	0.8	0.8	0.8	0.7

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