Agricultural Policies in OECD Countries

MONITORING AND EVALUATION

OECD

2009

Agricultural Policies in OECD Countries

MONITORING AND EVALUATION 2009

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Foreword

Agricultural Policies in OECD Countries: Monitoring and Evaluation 2009 *is the 19th edition of a series which is published in alternate years with the shorter version,* Agricultural Policies in OECD Countries: At a Glance. *These two publications examine agricultural policies in OECD countries in response to the request by OECD ministers to monitor and evaluate the implementation of the principles for agricultural policy reform.*

The OECD uses a comprehensive system for measuring and classifying support to agriculture – the Producer and Consumer Support Estimates (PSEs and CSEs) and related indicators. They provide insight into the increasingly complex nature of agricultural policy and serve as a basis for OECD's agricultural policy monitoring and evaluation.

The Executive Summary synthesises the key findings of the report. Part I provides an overview of developments in agricultural policies in OECD countries. A special feature of this year's report is the impact of the financial and economic crisis on agriculture and the policy responses by governments. The 2008 US Farm Act, the Health Check of the European Union's Common Agricultural Policy and the new Growing Forward policy framework in Canada are also highlighted. Part I also looks at broad trends in support to agriculture in OECD countries and draws some conclusions about the progress in agricultural reform. This Part concludes with an overview of agri-environmental policies in OECD countries. Part II summarises the developments in agricultural policies in each individual OECD country (with the European Union categorised as one country for this purpose) and Part III contains detailed background tables with OECD indicators of agricultural support.

The Executive Summary and Part I are published under the responsibility of the OECD Committee for Agriculture. The remainder of the report is published under the responsibility of the Secretary-General of the OECD.

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List of Acronyms

AANZFTA	Australia-New Zealand Free Trade Agreement
ACFTA	ASEAN-China Free Trade Agreement
ACP	African, Caribbean and Pacific Group of States
ACT	All Commodity Transfers
AMS	Aggregate Measurement of Support
APTA	Asia-Pacific Trade Agreement
AP 2011	Agricultural Policy Reform 2011
ARIP	Agricultural Reform Implementation Project
ASEAN	Association of Southeast Asian Nations
BRM	Business Risk Management
CAP	Common Agricultural Policy (of the European Union)
CCP	Counter-Cyclical Payments
CES	Agreement on Common Economic Space (between Belarus, Kazakhstan, Russia and Ukraine)
CIS	Commonwealth of Independent States
CMO	Common Market Organisation
CNDP	Complementary National Direct Payments
COOL	Country of Origin Labelling
CPI	Consumer Price Index
CSE	Consumer Support Estimate
DP	Direct Payments
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
ESA	Environmentally Sensitive Areas
EC	European Council
ECLAC	Economic Commission for Latin America and the Caribbean (of the United Nations)
ecoABC	ecoAgriculture Biofuels Capital Initiative
EFP	Environmental Farm Planning
EFTA	European Free Trade Association
EPA	Economic Partnership Agreements
EQIP	Environmental Quality Incentives Program
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCEA	Food, Conservation and Energy Act
FDI	Foreign Direct Investment
FMD	Foot and Mouth Disease
FTA	Free Trade Agreement

FY	Fiscal Year
GAO	Gross Agricultural Output
GATT	General Agreement on Tariffs and Trade
GCT	Group Commodity Transfers
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
GSP	Generalised System of Preferences
GSSE	General Services Support Estimate
IMF	International Monetary Fund
IPARD	Instrument for Pre-Accession Assistance for Rural Development
LDC	Least Developed Countries
LEADER	Links Between Actions for the Development of the Rural Economy
LFA	Less Favoured Areas
MERCOSUR	Southern Common Market
MFN	Most Favoured Nation
MILC	Milk Income Loss Contract Program
MPS	Market Price Support
NAC	Nominal Assistance Coefficient
NAFTA	North American Free Trade Agreement
NRA	Nominal Rate of Assistance
NPC	Nominal Protection Coefficient
OTP	Other Transfers to Producers
PCB	Polychlorinated biphenyl
PO	Producer Organisations
PPP	Purchasing Power Parity
PRRS	Porcine Reproductive and Respiratory Syndrome
PSE	Producer Support Estimate
R&D	Research and Development
RDP	Rural Development Plan
RDR	Rural Development Regulation
RRA	Relative Rate of Assistance
SAFTA	South Asian Free Trade Area
SAPARD	Special Accession Programme for Agriculture and Rural Development
SAPS	Single Area Payment Scheme
SCT	Single Commodity Transfers
SNAP	Supplemental Nutrition Assistance Program
SPS	Single Payment Scheme
SPS	Sanitary and Phytosanitary
SSG	Special Safeguard
STE	State Trading Enterprise
TBT	Technical Barriers to Trade
TEFAP	The Emergency Food Assistance Program
TRQ	Tariff Rate Quota
TSE	Total Support Estimate
UN	United Nations
URAA	Uruguay Round Agreement on Agriculture
VAT	Value Added Tax
WTO	World Trade Organisation

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Executive Summary

Producer support in OECD countries is at its lowest level since 1986…

In 2008, support to producers in the OECD area was estimated at USD 265 billion or EUR 182 billion, as measured by the Producer Support Estimate (PSE). This is equivalent to 21% of aggregate gross receipts of OECD farm producers, down from 22% in 2007 and 26% in 2006. The currently observed level of producer support is the lowest since the mid-1980s.

…largely reflecting strong movements in world prices

The decline in support in 2008, as in the previous year, was largely due to exceptionally high world agricultural prices, rather than explicit policy reforms decided by governments. Although falling in the second half of 2008, world prices remained on aggregate above their long-term averages. With high world prices, policies to support domestic prices and countercyclical support generated smaller transfers and the overall support to producers was reduced. However, as the past and most recent experience shows once world prices begin to decline from extremely high levels, border protection and price-related domestic support measures once again become active.

The global economy was severely hit by the crisis in 2008…

The period under review was marked by exceptional developments in the global economy. The situation in the financial markets worsened dramatically as from the second half of 2008. Business and consumer confidence and equity prices collapsed worldwide; industrial production and trade shrank and unemployment surged. Economic growth in the OECD area slowed down significantly in 2008, with real GDP declining in the second half of the year in several countries. The depth and the spread of economic difficulty are unprecedented in the last 60 years.

…when commodity prices began falling from their historic highs

The financial crisis broke out at a time when nominal commodity prices reached their historic highs. Commodity prices were increasing rapidly in 2007 and reached extremely high levels in mid-2008. The price rise has sharply underscored the social consequences of

commodity market instability. Concerns have grown significantly about the negative impacts of high food prices on world hunger and poverty levels. The price trends reversed abruptly in mid-2008 with commodity prices sliding down to their early 2007 levels.

Agriculture may fare better in the crisis than other sectors

The implications of the financial and economic crisis for the agricultural sector are still evolving. To a large extent, the impact of the crisis on specific sectors in the economy will depend on their exposure to tightened credit conditions and to falling demand. In these respects, agriculture in most OECD countries should fare better than other sectors due to its relatively smaller financial exposure, demand which is less sensitive to income falls, the existing set of support policies, and, in some cases, revenues accumulated during the period of high prices. Despite its likely higher resilience, agriculture will probably undergo adjustment in the context of economy-wide adjustments and increased commodity price volatility. A larger impact on the rural economy will likely come from the loss of jobs in non-agricultural sectors, which will reduce non-agricultural employment and income opportunities for farm and other rural households.

Market instability and economic crisis prompted ad hoc policy actions

Governments in OECD countries reacted to commodity price volatility and the financial stress caused by the crisis. Some implemented tariff reductions and export barriers on agro-food items in an attempt to mitigate the effect of high world prices on consumers; some also cut import tariffs on agricultural inputs, introduced input subsidies, or provided direct support to specific farm sub-sectors. Similar actions were taken in a large number of emerging and developing economies. The actual impacts of these actions are unclear; the measures taken in many countries did not target poor consumers specifically and, in fact, could be expected to contribute to instability in global markets. In late 2008, when the severity of the financial and economic crisis became evident, some OECD countries announced or implemented special measures to ease the financial stress in the sector, including credit preferences, tax rebates and additional direct support.

Several OECD countries agreed important policy changes…

There were also important developments in agricultural policy frameworks in some countries. In the European Union the Health Check of the Common Agricultural Policy was completed and progress was made on reforming a number of sectoral regimes. The United States approved a new Farm Act for 2008-12, the Food, Conservation and Energy Act. Canada reached an agreement on the business risk management elements of the Growing Forward framework for 2008-13.

..with varied progress in policy reform

The changes in the European Union imply a further step in decoupling support from production, represented by the extension of the Single Payment Scheme (SPS). More flexibility is given to EU member states in spending some funds shifted from the SPS. This may improve policy targeting, but also creates new challenges for member states to design and implement more targeted measures. The new Farm Act in the United States does not involve a radical change in policies, but it expands the number of commodities eligible for support, increases several loan rates and target prices and adds an optional revenue-based countercyclical programme ACRE. Given the uncertainty about future prices and how the ACRE program will operate, the market effects at this stage are not clear.

Risk management receives particular policy attention…

The European Union opened the possibility of co-financed subsidies to insurance and mutual funds and some new EU member states introduced nationally-financed subsidised insurance programmes. Other countries also enhanced risk related measures, including the revisions and additions to countercyclical programmes in the new US Farm Act, and expansion of disaster insurance in Korea. Many OECD countries, particularly Canada, are developing more stable frameworks for disaster assistance, although some *ad hoc* emergency relief measures remain. The efficiency of the new risk management policies in terms of frequency, amount of support implied, distortion to production, and potential crowding out of other risk management strategies needs systematic in-depth evaluation.

…as do climate change and agri-environmental sustainability

Climate change and water availability are growing areas of concern in OECD countries. Some countries increased public funds for research and monitoring of climate change or introduced strategies and actions for adaptation of agriculture. Many countries continued to use a range of policies to boost renewable energy from agricultural feed stocks, despite the uncertainties concerning the impacts on commodity demand, water use and mitigation of greenhouse gas emissions. Land protection and conservation remains another priority for policy. Some new agri-environmental measures also concern better water management, pollution reduction, biodiversity and landscape conservation.

Many countries pursued bilateral and regional arrangements

Intensive work on the modalities for further commitments in agriculture in the WTO Doha Development Agenda negotiations continued throughout 2008. No multilateral agreement has been reached to date. However, at the G20 summit in March 2009 country leaders confirmed their commitment to an ambitious and balanced conclusion of the WTO Doha Development Agenda. Amid the slow-moving multilateral process, many OECD countries are pursuing new bilateral and regional trade agreements.

The overall burden of agricultural support has declined across all OECD countries…

Total support to the agricultural sector, combining producer support (the PSE), support for general services to agriculture such as research, infrastructure, inspection, marketing and promotion, as well as subsidies to consumers, was estimated at USD 368 billion (EUR 271 billion) in 2006-08. This is equivalent to 0.9% of OECD GDP, down from 2.5% in 1986-88. The reduced burden of agricultural support on the overall economy is characteristic of all OECD countries and primarily is a reflection of the falling share of agriculture in their GDP.

…less support is linked to current production…

Along with the decline in the relative support level, the ways in which support is provided are changing as well. Less support is being provided on the basis of commodity output or variable inputs used and increasingly, on the basis of other parameters, such as area or animal numbers, and with respect to historical or fixed levels of these parameters. A reduction in output-based support is clearly evident in the narrowing of the gap between domestic and border prices – falling from 50% in 1986-88 (on average for the OECD area) to 16% in 2006-08, although high world prices also played a large role in most recent years.

…and more payments are giving greater flexibility to farmers, including no obligation to produce

Some recent programmes go even further in decoupling support from production. Payments to farmers are less tied to producing a specific commodity, either by allowing a group of commodities or any commodity to be eligible for a payment. Furthermore, in 2006-08 around one quarter of total support to producers in the OECD area was arising from policies that did not oblige farmers to produce any commodity in order to receive support, in particular direct payments in the United States or single payments in the European Union. However, commodity-specific support is significant for rice, sugar, and some livestock products. In the case of rice, such support amounted to 60% of total producer rice receipts in 2006-08.

Support policies increasingly require farmers to adopt certain production practices

Support is becoming increasingly conditioned by requirements on producers to follow certain production practices in pursuit of broader objectives, such as preservation of the environment, animal welfare or food safety. Payments involving the fulfilment of such requirements comprised 4% of OECD aggregate PSE in 1986-88, a share which had increased to 32% by 2006-08, with the majority of such payments currently provided in the European Union. Among OECD countries, the European Union, the United States and Switzerland provide the highest shares (nearly 50%) of total support to producers with some type of input constraints.

Despite the reduction, most distorting support is still dominant and reform is uneven across countries

Despite a visible reduction in both the level of support and the share of potentially most distorting forms of support, policies considered to be most distorting continue to dominate in the majority of OECD countries. Support based on output (which also includes border protection) and support based on unconstrained use of variable inputs accounted for 56% of the OECD aggregate PSE in 2006-08. And reform has been uneven: while some countries are more advanced in implementing more decoupled support, others are only at the very beginning of the process. The level of producer support in OECD countries in 2006-08 ranged widely: it was 1% in New Zealand, 6% in Australia, 10% in the United States, 13% in Mexico, 18% in Canada, 21% in Turkey, 27% in the European Union, 49% in Japan, 58% in Iceland, 60% in Switzerland, 61% in Korea and 62% in Norway.

Current economic and market conditions create new challenges…

The global economic crisis, tighter competition for scarce resources, increased price volatility, and growing concerns about food security worldwide, all present new challenges for policy makers. Current government efforts to stimulate economic activity are also drawing heavily on the fiscal capacity of many countries. As countries move out of recession, governments will confront more difficult fiscal situations, likely prompting further review of sectoral policies in many areas, including agriculture.

…and new opportunities for policy reform

Looking ahead, these conditions could represent an opportunity for governments to ensure that their policy actions are adapted to address their evolving economic, social, and environmental policy goals.

PART I

Main Policy Developments and Policy Evaluation

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PART I

Chapter 1

Evaluation of Recent Developments in Agricultural Policy and Support

This chapter evaluates the main changes in agricultural policies and the recent developments in agricultural support. A special focus is given to the implications of the financial and economic crisis and the way the agricultural sector has been responding to changes in the world economy. Progress continued in decoupling support from production, but production-linked support is still significant. There are wide variations in the levels and composition of support across countries.

Key economic and market developments

The world economy was overwhelmed by financial and economic crisis…

Economic growth in the OECD area slowed down significantly in 2008, with real GDP declining in the second half of the year in several countries. The crisis was originally triggered by falling house prices in a number of countries, notably the United States. The turmoil in financial markets in the third quarter of 2007 took a dramatic turn in September 2008, leading to a paralysis in the whole credit market that threatened the day-to-day functioning of the real economy. This financial market crisis is the main force behind the severe and synchronised downturn of the world economy; technically, several OECD countries are in recession and emerging economies are experiencing serious slowdowns (OECD 2008b, 2009a). The crisis is gradually being reflected in all economic indicators: collapse of equity prices and consumer confidence worldwide; fall in industrial production, GDP and trade; increase in unemployment; and higher exchange rate volatility. Despite exceptional measures taken by central banks around the world to ease monetary policy and by governments to help private banks in difficulties, the lack of liquidity has been persistent. Both liquidity constraints and a slump in global demand reduced inflation to negative values in the last months of 2008 in several OECD countries, and raised concerns about risks of deflation in some countries.

There is broad agreement that the current economic crisis originates from the financial market crisis and that policy responses should be to strengthen financial institutions and seek greater coordination of macroeconomic policies, particularly monetary and fiscal policies. In this context, several governments have announced and are implementing historically large fiscal stimulus packages to sustain rapidly weakening aggregate demand, while there is also a role for social policies when unemployment increases. As the shock is not centred on a particular sector there seems to be little scope for economic arguments in favour of sector-based policy responses.

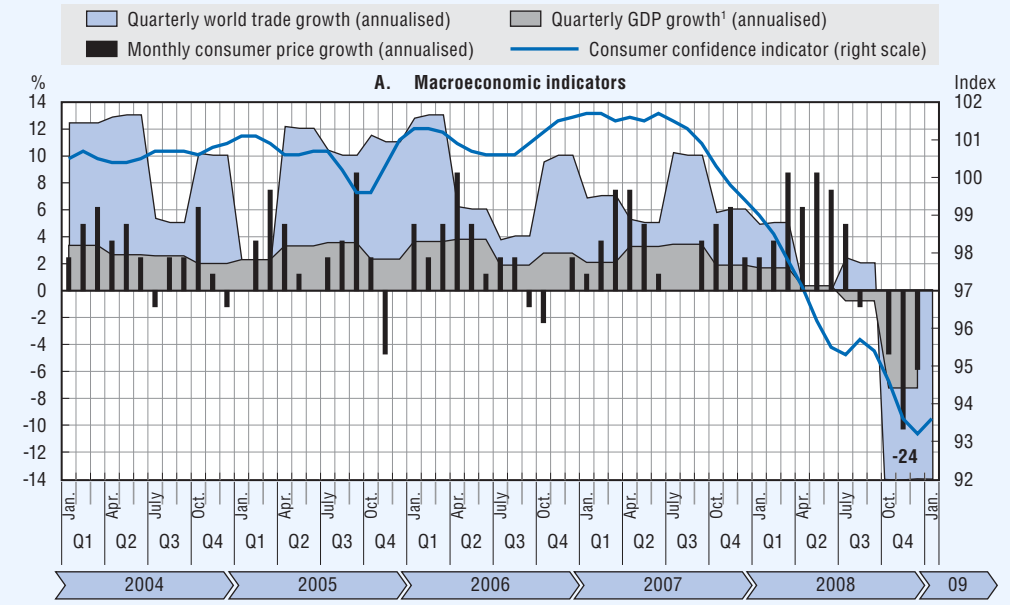
… occurring at a time when commodity prices began falling from their historical peaks…

The financial crisis started at an historical peak of nominal commodity prices. In July 2008, crude oil attained its highest price at a level that had more than doubled in less than two years. Peak prices of main agricultural commodities – excluding meats and sugar – occurred at the same time or with a lag of a few months only (Box 1.1). Earlier in 2008, civil unrest in several developing countries raised alarm about the impact of food price hikes on the poorest. The High Level Conference on World Food Security in June 2008 raised global awareness of the negative impacts of high food prices on poverty levels and on achieving the Millennium Development Goals. However, during the summer of 2008 – only two months before the depth of the financial crisis was revealed – most commodity prices started to fall and by the end of 2008 had reached their early 2007 levels. Nevertheless, average prices for the whole year remained relatively high and were still above historical trend levels in real terms.

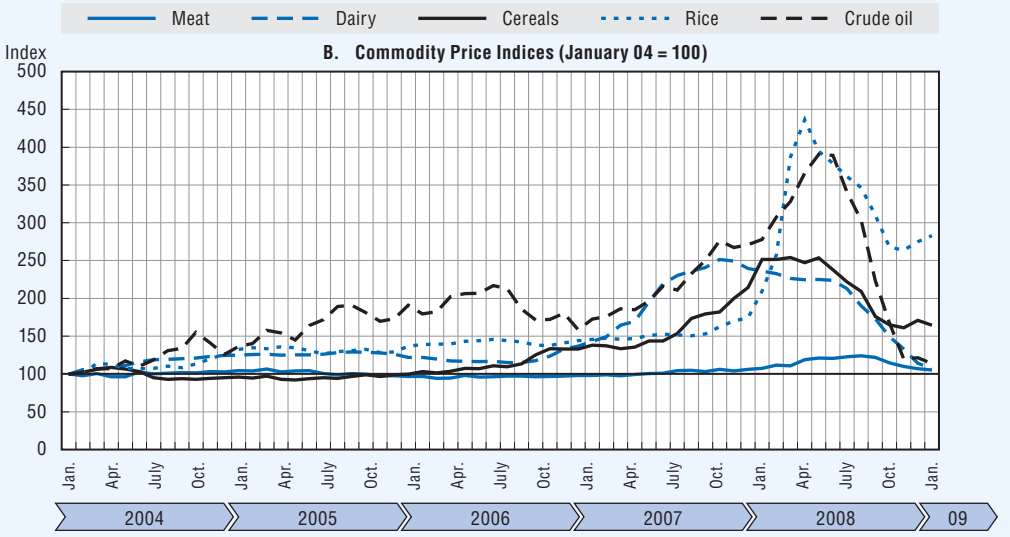
Box 1.1. **The timing of the economic crisis and the wide swing in commodity prices**

The indicators that describe the development of the financial crisis, the subsequent economic downturn and the evolution of commodity markets in 2008 include both macroeconomic variables and price indexes (Figure 1.1). GDP growth became negative in the second half of 2008, particularly in the fourth quarter; the indicator of consumer

Figure 1.1. **Macroeconomic and commodity price indicators in OECD countries**



StatLink http://dx.doi.org/10.1787/652543133414



1. Quarterly GDP growth in Q4-2008 covers 7 OECD member countries (Canada, France, Germany, Italy, Japan, United Kingdom and United States). No data are available for 2009.

Source: Macroeconomic indicators are from OECD Stat, Key Economic Indicators, Quarterly and monthly statistics, 2009. The Price Indices for meat, dairy, cereals and rice are from FAO (Food Price Indices, monthly food price index, 2009). The Crude Oil Price Index is from US Energy Information Administration (Official energy statistics, monthly prices, 2009).

StatLink http://dx.doi.org/10.1787/652550533630

Box 1.1. **The timing of the economic crisis and the wide swing in commodity prices** *(cont.)*

confidence began falling again in the third quarter of 2008 to levels that in January 2009 were well below any recorded in the last 30 years; and in the last quarter of 2008 consumer prices fell at significant rates and world trade contracted significantly. The social dimension of the crisis has already been manifested in increasing unemployment in OECD countries. On the other hand, although crude oil prices had nearly quadrupled in July 2008, as compared with January 2004, six months later, in January 2009, the price had fallen back to its level in 2004. Agricultural commodities followed a similar path, with the exception of meats for which there were only moderate price increases. Cereal prices rose by 150% in mid 2008 as compared with early 2004, but decreased rapidly since July 2008, although most prices remain above 2004 levels. The price increase was especially pronounced and rapid for rice (300%). Dairy product prices peaked earlier than cereal prices and returned to 2004 levels in January 2009.

The 2008 financial crisis and subsequent economic downturn coincided with the significant movements in commodity prices, from peaks in the first half of the year to rapid downturns in the second. This "coincidence in time" does not imply any causal relationship, but it has raised questions about the functioning of commodity futures markets and their linkage with financial and spot markets (Abbott, 2009). It also means that it is necessary to recognize the broad economic developments when defining the context in which the agro-food sector and agricultural policies operate. During the two years preceding the crisis, the agricultural sector benefited from high market prices that led to higher profits and investments in the sector as a whole, even if higher costs may have limited profits in specific sectors. Despite differences across countries and sub-sectors, agriculture in OECD countries is confronting the economic crisis and current deflationary pressures from an initial position of very high world prices.

According to the *OECD-FAO Agricultural Outlook 2009-18* (OECD, 2009d), agricultural commodity prices in real terms are expected to remain in most cases below recent record levels and move along a new trend that is slightly above the historical levels of the decade preceding the 2007-08 peak years. World grain production is expected to decline in 2009 after a record year in 2008, but is projected to grow steadily in the medium term driven by yield improvements. After a strong supply response in 2008, milk production growth is projected to slow down while dairy prices are expected to rebound from low 2009 levels, stimulated by population growth and an anticipated upturn in global economic prospects. Growth in demand for some meats, particularly beef, is expected to retreat in the short run as a result of the general economic downturn but is to return to its longer term trend levels later; nominal meat prices will continue their increasing trend, but they are projected to decline in real terms. The current agricultural outlook is particularly uncertain due to the extreme macroeconomic conditions and the difficulties of quantifying the impact of financial crisis on agriculture. In such an environment of uncertainty, scenarios using different oil prices and GDP growth have been incorporated in this year's edition of the *Outlook*.

Implications of financial and economic crisis, and agricultural policy responses

The implications of the crisis for agriculture are still evolving…

The severity of the crisis is such that it could have a significant impact on the agro-food sector that may or may not differ from the impacts in other sectors of the economy. The economic impacts on specific sectors depend in particular on their exposure to credit shortages and demand prospects. The available main indicators describing the scope and nature of the current crisis offer an incomplete picture of the eventual impacts on the agro-food sector. Despite this uncertainty there are good reasons to argue that the agricultural sector in most OECD countries is well placed to confront this crisis, both relative to the past and relative to other sectors. Lower financial exposure, limited decline in food demand, recent high profitability – and the existing set of agricultural support policies – imply that agriculture is probably in a better position to weather the crisis than many other sectors. On the other hand, the weight of primary agriculture in the economies of OECD countries is too small for the sector to play a significant buffering role for the whole economy, a role that it may well play in some emerging and developing economies.

… and while the agro-food sector is affected by tightened credit, agriculture may fare better than other sectors

Balance-sheet pressures on commercial banks have led to a tightening of lending standards worldwide, affecting both credit conditions and volumes. Credit scarcity is likely to diminish loan volumes to all sectors, including agro-food. However, available information suggests that the financial crisis did not significantly affect credit to agriculture in 2008. Record farm receipts over the past years have prompted investments in the sector and several banks in OECD countries observed an increase in loans (mainly for machinery) in 2008 compared to 2007 (Table 1.1). By early 2009, however, a reverse in loan trends had been reported by some banks. According to Featherstone (2009), in the ***United States*** "credit is available for the 2009 planting season" and "the lack of opportunities to

Table 1.1. **Credit to agriculture**

Indices, Q4-2006 = 100

	Q4-2007	Q4-2008
New loans		
Credit Agricole	114	116
Federal Reserve	122	133
Outstanding loans		
Reserve Bank of Australia	133	–
National Bank of Poland	119	157
Bank of England	105	111
Farm Credit Administration	116	131
Reserve Bank of New Zealand	114	140
Deutsche Bundesbank	102	107

Sources: Credit Agricole (monthly new credits to agriculture), Federal Reserve (quarterly flows of non-real-estate bank loan volumes to farmers), Reserve bank of Australia (quarterly credit outstanding to agriculture, fishing, etc from Australian banks and other financial institutions), National Bank of Poland (three month average stocks of monetary financial institution loans and other claims on farmers), Bank of England (quarterly amounts lending outstanding of UK resident banks, excluding Central Bank, and building building societies' sterling and all foreign currency net lending to agriculture, hunting and forestry), Farm Credit Administration (total Farm Credit System's quarterly gross loan volumes), Reserve Bank of New Zealand (three month average credit to agriculture from registered banks and non-bank financial institutions), Deutsche Bundesbank (quarterly amounts of total lending to agriculture, hunting and forestry, fishing and fish farming, from all categories of banks).

StatLink http://dx.doi.org/10.1787/655183173007

make loans in other sectors of the ***United States*** economy has benefited the agricultural sector given its relative strength", but the situation could be different across countries, particularly in non-OECD countries (OECD, 2009b).

The flow of credit to agriculture will depend on the behaviour and financial position of the specific lenders to the sector, such as agricultural banks and co-operatives, and on the business prospects in specific agricultural sub-sectors as compared with other sectors of the economy. In principle, however, low interest rates and economic recession in OECD countries should lead to a prioritisation of investment in favour of sectors with relatively low returns but more secure prospects, such as agriculture. Farmers who are land owners will have easier access to credit, and current investment subsidies and overall government support will further strengthen some farm operations. Nevertheless, this may not prevent contraction in credit for agriculture, particularly if the financial crisis is long and its impacts spread, such that farm land values fall or debt burdens increase. Regardless of the evolution of credit volume to the agro-food sector, lenders are expected to demand more guarantees along the general trend observed for all borrowers. The tightening of credit can be more significant in food processing, distribution and retailing, sectors that are strongly export oriented, and cooperatives that are vertically integrated. These parts of the food chain are significantly more dependent on credit and some are already suffering from reduced access to loans. The credit contraction could also spill over to those segments in agriculture using finance provided by downstream businesses, as opposed to direct bank borrowing.

The sector registered record revenues in 2008, although some farmers may be under short run pressure

The financial crisis occurred after a period of peak agricultural prices which saw farming receipts increase over 2007-08 (Table 1.2). However, the impact on farming margins cannot be automatically derived from such revenue data, particularly in a context of large price movements across several commodities and exchange rates. In fact, the ***European Union*** has already reported reductions in farm income for 2008, with different situations across its member countries. The misalignment in movements of input and output prices may have squeezed short-run margins in some sub-sectors. Livestock producers may have suffered a combination of high feed and other input costs, and not so high output prices. In the crop sector output prices have dropped sharply since summer 2008, while some input prices such as fertilizers have remained relatively high. In some cases, "the rural economy will likely see a larger impact through the loss of jobs in non-agricultural economy than due to changes in agricultural economy" (Featherstone (2009) referring to the ***United States***). This may imply the loss of off-farm income opportunities for some farm households.

Food demand has low income elasticity, but demand shortfalls will differ across sectors…

In the current recession world GDP and trade are expected to shrink in real terms in 2009 and global demand is expected to weaken (OECD, 2009a). The impacts on product markets are currently driven by falling consumer confidence, but direct response to lower income is expected in the near future. The scale of these impacts will largely depend on income elasticities of demand. A high income elasticity sub-sector like floriculture would suffer more than a low elasticity sector associated with staple foods. Food demand as a

Table 1.2. **Farm income and farm receipts in selected OECD countries**

EU 27	Net entrepreneurial income of agriculture (nominal EUR, 2004=100)	Output value (current EUR billion)		
		Total Agricultural Goods	Crop	Livestock
2004	100	294	168	126
2005	84	286	157	128
2006	.85	293	163	131
2007	90	323	185	138
2008	80	347	197	150
Canada	Agricultural net cash income (nominal CAD, 2004=100)	Farm cash receipts (current CAD billion)		
		Total	Crops	Livestock
2004	100	36	14	17
2005	95	37	13	18
2006	83	37	15	18
2007	103	41	18	18
2008	109	46	23	19
US	Net farm income (nominal USD, 2004=100)	Cash receipts (current USD billion)		
		Total farm sector	Crop	Livestock
2004	100	237	114	124
2005	92	241	116	125
2006	68	241	123	118
2007	101	285	147	138
2008	104	324	181	143

2008 data are estimated or forecast.

Source: Eurostat (Economic Account for Agriculture), Statistics Canada (CANSIM) and USDA (Economic Research Services).

StatLink http://dx.doi.org/10.1787/655187761508

whole is normally assumed to have a low income elasticity, but it can differ across final products depending on their value added. Significant substitution effects in demand, as between high quality or high value added food and staple food, may also take place. Additionally, sectors that are more dependent on exports may suffer more from the demand downturn due to higher dependence on credit or the effects of greater exchange rate volatility. Trade contraction is expected to remain much larger than the reduction in global demand (WTO, 2009), which implies that export-oriented sectors will be particularly affected. Depending on their exchange rate regimes and their reliance on credit and exports to finance their trade, net food-importing developing countries may suffer from tighter access to food imports. Demand impacts may not be uniformly transmitted along the food chain and consumers may change their consumption patterns in terms of the preferred distribution and retail channels. Depending on market structures, it is possible that shocks in demand in some parts of the food chain will be partially transmitted through second round lagged effects to primary agriculture.

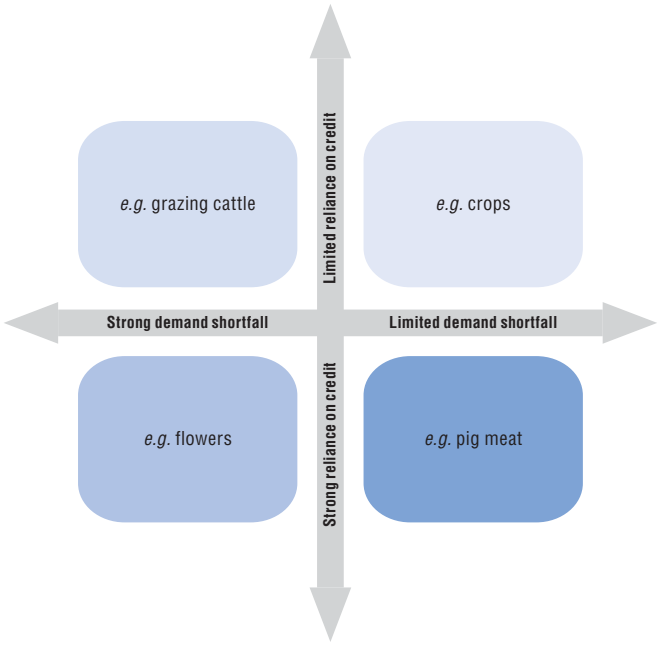
... and relative economic performance will determine the scope and direction of structural adjustment

When identifying the sectors that are least resilient to the crisis, two interlinked dimensions of the crisis must be considered: first, the financial impact on the viability of the business and, second, the economic impact through the market demand for the outputs. This can be graphically represented with two summary variables such as the reliance on credit (measured by leverage), and the demand shortfall (determined by the

income elasticity of demand). Resilience will determine the scope and direction of economy-wide and sectoral structural adjustment in the wake of the crisis. In brief, within the whole economy and compared to other economic sectors, agriculture is likely to be located in a relative strong position with a relatively limited reliance on credit and a limited demand shortfall.

The reality faced by each sector, farm or firm will depend on the country and individual specificities, and the sectoral examples in Figure 1.2 are purely illustrative. Nevertheless, the severe economic crisis is likely to also trigger structural adjustments in agriculture, with resources moving within and across sub-sectors.

Figure 1.2. **Resilience of agriculture facing financial and economic crisis: illustrative sectoral examples**



Source: OECD, ABN-AMRO (2009) "Sectors in Stress" and EU Farm Economics Review 2005.

StatLink http://dx.doi.org/10.1787/652563274673

Governments, particularly in developing countries, have reacted to price fluctuations…

During the first half of 2008, several developing countries took decisions to try to mitigate the impact of high food prices on their consumers. Measures, such as tariff reductions and export barriers, were taken in more than forty emerging and developing economies (Annex Table 1.1). Other domestic measures included price controls and food subsidies. Among OECD countries, ***Mexico*** took similar types of measures in early 2008, along with preferential credit for small farmers and additional food subsidies for the poor. In principle, support well targeted to poor consumers is preferable to discretionary border measures that may amplify market price responses and create distortions. It is difficult to evaluate the extent to which the measures taken have been effective in ensuring consumers have access to food, particularly the poor. Other OECD countries also responded to commodity price increases. ***Japan*** reduced the rate of increase in the government sales price of imported wheat for human consumption, while other countries supported certain groups of farmers who were suffering from high input costs, particularly livestock

producers confronted with high feed prices. Some OECD countries reduced tariffs on these inputs (such as in the ***European Union*** and ***Mexico,*** for some cereals) and others implemented domestic measures to support specific sectors (***Belgium***, ***France***, ***Japan***, ***Mexico*** and ***Norway***). In the second half of the year, some OECD countries implemented policy measures in response to falling agricultural prices. This included border measures such as the triggering of export refunds for certain dairy products in the ***European Union***, and domestic measures such as the support to livestock producers in the province of Saskatchewan in ***Canada***.

... and some have adopted aid packages for agriculture in response to the financial crisis

Several OECD countries have announced or implemented measures in response to the financial and economic crisis, some of which include specific measures for agriculture and the agro-food sector. In the ***United States*** The American Recovery and Reinvestment Act of 2009 was signed into law in February 2009 and the Department of Agriculture was appropriated USD 28 billion (EUR 19 billion), which is 3.5% of the package, mainly for domestic food aid but also for investment in rural areas and technical assistance. In ***Belgium***, the Flemish region will implement an aid package for dairy farmers in 2009. The ***European Union*** announced in January 2009 extra expenditure of about EUR 1 billion (USD 1.5 billion) for rural development as part of the ***European Union*** economic recovery plan. ***France*** presented in November 2008 a EUR 250 billion (USD 365 billion) package that included income support, debt relief and fuel rebates. ***Spain*** implemented in early 2009 a new programme for small and medium enterprises including farms and agro-food businesses in order to facilitate access to credit at subsidised interest rates, Portugal launched new credit lines for intensive livestock in September 2008 and for agribusinesses in March 2009, and ***Poland*** decreased interest rates and extended reimbursement periods for credit to agriculture. Some emerging economies also announced action plans for agriculture (Annex Table 1.1 and OECD 2009b). In OECD countries, existing support measures, particularly direct payments not linked to world prices, are playing a cushioning role against possible impacts of the financial and economic crisis on some farm households. An important implication of the crisis is that it draws attention to the ability of existing agricultural policies to facilitate – rather than impede – structural adjustments in the agro-food sector.

Main changes in agricultural policies

Broad new policy frameworks have been agreed in several OECD countries…

Three countries have announced new farm policy legislation or frameworks for agricultural policies (Box 1.2). The ***European Union*** has continued to implement previously agreed reforms, particularly the 2003 CAP reform, and the new rural development policy for 2007-13 programming period, while agreeing and implementing further reforms of the Common Agricultural Policy (CAP); the reform of the regimes for fruits and vegetables and for wine in September 2007 and April 2008, and the Health Check of the CAP in November 2008. In June 2008, the ***United States*** approved new farm legislation, the Food, Conservation and Energy Act (FCEA) for 2008-12. In ***Canada***, the federal and provincial governments reached an agreement on the business risk management elements of the Growing Forward framework for 2008-13.

The reforms in the ***European Union***, particularly the Health Check and the reforms of the fruits and vegetable and wine regimes, are extensive and complex. They involve an

Box 1.2. **At a Glance: Policy Reforms in Canada, European Union and the United States**

European Union: The Health Check was launched in 2007 to review the CAP reforms of 2003 and to contribute to the discussions on future priorities in agriculture. The reform proposals were agreed in November 2008 and will apply from January 2009.

- *Intervention* purchases are restricted, abolished for pig meat, set at zero for barley and sorghum, and limited for wheat, butter and skimmed milk powder.
- *Milk quotas* will increase by 1% each year between quota years 2009-10 and 2013-14 and then end in 2015.
- Compulsory *set-aside* is abolished.
- *Single Payment Scheme (SPS)* can be implemented more flexibly by member states by opting for regional implementation from 2010, while new EU member states can continue to apply the Single Area Payment Scheme until 2013 rather than 2010. In addition, member states have the possibility of flatten SPS rates.
- *Commodity-specific payments* that remained are integrated into the SPS, with some exceptions for suckler cow, goat and sheep premiums, assistance to sectors with special problems; commodity-specific direct payments may be used for risk management measures, such as insurance schemes for natural disasters.
- *Modulation* rates are gradually increased from 5% in 2008 to 10% by 2012 and the funds may be used by member states to reinforce programmes in the fields of climate change, renewable energy, water management, biodiversity, and for accompanying measures in the dairy sector.
- *Cross compliance* is simplified by withdrawing standards that are not relevant or not linked to farmer responsibility while new requirements are added to retain the environmental benefits of set-aside and improve water management. Conditions set by countries are harmonized across payments.
- *Risk management measures* may be subsidised at member state level using parts of the direct payments envelope.

United States: The Food, Conservation and Energy Act came into law in 2008. Two-thirds of the funds are foreseen for the Food Stamp Program, re-named the Supplemental Nutrition Assistance Program.

Commodity programmes

- *Direct payments*, countercyclical payments (CCP) and marketing assistance loan benefits are maintained.
- *Loan rates and target prices* remain at 2007 levels for 2009, and several are increased for 2010-12, while the list of eligible commodities is expanded.
- A new revenue support programme, the *Average Crop Revenue Election (ACRE)*, is offered beginning with the 2009 crop year, as an alternative to receiving CCP. Direct payments and marketing assistance loan benefits are also reduced for producers who opt into the programme.
- *Direct payment rates* remain the same, but payment base areas are reduced from 85% to 83% of the base for 2009-2011. Participants have to abide by conservation-compliance requirements.
- *Dairy support* is provided through administered prices for manufactured products, rather than fluid milk, the payment rate and production eligible for payments are increased for the Milk Income Loss Contract programme and the Dairy Export Incentives Program is extended.

Box 1.2. **At a Glance: Policy Reforms in Canada, European Union and the United States** *(cont.)*

Other programmes

- *Conservation*: Emphasises conservation on working land by increasing funding for Environmental Quality Incentives Program and introducing a new Conservation Stewardship Program. Wetland restoration and farmland preservation programmes are increased while the primary land retirement programme will be reduced.
- *Rural development*: Greater emphasis on value-added agricultural activities, including renewable energy and locally and regionally produced agricultural products.
- *Organic agriculture*: Funding for certification, data collection and regulatory activities is increased and new programmes are established to tailor conservation programmes to organic practices.
- *Livestock*. Mandatory reporting expands and country-of-origin labelling continues, with some additional commodities added.
- *Biofuels*: Increased funding for bio-fuels research and infrastructure; reduction in blenders' tax credit for ethanol; creates a tax credit for cellulosic biofuels; and extends the duty on ethanol imported for fuel use.
- *Trade*: Export credit programmes are reformed and the Export Enhancement Program (EEP) is eliminated.

Canada: The Growing Forward policy framework builds on the previous Agricultural Policy Framework. Spending is shared between the Federal and Provincial governments. There are four main programmes in the area of business risk management under the agreement:

- *AgriInvest* provides a matching government subsidy for farm savings accounts, up to 1.5% of sales per year. Producers may use the funds to compensate for income variability (net income declines of 15% or less) or for on-farm investments, in particular for risk-mitigation.
- *AgriStabilty* compensates producers when their margin (revenue minus costs) in the programme year is more than 15% lower than their reference margin – their average margin from previous years.
- *AgriInsurance* insures losses to production and farm assets caused by natural perils. In exchange for a premium producers receive a payment when they experience losses during the year.
- *AgriRecovery* provides payments to producers in the case of natural disasters whose impact is not adequately addressed by the other programmes.

expansion of the Single Payment Scheme (SPS) with integration into the scheme of previously sector-specific payments (support for processed fruits and vegetables, distillation and other wine payments, and several remaining crop and livestock payments) and enlargement of the eligible land with hectares previously dedicated to fruits and vegetables and to vineyards. Other reforms also gave farmers more freedom to use their land with the phasing out of the commodity exceptions in land benefiting from the SPS (such as fruits and vegetables), the end of the wine grapes planting rights regime by 2016, and the abolition of compulsory set-aside. The measures also involve less government intervention in domestic markets with the elimination of support to processed fruits and

vegetables and the distillation scheme for wine, the phasing out of milk quotas by 2015 (after increasing quotas through to 2014) and the weakening of intervention mechanisms for pig meat, cereals and dairy. At the same time, some decisions give greater flexibility for the use of European funds in different countries: national envelopes for wine can be discretionally used for promotion, restructuring or crisis management; the so-called "article 68" measures, which allow 10% of national budget ceilings to be retained in order to "assist sectors with special problems", are opened to include risk management measures; and additional funding for countries that joined the ***European Union*** after 2004 (EU12) that together with any currently unspent money for EU15 countries can be used for these "article 68" measures.

The movement away from market interventions and payments associated with the production of specific commodities, and the integration of these latter into the SPS, plus the elimination of the commodity exceptions are all movements of the ***European Union***'s Common Agricultural Policy in the direction of more decoupled polices that allow farmers to be more responsive to market signals. The additional modulation and the reinforcement of the "article 68" measures take funds away from the SPS and gives more flexibility to EU member countries in responding to national and regional objectives. This provides the member states with the possibility of targeting these measures to specific market failures or income concerns. The challenge is to ensure that these measures are minimally distorting and avoid the pressure for the expansion of national and regional expenditures.

Most of the funds under the new Farm Act in the ***United States*** (FCEA) are provided for domestic food assistance, rather than for producer support programmes, with increased planned expenditure in this area as compared to the previous legislation. The countercyclical dimension of commodity programmes is reinforced with higher loan rates for several commodities under the Marketing Assistance Loan (MAL), and higher target prices for most commodities in the Counter-Cyclical Payments (CCPs) programme; in addition, a new optional revenue based counter-cyclical program Average Crop Revenue Election (ACRE) will begin in 2009 as an alternative to CCPs. Direct payments and marketing loan benefits are also reduced for producers who opt into the programme. Rates for fixed Direct Payments for crops remain constant, the restriction of producing fruits and vegetables is retained except for a pilot flexibility program in some states, and the payment area is reduced from 85% to 83.3% of base acres. Price support programmes for dairy and sugar are retained, but the way in which they are administered is changed. Disaster Assistance is now based on a permanent whole farm revenue programme for crops (SURE) and there are four additional smaller programmes for other sectors in an attempt to avoid *ad hoc* measures. The FCEA also reinforces environmental conservation programmes, shifting the focus from land retirement to environmental protection of land in production, increasing spending for the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP) and reducing the maximum set aside area under the Conservation Reserve Program. There is a new mandatory Country of Origin Labelling (COOL) for an expanded list of commodities. The Export Enhancement Program has been repealed and the Export Credit Guarantee programs have been modified with the aim to make them consistent with the ruling of the WTO cotton case.

The new Farm Act does not imply a radical change in the set of agricultural policies in the ***United States***. The FCEA also does not increase or shift funds towards the more decoupled Direct Payment Programme not requiring production; neither has it expanded the production flexibility of these payments, by retaining commodity exceptions in this

programme. On the contrary, commodity programmes that are countercyclical with prices (MAL and CCP) are retained and more commodities are now eligible, while they are complemented with a new optional revenue-based programme (ACRE). Revenue based instruments are better targeted to farmers' risks and they typically imply a lower amount of expected payments, but results depend on specific policy parameters. Targeting could be improved if payments were based on whole farm revenue and farmers' response to market signals may be enhanced by reducing the complexity of their decisions currently subject to several sophisticated programmes and options.

Canada's Growing Forward framework agreement covers risk management policies, the main set of farm support policies in Canada, and includes elements related to environment, sectoral adjustment, innovation and regulation. Four new government programmes cover a comprehensive set of different layers of risk. The main triggering variable is the calculated whole farm "margin". The AgriInvest programme can be used after small margin declines and for on-farm investment. Larger but less frequent declines trigger AgriStability payments. Additionally, AgriInsurance insures losses due to natural perils. These three programmes do not imply far-reaching policy changes, because they replace similar measures under the previous Canadian Agricultural Income Stabilization program (CAIS) and the crop insurance programmes. However, AgriRecovery provides a new stable framework for payments after a natural disaster not adequately addressed by other programmes. This programme may avoid *ad hoc* payments and facilitate a quick response to disasters, but the performance of the whole package in terms of the efficiency and frequency of these responses and the potential crowding out of other risk management strategies will need to be evaluated.

Mexico approved a new sectoral programme for 2007-12 that combines objectives on the economic development of rural areas, supply of healthy food, farm income, and environmental and social sustainability; even if it has implied no major policy changes, a common set of policy rules has enhanced transparency. In ***Switzerland***, a new policy package (Agricultural Policy Reform AP 2011) is in operation for the period 2008-11 with the aim to reduce budgetary expenditure on market price support by 30% and channel these resources to landscape, animal welfare and compensation for production under difficult conditions.

Market interventions were somewhat reduced or adapted…

There are still significant market interventions such as administered prices or quotas in some markets of several OECD countries, but some decisions will contribute to their reduction. In 2007, ***Japan*** abolished administered prices for wheat, barley, sugar beet, sugar cane and starch potatoes while retaining those for pig meat, beef and beef calves. The ***European Union*** in the context of the Health Check has reduced its intervention mechanisms for cereals and abolished intervention for pig meat, while announcing the phase out of milk quotas by 2015, and implementing intervention price reductions for butter and skimmed milk powder as planned under the 2003 CAP reform. Reforms in the wine, fruit and vegetable sectors reduced or eliminated interventions and payments for distillation and processing. Milk quotas were abolished earlier in ***Switzerland*** from May 2009, although until 2015 farmers will only be able to sell milk under the terms of contracts drawn up with buyers. The changes in the dairy and sugar price support mechanisms in the ***United States***' 2008 Farm Act do not imply a reduction in these mechanisms; sugar purchases by the government are guaranteed through a new sugar-for-

ethanol programme to address potential US sugar surpluses after sugar tariffs with ***Mexico*** were eliminated.

... but product or sector specific measures remain widespread...

Product or sector specific measures continue to operate widely and new *ad hoc* decisions are frequently invoked in response to specific circumstances. For instance, emergency measures were decided in ***Japan*** in October 2007 in response to the fall in the domestic price of rice: the government increased purchases and stockholding and subsidised use of rice for feed, while prefectures were called upon to reduce production quota in exchange for increased rice diversion payments. ***Switzerland*** increased direct payments per livestock unit to dairy producers, to compensate for the reduction in price support expenditures by 20% in the 2007-08 period. In ***Turkey***, the purchase prices for cereals, sugar and tobacco set by marketing boards were increased in 2007 and 2008. There are also output and deficiency-type payments in several countries that provide a framework to stabilise domestic producer prices in response to price changes for specific products. Most of these mechanisms were not triggered in OECD countries in the last two years (particularly in ***Mexico*** and the ***United States***), but in some countries additional output payments were provided: for milk, wheat and tea in ***Turkey***, and for sugar and milk in ***Mexico***.

... and the focus on more decoupled direct payments differs across countries

While some countries, particularly the ***European Union***, expand their programme of more decoupled direct payments, others like the ***United States*** and ***Mexico*** retain their programmes unchanged; there are also examples of countries ending this type of programme (***Turkey***), and starting new schemes (***Japan***). In the context of the recent reforms in the ***European Union***, the Single Payment Scheme (SPS) has been expanded with further integration in the scheme of previously sector specific payments, more eligible land, elimination of the commodity exceptions, abolition of compulsory set-aside and new flexibility for opting for a regional implementation of SPS from 2010. Payments will be reduced by up to 10% in 2012 (as compared with up to 5% in 2008) and the funds transferred to rural development programmes. In other countries with similar more decoupled direct payments (Direct Payments in the ***United States*** and PROCAMPO in ***Mexico***) their scope and implementation remains similar to what was established in the 1990s. Three new direct payments were introduced in ***Japan*** in 2007 for those with farms of a minimum size, replacing specific payments based on output for commodities for which administered prices were abolished. One payment – that is based on historical land – is more decoupled from production, while the others are based on income loss and output. In ***Turkey***, the system of Direct Income Support at a flat rate per hectare (ARIP) introduced in 2001 was extended until 2008, but will be discontinued from 2009.

Some countries are trying to improve the distribution of these programmes through payment cuts or payment limits. The ***European Union*** made an additional 4% cut in SPS payments to recipients receiving more than EUR 300 000 (USD 438 600), transferring this money to rural development funds; at the same time, a minimum SPS payment per farm or per hectare is also established. The programmes in the ***United States*** 2008 Farm Act keep their payment limits in terms of a maximum amount of programme payments per person and a maximum amount of individual income to be eligible for Direct Payments and Countercyclical Payments, including new ACRE programme; however, Marketing Assistance Loan payment limits are abolished.

Risk-related policies become more prominent amid strong price fluctuations, economic crisis and climate change…

The three OECD countries that have implemented significant new policy legislation or frameworks have sought to reinforce measures related to risk management. In the ***United States***, the 2008 Farm Act increases target prices for most commodities and gives farmers the opportunity to change to the revenue-based countercyclical programme ACRE, confirming a commodity-specific risk management approach that now allows price and yield risk to be combined into a revenue programme. ***Canada***'s Growing Forward agreed programmes take a whole-farm approach to risk management with measures that cover several risk layers, from small frequent reductions in margins to catastrophic risks. Finally, the Health Check of the ***European Union*** expands the possible uses of article 68 "Assistance to sectors with special problems" to include co-financing of subsidies to insurance schemes and mutual funds.

Mexico has a long experience with its price hedging programme, which subsidises up to 100% of the price of options; it attempts to stabilise prices via contract sales, while allowing farmers to benefit from high prices through call options; expenditures under this programme have increased eight-fold in three years in the context of high price expectations in 2007 and the first half of 2008. New subsidised insurance systems were introduced in the three Baltic countries, ***Estonia***, ***Latvia*** and ***Lithuania***. The set of commodities benefiting from the insurance scheme for natural disasters, created in ***Korea*** in 2001, expanded in 2008 with fifteen new fruits and field crops. In terms of border measures, a new project in ***New Zealand*** seeks to improve risk management at the border while facilitating trade and travel, with the idea of targeting the highest risks and co-management with the industry.

Given high world prices, countercyclical payments in some countries were rarely triggered in the context of high world prices in 2008. This is true in particular in the ***United States*** and in ***Korea,*** where the variable part of the direct payment for rice was not triggered in 2008 for the first time since it was created in 2005. In ***Norway,*** in the annual agreements with farmers, a possibility to renegotiate target prices in the case of high fertilisers and feed costs was agreed in 2008; this clause was triggered in January 2009 and the new agreement increased target prices.

… and there are efforts to find more stable approaches to disaster assistance…

Several changes in policy frameworks in OECD countries include attempts to introduce more stable and better defined disaster assistance, which may reduce reliance on *ad hoc* programmes. In particular, the ***United States*** approved a permanent whole-farm revenue programme SURE for crops, which complements other programmes for other sectors, while ***Canada*** approved AgriRecovery as a mechanism to facilitate payments after natural disasters. Other OECD countries are also reforming their disaster assistance: in July 2007, ***New Zealand*** introduced a programme to assist with building rural capacity through Rural Support Trusts in each region to respond to adverse events, emphasising that risk management is the responsibility of individual business; ***Australia*** has embarked on a Comprehensive National Review of Drought Policy; ***Korea*** passed a new law in January 2009 to create a comprehensive scheme that integrates crop insurance with insurance to protect farmers' income from outbreaks of animal diseases or natural disasters.

Along with these attempts to bring disaster assistance within stable frameworks, *ad hoc* emergency packages were implemented following natural disasters or animal diseases. Examples are financial aid to farmer families affected by the 2008 drought and hurricane in ***Poland***; expanded quotas for dairy farmers affected by the epidemic of bluetongue in ***France***; ***European Union's*** funds for farmers adversely affected by this same epidemic in 2008; compensation to egg producers for bird slaughtering after an outbreak of Newcastle disease, co-financed by the ***European Union*** in ***Estonia***; support package for farmers affected by movement restrictions in place to control Foot and Mouth Disease in 2007 in the ***United Kingdom***.

... while animal disease control is reinforced

Some OECD countries have taken initiatives to reinforce animal disease control. A biosecurity Science Strategy was launched in ***New Zealand*** in 2007 establishing formal mechanisms to determine science priorities in biosecurity. In ***Iceland***, the Food and Veterinary Authority (MAST) began operations in 2008 with a broad mandate on food safety, and animal and plant health. Several projects were implemented in ***Turkey*** to harmonize food safety, quality and other standards with those of the ***European Union***, and in 2007 a new Agricultural Quarantine Regulation was published. Disease control and vaccination measures were taken in several OECD countries: in ***Canada***, Circovirus inoculation for pigs; in several ***European Union*** countries (***Belgium, Netherlands, Spain, Denmark, Germany*** and ***France***) blue tongue virus vaccination with financial aid from European Union funds; in ***Ireland*** disruption of pig meat marketing and storage aid scheme after dioxine was found in pig meat; in ***Poland*** introduction of a programme for combating Aujesky' disease in pigs; and in ***Poland, Estonia*** and ***Bulgaria,*** programmes against varroosis in bees.

There are attempts to respond to climate change, while agri-environmental programmes expand...

Some OECD countries have implemented programmes attempting to respond to some of the challenges to agriculture arising from climate change. ***Australia*** implemented a new exit grant package for the Murray-Darling Basin affected by drought and climate change. A research programme on soil carbon, nitrous oxide and reducing emissions of livestock was also started with funding from the climate change research programme, and the programme Farming Future to equip farmers with the necessary tools and information to address mitigation and adaption to climate change. The ***European Union's*** Health Check requires that the additional "modulation" funds be spent on specific priorities, the first of which is for climate change adaptation and mitigation. ***Slovenia*** gave priority to climate change issues in 2008, approving a strategy for adaptation in agriculture.

Over and above the measures that focus on climate change mitigation and adaptation, all countries have implemented, expanded or changed agri-environmental programmes. The ***United States*** 2008 Farm Act re-authorises almost all previous environmental conservation programs, with a further shift in focus from land retirement to environmental protection of land in production. In the rural development programme of the ***European Union*** for 2007-13, the highest share of funds (46%) has been allocated to Axis 2 which includes agri-environmental payments; cross compliance of the ***EU*** SPS is maintained and expanded to horticultural land, but simplified by the Health Check, and new requirements are added for set aside land and improving water management. The

United Kingdom reviewed its payment rates to ensure fair compensation, applied voluntary modulation (reduction of direct payments) to be used for co-financed agri-environmental schemes, and implemented in 2009 the new regulation on Nitrate Pollution Prevention. In 2008, ***France*** launched a plan (Ecophyto) to reduce pesticide use by 50% in ten years, if possible. Since 2005, ***Korea*** has quadrupled its budget (from an albeit low base) for direct payments for landscape conservation, based on collective contracts between the municipality and the farmers. ***Mexico*** has grouped previous programmes into a new soil and water conservation programme to finance on-farm infrastructure for improving efficiency in water management. In 2009, ***New Zealand*** amended its Resource Management Act as a first step of a wider revision of water management and resource allocation policies. In ***Switzerland*,** the AP 2011 introduced in 2008 a programme for Sustainable Use of Natural Resources, which finances projects developed by local authorities. Many OECD countries continued to subsidise water and water extraction for agriculture, including through under-charging framers for investments and maintenance, but there is growing recognition that some aquifers are overexploited.

... and initiatives to support biofuels production continue

Many OECD countries have introduced biofuel policies as part of their climate change mitigation and energy diversification strategies. In this context, in 2008 the ***European Union*** agreed to introduce a legally binding 10% of renewal energy in the transport fuel mix by 2020. ***EU*** countries are thus implementing programmes to foster biofuels and bioenergy production: ***Estonia*** adopted a biomass and bio-energy development plan in 2007 including regulation, tax preferences and support measures to promote the production of bio-energy; the ***United Kingdom*** implemented the Bio-energy Infrastructure Scheme that will support the biomass industry for heat and electricity generation. Outside Europe, ***Canada*** launched the Eco-Agriculture Bio-Fuels Capital initiative for the construction of biofuel production facilities. In February 2007, ***Japan*** announced an action plan to increase domestically produced biofuel and introduced credit concessions and tax benefits for biofuel producers. The ***United States*** 2008 Farm Act provides support to buy domestically produced sugar for biofuel production under limited conditions related to the sugar price support programme.

Other policy initiatives concerned rural development, competitiveness and on-farm investment...

Other policy initiatives are related to the broad economic, environmental and social development of rural areas. The ***European Union*** includes these measures in its Rural Development Policy, which has adopted a strategic programming framework approach. The design, implementation and follow-up of the rural development programmes across the EU regions and countries present major institutional challenges. The implementation for the 2007-13 programming period started with the approval of all national rural development programmes by November 2008. In addition to agri-environmental payments of Axis 2, Axis 1 measures to improve competitiveness are focused on the agricultural and forestry sectors and will receive 34% of the funds. Twelve per cent is assigned to Axis 3, which is designed to improve the quality of life in rural areas and economic diversification. The remaining 8% of funds will go to the LEADER horizontal axis and for technical assistance. However, the distribution of funds across countries is very diverse. Special accession programmes for agriculture and rural development (IPARD) were granted to Croatia, the Former Yugoslav Republic of Macedonia, and ***Turkey***.

Not all countries have formal rural development programmes, but they all implement policies oriented to the development of rural areas with a different mixture of measures addressing either sectoral agricultural performance, or broader economic activities and development in rural areas. In December 2008, ***Japan*** announced a Land Policy Reform Plan with the objective of maintaining the current amount of existing farmland and to promote land rental transactions for farm consolidation; stricter land conservation regulations and farmland zoning, long-term land rental contracts and easing conditions to acquire land are also envisaged. ***Korea*** announced in early 2009 a plan to encourage non-agricultural corporations to invest in the agro-food sector, and made its early retirement programme more generous and opened to producers on all farm land, not just to those farming paddy fields.

