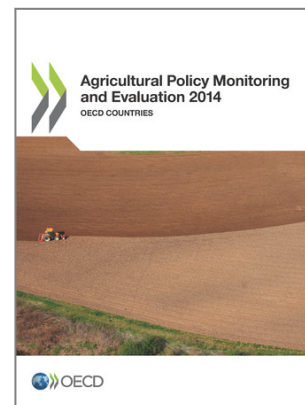


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Agricultural Policy Monitoring and Evaluation 2014

OECD Countries

Summary in English



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Support to farmers in OECD countries remains at more than one-sixth of farm receipts

In 2013, support to producers across the OECD area amounted to USD 258 billion or EUR 194 billion as measured by the Producer Support Estimate (PSE). This is equivalent to 18% of gross farm receipts in OECD countries, down slightly from about 19% in 2012. This is about half the level observed since OECD first began measuring support in the mid-1980s, when the PSE as a percentage of gross farm receipts was 37%.

The potentially most distorting support still represents around half of the total...

As a result of relatively high commodity prices, market price support has declined in recent years, but still represented almost half of the PSE in 2013. The share of potentially most production and trade distorting support, defined as transfers based on output and variable inputs use (without input constraints), was as high as 86% in 1986-88 and has come down to 51% in 2011-13.

... although there is a general move away from support directly linked to production

OECD countries are moving at different speeds away from supporting farmers through policies that raise domestic prices. Other mechanisms to channel support are progressively being introduced, such as payments based on fixed area, fixed livestock numbers, and farm income or receipts, which do not directly affect current production decisions. The less that support is directly coupled to production decisions, the less production and market distorting it is.

Improving environmental performance is an important challenge

Ensuring the sustainable use of natural resources, notably land, water and biodiversity, remains an important challenge for the agricultural sector in OECD countries. Countries' policy approaches to natural resource management vary widely, but well targeted agri-environmental policies continue to represent only a small share of the overall policy setting.

Large variations in support levels across OECD countries remain

Differences in support levels across countries remain large. The lowest levels of support are observed in New Zealand, Australia and Chile, where less than 3% of gross farm receipts were due to policy transfers in the 2011-13 period. On the other hand, in Norway, Switzerland, Japan, Korea and Iceland between one half and two-thirds of gross farm receipts originate from policy transfers.

Total support to agriculture relative to national income continues to fall

The estimated total support to agriculture as a percentage of GDP declined from 3% on average in 1986-88 to less than 1% in 2011-13. This declining trend is observed in all OECD countries, reflecting in part the shrinking importance of the agricultural sector in the overall economy.

Some OECD countries have introduced new agriculture policy frameworks

New frameworks for agriculture policies will become operational in 2014 in some OECD countries. Growing Forward 2 in Canada puts more emphasis on longer term investments to improve productivity and sustainability, but maintains its supply-management schemes. Redistribution of direct payments within and between member states of the European Union, more flexibility at the national level to implement policies as well as more policy efforts to improve the environmental performance of farming are key elements of the new Common Agricultural Policy 2014-20. Japan has announced policy changes that include phasing out production quotas in the highly protected rice sector and restricting some direct payments to “core” farmers. Mexico has announced a shift in policy direction with plans to re-orient its major support program to re-couple payments to farm purchases of inputs. Switzerland has fine-tuned its direct payment scheme to better target specific agricultural practices and to make it more decoupled from livestock production, while maintaining high levels of overall protection. The Agricultural Act of 2014 in the United States removes untargeted income support and increases spending on revenue and income risks schemes.

Multilateral negotiations at the WTO have advanced

At the 9th WTO Ministerial Meeting in Bali in December 2013 an agreement was reached on a package comprising three main elements; trade facilitation, agriculture and food security, and development issues. This package, while covering a much smaller range of issues than the original Doha Development Agenda, has given renewed impetus to negotiations and could have a major bearing on the multilateral rules that govern agricultural trade.

Agriculture policy performance could be greatly improved by targeting current policy objectives

There is clear, but unequal, progress across the OECD area in moving towards agriculture support that is less market distorting and more efficient in transferring income to farm households. At the same time, there is much less progress in moving towards a better alignment of policy effort and stated policy priorities – including increased productivity, sustainability and profitability.

Further policy reforms could usefully focus on addressing these and other policy priorities expressed by Ministers of Agriculture during their meeting at OECD in 2010.

An increased focus on innovation will be necessary to improve agriculture productivity and sustainability in the long run, and strengthen the ability of the sector to adapt to changes in markets, natural resources availability, and economic opportunities. Improving the capacity of the agriculture sector to contribute to economic growth and jobs reinforces the need to improve the wider policy environment in which the sector operates so as to attract financial and human resources and facilitate innovative business development. A comprehensive approach to improve coherence with macroeconomic, trade, structural, social and environmental policies and to reduce impediments to structural adjustment can in most countries significantly improve policy performance, both domestically and internationally.

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