

Executive Summary

Producer support slightly up from 2008, mainly due to falling world prices ...

In 2009, support to producers in OECD countries was estimated at USD 253 billion or EUR 182 billion, as measured by the Producer Support Estimate (PSE). This is equivalent to 22% of aggregate gross farm receipts (%PSE), slightly up from 21% in 2008, and back to the 2007 level. This is the first increase in the support level after a steady decline since 2004. Higher commodity prices in 2007 and 2008 were behind falls in the measured support in those years, and return to 2007-level prices reversed this trend for 2009.

... and the global economic crisis

Economic growth was low or negative in OECD countries due to the global recession, which moderated demand pressures, in particular for higher value-added products such as dairy and meats. A positive supply response to higher prices in 2008 came at the same time as growth for food demand was easing. Increases in biofuel production added to overall commodity demand, driven more by policy incentives than economic fundamentals, as mandates and tax concessions were expanded in many OECD countries in 2009.

Few new policy measures in 2009...

While some countries implemented previously agreed reforms, and others applied ad hoc policy measures to address falling prices, few substantive new policy reforms were implemented. Australia continues to implement *Caring for our Country*, a suite of programmes which fund environmental management of Australia's natural resources. In the European Union the main policy developments were related to crisis management, notably in the dairy sector and to the implementation of recent reforms, including the *Health Check* of the CAP. In Japan and Korea higher direct payments were aimed at diverting production away from rice (Japan) and to support farmer's income (Korea). Higher payments were triggered in Canada for crop insurance and margin-based programmes, while in the United States increased payments were provided by counter-cyclical programmes based on prices. In Switzerland, direct payments increased to offset further reduction of market support and the milk quota system was totally abolished.

... the most distortive forms of support still dominate...

Despite a long term reduction in both the level of support and the share of potentially most distorting forms of support, the latter policies still dominate in the majority of OECD countries. Support based on output (including border protection) and support based on unconstrained use of variable inputs accounted for more than a half of the OECD aggregate PSE in 2007-09.

... and reform remains uneven across countries

Some countries have taken clear steps towards reducing the level of support and/or implementing more decoupled support, while others have lagged behind. The level of producer support (expressed as % of producer revenues) in OECD countries in 2007-09 ranged widely: it was less than 1% in New Zealand, 4% in Australia, 9% in the United States, 12% in Mexico, 17% in Canada, 23% in the European Union, 34% in Turkey, 47% in Japan, 52% in Korea, 53% in Iceland, 58% in Switzerland and 61% in Norway. The structure of support also varies considerably among countries. Among the countries with the highest level of support the share of the potentially most distorting policies represents around 90% in Japan and Korea, it is around 70% in Iceland and around a half in Norway and Switzerland.

More support is provided with no link to current production...

An important trend in agricultural support in OECD countries that has been underway for some time is the delinking of support from commodity production and increased use of taxpayer-financed payments that, while often linked to farm assets, such as land, are not contingent on commodity production. The share of total support that does not require production increased from a negligible share of the PSE before 1995 to almost a quarter of the PSE in 2007-09.

... while some forms place constraints or conditions on recipients

Support is becoming increasingly conditional on producers following specified production practices in pursuit of broader objectives, such as preservation of the environment, conservation of natural resources or animal welfare. Linking payments to the fulfilment of such requirements represented 4% of the OECD aggregate PSE in 1986-88, a share which has increased to one third by 2007-09. Among OECD countries, the European Union, the United States and Switzerland provided the highest shares (around 50%) of their total support with some constraints.

The overall burden of agricultural support continued to decline

Total support to the agricultural sector, combining producer support (the PSE), support for general services to agriculture such as research, infrastructure, inspection and control,

marketing and promotion, as well as budgetary payments to consumers, was estimated at USD 375 billion (EUR 267 billion) in 2007-09. This is equivalent to 0.9% of OECD GDP, down from 2.3% in 1986-88. In all OECD countries, except Turkey, the burden of total agricultural support on the overall economy declined.

Multilateral trade negotiations are stalled ...

Multilateral trade negotiations, including on agriculture, in the WTO Doha Development Agenda have not yet yielded agreement after nine years, though talks continue. Bilateral and regional trade agreements, while sometimes dealing with issues such as sanitary and phyto-sanitary regulations and non-tariff barriers, limit liberalisation for sensitive agricultural products.

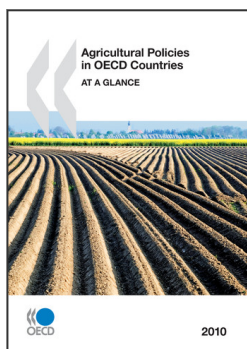
... but a re-examination of agricultural policies is needed

In the 2008 report on agricultural policies in OECD countries, the global economic crisis and higher commodity prices were seen as an opportunity to refocus agricultural policy. The significant spike in prices reduced the rationale for all forms of broad-based income support to producers and raised concerns about the negative impact on consumers, particularly in less developed countries. The fall in prices at the end of 2008 then led to concerns about the impact of future market volatility on the ability of producers to expand output, on an environmentally sustainable basis, in response to growing global demand. All of these developments call for a fresh, forward looking approach to food and agriculture policy.

Agriculture Ministers met at OECD to discuss future challenges and opportunities

Ministers for Agriculture from OECD countries and a number of countries outside the OECD area, which are major players in food and agricultural markets, met in Paris in February 2010. Ministers engaged in a frank and open discussion on the key opportunities and challenges they face, individually and collectively. In their communiqué, Ministers noted that:

“recent developments have brought a number of issues and questions confronting the global food and agriculture system into clear focus: strong growth in demand for feed, food and non-food uses of agricultural raw materials, alongside persistent global food security issues; climate change, exacerbated by increasing competition for land, water and other resources; price volatility; opportunities for ‘green growth’, with potential economic and environmental benefits; growing interest in the manner in which food is produced; food related health concerns; a renewed emphasis on innovation, efficient resource use and productivity growth, in both developed and developing countries, including the production of renewable energies such as bioenergy on a viable economic and environmentally sustainable basis; and, the essential role of trade in ensuring a sustainable and reliable flow of food and raw materials.”
(Full communiqué available at www.oecd.org/agriculture/ministerial.)



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