Some countries have prioritised investment on farms owned by socially disadvantaged farmers. The new Investment and Productive Assets programme in ***Mexico*** groups together and reinforces several former schemes that partially financed on-farm investment projects; the percentage co-financed by the government depends now on more clearly defined criteria so as to better benefit poorer farmers. The credit policy in the ***United States*** 2008 Farm Act increases lending limits per individual producer and prioritises those farmers and ranchers who are either just beginning or are socially disadvantaged.

… new regulations on country of origin labelling were adopted…

Three OECD countries have taken regulatory initiatives that make mandatory the labelling of the country of origin of food products. The balance between consumers' demand for information and trade interests behind these measures are sometime controversial. The ***United States***' 2008 Farm Act establishes mandatory labelling on the country of origin (*COOL*) for an expanded list of commodities that has been subject to a request for consultation in WTO from ***Mexico*** and ***Canada***. The ***European Union*** adopted a new regulation making it compulsory to state the origin of virgin and extra virgin olive oil on product labels as of July 2009. The resumption of imports of US beef in 2008 was controversial in ***Korea*** and led the government to adopt nation-wide compulsory labelling requiring that all restaurants state the country of origin of meat consumed in their establishment.

… and some policy procedures simplified

The development of new programmes does not always involve the complete dismantling of previous ones. Some OECD countries face an increasingly complex set of policies and regulations applicable to agriculture that can complicate farmers' decision making, and some countries have taken initiatives towards simplification. A single Common Market Organization (CMO) was introduced in the ***European Union*** in 2008, replacing 21 different CMOs. Other regulatory simplifications in the ***European Union*** included the milk regime and the labelling rules for wine. ***France*** created in 2008 a single paying agency and merged local authorities in charge for agriculture into a single body, FranceAgriMer. Since 2008, ***Mexico*** has grouped the operational rules for most of the programmes run by the Ministry for Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) into a single set of operational rules that are published yearly.

Trade policy was overshadowed by a lack of agreement on modalities for DDA…

WTO negotiations on the Doha Development Agenda in 2007 and 2008 intensified. Revised draft modalities were produced by the Chair of Agricultural negotiations in July 2007 and between November 2007 and January 2008 sixteen working documents were

issued on specific issues. Successive draft modalities documents were distributed between February and December of 2008. However, no agreement was reached on modalities in 2008, and negotiations continue with a commitment from G20 government leaders to reach an agreement.

… and many OECD countries pursued bilateral trade agreements…

The number of bilateral or regional trade agreements continues to expand with all OECD countries being involved. Several new regional or bilateral trade agreements with agro-food trade implications were concluded or implemented in 2007 and 2008. A new ***Australia–New Zealand***-ASEAN Free Trade Agreement (AANZFTA) was concluded in February 2009. The ***Korea*** – ASEAN free trade agreement was effective as of June 2007. A free trade agreement between ***Korea*** and the ***United States*** is awaiting parliamentary ratification. As members of the European Free Trade Association (EFTA), Iceland, Norway and ***Switzerland*** implemented an agreement with the Southern African Custom Union in 2008. ***Norway*** signed a new trade agreement with Colombia. In recent years, ***Japan*** has signed preferential trade agreements with many countries, including ASEAN and Indonesia. Preliminary agreement was reached in 2008 on liberalizing trade in agriculture between the ***European Union***, and Egypt and Israel. In 2008, Economic Partnership Agreements (EPA) between the ***European Union*** and the Caribbean Community, as well as interim agreements with seven groups of African, Caribbean and Pacific (ACP) countries replaced trade preferences by reciprocal free trade agreements. The ***European Union*** and ***Switzerland*** are currently negotiating a full free trade agreement. ***Canada*** carries on-going trade negotiations with a long list of countries. ***Korea*** is negotiating free trade agreements with several countries under a multi-track FTA approach, including ***Japan***, ***Canada***, ***Mexico***, India, ***European Union***, ***Australia*** and ***New Zealand***. On the other hand, the transitional period of some older regional free trade agreements such as NAFTA ended in 2008, implying full free trade between ***United States*** and ***Mexico*** for all agricultural products, some of which were excluded from NAFTA for ***Canada***.

… tariff cuts were announced, but many in response to short-run market conditions…

Several announcements of tariff cuts were made by OECD countries: border protection for cheese between the ***European Union*** and ***Switzerland*** was abolished in 2007; the threshold price for imported animal feed was reduced in ***Switzerland*** in 2007; as of mid-2009, all agricultural tariff lines for imports from LDCs to ***Switzerland*** will be free. Other tariff cut announcements were made as short-term decisions in response to high market price conditions and they have or could be reverted: in the ***European Union***, import duties on several cereals were suspended between December 2007 and October 2008; ***Mexico*** reduced tariffs for all imports of many agricultural products and fertilizers in May 2008; ***Turkey*** expanded its zero-duty quota for wheat and maize imports in February 2008, and cut tariffs on feedstuffs.

… some export subsidies were reduced or abolished, others re-introduced

Export subsidies in the ***European Union*** were reduced by more than 40% in 2007 and 60% in 2008 as compared to 2006 because of high world prices and in the wake of sugar, wine and dairy reforms. The ***European Union*** also abolished all export refunds for fruits and vegetables. ***Switzerland*** will eliminate all remaining export subsidies by 2010. The ***United States*** abolished the Export Enhancement Programme under the 2008 Farm Act. The US

Export Credit Guarantee programmes have been modified with the aim to make them consistent with the ruling of the WTO cotton case. However, some countries continue to use export subsidies: in response to falling world prices, export refunds for certain dairy products were re-introduced in the ***European Union*** in January 2009 (under the WTO limits); in 2008, sixteen commodity groups received export subsidies in ***Turkey***.

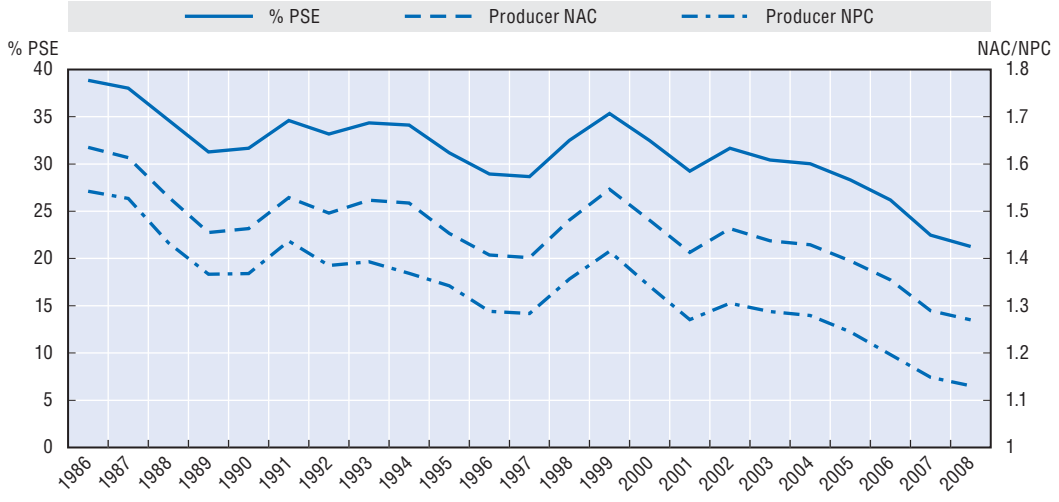
Developments in agricultural support

This overview of developments in agricultural support begins with the discussion of support levels for the OECD as a whole, as measured by the OECD indicators of agricultural support. The main drivers behind the changes in support levels between 2007 and 2008 are then considered. The way in which support is provided (*i.e.* its composition) is then analysed, looking at the OECD area as whole and then at country-specific situations. Finally, progress in policy reform in the long-term across the OECD countries is evaluated on the basis of changes in levels and composition of support.[1]

Producer support continued to decline in the OECD area, but the rate of decline moderated…

The percentage Producer Support Estimate (%PSE) is the key indicator used to measure the level of support to producers. It expresses the monetary value of policy transfers from consumers and taxpayers to producers as a percentage of gross farm receipts. The %PSE was 21% in 2008 for the OECD area, indicating that support comprised about a fifth of gross farm receipts of farmers in these countries. 2008 was the sixth consecutive year of a fall in this measure of support, which is presently down ten percentage points from its recent high of 31% in 2002 (Figure 1.3 and Tables 1.3 and 1.4).

Figure 1.3. **Evolution of OECD support indicators, 1986-2008**



% PSE: Producer Support Estimate (left scale)
NPC: Producer Nominal Protection Coefficient (right scale)
NAC: Producer Nominal Assistance Coefficient (right scale)
Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652685865048

The continued fall in support to producers is also reflected in other indicators that complement the %PSE. The Nominal Assistance Coefficient (NAC) is the ratio of gross farm receipts including support, to farm receipts measured at border prices. The NAC for the

Table 1.3. **OECD: Estimates of support to agriculture**

USD million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**591 827**	**995 974**	**859 454**	**1 023 701**	**1 104 766**
of which share of MPS commodities (%)	*72*	*68*	*67*	*69*	*69*
Total value of consumption (at farm gate)	**557 761**	**965 467**	**833 331**	**985 335**	**1 077 736**
Producer Support Estimate (PSE)	**239 921**	**261 222**	**258 185**	**259 995**	**265 487**
Support based on commodity output	197 104	133 152	140 148	131 754	127 555
Market Price Support	*184 702*	*127 285*	*132 278*	*126 980*	*122 596*
Payments based on output	*12 401*	*5 867*	*7 870*	*4 774*	*4 959*
Payments based on input use	20 172	32 360	29 524	32 654	34 903
Based on variable input use	*9 745*	*12 756*	*12 269*	*12 618*	*13 380*
with input constraints	*739*	*512*	*518*	*502*	*517*
Based on fixed capital formation	*6 863*	*11 083*	*9 629*	*11 409*	*12 210*
with input constraints	*1 235*	*1 829*	*1 694*	*1 669*	*2 124*
Based on on-farm services	*3 563*	*8 521*	*7 625*	*8 626*	*9 312*
with input constraints	*439*	*1 081*	*1 107*	*1 055*	*1 082*
Payments based on current A/An/R/I[1], production required	18 744	32 036	29 521	30 733	35 856
Based on Receipts / Income	*2 058*	*3 737*	*3 873*	*3 132*	*4 206*
Based on Area planted / Animal numbers	*16 686*	*28 299*	*25 647*	*27 601*	*31 649*
with input constraints	*3 719*	*22 173*	*20 751*	*21 056*	*24 712*
Payments based on non-current A/An/R/I, production required	533	1 052	819	1 414	923
Payments based on non-current A/An/R/I, production not required	2 080	57 379	53 402	57 799	60 936
With variable payment rates	*181*	*1 378*	*2 119*	*1 686*	*328*
with commodity exceptions	*0*	*900*	*1 604*	*1 011*	*84*
With fixed payment rates	*1 899*	*56 001*	*51 283*	*56 113*	*60 607*
with commodity exceptions	*1 561*	*31 417*	*32 812*	*34 632*	*26 808*
Payments based on non-commodity criteria	1 077	5 234	4 992	5 574	5 137
Based on long-term resource retirement	*1 076*	*4 274*	*4 155*	*4 635*	*4 033*
Based on a specific non-commodity output	*1*	*790*	*686*	*792*	*893*
Based on other non-commodity criteria	*0*	*170*	*151*	*147*	*211*
Miscellaneous payments	211	9	–220	67	178
Percentage PSE	**37**	**23**	**26**	**22**	**21**
Producer NPC	**1.50**	**1.16**	**1.20**	**1.15**	**1.13**
Producer NAC	**1.59**	**1.31**	**1.36**	**1.29**	**1.27**
General Services Support Estimate (GSSE)	**40 023**	**76 665**	**76 043**	**74 416**	**79 536**
Research and development	3 551	7 856	7 170	8 113	8 284
Agricultural schools	842	2 131	1 679	2 467	2 247
Inspection services	1 045	3 207	3 077	3 251	3 292
Infrastructure	13 963	21 991	22 473	20 726	22 774
Marketing and promotion	13 164	37 808	38 021	36 032	39 371
Public stockholding	5 872	1 066	1 160	1 181	856
Miscellaneous	1 587	2 607	2 462	2 647	2 712
GSSE as a share of TSE (%)	**13**	**21**	**21**	**20**	**21**
Consumer Support Estimate (CSE)	**–160 828**	**–116 712**	**–123 909**	**–118 240**	**–107 989**
Transfers to producers from consumers	–171 210	–125 568	–130 313	–126 515	–119 877
Other transfers from consumers	–22 187	–22 846	–23 765	–24 620	–20 154
Transfers to consumers from taxpayers	19 674	29 951	29 019	29 903	30 929
Excess feed cost	12 894	1 751	1 150	2 992	1 112
Percentage CSE	**–30**	**–13**	**–15**	**–12**	**–10**
Consumer NPC	**1.54**	**1.19**	**1.23**	**1.18**	**1.15**
Consumer NAC	**1.43**	**1.15**	**1.18**	**1.14**	**1.12**
Total Support Estimate (TSE)	**299 618**	**367 838**	**363 247**	**364 314**	**375 953**
Transfers from consumers	193 397	148 414	154 078	151 135	140 030
Transfers from taxpayers	128 408	242 270	232 934	237 800	256 076
Budget revenues	–22 187	–22 846	–23 765	–24 620	–20 154
Percentage TSE (expressed as share of GDP)[2]	2.48	0.89	0.96	0.88	0.84

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. A (area planted), An (animal numbers), R (receipts), I (income). MPS is net of producer levies and Excess Feed Cost. MPS commodities: see notes to individual tables in Part II.
2. TSE as a share of GDP for 1986-88 for the OECD total excludes the Czech Republic, Hungary, Poland and the Slovak Republic as GDP data is not available for this period.

Source: OECD, PSE/CSE *database*, 2009.

StatLink http://dx.doi.org/10.1787/655231557826

Table 1.4. **OECD: Estimates of support to agriculture**

EUR million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**536 113**	**729 388**	**684 725**	**747 799**	**755 640**
of which share of MPS commodities (%)	*72*	*68*	*67*	*69*	*69*
Total value of consumption (at farm gate)	**504 857**	**706 946**	**663 912**	**719 773**	**737 152**
Producer Support Estimate (PSE)	**218 064**	**192 402**	**205 695**	**189 922**	**181 589**
Support based on commodity output	179 139	98 382	111 655	96 244	87 245
Market Price Support	*167 836*	*93 999*	*105 385*	*92 757*	*83 854*
Payments based on output	*11 303*	*4 383*	*6 270*	*3 487*	*3 392*
Payments based on input use	18 270	23 749	23 521	23 853	23 873
Based on variable input use	*8 847*	*9 381*	*9 775*	*9 217*	*9 152*
with input constraints	*679*	*378*	*413*	*367*	*354*
Based on fixed capital formation	*6 207*	*8 119*	*7 672*	*8 334*	*8 352*
with input constraints	*1 124*	*1 341*	*1 350*	*1 219*	*1 453*
Based on on-farm services	*3 217*	*6 249*	*6 075*	*6 301*	*6 369*
with input constraints	*397*	*798*	*882*	*771*	*740*
Payments based on current A/An/R/I[1], production required	17 110	23 498	23 519	22 450	24 525
Based on Receipts / Income	*1 912*	*2 750*	*3 086*	*2 288*	*2 877*
Based on Area planted / Animal numbers	*15 197*	*20 748*	*20 433*	*20 162*	*21 648*
with input constraints	*3 300*	*16 272*	*16 532*	*15 381*	*16 903*
Payments based on non-current A/An/R/I, production required	505	772	652	1 033	631
Payments based on non-current A/An/R/I, production not required	1 900	42 148	42 545	42 221	41 679
With variable payment rates	*161*	*1 048*	*1 688*	*1 232*	*225*
with commodity exceptions	*0*	*691*	*1 278*	*739*	*57*
With fixed payment rates	*1 739*	*41 100*	*40 857*	*40 990*	*41 454*
with commodity exceptions	*1 417*	*23 258*	*26 141*	*25 298*	*18 336*
Payments based on non-commodity criteria	942	3 854	3 977	4 072	3 514
Based on long-term resource retirement	*941*	*3 152*	*3 311*	*3 386*	*2 758*
Based on a specific non-commodity output	*1*	*578*	*546*	*578*	*611*
Based on other non-commodity criteria	*0*	*124*	*120*	*108*	*144*
Miscellaneous payments	198	–1	–175	49	122
Percentage PSE	**37**	**23**	**26**	**22**	**21**
Producer NPC	**1.50**	**1.16**	**1.20**	**1.15**	**1.13**
Producer NAC	**1.59**	**1.31**	**1.36**	**1.29**	**1.27**
General Services Support Estimate (GSSE)	**36 284**	**56 448**	**60 583**	**54 360**	**54 401**
Research and development	3 216	5 768	5 712	5 926	5 666
Agricultural schools	762	1 559	1 338	1 802	1 537
Inspection services	946	2 359	2 451	2 375	2 252
Infrastructure	12 670	16 207	17 904	15 140	15 577
Marketing and promotion	11 959	27 847	30 291	26 321	26 929
Public stockholding	5 294	791	924	863	585
Miscellaneous	1 438	1 917	1 962	1 933	1 855
GSSE as a share of TSE (%)	**13**	**21**	**21**	**20**	**21**
Consumer Support Estimate (CSE)	**–145 937**	**–86 317**	**–98 718**	**–86 372**	**–73 862**
Transfers to producers from consumers	–155 545	–92 744	–103 820	–92 417	–81 993
Other transfers from consumers	–20 033	–16 901	–18 933	–17 985	–13 785
Transfers to consumers from taxpayers	17 852	22 039	23 119	21 844	21 155
Excess feed cost	11 790	1 288	916	2 186	761
Percentage CSE	**–30**	**–13**	**–15**	**–12**	**–10**
Consumer NPC	**1.54**	**1.19**	**1.23**	**1.18**	**1.15**
Consumer NAC	**1.43**	**1.15**	**1.18**	**1.14**	**1.12**
Total Support Estimate (TSE)	**272 200**	**270 890**	**289 398**	**266 126**	**257 145**
Transfers from consumers	175 578	109 644	122 753	110 402	95 778
Transfers from taxpayers	116 655	178 146	185 578	173 709	175 152
Budget revenues	–20 033	–16 901	–18 933	–17 985	–13 785
Percentage TSE (expressed as share of GDP)[2]	2.48	0.89	0.96	0.88	0.84

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. A (area planted), An (animal numbers), R (receipts), I (income). MPS is net of producer levies and Excess Feed Cost. MPS commodities: see notes to individual tables in Part II.
2. TSE as a share of GDP for 1986-88 for the OECD total excludes the Czech Republic, Hungary, Poland and the Slovak Republic as GDP data is not available for this period.

Source: OECD, *PSE/CSE database*, 2009.

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OECD area was 1.27 in 2008, indicating that farm receipts were 27% higher than if they had not been supported by policies, a reduction from 1.29 in 2007 and 1.36 in 2006. The Nominal Protection Coefficient (NPC) focuses more specifically on price protection: it is the ratio between the producer price (including payments per unit of output) and the border price and shows the extent to which prices are higher due to agricultural support policies. The NPC for the OECD area was 1.13 in 2008, indicating that OECD farmers received prices that were on average 13% above international levels (15% above in 2007 and 20% in 2006).

Comparing recent years to the reference period 1986-88, the %PSE fell from 37% in 1986-88 to 23% in 2006-08. The NAC was 1.31 on average in 2006-08, whereas it was 1.59 in 1986-88. The NPC fell most significantly, from 1.50 in 1986-88, indicating that OECD farmers were receiving prices 50% above world prices at that time, to 1.16 on average in 2006-08, a reduction of 34 percentage points. Therefore, over this period, the decline in transfers made through producer price, such as market price support, has been more pronounced than for budgetary payments as a whole.

World prices drove changes in 2008 support level, together with exchange rate movements

A downward trend in levels of support, both in terms of nominal values (the PSE in monetary terms) and of relative shares of gross farm receipts (the %PSE) is evident in many OECD countries (Table III.1 in Part III). Variations in market price support were the main cause of changes in the monetary value of the PSE in 2008, both in countries where it increased (in ***Japan, Norway, Switzerland*** and ***Turkey***) and where it declined (in ***Canada, Iceland, Korea, New Zealand*** and ***the United States***) (Table 1.5). One exception is ***Mexico***

Table 1.5. **Contribution to changes in Producer Support Estimate by country, 2007 to 2008**

	Producer Support Estimate (PSE)		Contribution of		Contribution of budgetary payments (BP) based on:						
			MPS	BP	Output	Input use	Current A/ An/R/I, production required	Non-current A/An/R/I, production required	Non-current A/An/R/I, production not required	Non-commodity criteria	Miscella-neous
	USD mn, 2008	% change[1]	% change in PSE if all other variables are held constant								
Australia	2 213	–10.9	0.0	–10.9	0.0	–3.8	0.0	0.0	–7.4	0.4	0.0
Canada	5 532	–25.8	–15.4	–10.4	0.0	–1.8	9.6	–6.5	–11.8	0.0	0.1
European Union[2]	150 445	4.3	2.1	2.1	0.1	0.2	0.5	0.0	2.2	–0.8	0.1
Iceland	166	–3.8	–6.7	2.9	–0.1	–0.1	0.1	2.5	0.0	0.6	0.0
Japan	41 622	2.7	1.9	0.8	–0.2	–0.2	1.2	0.0	0.0	0.0	0.0
Korea	18 354	–16.4	–16.8	0.5	0.0	0.1	0.4	0.0	0.0	0.0	0.0
Mexico	6 339	0.5	–12.1	12.6	–0.3	12.5	1.0	–0.6	0.0	0.0	0.0
New Zealand	92	–16.3	–16.7	0.3	0.0	0.2	0.2	0.0	0.0	0.0	0.0
Norway	3 742	13.8	10.4	3.4	1.4	0.7	0.9	0.3	0.0	0.0	0.0
Switzerland	5 640	8.8	10.7	–1.9	0.1	–0.6	0.0	0.0	–1.7	0.2	0.1
Turkey	16 347	38.3	38.9	–0.6	0.8	–0.3	2.2	0.0	–3.3	0.0	0.0
United States	23 259	–31.5	–34.3	2.7	–0.5	0.2	4.9	0.0	–2.8	0.9	0.0
OECD[3]	265 487	–2.1	–3.5	1.5	0.0	0.3	1.5	–0.2	0.1	–0.3	0.0

1. Per cent changes in national currency.
2. EU27.
3. An average of per cent changes in individual country PSEs in national currencies, weighted by the shares of the country PSEs in the OECD PSE in the previous year; not equivalent to the variation in OECD PSE in any common currency.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655361877436

where increased budgetary payments largely offset the fall in MPS, leaving only a small net change (increase) in total support. Another case is ***Australia*** where the change (fall) in the PSE was entirely due to the fact that the estimated budgetary allocations for 2008 are smaller than the actual expenditure in the previous year when larger drought relief assistance was provided. In several other countries changes in budgetary payments, although not the principal driver of the PSE variation, were also relatively important. In the ***European Union*** higher budgetary support was related to the phase-in of payments in new member states; new direct payments were provided in ***Japan***, while a significant reduction in payments occurred in ***Canada***.

Further breakdowns of the changes in market price support confirm that fluctuations in the US dollar-denominated border prices were the main drivers of change (Annex Tables 1.2 and 1.3). The dramatic run-up in commodity prices seen in 2007, which was so influential in reducing support levels in that year, continued for the first part of 2008 before retrenching in the second half. Nevertheless, prices remained above their long-term averages and this resulted in downward pressure on the level of measured support in 2008. In the context of the financial crisis, a number of countries also saw strong exchange rate movements *vis-à-vis* the US dollar in 2008 which either strengthened or mitigated the effects of rising border prices on measured support levels.

The effect of higher world commodity prices was most strongly felt in ***Korea***, where sharply higher rice prices in 2008 was the major factor behind a significant fall in support. This effect was even stronger given the depreciation of the Korean won. In ***Iceland***, an increase in border prices was also very important, but in this case driven more by the depreciation of local currency. In countries with counter-cyclical policies, such as the ***United States*** and ***Canada,*** higher prices also contributed strongly to downward shifts in support. It is notable though that in several countries (***Japan***, ***Switzerland***, ***Norway*** and the ***European Union)***, appreciation of domestic currencies substantially offset the impact of high border prices on measured support.

Turkey stands apart from other OECD countries in that domestic factors contributed most to an increase in the market price support because purchase prices administered by marketing boards were substantially increased in 2008 and larger quantities of output received support.

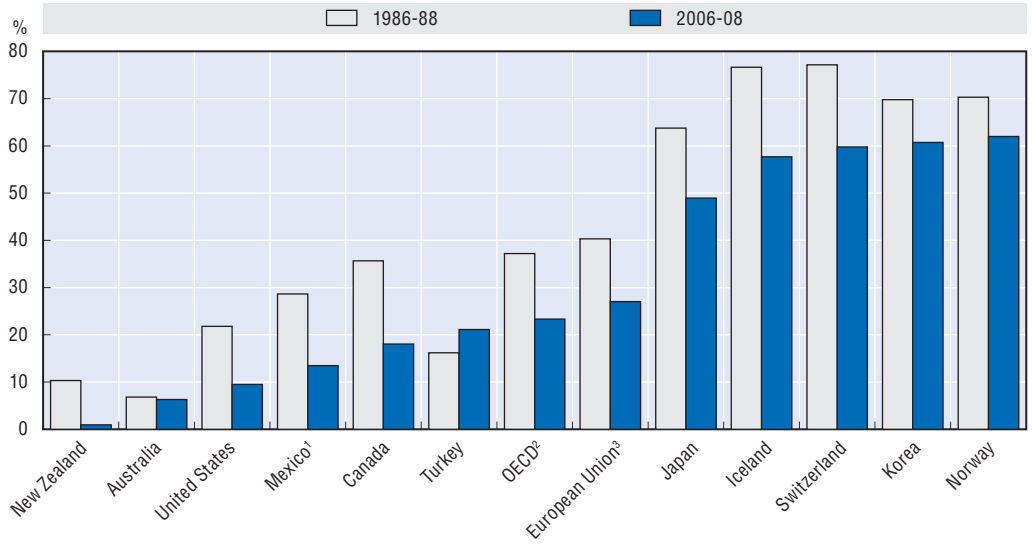
Large variations in support levels across the OECD remain

The largest reductions in the monetary value of the PSE in 2008 were observed in ***Canada***, ***Iceland***, ***Korea*** and the ***United States***, implying also reductions in relative levels of support (%PSE). On the other hand, there were increases in nominal support in the ***European Union***, ***Japan***, and ***Mexico***. This did not result in higher %PSE in these countries, as gross farm receipts also increased (in ***Mexico*** support even fell slightly as a share of gross farm receipts). ***Norway***, ***Switzerland***, and ***Turkey*** saw rising levels of support in 2008, both in nominal and relative terms.

Considering the period since 1986-88, the level of support as measured by the %PSE has declined in all OECD countries, with the exception of ***Turkey*** (Table III.1 in Part III)**.** Despite this progress, support remains high in many OECD countries and there are significant differences in the way support is delivered (Figure 1.4). ***New Zealand*** and ***Australia*** have consistently had the lowest %PSEs, although recent reductions in the level of support in the ***United States***, ***Mexico*** and, to a lesser extent, ***Canada*** have considerably

Figure 1.4. **Producer Support Estimate by country, 1986-88 and 2006-08**

Per cent of gross farm receipts



Countries are ranked according to PSE levels in 2006-08.

1. For Mexico, 1986-88 is replaced by 1991-93.
2. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the non-OECD EU member states.
3. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.

Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652704777543

eroded the differences in the %PSE between these countries. The ***European Union*** has reduced its level of support that remains slightly above the OECD average. Support remains relatively high in ***Norway***, ***Korea***, ***Switzerland***, ***Iceland***, and ***Japan*** where market price support is the key policy instrument.

Consumer cost of policies fell in line with changes in MPS

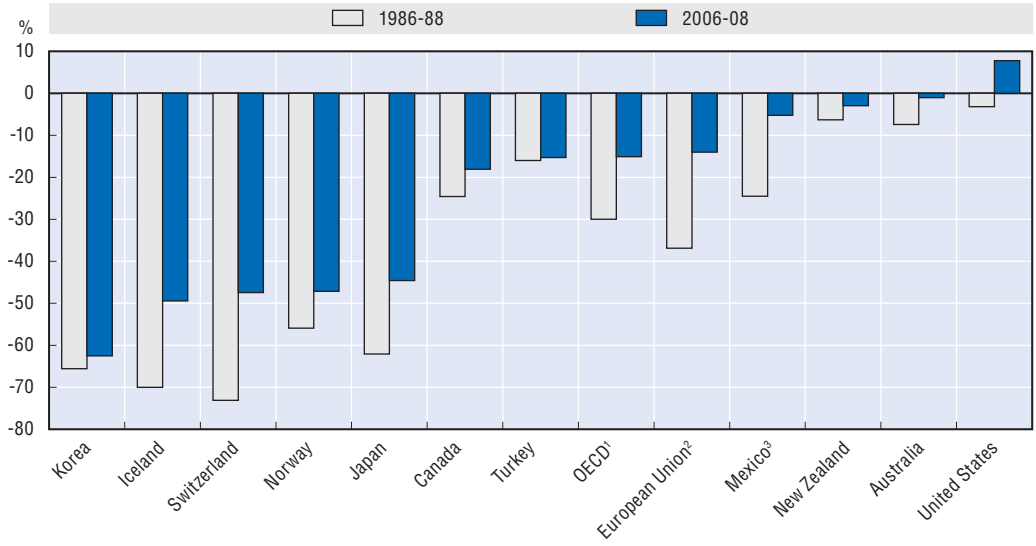
The cost of agricultural policies to consumers largely mirrors market price support, which is a transfer from consumers to producers. The Consumer Support Estimate (CSE) measures the monetary value of these costs, which may also be expressed as a percentage of consumption expenditure (measured at farm gate prices) using the %CSE. When the CSE or %CSE is negative, it indicates an implicit tax on consumers imposed by agricultural policies that support domestic prices. The %CSE is negative for all countries except the ***United States***, and for all countries the %CSE reports that the implicit tax on consumers has declined since 1986-88 (Figure 1.5 and Table III.2 in Part III). In the case of the ***United States***, spending on domestic food aid programmes more than offset the consumer cost of market price support, resulting in net transfers to consumers.

Since 1986-88, the %CSE has fallen strongly in the OECD area as a whole, from an implicit tax of 30% to a tax of 13% in 2006-08. ***Australia, Mexico,*** the ***European Union*** and ***New Zealand*** saw the largest declines in %CSEs. ***Turkey*** remains the country with the slowest change in the rate of implicit taxation of consumers.

A falling CSE or %CSE does not directly imply lower food costs for the consumer, as recent increases in food prices can attest. It is an indication that the first buyer of

Figure 1.5. **Consumer Support Estimate by country, 1986-88 and 2006-08**

Per cent of consumption expenditure at farm gate



Countries are ranked according to CSE levels in 2006-08. A negative percentage CSE is an implicit tax on consumption.

1. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the non-OECD EU member states.
2. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
3. For Mexico, 1986-88 is replaced by 1991-93.

Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652736267326

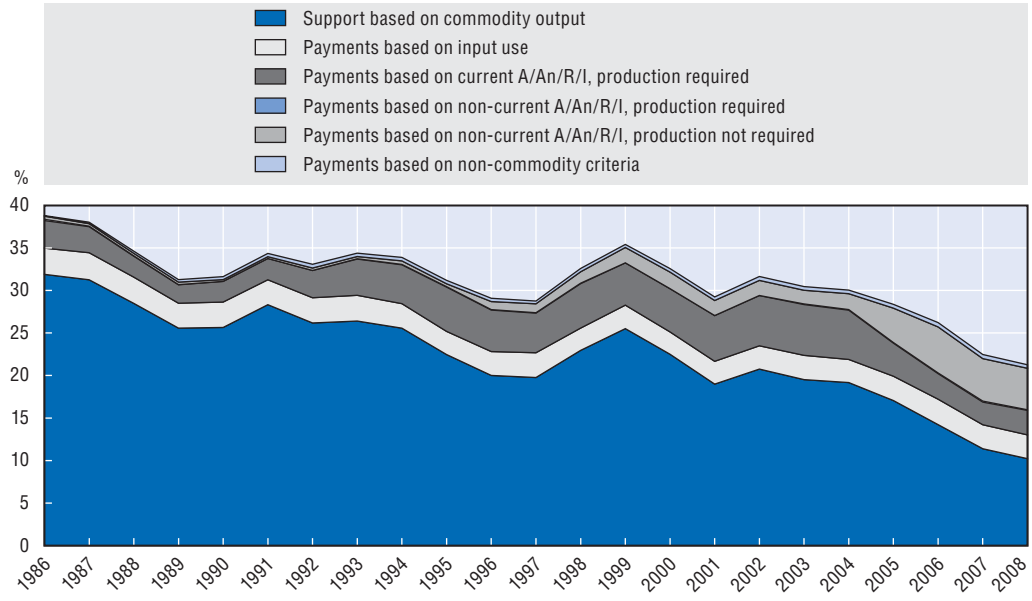
agricultural primary products pays a price that is nearer the world market price. In fact, as noted earlier, it is the recent increase in the price of agricultural commodities that is behind the fall in this implicit tax on consumers, but final consumer prices have increased in many cases.

The share of support based on commodity output is declining in OECD area…

Higher commodity prices not only have had a strong influence on the level of the PSE but their effect has been equally significant on the composition of support. Support based on commodity output (market price support and payments based on output), considered one of the most distorting forms of support in terms of production and trade, has long formed the largest part of support as measured by the PSE. In 2008, this type of support made up less than half of the PSE for the first time since the PSE was estimated (Figure 1.6 and Table III.5 in Part III). Taking a longer term perspective, support based on commodity output remains the largest single category of support, comprising 51% of the overall OECD PSE in 2006-08, down from 82% in 1986-88. At the other end of the spectrum, there are payments based on non-current area, animal numbers, receipts or income that do not require production. They have grown from an essentially insignificant share of the PSE in 1986-88 to the second largest category of support in 2008. This type of support is considered to be among the more decoupled and least production and trade distorting forms of support, as recipients cannot alter the size of the payment by changing production patterns.

Figure 1.6. **OECD: Composition of Producer Support Estimate, 1986-2008**

Percentage share in PSE



Source: OECD, *PSE/CSE Database*, 2009.

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... but the shift away from distorting support is uneven across countries

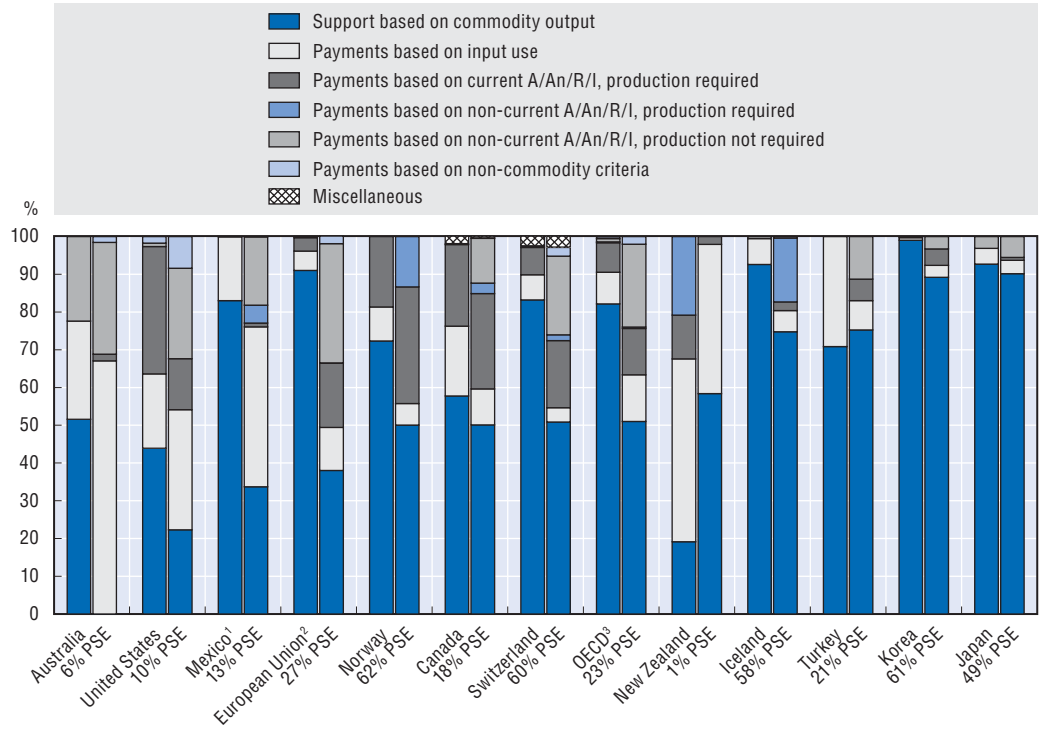
The trend in the composition of support seen in the OECD as a whole is not evident in all countries. In particular, market price support has proved to be a form of support that is often resistant to reform, perhaps because the transfer is implicit as being paid by consumers rather than involving explicit budget payments. ***Australia***, through dairy policy reforms, ***Mexico***, through the introduction of PROCAMPO payments and the ***European Union*** in introducing the SPS, have seen the most progress in reducing support based on commodity output as a share of total support, though in the case of ***Mexico*** increases in input payments are also a significant driver (Figure 1.7 and Table III.5 in Part III).

Overall, the level of price protection is falling...

The shift away from output-based support is well captured by the producer NPC (Figure 1.8 and Table III.1 in Part III). The degree of market protection has declined markedly in countries where such protection was high in the mid 1980s (***Switzerland***, ***Iceland***, ***Norway***, ***Korea*** and ***Japan***) even if the composition of support and / or the level of support as measured by the %PSE indicate that there is still potential for further reform in these countries. Indeed, market protection is down significantly in all countries except ***Turkey***, where the increase in the level of support has been driven by higher price support, and ***Australia*** and ***New Zealand***, where it was never high. The degree of market protection was highest in ***Korea***, where domestic prices were 2.4 times the world prices in 2006-08. The largest decline took place in ***Switzerland***, where domestic prices were nearly five times world prices in 1986-88, but only 83% above world prices in 2006-08, still a significant level of protection.

Figure 1.7. **Composition of Producer Support Estimate by country, 1986-88 and 2006-08**

Percentage shares of PSE



Countries are ranked according to 2006-08 shares of Support based on commodity output in the PSE.
The left bar shows 1986-88 period and the right bar shows 2006-08 period.

1. For Mexico, 1986-88 is replaced by 1991-93.
2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the non-OECD EU member states.

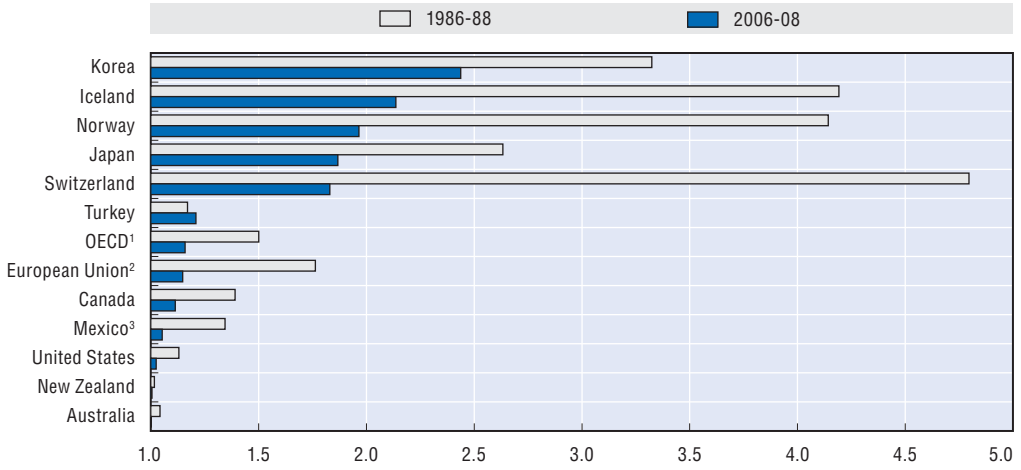
Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652803024647

... but many commodities continue to receive specific support from policies

Support directed at specific commodities (Single Commodity Transfers, SCT) has declined significantly in the OECD since 1986-88, and this reduction in support was seen across all commodities for which support is measured, except pig meat (Figure 1.9 and Tables III.8 – III.21 in Part III). For the OECD area as whole, the decline in support requiring production of a specific commodity was the greatest for grains and oilseeds. Oilseeds such as rapeseed and sunflower received significant output-based payments in the base period of 1986-88. This development was for the most part due to the reforms that took place in the ***European Union*** over the past two decades. On the other hand, rice, sugar, and livestock products still receive high levels of specific support. In the case of rice, the %SCT amounted to more than 60% for the OECD as whole in 2006-08. SCT delivered via payments per output unit declined in importance, leaving market price support as the main vehicle through which SCT support is delivered. The large decline in market price support for milk in recent years is a result of the significant rise in the world price of dairy products; SCT for milk in 2003-05 was over 40% but only 13% in 2006-08.

Figure 1.8. **Producer Nominal Protection Coefficient by country, 1986-88 and 2006-08**



Countries are ranked according to 2006-08 levels.

1. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the non-OECD EU member states.
2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
3. For Mexico, 1986-88 is replaced by 1991-93.

Source: OECD, *PSE/CSE Database*, 2009.

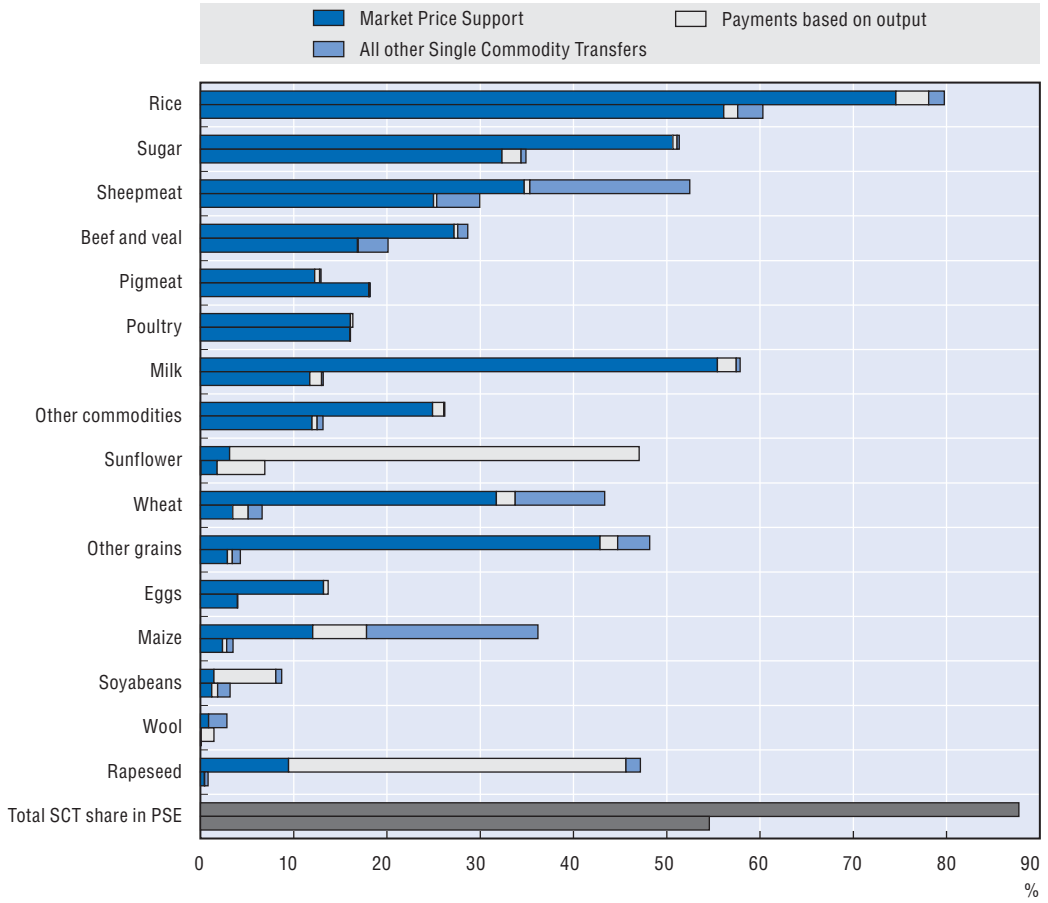
StatLink http://dx.doi.org/10.1787/652820152165

More support is provided with no requirement to produce…

From a longer term perspective, the evolution in the composition of support is not only due to changes in world commodity prices, but also due to a series of reforms that have taken place in many OECD countries. The growth in the importance of payments that do not require production reflects this and is mainly driven by the introduction and development of the Single Payment Scheme in the ***European Union*** and the increased importance of payments based on non current parameters, particularly in the ***United States*** and ***Mexico***. Support not requiring production made up more than 20% of total support in ***Switzerland***, the ***European Union***, the ***United States***, and ***Australia*** in 2006-08 (Figure 1.10 and Table III.6 in Part III)**.** This category of support is currently provided in almost all countries except ***New Zealand*** and ***Norway*** (where a small programme of that type was in place only in the 1990s). This category concerns payments based on non-current parameters of production with the intention of supporting farm incomes, and payments based on non-commodity criteria, which include environmental services derived from agricultural activities. Payments based on non-commodity criteria are relatively minor, and are important only in the ***United States***, ***Switzerland*** and the ***European Union***. Payments not requiring production are quite diversified across the OECD area in terms of the specific implementation features of such payments. For example, such payments may be provided with fixed rates or rates that vary depending on certain parameters such as current market prices; while not obliging farmers to produce, these payments may at the same time impose restrictions on production of certain commodities. A closer look at this category of support can be found in individual country chapters in Part II.

Figure 1.9. **OECD: Single Commodity Transfers, 1986-88 and 2006-08**

Percentage of gross receipts for each commodity



Commodities are ranked according to 2006-08 levels. Top bar corresponds to 1986-88, bottom bar to 2006-08.

Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652825751227

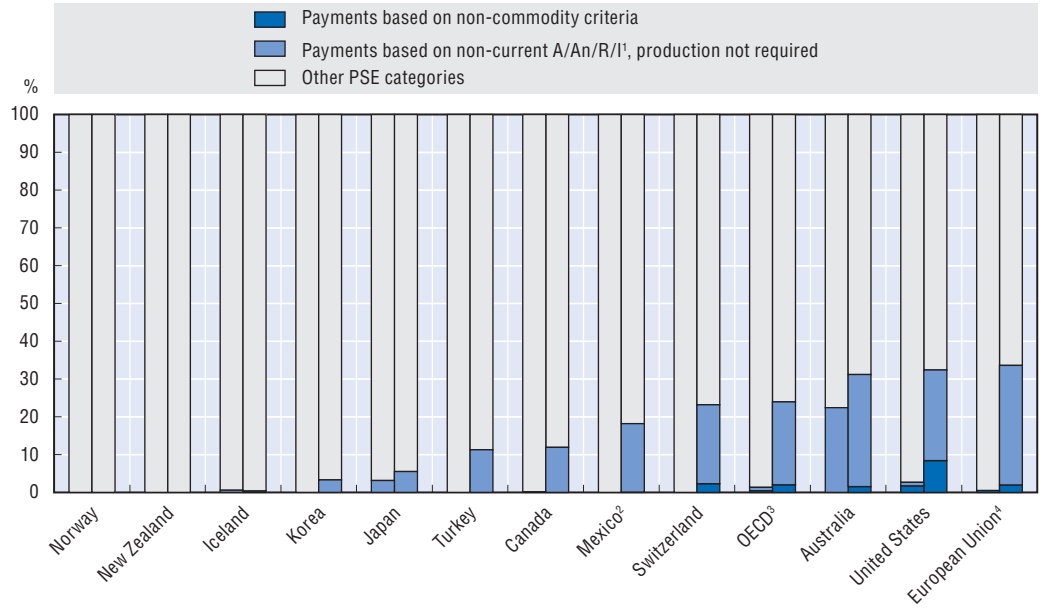
... and policies progressively impose various constraints on producers

Farmers must increasingly meet certain production requirements, such as extensive grazing, minimum tillage or minimum cage sizes for animals, in order to receive support. This is done in pursuit of broader societal objectives, such as preservation of the environment, animal welfare or food safety, and usually involves imposing some kind of constraint on the use of farm inputs. Payments with input constraints comprised only 4% of OECD aggregate PSE in 1986-88, a share which has gone up to 32% by 2006-08, with the ***European Union*** accounting for the majority of these payments (Figure 1.11, panel A and Table III.6 in Part III).

Among OECD countries, the ***United States***, the ***European Union*** and ***Switzerland*** implement the largest number of programmes with conditions attached. Payments under these programmes constituted nearly half of the total support to producers in these countries in 2006-08, and about half of these were based on non-current parameters. In 1986-88, however, these programmes mostly represented support based on current production parameters (output, inputs used, area or animal numbers) and were mainly implemented in the ***United States*** (Figure 1.11, panel B).

Figure 1.10. **Use of payments not requiring production by country, 1986-88 and 2006-08**

Percentage share in PSE



Countries are ranked according to 2006-08 levels. Left bar corresponds to 1986-88, right bar to 2006-08.

1. A (area planted), An (animal numbers), R (receipts), I (income).
2. For Mexico, 1986-88 is replaced by 1991-93.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the non-OECD EU member states.
4. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.

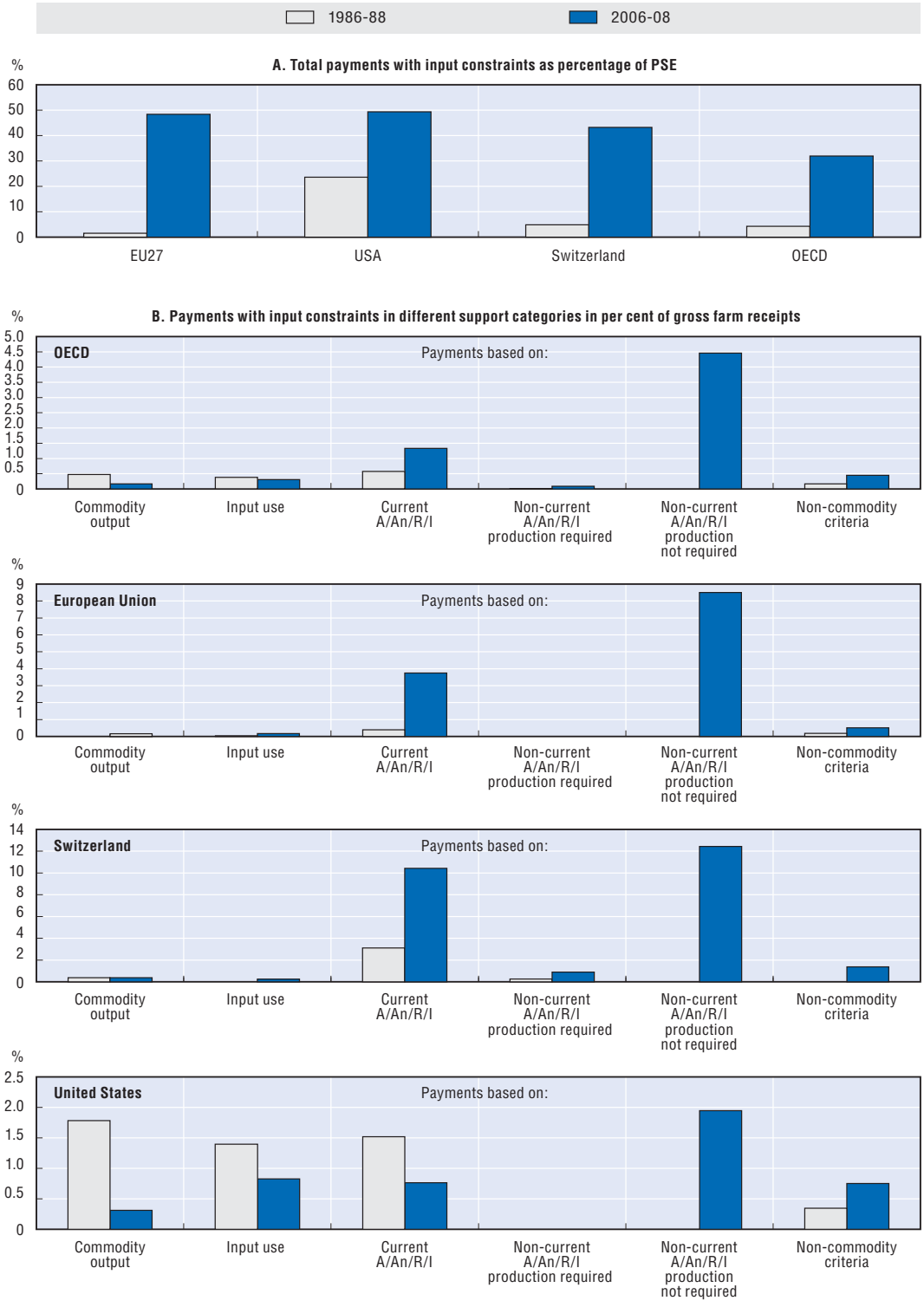
Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652846457331

For the OECD as whole, more than 70% of support provided with constraints in 2006-08 involved mandatory constraints, *i.e.* requirements stemming from the existing legislation. It is important to note, however, that the scope and rigidity of these requirements differ across countries. In the ***European Union,*** most direct payments are provided on the basis of cross-compliance. This approach involves partial or full loss of payment if the farmer fails to comply with mandatory standards set in the existing legislation and to maintain land in good agricultural and environmental condition. The mandatory standards in the EU cross-compliance approach encompass various areas, such as the environment, animal and plant health, public health, and animal welfare. The majority of programmes with "conditional" support in the ***United States*** also link support and compliance with certain mandatory standards, mostly environmental. This is the case for all main payments based on output (commodity loans and deficiency payments), as well as counter-cyclical and direct payments. The cross-compliance approach is also strongly present in ***Switzerland*** where farmers are entitled to receive direct payments only if their production methods satisfy basic environmental standards and farm-management practice requirements (known as "integrated production").

There are also programmes in all three countries which involve voluntary actions by farmers, that usually require them to go beyond the mandatory standards in order to benefit from support. One large programme of that type in the ***United States*** is the Environmental Quality Incentives Programme (EQIP), that encourages the adoption of new

Figure 1.11. **Payments with input constraints, 1986-88 and 2006-08**



Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/652883875448

conservation practices by farmers on a cost sharing basis. Most agri-environmental payments in the ***European Union***, such as for the adoption of environmentally friendly practices, extensive management of grassland, as well as support to LFAs, involve voluntary participation by farmers benefiting from such payments. In ***Switzerland***, the largest programme with voluntary participation is focused on animal welfare, where special payments are provided to livestock farmers who keep animals outdoors for a given period of time. Those who do not comply with this condition are not therefore eligible for such payments.

The use of "conditional" support in other OECD countries is either marginal or far less pronounced (in terms of the scope of programmes and the amounts of support transfers involved). The share of support with input constraints in total PSE ranges from zero in ***New Zealand*** or close to zero in ***Turkey*** to 11% in ***Norway***. In most of the cases, constraints relate to the environment, such as adopting organic farming practices (*e.g.* ***Japan***, ***Korea, Norway***), farm waste management (*e.g.* ***Canada***, ***Korea***), observing limits on livestock density (***Mexico***), land conservation (***Turkey***), and maintenance of landscape (***Norway***).

The weight of general support to the sector has increased…

Support provided to the sector as a whole and not to individual producers is classified in the General Services Support Estimate (GSSE). This support is intended to benefit the agricultural sector in general and includes policy areas such as research and development, infrastructure, marketing and promotion of agricultural products, public stockholding, training, and inspection services. GSSE support to the agricultural sector has been growing in importance. In 2006-08 GSSE transfers comprised slightly over 20% of total support to agriculture, compared with 13% in 1986-88 (Tables 1.3 and 1.4 and Table III.3 in Part III). While all elements of the GSSE except public stockholding have seen increased expenditure, expansion in the GSSE is most pronounced in marketing and promotion, which made up nearly half of all GSSE spending in the OECD area in 2006-08, followed by development of infrastructure which comprises 29% (Table III.7 in Part III).

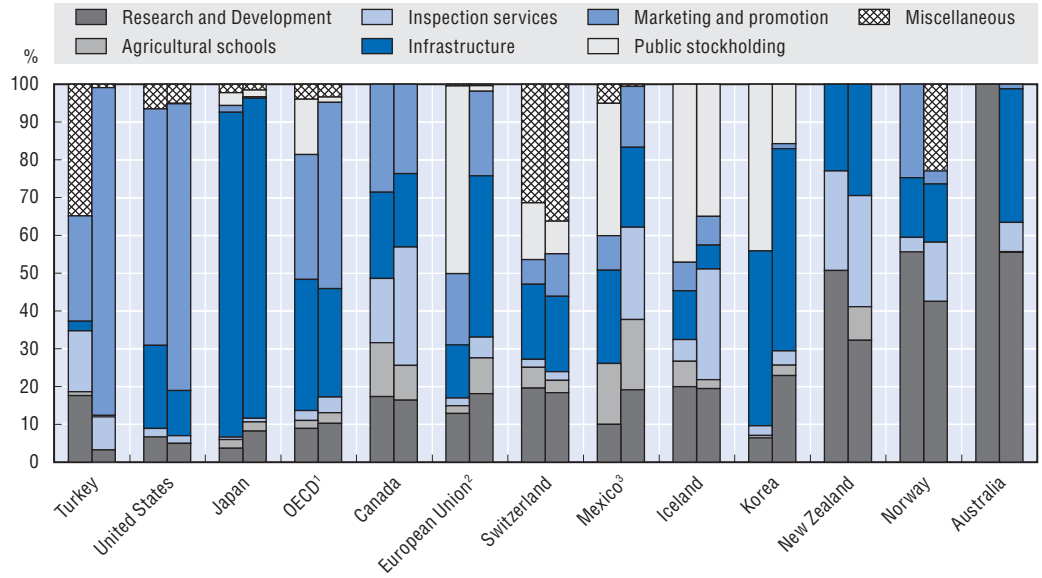
Approaches to general services support, however, vary across the OECD area (Figure 1.12). Research and development is the key focus in ***Australia*** and ***Norway***, while infrastructure carries the largest weight in ***Japan*** and ***Korea***. The majority of general support to the sector in the ***United States*** and ***Turkey*** is concentrated on marketing and promotion. In contrast, expenditures in ***Canada***, ***Mexico***, ***Iceland*** and ***New Zealand*** are more evenly spread across various areas. One feature common to almost all OECD countries is the rising importance of support for inspection services, underscoring greater concerns about food safety, prompted also by animal disease scares that occurred in recent years. Notable also is the reduction in the share of spending for stockholding in all countries where this is important (in the ***European Union***, ***Switzerland***, ***Iceland*** and ***Korea***), an evidence of both declining importance of price intervention in recent years as well as explicit efforts to shift away from such policies.

… and the total burden of agricultural support on OECD countries has fallen

Total support provided to the agricultural sector (Total Support Estimate, TSE) is the broadest indicator of support, being the sum of the PSE, GSSE, and direct budgetary transfers to consumers. The trend in the TSE can be more clearly evaluated when expressed in real terms as a share of total GDP. %TSE has fallen by more than half, from 2.5% of GDP in 1986-88 to 0.9% of GDP in 2006-08 (Figure 1.13 and Table III.4 in Part III). This

Figure 1.12. **OECD: Composition of General Services Support Estimate by country, 1986-88 and 2006-08**

Percentage share in GSSE



Countries are ranked according to the percentage shares of Research and Development in 2006-08.
Left bar represents 1986-88 and right bar represents 2006-08.

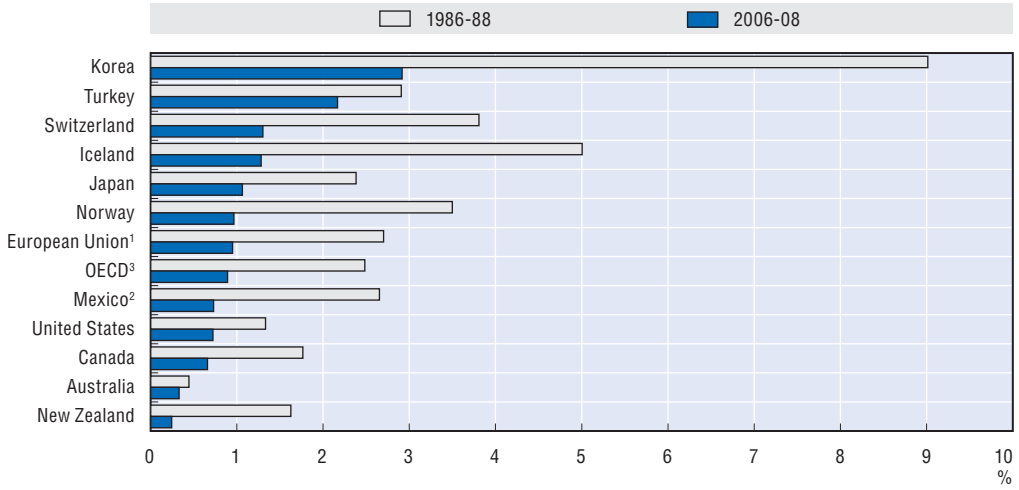
1. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the non-OECD EU member states.
2. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
3. For Mexico, 1986-88 is replaced by 1991-93.

Source: OECD, *PSE/CSE Database*, 2009.

StatLink http://dx.doi.org/10.1787/653001662357

Figure 1.13. **Total Support Estimate by country, 1986-88 and 2006-08**

Percentage of GDP



Countries are ranked according to %TSE levels in 2006-08.

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The OECD total does not include the non-OECD EU member states. TSE as a share of GDP for the OECD total in 1986-88 excludes the Czech Republic, Hungary, Poland and the Slovak Republic as GDP data is not available for this period.
3. For Mexico, 1986-88 is replaced by 1991-93.

Source: OECD, *PSE/CSE Database*, 2009

StatLink http://dx.doi.org/10.1787/653003471735

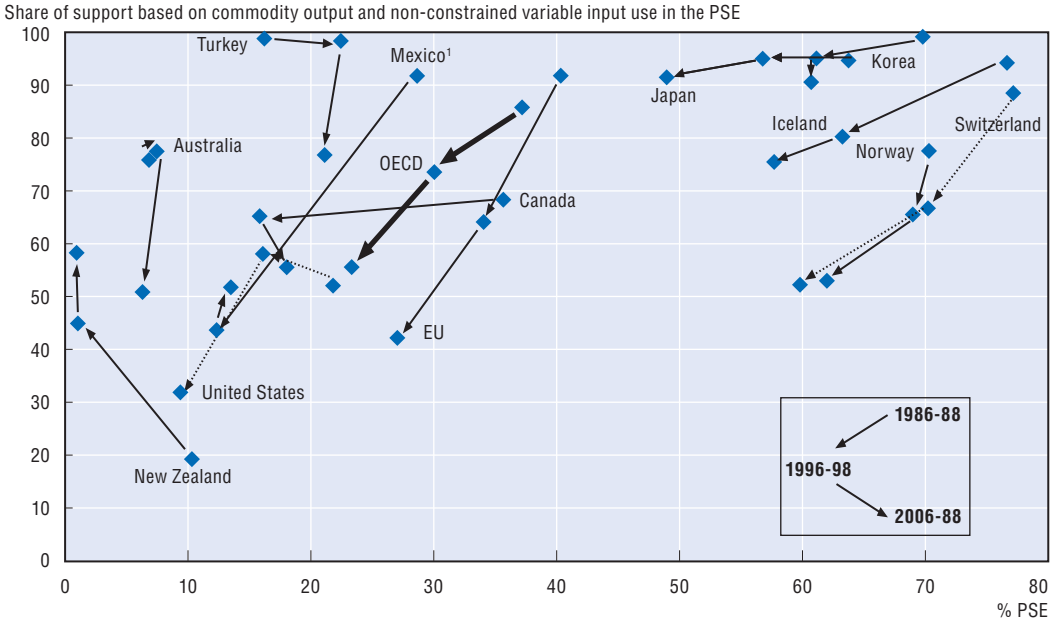
share has been consistently falling in all OECD countries, reflecting not only policy reform, but also the shrinking importance of the agricultural sector in the overall economy. This can be seen in particular in ***Korea***, which has seen very strong growth in the non-agricultural sectors of the economy and where the TSE as a per cent of GDP has fallen from 9% to slightly less than 3%, a factor of three.

Assessment of reform progress

The overall trend towards less production and trade distortion continued…

Progress since 1986-88 towards less production and trade distorting policies is assessed in terms of how much support is provided (support level) and how it is delivered (support composition). These two dimensions of support can be illustrated using the PSE indicators, where support level is shown by the %PSE and support composition is characterised by the share of the most production and trade distorting forms in the total PSE. The latter is represented by the sum of PSE transfers based on output (market price support and payments based on output) and payments based on variable input use with no constraints attached. Figure 1.14 juxtaposes these two dimensions of the PSE and shows the evolution over time, highlighting two ten-year periods, from 1986-88 to 1996-98, and from then to most recent years 2006-08.

Figure 1.14. **OECD: Changes in level and composition of producer support**



1. For Mexico, the change is measured between 1991-93, 1996-98 and 2006-08.

Source: OECD, *PSE/CSE database*, 2009.

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Progress has been made in both dimensions of reform since 1986-88 in the OECD as a whole. The %PSE fell in roughly equal steps in both decades: from 37% to 30% in the first decade and down to 23% in the second decade. The share of the most production and trade distorting support also decreased, particularly in the last decade: respectively from 86% of total PSE to 74% and then to 56%. While in the majority of OECD countries there has been progress in both dimensions, the degree and pace of reform was uneven.

Australia: the level of support is the second lowest amongst OECD countries; reforms progressed in the most recent decade with substantial reduction in the use of the most production distorting forms of support; in the context of persistent droughts, innovative research and development approaches to climate change were implemented, and while substantial progress has been made in reforming water policies, more remains to be done.

Canada: a marked reduction in the level of support took place in the first decade, while a re-instrumentation of support occurred mainly in the last ten years; the support level is five percentage points below the OECD average; however, progress varies across sectors and generally higher prices now provide an opportunity for reforming remaining price support in the milk, poultry and eggs sectors in particular.

European Union: momentum in both dimensions of reform — the level and composition of support — has been achieved over both decades; there has been significant progress in decoupling support from production following full implementation of the Single Payment Scheme and reform has been extended to more commodity sectors; efforts have been made on improving sustainable land management; the producer support level exceeds the OECD average, while the share of the most production distorting support is below the OECD average; there is scope for improving market openness in several sectors.

Iceland: some reduction in the level of support and in the share of most production distorting support, but mainly due to current high prices and a sharp devaluation of the domestic currency; both the level and composition of support remains among the highest in the OECD; the shift away from support to single commodities is limited; there is considerable potential for further reform.

Japan: there has been limited progress in reducing the level of producer support, and it is still twice the OECD average; the recent efforts to move away from single commodity support have not reduced significantly the share of the most production distorting support, currently the highest among OECD countries; recent reforms that eliminate some administered prices may improve the functioning of domestic markets and should continue, but border protection remains high; the recent reform efforts need to be accelerated.

Korea: the level of support and the share of the most production distorting measures are the second highest among the OECD countries; there have been relatively small improvements in both dimensions of support, except for a reduction in price support for rice in 2008, due to extremely high border rice prices in 2008; however, some progress in de-linking support from single commodities has been made recently with introduction of direct payments that are better targeted to farm income; there is considerable scope for further reforms.

Mexico: substantial reduction in the level of support and substantial progress in moving away from the most production distorting support, particularly in the first decade; the level of support is currently ten percentage points below the OECD average; in the most recent decade input-based payments have increased, most of them based on fixed capital formation; market price support fell significantly in recent years because of higher world prices and the end of the transitional period of NAFTA; further efforts to advance reforms, with better targeting of policies towards investment for development, poverty alleviation and environmental protection are possible.

New Zealand: support was the lowest among the OECD countries already in the first decade and remains such at present; reforms of statutory producer organisations have brought deregulation to almost all sectors, except kiwi; it is the only OECD country where

the majority of support is provided in the form of general services; market-based approaches to water management may offer opportunities to improve the environmental performance of agriculture.

Norway: the level of support and the share of the most distorting forms of support have declined since 1986-88, particularly in the last ten years; steps have been taken towards provision of more targeted policy measures such as through individual farm conservation plans; nevertheless, the level of support remains the highest among OECD countries and there is considerable scope for further reform.

Switzerland: the level of support has fallen, but remains one of the highest in the OECD; there has been progress in moving away from the most distorting forms of support and support linked to single commodities, while support that does not require production has increased; the elimination of dairy quotas and export subsidies will enhance market orientation of the sector and its economic efficiency; there is potential for further reform.

Turkey: while below the OECD average, the level of producer support has been increasing over time; there has been some reduction in the share of most distorting support; overall progress in policy reform has been variable due to frequent changes in policy settings within the context of high inflation; given the high economic importance of agriculture, the burden placed by agricultural support on the overall economy (as reflected by the %TSE) is the highest among OECD countries; there is considerable potential for policies to better target the economic development of rural areas.

United States: producer support is currently the third lowest in the OECD, and less than half the OECD average; reduction in support levels has occurred in both decades, but the share of most distorting support decreased only in the last ten years; the fact that several policies are countercyclical to market prices has helped to reduce support and improve the way in which it is delivered in recent years, particularly compared with 1998-2001, a period when payments were triggered by low world prices; the new 2008 Farm Act did not address reforms to the milk and sugar sectors, which continue to receive high price support; there is potential to reform and simplify commodity programmes.

The move towards decoupling and targeting is playing a leading role in reform…

The implementation of more decoupled policy instruments has played a very important role in the reform process in OECD countries. This allowed shifting support away from most production distorting forms while providing compensation through support that grant producers more freedom to respond to market signals. Better targeting of policies to specific income objectives or market failures remains a major challenge of ongoing policy reforms in OECD countries. Both decoupling and targeting are among the policy principles that have shown to improve effectiveness, efficiency and equity of policies and should continue to inspire future policy design[2].

… however recent reduction in policy distortions is partly due to high prices

In 2007 and in 2008, both the level of support and the share of most production distorting support fell in the OECD as a whole. However, a significant part of these reductions and in the share of most production distorting support was a consequence of high world prices. The increase in border prices in 2007 and 2008 across all OECD countries was not fully transmitted into all of their domestic markets. This is reflected in the reductions in support based on commodity output in the whole OECD area[3]. Some of the

output payments — deficiency payments — were therefore not triggered. In other words, a substantial part of the reduction in support in several countries occurred without any explicit policy change decided by the government. This means that if prices move back to their lower trend levels, higher support levels will return in those countries.

Discretionary border measures in response to recent world price fluctuations have also been widespread, although mainly in non-OECD countries. These include *ad hoc* export restrictions and export subsidies, which also mitigate transmission of world market price signals to domestic markets, either when they are high or when they are low. Both discretionary and non-discretionary measures that impede full demand and supply responses exacerbate world price fluctuations and mask market price signals to producers and consumers. However, the extent to which such policy actions contribute to world price volatility is difficult to estimate precisely.

Recession and price spikes were not main drivers of the new agricultural policy frameworks in 2008…

Some countries — particularly ***Canada***, the ***European Union*** and the ***United States*** — changed their agricultural policy legislation or frameworks in 2008. These changes do not respond to recent price spikes and current economic recession, since they were decided through processes that started well before these recent events. The scope of these reforms varies due to the different institutional and decision making processes: reforms in the ***European Union*** — particularly the Health Check — mainly concern commodity programmes and direct payments in the first pillar of the CAP and some changes in the second pillar, while the 2008 US Farm Act is the most comprehensive policy framework, and risk management programmes are the major focus of the agreement in ***Canada***. Each package develops the previous main directions of policy in each country, and they are not fully reflected in the estimations of support for 2008.

The expansion of the Single Payment Scheme is the cornerstone of the long-run reform of the ***European Union*** Common Agricultural Policy, and it reinforces the principle of decoupling as the main driving force in the evolution of the Common Agricultural Policy. Some developments reduce or allow the reduction in the amount of the SPS payments to transfer funds to rural development and other measures, leaving more freedom to European Union member states to determine the exact nature of the applied measures. These latter measures respond to the subsidiarity principle, and should ensure that they are well targeted to different national or regional objectives. The ***United States*** retains its main commodity programmes, emphasising their countercyclical dimension with the new optional ACRE programme; this measure adds complexity to farmers' decision making and does not contribute to the market orientation of producers. The new risk management programmes in ***Canada*** mainly relate to the development of a more comprehensive framework, including a stable programme for disaster assistance, but its ability to deliver an efficient triggering mechanism will need to be evaluated.

… but are unlikely to be neutral for the reform process

The financial and economic crisis is unlikely to hit primary agriculture in the OECD area with the severity that is observed in some other sectors, and thus far specific agricultural policy responses have been limited. But both recession and price fluctuations are expected to have an unprecedented amplitude and economic and social impact worldwide. They are also unlikely to be neutral for the OECD agricultural reform process in the future.

Global recession and price volatility are having serious negative repercussions on the poorest people around the world who, even prior to these developments, had been unable to secure adequate access to food. The issue of food insecurity worldwide is gaining increasing attention amongst national governments and international organisations, although the implications for agricultural (and development) policies are unclear thus far.

The global economic crisis will trigger structural adjustment, with resources moving within and across all sectors of the economy. Despite its likely higher resilience, agriculture will not be an exception and will undergo adjustment in the context of economy-wide adjustments and increased commodity price volatility. These developments should not put into question the achievements of two decades of progressive policy reforms, but provide an opportunity to facilitate structural adjustments while taking into account the achievement of other policy objectives.

Finally, as countries move beyond the economic crisis and governments confront more difficult fiscal situations, competition for scarce government budgets might result in a closer and more critical re-examination of sectoral support in many areas, including agriculture. This could represent an opportunity for governments to ensure that their policy actions are best suited to their evolving economic, social, and environmental policy goals.

Clearly, there are a number of important variables that will shape the environment for further policy reform within and beyond the OECD area. As the next Chapter outlines further, environmental considerations will also have an important role to play.

Notes

1. Annex 1.A to this Chapter contains policy principles and operational criteria adopted by OECD Agriculture Ministers in 1998; Annex 1.B provides full definitions of support indicators and Annex 1.C contains a description of the OECD methodology for measurement of support to agriculture (also available at www.oecd.org/tad/support/PSECSE).
2. These principles were agreed by OECD Agricultural Ministers in 1998 (Annex 1.A). See also OECD (2008a).
3. For 2007, see Table A1 in OECD (2009c), and for 2008 see Annex Tables 1.2 and 1.3 in this Chapter.

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Annex Table 1.1. **Selected policy responses to agricultural price fluctuations and the financial crisis**

	(a) Responses when agricultural commodity and input prices increased
Austria	Increased the tax rebate on diesel fuel used in agriculture from EUR 19.9 cents to EUR 24.9 cents per litre in **July 2007**, leading to a budget increase for this measure from EUR 39 million to EUR 44 million.
Belgium	In **June 2008** the Flemish government announced extra short-term assistance to help farmers adjust to rising costs: ● EUR 14 million to support energy saving investments in agricultural and horticultural farms; ● EUR 150 000 would be available for promotional campaigns.
Bulgaria	BGN 42.2 million (USD 31.6 million) were spent in **2008** to compensate milk producers for high feed prices.
European Union	Trade measures in response to food prices fluctuations: ● Export refunds had been re-introduced for fresh pig meat at the end of 2007, and were suspended in **August 2008**; ● Import duties on all cereals except oats, buckwheat and millet were suspended between the end of December 2007 and October 2008, and were reintroduced as a reaction to price decreases.
France	In **March 2008**, measures were taken to help producers in the greenhouse sector affected by high energy prices: ● EUR 1.5 million for short term assistance and to reduce farmers' social security contributions; ● EUR 2.5 million of investment assistance to improve energy efficiency.
Japan	To mitigate the adverse impacts of high food prices on consumers, the Japanese government halved the rate of increase in government sales price of imported wheat between **October 2008** and **March 2009**. In response to the high input costs, particularly fuel and animal feed, it implemented the following measures to assist producers between **2007 and 2008**. ● Financing the adoption of energy saving technology such as new farm machine; ● Increase of the administered prices and subsidy rates for live stock commodities such as beef calves, manufacturing milk, pig meet and beef and some additional payments to these livestock farms.
Korea	Between **April** and **July 2008** the government reduced import duties for milling wheat from 4.5% to 0%; maize from 1.8 to 0%; soybeans and feed maize from 5 to zero percent.
Mexico	President Calderón announced actions to confront high price conjuncture in **May 2008**: ● Reduction of tariffs on food and fertilisers; ● Preferential credit to small farmers, fertilisers subsidies and strengthening of agricultural investment programs; ● More resources to food subsidies for the poor (DICONSA).
Norway	In **May 2008**, as a result of high fertiliser cost and high feed prices, the government and farmers' organisations agreed to re-negotiate the agreement if these costs increased beyond some limits. The clause was triggered in **January 2009**, and resulted in a further increase in target prices of NOK 500 million (USD 89 million) from 1 January 2009 relative to the original agreement.
Portugal	In September 2008, a line of credit for intensive livestock with special conditions and in March 2009 another line of credit to support agri-businesses, farming and processing.
Emerging economies	In late **2007** and in **2008**, Brazil, China, India, Indonesia, Russia and South Africa took a number of measures to reduce the impact of higher food prices (see OECD 2009b): ● Reduced or removed import tariffs on selected agro-food products (all six countries); ● Introduced price controls on some food products (China, India, Russia); ● Imposed export taxes on grains (China, India, Russia) and quantitative export controls such as licenses (China) and bans (India, Russia); ● Increased food subsidies (Chile, India, South Africa) and released grain stocks (Brazil, China, Russia); ● Increased input subsidies (China, India, Russia); ● Increased minimum producer prices (Brazil, China, India).

Annex Table 1.1. **Selected policy responses to agricultural price fluctuations and the financial crisis** *(cont.)*

Other countries	Many governments from non-OECD countries have implemented policies on agricultural commodities, particularly grains and oilseeds, to shelter domestic markets from food price inflation over **2008**: ● Tariff reductions or removals (Argentina, Azerbaijan, Bahamas, Belize, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Cambodia, Cape Verde, Djibouti, Ecuador, El Salvador, Gambia, Ghana, Guatemala, Guinea, Honduras, Iran, Ivory Coast, Jordan, Kenya, Lebanon, Liberia, Libya, Madagascar, Mauritania, Morocco, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Rwanda, Saudi Arabia, Senegal, Trinidad and Tobago, Yemen); ● Export barriers (Argentina, Bangladesh, Bolivia, Brazil, Cambodia, Cameroon, Djibouti, Ecuador, Egypt, Ethiopia, Gambia, Guinea, Iran, Jordan, Kazakhstan, Kenya, Laos, Lebanon, Madagascar, Malawi, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Syria, Tanzania, Thailand, Ukraine, Vietnam, Zambia); ● Price controls (Bangladesh, Belize, Benin, Cape Verde, Costa Rica, Djibouti, El Salvador, Ethiopia, Ivory Coast, Jordan, Kenya, Malawi, Malaysia, Morocco, Pakistan, Saint Lucia, Senegal, Sri Lanka, Sudan, Tajikistan, Togo, Zimbabwe); ● Food subsidies, tax reduction and distribution/stock release (Algeria, Azerbaijan, Bangladesh, Benin, Bolivia, Burkina Faso, Cambodia, Cameroon, Congo, Costa Rica, Djibouti, Dominican Republic, Ecuador, Egypt, Eritrea, Ethiopia, Guatemala, Guyana, Honduras, Iraq, Ivory Coast, Jordan, Kenya, Lebanon, Lesotho, Madagascar, Malaysia, Malawi, Mauritania, Mongolia, Morocco, Mozambique, Myanmar, Nepal, Nigeria, Pakistan, Philippines, Senegal, Sierra Leone, Sudan, Surinam, Tajikistan, Thailand, Togo, Uganda, Vietnam, Yemen); ● Grain buffer stocks creation (one fifth of developing countries); ● Scaled up existing targeted programs such as Conditional Cash Transfers (Ecuador, Paraguay, Haiti). ● Resilience packages with support from development assistance, input subsidies or distribution (Benin, Burundi, Ghana, Liberia, Madagascar, Mozambique, Pakistan, Senegal, Somalia, Zambia), building storage facilities (Mozambique), technical support (Benin, Madagascar, Mozambique).
	(b) Responses when agricultural commodity and input prices decreased
Canada	In **February 2009** the Government of Saskatchewan announced a CAD 71 million provincial support program for cattle and hog producers with low profitability due to low output prices, increased input costs and restricted market access: ● CAD 40 per head payment for all beef breeding cows and bred beef heifers owned as of 1 January 2009; ● CAD 20 per market hog sold ; ● CAD 10 per head for all iso-weanlings, weanlings and feeder hogs produced from 1 July 2008 to 31 January 2009.
European Union	In response to the fall of producer prices, the EU made use of existing mechanisms to stabilize domestic markets for some products in **January 2009**: ● Export refunds for milk and dairy products (in the limits set by the World Trade Organisation); ● Private storage schemes for butter and skimmed milk powder; ● Import tariffs applied to wheat.
	(c) Responses to the financial crisis
Belgium	In response to the economic downturn, the Flemish region is planning to bring forward an aid package worth EUR 20 million for dairy farmers (a series of measures will come from the Flemish Agricultural Investment Fund -VLIF): ● A total of EUR 7.5 million in capital premium payments will be brought forward to March; ● Subsidies for agricultural management agreements (EUR 8 million) and suckler cow premia will be paid will be paid earlier than previously planned.
European Union	In **January 2009**, the Commission proposed additional funding of EUR 1 billion for rural development projects as part of the EU Economic Recovery Plan. Funding would target high speed Internet in rural communities, energy, biodiversity, climate change, water management and dairy measures.
France	The EUR 250 million emergency plan presented by the French Minister of Agriculture and Fisheries in **November 2008** aims to consolidate the agrofood sector in the context of the financial crisis. It consists of: ● Farm income support for the ovine sector (EUR 50 million, half from the EU Single Payment Scheme); ● Debt relief and reduction of social security contributions for livestock farms in difficulties (EUR 75 million); ● Re-conduction of social security contribution exoneration for young farmers (EUR 5 million); ● Fuel tax rebate (EUR 75 million).
Poland	In addition to decreasing minimal interest rate from 3.5 to 2% for preferential credits and extending the period of loan reimbursement by 2-3 years, the Ministry of Agriculture and Rural Development is discussing a series of additional measures in **early 2009**.
Spain	In response to the financial crisis, the Government opened in **March 2009** a new credit line with advantageous conditions for any agro-food enterprise, including farmers.
United States	The American Recovery and Reinvestment Act of 2009 was signed into law on 17 February 2009. USDA was appropriated USD 28 billion (3.5%) of the package. In particular, the Act provides USD 19.7 billion to increase the monthly amount of nutrition assistance to 31.8 million people; enables expanded opportunities for broadband loans and grants to rural communities; expands funding opportunities to develop rural water and waste facilities; provides funding to protect and conserve the nation's forests and farm land; and provides free technical assistance in the development of business adjustment plans to producers of raw agricultural commodities and fishermen who have been adversely affected by import competition.

Annex Table 1.1. **Selected policy responses to agricultural price fluctuations and the financial crisis** *(cont.)*

Emerging economies	In **December 2008**, **Indonesia** presented national action plan to respond to the food-fuel and financial crises In, including: ● Short term responses such as food subsidy, cash transfers, reduced import tariff, reduced value added tax for imported and exported commodities, subsidized soybean price to micro and small processors; ● Medium term responses namely subsidized fertilizers, farm credits with subsidized interest, guaranteed farm gate price, domestic food stocks. At the **beginning of 2009**, **Russia** adopted a series of measures to facilitate in-flow of finance to the agricultural sector: ● Allocated budgetary funds for capitalisation of the two largest banks lending to agriculture; ● Increased amounts of federal funds for subsidising interest rates on agricultural loans; ● Extended repayment periods for certain types of subsidised loans; ● Agricultural enterprises included in the list of key national enterprises were given the possibility to receive government guarantees on their borrowings. **Brazil** adopted provisions to increase supply of rural credit: ● Increased the obligatory share of sight deposits in the banking and rural savings systems that can be used exclusively for agricultural lending; ● Increased budgetary allocations for preferential credit to agriculture.

Source: Press releases, in-country information and publications from OECD, WFP, World Bank, USDA and FAO

Annex Table 1.2. **Contribution to change in Market Price Support by country, 2007 to 2008**

	Market Price Support (MPS)	Contribution to % change in MPS of:	
		Quantity	Unit MPS
	% change[1]	if all other variables are held constant	
Australia	366.5	337.8	28.7
Canada	–32.1	0.4	–32.5
European Union[2]	6.0	0.5	5.5
Iceland	–14.8	–8.1	–6.7
Japan	2.3	2.3	–0.1
Korea	–18.7	–2.1	–16.6
Mexico	–36.3	1.5	–37.8
New Zealand	–26.5	1.5	–28.0
Norway	26.2	5.5	20.7
Switzerland	26.3	–5.6	31.9
Turkey	65.0	42.2	22.8
United States	–93.4	0.0	–93.4
OECD[3]	–7.1	2.7	–9.8

1. Per cent change in a country total MPS is the average of per cent changes in MPS for individual commodities in national currencies, weighted by the shares of individual commodity MPS in country' total MPS in the previous year.
2. EU27.
3. An average of per cent changes in individual countries' MPS, weighted by the shares of the countries' MPS in the OECD total MPS in the previous year; not equivalent to the variation in OECD MPS in any common currency.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655382174517

Annex Table 1.3. **Contribution to change in Border Price by country, 2007 to 2008**

	Border Price	Contribution to % change in Border Price[1] of:	
		Exchange Rate	Border Price
	% change[2]	if all other variables are held constant	
Australia	28.7	0.2	28.5
Canada	31.6	–0.7	32.4
European Union[3]	8.4	–6.8	15.1
Iceland	46.4	38.6	7.9
Japan	0.6	–13.1	13.7
Korea	55.3	21.3	34.0
Mexico	8.7	2.1	6.6
New Zealand	14.2	5.0	9.3
Norway	10.2	–3.9	14.0
Switzerland	6.8	–10.6	17.4
Turkey	5.9	–0.1	6.0
United States	23.9	0.0	23.9
OECD[4]	17.4	–1.9	19.3

1. Border Price at farm gate, *i.e.* price net of marketing margins between border and farm gate.
2. An average of per cent changes in Border Prices for individual commodities in national currencies, weighted by the shares of individual commodity MPS in total MPS in the previous year.
3. EU27.
4. An average of per cent changes in Border Price for individual countries, weighted by the value of countries' MPS in OECD total MPS in the previous year.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655400608545

ANNEX 1.A

Policy Principles and Operational Criteria

OECD Agriculture Ministers in 1998 adopted a set of policy principles, building on the agricultural policy reform principles agreed by OECD Ministers in 1987.[1] These principles stress the need to:

- Pursue agricultural policy reform in accordance with Article 20 of the Uruguay Round Agreement on Agriculture and the commitment to undertake further negotiations as foreseen in that article and to the long-term goal of domestic and international policy reform to allow for a greater influence of market signals.
- Address the problem of additional trade barriers, emerging trade issues and discipline on export restrictions and export credits.
- Strengthen world food security.
- Promote innovative policies that facilitate responsiveness to market conditions by agricultural producers.
- Facilitate improvement in the structures of the agriculture and agro-food sectors.
- Enhance the contribution of the agro-food sector to the viability of the rural economy.
- Take actions to ensure the protection of the environment and sustainable management of natural resources in agriculture.
- Take account of consumer concerns.
- Encourage increased innovation, economic efficiency, and sustainability of agro-food systems.
- Preserve and strengthen the multifunctional role of agriculture.

OECD Agriculture Ministers in 1998 agreed that policy measures should seek to meet a number of operational criteria, to apply in both the domestic and the international contexts, which should be:

- Transparent: having easily identifiable policy objectives, costs, benefits and beneficiaries.
- Targeted: to specific outcomes and as far as possible decoupled.
- Tailored: providing transfers no greater than necessary to achieve clearly identified outcomes.
- Flexible: reflecting the diversity of agricultural situations, be able to respond to changing objectives and priorities, and applicable to the time period needed for the specific outcome to be achieved.
- Equitable: taking into account the effects of the distribution of support between sectors, farmers and regions.

1. The full text from the relevant Ministerial Communiqués can be found at *www.oecd.org/agr/ministerial*.

ANNEX 1.B

Definitions of OECD Indicators of Agricultural Support

Nominal indicators used in this report

Producer Support Estimate (PSE): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. It includes market price support, budgetary payments and budget revenue foregone, *i.e.* gross transfers from consumers and taxpayers to agricultural producers arising from policy measures based on: current output, input use, area planted/animal numbers/receipts/incomes (current, non-current), and non-commodity criteria.

Market Price Support (MPS): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers arising from policy measures that create a gap between domestic market prices and border prices of a specific agricultural commodity, measured at the farm gate level. MPS is also available by commodity.

Producer Single Commodity Transfers (producer SCT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policies linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the payment. This includes broader policies where transfers are specified on a per-commodity basis. Producer SCT is also available by commodity.

Group Commodity Transfers (GCT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policies whose payments are made on the basis that one or more of a designated list of commodities is produced, *i.e.* a producer may produce from a set of allowable commodities and receive a transfer that does not vary with respect to this decision.

All Commodity Transfers (ACT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policies that place no restrictions on the commodity produced but require the recipient to produce some commodity of their choice.

Other Transfers to Producers (OTP): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policies that do not require any commodity production at all.

Consumer Single Commodity Transfers (consumer SCT): the annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm

gate level, arising from policies linked to the production of a single commodity. Consumer SCT is also available by commodity.

Consumer Support Estimate (CSE): the annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on consumption of farm products. If negative, the CSE measures the burden (implicit tax) on consumers through market price support (higher prices), that more than offsets consumer subsidies that lower prices to consumers.

General Services Support Estimate (GSSE): the annual monetary value of gross transfers to general services provided to agricultural producers collectively (such as research, development, training, inspection, marketing and promotion), arising from policy measures that support agriculture regardless of their nature, objectives and impacts on farm production, income, or consumption. The GSSE does not include any payments to individual producers.

Total Support Estimate (TSE): the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.

Ratio indicators and percentage indicators

Percentage PSE (%PSE): PSE transfers as a share of gross farm receipts (including support in the denominator).

Percentage SCT (%SCT): is the commodity SCT expressed as a share of gross farm receipts for the specific commodity (including support in the denominator).

Share of SCT in total PSE (%): share of Single Commodity Transfers in the total PSE. This indicator is also calculated by commodity.

Producer Nominal Protection Coefficient (producer NPC): the ratio between the average price received by producers (at farm gate), including payments per tonne of current output, and the border price (measured at farm gate). The Producer NPC is also available by commodity.

Producer Nominal Assistance Coefficient (producer NAC): the ratio between the value of gross farm receipts including support and gross farm receipts (at farm gate) valued at border prices (measured at farm gate).

Percentage CSE (%CSE): CSE transfers as a share of consumption expenditure on agricultural commodities (at farm gate prices), net of taxpayer transfers to consumers. The %CSE measures the implicit tax (or subsidy, if CSE is positive) placed on consumers by agricultural price policies.

Consumer Nominal Protection Coefficient (consumer NPC): the ratio between the average price paid by consumers (at farm gate) and the border price (measured at farm gate). The Consumer NPC is also available by commodity.

Consumer Nominal Assistance Coefficient (consumer NAC): the ratio between the value of consumption expenditure on agricultural commodities (at farm gate) and that valued at border prices.

Percentage TSE (%TSE): TSE transfers as a percentage of GDP.

Percentage GSSE (%GSSE): share of expenditures on general services in the Total Support Estimate (TSE).

ANNEX 1.C

The PSE Classification[1]

Introduction

Each year since the mid-1980s the OECD has measured the monetary transfers (support) associated with agricultural policies in OECD countries (and increasingly, in non-OECD countries), using a standard method. For this purpose the OECD has developed several indicators of transfers, the most important and central one being the Producer Support Estimate (PSE). The results, published annually by the OECD, are the only available source of internationally comparable and transparent information on support levels in agriculture. The support estimates have provided an important contribution to the international policy dialogue on agriculture and trade.

Over the years, while the fundamental methodology to measure support has not changed, policy measures have evolved. This has been partially reflected in the component parts of the overall PSE, which are categorised to improve the evaluation of policy reform and for use in policy analysis. With the further evolution of policies, following a two-year period of discussion among experts, OECD countries decided to adopt significant changes in the classification of the generic policy categories in the PSE, to change the measure of support to commodities, and to improve the presentation of the relevant indicators. These changes reflect the evolution of agricultural policies in OECD countries and they were first incorporated into the 2007 report on *Agricultural Policies in OECD Countries: Monitoring and Evaluation*. This chapter explains the new PSE classification, and how the data and indicators can be used to monitor policy developments.

Measuring agricultural support

The Producer Support Estimate (PSE) estimates the annual monetary transfers to farmers from three broad categories of policy measures that:

- Maintain domestic prices for farm goods at levels higher (and occasionally lower) than those at the country's border (market price support (MPS) estimation).
- Provide payments to farmers based on, for example, the quantity of a commodity produced, the amount of inputs used, the number of animals kept, the area farmed, an historical (fixed) reference period, or farmers' revenue or income (budgetary payments).

1. For a full description of the methodology, see the "PSE Manual" (*OECD's Producer Support Estimate and Related Indicators of Agricultural Support: Concepts, Calculation, Interpretation and Use*), available on the web-site *www.oecd.org/tad/support/psecse*).

- Provide implicit budgetary support through tax or fee reductions that lower farm input costs, for example for investment credit, energy, and water (budgetary revenue foregone estimation).

A crucial point to emphasise is that support not only comprises budget payments that appear in government accounts (which is often the popular understanding of support), but also estimations of budgetary revenues foregone, and estimation of the gap between domestic and world market prices for farm goods – market price support.

The PSE indicators are expressed in both absolute monetary terms (in national currencies, in US dollars and in Euros) and in relative terms – in the case of the %PSE as a percentage of the value of gross farm receipts (including support payments) in each country for which the estimates are made. The % PSE shows the degree to which farmers are supported in a way that is not influenced by the sectoral structure and inflation rate of the country concerned, making this estimate the most widely acceptable and useful indicator for comparisons of support across countries and time.

Additional indicators are derived from the PSE, such as the Producer Nominal Assistance Coefficient (producer NAC) and the Producer Nominal Protection Coefficient (producer NPC). The producer NAC is expressed as a ratio between the value of gross farm receipts (including all forms of measured support) and the gross farm receipts valued at border prices (without support). The producer NPC is defined as a ratio between the average price received by the producers (including payments based on current output) and the border price. The complete set of OECD indicators of support is described in Annex 1.B.

The main purpose of the calculations is to show the estimates and composition of support each year, and to compare the trends across countries and through time, in order to monitor and evaluate the extent to which OECD countries are making progress in policy reform to which all OECD governments are committed. The PSE data (various indicators of support) are also used as inputs in models used by the OECD (PEM, GTAP, SAPIM) to analyse the effects of different policy instruments on production, trade, farm incomes and the environment.

Changes in the PSE methodology implemented in 2007

In its work on monitoring and evaluating agricultural policy developments, the OECD has always not only estimated the overall level of support, but also shown how that support was composed of different categories of agricultural policy measures. The classification of support into the different categories under the PSE is based on how policies are actually implemented – and not on the objectives or impacts of those policies. Changes in the composition of support have over time become an increasingly important element in assessing progress towards reforming agricultural policies. Yet, as the nature of agricultural policies continues to evolve, the policy categories used for classifying support may have to adjust as well. This is why the nature of the policy categories shown under the PSE has now been revised, as described in the following. It should be noted that the number and definition of policy categories under the PSE, and hence the breakdown of support according to its composition, is the only change to the PSE methodology that has been made – the overall PSE level is not affected by that change.

Previous classification of PSE and related indicators

The PSE classification that has been used before 2007 (including the 2006 report on *Agricultural Policies in OECD Countries: at a Glance*) is shown in Annex Box 1.A.

Annex Box 1.A. **Classification of PSE and related support indicators applied until 2006**

Producer Support Estimate (PSE) (A-H)

A. Market price support estimation
   of which MPS commodities
B. Payments based on output
C. Payments based on area planted/animal numbers
D. Payments based on historical entitlements
E. Payments based on input use
F. Payments based on input constraints
G. Payments based on overall farm income
H. Miscellaneous payments

Percentage PSE (PSE as a % of gross farm receipts)

Producer Nominal Protection Coefficient (NPC)

Producer Nominal Assistance Coefficient (NAC)

General Services Support Estimate (GSSE)

Consumer Support Estimate (CSE)

Transfers to producers from consumers

Other transfers from consumers

Transfers to consumers from taxpayers

Excess feed costs

Percentage CSE (CSE as a % of farm-gate value of consumption)

Consumer NPC

Consumer NAC

Total Support Estimate (TSE)

Transfers from consumers

Transfers from taxpayers

Budget receipts

Percentage TSE (as a share of GDP)

New classification of PSE and related indicators

In recent years in the process of policy reform, policies in many OECD countries have been moving – to different degrees and at different speeds – towards providing support that is less dependent on producing specific commodities. Policies are also increasingly providing support based on farm area or on historical (fixed) criteria, which may be land, animal numbers, or income, for example. In some cases, production is required (but the actual commodities produced – currently or in the past – are not specified), in other cases

no agricultural commodity production is required or support is provided for the production of non-commodity outputs. In many cases, there are other criteria that farmers must also meet in order to be entitled to support, such as implementing constraints on the use of inputs, or leaving land idle from commodity production but kept in "good agricultural or environmental condition".

The thrust of many of the changes in policies has been to move in the direction of decoupling support from specific commodity production, and to base support on other criteria. While there is increasingly more flexibility in what farmers can produce in order to be entitled to support, there is often less flexibility in how farmers manage their operations, with greater regulatory constraints or conditions. The consequence is that policies have become more varied and complex, and more difficult to group into the previous PSE classification in ways that would permit a more accurate monitoring and evaluation of policy reform and its use in quantitative policy analysis.

In reflecting these policy developments, a new PSE classification has been devised and agreed, as outlined in Annex Boxes 1.B and 1.C. The key underlying criteria for the new classification is that the policy measures continue to be classified according to the way they are implemented. The proposed categories differ depending on:

- The transfer basis for support: output (category A), input (category B), area/animal numbers/revenues/incomes (categories C, D and E), non-commodity criteria (category F);
- Whether the support is based on current (categories A, B, C, F) or historical (fixed) basis (categories D and E, as well as F, depending on implementation conditions);
- Whether production is required (categories C and D) or not (category E).

Annex Box 1.B. **Classification of PSE applied from 2007**

A. Support based on commodity output

A.1. Market price support (MPS)

A.2. Payments based on output

B. Payments based on input use

B.1. Variable input use with input constraints

B.2. Fixed capital formation with input constraints

B.3. On-farm services with input constraints

C. Payments based on current A/An/R/I[1], production required

C.1. Based on current revenue/income

C.2. Based on current area/animal numbers with input constraints

D. Payments based on non-current A/An/R/I, production required

E. Payments based on non-current A/An/R/I, production not required

E.1. Variable rates with commodity exceptions

E.2. Fixed rates with commodity exceptions

F. Payments based on non-commodity criteria

F.1. Long-term resource retirement

F.2. Specific non-commodity output

F.3. Other non-commodity criteria

Annex Box 1.B. **Classification of PSE applied from 2007** *(cont.)*

G. Miscellaneous payments

Labels to be attached to programmes in the above categories of policy measures:

- With/without L (with or without current commodity production limits and/or payment limits).
- With V/F rates (with variable or fixed payment rates).
- With/without input constraints (C) (With Mandatory/ With Voluntary/ Without input constraints).
- With/without E (with or without any commodity exceptions).
- Based on A/An/R/I (based on area, animal numbers, receipts or income).
- Based on SC/GC/AC (based on a single commodity, group of commodities or all commodities).

1. A (area), An (animal numbers), R (receipts) or I (income).

In addition to categories, the new PSE classification includes labels that may be applied to individual policies to provide further specification on the way each measure is implemented: with or without production limits or input constraints, whether payments are at fixed or variable rates (Annex Box 1.C). The applied labels are provided in the PSE database. Labels may be used alternatively as additional sub-categories of the classification as needed, either in the standard tables or for special purposes (*e.g.* production of "satellite" tables, use in further quantitative or empirical analysis).

The definitions of the categories and labels in the new PSE classification are shown in Annex Box 1.C.

Annex Box 1.C. **Definitions of categories in the new PSE classification**

Definition of categories

Market price support (MPS): transfers from consumers and taxpayers to agricultural producers from policy measures that create a gap between domestic market prices and border prices of a specific agricultural commodity, measured at the farm gate level.

Payments based on output: transfers from taxpayers to agricultural producers from policy measures based on current output of a specific agricultural commodity.

Payments based on input use: transfers from taxpayers to agricultural producers arising from policy measures based on on-farm use of inputs:

- ***Variable input use*** that reduces the on-farm cost of a specific variable input or a mix of variable inputs.
- ***Fixed capital formation*** that reduce the on-farm investment cost of farm buildings, equipment, plantations, irrigation, drainage, and soil improvements.
- ***On-farm services*** that reduce the cost of technical, accounting, commercial, sanitary and phyto-sanitary assistance and training provided to individual farmers.

Payments based on current A/An/R/I, production required: transfers from taxpayers to agricultural producers arising from policy measures based on current area, animal numbers, revenue, or income, and requiring production.

Annex Box 1.C. **Definitions of categories in the new PSE classification** *(cont.)*

Payments based on non-current A/An/R/I, production required: transfers from taxpayers to agricultural producers arising from policy measures based on non-current (*i.e.* historical or fixed) area, animal numbers, revenue, or income, with current production of any commodity required.

Payments based on non-current A/An/R/I, production not required: transfers from taxpayers to agricultural producers arising from policy measures based on non-current (*i.e.* historical or fixed) area, animal numbers, revenue, or income, with current production of any commodity not required but optional.

Payments based on non-commodity criteria: transfers from taxpayers to agricultural producers arising from policy measures based on:

- ***Long-term resource retirement***: transfers for the long-term retirement of factors of production from commodity production. The payments in this subcategory are distinguished from those requiring short-term resource retirement, which are based on commodity production criteria.
- ***A specific non-commodity output***: transfers for the use of farm resources to produce specific non-commodity outputs of goods and services, which are not required by regulations.
- ***Other non-commodity criteria***, transfers provided equally to all farmers, such as a flat rate or lump sum payment.

Miscellaneous payments: transfers from taxpayers to farmers for which there is a lack of information to allocate them among the appropriate categories.

Note: A (area), An (animal numbers), R (receipts) or I (income).

Definition of labels

With or without current commodity production limits and/or limit to payments: defines whether or not there is a specific limitation on current commodity production (output) associated with a policy providing transfers to agriculture and whether or not there are limits to payments in the form of limits to area or animal numbers eligible for those payments. Applied in categories A – F.

With variable or fixed payment rates: Any payments is defined as subject to a variable rate where the formula determining the level of payment is triggered by a change in price, yield, net revenue or income or a change in production cost. Applied in categories A – E.

With or without input constraints: defines whether or not there are specific requirements concerning farming practices related to the programme in terms of the reduction, replacement, or withdrawal in the use of inputs or a restriction of farming practices allowed. Applied in categories A – F. The payments with input constrains are further broken down to:

- Payments conditional on compliance with basic requirements that are mandatory (*with mandatory*);
- Payments requiring specific practices going beyond basic requirements and voluntary (*with voluntary*).

With or without commodity exceptions: defines whether or not there are prohibitions upon the production of certain commodities as a condition of eligibility for payments based on non-current A/An/R/I of commodity(ies). Applied in Category E.

Annex Box 1.C. **Definitions of categories in the new PSE classification** *(cont.)*

Based on area, animal numbers, receipts or income: defines the specific attribute (*i.e.* area, animal numbers, receipts or income) on which the payment is based. Applied in categories C – E.

Based on a single commodity, a group of commodities or all commodities: defines whether the payment is granted for production of a single commodity, a group of commodities or all commodities. Applied in categories A – D.

Changes in the commodity indicators related to the PSE and CSE

Up until the 2005 report on *Agricultural Policies in OECD Countries: Monitoring and Evaluation* the data on PSEs and related indicators were also shown by commodity, in monetary values and in percentages (or ratios). These commodity data were calculated from adding the commodity specific levels of support (market price support and payments based on output of individual commodities) to the levels of support to commodities for all other policies estimated using various allocation keys (for example, on the basis of a given commodity's share in the value of total production of all commodities, or of crops or livestock only depending on the commodity coverage of a particular policy measure).

To reflect the way in which policies are evolving, with the gradual shift away from direct commodity-linked support, the ***total PSE*** will no longer be broken down into commodities. Instead the ***total PSE*** is broken down into four categories reflecting the flexibility given to farmers' production decisions within the various policy measures:

- ***Single Commodity Transfers (SCT):*** the annual monetary value of gross transfers from policies linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the transfer. This includes broader policies where payments are specified on a per-commodity basis.
- ***Group Commodity Transfers (GCT):*** the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures whose payments are made on the basis that one or more of a designated list of commodities is produced, *i.e.* a producer may produce from a set of allowable commodities and receive a transfer that does not vary with respect to this decision.
- ***All Commodity Transfers (ACT):*** the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that place no restrictions on the commodity produced but require the recipient to produce some commodity of their choice.
- ***Other Transfers to Producers (OTP):*** the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that do not require any commodity production at all.

These four PSE breakdown categories are mutually exclusive in the sense that payments included in one category are not included in others (*i.e.* transfers to wheat in the SCT are not included in transfers to cereals as a group in the GCT category). In this way, there are no overlaps between the categories and they therefore add up to the total PSE.

The Group Commodity Transfers include transfers to different commodity groups and the PSE database provides information on transfers to these groups. The transfers to

different groups within the GCT are also mutually exclusive in the sense that payments included in one group are not included in the others (*i.e.* transfers to grains are not included in transfers in a group grains and oilseeds). The composition of the groups varies by country, depending on countries' programmes.

Indicators used in policy analysis

Indicators related to total support

The new PSE classification does not change the total PSE. The only change is its breakdown into new categories based on well-established implementation criteria (Annex Box 1.C). The relative indicators linked to the total PSE (%PSE, producer NPC and producer NAC) and CSE (%CSE, consumer NPC and consumer NAC) continue to be calculated as previously. The GSSE is also still expressed as a share of total TSE and the *%TSE* in relation to GDP. Annex 1.B provides definitions of these indicators.

Commodity specific indicators

The changes in the application of the methodology do not allow a breakdown of the *total* PSE by commodity. Therefore, the %PSE by commodity and the producer NAC by commodity are no longer calculated, but the producer and consumer NPCs remain.

The Producer Single Commodity Transfer (Producer SCT) is by definition available for specific commodities, as well as the derived relative indicator the %SCT. As mentioned above, the SCT is the sum of transfers to producers through policies granted to a single commodity, the most important element of which is in most cases the market price support. The %SCT is the commodity SCT expressed as a share of gross farm receipts for the specific commodity. Compared to the previously used commodity %PSE (which included all PSE support), the %SCT includes only support provided through commodity specific policies.

For the CSE, in the absence of transfers from taxpayers to consumers (*i.e.* the situation in most cases), the CSE is the mirror image of the MPS and hence by definition is commodity specific. By applying the same principle of not using allocation keys to distribute transfers from taxpayers to consumers to commodities the commodity %CSE and the consumer NAC by commodity is no longer calculated. However, in most cases the consumer NPC is equal to the consumer NAC by commodity and captures all the transfers to (from) consumers. Hence, the consumer NPC is the main tool used to analyse support to consumers by commodity.

Use of labels in the PSE database

The use of labels gives considerable flexibility to break down the total PSE into categories reflecting specific characteristics of policies in an *ad hoc* manner (*i.e.* whether the policy includes a constraint on input use or not, or whether it is applied with or without production limits – see the definition of labels in Annex Box 1.C). When desired, the labels in the database may be used alternatively as additional sub-categories in the main classification framework. Currently labels are used in this way as subcategories in category E.

The labels applied in the database can be used to produce specific aggregations of payments for the tables in the Monitoring and Evaluation report to give emphasis to a specific implementation criteria used in the policies applied. The label information can be

used also in quantitative analyse based on the PSE database, *e.g.* PEM work or when linking policies with environmental issues (SAPIM).

The use of the new classification and related indicators in policy analysis

The new classification of categories of policy measures, based, as ever, on how the policies are implemented, has the potential to show the degree of flexibility that farmers have in their production choices and thus how different policies influence farmers' decisions to produce commodities and other goods and services using farm resources.

Some policy measures deliver support directly related to the amount of a specific commodity produced (market price support and payments based on commodity production) or variable inputs used. As shown by the results of the Policy Evaluation Model (PEM) on decoupling, these policy measures are the ones that potentially (*ex ante*) have the strongest influence on commodity production incentives although this effect is weakened in those countries that place constraints on output produced or inputs used. Policy measures that are designed to deliver support based on current parameters, such as area or animal numbers and require commodity production, have a potentially somewhat weaker influence on production incentives. Policy measures providing support based on historical parameters, such as the overall farm area or income situation of the farmer, have potentially much less influence on production incentives, while those that provide support based on non-commodity criteria (such as the provision of trees, stone walls and hedges), have potentially the least influence on production. Clearly, the actual impacts (*ex post*) will depend on many factors that determine the aggregate degree of responsiveness of farmers to policy changes – including any constraints on production. Neither the total PSE nor its composition in terms of different categories of policies can, therefore, be interpreted as indicating the actual impact of policy on production and markets. Policy analysis based on support composition can only provide information on the potential of some of the individual policy categories (A, part of B) to influence producer decisions, while for other categories (C) this potential is less clear, as they group more heterogeneous policies. It is only through model-based analysis (such as provided in the OECD'S PEM) or empirical analysis and the use of labels that firmer conclusions can be drawn regarding production and market impacts of given policy measures.

Against this background, the new classification of policy measures and the use of labels will be able to better reflect the evolution of the policy mix. It is thus possible to assess policy reform not only in terms of the trends in the overall level of support, but also in terms of whether there were shifts towards policies that have less potential to distort commodity production and trade. Identifying policy measures that provide support based on a mixture of current and past production variables and those that deliver support not based on farm commodity production provides a rich source of data to help to evaluate progress in policy reform. Moreover, the data base can be marshalled to illustrate developments on matters where specific policy interests within a country or across countries are important.

Policies in the PSE are classified according to the basis on which support is delivered (implementation criteria) and not on policy objectives or impacts. The new PSE data base will provide a wealth of material to engage in model-based analysis of the effects of different policy instruments on variables such as production, trade and the environment. Increasingly, countries are interested in knowing the extent to which policy measures are

targeted to achieve the range of policy objectives (effectiveness), assessing the costs and benefits of those efforts (efficiency), and understanding the implications for the distribution of income (equity). In addressing these issues, it is important to recognise that the PSE needs to be complemented with other data, as well as with information on the overall policy mix. Moreover, the use and interpretation of PSE and associated indicators in comparisons across countries and time needs to be undertaken with care.

PART I

Chapter 2

Developments in Agri-environmental Policies in OECD Countries

This chapter describes the various policy measures implemented to address agri-environmental issues in OECD countries, and especially those policies that provide transfers to farmers. It reviews natural resource-use issues in agriculture, objectives of agri-environmental policies, and specific policy instruments used to achieve these objectives. The chapter concludes with an analysis of the trends in agri-environmental payments.

Agricultural production affects water, air and soil quality, influences eco-systems and biodiversity and shapes rural landscapes. Many of these environmental effects — which are very diverse across OECD countries — can be considered either negative or positive externalities or as public goods, for which private markets either function inadequately or are non-existent. While there are multiple factors explaining farmers' choices of what and how to produce, economic incentives have a large role in determining what farmers do individually and collectively. Indeed, agricultural production is highly responsive to market signals as farmers try to increase their revenue and decrease their costs. When markets signals for environmental goods are weak or absent the result can be that individual activities taken collectively fail to reduce environmental harm sufficiently or to supply enough environmental benefits. However, it is important to recognise that some farmers are self-motivated to undertake farm practices that are beneficial to the environment and to resource conservation.

The overarching function of agri-environmental policies is therefore, in principle, to correct for the incentive failures resulting from missing markets to ensure the protection and enhancement of the environment. OECD countries have taken many different approaches to finding the best policies to accomplish this goal.

In recent decades, the agricultural sector in OECD countries has experienced important technological and economic developments along with closer integration of agriculture into the global agri-food system, leading to higher agricultural productivity and more output. Increasing public awareness, together with the wider availability of information,[1] has led to societal demands to improve the environmental performance of agriculture and to increased farmer awareness. In addition, investments in better tracking of the environmental performance of agriculture have helped to identify potential environmental problems associated with agricultural activities and a better understanding of the effects of different agricultural policy measures on the environment.

Agriculture is a sector in which policy plays a significant role in most OECD countries. Agricultural policies provide monetary transfers that influence – directly or indirectly and to varying extent – what and how much to produce, where and under what conditions. This, combined with environmental regulations require farmers – either at their own cost or with the aid of subsidies – to adopt certain practices or deliver particular outcomes creates a complex web of incentives and disincentives for farmers, the net environmental effect of which may be unclear.

The predominant forms of agricultural support in OECD countries in the past forty years have been closely linked either to commodity outputs or the use of inputs. Support to OECD farmers (%PSE) accounted for about 23% of total farm receipts on average in 2006-08 (compared with 37% on average in 1986-88), most of which (56%) is still linked to production and input use, although this is down from 86% in 1986-88. Policies linked to production and unconstrained input use may have provided incentives to producers to increase the intensity of production (resulting in more variable inputs per hectare) and to

expand farming on to environmentally sensitive land and thereby contributed to existing environmental problems, such as the pollution of water, soil and air, and the over-use of scarce resources — particularly water (OECD, 2001). However, in a number of OECD countries, policies supporting agriculture have also helped to maintain certain agricultural production activities — such as the management of meadows, grasslands, uplands and terraces — that are associated with environmental benefits, such as biodiversity, flood and drought control.

To correct for (or take into account) these externalities or public goods, a range of agri-environmental policy measures have been developed in OECD countries, and their size and importance has increased over time. In addition to providing policy transfers to producers to achieve environmental goals, the measures applied also include regulations and directives, taxes, emission/consumption quotas and requirements, such as keeping land in good agricultural and environment condition under cross-compliance. The *Inventory of policies addressing environmental issues in agriculture* (*Inventory*) developed by the OECD in co-operation with member countries, provides an account of this broad range of policies, focusing not only on agricultural policies addressing environmental issues (agri-environmental policies) but also on environmental measures (*e.g.* regulatory requirements) affecting agricultural production and practices.

The analysis presented here aims to describe the mixes of policy measures applied and in more detail those policy measures addressing agri-environmental issues which provide transfers to farmers. The first section describes the objectives of environmental policies. The next section provides a broader view of the policies addressing environmental and resource-use issues in agriculture and the third section focuses in more detail on the agri-environmental policies covered by the monitoring and evaluation analysis (agri-environmental payments). Most of the information in this chapter is drawn from the OECD *Inventory* and the *PSE/CSE* database and its documentation. Although the 2009 *Monitoring and Evaluation* report is primarily concerned with developments in 2007 and 2008, this chapter also considers the longer term development of agri-environmental policies.

Targeting policies to address environmental issues in agriculture

The objectives of agri-environmental policy are often easy to state in general terms but difficult to define and measure precisely. Moreover, the intention of some policies is to address several objectives at the same time, either because objectives are interconnected, or because a change in a farm activity can have multiple effects. This section will try to clarify some of these issues by providing a look at the main objectives in agri-environmental policy.

Agriculture is the dominant user of land and water in most OECD countries. As a result, many policies provide payments that are directed towards specific farming practices on farmland (input use, technology), land allocation to specific use (conversion of arable land to grassland, extensive pasture, green cover) or for land retirement (long-term environmental set-aside, land conservation, afforestation of agricultural land). Such policies can have the objectives of improving for example soil quality, water quality, biodiversity and cultural landscape. Which of these are the most important and relevant often depends on local conditions. Addressing these objectives represents the most important part of agri-environmental policies in terms of either payments provided or the land area included in the programme.

Some policies target specific areas to address specific environmental issues (spatial targeting). This is, for example, the case of water-dependent ecosystems in Australia — in the Murray-Darling Basin; or the United States — Great Lakes; or the European Union where the EU Nitrate Directive is applied in areas with high levels of nitrate pollution and areas with high biodiversity, landscape and environmental values identified in EU member states within the project *Natura 2000*. To an increasing extent, agri-environmental programmes are applied under an overarching framework (at the national, EU level) which sets the main guidelines, with specific policy measures being defined and applied at lower administrative levels (at the state or provincial level). This is the case in ***Australia***, ***Canada***, and the ***United States***. In the ***EU***, policies are implemented at member-state level (under the overarching EU framework) and, in some states, at even lower administrative levels (such as provinces, regions or länder, or even local level). This is the case, for example, in ***Austria***, ***France***, ***Germany***, ***Italy***, ***Spain*** and the ***United Kingdom***.

Regulations and some other policy measures, such as tradable permits, are generally targeted to a specific environmental (resource-use) **issue**, such as soil or water quality or biodiversity.

Environmental objectives (and outcomes) are precisely defined and measurable for only a limited number of programmes providing agri-environmental payments. Most of these payments are for specific (well-defined and controlled) management practices which are intended to provide environmental outcomes over and above a reference level (defined as, for example, the minimum level of environmental performance as determined by regulations, or "good farming practices"). In most cases, outcomes of these programmes are defined by the area which is under a specific management practice, which may be a somewhat crude proxy as to whether the environmental quality parameter has been achieved.

Soil protection/soil quality

The main issue of soil protection is the risk of **soil erosion**. The soil erosion risk comes from natural forces (water erosion, wind erosion) and from soil cultivation practices (cultivation of fragile soils, overgrazing, poor uptake by farmers of soil conservation practice, etc.). The main issue of soil quality is soil organic content and soil contamination, resulting from excessive or inadequate applications of chemical inputs used in agriculture and from industrial pollution deposits in soils – such as contamination by heavy metals (the latter issue is beyond the scope of agri-environmental policies and is addressed by environmental legislation).

Soil erosion is primary addressed by basic environmental regulations concerning soils, including **good farming practices**[2] outlined by most OECD member countries. Many OECD Member countries have also developed programmes promoting practices specifically targeted at reducing the risk of soil erosion. More specifically, the main farming practices promoted to reduce the risk of soil erosion are: transfers of arable land to grassland, extensive use of pastures, green cover (mainly in the winter period), or no-tillage or low-tillage practices. Some countries use programmes promoting the long-term retirement of vulnerable land from agricultural production. Afforestation of agricultural land is promoted in some OECD countries. However, in term of land transferred, afforestation is of minor (or local) importance. The Conservation Reserve Program (CRP) is the most important agri-environmental programme in the United States, in terms of budgetary expenditure and area covered. The main purpose of the CRP was initially to combat soil erosion, but, as the

programme evolved, other objectives were added, including amelioration of habitat and water quality, carbon sequestration and air quality improvements.

Other soil degradation processes (compaction, acidification, toxic contamination, sodicity and salinisation) largely relate to specific regions in some countries and are addressed both by regulatory requirements and policies designed and implemented at regional (local) levels. Apart from financial incentives provided to farms, budgetary support is also provided to finance technical assistance to farmers attempting to address soil erosion problems.

Water quality/water protection (including reduction of pollution)

Across all OECD countries a large number of policies addressing environmental issues in agriculture are related to water quality and resource availability. The issue of water quality is addressed by a wide set of regulations. These regulations concern not only the use of water and management of water resources, but also strict regulations on the use of potentially polluting inputs such as pesticides, industrial fertilisers and manure (storage, management and field application) and land management measures to prevent the polluting agents from reaching surface waters and/or groundwater.

Water quality and reduction of water pollution are a dominant issue in most OECD countries. Apart the above-mentioned regulatory requirements, a range of policy measures are applied to address this issue. The most common are payments for agricultural production conditional upon reduced use (or no use) of pesticides and fertilisers (such as extensive production, integrated production, organic farming), green cover and buffer strips. These measures are applied mainly in European countries and, more recently, in Japan and Korea.

The EU Nitrate Directive defines areas vulnerable to nitrates in its member states, and sets guidelines to establish the maximum permitted level of nitrates in water. Moreover, the action programmes developed to implement the directive, establish the necessary measures to ensure that nitrogen of animal origin spread on the land (manure fertilisation) does not exceed 170 kg per hectare. It also makes it mandatory for farmers to ensure that fertiliser use is well balanced to supply the needs of crops. EU member states have designed and implemented some agri-environmental measures to further reduce nitrogen losses in water that go beyond the statutory obligations. Reduced use of fertilisers, converting arable land to extensive grassland (pasture), green cover and crop rotation are the main instruments implemented by member states to reduce nitrates in water. In addition, the Water Framework Directive imposes the objective of achieving good water status by 2015.

Also in areas with higher nature values (such as catchment areas for drinking water, natural reserves) or environmentally vulnerable zones (Environmentally Sensitive Areas – ESAs), many OECD member states apply stricter regulations concerning the use of agricultural inputs and farming practices. Some countries provide compensation to farmers (for income foregone) in these areas. As mentioned above, many of the policy measures designed to address the issue of water quality and water pollution may also have positive effects on soil quality, biodiversity and landscape.

In many OECD countries there are regulations to determine how much water is available to irrigators (agriculture) and how much must be retained for environmental purposes. In addition to regulatory requirements, a wide set of policy instruments related

to water are used across OECD countries. Irrigation accounts for a major share of water use in most OECD countries and excessive groundwater extraction levels are a concern in many areas, particularly in the drier regions of Australia, southern Europe and parts of the United States. Some countries (*e.g.* ***Australia***, some states in the ***United States***) manage a system of water abstraction rights and a system of tradeable quotas and permits for water use.

Biodiversity

Biological diversity (biodiversity) is the variability among living organisms and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems. This variability is naturally caused by the evolution of living organisms in the context of the biotic and abiotic factors in their environment. Human intervention can have a significant effect upon biodiversity.

In countries such as ***Australia***, ***New Zealand*** and North America, valued habitats are predominantly associated with natural areas that include grasslands, wetlands, native forests and bush. In some cases such areas have been placed at risk by the development of agriculture. For example, in the ***United States***, the conversion of grasslands and wetlands to cropland has been attributed with contributing to the decline of a number of rare species. Some of the currently applied policies are designed to correct this trend, and are mostly applied in specific localities.

Agricultural biodiversity is largely created, maintained and managed through a range of farming systems. OECD countries employ a variety of policies and approaches to reconcile the need of agricultural production, drawing on plant and livestock genetic resources, and yet reduce harmful biodiversity impacts, especially on wild species and habitats.

Policies addressing objectives such as wild species diversity and ecosystem diversity are prominent in the European countries. Indeed, in Europe, many of the most valued wildlife areas tend to be semi-natural habitats, where species have co-evolved with traditional agricultural practices over many centuries. Such habitats have come under increasing pressure from changes in farming practices – including increased field size, reduced crop rotations and increased fertiliser and pesticide use or from agricultural land abandonment.

Policies applied to enhance or preserve agricultural biodiversity can be grouped according to the three levels of agricultural biodiversity: (i) genetic diversity; (ii) species diversity; and (iii) ecosystem diversity.

Genetic diversity – most OECD countries carry plant and livestock genetic resource conservation activities either in the form of *in situ* (on-farm, in-field) or *ex situ* (gene bank) conservation. Under the Rural Development Regulation, most EU member states provide payments for conservation of endangered crop and livestock species or per head of endangered livestock species. In the United States, the *in situ* conservation is primarily a private-sector activity and no financial assistance is provided.

Species diversity – policies in this area typically target wild species that use agricultural land as primary habitat – for example, populations of selected bird species that are dependent on agricultural land for nesting and breeding. Farmers are remunerated for voluntary adoption of farming practices which contribute to preserve wild species on agricultural land (such as reduced use of chemical inputs, extensive management of grassland with late mowing, creation and maintenance of field strips, hedges, shrubs).

Ecosystem diversity – policies aimed at achieving the objectives related to ecosystem diversity promote a specific land-use pattern (in most cases, the extensive use of grassland). Some of these policies require a transfer of agricultural land to other use (such as changing arable to grassland, or the creation of wetlands and ponds), while other policies promote the creation of semi-natural habitats on agricultural land (such as farm woodlands, fallow land). These activities are often considered as also contributing to addressing Landscape objectives.

Landscape

Landscape objectives can vary from site-specific to very generic ones, and are subject to various sets of policies. They are implemented mainly in European countries, ***Japan*** and ***Korea***, where the cultural landscape has been shaped by agriculture over many centuries. EU member states and ***Switzerland*** provide payments to construct, improve and/or maintain specific (fixed) landscape elements such as: trees (individual or ranges), hedges, stonewalls, ponds and marshes. In most cases, these elements also contribute to other environmental objectives, such as soil and water protection and biodiversity.

Landscape objectives are also associated with payments supporting changes in land use either in the form of exit from agricultural land (afforestation, agricultural woodland, creation or restoration of wetlands and ponds) or changes in agricultural land use (transfer from arable land to extensively used grassland, green fallow, and floral fallow). Norway associates the landscape objective with a general payment to all agricultural land, provided that farmers comply with good farming practices.

Climate change — air pollution

Farming accounted for about one-quarter of total OECD acidifying emissions, 8% of the use of potential ozone-depleting substances and 8% of greenhouse gases (GHGs) in 2002-04, OECD (2008a). Shares are higher for specific air pollutants: 90% of anthropogenic ammonia emissions; nearly 75% of methyl bromide emissions and for GHGs about 70% of nitrous oxide and over 40% of methane. The contribution of agriculture to greenhouse gas emissions varies considerably across OECD countries; in ***New Zealand*** nearly 50% of the country's GHGs arise from pastoral agriculture.

Many countries are adopting policies to motivate farmers to alter their farming practices, such as changing livestock manure disposal methods and soil tillage practices, which can lower GHGs emission rates per unit of output volume and which can also have co-benefits in reducing ammonia emissions and increasing soil carbon stocks. The uptake of these practices is in some cases enforced by regulations and supported by investment subsidies (manure storage and management) or encouraged through government farm extension services and financial assistance to farmers. On the other hand, these practices may also increase pesticide use, with negative impacts on the environment.

Programmes providing incentives for less intensive use of agricultural land, lower and better-managed use of fertilisers (see above) also contribute to reduced air pollution, ammonia and GHG emissions, as well as the programmes taking land out of agricultural production (afforestation, land conservation programmes, extensive use of grassland). The latter also contribute to carbon sequestration.

Policy instruments to address environmental issues in agriculture

The mixes of policy instruments, applied in OECD countries to achieve their various environmental objectives, reflect the overall policy approach to the sector; the specific environmental issues and their perceived linkage to agriculture activities; the nature of property rights related to the use of natural resources (land, water and vegetation); and societal concerns related to environmental issues. In addition, "suasive" measures are intended to change perceptions and priorities within farmer's decision framework by heightening the level of environmental awareness and responsibility. Such measures can be delivered in the form of training or knowledge and information sharing, as well as forms of "moral suasion" such as social pressure, negotiation, the threat of regulatory action or retaliation by others whether customers or society in general. Hence, they may encourage farms to develop and abide by voluntary codes of conduct.

Regulatory requirements

Although less visible in policy analysis and policy debate, environmental regulations (regulatory requirements) are at the core of policies addressing environmental issues in agriculture. All OECD countries pursue policy and/or regulatory measures to prevent the negative impact of agriculture on the environment. Most of these regulations are related to the use (storage, handling, plant and animal application) of agricultural inputs (pesticides, industrial fertilisers, manure) which have the potential to cause negative environmental effects (in terms of soil, water and air pollution). These regulatory requirements range from outright prohibitions, to input standards and resource-use requirements. Most of these regulations are applied across the farm sector. However, in areas with higher environmental values (natural reserves), drinking water catchment areas, environmentally sensitive areas, or those close to densely populated areas, further regulations may be applied. Over time, these regulatory requirements have generally been applied more broadly, and as awareness of the risks develop, they have become more stringent.

All OECD countries have agreed to implement the Polluter Pays Principle. This principle agreed and developed by the OECD in 1972, is intended to avoid distortions in international trade and investment and to allocate costs of pollution prevention and control measures to encourage rational use of scarce environmental resources. Some countries provide financial assistance to farmers (generally in the form of investment subsidies) to comply with stricter environmental regulations where this is consistent with the allocation of property rights between farmers and society. An increasing number of regulatory requirements also derive from state, provincial, regional or local measures under the framework of over-arching national regulatory policy and law, in order to accommodate the local nature of many environmental concerns.

Some OECD countries (***Australia, New Zealand***) rely mostly on regulatory requirements to address environmental issues in agriculture. Besides the regulations, specific environmental issues are addressed mainly through environmental programmes targeting specific areas. In many cases farmers and landowners (grouped in local initiatives) are involved in these programmes, which may be supported by short-term financial assistance to facilitate group activities improving environmental sustainability and self-reliance of the agricultural sector. Financial support may also be provided in the form of technical assistance and extension, with some support going to investments in infrastructure and on-farm investments. Besides regulatory requirements, ***Canada*** also relies mainly on

extension and community-based measures and more recently on rather limited payments for specific farming practices.

Agri-environmental payments

Other countries (***EU member states, Norway, Switzerland*** and the ***United States***) have also developed a wide range of voluntary programmes that provide farmers with agri-environmental payments in return for the adaptation of specific farming practices aimed at securing positive environmental effects and/or providing public goods (such as landscape, biodiversity, flood control) that go beyond the country's "reference level". Although these programmes include a large range of measures, most of the agri-environmental payments are related to the support of extensive forms of farming, such as the sustainable extensive management of grassland or pastures.

Most OECD countries support organic farming. Organic production methods can contribute to improving the environmental performance of agriculture, in particular through low (or no) use of chemical inputs. Although often yields are lower than through "conventional" farming systems. While in some countries the support is limited to the development of regulations concerning organic production and the setting of certification institutions, other countries grant financial support to farmers in the period of transition from conventional farming to organic farming.

Programmes providing payments to retire agricultural land from commodity production and transfer it for environmental purposes are also implemented in a range of countries (Australia, EU member states, the United States). These programmes mainly provide payments for conversion of agricultural land to wetlands, forest and long-term environmental set-aside. However, in most countries these programmes have a rather limited importance, with the exception of the ***United States***, where payments for the retirement of agricultural land (such as the Conservation Reserve Program) account for the largest share of agri-environmental payments in the US.

Some OECD countries do not appear to feature prominently in the use of agri-environmental payments. In ***Japan*** and ***Korea*** agri-environmental payments have been introduced only recently and represent a very minor share in total support to agriculture. In ***Mexico*** and ***Turkey*** agriculture is relatively important in terms of the national economy and employment and these countries may have other priorities for limited budgetary resources for agriculture.

Environmental taxes

Environmental taxes and charges are applied in a rather limited number of countries on the sale of inputs identified as having a potentially adverse impact on the environment. Taxes and charges are currently levied on pesticides in ***Denmark***, ***France***, ***Italy***, ***Norway*** and ***Sweden***, while fertiliser levies are applied in ***Italy***, ***Sweden*** and in some states of the ***United States***.

Tradable rights and quotas

Other economic instruments, such as tradable rights and quotas, are used in a limited number of countries. These include tradable rights for the development of wetlands in the ***United States***, tradable water extraction rights (implemented on a state/regional basis in the United States), and implemented across states and regions in ***Australia***. Tradable rights

based on environmental quotas, permits and restrictions do not yet appear to play a significant role in agri-environmental policy, despite the growing use of such measures for environmental policy design in other sectors. One area in which some OECD countries are looking at the possible use of tradable permits concerns GHGs from agriculture, but no emission trading system for agriculture is yet in operation[3].

Environmental cross-compliance

Environmental cross-compliance — which involves measures linking minimum environmental standards to agricultural support programmes, is used in the ***United States, the European Union*** and ***Switzerland***, and has been implemented more recently in ***Korea***. Some EU member states (*e.g.* the ***United Kingdom***) have been using environmental cross compliance since the 1990s. From 2005, cross compliance (including environmental components) has become compulsory in the ***EU15.*** In the new EU member States (EU 12), part of cross compliance applies already and full cross-compliance will be introduced between 2009 and 2013**.**

Community-based approaches

A number of countries, including ***Australia, Canada*** and ***New Zealand***, place emphasis on the use of community-based approaches to address environmental issues, through supporting collective action to address environmental degradation (*i.e.* pollution as well as direct impacts through habitat removal/degradation). These approaches tend to target farmers' self-interest in environmental conservation on a catchment area basis, and make use of local expertise in solving environmental problems.

Research and extension

Most OECD countries have directed greater attention towards improving the knowledge base relating to environmental issues in agriculture over the past two decades, through increased spending on agri-environmental research, often undertaken in co-operation with private sector interests. One notable trend in this area has been the development in a number of OECD countries of agri-environmental indicators to track environmental performance.

Greater emphasis has also generally been placed on communicating information to farmers on environmental issues via technical assistance and extension, in order to induce voluntary changes in farming practices and improved environmental outcomes. Such measures feature an increasingly comprehensive array of information, and now employ a wide range of communication tools, such as the Internet.

More attention has also been directed at providing consumer information on the environmental attributes of products, in order to meet the demands of an increasingly well-informed and discriminating public. In particular, a range of eco-labelling standards and certification processes have been employed in OECD countries over past two decades, particularly in relation to organic or integrated agricultural production processes, which indirectly influence production practices at farm level.

Agri-environmental payments in the overall framework of agricultural policy

Current environmental conditions and concerns in many OECD countries are, to some extent, the result of past and ongoing agricultural policies providing substantial production-linked support and subsequently boosted farm output and affected resource

use, farming practices and environmental quality. Improvement of the environmental performance of agriculture is thus closely linked to the reform of agricultural policies. The policy measures addressing environmental issues in agriculture have to be considered as part of the whole set of agricultural policy measures applied and evaluated in the broader context of agricultural policy reform. This part provides more detailed information on programmes providing agri-environmental payments to farms applied in OECD countries.

Agri-environmental payments in OECD countries

In terms of policy description, the *Inventory of Policies Addressing Environmental Issues in Agriculture* (*Inventory*) contains detailed information on the policies applied in OECD Member countries. In the Inventory, agri-environmental payments are classified in three categories: (i) payments based on farming practices; (ii) payments based on land retirement; and (iii) payments based on farm fixed assets (Box 2.1).

Box 2.1. **Classification of agri-environmental payments in the Inventory**

Payments based on farming practices are policy measures granting annual monetary transfers (including implicit transfers such as tax and credit concessions) to farmers. They provide payments to farmers to implement more environmentally friendly farming practices that go beyond those required by regulation and/or defined as "good farming practices".

Payments based on land retirement – programmes under this category provide payments to remove land or other factors of production from production for environmental (resource conservation) purposes.

Payments based on farms' fixed assets are policy measures granting farmers a monetary transfer (including implicit transfers such as tax and credit concessions) to offset the investment cost of adjusting farm structure or equipment to adopt more environmentally friendly farming practices.

Payments based on farming practices

Payments based on farming practices have been increasingly applied over past decades, in most of the European OECD countries (EU member states, Norway and Switzerland) and also in the United States. More recently, such payments have been introduced in Japan and Korea.

The ***European Union*** co-finances, with EU member states, a wide range of agri-environmental payment programmes based on farming practices under an overarching framework of EC regulations.[4] Prominent among these measures are payments to support the adoption of less input-intensive farming practices. EU member states also implement a variety of programmes providing payments to compensate other forms of less input-intensive and/or more environmentally friendly farming practices. This includes, for example, organic production, integrated production, and programmes to promote extensive crop production (low use of fertilisers and pesticides) and extensive management of grassland (livestock grazing with restricted uses of fertilisers and low stocking densities, extensive meadows with restricted mowing practices). Most EU member states also offer agri-environmental payments based on farm practices to target biodiversity and cultural landscape objectives. A variety of programmes provide payments

to recompense farm practices that preserve specified cultivated areas (*e.g.* ***Portugal, Sweden, Italy***) or rare (endangered) animal breeds/crop varieties or other flora and fauna (most of EU member states). To prevent soil erosion some countries (*e.g.* ***Spain***) support the conversion of arable land to extensively used grassland (pastures or meadows). Other countries (***Belgium***, ***France***, ***Finland, Italy,Spain*** and ***Sweden***) provide payments for catch crops or green/winter cover.

In most EU member states the programmes providing payments based on specific farming practices are available on a voluntary basis to farmers who are permitted to select an appropriate combination of those practices to be eligible to receive payments. However, some countries (*e.g.* ***Finland, Ireland***) have set basic scheme programmes requiring farmers to comply with a set of practices required by these schemes (five basic measures plus one optional in ***Finland***; 11 measures in ***Ireland***) in order to obtain the payment.

The above mentioned policies refer mostly to agri-environmental policies applied under the Rural development programmes applied in the period 2000-06. In 2007, implementation started for the rural development programme for the period 2007-13 (although payments were provided for programmes adopted in the earlier period), with all Rural Development Plans (RDPs) agreed by November 2008. The programmes to provide agri-environmental payments to farms (under the Axis 2 of the RDR) were developed in all EU Member States, although the importance of the agri-environmental payments in the RDP varies across countries (for more detail, see Chapter 5 on EU policy development, Figure 5.8). EU member states continue to develop measures in place during the previous programming period and to introduce new measures, in particular in new member states where agri-environmental measures were not compulsory during 2004-06. In addition to agri-environmental payments per se, Axis 2 also offers specific funding to co-finance *Natura 2000* measures that aim to preserve biodiversity in most valuable and threatened sites; and measures linked to the Water Framework Directive (Directive 2000/60/EC), as well as support for non-productive investments for improving the environment and the countryside.

Payments based on farming practices have also been implemented in other European countries. In ***Switzerland*** the Federal Agricultural Law adopted in 1996 (amended regularly in a four-year period) offers a range of payments based on different standards of agricultural practices. Most of these payments continue to be applied under the agricultural policy for the period 2008-11. Under voluntary programmes, payments are provided to farmers for specific biotypes, such as extensive grasslands, floral fallows, high-stem fruit trees, and hedges. Payments are also provided to support the extensive cultivation of grains and oilseeds, and for organic farming. ***Norway*** introduced payments to support organic farming in 1991, and currently offers an organic conversion payment, which is paid per hectare, together with on-going area and headage payments for organic farmers. In the period 1994-2001 payments were also granted to support mountain dairy farming in order to contribute to the maintenance of the cultural landscape through summer animal grazing in mountain areas. From 1994 under payments for changed soil conservation a per-hectare payment is granted for not cultivating erodible soils in autumn and for planting cover crops in cereal fields and grass strips around water courses. In 2004, Norway introduced a general landscape payment under which a fixed-rate payment is granted per hectare of all agricultural land, provided that the farmer complies with good farming practices. In ***Iceland***, payments are provided to farmers who qualify to participate

in soil conservation and forestry schemes designed to prevent desertification and soil erosion (sand encroachment) and the restoration of degraded land.

The ***United States*** provides payments to support voluntarily adopted, environmentally friendly farming practices, based on a cost share and incentive basis, through a wide range of programmes. Some of these programmes are applied throughout the US, while others target specific areas where there are specific environmental or natural resource concerns. Most of these programmes also finance the technical assistance necessary on farms to develop and implement those programmes. The Environmental Quality Incentives Program (EQIP) was established by the 1996 Farm Act (amended under the 2002 FSRI Act and continued in the 2008 FCEA Act) to provide financial and technical assistance to farmers to promote the adoption of environmentally-friendly practices in environmentally sensitive areas, mainly to reduce soil and water resource problems. EQIP provides assistance of up to 75% (but more typically 50%) of the costs of certain conservation practices, such as nutrient management, manure management, integrated pest management, irrigation water management, and wildlife habitat management (60% of the fund's budget is spent on livestock-related concerns). Farmer contracts are for 1 to 10 years. The Conservation Security Program (CSP), (part of the 2002 FSRI Act), has been implemented since 2004. This voluntary programme provides payments to producers for adopting or maintaining a wide range of farm practices that address one or more areas of concern, such as soil, water or wildlife habitat. It provides equitable access to benefits for all producers, regardless of size of operation, crops produced, or geographic location. In contrast to other conservation programmes, CSP focuses on operations that already have addressed environmental problems, while keeping land in production. Up to 2008, the programme provided three tiers of participation that differ in contract length and total payments, according to the amount of treatment and the portion of the agricultural operation being offered. Payment limits per farms are differentiated according to the three tiers. Other programmes providing payments for farming practices are the Ground and Surface Water Program (GSWP), the Farmland Protection Program (FPP), and the Grassland Reserve Program (GRP).

The 2008 Farm Act (FCEA) continues the evolution of **environmental conservation programmes** begun in the 1985 Farm Act. The 2008 Farm Act re-authorizes almost all 2002 Farm Act conservation programmes, increases in spending by nearly USD 8 billion, modifies several programmes, and creates several new conservation programmes. The FCEA 2008 objectives continue to shift the conservation focus from land retirement to environmental protection of agricultural lands in production (working lands) by increasing funding for the Environmental Quality Incentives Program (EQIP) and new Conservation Stewardship Program (CSP) (successor to the Conservation Security Program). Chapter 14 on ***United States*** provides more detailed information on these policy changes.

In ***Canada***, the main agri-environmental programmes are implemented under the Agricultural Policy Framework (APF) applied for 2003-08. These programmes are financed (or co-financed) from the Federal budget, but the delivery mechanism is developed and implemented by Provinces. The National Farm Stewardship Program provides payments based on specific farming practices and technical assistance. In 2008, annual spending was CAD 112 million and around 44 000 contracts for Beneficial Management Practices (BMPs) were signed. Green Cover Canada also provides financial and technical assistance to farmers and focuses on land conversion, critical areas, and shelterbelts (expenditures raised from CAD 4 million in 2003/04 to CAD 29 million in 2007/08). The National Water Supply Expansion Program provides technical and financial assistance to Canadian

producers (in the form of one-off or transitional payments) to help develop, protect and enhance long-term agricultural water supplies (expenditures rose from CAD 5 million in 2003/04 to CAD 28 million in 2007/08). Moreover, it is necessary to have a completed and approved Environmental Farm Plan to be eligible for National Farm Stewardship Program funding.

In ***Mexico***, a programme for sustainable agriculture and productive reconversion in recurrent zones of natural disasters, provide area and headage payments to farmers who develop a rural sustainable development project and/or a productive project of conversion. In 1999, ***Korea*** introduced direct payments to farmers eliminating or restricting the use of fertilisers and pesticides in drinking water conservation areas. The programme was revised in 2002 to extend the application of incentive payments to the whole country. Three basic schemes are available to farmers who voluntarily join the programme (organic farming: no pesticides, no chemical fertilisers; pesticide-free: no pesticides, limited use of chemical fertilisers; and low agrochemical: limited use of pesticides and chemical fertilisers). In 2004, Korea introduced payments to support environmentally friendly livestock farming to farmers applying specific manure management practices and maintaining limited stocking densities. Additional payments per farm are provided to farmers managing appropriate landscape architecture (elements) around farm livestock facilities. In 2007, ***Japan*** introduced direct payments for environmentally friendly farming to farmers committing themselves to reduce the use of chemical fertilisers and pesticides to a half of the conventional farming practice in the region.

In ***Australia***, the activities of the National Heritage Trust were extended from 2002-03 to 2006-07 and the Trust's former 23 programmes were consolidated and simplified into four overarching programmes: (i) Landcare Program — reversing land degradation and promoting sustainable agriculture; (ii) Bushcare Program — conserving and restoring habitat for Australia's unique native flora and fauna, which underpins the health of landscapes; (iii) Rivercare Program — improving water quality and environmental condition in Australia's river systems and wetlands; and (iv) Coastcare Program — protecting coastal catchments, ecosystems and the marine environment. The Landcare, Bushcare and Rivercare programmes included measures to encourage the uptake of sustainable farm practices, implemented through collective communities., These programmes ended in June 2008 and were replaced by a new ongoing government initiative, Caring for our Country that aims to achieve an environment that is healthy, better protected, well-managed and resilient, and provides essential ecosystem services in the context of a changing climate. Caring for our Country is designed as an integrated package with the goal of promoting a business approach to investment; clearly articulated outcomes and priorities; and improved accountability. An initial investment of AUD 2.25 billion has been provided for the first five years (1 July 2008—30 June 2013) of the initiative. Strategic results will be focused on six national priority areas: (i) the national reserve system, (ii) biodiversity and natural icons, (iii) coastal environments and critical aquatic habitats, (iv) sustainable farm practices, (v) natural resource management in remote and northern Australia, and (vi) community skills, knowledge and engagement.

Payments based on land retirement

Programmes under this category provide incentive payments to retire land from commodity production and convert the land for environmental purposes. Such programmes have dominated agricultural conservation expenditures in the ***United States***

since the mid-1980s. The major land retirement programme is the Conservation Reserve Program, which was introduced under the 1985 Food Security Act. The CRP provides an annual rental payment to farmers who enrol in 10 to 15-year contracts to retire land from production. Since 1996, CRP rental payments have averaged more than USD 1.5 billion a year, or around 95% of total expenditure spent on land retirement. As part of the 2002 FSRI Act, the maximum acreage eligible for CRP payments was increased from 14.7 million hectares to 15.8 million hectares. The Wetland Reserve Program in the ***United States*** provides annual cost-share payments or lump-sum payments and technical assistance to producers for implementing an approved wetland restoration and conservation plan, and providing a permanent or long-term easement. Under the 2008 FCEA land retirement programmes continue, with particular emphasis on wetlands. The maximum set-aside area under the Conservation Reserve Program, which is the largest conservation programme in terms of total annual funding, will be decreased from 15.9 million hectares down to 12.9 million hectares, beginning in 2010. However, the maximum enrolment area covered by the Wetlands Reserve Program is increased by 0.3 million hectares to over 1.2 million hectares.

In 1993, ***Switzerland*** introduced land retirement payments under its Green Fallow and Floral Fallow programmes, in order to promote biodiversity and habitat protection. Agri-environmental land retirement payments also exist in the ***European Union***. Most EU member states have implemented various land retirement programmes for various environmental purposes — particularly to protect water supplies and biotope reserves — under the Agri-environment Regulation (No.078/92) and the Rural Development Regulation (No.1257/99 and No.1698/2005). For example, as part of the Rural Development Programmes, a number of EU member states implemented a range of land retirement payments targeting a variety of environmental objectives, including wetland restoration, long-term environmental set aside, *etc*.

In 1992, the ***European Union*** also introduced a forestry scheme (Council Regulation No.2080/92), later encompassed by Rural Development Regulation (No.1257/1999) and subsequently further developed in the 2007-13 RDR (No.1698/2005), which granted support towards planting costs for the afforestation of agricultural land. Payments supporting the afforestation of agricultural land were also provided in other OECD countries, such as ***Iceland***, ***Mexico***, ***Japan*** and the ***United States***.

Payments based on farm fixed assets

In the ***United States***, the Environmental Quality Incentives Program covers up to 75% of the investment cost of installing or implementing structural changes to promote environmental objectives, with a particular emphasis on addressing the environmental problems associated with the livestock sector — such as constructing animal waste management facilities and creating buffer filter-strips at the edge of fields. In 2000, Agriculture Management Assistance (AMA) was also made available in fifteen states to provide cost-share payments to enable farmers to carry out activities to address environmental issues, including the construction or improvement of water management structures, irrigation structures, and the planting of trees to form windbreaks, or to improve water quality.

A number of structural payment programmes have also been implemented in the ***European Union*** under the Rural Development Regulation (No.1257/99, and No.1698/2005). Almost all member countries implemented programmes providing subsidies for investment in manure storage, processing and application capacities. In many cases, these

investments were provided to enable farmers to comply with the strengthened environmental regulatory requirements aiming to improve the environmental impact of breeding activities. This is particularly the case of the new EU member states. For the new rural development programme period 2007-13, the expected environmental impacts of the investments have been assessed before their implementation to avoid negative effect on the environment. Furthermore, support for investments in irrigation structures was granted only to replace the old installations with new water saving systems. Several investment projects have been approved with the aim of reducing ammonia emissions from stables and promoting the rapid incorporation of manure in arable land in order to limit ammonia emissions.

Tax and credit concessions are sometimes used to offset the investment cost of adjusting farm structure or equipment to promote environmental improvements. For example, since 1999, ***Japan*** has provided concessionary loans to farmers for capital expenditure to promote more environmentally sustainable farming. Supported projects are administered by prefecture authorities and include the purchase of agricultural machinery, such as compost storage facilities, compost spreaders, and infrastructure improvements, such as manure storage facilities. Federal Government tax concessions were introduced in ***Australia*** in the 1980s in order to promote a range of environmental objectives, including the prevention of land degradation and water conservation. Some countries have also introduced payments in kind. For example, in ***Canada***, under the Shelterbelt Program, trees and shrubs are distributed (free of charge) to qualifying landowners in the Prairie Provinces for shelterbelt planting in agricultural areas, in order to enhance environmental sustainability and biodiversity. This programme was supplemented in 2001 with the introduction of the Shelterbelt Enhancement Program, which is aimed at improving the success of shelterbelt planting as to promote the sequestration of greenhouse gas emissions, as part of Canada's Action Plan 2000 on Climate Change.

One other development has been the introduction of structural cost-share programmes specifically designed to assist farmers in meeting the costs of environmental regulatory requirements. For example, in 2000 the ***United States*** introduced Soil and Water Conservation Assistance to help landowners comply with Federal and State environmental laws and make beneficial, cost-effective changes to cropping systems, grazing management, nutrient management, and irrigation.

Agri-environmental payments in the PSE classification

In this section the analysis is based on the *Inventory* information and on the information on payments to specific programmes contained in the OECD PSE/CSE database and its documentation. Programmes providing agri-environmental payments are part of the PSE database (which provides information on their evolution over time and the ways in which they are implemented) but are not explicitly identified[5]. The agri-environmental payments identified in the *Inventory* are presented for the ***European Union***[6], ***Norway***, ***Switzerland*** and ***United States*** (Table 2.1). These countries were selected as they have developed the broadest scope of programmes providing agri-environmental payments to farmers and have applied them for a longer time period. Some other countries (***Japan***, ***Mexico*** and ***Turkey***) have only recently started to introduce agri-environmental payments and/or the level of these payments in the overall support is extremely low. ***Australia***, ***Canada*** and ***New Zealand*** have been implementing agri-environmental projects for a longer time, but are making a very limited use of payments to farms (and, where payments

are made, this is in the form of one-off or transitional payments) and their support to agri-environmental programmes is provided mostly through general services.

This part focuses on those agri-environmental measures that provide payments to farmers and hence are included in the PSE. However, in the PSE payments to farms are classified according to the *implementation criteria* and not by *objectives* or *impacts*. Box 2.2 provides an explanation on how the agri-environmental payments are classified in the PSE. As was illustrated in Part 2 of this chapter, the mixes of policy instruments to address environmental issues in agriculture are broader than agri-environmental payments, and the mix varies from one country to another. In countries such as ***Norway*** and ***Switzerland***, there are significant regulatory requirements to achieve improved performance. This means that the level of agri-environmental payments by themselves does not account for all of the efforts of countries to reach their environmental objectives related to agriculture. It should be also noted that farm support related to environmental cross-compliance and payments to less favoured areas are not included in agri-environmental payments as defined in this chapter (discussion on which payments to less favoured areas can be considered as agri-environmental payments is ongoing in the OECD in the context of the *Inventory* project).

Some budgetary spending addressing environmental issues finances general services to the sector. However due to a lack of detailed information concerning the expenditures on general services (GSSE), the transfers related to agri-environmental policies cannot be separated from the overall figures (such as expenditures on research, development, extension, or infrastructure).

Box 2.2. **How agri-environmental payments are classified in the PSE**

The PSE classification is based on implementation criteria (see Annex 1.C). This means, for example, that the category "payments based on non-commodity outputs" includes only those agri-environmental policies under which payments are directly related to (based on) the provision of specific non-commodity outputs. However, policies that are based on area or animal numbers or some other implementation criteria, although they may be implemented with the aim of improving environmental performance, are classified according to the primary basis on which the policies are implemented. Such policies are currently classified as "payments based on area/animal numbers/receipts/income" or, in the case of payments financing investment, they are classified as "payments based on input use". In these cases, further information concerning the nature of the policies is given through the use of labels.

With respect to agri-environmental programmes, the label based on input constraints (voluntary or compulsory), is the most appropriate, as these policies require farmers to reduce the use of inputs or to apply specific farming practices. Work is on-going to further refine the new classification in order to provide more comprehensive information on the content of those categories and sub-categories that currently may contain rather heterogeneous measures (*i.e.* the label voluntary input constraints is applied also for other policy measures, *e.g.* animal welfare policies). This should allow in future for attention to be drawn to the fact that a significant share of support has input constraints attached relating to environment, animal welfare, or other issues, where this is the case.

Box 2.2. **How agri-environmental payments are classified in the PSE** *(cont.)*

Under the classification used in this *Monitoring and Evaluation* report, agri-environmental payments are classified in the following categories:

1. Payments based on input use – with input constraints: this category includes mostly payments to investments to reduce or improve environmental impacts of farming. The label input constraints also distinguishes whether the input constraints are applied on a voluntary basis or whether they are compulsory (enforced by regulation);

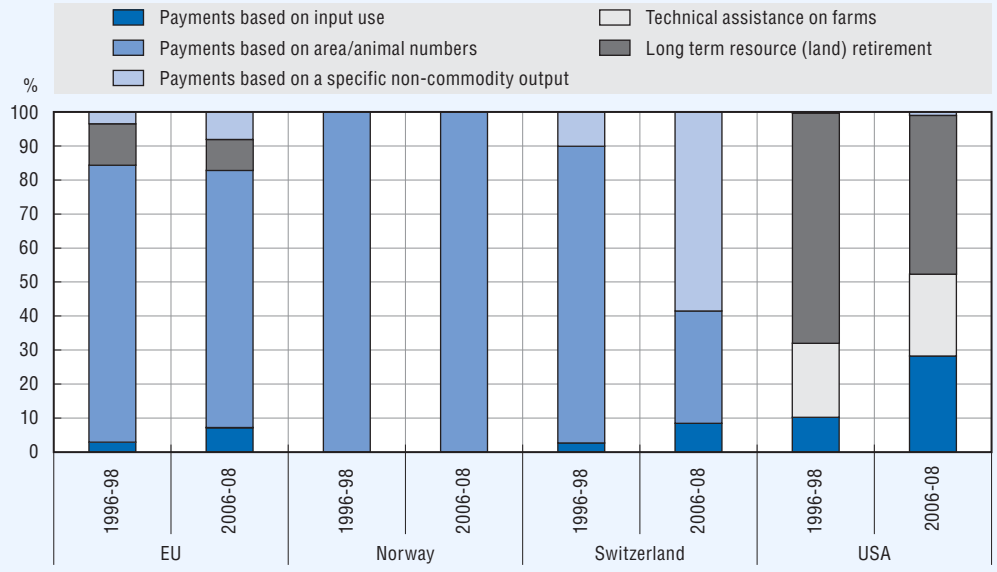
2. Payments based on current area/animal numbers – with input constraints: this category includes payments for specific voluntary farming practices where payments are based on current area or animal numbers.

3. Technical assistance/extension on farm: payments provided for services on farms such as technical assistance and extension related to the implementation of agri-environmental programmes.

4. Payments based on long-term resource retirement: Payments for long term retirement of resources (mostly agricultural land) from production for environmental and resource conservation purposes.

5. Payments based on a specific non-commodity output: Payments based on specific environmental achievements (*e.g.* reduction of pollution, biodiversity results…) or specific landscape amenities not related to production (*e.g.* stonewalls, hedges, individual landscape elements).

Figure 2.1. **Structure of agri-environmental payments in selected OECD countries in 1996-98 and 2006-08**



EU 15 for 1996-1998 and EU 27 for 2006-08

Source: OECD, PSE CSE database, 2009.

StatLink http://dx.doi.org/10.1787/653080707673

Table 2.1 shows the trends of indexed nominal agri-environmental payments in the ***European Union***, ***Norway***, ***Switzerland*** and the ***United States***. It should be stressed that these data only include those agri-environmental measures that provide payments to farms. As the mix of policy instruments to address environmental issues in agriculture varies from one country to another, the analysis of the level and structure of agri-environmental payments should be considered in this wider perspective.

Table 2.1. **Total agri-environmental payments[1] in selected OECD countries, 1996-2008**

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU[2]	EUR million	3 004	3 817	3 931	4 390	5 623	5 828	5 250	5 133	5 527	6 118	6 525	5 620	6 809
	1996=100	100	127	131	146	187	194	175	171	184	204	217	187	227
Norway	NOK million	923	922	994	1 043	1 071	1 001	1 198	683	695	712	874	966	998
	1996=100	100	100	108	113	116	108	130	74	75	77	95	105	108
Switzerland[3]	CHF million	605	721	689	177	184	193	203	213	224	231	233	239	245
	1996=100	100	119	114	29	30	32	34	35	37	38	39	40	40
United States	USD million	2 690	2 731	3 030	2 676	2 751	2 964	3 501	4 093	4 550	4 911	4 946	4 524	4 876
	1996=100	100	102	113	99	102	110	130	152	169	183	184	168	181

1. Agri-environmental payments used in this table provide support to farmers for undertaking farming practices designed to achieve specific environmental objectives that go beyond what environmental regulation require. Farm support related to respecting regulations (environmental cross-compliance) and payments to less favoured areas are not included here as agri-environmental payments. Discussion on which payments to less favoured areas can be considered as agri-environmental payments is ongoing in the OECD in the context of the Inventory project).
2. EU15 in 1996-2003; EU25 in 2004-06; EU27 from 2007.
3. In Switzerland, most agri-environmental payments up to 1998 were for integrated production. Since 1999, these payments were abolished and the regulatory requirements for integrated production are compulsory for all direct payments (environmental cross-compliance). However, these payments are not included as part of "agri-environmental payments". This change in policy is reflected by the sharp drop in agri-environmental payments in 1999.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655476241618

Summary and conclusions

OECD countries use different mixes of policy instruments to achieve their various environmental objectives where markets for externalities and public goods are missing. The policy instruments applied are the reflection of the overall policy approach to the sector; the specific environmental issues and their perceived linkage to agriculture activities; the nature of property rights related to the use of natural resources (land, water); and societal concerns related to environmental issues. Although less visible in policy analysis and policy debate, environmental regulations (regulatory requirements) are the core of the policies addressing environmental issues in agriculture. All OECD countries impose a complex set of regulations to prevent the negative impact of agriculture on the environment. Most of these regulations are applied generally. However, in areas with higher environmental values (natural reserves), drinking water catchment areas, environmentally sensitive areas, or close to population dense areas, stricter regulations are applied. Over time, these regulatory requirements have generally broadened in scope and become more stringent. Some OECD countries (***Australia***, ***New Zealand***) rely mostly on regulations to address environmental issues in agriculture.

Many other OECD countries (***EU*** countries, ***Norway***, ***Switzerland*** and ***United States***) have also developed a wide range of voluntary programmes providing payments to farmers to adopt specific farming practices on producing land, with positive environmental effects and/or providing public goods (such as landscape, biodiversity, etc). Although, these programmes offer a large variety of measures, most of the payments are related to the

support of extensive forms of farming (mostly on grassland — extensive management of grassland, extensive pastures). For most of those payments targets are defined in the form of a specific farming practice rather than a specific (measurable) environmental outcome. Programmes providing payments for retirement of agricultural land from production for environmental and resource conservation purposes are also implemented in a range of countries, but, with the exception of the ***United States***, they are of minor importance in terms of area covered.

The agri-environmental payment is a generic title and includes a wide range of policies which may differ in many ways, in term of their characteristics:

- Spatial targeting (*i.e.* applied to a specifically defined area – mostly using environmental criteria; within an administrative region, whole country);
- Time duration (*i.e.* one-off/transitional; medium term; long term);
- Basis of the payment/implementation criteria (*i.e.* based on input use; payment per area/head, resource retirement, non-commodity outputs);
- Definition of the level of payment (*i.e.* valuation of a specific project, using an auction system, using fixed (flat) rates — specific region/whole country, share on investment costs).

Other economic instruments, such as tradable rights and quotas, are used in a limited number of countries. These include tradable rights for the development of wetlands in the ***United States***, tradable water extraction rights (implemented on a state/regional basis in the ***United States***), and improving market mechanisms to free up trade in water rights under implementation of tradable water rights in Australia. Tradable rights based on environmental quotas, permits and restrictions do not yet appear to play a significant role in agri-environmental policy, despite the growing use of such measures for environmental policy in other sectors.

Most OECD countries have also directed greater attention towards improving the knowledge-base relating to environmental issues in agriculture in the past two decades, through increased spending on agri-environmental research, often undertaken in co-operation with private sector interests. One notable trend in this area has been the development of agri-environmental indicators in a number of OECD countries to track environmental performance. Greater emphasis has also generally been placed on communicating information to farmers on environmental issues via technical assistance and extension, in order to induce voluntary changes in farming practices to improve environmental outcomes.

Coherence of agricultural, agri-environmental and environmental policies (policy coherence) has generally improved in the past two decades. Some OECD countries have taken steps to streamline agri-environmental policies measures within over-arching frameworks or action plans addressing environmental or rural development objectives. In the broader context, however, where agri-environmental policies offset the damaging environmental effects of input-linked and production-linked policies, the opportunity costs of improving the environment are higher than would be the case in the absence of production-linked support measures in so far as domestic prices are thereby kept higher than world prices. On the other hand, a number of agri-environmental measures go beyond offsetting environmental damage caused by agriculture and provide voluntary payments for additional environmental services (more or less precisely defined and targeted)

provided by agriculture. In most cases these additional environmental services are defined as specific farming practices than environmental results.

OECD countries are further developing policies to address environmental issues in agriculture. However, in term of the mixes of policies used they continue to use different approaches. Some countries, such as ***Australia*** and ***New Zealand***, continue to rely mostly on environmental regulation and economic instruments such as tradable quotas and permits rather than agri-environmental payments. However many OECD countries implement various systems of agri-environmental payments, which are intended to pay farmers for the voluntary provision of environmental services, or to contribute to the costs of reducing pollution. So far these programmes mainly focus on paying for the implementation of specific farming practices rather than for measurable environmental outcomes. The new Farm Act in the ***United States*** also gives a more prominent role to agri-environmental payments for specific practices on working lands, relative to payments for land conservation. The European Union places emphasis on payments to address environmental issues on working farms. In the ***EU***, ***US*** and ***Switzerland*** cross-compliance linking environmental and agricultural policy instruments is significant. Methods of evaluation of agri-environmental policies are being developed in many countries. This is a longer term and difficult process particularly given the site specificity of many environmental issues and the complexity of valuation and measurement of environmental outcomes.

Notes

1. For example, the comprehensive stocktaking of the environmental performance of agriculture in OECD countries since 1990 in a recently published OECD report (OECD, 2008a).
2. *Good farming practices* also address other environmental issues, such as water pollution and biodiversity.
3. The voluntary carbon market operated by the Chicago Exchange (CCX) does accept credits for carbon sequestration by agriculture, but it is quite limited in practice.
4. In 1985 under EC regulation No.797/85; in 1992 under the Agri-environment Regulation (No.2078/92); and later included under the Rural Development Regulation No.1257/99 for 2000-06 and No.1698/2005 for 2007-13.
5. The information on Agri-environmental policies included in the *Inventory* was used to identify the agri-environmental payments in the PSE database. The payments to farmers subject to environmental cross-compliance are not considered as agri-environmental payments in this concept.
6. The payments are for all EU member states, so they range from EU 15 in the beginning of the evaluated period to EU 27 at the end of the period.

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PART II

Country Chapters

Part II contains 12 chapters with description of main policy developments and evaluation of support for each individual OECD member (with the European Union treated as one country).

Chapter 3

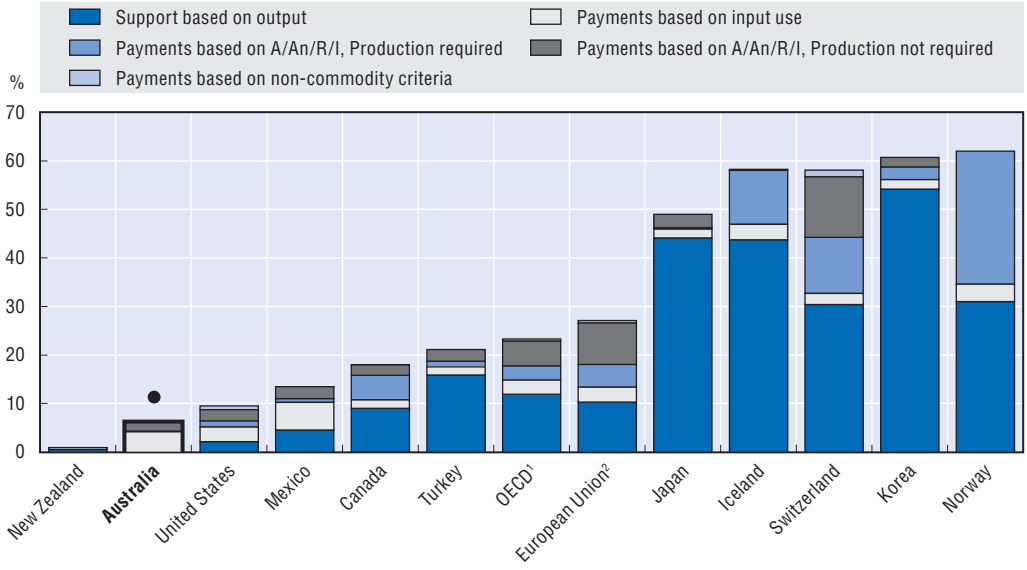
Australia

Evaluation of policy developments

- Overall, there has been substantial and continuing progress since 1986-88 in removing policies creating agricultural production and trade distortions.
- Support to research and development provides an opportunity for innovative approaches in the agriculture sector to reduce greenhouse gas emissions, better manage soils and adapt to climate change.
- Programmes to assist farmers to manage the impact of climate change, including re-establishment support to those who choose to leave farming, should also improve the long-term financial health of the sector.
- More frequent and extended droughts — and predictions that climate change will likely exacerbate current conditions — make it imperative to continue implementation of reform of water policies. The market-based solutions being implemented, including enforcement and trading of water property rights, will better match supply and demand of water.
- The key challenges will be to increase the economic viability of farming while also providing for the conservation of natural resources and managing the impacts of climate change.

Figure 3.1. **Australia: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

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Summary of policy developments

Key policy developments in 2006-08 included: a major new initiative (Australia's Farming Future) to help industry through research, tools and information to manage the impacts of climate change; strengthening of water policy reforms and environmental programmes; and a further extension of countries included under negotiations toward bilateral and regional free trade agreements.

- Producer support (%PSE), decreased from 7% in 1986-88 to 6% by 2006-08 (6% in 2008), compared to a decline in the OECD average over the same period from 37% to 23%.
- The combined share of the most distorting types of support in the PSE (based on commodity output and non-constrained variable input use) fell from 76% in 1986-88 to 51% in 2006-08.
- Domestic producer prices are closely aligned with world prices, compared to 1986-88 when they were 4% higher (NPC). This compares to the OECD average with producer prices 16% above world prices in 2006-08.
- The cost imposed on consumers from agricultural policies (%CSE) declined from 7% in 1986-88 to 1% by 2006-08, mainly reflecting complete market liberalization in milk in 2000.
- Virtually no Single Commodity Transfers (SCT) were provided in 2006-08, a significant reduction from 52% of PSE in 1986-88.
- Support for general services accounted for 32% of total support in 2006-08 (29% in 2008), compared to 10% in 1986-88. The change is mainly due to higher infrastructure and research and development expenditures.
- The total cost to the economy of support as a share of GDP (%TSE) fell from 0.4% in 1986-88 to 0.3% by 2006-08 (0.3% in 2008), around a third of the OECD average.

Figure 3.2. **Australia: PSE level and composition by support categories, 1986-2008**

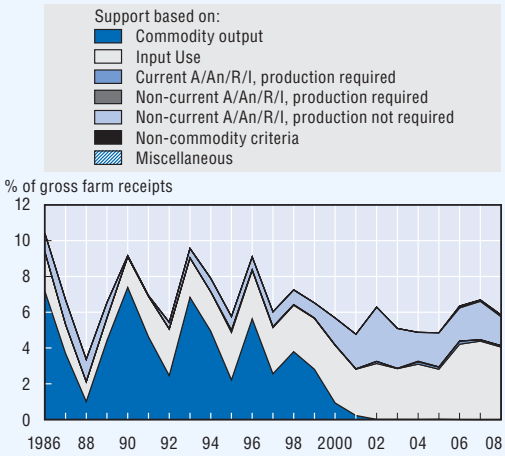

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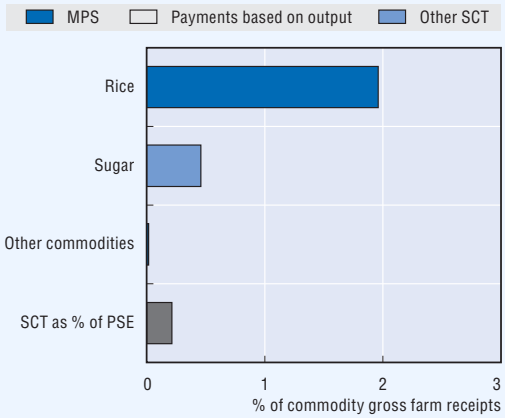
Figure 3.3. **Australia: Producer SCT by commodity, 2006-08**



1. Note that the scale of the horizontal axis does not exceed 3%.

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Table 3.1. **Australia: Estimates of support to agriculture**

AUD million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**19 888**	**40 016**	**35 918**	**41 486**	**42 646**
of which share of MPS commodities (%)	*86*	*69*	*68*	*70*	*69*
Total value of consumption (at farm gate)	**7 279**	**21 470**	**20 483**	**22 808**	**21 119**
Producer Support Estimate (PSE)	**1 327**	**2 686**	**2 435**	**2 974**	**2 651**
Support based on commodity output	753	1	2	0	1
Market Price Support	*753*	*1*	*2*	*0*	*1*
Payments based on output	*0*	*0*	*0*	*0*	*0*
Payments based on input use	324	1 799	1 613	1 948	1 834
Based on variable input use	*306*	*1 369*	*1 201*	*1 514*	*1 393*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*5*	*121*	*139*	*110*	*113*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*13*	*309*	*274*	*324*	*329*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	0	47	68	36	36
Based on Receipts / Income	*0*	*47*	*68*	*36*	*36*
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	250	799	711	954	733
With variable payment rates	*250*	*364*	*373*	*359*	*359*
with commodity exceptions	*0*	*90*	*75*	*95*	*100*
With fixed payment rates	*0*	*436*	*338*	*595*	*374*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
Payments based on non-commodity criteria	0	41	41	35	46
Based on long-term resource retirement	*0*	*41*	*41*	*35*	*46*
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**	**6**	**6**	**7**	**6**
Producer NPC	**1.04**	**1.00**	**1.00**	**1.00**	**1.00**
Producer NAC	**1.07**	**1.07**	**1.07**	**1.07**	**1.06**
General Services Support Estimate (GSSE)	**132**	**1 132**	**1 156**	**1 281**	**958**
Research and development	132	619	593	631	632
Agricultural schools	0	2	0	0	5
Inspection services	0	86	86	86	86
Infrastructure	0	411	460	551	223
Marketing and promotion	0	14	16	13	12
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**10**	**32**	**34**	**32**	**28**
Consumer Support Estimate (CSE)	**–547**	**–250**	**–245**	**–251**	**–253**
Transfers to producers from consumers	–424	–1	–2	0	–1
Other transfers from consumers	0	–8	–6	–9	–10
Transfers to consumers from taxpayers	–123	–240	–238	–242	–242
Excess feed cost	0	0	0	0	0
Percentage CSE	**–7**	**–1**	**–1**	**–1**	**–1**
Consumer NPC	**1.06**	**1.00**	**1.00**	**1.00**	**1.00**
Consumer NAC	**1.08**	**1.01**	**1.01**	**1.01**	**1.01**
Total Support Estimate (TSE)	**1 337**	**3 578**	**3 352**	**4 013**	**3 367**
Transfers from consumers	424	9	7	9	11
Transfers from taxpayers	913	3 576	3 351	4 013	3 366
Budget revenues	0	–8	–6	–9	–10
Percentage TSE (expressed as share of GDP)	0.44	0.33	0.33	0.37	0.29
GDP deflator 1986-88 = 100	100	188	179	186	199

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Australia are: wheat, other grains, rice, oilseeds, sugar, cotton, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

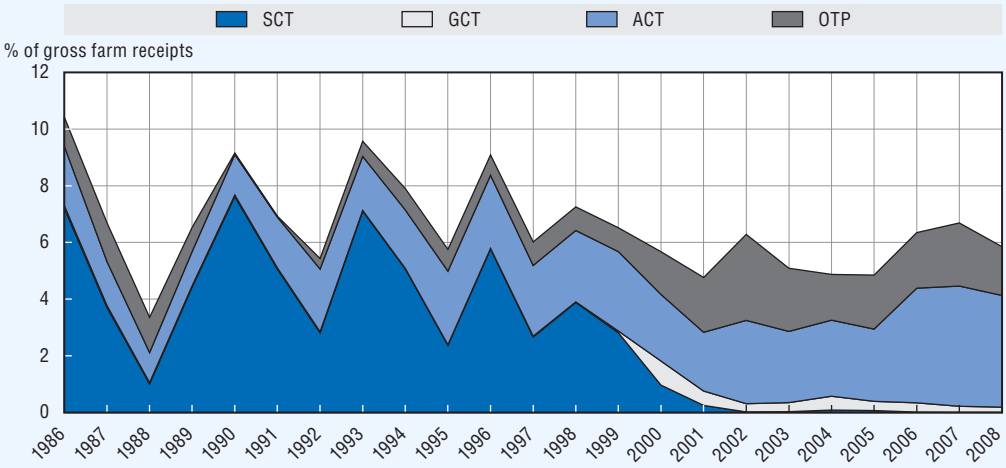
StatLink http://dx.doi.org/10.1787/655503022257

Box 3.1. **Australia: Commodity specificity of support**

Single Commodity Transfers (SCT) made up 1% of the PSE in the 2006-08 period, a reduction from 52% in 1986-88. Over this period support had been highest for milk and sugar, but since market liberalisation of the milk sector in 2000, these transfers have been reduced to virtually zero.

Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 4% of the PSE in 2006-08, an increase from 1% in 1986-88. Transfers provided under the headings All Commodity Transfers (ACT) and Other Transfers to Producers (OTP) place no restrictions on commodities that farmers choose to produce. Together they comprised 96% of the PSE in 2006-08, up from 47% in 1986-88.

Figure 3.4. **Australia: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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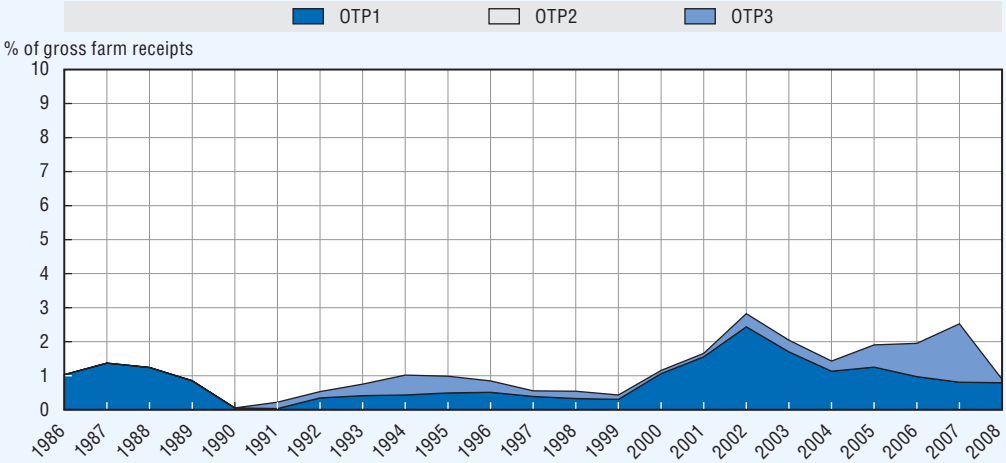
Figure 3.5. **Australia: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/653207314644

Description of policy developments

Main policy instruments

The agriculture sector in Australia is market oriented with domestic and international prices very closely aligned. With the deregulation of the dairy industry in 2000, there is virtually no remaining market price support for agricultural commodities.

Support is mainly provided by budget-financed programmes as well as through regulatory arrangements and tax concessions. Budget financed programmes are mainly used for structural adjustment, rural research (with matching contributions from industry) and for natural resources and environmental management. There are some statutory and regulatory arrangements (mainly at the state government level) that allow for export control of a few commodities, including wheat, barley, rice, lupins and canola in certain states. Federal tax concessions are granted to farmers in order to manage the tax implications of fluctuating incomes. Off-road diesel fuel, used in agricultural production, qualifies for rebates on excise taxes, as part of a scheme of rebates for diesel fuel used in a number of industry sectors, including primary production activities. Import tariffs protect producers of certain types of cheese, and unprocessed tobacco.

Expenditure on research and development is co-financed by funds collected through industry levies, supplemented by funding from the Federal budget. Water management is crucial in many parts of Australia. Landholders can claim accelerated depreciation for investments relating to land and water conservation. In exceptional circumstances (*e.g.* droughts and floods), federal and state governments provide a range of assistance measures.

Domestic policy

In the 2008/09 financial year the federal government identified a number of priorities and new initiatives. Australia's Farming Future is the government's major initiative to help equip primary industries with research, tools and information to manage emissions, adapt and adjust to the impact of climate change and maintain productivity.

Australia's Farming Future will provide AUD 130 million (USD 109 million) of support over four years for the following programmes:

- The Climate Change Research Programme will provide AUD 46.2 million (USD 39 million) over four years to fund research to assist the agriculture sector to reduce greenhouse gases and pollution, better manage soils and adapt to a changing climate. The programme aims to encourage collaboration across research organisations and state agencies to ensure large scale funding proposals and cross sectoral application.
- FarmReady is intended to help industry and primary producers develop skills and strategies to cope with the impacts of climate change. It will provide AUD 26.5 million (USD 22 million) over four years to boost training opportunities for primary producers, and to enable industry, farming groups and natural resource management groups develop strategies to adapt and respond to the impacts of climate change. Two grants are available through the FarmReady programme:
  - FarmReady Reimbursement Grants – primary producers and Indigenous Peoples' land managers will be entitled to claim up to AUD 1 500 (USD 1 253) each financial year to attend approved training courses.

  - ❖ FarmReady Industry Grants – up to AUD 80 000 (USD 66 806) each financial year will be available to eligible industry, farming and natural resource management groups for projects that develop strategies to manage climate change impacts.
- Community Networks and Capacity Building focuses on increasing the leadership and representative capacity of target groups including women, youth, Indigenous Australians and people from culturally and linguistically diverse backgrounds. With increased access to tools and resources, these groups can improve their leadership and management skills, increase participation in industry and more effectively contribute to government and industry decision making.
- The Climate Change Adjustment Programme assists farmers in financial difficulty to manage the impacts of climate change. Farm Business Analysis and Financial Assessments and professional advice and training are individually tailored to help farmers adjust to climate change and to set goals and develop action plans to improve their financial circumstances. Rural financial counsellors can assist eligible farmers to take action to improve their long term financial position. Re-establishment assistance provides farmers who sell their farms with assistance to find other employment options or to retire.

Transitional Income Support provides short-term income support and advice and training opportunities to farmers in serious financial difficulty, while they adapt their farm to changing circumstances, including climate change. Transitional Income Support is available to eligible farmers for up to 12 months, between 16 June 2008 and 30 June 2010, and paid at a fortnightly rate equivalent to the prevailing unemployment benefit. Transitional Income Support recipients are required to develop a Climate Change Action Plan. This is funded through the Climate Change Adjustment Programme and entitle the beneficiary to an advice and training grant of AUD 5 500 (USD 4 593) to access professional advice.

Investments were announced in February, March, and May 2009 by the Minister for Agriculture Fisheries and Forestry for research into soil carbon, nitrous oxide and reducing emissions from livestock, with funding from the Climate Change Research Programme, research organisations and industry bodies.

Under the AUD 20 million (USD 17 million) Soil Carbon Research Programme nine projects are being established to look at carbon changes in soil across Australia in response to farm management practices. The programme will create a nationally standardised methodology for sampling and analysing soil carbon and will include research into:

- improving the understanding of soil carbon stocks;
- the impacts of management practices on soil carbon; and
- the role Australian soils could play in sequestering carbon dioxide from the atmosphere.

The AUD 11.8 million (USD 9.9 million) Nitrous Oxide Research programme develops a national system for measuring nitrous oxide emissions from Australia's agricultural soils. The programme will consist of nine projects monitoring nitrous oxide emissions from soils in five key farming systems: sugarcane, cotton, dairy, pasture, rain-fed cereal cropping and irrigated cereal cropping.

Reducing Emissions from Livestock Research Programme is an AUD 26.8 million (USD 22.4 million) programme comprising 18 projects focusing on reducing methane

emissions from livestock. These projects will lead to the development of abatement technologies and farming systems with low net emissions and will include research into:

- dietary supplements and alternative feeds to reduce methane production within animals;
- management of livestock farming systems to reduce emissions; and
- genetic approaches such as selective breeding to develop low emitting animals.

The Australian Government initiated a Comprehensive National Review of Drought Policy in April 2008, in recognition that the current Exceptional Circumstances arrangements may no longer be the most appropriate in the context of a changing climate. The review included investigations of the climatic, economic and social aspects of drought and drought assistance in Australia. It involved public consultations and submissions and expert input, and has presented the government with options to change drought policy and programmes. The government is considering the review's findings.

The Australian Government is committed to implementing an Emissions Trading Scheme in 2011. The Carbon Pollution Reduction Scheme will be the primary policy tool to drive emissions reductions in Australia and contribute to achieving a global reduction in greenhouse gas concentrations. The agriculture sector will not be included in the Scheme from its commencement due to practical considerations in accounting for the sector's diffuse emission sources. However, in order to achieve broadest possible coverage of the Scheme, the government will make a decision in 2013 on the potential to include the sector in 2015 at the earliest. The government has initiated a work programme to inform this decision.

In 2008, an independent review of Australia's quarantine and biosecurity arrangements was undertaken. The review's panel received over 220 written submissions and consulted widely, holding over 170 meetings with individuals and representatives of interested organisations in Australia and overseas. The review's report and the Australian Government's preliminary response were released on 18 December 2008. In its preliminary response, the government agreed in principle to all of the review panel's 84 recommendations. Activities are currently underway to implement changes to Australia's biosecurity system in line with the review's recommendations.

The Australian Government is investing AUD 12.9 billion (USD 10.8 billion) in Water for the Future – a 10-year plan to secure the long-term water supply to both rural and urban areas. The Australian Government's Water for the Future priorities will be delivered through investment in strategic programmes, improved water management arrangements, and a renewed commitment to deliver a range of water policy reforms. Policies include: reforms through the Council of Australian Governments, the Water Act 2007 and the Water Amendment Act 2008; and the National Water Initiative (the blueprint for Australia's water reform).

Measures under Water for the Future include: setting a new, scientifically informed cap on the amount of water that can be taken out of rivers and groundwater systems in the Murray-Darling Basin; improving the health of important rivers by buying-back water entitlements from willing sellers in the Murray-Darling Basin; investing in key rural water projects that deliver water savings, shared between agriculture and the environment, by upgrading out-dated, leaky irrigation systems; and accurately monitoring, assessing and forecasting the availability, condition and use of water resources.

Trade policy

In addition to its multilateral approach in the WTO, Australia has entered into a number of Free Trade Agreements (FTAs) that have been or are in the process of negotiation. Apart from Australia's trade agreement with New Zealand, which has been in operation since 1983, Australia has FTAs with Singapore, Thailand, the United States of America and Chile. Most recently, the negotiations between ASEAN, Australia and New Zealand for a Free Trade Agreement (AANZFTA) were concluded on 28 August 2008 and the agreement was signed on 27 February 2009. This is the largest FTA that Australia has signed to-date. A separate agreement is being negotiated with Malaysia. There are plans to negotiate an FTA with Indonesia. FTA agreements are also being pursued with China, Japan and the Gulf Cooperation Council.

Chapter 4

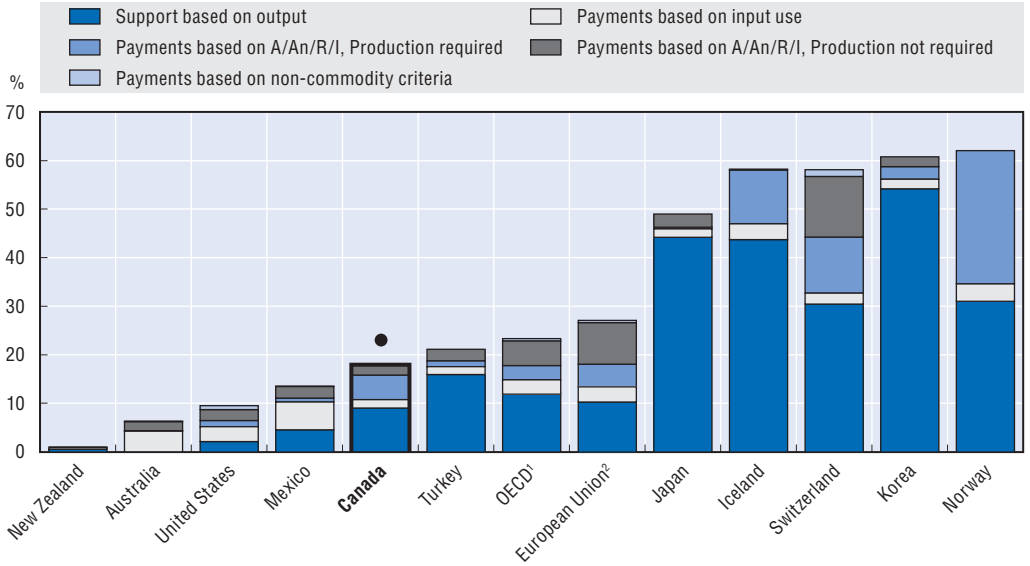
Canada

Evaluation of policy developments

- Overall, there has been good progress in moving towards market orientation with the level of support resuming its downward trend after increasing between 1997 and 2003.
- However, recent reforms to risk management programmes focus on improving delivery rather than reducing the level of support. Three of the programmes introduced under the Growing Forward framework agreement replace similar existing measures The fourth, the AgriRecovery programme, would benefit from a clearer statement of which risks are to be borne by farmers and which will be assumed by the government under the programme. An open-ended promise of relief can give the wrong incentive to producers and hinder adjustment.
- Policies focusing on improving infrastructure to reduce risks to farm income or on adjustment to help farmers move away from chronically risky enterprises can be more cost-effective in the long term. While such programmes have been in place for a long time, the emphasis on innovation in the new policy framework could bring new thinking to these issues.
- Recent high world prices have led to a significant reduction in the level of market price support for eggs and dairy products as measured by the PSE. Generally higher prices for agricultural commodities, milk products in particular, provide an opportunity and rationale for reform of long-standing price support policies for milk, poultry and eggs.
- Greater co-ordination between Agriculture and Agri-Food Canada and other government ministries such as Environment, Natural Resources, Health, and Industry would facilitate the development of policies that maximise benefits for all citizens.

Figure 4.1. **Canada: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

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Summary of policy developments

Agreement on the business risk-management elements of the *Growing Forward* framework agreement between the federal and provincial governments was reached in July 2008 (Box 4.1). Agreement on other elements of the framework, concerning environment, sectoral adjustment, innovation, and regulation was reached on 31 March 2009. Risk management programmes under the old framework agreement are re-organised to more clearly identify policy objectives with individual programmes.

- Support to producers (%PSE) fell to 18% in 2006-08 compared to 36% in 1986-88. High commodity prices and lower budgetary payment levels resulted in a significant decrease in 2008 to 13%, the lowest amount on record.
- The share of the most distorting forms of support, based on output and non-constrained variable input use, was 55% of the PSE in 2006-08, a decline from 68% of the PSE in 1986-88.
- Prices received by farmers were 11% above world prices in 2006-08 (NPC), compared with 39% in 1986-88. Farm receipts were 22% larger than they would have been in the absence of support in 2006-08 (NAC), versus 58% in 1986-88.
- Single Commodity Transfers (SCT) accounted for 61% of the total PSE in 2006-08, dominated by price support for milk, which had an %SCT of 46%. SCT in 1986-88 was 71% of the total PSE.*
- The cost imposed on consumers as measured by the %CSE was 25% in 1986-88 but only 16% in 2006-08 reflecting the impact of generally higher world prices.
- Support to general services in the agricultural sector as a share of total support (%GSSE) increased to 33% in 2008, compared to 26% in 2007 and 19% in 1986-88. Total support to agriculture as a percentage of GDP was 0.55% in 2006-08, down two-thirds from 1.76% in 1986-88.

* SCT support to "Other commodities" is likely overestimated, as the calculation of this estimate is influenced by the high level of MPS for milk, which receives significant SCT support.

Figure 4.2. **Canada: PSE level and composition by support categories, 1986-2008**

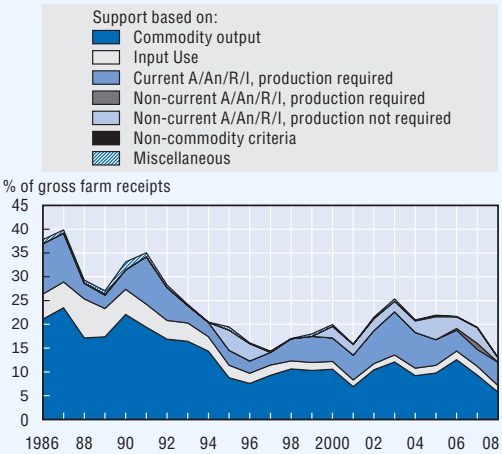

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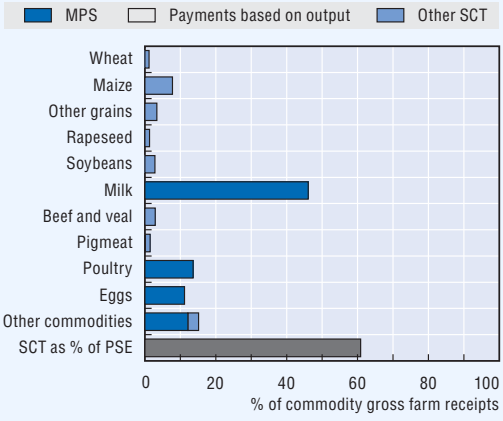
Figure 4.3. **Canada: Producer SCT by commodity, 2006-08**



StatLink http://dx.doi.org/10.1787/653272272618

Table 4.1. **Canada: Estimates of support to agriculture**

CAD million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**18 458**	**37 157**	**32 537**	**36 967**	**41 968**
of which share of MPS commodities (%)	*82*	*76*	*74*	*76*	*76*
Total value of consumption (at farm gate)	**15 371**	**26 326**	**24 590**	**27 775**	**26 613**
Producer Support Estimate (PSE)	**7 941**	**7 209**	**7 757**	**7 964**	**5 906**
Support based on commodity output	4 582	3 645	4 499	3 832	2 605
Market Price Support	*4 107*	*3 644*	*4 499*	*3 832*	*2 602*
Payments based on output	*476*	*1*	*0*	*0*	*3*
Payments based on input use	1 406	682	654	769	624
Based on variable input use	*795*	*402*	*414*	*415*	*378*
with input constraints	*0*	*6*	*7*	*10*	*0*
Based on fixed capital formation	*585*	*244*	*216*	*328*	*188*
with input constraints	*0*	*58*	*49*	*104*	*22*
Based on on-farm services	*26*	*36*	*24*	*25*	*57*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	1 787	1 742	1 560	1 451	2 217
Based on Receipts / Income	*632*	*1 002*	*1 045*	*670*	*1 292*
Based on Area planted / Animal numbers	*1 155*	*740*	*515*	*780*	*925*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on non-current A/An/R/I, production required	0	218	133	517	4
Payments based on non-current A/An/R/I, production not required	0	890	881	1 366	422
With variable payment rates	*0*	*282*	*329*	*488*	*30*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*607*	*551*	*878*	*392*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
Payments based on non-commodity criteria	10	2	5	0	0
Based on long-term resource retirement	*10*	*2*	*5*	*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	155	30	26	29	35
Percentage PSE	**36**	**18**	**22**	**19**	**13**
Producer NPC	**1.39**	**1.11**	**1.16**	**1.12**	**1.07**
Producer NAC	**1.56**	**1.22**	**1.28**	**1.24**	**1.15**
General Services Support Estimate (GSSE)	**1 920**	**2 839**	**2 703**	**2 878**	**2 936**
Research and development	332	465	452	489	454
Agricultural schools	274	260	269	296	216
Inspection services	327	890	819	937	914
Infrastructure	438	554	485	533	644
Marketing and promotion	549	670	678	623	709
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**19**	**28**	**26**	**27**	**33**
Consumer Support Estimate (CSE)	**–3 754**	**–4 173**	**–5 193**	**–4 378**	**–2 948**
Transfers to producers from consumers	–4 057	–3 630	–4 488	–3 817	–2 587
Other transfers from consumers	–49	–543	–705	–561	–362
Transfers to consumers from taxpayers	42	0	0	0	0
Excess feed cost	310	0	0	0	0
Percentage CSE	**–25**	**–16**	**–21**	**–16**	**–11**
Consumer NPC	**1.37**	**1.19**	**1.27**	**1.19**	**1.12**
Consumer NAC	**1.33**	**1.19**	**1.27**	**1.19**	**1.12**
Total Support Estimate (TSE)	**9 903**	**10 048**	**10 461**	**10 841**	**8 842**
Transfers from consumers	4 106	4 173	5 193	4 378	2 948
Transfers from taxpayers	5 846	6 418	5 973	7 024	6 255
Budget revenues	–49	–543	–705	–561	–362
Percentage TSE (expressed as share of GDP)	1.76	0.66	0.72	0.71	0.55
GDP deflator 1986-88 = 100	100	160	154	159	165

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Canada are: wheat, maize, other grains, oilseeds, milk, beef and veal, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

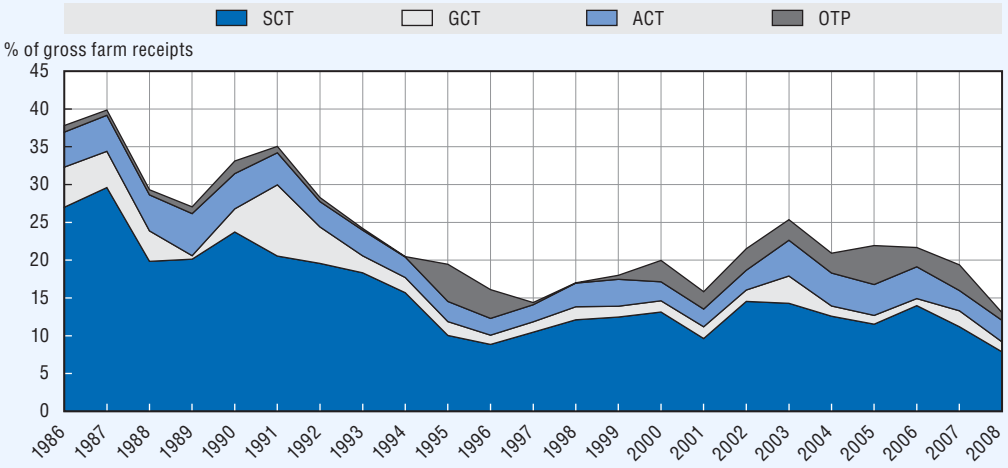
StatLink http://dx.doi.org/10.1787/655534574508

Box 4.1. **Canada: Commodity specificity of support**

Single Commodity Transfers (SCT) made up 61% of the total PSE in 2006-08. Slightly more than half of SCT transfers (55%) are made to milk, and transfers to the three supply managed commodities (milk, poultry, eggs) make up 62% of all SCT transfers. The other main sources of SCT transfers are crop insurance and the *Assurance-stabilisation du revenu agricole* (ASRA) programme in Quebec, each of which account for about 8% of the SCT. SCT transfers were 71% of the PSE in 1986-88.

Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as a condition of programme eligibility, made up 8% of the PSE in 2006-08, a decline of 5 percentage points from 1986-88. All Commodity Transfers (ACT), transfers that require only that recipients produce an agricultural commodity as a condition for eligibility, have increased from 13% of the PSE in 1986-88 to 18% in 2006-08. Most business-risk management programmes fall in either the GCT or ACT definitions. Other Transfers to Producers (OTP) were 12% of the PSE in 2006-08, up from 2% in 1986-88, being composed mainly of payments compensating for acute issues such as crop losses or spikes in input costs.

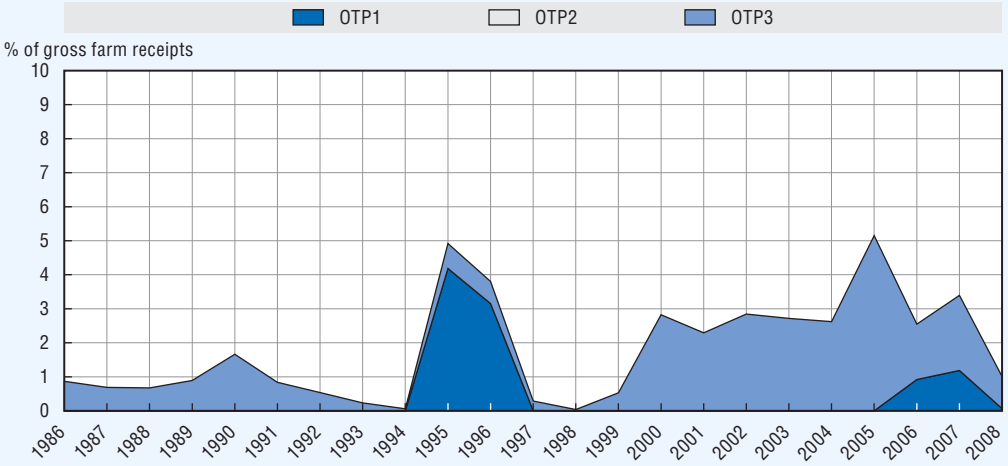
Figure 4.4. **Canada: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

StatLink http://dx.doi.org/10.1787/653400032502

Figure 4.5. **Canada: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.
Source: : OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/653442243687

Description of policy developments

Main policy instruments

Major policies in Canada are typically delivered through cost-sharing partnerships between the Federal and Provincial governments, who share constitutional responsibility for the agricultural sector. Over the years, this approach has been formalised around a 60-40 cost sharing ratio between the Federal and Provincial governments, and since 2003 policy approaches and objectives have been set out in longer-term agreements. The first of these, the Agricultural Policy Framework, was a five-year agreement signed in 2003. This agreement was extended for an additional year into 2008 while negotiations regarding its successor agreement, called Growing Forward, were finalised. Final agreement on the shared programme elements of Growing Forward were reached on 31 March 2009, while agreement on the overreaching policy framework was reached in July 2008. Implementation of business risk management (BRM) elements began on 1 April 2008, and the implementation of elements other than business risk management began on 1 April 2009. The four BRM programmes are AgriInvest, which subsidises farm savings, AgriStability, which insures profit margins AgriInsurance provides insurance against natural perils and AgriRecovery for *ad hoc* disaster assistance. These programmes replace the Canadian Agricultural Income Stabilisation (CAIS) and the Crop Insurance programmes while preserving their main elements.

Market price support is provided for dairy products, poultry and eggs through tariffs and production quotas that are tradable only within provinces combined with a system of domestic price-setting organisations.

The Canadian Wheat Board (CWB) has statutory authority to market wheat and barley in western Canada, both for domestic use and export. The CWB pools sales revenue and returns proceeds to producers through a series of payments. The CWB has resisted several attempts at reform of its authority to market barley on the part of the federal government.

Co-financing for investments in **environmental improvements** is provided through On-Farm Action and Technical Assistance programmes. To be eligible to receive funding assistance for environmental investments, participants must have completed an agri-environmental risk assessment. These assessments can be developed through the Environmental Farm Plan programme, which assists farmers in completing a whole farm action plan that addresses risks associated with existing farm practice.

Funding for investments in **agricultural development** projects are provided through the Advancing Canadian Agriculture and Agri-Food Programme (ACAAF). This programme is delivered federally for projects that are national in scope and by Industry Councils in each province and territory for projects that are regional or multi-regional in scope. Eligible activities include technical analysis, market and venture assessments, economic feasibility studies and strategic market and business plans.

Domestic policy

Participants in the AgriInvest programme may deposit 1.5% of their allowable net sales into an account and receive a matching government contribution. For example, a producer with CAD 100 000 (USD 92 362) in sales could deposit CAD 1 500 (USD 1 389) into the account and receive a matching government contribution of CAD 1 500 (USD 1 389).

Account balances are limited to 25% of sales for the programme year and the two preceding years. Producers may use the funds to compensate for income variability (margin declines of 15% or less) or for on-farm investments, in particular for risk-mitigation.*

The AgriStability programme covers declines in participating producers' margins (income minus expenses) greater than 15%. Compared with the previous CAIS programme, it is more generous with respect to producers with negative margins (loss-making producers), allows for advance and interim payments, and has a simplified and more flexible application process. AgriStability makes a payment to producers whose margin is less than 85% of their five-year average (excluding highest and lowest margin — the "olympic" average). Producers pay a fee of CAD 4.50 (USD 4.17) per CAD 1 000 (USD 926) of insured margin as a condition for eligibility.

AgriInsurance provides benefits previously provided under the Crop Insurance programme. It insures losses to production and farm assets caused by natural perils. AgriInsurance now provides coverage for additional horticultural crops and discussions are underway with provinces to expand coverage to livestock. Producers pay a premium for insurance and receive a payment when they experience losses during the year. The objectives and effect of AgriInsurance is closely related to AgriStability, leading to some linkages between the programmes. Premium adjustments ensure that producers' AgriStability benefits are not reduced through participation in AgriInsurance, except for the case where farm income is negative. In the case of negative margins, AgriStability payments may be reduced if the producer did not participate in AgriInsurance.

AgriRecovery is a mechanism through which the federal and provincial governments can quickly agree to make payments to producers in the case of natural disasters whose impact is not adequately addressed by the other programmes. Either level of government can initiate an assessment of a situation, and if the governments agree, a programme is developed. This process was formerly an *ad hoc* one, and AgriRecovery is intended to speed up the process such that payments may be delivered relatively quickly after an event.

Most policies put in place under the Agricultural Policy Framework continued through 2008 under a one-year extension of that programme. A number of these may be expected to continue under the new Growing Forward framework, such as Environmental Farm Planning (EFP), National Farm Stewardship Programme (NFSP) and Greencover Canada.

Several programmes were initiated under AgriRecovery. The Saskatchewan Farm and Ranch Water Infrastructure Programme (FRWIP) provides cost-sharing of up to 65% for water on-farm and community water projects in response to drought. Potato growers in Prince Edward Island will receive up to CAD 12.4 million (USD 11.5 million) in **disaster assistance** related to wet weather. Livestock producers facing feed shortages due to flooding will receive payments through the Manitoba Forage Assistance Programme (MFAP). Payments were made to Alberta potato growers affected by Potato Cyst Nematode, to British Columbia livestock producers affected by Bovine Tuberculosis, to beekeepers in New Brunswick, and to potato farmers in Quebec.

* "Margin" is the difference between gross revenue and expenses, measured on a whole-farm basis, and so essentially represents net income from the farm enterprise. The producer's margin in a programme year is compared with a reference margin to determine eligibility for a payment. The concept of margin is central to Canadian business risk management programmes.

New programmes related to **biofuels** have been implemented to meet the goal of 5% renewable content in gasoline by 2010 and 2% in diesel and heating fuel by 2012. The ecoAgriculture Biofuels Capital Initiative (ecoABC) is a federal programme put in place in 2007 that provides repayable contributions for the construction or expansion of biofuel production facilities. Projects receiving funding must have farmers as investors and must use agricultural feedstock to produce the biofuel. The Agricultural Bioproducts Innovation Programme is a CAD 145 million (USD 134 million), five-year programme designed to promote research, development, technology transfer and the commercialization of agricultural bioproducts, including biofuels, in Canada.

The Spring Credit Advance Programme and the old Advance Payments Programme have been replaced by a new Advance Payments Programme that provides **credit** to producers with larger loan limits and longer repayment terms. Producers of crops and livestock may borrow up to CAD 400 000 (USD 92 632), with the first CAD 100 000 (USD 370 531) interest-free and have up to 18 months for repayment. Cattle and hog producers are also eligible for advances in the case of severe hardship, with a longer repayment period.

Hog producers can receive a subsidy of 50% of the cost of vaccination up to CAD 2 000 (USD 1 853) per year under the Circovirus Inoculation Programme. This is the first programme delivered under the Control of Disease in the Hog Industry federal plan to mitigate the effects of current and future diseases in the Canadian hog herd.

The National Water Supply Expansion Programme provides cost-shared funding for on-farm or multi-user **irrigation projects** as well as for strategic works projects such as groundwater exploration and testing. The programme provides up to one-third of project funding with a limit of CAD 15 000 (USD 13 895) per applicant for on-farm projects.

Canadian **organic** growers can receive assistance under the Growing Up Organic programme for market development. The programme is also intended to encourage conventional farmers to transition to organic and to attract new farmers to organic farming. Funding is provided through the Advancing Canadian Agriculture and Agri-Food Programme (ACAAF), which has allocated more than CAD 7.2 million (USD 6.7 million) to organic projects since 2004.

Also under the ACAAF, CAD 1.4 million (USD 1.3 million) will be provided to provincial pork organisations to support a voluntary programme to provide **labelling** for retail pork products indicating when they are produced in Canada.

Trade policy

On 17 December 2007, a World Trade Organization (WTO) dispute settlement panel was established on US agricultural subsidies at Canada's request. The issue concerns whether the level of trade-distorting agricultural subsidies generated by the US is in excess of its WTO commitments. This issue related to how the United States classifies a number of its subsidy programmes when it calculates its level of trade-distorting domestic support. It is Canada's view that when these programmes are properly accounted for under the WTO Agreement on Agriculture, the level of US trade-distorting subsidies exceeded US WTO commitments in 1999, 2000, 2001, 2002, 2004 and 2005.

The following year, in December 2008, Canada requested consultations on another matter with the United States, having to do with US mandatory **country of origin labelling** (COOL) provisions in the Food, Conservation, and Energy Act 2008 (2008 Farm Bill). These

measures contain an obligation to inform consumers at the retail level of the country of origin of covered commodities, including beef and pork. Canada notes that the eligibility of a covered commodity for designation as exclusively US origin occurs only when the covered commodity is derived from an animal that is exclusively born, raised, and slaughtered in the United States. It further notes that such a designation of US origin excludes livestock that is exported to the United States for feed or immediate slaughter. Upon release of the final rule on 12 January 2009, Canada indicated that it would not take further steps with the WTO dispute settlement process while it monitors the impact of the final COOL rule. However, Canada requested further consultations under the WTO on 7 May 2009 due to concerns that previous flexibility envisioned in the legislation was removed with the US Secretary of Agriculture's letter to industry on 20 February 2009 asking for stricter voluntary labelling.

There was also some recent activity in the longstanding dispute between Canada and the European Union regarding **beef hormones**. The WTO Appellate Body upheld the Dispute Panel's 1997 finding that the EC import prohibition was inconsistent with Articles 3.3 and 5.1 of the SPS Agreement, but reversed the Panel's finding that the EC import prohibition was inconsistent with Articles 3.1 and 5.5 of the SPS Agreement. On the general and procedural issues, the Appellate Body upheld most of the findings and conclusions of the Panel, except with respect to the burden of proof in proceedings under the SPS Agreement. The Appellate Body report and the Panel report, as modified by the Appellate Body, were adopted by the Dispute Settlement Body on 13 February 1998. The WTO Panel circulated its report *Canada-Continued Suspension of Obligations in the EC – Hormones Dispute* to all WTO members on 31 March 2008.

In the area of trade promotion, The AgriMarketing programme (formerly called the Canadian Agriculture and Food International Programme) provides matching funding to activities that enhance and promote Canada's reputation as the "world leader in supplying safe, high-quality agricultural products".

Canada is currently negotiating **trade agreements** under the Canada-Central America Four (CA4) Free Trade Negotiations, the Canada-Caribbean Community (Caricom) Free Trade Negotiations (begun in 2007), the Canada-Dominican Republic Free Trade Negotiations (initiated in 2007 after the entry into force of the US-CAFTA-DR FTA), the Canada-Panama Free Trade Negotiations (began in 2008), the Canada-Korea Free Trade Agreement Negotiations (begun in 2005), the Canada-Singapore Free Trade Agreement Negotiations (resumed in 2007 after a three-year hiatus). Canada has also engaged in exploratory discussions with the European Union with a view to launch negotiations on a comprehensive economic partnership in 2009. In 2008, Canada concluded free trade agreements with the Andean Community countries of Colombia and Peru (began in 2007), as well as with Jordan (began in 2008).

Chapter 5

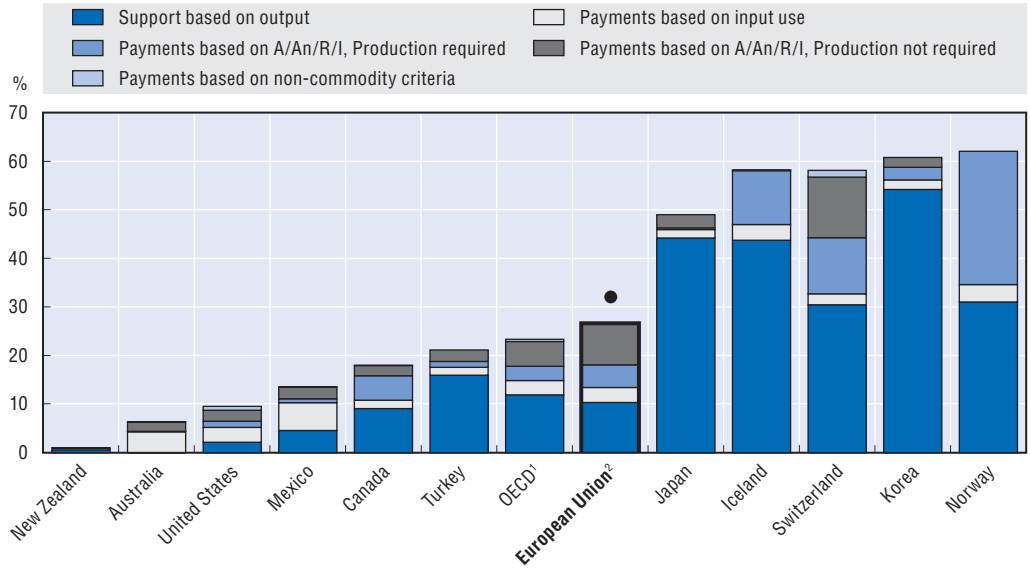
European Union

Evaluation of policy developments

- Overall, policy reforms since 1986-88 have improved the sector's market orientation. There has been a continuous move away from previously high levels of market price support and output payments and a reduction in the level of support.
- The full implementation of single payment schemes results in over half of budgetary support to producers being delivered with no requirement to produce. The implementation of the Health Check will further increase the share of those payments, reinforcing market orientation, even if member states can still choose to implement limited commodity-specific support.
- The Health Check and recent reforms abolish compulsory set-aside, reform cereal intervention schemes, and (starting from 2009) phase out milk production quotas, thus allowing producers to better respond to market signals. They also reduce the scope for intervention purchase, but generally do not dismantle the mechanisms. Nevertheless, trade measures, including export subsidies which were reactivated in 2008 for some products, provide a safety net for farmers in the face of world market variability.
- As part of the Health Check, cross compliance conditions for the respect of environmental, animal welfare and food quality standards have been adjusted to reflect experience, recommendations by the European Court of Auditors, and new priorities, offering to facilitate the pursuit of objectives attributed to cross compliance in more cost-effective ways.
- Rural Development Policy for 2007-13, which includes agri-environmental schemes, continues to focus mostly on the agricultural sector. Nevertheless, the setting of minimum limits for different priorities further reinforces sustainable land management and rural diversification efforts, as well as promotes co-operative, multisectoral and integrated approaches to rural development. As more funds are transferred to this area as part of the Health Check, the move towards policies that are better targeted to specific objectives is facilitated.
- While substantial progress has been made in reducing the level of support and the share of production and trade distorting support, future efforts need to focus on improving market access and progress towards better targeted support.

Figure 5.1. **European Union: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (receipts), I (income).

1. The OECD total does not include the eight non-OECD EU member states.
2. EU25 for 2006; EU27 from 2007.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/653460585820

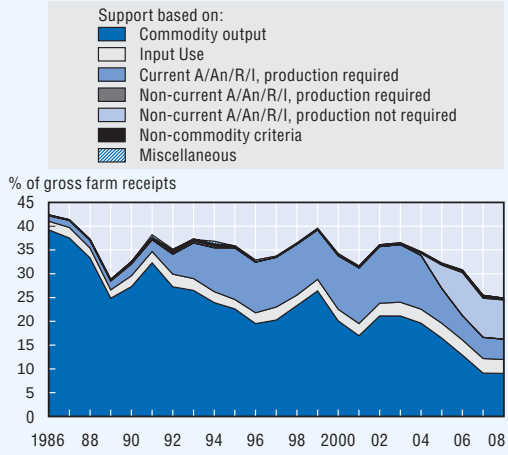
Summary of policy developments

The year 2008 ended with the political agreement on the Health Check of the Common Agricultural Policy (CAP), which will be implemented from 2009. During 2007 and 2008, reforms of the support regimes for sugar, banana, cotton, wine, and fruits and vegetables were implemented or decided. They are consistent with the 2003 reform, with part or all payments integrated into the Single Payment Scheme. New Rural Development Programmes for 2007-13 were approved and implemented. Bulgaria and Romania joined the EU in January 2007 and applied EU regulations.

- Support to producers (%PSE) decreased from 40% in 1986-88 to 27% in 2006-08*, compared to an OECD average of 23%. Support remained stable in 2008 at 25% for the EU27.
- The combined share of the most distorting types of support (commodity output and non-constrained variable input based support) in the PSE fell from 92% in 1986-88 to 42% in 2006-08. During the same period the share of the least distorting types of support (payments which place no requirement to produce) reached 33%.
- Prices received by farmers were 15% higher than those on the world market in 2006-08, compared to 76% in 1986-88 (NPC). Farm receipts were 37% higher than they would have been on the world market in 2006-08, compared to 68% in 1986-88 (NAC).
- Single Commodity Transfers (%SCT) were close to zero for wheat, barley, oats, oilseeds and eggs in 2006-08. They were less than 10% of commodity gross receipts for milk, less than 20% for maize, rice and pigmeat, around 40% for sugar and poultrymeat, and around 45% for beef and sheep meat. The share of total SCT in the PSE decreased from 93% in 1986-88 to 42% in 2006-08.
- The cost imposed on consumers as measured by the %CSE fell from 37% in 1986-88 to 12% in 2006-08.
- Support for general services provided to agriculture increased from 8% of total support in 1986-88 to 10% in 2006-08. Total support to agriculture as a percentage of GDP decreased from 2.7% in 1986-88 to 0.95% in 2006-08.

* Average of EU25 in 2006 and EU27 in 2007-08.

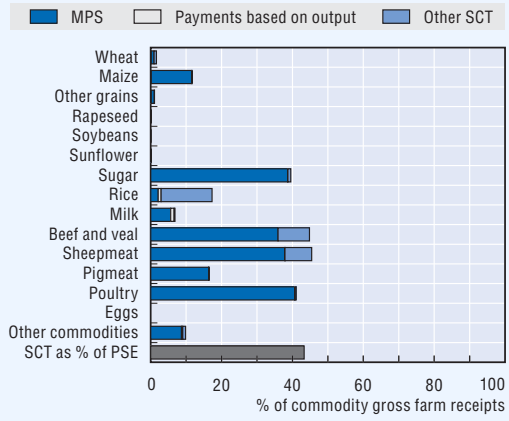
Figure 5.2. **European Union: PSE level and composition by support categories, 1986-2008**[1]



1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06; EU27 from 2007.

StatLink http://dx.doi.org/10.1787/653464045880

Figure 5.3. **European Union: Producer SCT by commodity, 2006-08**[1]



1. Average of EU25 in 2006 and EU27 in 2007-08.

StatLink http://dx.doi.org/10.1787/653465350856

Table 5.1. **European Union: Estimates of support to agriculture (EU27)**[1]

EUR million

	1986-88	2006-08[2]	2006	2007	2008p
Total value of production (at farm gate)	**211 380**	**316 082**	**277 677**	**323 329**	**347 241**
of which share of MPS commodities (%)	*75*	*74*	*73*	*74*	*74*
Total value of consumption (at farm gate)	**187 977**	**314 881**	**275 775**	**321 701**	**347 167**
Producer Support Estimate (PSE)	**90 536**	**101 999**	**104 400**	**98 697**	**102 902**
Support based on commodity output	82 384	38 852	43 808	35 303	37 445
Market Price Support	*77 321*	*37 926*	*42 390*	*34 652*	*36 736*
Payments based on output	*5 063*	*926*	*1 418*	*651*	*709*
Payments based on input use	4 565	11 594	10 851	11 879	12 052
Based on variable input use	*872*	*4 405*	*4 490*	*4 411*	*4 315*
with input constraints	*0*	*69*	*78*	*97*	*32*
Based on fixed capital formation	*2 685*	*5 317*	*4 674*	*5 628*	*5 649*
with input constraints	*0*	*521*	*437*	*423*	*703*
Based on on-farm services	*1 008*	*1 872*	*1 687*	*1 840*	*2 088*
with input constraints	*82*	*42*	*65*	*38*	*23*
Payments based on current A/An/R/I[3], production required	3 195	17 429	17 363	17 231	17 693
Based on Receipts / Income	*132*	*481*	*549*	*491*	*405*
Based on Area planted / Animal numbers	*3 063*	*16 947*	*16 814*	*16 741*	*17 288*
with input constraints	*849*	*14 147*	*14 364*	*13 752*	*14 325*
Payments based on non-current A/An/R/I, production required	0	2	2	2	1
Payments based on non-current A/An/R/I, production not required	0	32 230	30 725	31 919	34 046
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*32 230*	*30 725*	*31 919*	*34 046*
with commodity exceptions	*0*	*18 494*	*20 992*	*20 633*	*13 856*
Payments based on non-commodity criteria	428	2 010	1 938	2 427	1 665
Based on long-term resource retirement	*426*	*1 428*	*1 388*	*1 838*	*1 057*
Based on a specific non-commodity output	*1*	*498*	*476*	*499*	*520*
Based on other non-commodity criteria	*0*	*84*	*75*	*90*	*88*
Miscellaneous payments	–35	–117	–288	–65	1
Percentage PSE	**40**	**27**	**31**	**25**	**25**
Producer NPC	**1.76**	**1.15**	**1.19**	**1.13**	**1.12**
Producer NAC	**1.68**	**1.37**	**1.44**	**1.34**	**1.33**
General Services Support Estimate (GSSE)	**8 272**	**11 403**	**12 659**	**10 827**	**10 724**
Research and development	1 059	2 052	1 982	2 059	2 115
Agricultural schools	169	1 066	941	1 132	1 125
Inspection services	171	621	558	609	695
Infrastructure	1 165	4 899	6 027	4 814	3 855
Marketing and promotion	1 557	2 561	3 040	1 925	2 718
Public stockholding	4 114	162	52	253	181
Miscellaneous	38	43	59	34	35
GSSE as a share of TSE (%)	**8**	**10**	**11**	**10**	**9**
Consumer Support Estimate (CSE)	**–67 631**	**–36 095**	**–40 286**	**–33 212**	**–34 787**
Transfers to producers from consumers	–78 668	–37 414	–41 532	–35 582	–35 129
Other transfers from consumers	–1 471	–1 534	–1 392	–2 122	–1 087
Transfers to consumers from taxpayers	4 442	1 815	2 120	2 322	1 003
Excess feed cost	8 066	1 038	518	2 170	426
Percentage CSE	**–37**	**–12**	**–15**	**–10**	**–10**
Consumer NPC	**1.75**	**1.14**	**1.18**	**1.13**	**1.12**
Consumer NAC	**1.59**	**1.13**	**1.17**	**1.12**	**1.11**
Total Support Estimate (TSE)	**103 251**	**115 218**	**119 179**	**111 845**	**114 629**
Transfers from consumers	80 139	38 948	42 924	37 704	36 216
Transfers from taxpayers	24 583	77 803	77 647	76 263	79 500
Budget revenues	–1 471	–1 534	–1 392	–2 122	–1 087
Percentage TSE (expressed as share of GDP)	2.71	0.95	1.03	0.91	0.91
GDP deflator 1986-88 = 100	100	178	173	178	184

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. Average of EU25 in 2006 and EU27 in 2007-08.
3. A (area planted), An (animal numbers), R (receipts), I (income).

MPS commodities for the European Union are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants and flowers and wine. Market Price Support is net of producer levies and Excess Feed Cost.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655546282422

Table 5.2. **European Union: Estimates of support to agriculture (EU25)**[1]

EUR million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**211 380**	**304 223**	**277 677**	**307 890**	**327 103**
of which share of MPS commodities (%)	*75*	*74*	*73*	*74*	*75*
Total value of consumption (at farm gate)	**187 977**	**302 791**	**275 775**	**303 893**	**328 704**
Producer Support Estimate (PSE)	**90 536**	**99 470**	**104 400**	**95 131**	**98 880**
Support based on commodity output	82 384	37 503	43 808	33 465	35 234
Market Price Support	*77 321*	*36 610*	*42 390*	*32 844*	*34 596*
Payments based on output	*5 063*	*893*	*1 418*	*621*	*639*
Payments based on input use	4 565	11 256	10 851	11 202	11 714
Based on variable input use	*872*	*4 209*	*4 490*	*4 024*	*4 113*
with input constraints	*0*	*61*	*78*	*75*	*31*
Based on fixed capital formation	*2 685*	*5 184*	*4 674*	*5 350*	*5 528*
with input constraints	*0*	*521*	*437*	*423*	*703*
Based on on-farm services	*1 008*	*1 863*	*1 687*	*1 829*	*2 073*
with input constraints	*82*	*40*	*65*	*32*	*23*
Payments based on current A/An/R/I[2], production required	3 195	17 076	17 363	16 785	17 081
Based on Receipts / Income	*132*	*481*	*549*	*491*	*405*
Based on Area planted / Animal numbers	*3 063*	*16 595*	*16 814*	*16 294*	*16 676*
with input constraints	*849*	*14 132*	*14 364*	*13 742*	*14 290*
Payments based on non-current A/An/R/I, production required	0	2	2	2	1
Payments based on non-current A/An/R/I, production not required	0	31 748	30 725	31 331	33 187
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*31 748*	*30 725*	*31 331*	*33 187*
with commodity exceptions	*0*	*18 494*	*20 992*	*20 633*	*13 856*
Payments based on non-commodity criteria	428	2 004	1 938	2 411	1 663
Based on long-term resource retirement	*426*	*1 428*	*1 388*	*1 838*	*1 057*
Based on a specific non-commodity output	*1*	*497*	*476*	*496*	*520*
Based on other non-commodity criteria	*0*	*79*	*75*	*77*	*86*
Miscellaneous payments	–35	–117	–288	–65	2
Percentage PSE	**40**	**27**	**31**	**26**	**25**
Producer NPC	**1.76**	**1.15**	**1.19**	**1.13**	**1.12**
Producer NAC	**1.68**	**1.38**	**1.44**	**1.35**	**1.34**
General Services Support Estimate (GSSE)	**8 272**	**11 385**	**12 659**	**10 811**	**10 683**
Research and development	1 059	2 047	1 982	2 048	2 110
Agricultural schools	169	1 066	941	1 132	1 125
Inspection services	171	621	558	609	695
Infrastructure	1 165	4 889	6 027	4 808	3 832
Marketing and promotion	1 557	2 555	3 040	1 919	2 706
Public stockholding	4 114	164	52	260	179
Miscellaneous	38	43	59	34	35
GSSE as a share of TSE (%)	**8**	**10**	**11**	**10**	**10**
Consumer Support Estimate (CSE)	**–67 631**	**–34 554**	**–40 286**	**–30 750**	**–32 627**
Transfers to producers from consumers	–78 668	–35 904	–41 532	–33 366	–32 815
Other transfers from consumers	–1 471	–1 268	–1 392	–1 491	–921
Transfers to consumers from taxpayers	4 442	1 771	2 120	2 297	898
Excess feed cost	8 066	847	518	1 811	211
Percentage CSE	**–37**	**–12**	**–15**	**–10**	**–10**
Consumer NPC	**1.75**	**1.14**	**1.18**	**1.13**	**1.11**
Consumer NAC	**1.59**	**1.13**	**1.17**	**1.11**	**1.11**
Total Support Estimate (TSE)	**103 251**	**112 627**	**119 179**	**108 239**	**110 462**
Transfers from consumers	80 139	37 172	42 924	34 857	33 736
Transfers from taxpayers	24 583	76 722	77 647	74 873	77 647
Budget revenues	–1 471	–1 268	–1 392	–1 491	–921
Percentage TSE (expressed as share of GDP)	2.71	0.95	1.03	0.91	0.91
GDP deflator 1986-88 = 100	100	177	173	177	182

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.
2. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for the European Union are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants and flowers and wine. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

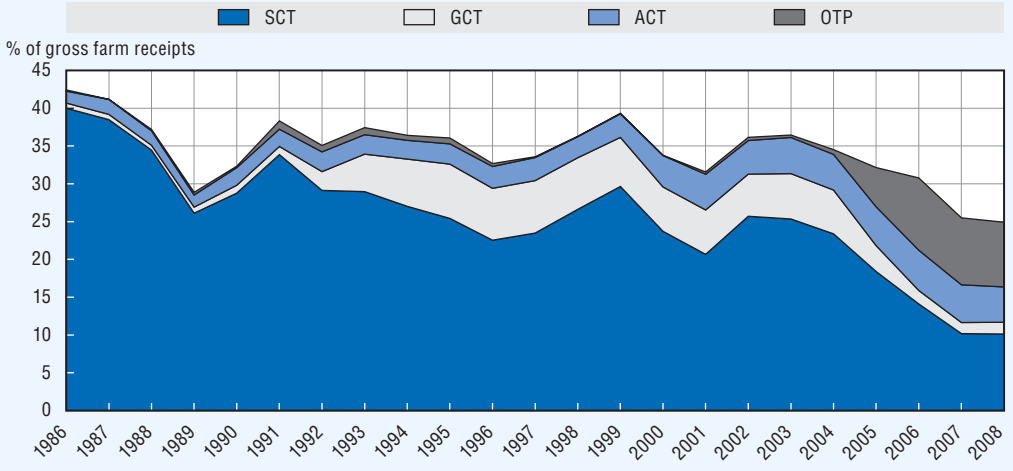
StatLink http://dx.doi.org/10.1787/655552578006

Box 5.1. **European Union: Commodity specificity of support**

Single Commodity Transfers (SCT) made up 42% of the PSE in 2006-08, a reduction from 93% in 1986-88. Group Commodity Transfers (GCT), which leave producers the option to produce any one of a specified group of commodities as part of programme eligibility, made up 6% of the PSE in 2006-08, compared to 2% in 1986-88, and 21% in 1995-97. The share of GCTs in the PSE has decreased since 2005 as the single payment scheme (SPS), which does not require any production of any commodity and is classified in Other Transfers to Producers (OTPs), replaced part or all of former payments in EU15. Transfers provided under the headings All Commodity Transfers (ACT), which place no restriction on commodities that farmers choose to produce made up 19% of the PSE in 2006-08, up from 5% in 1986-88. OTPs which do not require any commodity production at all made up 33% of the PSE in 2006-08.

OTPs became significant with the introduction of the SPS in 17 EU member states from 2005 and the implementation of the single area payment scheme (SAPS) in 10 member states that joined in the EU in 2004 and 2007. Both payments under those schemes have fixed rates. Together, they accounted for 95% of OTPs in 2006-08. Part of the SPS is currently considered as OTP2 as certain restrictions on the use of land for the production of fruits and vegetables are still in place in some member states that apply an historic SPS model. However, any exceptions will be phased out from 2008. Some member states with an historic model already have no more restrictions on the use of land for fruits and vegetables as of 1 January 2008. Their SPS, together with the SPS of all member states that apply a regional model is considered as OTP3. The SAPS, which places no restriction on land use, is included in OTP3, together with payments for long-term resource retirement such as afforestation, buying back of quota or grubbing up of areas under vines; and payments based on a specific non-commodity output such as the preservation of biodiversity, wetlands or fixed elements of the landscape.

Figure 5.4. **European Union[1]: PSE level and commodity specificity, 1986-2008**

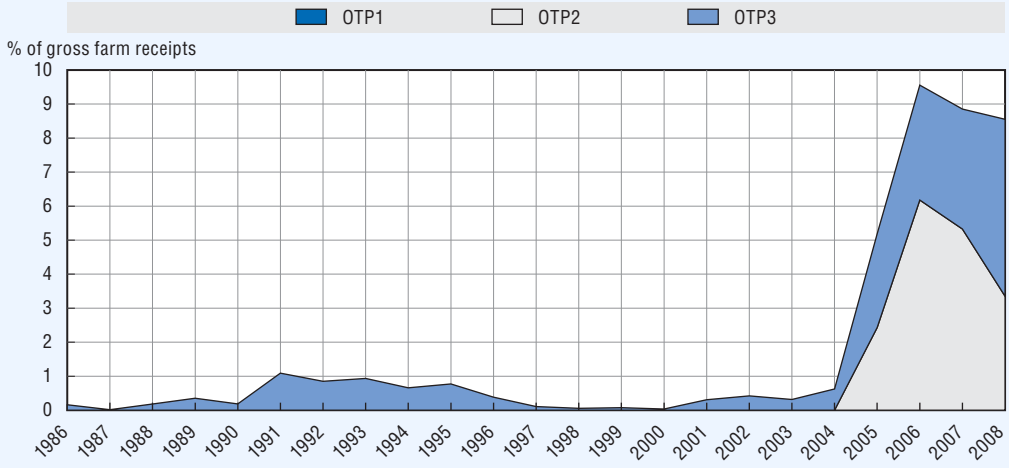


1. EU12 for 1986-94, including ex GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06; EU27 from 2007.
SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

StatLink http://dx.doi.org/10.1787/653472025220

Box 5.1. **European Union: Commodity specificity of support** *(cont.)*

Figure 5.5. **European Union[1]: Other Transfers to Producers, 1986-2008**



1. EU12 for 1986-94, including ex GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06; EU27 from 2007.
OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/653480045270

Description of policy developments

Main policy instruments

The Common Agricultural Policy (CAP) is composed of two pillars. The first pillar entails Common Market Organisations (CMOs) and direct payments, including the Single Payment Scheme (SPS) and the Single Area Payment Scheme (SAPS). The second pillar, or Rural Development Regulation (RDR) of Agenda 2000, contains various measures co-financed by EU member states, including agri-environmental schemes, payments to less favoured areas (LFA) and investment assistance. From 2007, first pillar funds come from the European Agricultural Guarantee Fund (EAGF), while second pillar funds come from the European Agricultural Fund for Rural Development (EAFRD).

The SPS was introduced as part of the 2003 CAP reform and was adjusted in the 2008 Health Check of the CAP (Box 5.2). It replaced part or all of the premia that existed under CMOs. Farmers were allotted payment entitlements based on historical reference amounts received during the period 2000-02. Payment entitlements were established either at the farm level or at the regional level, or a mixture of both. In 2008, the SPS was fully implemented in EU15, ***Malta*** and ***Slovenia***, using various formulas.[1] Part of former Agenda 2000 area payments to crops and headage payments to beef and sheep are maintained in some EU15 countries. Payments were maintained or introduced for specific commodities such as durum wheat, protein crops, energy crops, rice, sugar, starch potatoes, tobacco, olive groves, fruits and vegetables, and cotton as part of the 2003 and subsequent CMO reforms. Most of these payments will be phased out before 2013 as agreed in the CAP Health Check of 2008.

A specific transitional scheme, the SAPS, applies in ten of the twelve member states, which joined the European Union in 2004 or 2007.[2] Under the SAPS, each hectare receives the same payment rate. However, payments relating to the reform of the sugar regime may be reserved to those who have historically held sugar production quotas. Similarly, payments introduced by the reform of the fruits and vegetables regime can be paid on a historical basis, apart from SAPS. New member states can apply the SAPS until the end of 2013, but can also apply the SPS before this date as ***Malta*** and ***Slovenia*** did in 2007. During the ten-year phase-in period, new member states may complement EU funds with Complementary National Direct payments (CNDPs or top-up payments) from national funds. They are granted as a supplement to the SAPS or, within limits, as commodity-specific area or headage payments. In the first three years of accession, new member states have the possibility to co-finance CNDPs from RDR funds. Total payments cannot exceed 100% of the EU15 payment rate.

There are intervention prices for cereals (when the Health Check is implemented this will be limited to wheat) but not for oilseeds and protein crops (peas, beans and sweet lupins). Public intervention for maize is gradually being phased out. Sugar is supported through production quotas and private storage, which is gradually replacing intervention. The market support regime for cereals and sugar also comprises trade protection through tariffs, tariff rate quotas (TRQs) and export subsidies, which are triggered when there is a gap between domestic and export prices. Fruits and vegetables are supported through producer organisations (who may choose to support producers through several different measures), minimum import prices, and *ad valorem* duties.

Intervention prices and production quotas are used for milk in conjunction with import protection and export subsidies. The beef market is supported by basic prices, tariffs, TRQs and export subsidies. Support for pigmeat is provided by basic prices (which will be abolished in 2009), import protection and export subsidies. For sheepmeat, the market support regime comprises tariffs and TRQs, with most country-specific TRQs subject to a zero customs duty. For poultry and eggs, there are no intervention prices, although there are TRQs and export subsidies.

The RDR is implemented through National (or Regional) Rural Development Plans (RDPs), which define the list of measures chosen by the country and their funding. The current plans cover the period 2007-13. They focus on three "thematic axis": 1) improving the competitiveness of the agricultural and forestry sectors; 2) improving the environment and the countryside; 3) improving the quality of life in rural areas and encouraging diversification of the rural economy. Axis 1 includes measures for farm modernisation, the setting-up of young farmers, early retirement, semi-subsistence farms undergoing restructuring, vocational training, producer groups, adding value to farm and forestry products, and restoring production potential damaged by natural disasters. Axis 2 includes agri-environmental and animal welfare payments, payments to farmers in areas with handicaps, payments for afforestation, payments for protecting biodiversity in specific sites, and support to non-productive investments. Axis 3 groups measures encouraging the diversification into non-agricultural activities, tourism activities, the creation and development of micro-enterprises, rural services, and the conservation of rural heritage. RDPs also support projects using the "LEADER approach" – relying on a multi-sectoral approach and local partnerships to address specific local problems; as well as technical assistance.

Domestic policy

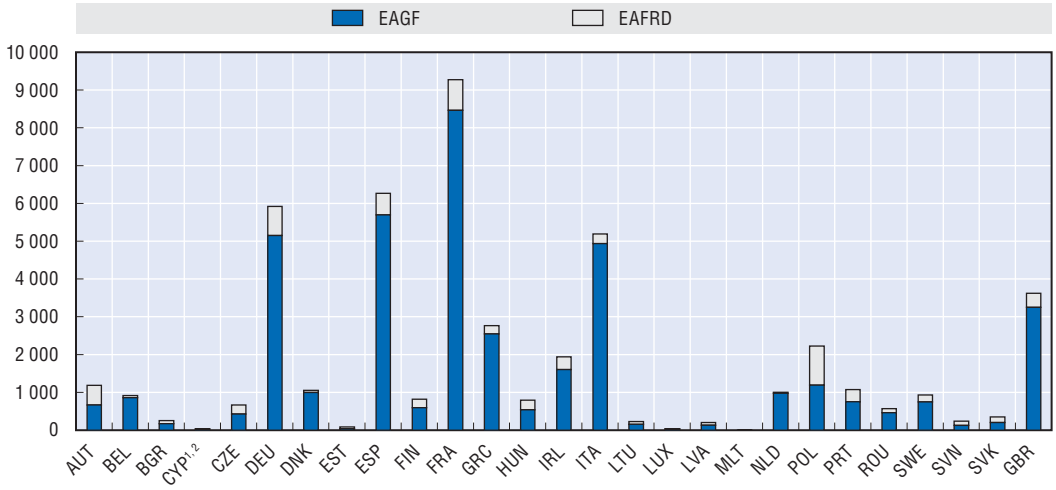
Payments under Title 05 of the EU **budget** (agriculture and rural development) amounted to EUR 54.4 billion (USD 79.5 billion) in 2008[3]. Within this title, payments related to "interventions in agricultural markets,""direct aids" and "rural development" corresponding to CAP pillar 1 and pillar 2 expenditures increased by 1.7% between 2007 and 2008 to reach EUR 54.2 billion (USD 79.2 billion). In the 2009 budget plan, commitments for those measures amounted to EUR 54.8 billion (USD 80.1 billion), an increase of 1.2% compared to 2008 commitments. The increase between 2007 and 2008 resulted from higher payments on rural development reflecting the gradual implementation of new RDPs, while payments related to market intervention and direct aid decreased. In 2009, higher commitments for direct aid reflected the phasing-in of payments in new member States and the implementation of the fruit and vegetable reform. EAGF and EAFRD expenditures by member state for 2008 are shown in Figure 5.6.

In the EU27, national and regional expenditures on agricultural policy measures by member state reached about EUR 26.4 billion (USD 36.1 billion) in 2007 and EUR 26.9 billion (USD 39.2 billion) in 2008. Since 2006, they have been relatively stable on average in the EU15, but in ***Ireland*** they more than doubled in 2008, largely due to the large increase in the Farm Waste Management Scheme expenditure. In 2007, national expenditures increased in new member states, reflecting higher CNDP rates, but they decreased in 2008, probably because of delays in the implementation of RDPs.

The main event in the review period is the political agreement on the **Health Check** in November 2008. The main elements are summarised in Box 5.2 and mentioned in the text.

Figure 5.6. **European Union: EAGF and EAFRD expenditures by member state, 2008**

EUR million



2008: November 2007 to October 2008 expenditures.

1. *Footnote by Turkey:*

The information in this document with reference to " Cyprus " relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. *Footnote by all the European Union member states of the OECD and the European Commission:*

The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Notes 1 and 2 also apply to Figures 5.7, 5.8, Annex Figure 5.1, and Annex Tables 5.1 and 5.2 where Cyprus is mentioned.

Source: EU Commission.

StatLink http://dx.doi.org/10.1787/653485475310

Box 5.2. **Health Check**

The reform was politically agreed by the Council of Ministers on 20 November 2008 and formally adopted in January 2009. The main elements of the Health Check are indicated below.

- **Intervention mechanisms:** Intervention is abolished for pig meat and set at zero for barley and sorghum. For wheat, intervention purchase are possible during the intervention period at the price of EUR 101.31 per tonne up to 3 million tonnes. Beyond that, purchase is done by tender. For butter and skimmed milk powder, limits are 30 000 tonnes and 109 000 tonnes respectively, beyond which intervention is by tender.
- **Phasing out milk quotas:** Milk quotas will increase by one per cent every year between 2009/10 and 2013/14 until they expire in April 2015. For Italy, the 5% increase will be introduced immediately in 2009/10. In 2009/10 and 2010/11, farmers who exceed their milk quotas by more than 6% will have to pay a levy 50% higher than the normal penalty. Reviews of implementation will be carried out at regular intervals.
- **Abolition of set-aside:** The requirement for arable farmers to leave 10% of their land fallow is abolished.
- **Further decoupling of support:** Payments that countries could maintain as commodity-specific under previous reforms are integrated into the Single Payment Scheme. There is an exception for suckler cow, goat and sheep premia, for which member states may maintain previous levels of commodity-specific support.

Box 5.2. **Health Check** *(cont.)*

- **SPS implementation:** Member states are given new flexibility to opt for a regional implementation of the SPS from 2010 onwards.
- **Extending SAPS:** EU members applying the simplified Single Area Payment Scheme are allowed to continue to do so until 2013 instead of being required to implement the Single Payment Scheme by 2010.
- **Assistance to sectors with special problems** (so-called "Article 68" measures): Before 2009, member states could retain for each commodity sector 10% of their national budget ceilings for direct payments for use for environmental measures or improving the quality and marketing of products in that sector. This possibility becomes more flexible. The money no longer has to be used in the same sector; within some limits, it may be used to help farmers producing milk, beef, goat and sheep meat and rice in disadvantaged regions or vulnerable types of farming; it may also be used to support risk management measures such as insurance schemes and mutual funds; and countries operating the Single Area Payment Scheme become eligible for the scheme.
- **Additional funding for EU10+2 farmers:** EUR 90 million (USD 132 million) is allocated to the 12 countries that entered the EU from 2004 to facilitate the implementation of measures under Article 68 until direct payments to their farmers have been fully phased in.
- **Using currently unspent money:** Member states applying the Single Payment Scheme are allowed either to use currently unused money from their national envelope for Article 68 measures or to transfer it into the Rural Development Fund.
- **Shifting money from direct aid to Rural Development:** Currently, all farmers receiving more than EUR 5 000 (USD 7 310) in direct aid have their payments reduced by 5% and the money is transferred into the Rural Development budget. This rate will be increased to 7% in 2009, 8% in 2010, 9% in 2011 and 10% by 2012. In addition, a supplementary cut of 4% is made on payments above EUR 300 000 (USD 438 600) a year. The funding obtained this way may be used by member states to reinforce programmes in the fields of climate change, renewable energy, water management, biodiversity, innovation linked to the previous four areas and for accompanying measures in the dairy sector. In convergence regions where average GDP is lower, these funds are matched by EU funds at a rate of 75% and 90%.
- **Investment aid for young farmers:** Investment aid for young farmers under Rural Development Plans will be increased from EUR 55 000 (USD 80 411) to EUR 70 000 (USD 102 342) per farm.
- **Cross Compliance:** Aid to farmers is linked to the respect of environmental, animal welfare and food quality standards. Farmers who do not respect the requirements for good agricultural and environmental conditions set at the national level face cuts in their support. This so-called cross compliance is simplified, by withdrawing standards that are not relevant or not within the farmers' control. New requirements have been added to retain the environmental benefits of set-aside and improve water management. Conditions are harmonized between the first and the second pillar of the CAP.
- **Payment limitations:** Member states must apply a minimum payment per farm of EUR 100 (USD 146), or a minimum size of 1 hectare. However, minimum thresholds can vary by country from EUR 100 to EUR 500, and from 0.1 hectare to 5 hectares, depending on the difference between the EU average farm size and payment and the national average.
- **Other measures:** A series of small support schemes will be shifted to the SPS from 2012. The energy crop premium is abolished.

Source: Council Regulations (EC) No 72, 73 and 74/2009 of 19 January 2009. Press release IP/08/1749 of 20/11/2008. *http://ec.europa.eu/agriculture/healthcheck/index_en.htm.*

Reforms of commodity regimes

A number of Common Market Organisation (CMO) reforms were implemented or agreed during the review period. The reform of the **banana** regime was implemented in January 2007. It introduces specific support for the outermost regions where most EU bananas are grown and includes payments for producers in other regions in the SPS. Implementation of the **sugar** regime, which had began in mid-2006, continued. In September 2007 the Council agreed to changes to the temporary sugar restructuring scheme to make compensations for giving-up production quotas more attractive. In particular, the percentage of the restructuring aid dedicated to growers and machinery contractors renouncing quotas was fixed at 10% and growers received an additional payment of EUR 237.5 (USD 347.2) per tonne of quota renounced. These provisions were applied retroactively.

Reforms of the CMO for **fruits and vegetables** and the CMO for **wine** were agreed in 2007 and 2008 respectively. The main elements of the reforms are outlined in Boxes 5.3 and 5.4. To summarise, some measures have been phased out or adjusted while these sectors become eligible to single payments under the SPS. A new reform of the **cotton** support scheme was also agreed in 2008. As a result, 65% of aid enters the SPS and 35% remains linked to cotton production in the form of area payments. National base areas that could benefit from the payment per hectare of cotton were established for ***Greece*** (370 000 hectares), ***Spain*** (70 000 hectares) and ***Portugal*** (360 hectares). National restructuring programmes were created to facilitate restructuring in the cotton ginning industry and to enhance quality and marketing of the cotton produced. ***Greece***, which produces 76% of EU cotton, received a national envelope of EUR 4.0 million (USD 5.8 million), while Spain received EUR 6.1 million (USD 8.9 million).

Box 5.3. **Reform of the Common Market Organisation for Fruits and Vegetables**

The reform was adopted by the Council of Ministers in September 2007 [Council Regulation (EC) 1182/2007]. Implementation rules, laid out in Commission Regulation (EC) 1580/2007, apply from 1 January 2008. Main elements of the reform include:

- **Producer Organisations (POs):** POs gain greater flexibility and their rules are simplified. There is additional support (EU co-financing increases from 50% to 60%) in areas where production covered by POs is less than 20%, and, in particular, in the new member states, to encourage the creation of POs. Member states and POs will develop Operational Programmes based on a national strategy.
- **Crisis Management** is organised through POs (50% financed by the European Community (EC) budget). Tools include green harvesting/non-harvesting, promotion and communication tools in times of crisis, training, harvest insurance, help in securing bank loans and financing of the administrative costs of setting up mutual funds. Withdrawals can be carried out by POs with 50% co-financing. Withdrawals for free distribution to schools etc. are 100% paid by the EC. EC aid to POs remains limited to 4.1% of the total value of marketed produce, but this may rise to 4.6% provided that the excess is used only for crisis prevention and management. For three years, state aid may be granted to extend crisis management measures to non members who enter into a contract with a PO. Compensation for non members must be no more than 75% of the EC support received by PO members.

Box 5.3. **Reform of the Common Market Organisation for Fruits and Vegetables** *(cont.)*

- **Inclusion of fruit and vegetables in the SPS:** land covered by fruit and vegetables becomes eligible for payment entitlements to be integrated in the single payment of the SPS, which covers other commodity sectors. All existing support for processed fruit and vegetables is also integrated and the national budgetary ceilings for the SPS are increased. The total amount that is transferred to the SPS is around EUR 800 million (USD 1 170 million). For tomatoes, member states are allowed to apply transitional payments for a four-year transitional period (2008-11), provided that the commodity-specific proportion of the payment does not exceed 50% of the national ceiling. For non-annual crops, they are allowed to apply transitional payments for five years, provided that after 31 December 2010, the commodity-specific proportion does not exceed 75% of the national ceiling. Member states may, if they so choose, postpone the distribution of fruit and vegetable entitlements for up to three years.
- **Environmental measures:** The inclusion of fruit and vegetables in the SPS means that Cross Compliance (*i.e.* support linked to the respect of environmental, animal welfare and food quality standards) is compulsory for those farmers receiving direct payments. In addition, POs must devote at least 10% of expenditure in each Operational Programme to environmental measures. There is a 60% EU co-financing rate for organic production in each Operational Programme.
- **Encouraging greater consumption:** POs are able to include promotion of fruit and vegetable consumption in their operational programmes. There is an additional EUR 6 million (USD 8.8 million) under the general promotion regulation for the promotion of fruit and vegetables targeted at children in educational establishments. There is an EUR 8 million (USD 12 million) budget for free distribution of fruit and vegetables to schools, hospitals and charitable bodies, which is 100% financed by the EC up to a limit of 5% of the quantity marketed by a PO. It will fund a school fruit and vegetable scheme, which was agreed in November 2008 and will be set up in 2009/10.
- **Transitional soft fruit payment:** To allow producers of strawberries and raspberries for processing to adapt to market circumstances, they were granted a transitional direct payment worth EUR 230 (USD 336) per hectare for maximum period of five years for a set number of hectares. Member states may pay a national top-up so that the total shall not exceed EUR 400 (USD 584) per hectare.
- **Separate fruit and vegetable payment for SAPS countries:** Countries applying the Single Area Payment Scheme will be able to introduce a decoupled payment to historical producers of fruit and vegetables. They had to decide by 1 November 2007 the amount to be deducted from the SAPS envelope to cover this and the criteria used for the allocation of the fruit and vegetable payment.
- **Trade with third countries:** Export subsidies for fruits and vegetables are abolished.

Source: http://ec.europa.eu/agriculture/capreform/fruitveg/index_en.htm.

Administered prices remained unchanged except for reductions in intervention prices for butter and skimmed milk powder planned as part of the 2003 CAP reform and reductions in the minimum sugar beet price as part of the 2006 sugar reform. Maize intervention is being phased out over a three-year period from July 2007 to July 2009. The Health Check, which is implemented as of January 2009, includes further changes to intervention mechanisms, including the abolition of intervention for pig meat, the setting

Box 5.4. **Reform of the Common Market Organisation for Wine**

The reform was adopted by the Council of Ministers in April 2008 [Council Regulation (EC) 479/2008]. Most of the new rules, laid out in Commission Regulation (EC) 555/2008, apply from 1 August 2008. Remaining rules (mainly wine-making practices and labelling) will be published in 2009 and will apply from 1 August 2009. Main elements of the reform include:

- **National financial envelopes:** redirected distillation subsidies provide a funding budget for each country so they can adapt measures – promotion outside the EU, innovation, restructuring and modernisation of the production chain, support for green harvesting, crisis management, etc. – to their particular situation, and also choose how to allocate funding to individual vineyards.
- **Support for RDR measures in wine-producing areas:** more assistance is planned for young wine producers, improved marketing, professional training, compensation for lost revenue as a result of maintaining elements of the landscape, and early retirement.
- **Planting rights:** the restrictive planting regime at EU level will end from 1 January 2016 (although some national restrictions may remain until 2018).
- **Phasing-out of distillation schemes:** distillation subsidies are to be withdrawn gradually: – funding for emergency distillation falls from a maximum of 20% to a maximum of 5% of the national funding budget over four years to 2012; and – funding for distillation into alcohol for use in spirits is to be phased out over four years. Payments in the transition period are replaced by a single flat-rate payment per producer.
- **Grubbing-up:** a voluntary withdrawal scheme taking 175 000 ha out of production offers decreasing subsidies over three years. The EU or individual countries may limit the amount of withdrawals in certain cases, to maintain a minimum regional or national wine-producing area, protect the environment or maintain cultivation in mountainous or hilly areas.
- **Introduction of Single Payment Scheme:** Single Payment Scheme entitlements to be distributed to wine grape growers at the member states' discretion and to all growers who grub up their vines.
- **Wine-making practices:** responsibility for approving new winemaking practices (or changing existing ones) is transferred to the Commission – practices approved by the International Vine and Wine Office (IWO) will be assessed and added to the EU list of approved practices, if appropriate.
- **Simpler labelling rules:** quality is to be based on protected geographical indications / designations of origin. Well-established traditional national quality-labelling schemes will be kept, and simplified labelling rules will allow EU wines to be labelled for grape variety and vintage.
- **Chaptalisation:** lower limits are set for added sugar and must – with exceptions for particularly unfavourable climatic conditions.
- **Aid for the use of must:** after four years, these subsidies will be converted into flat-rate subsidies to wine growers.

Source: http://ec.europa.eu/agriculture/capreform/wine/index_en.htm.

at zero of intervention quantities for barley and oats and the introduction of quantitative limitations on intervention purchase for wheat, butter and skimmed milk powder, above which intervention is by tender (Box 5.2).

As part of the 2006 reform of the sugar regime, **production quotas** were set at the same level for nine years (2006/07 to 2014/15). Milk production quotas were increased by 2% from April 2008. In addition, milk quotas increased in eleven member states by another 0.5% in accordance with Agenda 2000.

As part of the Health Check, dairy quotas will be phased out by 2015 (Box 5.2). The obligatory set-aside rate was set at zero for autumn 2007 and spring 2008 and was later abolished by the Health Check. A new Milk Quota Trading Scheme was introduced in ***Ireland*** in 2007. The Scheme comprises of two elements, namely, a Priority Pool and a Market Exchange. The Priority Pool distributes quota to priority categories such as young farmers and small-scale producers at a maximum price of EUR 10 cents per litre. The Market Exchange is responsible for the remainder of the quota trade and accounts for approximately 70% of the total trade. The price is determined through interaction between buyers and sellers with the exchange operating at co-operative area level.

Direct payment schemes

From 2007, the **Single Payment Scheme (SPS)** included the dairy premium introduced by the 2003 reform in all member states, as well as the payment to sugar beet growers introduced by the 2006 sugar reform. Fruits and vegetables were included in the SPS in January 2008 (Box 5.3) and wine was included in August 2008 (Box 5.4). The implementation of the reforms of these commodity regimes is the main element explaining the increase in SPS levels. As a result, the SPS amounted to around EUR 30 billion (USD 44 billion) in 2008. Member states were allowed to keep transitional payments for specific fruits and vegetables under conditions described in Box 5.2. Member states may also exclude some fruits and vegetables from payment eligibility in parcels in one or more regions for a limited period extending no later than end of 2010. An overview of national implementation of the fruit and vegetable reform can be found on the Commission web site.[4] It shows that ***Greece***, ***Spain***, ***France***, ***Italy*** and ***Portugal*** delayed the inclusion in the SPS of all or part of payments for tomatoes intended for processing; citrus fruits; or pears, peaches and plums intended for processing. ***Austria*** restricted eligibility for fruits and vegetables, ware potatoes and nurseries until 2010, while ***France*** and ***Spain*** restricted eligibility in 2008 to a list of products.

Under the 2003 CAP reform, member states could choose to retain up to 10% of the component of national ceilings for specific types of farming which are important for the protection or enhancement of their environment or for improving the quality and marketing of agricultural products (Article 69 of EC Regulation No. 1782/2003). An overview of the implementation of this provision in member states can be found on the Commission web site.[5] By the end of 2007, ***Finland***, ***Greece***, ***Italy***, ***Portugal***, ***Scotland***, ***Slovenia***, ***Spain*** and ***Sweden*** had made use of this provision.

The transitional period of application of the **Single Area Payment Scheme (SAPS)** in new member states was further extended to 2013. After that date the common system will apply. ***Malta*** and ***Slovenia*** applied the SPS from January 2007. The phasing-in of direct payments in new member states proceeded as planned: those who joined in 2004 received 40% of the EU15 payment rate in 2007 and 50% in 2008; Bulgaria and Romania, who joined

in 2007, received 25% of the EU15 payment rate in 2007 and 30% in 2008. As a result, the SAPS increased by 28% in 2008 to EUR 40 billion (USD 58 billion).

Member states, which apply the SAPS could keep part or all of the sugar payment and the fruits and vegetables payments separate, *i.e.* they could earmark those payments for farmers, who had grown sugar beet and fruits and vegetables during the reference period. ***Latvia***, ***Lithuania***, ***Hungary***, ***Poland***, ***Romania*** and the ***Slovak Republic*** kept 100% of the sugar payment separate, while the ***Czech Republic*** kept 85% of the payment separate. ***Bulgaria***, ***Latvia***, ***Lithuania***, ***Hungary***, and ***Poland*** kept 100% of transitional soft fruit payments separate. The ***Czech Republic*** kept a separate payment for tomatoes intended for processing, ***Hungary*** for tomatoes and other fruits, and ***Poland*** for tomatoes, peaches and pears. *Romania* decided to keep 50% of the envelope for tomatoes intended for processing separate until 2011, while the ***Slovak Republic*** decided to keep separate: 50% of the envelope for tomatoes intended for processing, and 100% of the envelope for fruits other than annual crops.

Changes to **commodity-specific payments** mainly took place within the above-mentioned reforms. In addition to those, the aid for flax and hemp was prolonged for the marketing year 2008/09. The aid per hectare of energy crops was reduced in 2008 as the area planted exceeded the maximum guaranteed area in 2007. From 2007, this aid became available for new member states, but it is abolished by the Health Check in 2009. Information on commodity-specific payments retained by member states can be found on the Commission website.[6]

Member states that joined the EU in 2004 continued to implement **Complementary National Direct Payments (CNDPs)** to complement EU funded SAPS payments. Table 5.3 gives information on CNDPs in some member states. In the ***Czech Republic***, payments per hectare of arable crops were replaced by a flat rate payment per hectare of all land (EUR 53.7 or USD 78.5 per hectare) in 2008. ***Latvia*** implemented a similar change in 2007, in addition to which new CNDPs decoupled from current area and animal numbers were introduced for beef and dairy farmers, and were granted to new farmers in specific conditions. From 2007, Latvian farmers were also allowed to apply for support for energy crops and for permanent pastures. ***Estonia*** decoupled CNDPS for dairy cows, cattle, ewes (from 2008) and partly arable crops from current parameters, and introduced energy crop payments in 2007. ***Bulgaria*** and ***Romania*** introduced CNDPs in 2007 after they joined the EU. While in 2007, ***Bulgaria*** implemented all CNDPs as the SAPS, around a quarter of CNDPs were allocated to milk and sheep producers as payments per tonne of milk and payments per sheep in 2008. In ***Romania***, CNDPs were implemented for cattle and sheep in 2007. New CNDPs were introduced in 2008 for pigs, poultry, milk and bees.

Farmers in ***Malta*** continued to receive payments based on the historical price differential between EU and Malta prices for some commodities from the Special Marketing Policy Programme for Maltese Agriculture (SMPPMA). Payments will be fully phased out by 2010 for the livestock sectors and 2014 for the horticulture and wine sectors.

The 2006 reforms of support to outermost regions (POSEI) and the smaller Aegean Islands came into force at the beginning of 2007. These regulations give member states some flexibility in implementing supply arrangements and granting assistance to local agricultural products, within an annual envelope of EUR 84.7 million (USD 123.8 million) for French overseas departments, EUR 77.3 million (USD 113.0 million) for the Azores and Madeira (***Portugal***), EUR 127.3 million

Table 5.3. **Main Complementary National Direct Payments (CNDPs) in new member states**

	CNDPs as a % of EU15 rate					Main payments in 2008
	2004	2005	2006	2007	2008	%share of all CNDPS
Bulgaria	n.ap.	n.ap.	n.ap.	0	17	Single area payment (78%); milk payment (16%); ewe and goat premium (6%); 47% of CNDP funded by EU RDR funds.
Czech Republic	21	28	29	30	32	Single area payment (68%); headage payment for ruminants (25%), suckler cow premium (6%), hop, potatoes, and quality seeds (1%).
Estonia	18	15	30	34	49	Dairy cows (35%), arable crops and certified seeds (17%), historical arable crops (28%), suckler cows and cattle (19%), and ewes (1%).
Hungary	14	26	21	25	25	Arable land (64%), milk (21%), cattle (11%), sheep and goats (3%), and tobacco (1%).
Latvia	43	38	41	47	52	Single area payment (24%), single payment milk (28%), arable crops (24%), single payment beef (8%), fodder crops (5%), slaughter premium (6%), suckler cows (4%), potato starch, ewes and seeds (1%).
Lithuania	14	26	28	32	35	Arable crops (43%), milk (27%), bulls (13%), slaughter premium (11%) and suckler cows (6%).
Poland				34	35	Arable crops (78%), permanent pastures (22%), and hops.
Romania	n.ap.	n.ap.	n.ap.	6	7	Cattle (57%), sheep and goats (13%), pigs (11%), milk (10%), poultry (9%), and bees (1%).
Slovak Republic	22	14	15	27	34	Gross Livestock Unit (51%), arable crops (46%), and tobacco (3%).

n.ap.: not applicable.
Source: OECD, *PSE/CSE database*, 2009.

(USD 186.1 million) for the Canary Islands (***Spain***), and EUR 5.5 million (USD 8.0 million) for the ***Greek*** Aegean Islands (Council Regulation (EC) No. 247/2006).

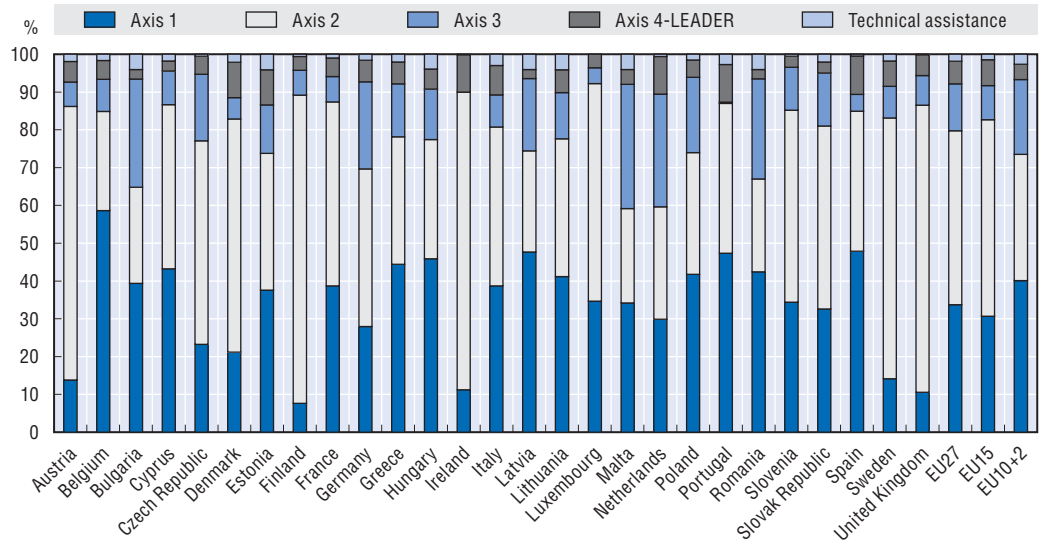
Rural development schemes

Implementation started for the **rural development programme** for the period 2007-13, with all Rural Development Plans (RDPs) agreed by November 2008. RDP funds amount to EUR 150 billion (USD 219 billion) for the sever-year implementation period, or EUR 21 billion (31 billion USD) per annum. On average, for the EU27, 60% of RDP funds come from the EU (Annex Table 5.2). Annex Table 5.1 provides the list of measures that member states chose to implement as part of their RDPs. Countries with regional RDPs like ***Germany***, ***Italy*** and ***Spain***, make use of most measures. New member states tend to use fewer measures than EU15 members. Some measures are selected in all member states: vocational training, farm modernisation, payments to farmers in non-mountainous areas with handicaps, and agri-environmental payments. Others are selected in most member states: setting-up of young farmers (all except ***Malta***), adding value to agricultural and forestry products (all except ***Ireland*** where forestry measures are not part of the RDP), improving and developing agricultural and forestry infrastructure (all except ***Bulgaria*** and ***Ireland***). Measures like diversification into non-agricultural activities and encouragement of tourism activities are chosen by many countries. LEADER-type measures were often selected but in 2008, few countries had implemented them.

Measures are grouped into four categories or axes: 1) improving the competitiveness of the agricultural and forestry sector; 2) improving the environment and the countryside; 3) improving the quality of life in rural areas and encouraging diversification of the rural economy; 4) LEADER-type measures. Measures in Axis 1 and 2 are almost exclusively for farmers and foresters, while any local actor can apply for measures in Axis 3 and 4. A provision of the programming was that the financial contribution should be at least 10% for

Axis 1 and 3, 25% for Axis 2 and, for EU15 member states, 5% for the LEADER axis (and an average of 2.5% for the period in new member states, which have to reach a 5% rate by the end of the period). Figure 5.7 shows how member states chose to allocate funds across the axes over the 2007-13 programming period. Annex Figure 5.1 and Annex Table 5.2 also show the respective shares of EU and national funds by axis and by country.

Figure 5.7. **Distribution of EU and national RDP funds by Axis, by member state, 2007-13**



EU10+2 : the 12 members of the EU which have joined since 2004 (10 in 2004 and 2 in 2007).
EU15: the 15 member states of the EU between 1995 and 2004.
EU27: the 27 members of the EU from 2007.

Source: EU Commission web site: http://ec.europa.eu/agriculture/rurdev/countries/index_en.htm.

StatLink http://dx.doi.org/10.1787/653521471441

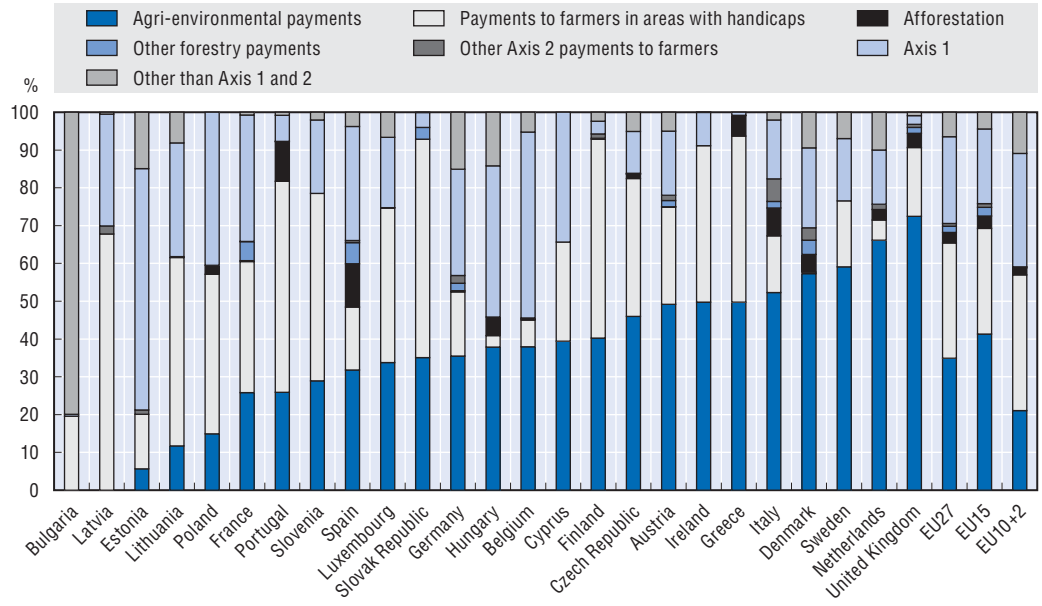
Axis 2, which includes agri-environmental payments and payments in areas with handicaps, attracts the highest share of EAFRD funds (46%) in the EU27, followed by Axis 1 (34%) and Axis 3 (12%), while the Leader axis and technical assistance attract respectively 6% and 2% of funds. EU15 countries give more prominence to Axis 2 (52% of total funds), while new member states make more use of investment measures in Axis 1 (40% of all funds) and Axis 3 (20%) than EU15 countries. Some measures in Axis 1 are specific to new member states.

Countries with more than 40% of RDP funds in Axis 1 are mainly new member states but also include ***Belgium***, ***Greece***, ***Portugal*** and ***Spain***. The ***Czech Republic*** is one new member state with less than 30% of RDP funds in Axis 1, together with a number of Northern and Central European countries of EU15. In ***Spain*** over 40% of Axis 1 measures (20% of all RDP funds) are for investments in irrigation. They are also important in ***Portugal*** (28% of Axis 1 expenditures). Countries with less than 40% in Axis 2 are mainly new member states but also ***Belgium***, ***Greece***, the ***Netherlands***, ***Portugal*** and ***Spain***. Countries with over 60% of EAFRD funds in Axis 2 are mainly in the north of Europe (except ***Austria***). Countries where Axis 3 accounts for a share around 10% or above are often new member states. ***Germany*** and the ***Netherlands*** are also in the list. National co-financing shares are particularly high in Belgium (for Axis 1 measures), Luxembourg (for Axis 1 and 2

measures), and ***Finland*** (for Axis 2 measures). Reflecting the regulation, EU co-financing rates are higher in new member states than in EU15 members.

Figure 5.8 uses 2008 EAFRD actual expenditures to highlight the importance of agri-environmental payments and payments in areas with handicaps. On average, in the EU15 those measures accounted for respectively 40% and 30% of all EAFRD expenditures. This reflects policy objectives but also the fact that those measures were already well established in the RDPs for 2000-06 and continued to be implemented in the RDPs for 2007. In new member states, the share of agri-environmental payments in EAFRD expenditures was half that in the EU15 (about 20%), while the share of payments in areas with handicaps was close to 40%. This variation in emphasis between EU15 and new member states may be linked to differences in objectives but also to measures implemented in the previous period. In addition, implementation of new measures has hardly started in some countries, where RDPs for 2007-13 were agreed late. Annex Table 5.1 gives an indication of measures that have been chosen but not yet implemented.

Figure 5.8. **Distribution of EAFRD expenditures by Axis and measures in 2008**



EU10+2 : the 12 members of the EU which have joined since 2004 (10 in 2004 and 2 in 2007).
EU15: the 15 member states of the EU between 1995 and 2004.
EU27: the 27 members of the EU from 2007.

Source: EU Commission, EAFRD expenditures in 2008.

StatLink http://dx.doi.org/10.1787/653567488374

The current definition of less-favoured areas (LFA) will be maintained until 2013. Payments for those areas are now called "payments to farmers in (mountainous or other) areas with handicaps". In May 2008, the European Commission launched a discussion on reform of the LFA scheme, in response to a EU Court of Auditors report, which had questioned the criteria for payment of the subsidies. The Commission aims to review the current delimitation of LFA land.

In January 2009, the Commission proposed additional funding of EUR 1 billion (USD 1.5 million) for rural development projects as part of the EU Economic Recovery Plan,

to be spent through Axis 3 of the EAFRD. Funding would mainly come from the difference between budget ceilings on CAP expenditures and current expenditures. Funds would be used for extending and upgrading high speed Internet in rural communities and for pursuing new challenges, *i.e.* : climate change, water management, biodiversity, renewable energies, innovation and dairy restructuring. Member states have to develop new RDPs by 15 July 2009 to use these additional funds.

The Commission extended the deadline for payments under the Special accession programme for agriculture and rural development (SAPARD) in ***Bulgaria*** and ***Romania*** from end of 2008 to end of 2009.

Transitional national aid to farmers in the South of ***Finland*** was extended up to 2013. Funds are degressive and will be targeted on improving farm structures and setting-up young farmers.

Ireland introduced the Animal Welfare, Recording and Breeding Scheme for Suckler Herds at the beginning of 2008. It will operate for a maximum of five years. The objectives of the scheme are to encourage suckler farmers to enhance welfare standards for animals produced from the suckler cow herd; improve husbandry standards at weaning time, leading to reduced illness and mortality, and enhanced health of the national beef herd; build their knowledge training and education of the best practice in suckler cow herd health; and improve the breed quality of suckler cows naturally through on-going use of the data compiled. Payments made through the Animal Welfare, Recording and Breeding Scheme for Suckler Herds totalled EUR 31.7 million (USD 46.3 million) in 2008.

The Flemish government in ***Belgium*** modified conditions for the provision of capital grants and interest concession to support agricultural investments and the set-up of young farmers under the Flemish agricultural investment fund (VLIF). Four rates of support are now available (10%, 20%, 30% and 40%). The highest level of support is only granted to investment in organic farming. The 30% level is targeted to investments in diversification, sustainable farming or reconversion. Support rates vary according to criteria such as innovation, sustainability and action taken to reduce the negative environmental impact of agriculture.

As part of the ***French*** "Development Plan for Organic Agriculture and Food up to 2012", a EUR 3 million (USD 4.4 million), five-year fund was set up in 2007 to provide assistance for the restructuring of organic production chains. In addition, local authorities will have the flexibility to remove the individual ceiling per farm for agri-environmental payments, which include payments for the conversion to organic production. The tax rebate that applies to organic farms was extended to 2010 and funding was doubled.

Latvia implemented the "Agriculture and Rural Development Loan Guarantees 2007-2013" programme. It provides support to rural entrepreneurs by providing loan guarantees up to 70% of the loan amount. State joint stock company "Rural Development Fund" provides guarantees for short – term and long – term loans granted to rural entrepreneurs by banks. The guarantees are granted for no more than ten years.

In the ***United Kingdom***, a review of payment rates provided through the Department for Environment, Food and Rural Affairs (Defra) agri-environment schemes commenced in November 2008 to ensure that differentiated payment rates continue to compensate fairly for income that farmers forego when signing up to the scheme. Defra announced in February 2008 a 6% increase in Hill Farm Allowance (HFA) payment rates compared to 2007. The HFA provides dedicated support to beef and sheep producers who farm land in

England's Severely Disadvantaged Areas (SDA). The Uplands Entry Level Stewardship (Uplands ELS) will replace the HFA from 2009, and is designed to ensure that farmers are rewarded in their efforts to maintain England's historic upland landscape. Defra will make available up to EUR 39 million (USD 57 million) within the existing RDP budget to fund uptake of Uplands ELS.

In addition to compulsory modulation, the ***United Kingdom*** continued to apply voluntary modulation to transfer funds from the first pillar of the CAP to RDPs. The rate of voluntary modulation was 12% for 2007, rising to 13% for 2008, and 14% for 2009 (after which it will be reduced in proportion to the additional compulsory modulation agreed in the Health Check. 80% of the money raised through voluntary modulation will fund agri-environment schemes and will be co-financed by the UK Government at a rate of 40%. Based on pre-Health Check plans, this decision to co-finance voluntary modulation would result in a net total increase in overall CAP spending in England of some EUR 1 075 million (USD 1 572 million) for the period ending 2013.

Disaster aid/insurance schemes

At the end of October 2007 the national scheme for compensation of farmers for losses due to climatic conditions in 2007 was approved in ***Bulgaria***. Compensations amounted to EUR 4.8 million (USD 6.5 million) in 2007, including EUR 0.7 million for supporting the feeding of animals. In 2008, EUR 11.8 million (USD 17.2 million) were allocated to crop producers who had incurred losses in 2007.

Subsidized agricultural insurance systems were introduced in Baltic countries. The ***Estonian*** system was introduced in 2007. It pays between 50% and 80% of insurance premiums for small and medium size agricultural enterprises. The system covers losses caused by adverse weather conditions, pest and animal disease. In ***Latvia*** a state-owned Agricultural Risk Fund was put in place in 2008. Farmers can apply for insurance for arable crop, vegetable and potato areas. It is funded by contributions of farmers applying for the SAPS, and by government subsidies up to 50%. Indemnities are planned to amount to 30% of losses due to adverse weather conditions. In ***Lithuania***, a crop insurance system was introduced in 2007.

The ***Polish*** Council of Ministers passed a resolution on a financial aid programme of EUR 70 million (USD 102 million) for farmers' families affected by the 2008 drought and hurricane. It includes: preference loans; prolongation of the repayment term to five years for the earlier "disaster" loans; Agricultural Social Insurance Institution aid for social insurance premium payments and repayment of debts; Agriculture Property Agency aid for payments resulting from lease and purchase agreements; reductions of the 2008 agricultural tax to local authorities; social security assistance for farmers' families; and subsidies for the purchase of high quality seeds.

Changes were made in 2008 to the subsidised crop and livestock insurance system introduced in ***Poland*** in 2006. They include lower premiums from farmers, the obligation to insure 50% of crops covered by the SAPS, and a decrease in the threshold of damages triggering compensation. This resulted in increased demand for subsidies to insurance premiums. In addition, subsidies were also paid in 2008 for reinsurance. Insurance institutions received from the state budget about EUR 25 million (USD 36 million) subsidies, while the total amount reserved in the 2008 budget for agricultural crop and livestock insurance was EUR 155 million (USD 226 million).

In ***Slovenia***, national assistance was granted to farmers in 2007 to mitigate farm losses due to weather conditions. It included fuel tax refunds, co-financing of on-farm extension and breeding improvement service, national support for beekeepers and insurance subsidies. Insurance subsidies, which were introduced in 2006 for crops, included the livestock sector in 2007. In 2008 temporary support was provided to pig producers to compensate for losses of revenue due to economic crises and to bee-keepers to compensate for massive loss of the bee population.

Responses to high input prices and the economic crisis

A number of measures were taken in some member states in response to increases in feed and energy prices, including higher fuel tax rebates and investment support. ***Austria*** increased the tax rebate on diesel fuel used in agriculture from EUR 22.4 cent in July 2007 (19.9 cent in 2006) to EUR 24.9 cent per litre in 2008, leading to a budget increase for this measure from EUR 37 million (USD 54 million) to EUR 42 million (USD 61 million). In ***Bulgaria***, EUR 21.6 million (USD 31.6 million) were spent in 2008 to compensate milk producers for high feed prices. Payments were implemented per head of animal as follows: EUR 153 per cow; EUR 164 per female buffalo; EUR 20 per ewe and EUR 10 per female goat.

In response to the rapid decrease of agricultural prices and general economic crises in ***Estonia***, the government decided to give stronger support to vertical and horizontal cooperation in the agri-food chain, including partial compensation of costs of producer groups and investment support for the on-farm processing of agricultural products.

In June 2008, the ***Flemish*** government announced extra short-term assistance to help farmers adjust to rising production costs. The Flemish Agricultural Investment Fund (VLIF) would receive an additional EUR 14 million (USD 20 million) to support energy saving investments in agricultural and horticultural farms. A further EUR 150 000 (USD 219 304) would be available for promotional campaigns. In 2009, the Flemish region is planning to bring forward an aid package worth EUR 20 million (USD 29 million) for farmers and growers in response to the economic downturn. It will mainly consist in advancing the date of payments for investment support under the VLIF, for agricultural management agreements, and suckler cow premia, which will be paid mid-February, instead of the end of March.

In 2008, the ***French*** government provided assistance to pig farmers with debt problems, in the form of reductions in social security contributions (with a funding of EUR 6 million or USD 8.8 million) and interest concessions on loans (with a funding of EUR 10 million or USD 14.6 million). Another aid package worth EUR 33 million (USD 44 million) was announced in April 2009 for pig producers that been the worst affected by the financial crisis. It consists mostly of interest concessions on loans. In March 2008, measures were taken to help producers in the greenhouse sector affected by high energy prices. They continued to benefit from reduced prices for gas, EUR 1.5 million (USD 2.2 million) were earmarked for short term assistance and to reduce farmers' social security contributions, and EUR 2.5 million (USD 3.7 million) of investment assistance was made available to improve energy efficiency.

In response to the financial and economic crisis, the Ministry of Agriculture and Rural Development of ***Poland*** decided to decrease minimal interest rate from 3.5% to 2% for preferential credits and to extend the period of loan reimbursement by 2-3 years. It is also considering export credit guarantees and how best to make use of RDP measures to

improve the competitiveness of this sector. In response to the credit crisis, the ***Spanish*** government announced new funds for credit concessions to agro-food companies and farmers, which would be available in 2009. The ***French*** government also announced a EUR 250 million (USD 365 million) plan for farmers affected by the crisis, in particular in the livestock sector. It includes reductions in social security contributions (to zero for young farmers), higher fuel tax rebates, and debt relief measures for farmers with cash flow problems. As part of this plan, sheep farmers will receive additional payments from unused SPS entitlements (EUR 50 million or USD 73 million). A four-year plan was announced at the end of 2008 to support lavender production adversely affected by climatic events and plant health problems. Total funding amounts to EUR 1.7 million (USD 2.5 million). The plan includes disaster relief payments, cash flow assistance, reduction in social security contributions, as well as structural measures such as area payments for new plantations, investment assistance for distilleries and higher funds for research and development.

Animal disease measures

A number of EU member states (***Belgium***, the ***Netherlands***, ***Spain***, ***Denmark***, ***Germany*** and ***France***) launched campaigns to vaccinate animals against the Bluetongue virus. The EU agreed to fund 100% of the cost for acquiring the vaccine and 50% of the cost incurred when carrying out vaccination, up to a ceiling. France decided to make vaccination compulsory for all bovine and ovine animals in 2009. EU and national funds were also made available for farmers adversely affected because of the epidemic (EUR 168 million or USD 246 million in 2008 and EUR 30 million or USD 44 million in 2009). ***Belgium*** began a national vaccination campaign in May 2008. Vaccination was compulsory for sheep and cattle and voluntary for goats, deer and veal calves. The cost of the vaccines and their administration was covered by the EU and the Belgian Food Safety Agency and the Livestock Health Fund. In addition, the Flemish government announced that farmers adversely affected because of the epidemic would receive a 3% interest subsidy and an 80% security when applying for a bridging loan. This is to be funded by the Flemish Agricultural Investment Fund (VLIF). The maximum loan available will be EUR 45 000 (USD 65 791) per farm, with a duration of three years. In ***France***, measures were taken at the end of 2007 to ease the situation of dairy farmers affected by the Bluetongue epidemic. In particular, flexibility in the national management of milk quotas was increased: individual producers could increase their production by 15% rather than 10% and in areas affected by the Bluetongue disease, quotas could be over shot by 10 000 litres without penalty.

The marketing of pigmeat in ***Ireland*** was disrupted because polychlorinated biphenyls (PCBs or dioxine) were found in some pigmeat due to contaminated feed from a single supplier. All animals slaughtered between 1 September and 6 December 2008 were recalled from the market and movement restrictions were placed on affected farms. In December, the EU decided to grant Ireland a storage aid scheme for 30 000 tonnes of meat not contaminated, for a period of up to six months. A similar scheme for 15 000 tonnes was introduced in Northern Ireland. A disposal scheme for contaminated animals was also implemented.

In 2008, a programme for combating Aujeszky's disease in pigs was launched for the first time on all the territory of ***Poland***. The programme is to be implemented in the period of five consecutive calendar years (2008–13). The aim of the programme is to make Poland free of Aujeszky's disease in pigs. In addition, the following disease control programmes

were being implemented in 2008: tuberculosis in cattle, infections with viruses of highly virulent bird flu among poultry and wild birds, enzootic cattle leukaemia, spongy cattle encephalopathy, rabies, some serotypes of salmonella in laying and breeding hens.

In 2008, the three-year National Apiculture Programme was introduced in ***Poland***. It covers purchase of bees and medicines against varroosis as well as activities related to organization of training and implementation of research projects. In 2008 EUR 4.2 million (USD 6.2 million) were spent and 50% of the expenditures were covered from the EU budget. As part of its Programme for honey production and market development 2007-10, ***Estonia*** also funds technical assistance, measures to control varroosis, measures to support the restocking of beehives and measures to support laboratories carrying out analyses of the physic-technical properties of honey. The implementation of the National programme for bee-keeping in ***Bulgaria*** started in 2008. It funds similar measures as the Estonian programme and half of expenditures are also co-funded by the EU.

In the ***United Kingdom***, the Department for Environment, Food and Rural Affairs (Defra) announced in October 2007 a package of support, worth EUR 18.4 million (USD 26.9 million), for farmers in England affected by the movement restrictions in place to control Foot and Mouth Disease (FMD). This package of assistance for farmers in England includes a one off payment for hill farmers, which accounts for two-thirds of the funds; higher rates of support from 10% to 100% for the *National Fallen Stock Scheme* for farmers in the FMD Risk Area; a contribution of up to EUR 1.5 million (USD 2.2 million) to the Arthur Rank Centre for disbursement to farm charities, which provides advice and practical and emotional support to farm families; and assistance for promotion and marketing of lamb, beef and pork both domestically and in export markets.

In December 2007, the European Commission adopted a decision that lifts the remaining Foot and Mouth Disease control measures in ***Great Britain***. Resumption of normal EU movements and trading, particularly exports within the European Union resume from December 2007. The FMD Restricted Export Area was also lifted and the associated movement licensing requirements removed.

In the ***United Kingdom***, Defra presented new legislation to Parliament in December 2008 to amend and update the Transmissible Spongiform Encephalopathies Regulations. The new regulations take account of EU legislation which enables the United Kingdom to raise the age threshold above which all cattle slaughtered for human consumption and all fallen cattle must be tested for BSE. As from January 2009, the United Kingdom raised the tested threshold to all cattle aged over 48 months. This only applies to cattle born in the United Kingdom or other EU15 member states. The change for cattle slaughtered for human consumption has been agreed with the Food Standards Agency and Health Ministers.

The Defra-funded collection and disposal service for fallen cattle in ***Great Britain*** ended on 31 December 2008 for 24 to 48 month old cattle that die after that date. From 12 January 2009, cattle keepers in ***Great Britain*** will be responsible for arranging and paying for the disposal of carcasses of over 48-month old cattle which must still be tested for BSE. Cattle keepers must arrange for such carcasses to be delivered to an approved sampling site within 24 hours of death and the carcass must then be delivered to the site within a further 48 hours. Northern Ireland continues to provide a subsidy for fallen stock (circa 20%) to 31 March 2009.

Support to biomass and bio-energy

Estonia adopted a "Biomass and bio-energy Development Plan 2007-13" in January 2007. During stage I (2007-08), market conditions, available resources, technology, relevant market measures and other factors affecting the production of bio-energy will be analyzed. During Stage II (2009-13), market regulation measures, including support measures, tax preferences, standards, availability of know-how, will be implemented. Expenditures in 2007-08 amounted to EUR 0.6 million (USD 0.9 million), of which EUR 0.35 million (USD 0.5 million) was spent for research and development activities.

The ***Irish*** government paid a top-up to the existing EU Energy Crop Premium, bringing the overall premium to EUR 125 (USD 183) per hectare. EUR 4.5million (USD 6.6 million) were made available over the period 2007-09. A Bio-energy Scheme was also established in 2007 to grant aid to the planting of willow and miscanthus. EUR 6.5 million (USD 9.6 million) is being made available to support establishment costs over the period up to 2009.

In the ***United Kingdom***, the "Bio-energy Infrastructure Scheme" will support the biomass industry in England helping those supplying biomass fuel for use in heat and electricity generation. The scheme can fund administrative set-up costs for producer groups. This can include the rental of office accommodation, the purchase or rental of office and information technology equipment, administrative staff costs, travel, overheads and legal and administrative fees.

Domestic food aid

A number of changes to existing **domestic food aid** schemes were proposed or adopted. In July 2008, the EU School Milk Scheme was extended to secondary schools and to a wider range of dairy products, and rules governing its implementation were simplified. In September 2008, the European Commission proposed to improve the current food distribution programme for the most deprived persons in the European Union by increasing the budget by two thirds to around EUR 500 million (USD 731 million) from 2009 and extending the range of products which can be provided. The budget increase has been approved, while other aspects are still being discussed. In November 2008, the Council agreed to set up a scheme to provide fruit and vegetables to school children, which will begin at the start of the 2009/10 school year. European funds will amount to EUR 90 million (USD 132 million) every year and will be matched by national and private funds in those member states which will make use of the programme.

Regulations

The Commission has taken steps to **simplify EU legislation**. In 2008, a single CMO was introduced to replace the former 21 CMOs and the milk regime was simplified. As part of simplification efforts, 240 obsolete acts were withdrawn in February 2009. From June 2008 (August for wine), the number of products for which an import or export licence is required were reduced (from 500 to 65 for imports and to 43 for exports). For products for which a licence obligation is retained, detailed rules were laid down in a single regulation.

In March 2007, EU ministers agreed to introduce a legally binding target of 10% biofuels in all fuel use by 2020, and to set a similar binding target for 20% of energy to come from renewable sources by the same date. This decision was later confirmed by the European Parliament. The Commission proposed a plan to implement this decision.

In 2008, the European Commission adopted rules regarding the type of information on recipients of European Union agricultural and rural development payments to be published on national websites. It was decided that the full name, municipality and, where available, postal code of every recipient will be published in a clear, harmonised manner on nationally-managed websites, every year by 30 April for the previous financial year (starting in 2009) and must remain on the website for two years from the date of its original publication. The European Commission already provides links to each national site.[7]

The European Commission adopted a new **regulation** making it compulsory rather than optional as before to state the origin of virgin and extra virgin olive oil on product labels in February 2009. It will apply as of July 2009. A new regulation on organic food was adopted in 2007. It clarifies objectives and rules, renders compulsory the EU logo for domestic organic products, alongside national or private labels, allows non-organic products to specify organic ingredients and sets out a new, permanent import regime for organic products from third countries.

In ***Estonia***, a new Feed Law came into effect in February 2007. It regulates the full feed chain from production to consumption. In August 2008 the new version of the Rural Life and Agricultural Market Regulation Law came into effect. A majority of changes concern state aid measures, which were adjusted to EU legislation as the three-year transitional period following accession ended.

In September 2009, the ***French*** government launched a plan (Ecophyto 2018) to reduce pesticide use by 50% in ten years. As part of this plan, 30 active substances were removed from the market in 2008. In total 53 substances will be removed.

In the ***United Kingdom,*** the new Nitrate Pollution Prevention Regulations (NPPR) came into force in January 2009 and updates the UK's implementation of the 1991 EU Nitrates Directive. In anticipation a national package of advice and support for farmers preparing for the NPPR was launched in October 2008. Around 60% of nitrate pollution in water is caused by agriculture. The package of advice and support aimed at helping those with land within Nitrate Vulnerable Zones (NVZs) to meet the new regulations includes:

- A helpline that answers technical queries from farmers and advisers.
- Information events for farmers and advisers.
- NVZ guidance leaflets covering different aspects of the new rules.
- Software tools developed to provide extra help with some of the calculations required under the new rules.

Institutions

A number of **institutional changes** took place in EU member states. Many of them are to improve and simplify the administration of agricultural policies.

- In July 2007, the ***Estonian*** Veterinary and Food Board (VFB) took over the respective responsibilities of the Health Protection Inspectorate and the Consumer Protection Board. The VFB now covers all stages of the food chain.
- The ***French*** government launched a series of restructuring of public and semi-public bodies involved in the implementation of agricultural policy in July 2008, to be implemented over three years. This includes a restructuring of the central Ministry, the creation of a single paying agency, the merging of local authorities in charge of agriculture with those in charge of equipment, and the grouping of five commodity

boards (crops; milk and meats; fruits and vegetables, wine and flowers; medicinal and aromatic plants; fish products) into a single body (FranceAgriMer), which will also include a market monitoring service previously included in the Ministry.

- The ***Spanish*** Ministry of Agriculture, Fisheries and Food merged with the Ministry for the Environment in 2008 to form the Ministry for Environment, Rural and Marine Affairs (*Ministerio de Medio Ambiente y Medio Rural y Marino*). The new Ministry is organised in three State Secretariats: Climate Change; Rural Environment and Water; and Marine. The Secretariat of State on Rural Environment and Water has competencies on rural areas, including the protection of biodiversity and the enhancement of productive factors, in particularly water.
- In ***Denmark***, the Danish Veterinary and Food Administration and the food and veterinary legislation were reintegrated into the Ministry of Food, Agriculture and Fisheries in November 2007. A revised food policy, which strengthens inspection and makes it more oriented towards risk management, was implemented in 2008. A new Act on Organic Production was introduced in 2008. It punishes more severely severe violation of rules and incorporates the precautionary principle. The legislation covering the conditions for acquiring agricultural holdings in ***Denmark*** (The Agricultural Act) was changed in 2007 as a consequence of a judgment by the European Court of Justice. The basic condition for acquiring an agricultural holding, that the acquirer takes permanent residence on that property for eight years, was removed for holdings with less than 30 hectares, as long as another person takes up residence on the property on behalf of the acquirer.
- The ***Flemish*** government in Belgium established a Strategic Advisory Council for Agriculture and Fisheries in July 2008.
- In ***Sweden***, the current structure of the agri-food administration is under review, but no decision has yet been taken.

Assistance to non-EU farmers and rural areas

In December 2007, the EU granted Instruments for Pre-Assistance for Accession and Rural Development (IPARD) to ***Croatia***, the ***Former Yugoslav Republic of Macedonia*** and ***Turkey***. The main strategic objectives of IPARD is to improve the competitiveness of farm holdings and agri-food industries, bringing them into compliance with EU food safety, veterinary, phytosanitary, environmental and other standards; and to foster sustainable development in rural areas. Total funding over the period 2007-09 amounts to EUR 102.3 million (USD 149.6 million) in Croatia, of which EUR 76.9 million (USD 112.4 million) is an EU contribution; EUR 25.3 million (USD 37.0 million), including an EU contribution of EUR 19 million (USD 27.8 million) in the Former Yugoslav Republic of Macedonia; and EUR 212 million (USD 310 million), including an EU contribution of EUR 159 million (USD 233 million) in Turkey.

In December 2008, the EU parliament and the EU council agreed to establish a facility for rapid response to soaring food prices in ***developing countries***. As set-up by Regulation (EC) No. 1337/2008, this fund will receive EUR 1 billion (USD 1.5 billion) over the period 2008-10. Measures will be implemented by national and local institutions in developing countries, international organisations and Community institutions. Measures eligible for implementation are:

- measures to improve access to agricultural inputs and services including fertilisers and seeds, paying special attention to local facilities and availability;

- safety net measures aiming at maintaining or improving the agricultural productive capacity, and at addressing the basic food needs of the most vulnerable, including children;
- other small-scale measures aiming at increasing production based on country needs: microcredit, investment, equipment, infrastructure and storage; as well as vocational training and support to professional groups in the agriculture sector.

Trade policy

In 2007 and 2008, **export subsidy** spending was about EUR 1.4 billion and 0.9 billion respectively (USD 1.9 billion and 1.3 billion) for the EU27, compared to EUR 2.5 billion (USD 3.1 billion) in 2006 for the EU25. The main factors explaining the reduction in expenditures are the rise in world prices and reforms of the sugar, wine and dairy regimes. Export subsidies, which had been re-introduced for fresh pig meat at the end of 2007, were suspended in August 2008. Export subsidies for milk and milk products were reintroduced at the end of January 2009. Export subsidies were abolished for fruits and vegetables. According to the most recent EU notifications to the WTO on export subsidies, the EU remained well below its WTO ceiling for the marketing year 2006/07, except in the case of sugar where over 90% of the allowance was used, in volume and outlays, and cheese where close to 90% of the allowance was used, in volume. According to the most recent EU notifications to the WTO, payments for food aid and support operations provided to least-developed and net food-importing countries amounted to EUR 373 million (USD 464 million) in 2005. Food aid was provided on fully grant terms and in value terms, 83% was bought locally and regionally.

On **market access**, import duties on all cereals except oats, buckwheat and millet were suspended between the end of December 2007 and October 2008. They were reintroduced as a reaction to price decreases. As from February 2008, beef imports from ***Brazil***, which had been banned in 2005 due to identified problems in Brazil's animal health and traceability systems, were permitted from a list of holdings, which are fully in line with EU import requirements. In July 2008, imports of beef from regions of ***Argentina***, ***Brazil*** and ***Paraguay*** were allowed to resume after the areas were declared free of foot-and-mouth disease (FMD). In September 2008, the European Commission placed a ban on all ***Chinese*** milk composite products for children and infants, following the melamine scandal in China.

According to the most recent EU notifications to the WTO, the price-based special safeguard system has been opened for some poultry meat and sugar products in marketing year 2005/06. During the same period, the volume-based special safeguard action has not been invoked, but the system has been made operational for some fruits and vegetables.

The EU was involved in several **WTO disputes**. In February 2007, Ecuador requested a WTO panel over EU import arrangements for bananas, on the basis that there is a discriminatory treatment for bananas from Latin American countries. In April 2008, the panel concluded that the EU pre-2008 banana import tariff regime did discriminate against WTO members that are not in the Group of African, Caribbean and Pacific (ACP) countries, but this regime no longer applies. In July 2008, the European Commission offered gradual cuts in its banana import tariff, from EUR 176 (USD 257) per tonne to EUR 116 (USD 170) per tonne by 2015. They would include an initial tariff cut of EUR 26 per tonne in the first year of the agreement, a further EUR 9 cut per tonne in the second year, and then a EUR 5 cut in

each remaining year to 2015. In return, bananas would not be subject to additional cuts in the Doha Round. This offer was rejected by the Latin American banana exporting countries. Later in July, within the framework of the Doha Round negotiations, another draft agreement emerged with slightly improved parameters but following the breakdown of the Doha Round negotiations, this draft agreement was never signed. However, in February 2009, the Commission made a new offer which reflects the parameters of the draft agreement concluded in the framework of the Doha Round in July 2008: the first-year cut would bring the tariff to EUR 148 (USD 216) per tonne and further cuts to EUR 143 (USD 209) per tonne in 2010, EUR 136 (USD 199) per tonne in 2011 and EUR 114 (USD 167) per tonne in 2016. Contrary to the July 2008 draft agreement, this offer is not conditional on the conclusion of the Doha Round.

In June 2008, the EU launched an appeal against a recent WTO panel ruling that the EU scientific evidence in support of a ban, updated in 2003, was not sufficient to justify a total import ban on meat from ***United States*** and ***Canadian*** cattle that have been treated with growth-enhancing hormones.

A number of **bilateral agreements** were signed. At the end of 2007, several (interim) agreements were initialled with ACP countries. The trading preferences that these countries had been receiving are replaced by reciprocal free trade agreements, in line with WTO provisions. The Economic Partnership Agreements provide duty and quota free access to the EU market (there are time-limited Tariff Rate Quotas for rice and sugar). In the Euromed (Euro-Mediterranean partnership) framework, a preliminary agreement was reached with Egypt in July 2008 to liberalise trade in most agricultural, agro-food and fish products. A preliminary agreement to liberalise trade in agricultural and fish products was also reached with ***Israel***. For processed agricultural products, full liberalisation of 95% of trade flows for both parties has been achieved. Substantial progress was made for agricultural, fish and fishery products. In the case of more sensitive agricultural products such as fruit and vegetables and sugar, improved market access was achieved for both sides by means of increasing existing duty free quotas, and extending existing calendars. New tariff quotas were also created for some products.

In December 2008, a new agreement on wine trade was signed with ***Australia***, replacing the 1994 agreement. It clearly outlines rules governing wine trade between the two partners, including a recognition of each others' geographical indications, wine making technique and labelling requirements. At the same period, duty free access was granted to ***16 developing countries*** on around 6 400 tariff lines, including several agricultural products such as various fruit juices, fruits, vegetables and honey. These concessions, called GSP+, are in addition to the standard generalised system of preferences (GSP) offered by the EU to 176 developing countries. In November 2008, EU and ***Switzerland*** launched negotiations on full trade liberalisation in the agro-food sector. Negotiations will include the removal of bilateral tariffs, as well as non-tariff issues such as food and feed safety.

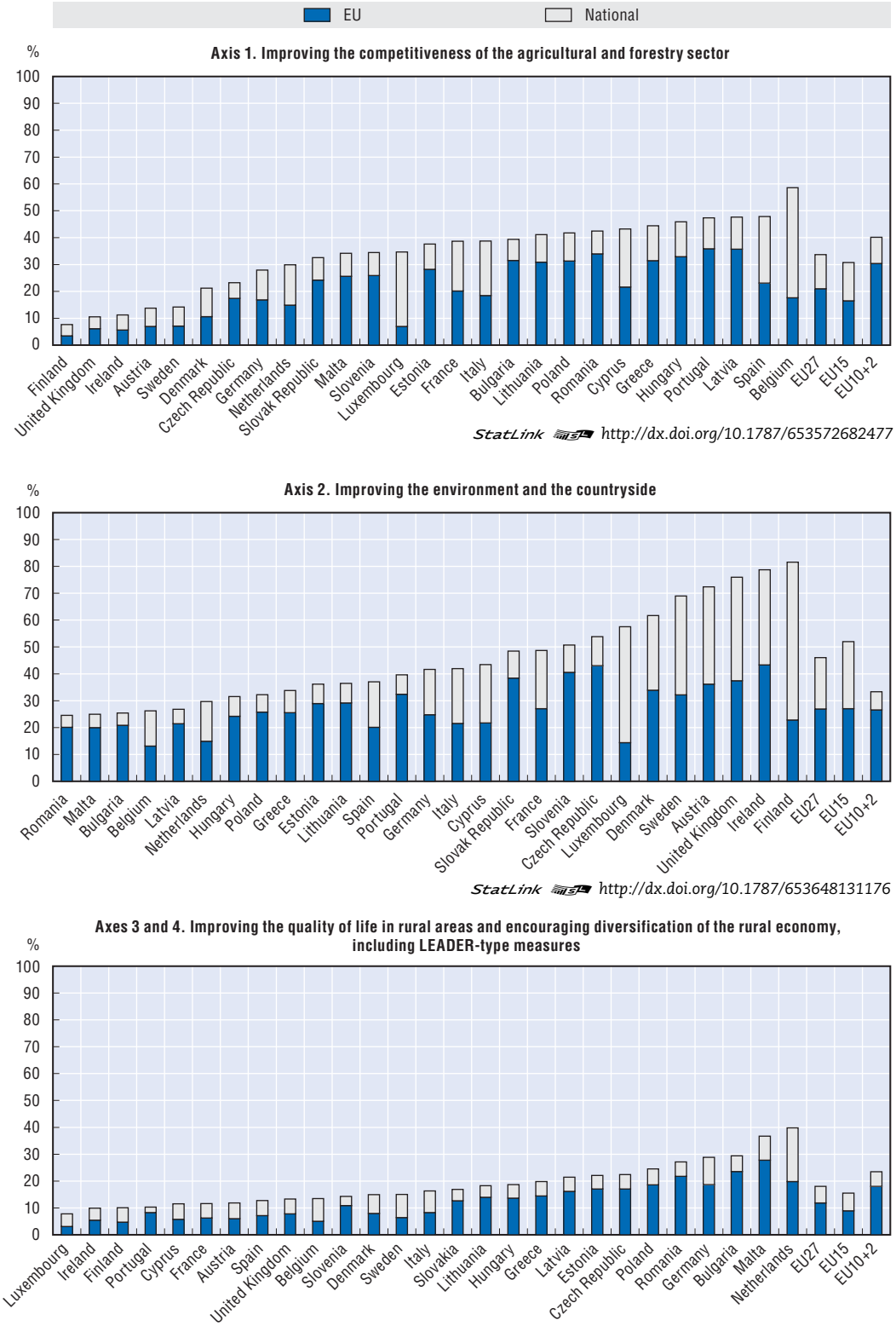
When ***Bulgaria*** and ***Romania*** joined the EU on 1 January 2007, they became part of the EU common market and adopted EU border protection towards third countries. Accession negotiations on the agriculture and rural development chapter started with ***Croatia*** in April 2008.

Notes

1. *http://ec.europa.eu/agriculture/markets/sfp/pdf/2008_01_dp_capFVrev.pdf*.
2. Of the 12 member states that joined in EU in 2004 and 2007, four (the Czech Republic, Hungary, Poland and the Slovak Republic) are members of the OECD. The other eight, which are not members of the OECD, are also covered in this report, with the financial assistance of the European Union.
3. *http://eur-lex.europa.eu/budget/data/LBL2009_VOL4/EN/Vol4.pdf*.
4. *http://ec.europa.eu/agriculture/markets/sfp/pdf/2008_01_comFVrev.pdf*.
5. *http://ec.europa.eu/agriculture/markets/sfp/pdf/2007_12_art69.pdf*.
6. *http://ec.europa.eu/agriculture/markets/sfp/pdf/2008_01_dp_capFVrev.pdf*.
7. *http://ec.europa.eu/agriculture/funding/index_en.htm*.

Annex Figure 5.1. **RDP Funds by Axis in member states: EU and national contribution, 2007-13**

Percentage of total RDP funds



Source: EU Commission web site: *http://ec.europa.eu/agriculture/rurdev/countries/index_en.htm.*

StatLink http://dx.doi.org/10.1787/653657364610

Annex Table 5.1. **Measures chosen by member states in RDPs for 2007-13**

	Axis 1	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT	ROU	SWE	SVN	SVK	GBR
111	Vocational training, information actions, incl. diffusion of scientific knowledge and innovative practices for persons engaged in the agricultural, food and forestry sectors	x	x	0	0	x	x	x	x	x	x	x	0	x	x	x	0	0	0	0	x	0	0	0	x	0	x	x
112	Setting up of young farmers	x	x	x	0	x	x	x	x	x	x	x	0	x	x	x	x	0	0			x	0	0	x	x		0
113	Early retirement of farmers and farm workers				0	x	x	x		x	x	x	0	0	x	x	x		x			x	x			x		
121	Farm modernisation	x	x	0	x	x	x	x	x	x	x	x	0	x	x	x	x	x	x	0	x	x	0	x	x	x	x	x
114	Use by farmers and forest hodlers of advisory services		x		0	x	x	0	x	x		0	0	x		x	0	0	0	0	x	0	0				0	0
115	Setting up of farm management, farm relief and farm advisory services, as well as forestry advisory services						x			x		0				0				0			0					x
122	Improving the economic value of the forests	x		0		x	0		0	x		x	0	0		x	0	x	0				0	0		x	0	x
123	Adding value to agricultural and forestry products	x	x	0	0	x	x	x	0	x	x	x	0	0		x	x	0	0	0	0	0	0	x	x	x	x	x
124	Cooperation for development of new products, processes and technologies in the agricultural and food sectors	x				0	x	x	0	x	x	0				0				0	x		0		x			x
125	Improving and developing infrastructure related to the development and adaptation of agriculture and forestry	x	x		0	x	x	x	x	x		x	0	0		x	x	x	0	0	x	0	x	0	x	x	0	x
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions						x	0		0		x	0			x							0					
131	Helping farmers to adapt to demanding standards based on Community legislation				x				0	0			x			0			0				0			x		
132	Supporting farmers who participate in food quality schemes	x	0		0		0	0		x		x	0			0				0	x	0	0			0		x
133	Supporting producer groups for information and promotion activities for products under food quality schemes	0	0		0		0	x		x		0	0			0				0	0	0	0			x		
141	Supporting semi-subsistence farms undergoing restructuring			0					0					x			x		x			x		0			0	
142	Setting up of producer groups			0	0	x								x					x	0		x		0		x	0	
143	Provision of farm advisory and extension services in BG and RO			x																				0				

	Axis 2	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL[1]	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT	ROU	SWE	SVN	SVK	GBR
211	Natural handicap payments to farmers in mountain areas	x		x	x	x	x			x	x	x	x			x							x	0		x	x	
212	Payments to farmers in areas with handicaps, other than mountains areas	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	0	x	x	x	0	x	x	x	x
213	Natura 2000 payments and payments linked to Directive 2000/60/EC	0	x			x	x		x	x			0	0	0	0	x		x				0				0	
214	Agri-environmental payments	x	x	0	x	x	x	x	x	x	x	x	x	x	x	x	x	x	0	0	x	x	x	0	x	x	x	x
215	Animal welfare payments	x					x		0	x	x					x											0	x
216	Support for non-productive investments in agriculture	0	0				x	x	0	x	0	x	x	0		x					x		0					x
221	First afforestation of agricultural land	x	x		0	x	x	x	0	x	x	x	x	x		x	0				x	x	x	0			0	x
222	First establishment of agroforestry systems on agricultural land				0					0		0		0		0							0					

Annex Table 5.1. **Measures chosen by member states in RDPs for 2007-13** *(cont.)*

	Axis 2 *(cont.)*	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL[1]	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT	ROU	SWE	SVN	SVK	GBR
223	First afforestation of non-agricultural land			0	0		x			x		x	0	0		0	0		0				0					x
224	Natura 2000 payments	0				0	x		0				0			0	x		0				0				0	
225	Forest-environment payments	0			0	0	x	x		x		0		0		x	x	x					x				0	x
226	Restoring forestry potential and introducing prevention actions	x		0	0	x	x	x		x		x	0	0		x	0		0			0	0				x	
227	Support for non-productive investments in forestry		x		0	x	x	x		x		x	0	0		x	0	0					0		0			x
	Axis 3	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL[2]	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT[2]	ROU	SWE	SVN	SVK	GBR
311	Diversification into non-agricultural activities	x	x	0		x	x	x		x	x	x	0	0	0	x	0	x			x	0			x	x	0	x
312	Support for the creation and development of micro-enterprises	x	0	0		x	x		0	x	x	x	0	0	0	x	0	0	x		x	0		0	x	x		x
313	Encouragement of tourism activities	x	x	0	0	x	x	x		x	x	x	0	0	0	x	0	x	0	0	x			0	x		0	x
321	Basic services for the economy and rural population	x	x	0	0	x	x	x		x	x	x	0	0	0	x		x	0		x	0	0		x		0	0
322	Village renewal and development	x	x	0	0	x	x	x	x	x	x	0	0	0	0	x	0	x			x	0		0	x	0	0	x
323	Conservation and upgrading of the rural heritage	x	x		0	x	x	x		x	0	x	0	0	0	x		x	0	0	x		0		x	0		x
331	Training and information for economic actors	x	x			x	x	0		0	0	0		0	0	0		0							x		0	x
341	Skills acquisition and animation anwith a view to preparing and implementing a local development strategy	x			0		x			0	0	x	0	x	0	0				0	0				x		0	x
	Axis 4 (LEADER)	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL[2]	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT[2]	ROU	SWE	SVN	SVK	GBR
411	Implementing local development strategies – Competitiveness	x	0	0	0	0	x	0	0	x	x	0	0	0		0		0	0	0	0			0	0	0	0	x
412	Implementing local development strategies – Environment/ land management	x	0	0	0	0	x			0	0	0		0		0		0		0	0			0	x	0		0
413	Implementing local development strategies – Quality of life/ diversification	x	0	0	0	0	x	x	0	x	x	0	0	0	0	0	0	0	0	0	x	0	0	0	x	0		x
421	Transnational and inter-regional cooperation	0	0	0	0	0	x	0	0	x	0	0	0	0		0	0	0	0	0	x	0	0	0	0	0	0	0
431	Running the local action group, skills acquisition, animation	x	x	0	0	x	x	x	0	x	x	0	0	0		0	0	0	0	0	0	0	0	0	x	0	0	x
	Technical assistance	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT	ROU	SWE	SVN	SVK	GBR
511	Technical Assistance	x	x	0	0	x	x	x	x	x	x	x	0	x	x	x	x		0	0	x	0	x	0	x	x	x	x
	Payments in Romania and Bulgaria	AUT	BEL	BGR	CYP	CZE	DEU	DNK	EST	ESP	FIN	FRA	GRC	HUN	IRL	ITA	LTU	LUX	LVA	MLT	NLD	POL	PRT	ROU	SWE	SVN	SVK	GBR
611	BG RO Direct Payments			x																				x				

Measures chosen are indicated by a cross (x) if payment was made in 2008, and a zero (0) if a measure was chosen but no payment was made in 2008.

1. In Ireland, forestry measures are not part of the RDP.
2. Axis 3 measures are implemented using a LEADER approach under Axis 4.

Source: EAFRD expenditures.

StatLink http://dx.doi.org/10.1787/655567622605

Annex Table 5.2. **EU and National RDP funds by Axis and by member state, 2007-13**

	Axis 1		Axis 2		Axis 3		Axis 4 – LEADER		Technical assistance[1]		Total	
	Million EUR	EU co-financing rate %	Million EUR	EU co-financing rate %	Million EUR	EU co-financing rate %	Million EUR	EU co-financing rate %	Million EUR	EU co-financing rate %	Million EUR	EU co-financing rate %
Austria	1 079	50	5 662	50	506	50	423	51	153	49	7 822	50
Belgium	671	30	300	50	97	38	57	37	19	50	1 145	37
Bulgaria	1 205	80	777	82	878	80	77	80	123	80	3 242	80
Cyprus	141	50	141	50	29	50	9	50	6	50	325	50
Czech Republic	840	75	1 945	80	635	75	175	80	18	72	3 615	78
Denmark	176	50	512	55	47	50	78	55	18	50	830	54
Estonia	348	75	334	80	119	75	86	80	38	75	925	77
Finland	505	45	5 407	28	433	45	242	45	40	45	6 683	31
France	4 621	52	5 817	55	799	52	584	56	122	53	11 943	54
Germany	3 694	60	5 504	60	3 052	65	753	64	208	65	13 210	61
Greece	2 255	71	1 715	76	710	72	295	76	103	75	5 078	73
Hungary	2 366	72	1 627	77	691	72	272	77	203	75	5 159	74
Ireland	482	50	3 385	55	0	0	425	55	6	50	4 299	54
Italy	6 444	48	6 981	51	1 421	49	1 291	52	496	43	16 603	50
Latvia	649	75	365	80	260	75	33	80	56	75	1 362	76
Lithuania	930	75	825	80	276	75	137	80	93	75	2 260	77
Luxembourg	128	20	212	25	16	40	13	40	0	–	369	24
Malta	34	75	25	80	33	75	4	80	4	75	100	76
Netherlands	291	50	289	50	290	50	97	49	6	50	973	50
Poland	7 187	75	5 546	80	3 430	75	788	80	267	75	17 218	77
Portugal	2 360	76	1 974	82	19	81	497	80	135	75	4 974	79
Romania	3 967	80	2 293	82	2 474	80	235	80	376	80	9 971	80
Slovenia	399	75	588	80	132	75	34	79	6	67	1 159	78
Slovakia	835	74	1 242	79	358	74	75	79	53	74	2 563	77
Spain	6 625	48	5 126	54	618	51	1 402	58	66	55	15 800	46
Sweden	555	50	2 702	47	326	45	264	40	70	50	3 917	47
United Kingdom	911	58	6 561	49	675	59	474	58	14	43	8 635	51
EU27	49 697	62	67 857	58	18 322	67	8 820	62	2 699	65	150 179	60
EU15	30 795	54	52 148	52	9 008	57	6 897	58	1 456	54	102 280	52
EU10+2	18 902	76	15 709	80	9 313	76	1 924	79	1 243	77	47 900	77

1. 1. Those amounts do not include all technical assistance programmes implemented in member states.
2. EU10+2 : the 12 members of the EU which have joined since 2004 (10 in 2004 and 2 in 2007).
3. EU15: the 15 member states of the EU between 1995 and 2004.
4. EU27: the 27 members of the EU from 2007.

Source: EU Commission web site: *http://ec.europa.eu/agriculture/rurdev/countries/index_en.htm.*

StatLink http://dx.doi.org/10.1787/655567663001

Chapter 6

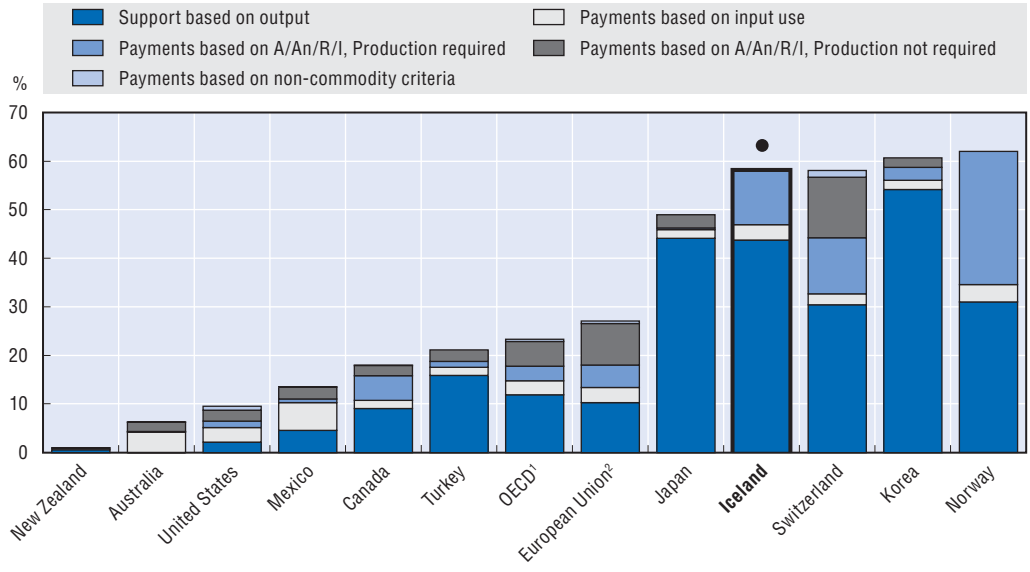
Iceland

Evaluation of policy developments

- Overall, since 1986-88 there has been limited progress in policy reform. While the level of producer support declined, it remains much higher than the OECD average.
- The current policy mix is still dominated by production and trade distorting measures but, following a renewed six-year agreement between the government and the farmers' association concerning the framework of support to sheepmeat production that took effect in 2008, there has been a shift towards more decoupled forms of support.
- The weakening of the Icelandic króna during 2007-08 and its collapse in the fourth quarter of 2008 following the financial crisis, led to a significant increase in border prices denominated in local currency. As a consequence market price support fell and overall support to producers, expressed as a percentage of gross farm receipts decreased significantly.
- Further efforts are still needed to reduce the level of support and to continue the development of more efficient and coherent policy measures. They should target explicit policy objectives, including environment protection, in ways that are less production and trade distorting and that conserve natural resources.

Figure 6.1. **Iceland: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/653675572036

Summary of policy developments

A renewed six-year agreement between the government and the farmers' association concerning the framework of support to sheepmeat production was implemented in 2008. Based on the agreement the support to sheepmeat producers is simplified, as equalisation payments are abolished. New policies are provided for young farmers as well as for those wishing to retire from the age of 64. Finally, support is increased to sheep farmers participating in quality programmes. The last item of the 2005 agreement, decoupled payments for dairy producers, was implemented in 2008. A set of renewed programmes for soil conservation and forestry for the benefit of agriculture was implemented. These programmes address soil erosion, promotion of sustainable land use and restoration of degraded land.

- Support to producers (%PSE) declined from 77% in 1986-88 to 58% in 2006-08. In 2007 it was 57% and continued to decrease reaching 51% in 2008. Despite the progress, the level of support remains much higher than the OECD average.
- The share of the most distorting categories of support (based on output and non-constrained use of variable inputs) fell from 94% in 1986-88 to 76% in 2006-08. Currently, the least distorting forms of support, *i.e.* those that do not require production, account for almost a quarter of producer support.
- Farm receipts were 2.4 times higher than they would have been at world prices in 2006-08, while they were 4.3 times higher in 1986-88 (Producer NAC). Prices received by farmers were about twice those observed in the world markets in 2006-08, compared to four times higher in 1986-88 (Producer NPC).
- The share of Single Commodity Transfers (SCT) in commodity gross receipts decreased for all commodities. However, it still remains high for most of them (milk, sheepmeat, pigmeat, eggs, wool and particularly poultry). The share of SCT in the total PSE increased from 94% in 1986-88 to 95% in 2006-08.
- %CSE, measuring the cost imposed on consumers, fell from 70% in 1986-88 to 42% in 2006-08. In 2006-08, consumers paid prices 79% higher than world prices, down from 339% higher in 1986-88 (Consumer NPC).
- The share of general services in the total support decreased from 7% in 1986-88 to 5% in 2006-08. Total support to agriculture, expressed as a percentage of GDP (%TSE) has fallen from 5% in 1986-88 to 1% in 2006-08.

Figure 6.2. **Iceland: PSE level and composition by support categories, 1986-2008**

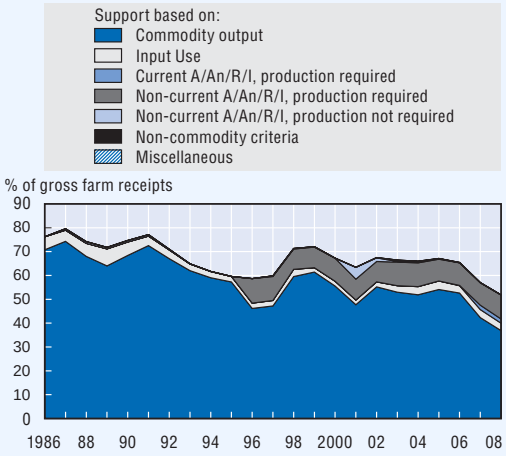


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Figure 6.3. **Iceland: Producer SCT by commodity, 2006-08**

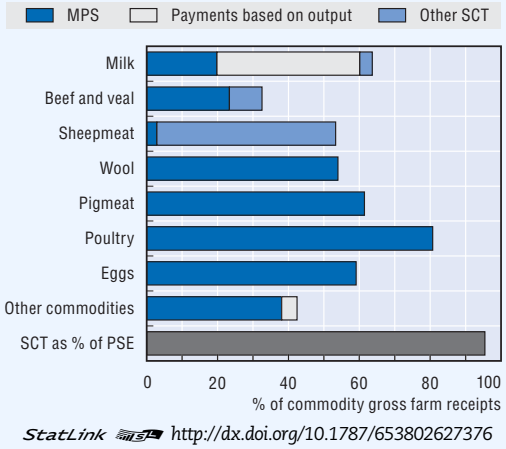

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Table 6.1. **Iceland: Estimates of support to agriculture**

ISK million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**9 644**	**18 679**	**17 642**	**18 464**	**19 932**
of which share of MPS commodities (%)	*80*	*75*	*76*	*72*	*78*
Total value of consumption (at farm gate)	**8 388**	**18 019**	**16 518**	**17 942**	**19 596**
Producer Support Estimate (PSE)	**7 882**	**15 444**	**16 544**	**15 183**	**14 605**
Support based on commodity output	7 297	11 585	13 293	11 254	10 208
Market Price Support	*7 231*	*7 220*	*8 858*	*6 913*	*5 889*
Payments based on output	*66*	*4 365*	*4 435*	*4 341*	*4 319*
Payments based on input use	536	857	777	903	893
Based on variable input use	*129*	*122*	*110*	*150*	*105*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*233*	*251*	*229*	*236*	*287*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*174*	*485*	*437*	*517*	*501*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	0	345	38	493	504
Based on Receipts / Income	*0*	*0*	*0*	*0*	*0*
Based on Area planted / Animal numbers	*0*	*345*	*38*	*493*	*504*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on non-current A/An/R/I, production required	0	2 599	2 397	2 515	2 887
Payments based on non-current A/An/R/I, production not required	48	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	*48*	*0*	*0*	*0*	*0*
with commodity exceptions	*48*	*0*	*0*	*0*	*0*
Payments based on non-commodity criteria	0	57	40	19	113
Based on long-term resource retirement	*0*	*35*	*40*	*19*	*45*
Based on a specific non-commodity output	*0*	*23*	*0*	*0*	*68*
Based on other non-commodity criteria	*0*	*0*	*0*	*0*	*0*
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**77**	**58**	**65**	**57**	**51**
Producer NPC	**4.19**	**2.14**	**2.61**	**2.04**	**1.77**
Producer NAC	**4.32**	**2.41**	**2.88**	**2.31**	**2.04**
General Services Support Estimate (GSSE)	**731**	**893**	**1 083**	**719**	**878**
Research and development	140	185	341	99	115
Agricultural schools	47	26	77	0	0
Inspection services	40	256	239	216	313
Infrastructure	91	55	56	54	55
Marketing and promotion	54	64	51	76	66
Public stockholding	359	307	319	273	329
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**7**	**5**	**6**	**4**	**6**
Consumer Support Estimate (CSE)	**–4 538**	**–7 346**	**–8 568**	**–7 173**	**–6 296**
Transfers to producers from consumers	–6 393	–7 335	–8 832	–7 053	–6 119
Other transfers from consumers	–50	–309	–19	–413	–494
Transfers to consumers from taxpayers	1 906	298	283	293	317
Excess feed cost	0	0	0	0	0
Percentage CSE	**–70**	**–42**	**–53**	**–41**	**–33**
Consumer NPC	**4.39**	**1.79**	**2.15**	**1.71**	**1.51**
Consumer NAC	**3.47**	**1.76**	**2.12**	**1.68**	**1.48**
Total Support Estimate (TSE)	**10 519**	**16 635**	**17 910**	**16 195**	**15 800**
Transfers from consumers	6 444	7 644	8 851	7 466	6 613
Transfers from taxpayers	4 125	9 300	9 078	9 142	9 681
Budget revenues	–50	–309	–19	–413	–494
Percentage TSE (expressed as share of GDP)	5.00	1.28	1.53	1.25	1.10
GDP deflator 1986-88 = 100	100	350	324	342	384

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Iceland are: milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, PSE/CSE *database*, 2009.

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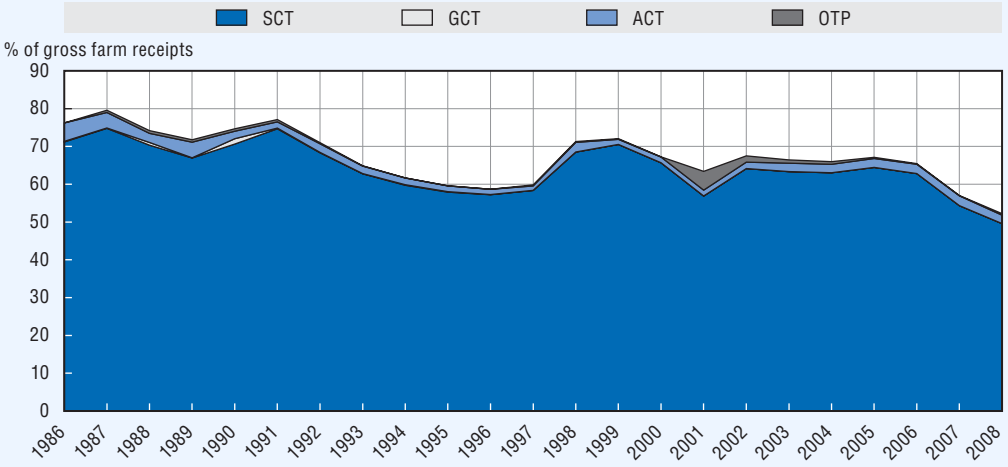
Box 6.1. **Iceland: Commodity specificity of support**

Single Commodity Transfers (SCT) made up 95% of the PSE in 2006-08, an increase by 1% point from the 1986-88 average. SCT remained a major part of the support to producers as the agricultural policy mix continued to apply mainly to single commodities, particularly sheepmeat and milk. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 0.01% of the PSE in 2006-08, compared to 0.4% in 1986-88. All Commodity Transfers (ACT), which place no restriction on commodities that farmers choose to produce, were equal to 4.9% of the PSE in 1986-88 and decreased slightly to 4.2% in 2006-08. Other Transfers to Producers (OTP), which do not require any commodity production at all, made up 0.4% of the PSE in 2006-08 down slightly from 0.6% in 1986-88. Until 2002, OTP consisted of OTP2 payments only (diversion programme for sheep and milk until 1996 and since 1997 permanent withdrawal of sheepmeat quota). In 2002, OTP3 type payments were implemented, namely permanent removal of greenhouses from production. OTP2 expired in 2006 and since that time only OTP3 payments are present in all OTP. In 2008 two new OTP2 programmes have been implemented: grants to farmers participating in soil conservation and forestry programs and cost of constructing barriers, blockades and dams for soil conservation purposes.

Figure 6.4. **Iceland: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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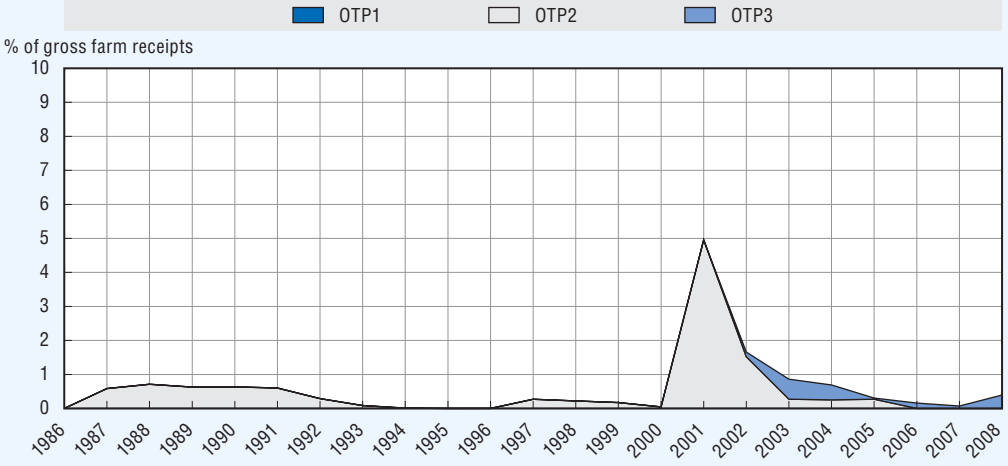
Figure 6.5. **Iceland: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.
Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/653867237431

Description of policy developments

Main policy instruments

Support in Iceland is still mainly provided through border measures and payments based on output and to a lesser extent production quotas. The agricultural policy framework is set by agreement between the government and the farmers' association. Domestic agricultural policies are focused on the livestock sectors, particularly on milk and sheepmeat, the two most important commodities. During the 1990s the government phased out all administered prices except for milk (producer and wholesale prices, coupled with production quotas).[1] Payments based on output are still provided to milk producers. Since 1996 sheepmeat farmers receive payments based on historical entitlements. New policies for sheepmeat and milk are being implemented that are more decoupled from commodity production. A levy is imposed on total agricultural revenue of each farm and distributed within and between various agricultural bodies. Tariff rate quotas provide some market opening for agricultural products such as meat and dairy. However, only a limited quantity of imports competes with domestically produced commodities. Consumer subsidies for wool are provided at the wholesale level. Agri-environmental policies mainly focus on soil conservation and forestry through payments aiming at reducing desertification and sand encroachment, promotion of sustainable land use and reclamation and restoration of degraded land.

Domestic policy

A renewed six-year agreement between the government and the Farmers' Association concerning the framework of support to sheepmeat production was signed in early 2007. The agreement took effect on 1 January 2008 and will end on 31 December 2013. It aims at simplifying the system of granting support to sheepmeat producers. Equalisation payments are abolished and funds are redirected into direct payments. Moreover, funds are now provided to ease access for newcomers to sheep farming and an option is given for farmers who wish to retire as from the age of 64 — they can continue to receive full direct payments after retiring from sheep farming. Finally, support to sheep farmers who participate in quality-assurance programmes is increased. From 1 January 2008 a programme for sheep farmers intended to restrain production was abolished. Farmers who had participated in this programme had agreed to maintain a maximum number of 0.7 sheep per entitlement and to receive instead a higher local farm-gate price. At the same time, they were exempted from the obligation to export it total production exceeded local market demand. From 1 June 2009 the general requirement for sheep farmers to take part in the export obligation will be abolished. In the agreement, an amount of ISK 3 348 000 was secured for realization of the programmes in calendar year 2008. Each following year, this amount will decrease by 1% in real terms.

In April 2007, the government decided to increase payments to beef producers that are based on the number of suckler cows. These payments started in 2007 and will continue until 2012. The payment rate per head of suckler cows was doubled to ISK 40 000.

The current agreement concerning the framework of support to dairy farmers has been effective since 1 September 2005 and will end on 31 August 2012. The annual support breaks down into: direct payments; bovine animal breeding programmes and general development issues; payments based on number of animals; and decoupled support. All

items were implemented in 2005/2006, except the decoupled support which started in 2008. The decoupled support covers: a one-time payment to dairy farmers in proportion to their support targets (ISK 34 million); bovine animal breeding programmes (ISK 25 million); land cultivation (ISK 30 million); and development funds (ISK 8 million).

Since ecosystem degradation is a very important environmental problem in Iceland, the soil conservation and forestry programmes related to agriculture are aiming at reducing desertification, sand encroachment and other soil erosion, promotion of sustainable land use and reclamation and restoration of degraded land.[2] The first part of this programme (ISK 45 million) consists of payments to farmers who qualify to participate in soil conservation and forestry schemes. The work is done by farmers themselves on a part-time basis in the summer months, supervised by the Icelandic Soil Conservation Service. The second part of this programme (ISK 67.8 million) includes soil conservation schemes that consist of constructing barriers, blockades and dams. The third part consists of funds that are used in research in forestry that benefits agriculture (ISK 25 million ISK).

On 1 January 2008 the Icelandic Food and Veterinary Authority – MAST commenced operation as an inspection and administrative body, with the following primary roles: food safety, control of primary production of animal products, including fish products, import and export control of all foodstuffs; supervision of domestic food control by municipal authorities; veterinary services; plant protection services; feed, seed and fertilizer services; meat classification services; administration of organic production of agricultural products; management, monitoring of supplies and surveillance of animal welfare. MAST is assigned to carry out various inspection and administrative tasks and has taken over the tasks that have been carried out by the following authorities: the Agricultural Authority of Iceland; Organic Production; administrative tasks carried out by the Farmers´ Association of Iceland; the Food Division of the Environmental and Food Agency of Iceland; and the Food Division of the Icelandic Directorate of Fisheries. It reports directly to the Ministry of Fisheries and Agriculture.

With the merger of the Ministry of Fisheries and the Ministry of Agriculture in January 2008, the following institutions, previously under the responsibility of the merged ministries, were transferred to other ministries: the Agricultural University of Iceland (now under the Ministry of Education); the Soil Conservation Service of Iceland (now under the Ministry of the Environment); the Iceland Forest Service (now under the Ministry of the Environment); and the Agricultural College at Hólar (now under the Ministry of Education).

Trade policy

The current agreement on sheepmeat production for sheep farmers, intended to restrain production with related export obligations, will be abolished as of 1 June 2009.

Notes

1. Wholesale prices are still managed for approximately 50% of milk and dairy products.
2. These programmes are carried out by the Soil Conservation Service and the Forest Service. These institutes have now been transferred to the Ministry of the Environment but it was decided that the programmes would continue to be partially funded through the Ministry of Fisheries and Agriculture.

Chapter 7

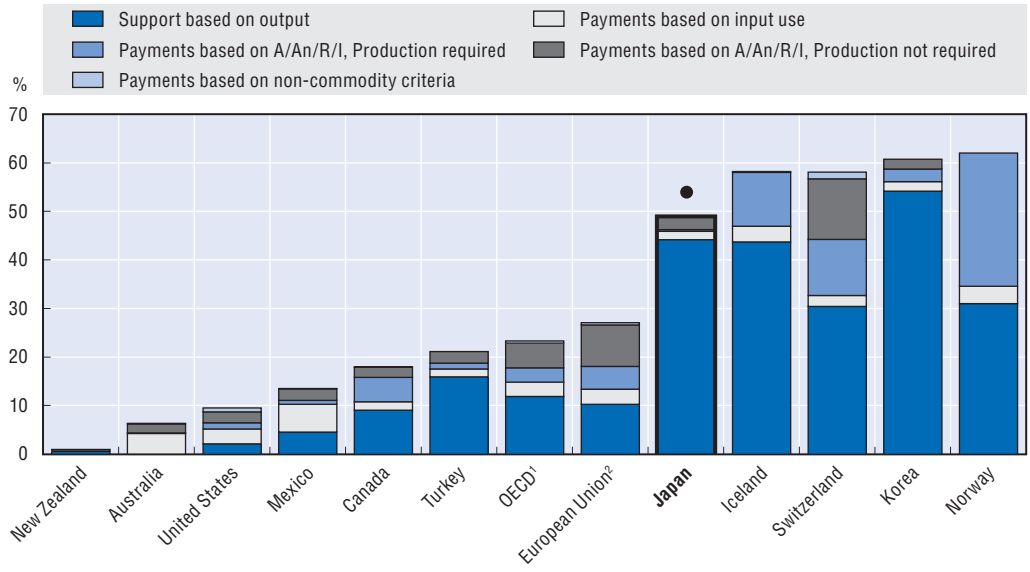
Japan

Evaluation of policy developments

- Overall, there has been some progress in market orientation with a reduction in the level of producer support since 1986-88, but it is still almost twice the OECD average. A significant share of support continues to be provided through market price support with some narrowing of the gap between domestic and world price due mainly to lower domestic market prices for rice.
- Several new payments were implemented in 2007 and 2008 with the aim of moving away from specific commodity-based policies towards group commodity-based policies and to concentrate support on business-oriented farmers. These payments have the potential to provide more flexibility in what farmers can produce and move to less production and trade distorting forms of support.
- The government is increasingly reducing its involvement in the price formation of agricultural products. Following the abolition of the administered price for rice in 2004, administered prices for wheat, barley, sugar beet, sugar cane and starch potatoes were also abolished in 2007. However, high levels of border protection remain and the actual effect on the level of the producer support estimate is still limited.
- Despite some progress, the proportion of support provided by the most distorting forms is still high. Further efforts are needed to reduce the high level of support and increase market access, while moving towards more decoupled policies that are better targeted to farm income, rural development, and environmental objectives.

Figure 7.1. **Japan: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/654013330600

Summary of policy developments

Based on the Basic Plan for Food, Agriculture and Rural Areas, three new direct payments for core farmers (farm management units which aim to earn comparable farm income to the non-farm sector with equivalent working time) have been introduced in 2007. One of its most important aspects is a transition towards a group commodity payment away from the support through price policy and commodity specific payments. This reform abolished the administered prices for wheat, barley, sugar beet, sugar cane and starch potatoes as well as the related output based payment. All other major policy frameworks were maintained throughout 2008.

- Support to producers, as measured by the %PSE, has declined from 64% in 1986-88 to 49% in 2006-08, but remains at almost twice the OECD average. The %PSE in 2008 remained unchanged at the same level of 48% as in 2007.
- The share of the most distorting forms of support (based on commodity output and non-constrained use of variable inputs) in the PSE has slightly declined, from around 95% in 1986-88 to 92% in 2006-08. The share of the least distorting forms of support (payments with no requirement to produce) increased from 2.1% to 5.5 % between 1986-88 and 2006-08.
- Prices received by farmers were around 2.6 times higher than those in world markets in 1986-88 and 1.9 times higher in 2006-08 (producer NPC). Farm receipts were twice as high as they would have been at world prices in 2006-08, compared to 2.8 times higher in 1986-88 (producer NAC).
- Rice continued to receive the highest producer SCT by commodity both in terms of the value (one-third of total SCT) and the percentage SCT (72.1% in 2006-08). The share of total producer SCT in total PSE declined slightly from 93% in 1986-88 to 90% in 2006-08.
- The cost imposed on consumers, as measured by the %CSE, declined from 62% in 1986-88 to 42% in 2006-08.
- Support for general services provided to agriculture increased between 1986-88 and 2006-08, from 15% to 20% of total support.
- Total support to agriculture declined from 2.4% of GDP in 1986-88 to 1.1% in 2006-08 (%TSE).

Figure 7.2. **Japan: PSE level and composition by support categories, 1986-2008**

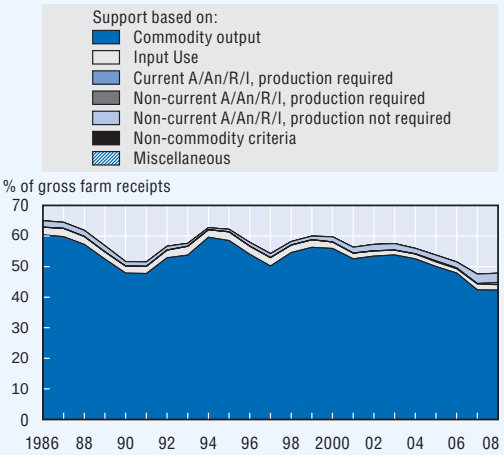


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Figure 7.3. **Japan: Producer SCT by Commodity, 2006-08**

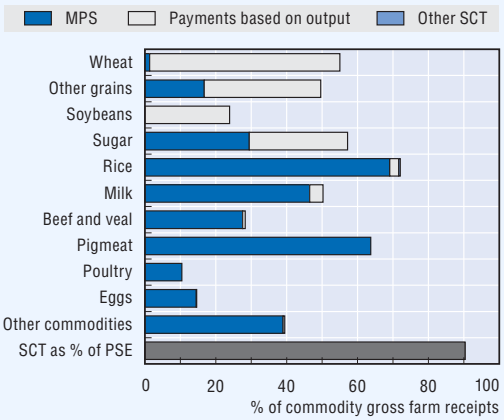

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Table 7.1. **Japan: Estimates of support to agriculture**

JPY billion

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**10 610**	**8 290**	**8 332**	**8 193**	**8 346**
of which share of MPS commodities (%)	*68*	*66*	*66*	*67*	*66*
Total value of consumption (at farm gate)	**14 310**	**11 958**	**11 949**	**11 962**	**11 962**
Producer Support Estimate (PSE)	**7 245**	**4 357**	**4 579**	**4 190**	**4 303**
Support based on commodity output	6 718	3 931	4 254	3 734	3 806
Market Price Support	*6 496*	*3 746*	*4 021*	*3 568*	*3 649*
Payments based on output	*221*	*185*	*233*	*165*	*157*
Payments based on input use	299	154	130	172	162
Based on variable input use	*149*	*63*	*71*	*65*	*54*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*129*	*58*	*52*	*60*	*61*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*21*	*34*	*8*	*47*	*46*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	0	34	24	13	64
Based on Receipts / Income	*0*	*22*	*8*	*1*	*56*
Based on Area planted / Animal numbers	*0*	*12*	*16*	*12*	*8*
with input constraints	*0*	*2*	*0*	*3*	*3*
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	228	238	172	271	272
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*228*	*238*	*172*	*271*	*272*
with commodity exceptions	*228*	*148*	*150*	*148*	*148*
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	**64**	**49**	**52**	**48**	**48**
Producer NPC	**2.63**	**1.87**	**1.99**	**1.81**	**1.81**
Producer NAC	**2.76**	**1.96**	**2.06**	**1.91**	**1.92**
General Services Support Estimate (GSSE)	**1 267**	**1 083**	**965**	**1 176**	**1 109**
Research and development	46	88	88	90	87
Agricultural schools	29	28	2	41	41
Inspection services	8	10	10	10	11
Infrastructure	1 090	916	843	988	917
Marketing and promotion	22	4	2	2	8
Public stockholding	43	20	20	19	20
Miscellaneous	29	17	0	26	26
GSSE as a share of TSE (%)	**15**	**20**	**17**	**22**	**20**
Consumer Support Estimate (CSE)	**–8 890**	**–5 044**	**–5 435**	**–4 801**	**–4 896**
Transfers to producers from consumers	–6 400	–3 746	–4 020	–3 568	–3 649
Other transfers from consumers	–2 486	–1 303	–1 420	–1 238	–1 251
Transfers to consumers from taxpayers	–16	2	3	2	2
Excess feed cost	11	3	3	3	2
Percentage CSE	**–62**	**–42**	**–45**	**–40**	**–41**
Consumer NPC	**2.64**	**1.73**	**1.84**	**1.67**	**1.69**
Consumer NAC	**2.64**	**1.73**	**1.83**	**1.67**	**1.69**
Total Support Estimate (TSE)	**8 496**	**5 443**	**5 547**	**5 368**	**5 415**
Transfers from consumers	8 886	5 049	5 441	4 806	4 900
Transfers from taxpayers	2 096	1 697	1 526	1 800	1 766
Budget revenues	–2 486	–1 303	–1 420	–1 238	–1 251
Percentage TSE (expressed as share of GDP)	2.38	1.06	1.09	1.04	1.06
GDP deflator 1986-88 = 100	100	98	99	98	97

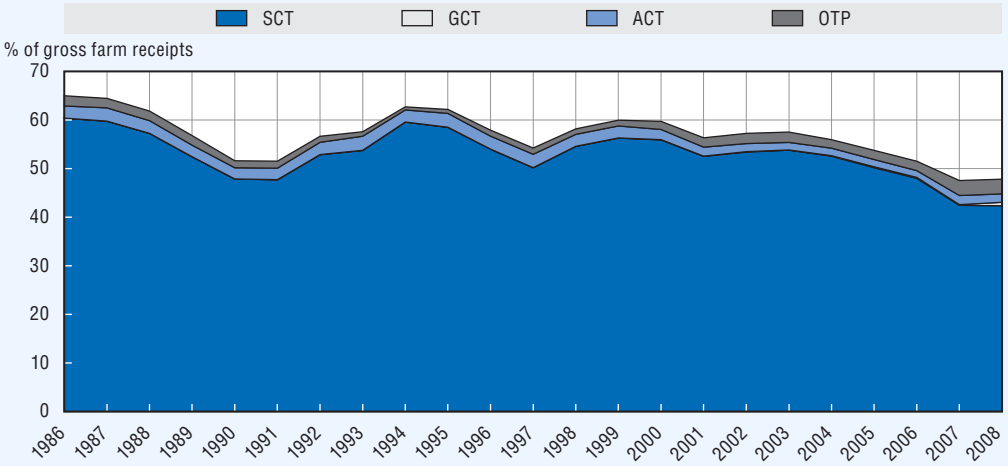
p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Japan are: wheat, other grains, rice, sugar, milk, beef and veal, pigmeat, poultry, eggs, apples, cabbage, cucumbers, grapes, mandarins, pears, spinach, strawberries and Welsh onions. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655610715786

Box 7.1. **Japan: Commodity specificity of support**

In Japan, the recent policy reform toward a flexible commodity payment led to some reduction in the share of Single Commodity Transfers (SCT) in the PSE from 93% in 1986-88 to 90% in 2006-08. Group Commodity Transfers (GCT), where producers have the option to produce one of a specified group of commodities as part of programme eligibility, have been negligible, but the recent policy reform increased its share in the PSE to 1.5% in 2008. Transfers provided under the headings All Commodity Transfers (ACT) and Other Transfers to Producers (OTP) place no restriction on commodities that farmers choose to produce, while Other Transfers to Producers (OTP) do not require commodity production at all. Together, ACT and OTP group comprised 11% of PSE in 2006-08, compared to 9% in 1986-88.

Figure 7.4. **Japan: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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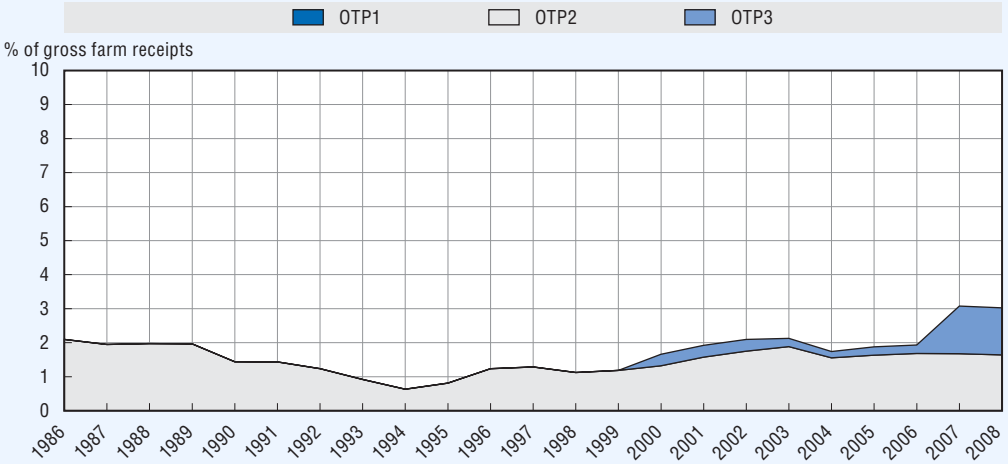
Figure 7.5. **Japan: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).

OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).

OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.

Source: OECD, *PSE/CSE database*, 2009.

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Description of policy developments

Main policy instruments

Market price support provided through tariffs and tariff rate quotas (TRQs), and payments based on output serve as the basis of agricultural policies in Japan. Tariff-rate quota systems are applied to major commodities such as rice, wheat, barley and dairy products. The Food Department within the Ministry of Agriculture, Forestry and Fisheries (MAFF) is responsible for importing rice under Japan's WTO URAA minimum-access commitment.

The new Basic Law for Food, Agriculture and Rural Areas in 2000 initiated a movement from price support to direct payments. The administered price for rice was abolished in 2004 and administered prices for wheat, barley, sugar beet, sugar cane and starch potatoes in 2007. However, administered prices are still set for pig meat, beef and calves. Following this movement, direct payments for core (potentially viable) farmers were introduced from 2007. They are targeted to certain core farmers and intended to accelerate the structural improvement of agriculture by increasing average farm size.

Budgetary support is provided mainly towards infrastructure needs, such as irrigation and drainage facilities and the readjustment of agricultural land. Prefecture and local governments provide infrastructure and extension services. Agri-environment programmes include measures to encourage farmers to adopt sustainable agricultural practices that reduce fertiliser and pesticide usage as well as direct payments to environmentally friendly farming. Direct payments to farmers in hilly and mountainous areas aim to prevent the abandonment of agricultural land and to maintain the multifunctional character of agriculture.

Domestic policy

The law on farm income stabilization came into effect on 1 April 2007 and **three new direct payments for core farmers** were implemented. The new programs are based on historical land, income loss and output. This is an important part of the policy reform to re-orient support away from individual commodities to commodity groups and to target support to large farms. With the introduction of these new payments, relevant commodity specific payments based on output were abolished. These new direct payments are targeted to individual farmers who manage at least 4 ha of land (in the Hokkaido area where relatively larger farms exist, the minimum is set at 10 ha) and to local community units that manage more than 20 ha along with other conditions. However, these conditions were relaxed in 2008 so that the famer or local community unit not meeting the conditions, but approved by the local municipality as a local core farmer can be eligible. The new direct payments for core farmers covered around 26% of the area planted to rice, 93% of wheat and barley, 77% of soybean, 97% of sugar beet and 99% of starch potato in 2007.

Following a further fall in the domestic rice price, MAFF announced **emergency rice measures** in October 2007, including government purchases of 340 000 tonnes to increase the level of stockholding to one million tonnes in line with the preannounced operational rule and a subsidy to allocate 100 000 tonnes of rice to animal feed. The production adjustment programme was also revised so that prefectures can effectively trade production quotas. Under this scheme MAFF reallocates the production quotas in response to requests by prefectures. In return, prefectures that reduce production receive increased

diversion payments while prefectures that increase production see reduced payments. Moreover, extra diversion payments are allocated to those entering into long-term contracts with regional associations to conduct additional diversion.

Due to the surge in imported feed cost, the administered prices for livestock were raised in 2008. The floor level of the price stabilization bands for pig meat and beef were raised by 8.2% and 3.7% in 2008, respectively. Similarly, all administered prices for calves were raised between 1.4% and 4.8% in 2008. The government set a ceiling of 2 million tonnes on manufacturing milk to be covered by direct payments in 2008, the same level as in 2007, but the payment rate was raised by 11.3% in 2008.

Table 7.2. **Japan: Administered prices**

Product	2006/07		2007/08		2008/09		Change in JPY price	
							06/07-07/08	07/08-08/09
	JPY/t	USD/t	JPY/t	USD/t	JPY/t	USD/t	%	%
Beef	780 000	6 697	780 000	6 624	790 000 815 000	7 641 7 883	0.0	3.7
Pigmeat	365 000	3 134	365 000	3 100	380 000 400 000	3 675 3 869	0.0	8.2

1. Years are April to March.
2. Upper and lower colums of prices in 2008/09 are the prices between April and June, and July and March, respectively.
3. Floor price in the price stabilization band.

Source: Ministry of Agriculture, Forestry and Fisheries, Japan.

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Table 7.3. **Japan: Guaranteed prices for calves per head**

Breed	2006/07 (April to March)		2007/08 (April to March)		2008/09 (April to March)		Change in JPY price	
							06/07-07/08	07/08-08/09
	JPY/head	USD/head	JPY/head	USD/head	JPY/head	USD/head	%	
Black Wagyu	304 000	2 610	304 000	2 582	305 000 310 000	2 950 2 998	0.0	1.6
Brown Wagyu	280 000	2 404	280 000	2 378	281 000 285 000	2 718 2757	0.0	1.4
Other beef breeds	200 000	1 717	200 000	1 698	201 000 204 000	1 944 1 973	0.0	1.6
Dairy breeds	110 000	944	110 000	934	113 000 116 000	1 093 1 122	0.0	4.8

Upper and lower colums of prices in 2008/09 are the prices between April and June, and July and March, respectively.

Source: Ministry of Agriculture, Forestry and Fisheries, Japan.

StatLink http://dx.doi.org/10.1787/655642481454

The land policy reform plan was announced in December 2008 with the objective of maintaining the amount of farmland and promoting land rental transactions for farm size expansion. The proposed measures include: the stricter land conversion regulation and farmland zoning; higher penalty for illegal land conversion; the introduction of long-term land rental contract exceeding 20 years; the abolition of the standard land rent system; easing the condition to acquire land tenancy for new entrants; the introduction of a coordinating system for land rental transactions in all the local municipalities; the revision of the farmland tax system. The reform plan also states that local municipalities and local

agricultural committees classify the abandoned land and restore it to farming by 2013 if the land is classified to be viable for agricultural use.

As a result of the steep rise in oil prices, the development of bio energy has been promoted in recent years in Japan. In February 2007, the Japanese government announced an action plan to increase **domestically produced bio-fuel** with the aim of producing 50 million litres in FY 2011 and to further expand production by 2030 (possibly to around 6 billion litres). In order to strengthen the partnership between agricultural producers and bio-fuel producers, the law to promote the use of agricultural organic resources as inputs to bio-fuel production was elaborated in 2008, in which eligible agricultural or bio-fuel producer receives credit concessions and tax benefits. As Japan has only a limited capacity to produce food domestically, it is seeking a way to expand bio-fuel production by using non-food agricultural products such as rice straw.

Trade policy

The quantitative restriction on rice imports was abolished and replaced by a tariff-quota system in 1999. In 2007, the over-quota tariff-rate was JPY 341 000 (USD 2 928) per tonne, the tariff-quota for rice was 767 000 tonnes (brown rice basis) and the maximum mark-up for rice imports was set at JPY 292 000 (USD 2 507) per tonne. Food aid to developing countries, which includes both domestically produced rice as well as imported rice, was approximately 102 000 tonnes in 2007. Japan's tariff rate quotas continued to be under-filled in 2007 for some products, including skimmed milk powder for school lunches and for feed, mineral concentrated whey, whey for infant formula and for feed, butter and butter oil for specific uses, and ground nuts. Japan used special safeguard measures in 2007 and 2008 in accordance with the WTO Agricultural Agreement on several products including butter and milled rice.

Japan actively pursues bilateral or regional **Economic Partnership Agreements (EPAs).** The first EPA was signed with Singapore in 2002 and the second with Mexico in 2004; the latter was the first EPA in which agricultural products were actually included. Between 2005 and 2009, Japan signed EPAs with the Philippines, Thailand, Malaysia, Indonesia, Brunei, Chile, ASEAN, Vietnam and Switzerland. These EPAs will eliminate or reduce tariffs, or introduce preferential tariff quotas for several sensitive agricultural products such as poultry meat and fruit. Japan is now negotiating EPAs with Korea, the Cooperation Council for the Arab states of the Gulf (GCC), India and Australia.

As rapid economic development in other Asian countries has led to increases in the export of agricultural, forestry and fishery products by 36% between 2000 and 2006, the yearly policy plan in 2007 under the Basic Plan for Food, Agriculture and Rural areas sets the goal to increase the export value of agricultural, forestry and fishery products to JPY 1 000 billion (USD 8.5 billion) by 2013 through accelerating quarantine negotiation with importing countries and overseas marketing.

Chapter 8

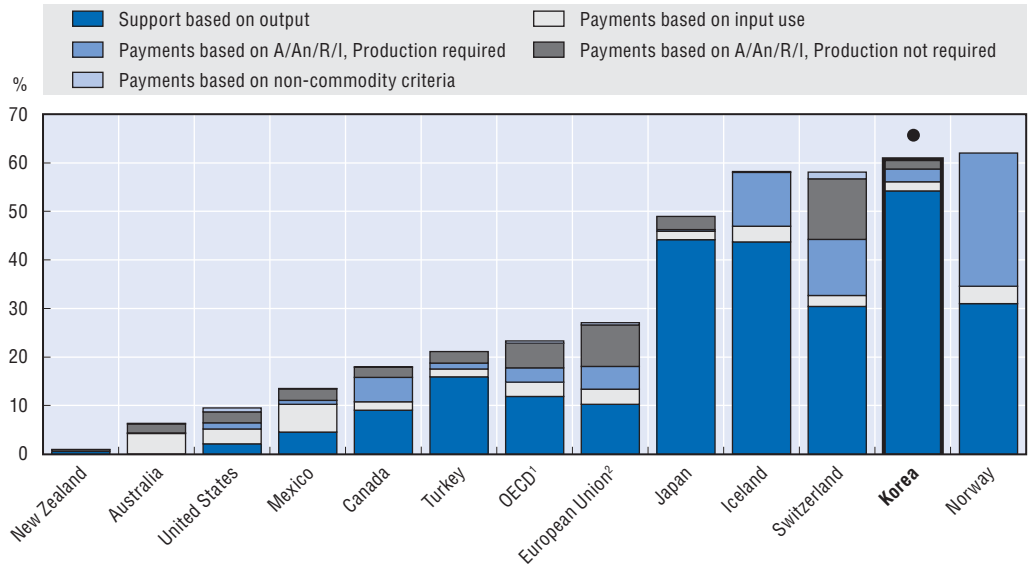
Korea

Evaluation of policy developments

- Overall, some progress has been made towards more market oriented policies. The level of producer support, as measured by the PSE, dropped significantly in 2008 due to a sharp rise in world rice prices. Market price support accounts for a significant share of producer support, although in recent years the share of support from direct payment schemes has increased.
- Efforts have been made to establish an efficient farm registration and data processing system so as to improve the delivery of support to farm households. A challenge, however, is to improve the governance structure of policy implementation in terms of its cost-effectiveness as public awareness of the monitoring and surveillance system grows.
- Policies are paying more attention to strengthening the links between agriculture and agro-food industries. More regulatory reforms, including agricultural co-operative regulations, are needed to attract participation of non-agricultural corporations on a level playing field and to facilitate the emergence of new types of business organisations.
- Further efforts are required to reduce the level of producer support linked to specific commodities. To enhance the efficient use of agricultural resources, impediments to structural adjustment need to be reduced. Growing public attention to food safety, environmental protection and provision of rural amenities points to the need for better targeting of policies in the process of policy reforms.

Figure 8.1. **Korea: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).
1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

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Summary of policy developments

Major policy developments in 2008 focused on food safety and consumer interests. Through institutional changes, the Korean government sought to strengthen the links between agriculture and the food industry by emphasising the competitiveness of agricultural firms and farmer organizations. The agricultural support mechanism as a whole is currently under review with the objective of making policies more effective when faced with budget constraints. A pilot farm registration scheme was implemented in 2007 in an effort to develop income policy on the basis of farm household income.

- Support to producers (%PSE) decreased from 70% in 1986-88 to 61% in 2006-08, but is still more than double the OECD average. Due to a rise in international prices, especially for rice, %PSE fell from 65% to 52% between 2007 and 2008.
- The share of the most distorting type of support (based on commodity output and non-constrained variable input use) fell from 99% in 1986-88 to 91% in 2006-08. Support based on non-current factors and not requiring production made up 3% of the PSE in 2006-08.
- Prices received by farmers in 1986-88 were 3.3 times higher than those on the world market. By 2006-08, this gap decreased to 2.4 times (NPC). The difference between domestic farm receipts and what they would have been at international market prices decreased from 3.38 times in 1986-88 to 2.6 times in 2006-08 (NAC).
- Producer Single Commodity Transfers (SCT) were more than 60% for rice, barley, beef and pig meat in 2006-08, and around 50% for milk and less than 40% for poultry and eggs.
- The costs imposed on consumers as measured by the %CSE fell from 66% in 1986-88 to 58% in 2006-08. Consumers still paid on average more than double the border price for agricultural commodities in 2006-08.
- Support provided to general services for agriculture increased between 1986-88 and 2006-08, from 8% to 13% of the TSE. Total support to agriculture was 2.9% of GDP in 2006-08. This is more than a three-fold decrease as compared to 1986-88.

Figure 8.2. **Korea: PSE level and composition by support categories, 1986-2008**

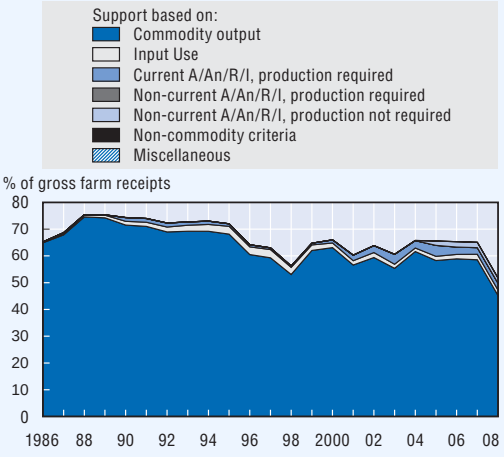

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Figure 8.3. **Korea: Producer SCT by commodity, 2006-08**

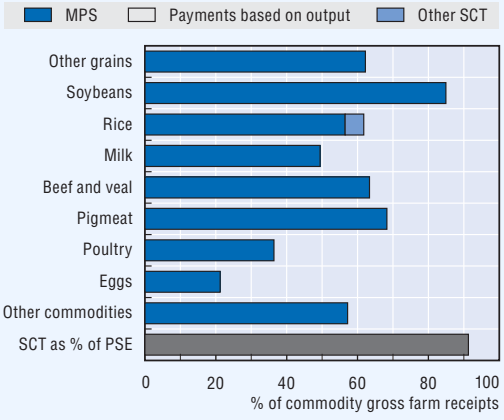

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Table 8.1. **Korea: Estimates of support to agriculture**

KRW billion

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**13 624**	**35 473**	**35 232**	**34 685**	**36 502**
of which share of MPS commodities (%)	*72*	*58*	*54*	*58*	*62*
Total value of consumption (at farm gate)	**14 367**	**46 735**	**46 522**	**47 512**	**46 169**
Producer Support Estimate (PSE)	**9 621**	**22 980**	**24 582**	**24 154**	**20 205**
Support based on commodity output	9 527	20 522	22 174	21 731	17 661
Market Price Support	*9 527*	*20 522*	*22 174*	*21 731*	*17 661*
Payments based on output	*0*	*0*	*0*	*0*	*0*
Payments based on input use	66	723	625	764	780
Based on variable input use	*21*	*340*	*286*	*390*	*343*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*42*	*330*	*295*	*322*	*374*
with input constraints	*0*	*32*	*23*	*31*	*43*
Based on on-farm services	*3*	*53*	*44*	*51*	*63*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	28	986	1 032	917	1 009
Based on Receipts / Income	*28*	*477*	*545*	*456*	*431*
Based on Area planted / Animal numbers	*0*	*509*	*487*	*461*	*578*
with input constraints	*0*	*25*	*14*	*18*	*42*
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	750	751	743	755
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*750*	*751*	*743*	*755*
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	**70**	**61**	**65**	**65**	**52**
Producer NPC	**3.32**	**2.44**	**2.70**	**2.68**	**1.94**
Producer NAC	**3.38**	**2.61**	**2.88**	**2.86**	**2.07**
General Services Support Estimate (GSSE)	**845**	**3 416**	**3 520**	**3 310**	**3 419**
Research and development	52	783	836	706	806
Agricultural schools	5	95	70	99	115
Inspection services	21	129	133	145	108
Infrastructure	374	1 825	1 703	1 816	1 957
Marketing and promotion	0	45	42	43	51
Public stockholding	394	539	736	501	381
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**8**	**13**	**12**	**12**	**14**
Consumer Support Estimate (CSE)	**–9 401**	**–26 952**	**–29 296**	**–29 567**	**–21 991**
Transfers to producers from consumers	–9 280	–20 441	–22 174	–21 731	–17 420
Other transfers from consumers	–180	–6 572	–7 217	–7 879	–4 620
Transfers to consumers from taxpayers	59	62	94	42	48
Excess feed cost	0	0	0	0	0
Percentage CSE	**–66**	**–58**	**–63**	**–62**	**–48**
Consumer NPC	**2.92**	**2.43**	**2.72**	**2.65**	**1.91**
Consumer NAC	**2.91**	**2.42**	**2.71**	**2.65**	**1.91**
Total Support Estimate (TSE)	**10 525**	**26 458**	**28 197**	**27 506**	**23 673**
Transfers from consumers	9 460	27 013	29 391	29 609	22 040
Transfers from taxpayers	1 245	6 017	6 023	5 776	6 253
Budget revenues	–180	–6 572	–7 217	–7 879	–4 620
Percentage TSE (expressed as share of GDP)	9.01	2.92	3.32	3.05	2.43
GDP deflator 1986-88 = 100	100	243	239	242	249

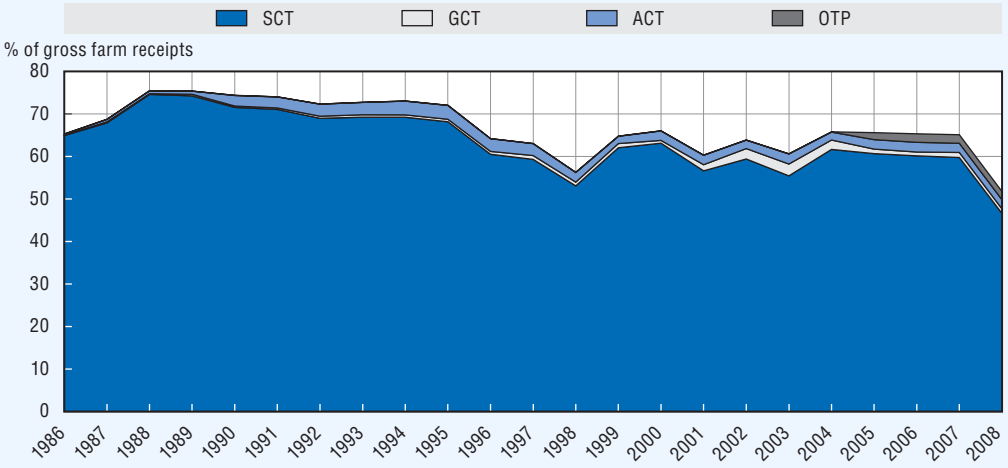
p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Korea are: other grains, garlic, red pepper, chinese cabbage, rice, oilseeds, milk, beef and veal, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655682326212

Box 8.1. **Korea: Commodity specificity of support**

Single Commodity Transfers (SCT) made up 91% of the PSE in 2006-08, a reduction from 99% in 1986-88. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 1.7% of the PSE in 2006-08 as compared to 0.2% in 1986-88. All Commodity Transfers (ACT) place no restriction on commodities that farmers choose to produce, while Other Transfers to Producers (OTP) do not require any commodity production at all. These more flexible types of payments comprised 7% of the PSE in 2006-08, up from 0.7% in 1986-88. Regarding ACT, this reflects recently introduced direct payment schemes, such as payments for environmentally-friendly farming practice and payments for less-favoured areas. Since 2005, when they were first introduced, OTPs have remained constant in relative terms (Figure 8.5) and represented payments provided under the fixed payment programme for paddy fields based on the historical reference and calculated by area.

Figure 8.4. **Korea: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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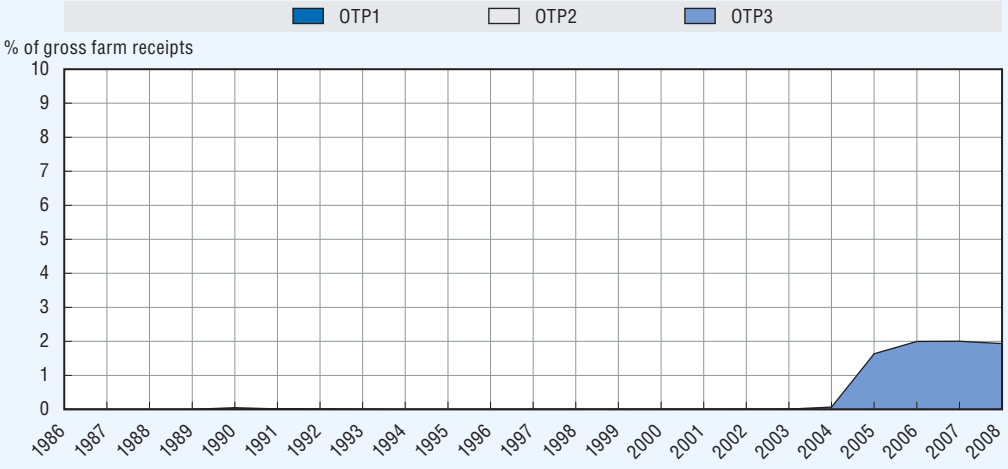
Figure 8.5. **Korea: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.
Source: Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/654272127266

Description of policy developments

Main policy instruments

Tariffs and a wide range of tariff rate quotas are applied based on multilateral and bilateral trade agreements. More recently, with the opening of the agricultural market, direct payment schemes have been introduced. In 2008, five types of direct payment programmes were implemented with different objectives. The basic law for agriculture, rural area and food industry was established in 2007 followed by the creation of the Ministry for Food, Agriculture, Fishery and Forestry (MIFAFF). Korea maintains a **Public Stockholding Scheme** for rice, which is a purchase and release mechanism based on current market price. Rural development policies consist of two categories: improving living conditions of rural residents and improving the economic vitality of rural regions. The first involves many ministries and government agencies to provide services in the fields of, for example, education, medical services, roads, drinking water supply, and internet. Since 2004, the government has applied an integrated package programme to hub villages which demonstrate a high growth potential.

Domestic policy

The direct payment scheme for paddy field was introduced in 2005, superseding the previous rice price support policy. This programme is composed of a fixed payment and a variable payment mechanism. The fixed payment per hectare has remained at the same level of KRW 700 000 (USD 637) since 2006. It was designed for the registered paddy fields in production during 1998-2000. The variable payment is given only to farmers currently producing rice on registered farmland. The amount of this payment is determined according to the difference between a target price and each year's post-harvest price. If the post-harvest price is lower than the target price, farmers receive 85% of the difference. The target price for 2005, KRW 170 083 (USD 155) per 80 kilograms of rice, has been extended to 2012 under the law revised in 2007. The variable payment was KRW 459 757 (USD 418) per hectare in 2006 and fell to KRW 299 327(USD 272) in 2007. Due to the increase in 2008 of the domestic rice price, the variable payment was not triggered.

Following thorough investigations of rice payment fraud cases where ineligible landowners received direct payments, the Ministry is to introduce effective monitoring and surveillance measures. A farm registration pilot project began in 2007 as a first step to nation-wide implementation slated for 2010. With the integrated database, customized services for farmers and the policy effectiveness can be improved. Registration will be done on a voluntary basis, but related policy measures will be linked with the farm registration scheme.

The targeted public stokeholds of rice is fixed at 720 000 tonnes until 2010. To this end, the government purchased 432 000 tonnes of rice in 2007 and 400 000 tonnes in 2008. A market stabilization plan for barley was implemented with the aim of phasing out the current procurement scheme by 2012. To reduce the gap between the market and government purchasing prices, the latter was reduced by 2-4% in 2007 and 2008 respectively depending on varieties.

The resumption of beef imports from the United States in 2008 led the Korean government to adopt a nation-wide labelling system for beef, pork and chicken meat. Restaurants selling meat must label **the country of origin**. The cattle traceability system

was expanded to all domestic cattle at the end of 2008. A beef traceability regulation from slaughter to distribution will be effective as of June 2009. Pork prices were maintained at a high level in 2008 as the demand for domestic pork increased after the implementation of the mandatory labelling scheme and the decrease in imports. The calf breeding stabilisation fund was triggered for the first time since its adoption in 2000. The affiliated farmers raising Han-woo received KRW 170 000(USD 155) per head as the trading price of calves had dropped under the stabilization price level of KRW 1 650 000 (USD 1 500) in the third quarter of 2008.

With a view to reinforcing the inter-relationship between agriculture and the food industry, the **Food Industry Promotion Act** was implemented in 2008. According to the action plan for agricultural competitiveness unveiled in January 2009, entry barriers in agriculture to non-agricultural companies will be reduced. Non-agricultural retailers and food processing companies will be encouraged to enter the agricultural distribution and processing sector. For example, the investment ceiling for a non-farmer holding equity in an agricultural corporation and the prohibition of large companies in livestock farming will be removed.

A large scale agricultural corporation project was initiated to overcome scale constraint. For those corporations competitively selected through open procedures, the government would lease reclaimed farm land, around 500 ha, on long-term contracts. The infrastructure necessary for the operation of the corporation will be supported. The project of the Municipal (Si-Kun) agro-marketing company has been proposed to encourage local governments to play a significant role in the marketing of local products. To this end, the Ministry will provide selected municipal agro-marketing companies with operating funds of KRW 2 billion (USD 1.8 million) on the condition that municipalities and farmers respectively take more than a quarter of the equity and the total equity is above KRW 3 billion (USD 2.7 million).

Direct payments for landscape conservation have increased more than four times, from KRW 600 million (USD 545 000) in 2005 to KRW 2.6 billion (USD 2.4 million) in 2008, covering 3 252 hectares. Payments are based on a collective contract between the municipality and village farmers to cultivate plants for aesthetic purposes with a view to preserving traditional landscapes. The budget for direct payments to less favoured areas was decreased from KRW 52 billion (USD 4.7 million) in 2006 to KRW 42 billion (USD 3.8 million) in 2008.

The **early retirement programme** was recently modified to facilitate structural adjustment. The eligibility criteria, previously limited to paddy fields, were opened to include all farm land in the Agricultural Development Zone (ADZ). Farmers over 65 years can apply for the payment on the condition of retirement. Monthly payments will be KRW 250 000 (USD 227) per hectare for a maximum of ten years.

Programmes for protecting farm household income from natural disasters have been reinforced. An insurance scheme was initiated in 2001, starting with apples and pears. It was expanded in 2003 to cover six major fruits (apples, pears, grapes, peaches, persimmons and tangerines). In 2008, the eligible products increased to fifteen (ten fruits and five field crops). In 2007, 29 174 farm households participated in the crop insurance programme. As for livestock, a separate insurance scheme has been in place since 2002 in order to protect farmers' income against outbreaks of animal disease and natural disasters.

The comprehensive law for the **integrated insurance scheme**, however, was passed in January 2009 and will be implemented from 2010.

Environmentally-friendly farming is developing rapidly. The number of farms and areas certified as environmentally-friendly more than doubled between 2005 and 2007. The environmentally-friendly farming areas reached 9.9% of the total farm land in 2008. Annual payments per hectare for environmentally-friendly farming were constant, ranging from KRW 524 000 to KRW 794 000 (USD 476 to USD 721) for dry fields and for paddy fields from KRW 217 000 to KRW 392 000 (USD 246 to USD 356). The programme was increased from KRW 14.1 billion (USD 12.8 million) in 2006 to KRW 42.3 billion (USD 38.5 million) in 2008. From 2009, following the evaluation of a pilot project for direct payments on environmentally-friendly livestock practices, a payment for organic livestock products was introduced and incorporated into the direct payment programme for environmentally-friendly farming. A three-year pilot project of bio-diesel production started in 2007 for an area of 1 500 hectares. Farmers producing rapeseeds on contracts with bio-diesel companies received annual payments of KRW 1 700 000 (USD 1 545) per hectare.

Table 8.2. **Korea: Outlays for direct payments**

KRW million

Type of payments	2005	2006	2007	2008p
Fixed payments for paddy fields	603 800	718 397	712 004	711 550
Variable payments for paddy fields	900 769	459 757	437 038	533 043
Environmentally-friendly farming	8 190	14 106	17 546	42 309
Less- favoured areas	10 394	33 065	31 070	43 248
Landscape conservation	587	600	1 000	2 646

Source: Ministry for Food, Agriculture, Forestry and Fishery, 2009.

Agro-environmental policies are being implemented so as to reduce the use of chemical fertilizers by 40% by 2013, compared to 375 kg per hectare during 1999-2003. To this end, subsidies to chemical fertilizers were stopped in 2005; instead, subsides for organic fertilizers increased from KRW 42 billion (USD 38 million) in 2006 to KRW 134 billion (USD 122 million) in 2008. To facilitate the use of biological control methods, particularly in the horticultural sector, the government operates a cost sharing scheme when natural pest control insects are used.

The number of villages under the integrated development package grew from 36 in 2006 to 176 in 2008. With funding from the government, the villages could choose their own projects when referring to the village development plan. A **rural area vitality enhancement plan** was prepared for 2008-10 and was designed to take advantage of the potential in natural endowment, local industries and cultural heritages of rural economies. The MIFAFF budget for this plan was KRW 347 billion (USD 315 million) in 2008.

Trade policy

The **Free Trade Agreement** (FTA) with ASEAN has been effective since June 2007. Major agricultural products were treated as hyper sensitive goods. Five different categories (Group A-E) were agreed to take into account the degree of sensitivity; for example, rice was excluded from the FTA and the tariff rate on fruit juices will be halved by 2016. Currently operating FTAs are with Chile, Singapore, EFTA and ASEAN. FTA negotiations with the United States were concluded in April 2007 but the agreement is still in the process of

parliamentary ratification in both countries. Under the multi-track FTA principle, Korea has extended FTA negotiations to Japan, Canada, Mexico, India, EU, GCC (Gulf Cooperation Council), Australia and New Zealand.

Following the science-based risk assessment procedure, beef imports from the United States was allowed in 2006, but trade did not resume due to different interpretations of the technical agreement. In compliance with the revised import conditions of April 2008, US beef has since been imported.

The rice negotiation in 2004 under the WTO regulation obliged Korea to increase Minimum Market Access (MMA) of rice and a portion of imported rice has to be sold directly to consumers at retail outlets. The volume of imports was scheduled to increase by 20 347 tonnes per year, resulting in 286 617 tonnes in 2008. The government has begun to revisit the costs and benefits of the current MMA regime in the context of high international prices.

Table 8.3. **Korea: Minimum market access for rice**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
TRQ (tonnes)	225 575	245 922	266 269	286 617	306 964	327 311	347 658	368 006	388 353	408 700
Table rice (% of TRQ)	10	14	18	22	26	30	30	30	30	30
Table rice (tonnes)	22 558	34 429	47 929	63 056	79 811	98 193	104 298	110 402	116 506	122 610

Source: Ministry for Food, Agriculture, Forestry and Fishery, 2009.

Chapter 9

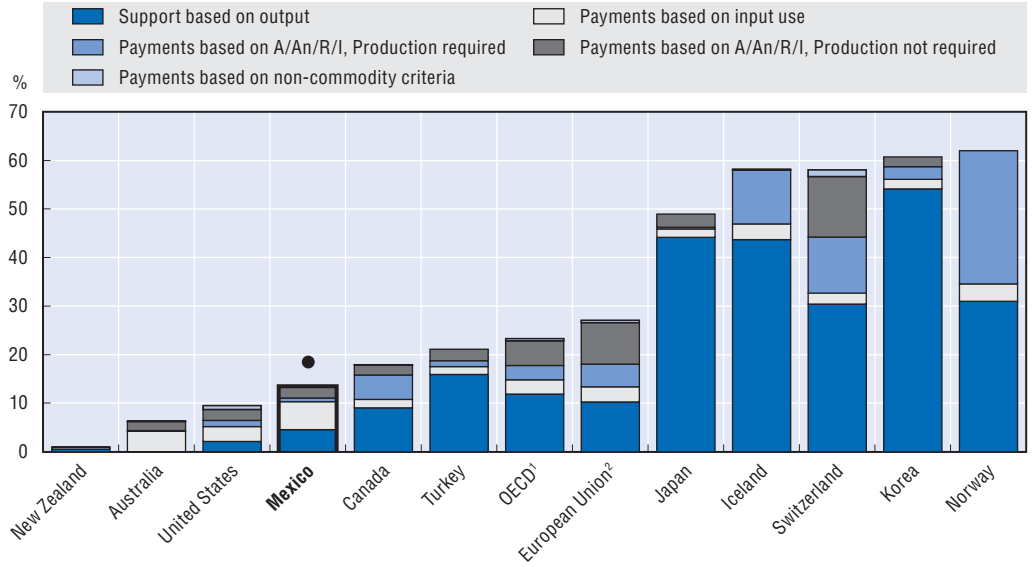
Mexico

Evaluation of policy developments

- Overall, Mexico has made good progress towards market orientation. The level of producer support as measured by PSE remains low compared to the OECD average. There has been a reduction of support based on output, which represented less than half of producer support in 2006-08. Market price support fell in 2008 due to higher border prices.
- However, support based on input use has increased in the last decade and in 2008, accounting for more than half producer support, nearly half of which is based on fixed capital formation. Continuing reforms have reduced the degree of market distortions, improved the effectiveness of income transfers to producers, shifted public expenditure towards rural areas with non-agricultural programmes and reduced consumption subsidies, which are now targeted to the poor.
- In 2008, progress was made in grouping programmes under a single set of operational rules in an attempt to reduce multiplicity of procedures and improve transparency and coordination. Criteria were established to target more resources to poorer producers in marginal areas in on-farm investment programmes. Nevertheless, this progress was offset to some extent in 2008 by new *ad hoc* output payments to sugar and milk producers. Strong increase in expenditures on the price hedging programme is expanding the use of market based risk management instruments but with potential moral hazard problems in the implementation.
- The need to reverse the deterioration of ecosystems is one of the objectives of the new sectoral programme 2007-12, but this is not reflected so far in reducing support for water pumping or in shifts of expenditure towards programmes that improve the environmental performance of agriculture.
- Overall, Mexico should concentrate scarce budgetary resources on measures that foster sector-wide investment and structural adjustment in its subsistence agriculture; on well targeted and transfer efficient measures to alleviate poverty; and on extending the application of "user and polluter pays" principles in water management.

Figure 9.1. **Mexico: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, PSE/CSE database, 2009.

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Summary of policy developments

Mexico approved a new sectoral programme for 2007-12 that combines objectives for the economic development of rural areas, the supply of healthy food, farm income and environmental and social sustainability. In 2008, operational rules of most programs were grouped under a single set of rules in an attempt to improve efficiency and transparency, including specific criteria for better targeting in the new Investment on Productive Assets programme. Expenditure on price hedging programs increased eight fold between 2006 and 2008, while the Target Income Programme was hardly triggered due to high prices, but *ad hoc* complementary payments based on production volumes were introduced for sugar cane and milk in 2008. The end of the NAFTA transition period implied full free trade with the United States as from January 2008.

- Support to producers (%PSE) decreased to 13% in 2008 compared with 14% in 2007. It was 14% in 2006-08 as compared to 28% in 1991-93. It was about half of the OECD average in 2006-08.
- The combined share of the most distorting forms of support (based on commodity output and non-constrained variable input use) fell from 92% of PSE in 1991-93 to 51% in 2006-08.
- Prices received by farmers in 2006-08 were 5% higher than world prices, compared with 34% in 1991-93 (NPC).
- Producer SCTs by commodity in 2006-08 were highest for sugar (31%) and soybeans (17%). The share of total SCT in the PSE was 44% in 2006-08 as compared to 85% in 1991-93.
- The cost to consumers, as measured by the %CSE, was 4% in 2006-08 as compared with 24% in 1991-93.
- Support based on input use accounted for 17% of the PSE in 1991-93 and it has increased to account for 43% of the PSE in 2006-08. More than half of this support is based on fixed inputs.
- Payments based on non-current area and animal – mainly PROCAMPO and PROGAN – did not exist in 1991-93 and represent 23% of the PSE in 2006-08.
- Support for general services provided to agriculture was 11% of total support in 1991-93 and also in 2006-08. Total support to agriculture as a per cent of GDP has fallen from 2.8% in 1991-993 to 0.7% in 2004-06.

Figure 9.2. **Mexico: PSE level and composition by support categories, 1991-2008**

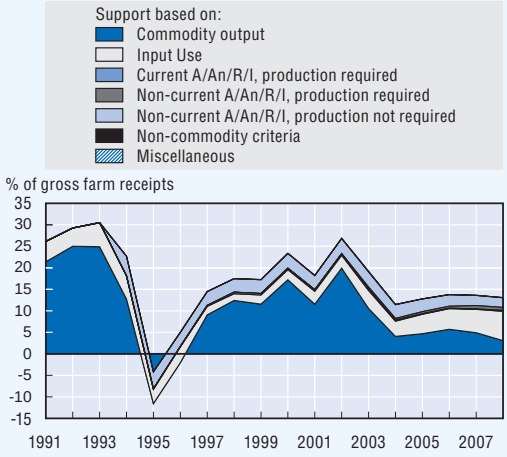

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Figure 9.3. **Mexico: Producer SCT by commodity, 2006-08**

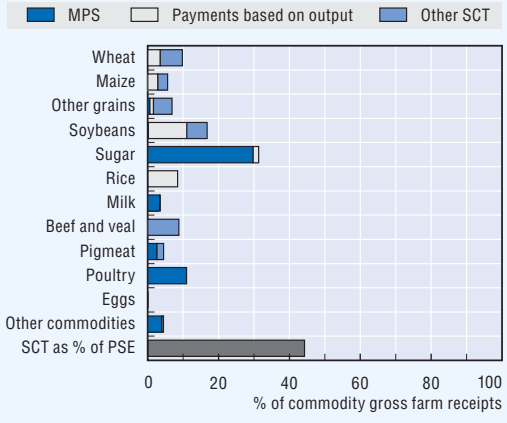

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Table 9.1. **Mexico: Estimates of support to agriculture**

MXN million

	1991-93	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**86 539**	**457 736**	**417 638**	**470 260**	**485 309**
of which share of MPS commodities (%)	*69*	*67*	*67*	*66*	*67*
Total value of consumption (at farm gate)	**82 431**	**529 891**	**419 400**	**525 768**	**644 504**
Producer Support Estimate (PSE)	**26 175**	**68 116**	**63 289**	**70 362**	**70 696**
Support based on commodity output	21 719	22 755	26 223	25 402	16 639
Market Price Support	*21 560*	*20 080*	*21 733*	*23 527*	*14 980*
Payments based on output	*160*	*2 675*	*4 489*	*1 876*	*1 659*
Payments based on input use	4 445	29 058	22 086	28 161	36 929
Based on variable input use	*2 296*	*12 473*	*9 291*	*11 325*	*16 803*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*1 680*	*11 397*	*8 826*	*10 884*	*14 482*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*469*	*5 188*	*3 969*	*5 952*	*5 644*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	10	684	463	432	1 158
Based on Receipts / Income	*0*	*0*	*0*	*0*	*0*
Based on Area planted / Animal numbers	*10*	*684*	*463*	*432*	*1 158*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on non-current A/An/R/I, production required	0	3 263	2 070	4 059	3 661
Payments based on non-current A/An/R/I, production not required	0	12 309	12 308	12 309	12 310
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*12 309*	*12 308*	*12 309*	*12 310*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
Payments based on non-commodity criteria	0	47	140	0	0
Based on long-term resource retirement	*0*	*47*	*140*	*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	**29**	**13**	**14**	**14**	**13**
Producer NPC	**1.34**	**1.05**	**1.07**	**1.06**	**1.04**
Producer NAC	**1.40**	**1.16**	**1.16**	**1.16**	**1.15**
General Services Support Estimate (GSSE)	**3 407**	**8 978**	**8 449**	**10 727**	**10 806**
Research and development	339	1 704	1 688	1 890	1 535
Agricultural schools	550	1 775	2 457	2 868	3 047
Inspection services	0	2 209	2 186	2 758	1 682
Infrastructure	809	1 786	751	1 363	3 246
Marketing and promotion	322	1 454	1 316	1 800	1 247
Public stockholding	1 210	0	0	0	1
Miscellaneous	177	49	51	49	48
GSSE as a share of TSE (%)	**11**	**11**	**11**	**12**	**9**
Consumer Support Estimate (CSE)	**–19 580**	**–20 867**	**–24 070**	**–26 056**	**–12 475**
Transfers to producers from consumers	–22 051	–19 316	–21 576	–22 096	–14 275
Other transfers from consumers	–770	–6 393	–5 406	–9 863	–3 908
Transfers to consumers from taxpayers	2 629	4 782	2 735	5 902	5 708
Excess feed cost	612	60	177	2	0
Percentage CSE	**–25**	**–4**	**–6**	**–5**	**–2**
Consumer NPC	**1.38**	**1.05**	**1.07**	**1.06**	**1.03**
Consumer NAC	**1.32**	**1.04**	**1.06**	**1.05**	**1.02**
Total Support Estimate (TSE)	**32 211**	**81 876**	**74 474**	**86 991**	**87 210**
Transfers from consumers	22 821	25 708	26 982	31 959	18 183
Transfers from taxpayers	10 160	62 560	52 897	64 895	72 935
Budget revenues	–770	–6 393	–5 406	–9 863	–3 908
Percentage TSE (expressed as share of GDP)	2.65	0.73	0.72	0.78	0.71
GDP deflator 1986-88 = 100	100	597	568	595	628

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Mexico are: wheat, maize, other grains, coffee beans, tomatoes, rice, oilseeds, sugar, milk, beef and veal, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

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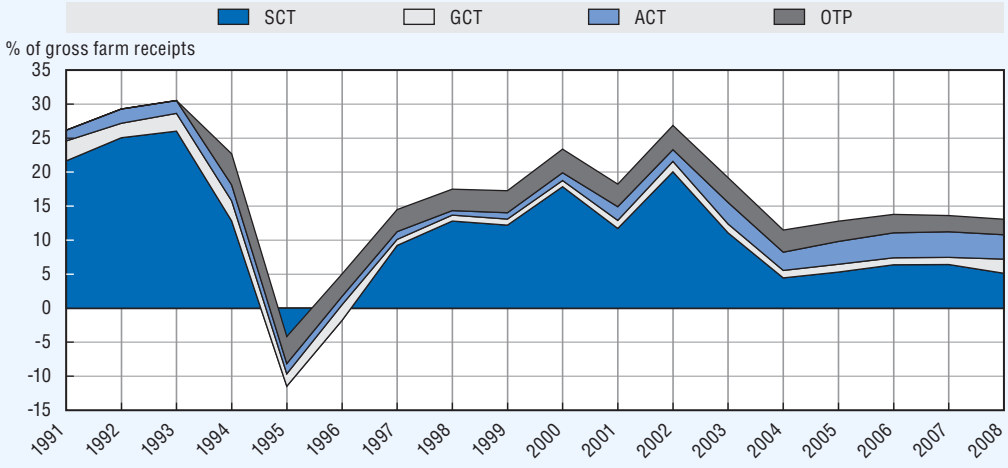
Box 9.1. **Mexico: Commodity specificity of support**

Single Commodity Transfers (SCT) made up 85% of the PSE in 1991-93 and 44% in 2006-08. Group Commodity Transfers (GCT), where producers have the option to produce one of a specific group of commodities, were 9% of PSE is 1991-93 and 10% in 2006-08. Transfers provided with the possibility of producing any commodity (All Commodity Transfers, ACT) have increased from 6% of the PSE in 1991-93 to 27% in 2006-08. Finally Other Transfers to Producers (OTP) that have no requirement of production of any commodity have increased from zero in 1991-93 to 18% of PSE in 2006-08. These OTP correspond to the PROCAMPO programme that since 1995 has fixed rates and no commodity exception (OTP3 in Figure 8.5).

Figure 9.4. **Mexico: PSE level and commodity specificity, 1991-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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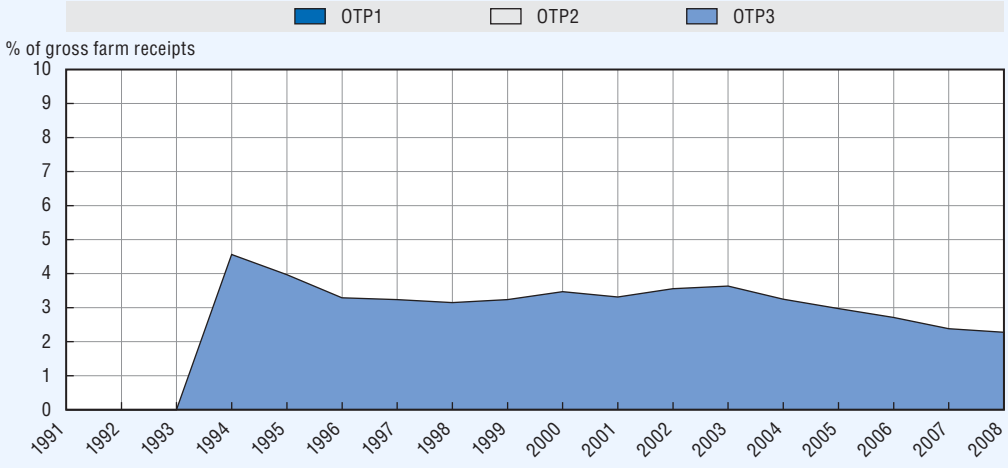
Figure 9.5. **Mexico: Other Transfers to Producers, 1991-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.

Source: OECD, *PSE/CSE database*, 2009.

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Description of policy developments

Main policy instruments

The direction, objectives, and policy instruments of agricultural policy in Mexico over the 2007-08 period were determined by the Sectoral Development Programme on Agriculture, Livestock and Fisheries 2007-12. This programme defines five objectives for the sector: improving the degree of human development of rural inhabitants, supply healthy and accessible food to the domestic market, improve farmers' income through participation in the value added and exports to foreign markets, reverse the deterioration of the ecosystems and promote a balanced development of rural areas in coordination with all local agents. The main agricultural policy instruments consisted of market price support provided through tariffs and tariff rate quotas (TRQs); output payments (*Ingreso Objetivo* Programme); direct payments based on historical (non-current) area (PROCAMPO) and animals (PROGAN); and payments based on on-farm investment or fixed capital (new Investment on Productive Assets programme and PROCAMPO *Capitaliza*) and farm credit support policy. Other support programs include payments based on variable inputs and on farm services (energy subsidies, irrigation subsidies, insurance, price hedging and contracting, extension services); policies for the conservation of water and other natural resources (environmental stewardship provisions in PROCAMPO and PROGAN and Soil and Water Conservation); and other policy measures (commercial promotion and agro-business development, weather-related disasters).

Domestic policy

The programmes implemented by the Ministry for Agriculture, Livestock, Rural Development Fisheries and Food (SAGARPA) had, in the past, different operational rules for each programme. Since 2008, most of the regulations were grouped into **a single set of Operational Rules** that are published on a yearly basis. This responds to an attempt to integrate and improve the transparency of the whole set of support programs. The set of programs that are governed by these rules are, in general, available not only to farmers but to all the population and all activities in rural areas, including fisheries. However many programs or budgetary lines of a given programme are specifically allocated to agriculture and / or livestock producers. The set of Operational rules apply to the following eight programs: Investment on Productive Assets, PROCAMPO direct payments, Enhancement of Rural Financing, Sustainable use of Natural Resources (including PROGAN), Structural Problems programme (compensatory support, including target income payments), Advisory programme (*Programa de Soporte*), Climate disaster programme and Enhancement of Rural Associations.

The new programme on **Investment on Productive Assets** (*Programa de Adquisición de Activos Productivos*) groups several former payments for on-farm investment under the old ALIANZA programme. It finances part of the expenditure on a specific productive investment project for any economic activity related to agriculture, livestock, aquiculture, fisheries, agro-food as well as non-agriculture in the rural economy. The percentage of the investment expenditure that can be financed by the government varies from 10% to 70% for different population strata defined according to the following criteria: the degree of marginality of the municipality (high, medium or low as defined by the National Population Council CONAPO) and the level of assets owned by the recipient (low, medium

and high assets ownership defined in terms of land, animals, fishing captures and sales). This progressivity in the share of investment that is supported is complemented with established minimum shares of programme resources to be allocated to each population stratum. The total expenditure on this programme for agriculture and livestock in 2008 is estimated to be MXN 5.8 billion (USD 520 million). Additionally, the PROMAF programme provides payments for investment on technology and on-farm infrastructure oriented to small producers' organizations with less than 20 hectares in marginal areas, with an estimated expenditure of MXN 1.6 billion (USD 143 million) in 2008. Total expenditure on support based on fixed capital formation in the PSEs increased by a third in 2008.

The decree that created **PROCAMPO** in 1994 foresaw a duration of fifteen years for the programme. However, the Sectoral Programme 2007/12 specifies that PROCAMPO will continue beyond 2008, and establishes a new deadline for this programme, as well as PROGAN, in 2012. A possible update of the operational rules of PROCAMPO has been announced, but no change of these rules has been implemented so far. In 2008, total expenditure on PROCAMPO (including both the standard yearly payment and the capitalization for investment modality) is estimated to be MXN 14.2 billion (USD 1.3 billion) or 20% of PSE, compared with MXN 15.5 billion (USD 1.4 billion)in 2007.

Inside the Structural Problems programme, different sub-programs are implemented. This includes the *Ingreso objetivo* programme that operates as a deficiency payment. Due to high market prices for most 2008 this sub-programme was not triggered for any of the covered commodities (most crops) except for cotton. However, total expenditure on so-called "marketing programs" – the main rubric of Structural Problems programme – increased by 27% to MXN 9.1 billion (USD 816 million) in 2008. This is due to increases in expenditure on other sub-programs, particularly the **Price Hedging programme** that supports between 50% and 100% of the costs of a futures price option for producers and buyers. This hedging sub-programme operates in conjunction with a programme that supports contract farming offering farmers a stable price in USD known in advance through the contract, plus the opportunity of benefiting from price rises at harvest time through "call" options. Total expenditure on this programme has significantly increased in the last three years: MXN 0.7 billion (USD 64 million) in 2006, MXN 2.3 billion (USD 210 million) in 2007 and MXN 5.9 billion (USD 529 million) in 2008.

Two exceptional programs were implemented for milk and sugar in 2008, providing payments based on output: a Stabilization Fund for the Marketing of Milk and a Complementary Payment to Sugar Cane producers. They total an estimated expenditure of MXN 1 billion (USD 90 million).

Almost 70% of the expenditure under the Sustainable Use of Natural Resources programme corresponds to PROGAN that gives payments per animal units conditional on farmers adopting good environmental practices. Eligibility for these payments has been extended from bovine animals to sheep, goats and bees. Total expenditure on this programme in 2008 is estimated to be MXN 3.7 billion (USD 332 million). A new sub-programme on **Soil and Water Conservation**, grouping previous similar programs, has been implemented in 2008 with an estimated expenditure of MXN 894 million (USD 80 million). It mainly involves the financing of on-farm infrastructure for improving efficiency in water management.

In May of 2008, a set of **actions to confront high prices** was announced. It included three groups of measures: first, to facilitate food supplies in the domestic market some

border measures were reduced or eliminated (see trade policy below) and a dialogue with retailers was announced to avoid sudden increases in basic prices; second to enhance domestic production the government announced preferential credit to small farmers, access to fertilizers at cheaper prices in DICONSA shops in marginal areas, additional irrigation infrastructure and strengthening of existing agricultural investment programs; finally, measures to protect the income of poorest families, strengthening the consumption subsidies targeted to poor families through DICONSA. These transfers from taxpayers to targeted consumers (which include both DICONSA and LICONSA for milk) represented MXN 4.3 billion (USD 385 million) in 2008.

Trade policy

In the context of the actions to confront high prices, in May 2008 Mexico set to zero all import tariffs on wheat, rice and maize; created a new zero tariff import quota for dry edible beans; halved to 62% the out of quota tariff on milk powder imported from non-NAFTA countries; exempted sorghum and soya meal from tariffs and eliminated import tariffs on fertilizers and other chemical inputs.

These measures did not affect trade with the United States, the main trade partner of Mexico, because in January 2008 the transitory period of NAFTA ended and remaining border tariffs and quotas (on maize, sugar, milk powder and dry edible beans) with the United States were fully eliminated. In the case of Canada, some products such as poultry, milk powder and sugar are excluded from the free trade agreement.

In October 2008, the Dispute Settlement Body (DSB) of WTO adopted the Panel Report on the dispute between the European Communities and Mexico on olive oil. Mexico was found to act inconsistently with some provisions of the Agreement on Subsidies and Countervailing Measures when establishing definitive countervailing measures on olive oil from the European Communities. Mexico has stated that it would implement the DSB recommendations. Since December 2008, the new set of reduced tariffs published by the Ministry for the Economy applied to all vegetable oils.

Chapter 10

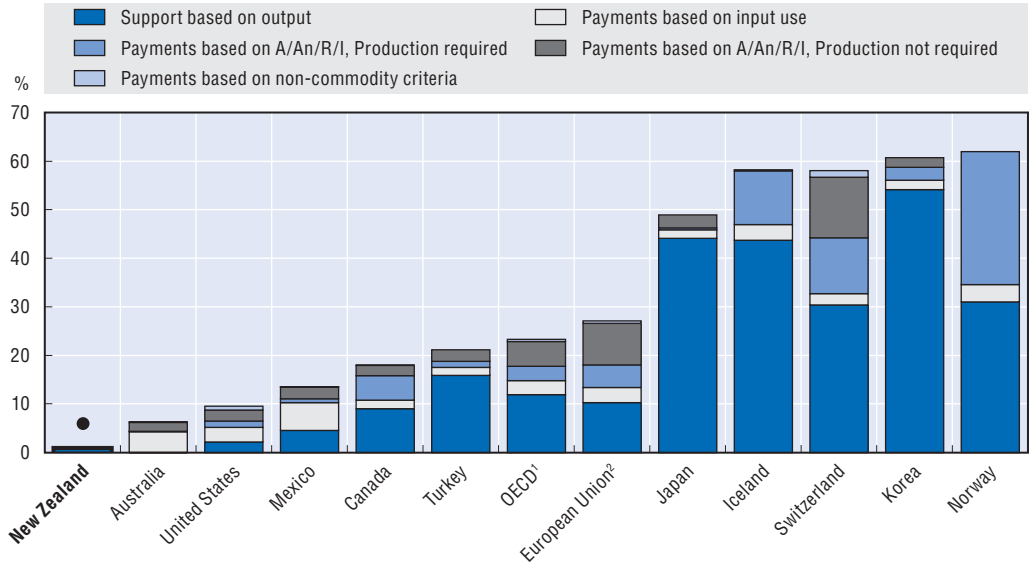
New Zealand

Evaluation of policy developments

- Overall, significant progress has been made since 1986-88 in removing policies causing agricultural production and trade distortions. The level of producer support is currently the lowest across the OECD, most domestic and border prices are aligned, and payments are only provided for pest control and relief in the event of large scale climate and natural disasters which are beyond the capacity of private insurance.
- Reforms of statutory producer organisations and marketing boards have brought deregulation to almost all sectors. The exports of dairy products have been regulated in specific markets where countries have imposed import restrictions. However, a reform plan was elaborated in 2007 so that all remaining restrictions on the export of dairy products will be eliminated by the end of 2010 (with restrictions being removed from restricted markets beginning in 2007). An exception to this is kiwifruit, where statutory export rights have been granted to a designated exporter. Further reform should be pursued in the remaining sectors.
- Efforts to enhance the sustainable management of biological and natural resources have been undertaken to establish national frameworks for land and water quality and allocation. A wide review of the economy-wide Resource Management Act is now underway. Efforts to develop additional market-based approaches to deal with both water quality and quantity issues offer opportunities to enhance environmentally sustainable development.

Figure 10.1. **New Zealand: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009

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Summary of policy developments

Recent policy initiatives relate to sustainable development, water management, response to adverse events and biosecurity controls. Based on the policy review, the programme to assist with building rural capacity to respond to adverse events was introduced in 2007, creating a Rural Support Trust in each region. In the area of biosecurity, a science strategy was developed in 2007 as a formal mechanism for determining the science priority for biosecurity. On the trade side, progress was made toward removing remaining restrictions on the export of dairy products to specific markets. The reform plan elaborated in 2007 eliminates all the restrictions on the export of dairy products by the end of 2010. New Zealand also concluded the first Free Trade Agreement with China among OECD members in 2008.

- Support to producers (%PSE) was 1% in 2006-08, down from 10% in 1986-88 and has been the lowest in the OECD since the agricultural reforms in the mid-1980s. The %PSE fell from 1% in 2007 to 0.8% in 2008, mostly due to reduced Market Price Support for poultry and eggs resulting from stronger international prices for these commodities.
- The combined share of most distorting forms of support (based on commodity output and non-constrained use of variable inputs) in the PSE increased from 19% in 1986-88 to 58% in 2006-08.
- Prices received by farmers were closely aligned with those on the world market in 2006-08 with a producer NPC of 1.01. For the same time period, farm receipts were also almost the same as those on the world market (producer NAC of 1.01).
- Single Commodity Transfers (SCT) was 10% for eggs, 15% for poultry and zero for all the other commodities in 2006-08. The share of total producer SCT in total PSE was 58% in 2006-08.
- The cost to consumers, as measured by the %CSE, was 3% in 2006-08 (6% in 1986-88).
- Support for general services provided to agriculture as a share of total support increased between 1986-88 and 2006-08, from 21% to 65%. This support consists mainly of basic research, the control of pests and diseases, and flood control.
- Total support to agriculture as a share of GDP is the lowest among the OECD countries at 0.2%, which is less than one-seventh of the share in 1986-88.

Figure 10.2. **New Zealand: PSE level and composition by support categories, 1986-2008**

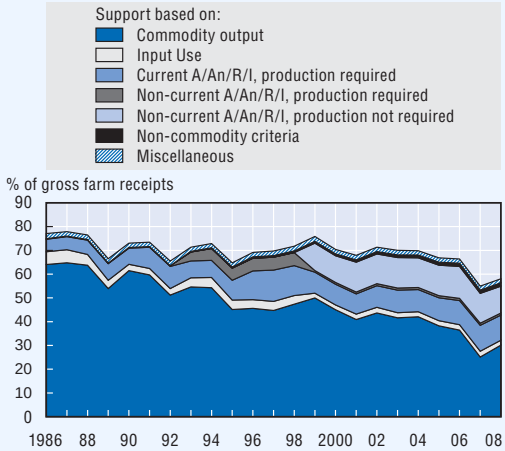

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Figure 10.3. **New Zealand: Producer SCT by commodity, 2006-08**

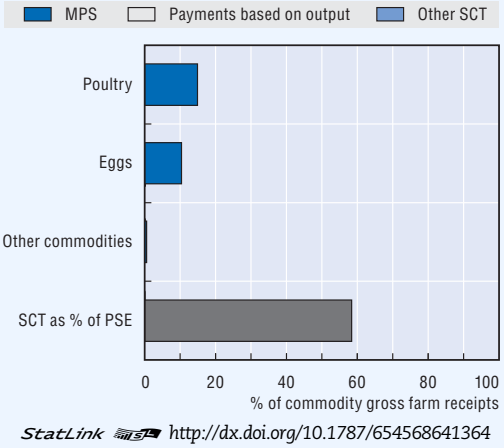

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Table 10.1. **New Zealand: Estimates of support to agriculture**

NZD million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**6 860**	**15 755**	**14 709**	**15 699**	**16 856**
of which share of MPS commodities (%)	*72*	*72*	*71*	*73*	*71*
Total value of consumption (at farm gate)	**1 683**	**3 471**	**3 235**	**3 496**	**3 682**
Producer Support Estimate (PSE)	**781**	**147**	**153**	**156**	**131**
Support based on commodity output	110	86	87	98	72
Market Price Support	*107*	*86*	*87*	*98*	*72*
Payments based on output	*3*	*0*	*0*	*0*	*0*
Payments based on input use	314	58	58	57	58
Based on variable input use	*3*	*0*	*0*	*0*	*0*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*271*	*0*	*0*	*0*	*0*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*40*	*58*	*58*	*57*	*58*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	42	3	8	1	1
Based on Receipts / Income	*42*	*3*	*8*	*1*	*1*
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	315	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**	**1**	**1**	**1**	**1**
Producer NPC	**1.02**	**1.01**	**1.01**	**1.01**	**1.00**
Producer NAC	**1.12**	**1.01**	**1.01**	**1.01**	**1.01**
General Services Support Estimate (GSSE)	**203**	**272**	**259**	**267**	**289**
Research and development	102	88	81	92	90
Agricultural schools	0	24	23	23	26
Inspection services	54	80	79	75	86
Infrastructure	47	80	75	78	87
Marketing and promotion	0	0	0	0	0
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	**21**	**65**	**63**	**63**	**69**
Consumer Support Estimate (CSE)	**–105**	**–87**	**–91**	**–97**	**–73**
Transfers to producers from consumers	–102	–84	–84	–97	–72
Other transfers from consumers	–3	–2	–6	0	–1
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	0	0	0	0
Percentage CSE	**–6**	**–3**	**–3**	**–3**	**–2**
Consumer NPC	**1.07**	**1.03**	**1.03**	**1.03**	**1.02**
Consumer NAC	**1.07**	**1.03**	**1.03**	**1.03**	**1.02**
Total Support Estimate (TSE)	**984**	**419**	**412**	**424**	**420**
Transfers from consumers	105	87	91	97	73
Transfers from taxpayers	882	334	328	327	347
Budget revenues	–3	–2	–6	0	–1
Percentage TSE (expressed as share of GDP)	1.63	0.24	0.25	0.24	0.23
GDP deflator 1986-88 = 100	100	165	159	165	170

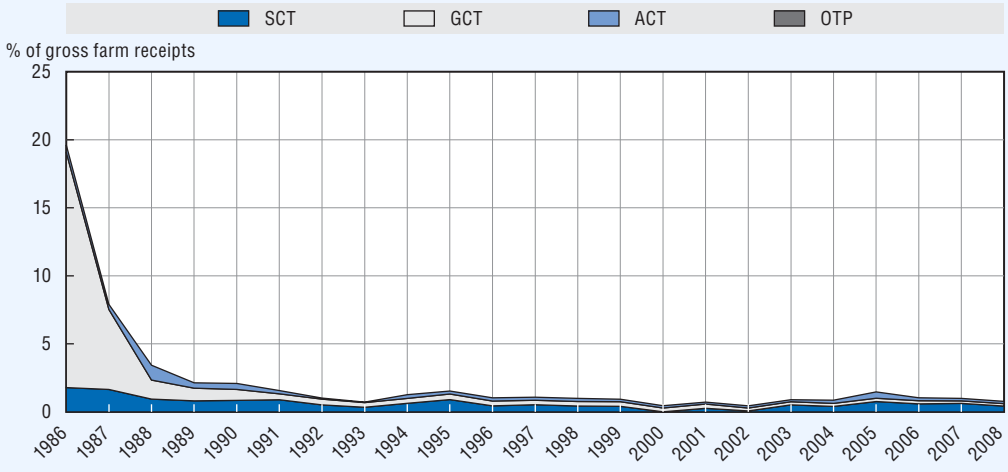
p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for New Zealand are: wheat, maize, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655728413356

Box 10.1. **New Zealand: Commodity specificity of support**

Single Commodity Transfers (SCT) in 2006-08 made up 58% of the PSE, an increase from 19% in 1986-88 but a lower PSE level. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 21% of the PSE in 2006-08, compared to 79% in 1986-88. Transfers provided under the heading All Commodity Transfers (ACT) place no restriction on commodities that farmers choose to produce and made up 20% of the PSE in 2006-08, up from 6% in 1986-88. Other Transfers to Producers (OTP) do not require commodity production. No policies have ever been applied under this heading.

Figure 10.4. **New Zealand: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

Source: OECD, *PSE/CSE database*, 2009.

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Description of policy developments

Main policy instruments

Support to agriculture in New Zealand is provided mainly through expenditures on general services such as agricultural research and biosecurity controls for pests and diseases. A large portion of the costs of regulatory and operational functions, including border control, are charged to beneficiaries. In the event of large-scale emergencies of national significance resulting from adverse climatic events and natural disasters which are beyond the response capacity of private insurance, local farmer organisations and territorial local authorities, payments to farmers are granted to replace losses Market price support for poultry and eggs is due to the border measures to prevent the entry of specific pests and diseases.

Historically, marketing of most agricultural production was largely under the control of statutory producer and marketing boards. Reforms undertaken over the 1990s mean that today almost all sectors are deregulated. Over the period, statutory marketing boards have all been dismantled and participation in commercial aspects of the agricultural sector has been deregulated. The exports of dairy products have been regulated in limited situations including in specific markets where countries have imposed import restrictions. However, the 2007 reform plans to eliminate all remaining restrictions on who can export dairy products to specific markets by the end of 2010 (with restrictions being removed from particular markets beginning in 2007). Legislation provides for Zespri to have the automatic, but not sole, right to export kiwifruit to all markets (except Australia). But those who wish to export this fruit must obtain approval from the New Zealand Kiwifruit Board to market collaboratively with Zespri. The exception is exports of kiwifruit to Australia which are governed by the New Zealand Horticulture Export Authority Act 1987. This legislation, which has the objective of developing effective export marketing of horticultural products, provides the means for collaborative marketing amongst growers and exporters who have previously chosen to work under this legislative framework.

Activities such as market research, development, quality assurance, and plant and animal health protection are funded by producer levies through industry organisations play under the Commodity Levies Act 1990. Under this legislation, levies can only be imposed if they are supported by producers, and producers themselves decide how levies are spent. With a very limited number of exceptions, levy funds may not be spent on commercial or trading activities. The levying organisations must seek a new mandate to collect levies every six years through a referendum of levy payers.

The two principal policy measures that address agri-environmental issues are the Resource Management Act 1991 (RMA) and the Sustainable Farming Fund (SFF). The objective of the RMA is to promote the sustainable management of natural and physical resources, including soil, water, air, biodiversity and the coastal environment, for the benefit of present and future generations. Most responsibilities under the RMA are assigned to regional and district councils. Examples of relevant activities include environmental regulation, soil conservation cost-share programmes, flood control and drainage works, and pest plant and animal control programmes. The SFF supports community-driven projects aimed at improving the productive and environmental performance of the land-based sectors.

Domestic policy

In 2009, the Government introduced a set of proposed amendments to the 1991 **Resource Management Act** (RMA). These proposed amendments are the first phase of a

wider review of the RMA. Phase one of the review aims to reduce delays, costs and uncertainty associated with RMA processes, and thereby help improve environmental, social and economic outcomes. A second phase will address more substantive and complex issues such as improving water management and resource allocation.

The **Sustainable Water Programme of Action**, established in 2003, aims to maintain and improve fresh water quality, and address the increasing demand for water, including for irrigation, though an inter-departmental process co-led by the Ministry of Agriculture and Forestry (MAF) and the Ministry for the Environment. After a public consultation process in 2005, a package of actions, including both regulatory and voluntary approaches to water quality and management, is now underway. These include a national policy statement on freshwater management, and two national environmental standards, all prepared under the Resource Management Act. A Primary Sector Partnership Group was formed consisting of the major primary sector industries. This has set water quantity and quality targets. Through the Programme of Action, the government is seeking to raise awareness of water management issues and to work with stakeholders to develop innovative responses to water allocation issues. In addition, the government has been developing and disseminating best practice for riparian management and improved targeting of fertilisers and agrichemicals use through the Sustainable Farming Fund.

The **Dairying and Clean Streams Accord** was agreed between the Fonterra Co-operative Group, the Minister for the Environment, the Minister of Agriculture, and regional councils in May 2003. The parties to the Accord agreed to work together to achieve clean water, including streams, rivers, lakes, groundwater and wetlands, in dairying areas. Five targets were set for farmers and, among these, stock exclusion and stream-crossing targets set for 2007 were attained in 2006. Since 2004, a yearly report provides a snapshot of the successes and the remaining challenges in implementing this Accord (*www.maf.govt.nz* or *www.mfe.govt.nz*).

Nitrogen Restrictions are now in place in the Lake Taupo Catchment. Lake Taupo is building up increasing levels of nitrates which come from waterways in its catchment. Environment Waikato has capped nitrogen levels in the lake and manageable discharges in the lake's catchment are planned to fall by 20% by 2020. A variation of grandfathering (allocation based on current or historical levels) was used for the initial allocation of nitrogen discharge allowances.

The **Sustainable Farming Fund (SFF)** has provided financial grants to more than 600 producer-led projects during its nine years of operation. It funds projects that enable access to information, technology, or tools that bring together communities to address problems as well as to improve their economic base. The focus of the Fund is on short-term projects (1-3 years) and examples of projects funded include investigations into the efficient use of water and identifying options for improved land use. All results stemming from these projects must be shared with the community, including farmers.

In September 2007, the government released a comprehensive statement on climate change including a range of initiatives across all sectors such as **Emissions Trading Scheme (ETS)** that includes agriculture. As of 2009, a Select Committee of Parliament is leading a review of the mechanisms and policies for responding to climate change. This review, involving independent experts, will include a review of the ETS and aims to ensure that the right measures are in place to balance the country's economic needs and environmental responsibilities.

Following a major flood in 2004 and a number of other adverse events through 2005 and 2006, a review of adverse events response policy was conducted, which identified a need for rural communities to build capacity to respond to adverse events. This process led to the introduction of **the programme to assist withbuilding rural capacity to respond to adverse events** in July 2007. The programme aims to create a Rural Support Trust in each region and build capacity so that these groups are able to help assist their own communities with recovery from the spectrum of adverse events experienced by the rural sector. The review confirmed the government's stance that risk management is the responsibility of the individual business, and that farming and forestry are businesses like any other. If the wider community is at risk, the government assistance would be focused on assisting farming families, rather than farming businesses.

The **Recognised Seasonal Employer (RSE) policy** was introduced in April 2007 to facilitate the temporary entry of workers to meet seasonal labour shortages in the horticulture and viticulture industries. The RSE policy was an outcome of the seasonal labour strategy for horticulture and viticulture launched by MAF, Department of Labour, Ministry of Social Development and industry in 2005.

A **Biosecurity** Science Strategy for New Zealand was launched in October 2007, which establishes formal mechanisms for determining science priorities for biosecurity. Work is underway on a government-industry agreement framework for decision-making and cost sharing for biosecurity readiness and pest and disease response activities. Anticipated benefits include more certainty for all parties on their biosecurity roles and incentives to mitigate biosecurity risks within their control. Work has begun on an organism prioritisation framework that will assist the government to make risk management decisions and set priorities for the biosecurity programme. Public consultation has recently been completed on a draft strategy for a national surveillance system that will set the direction for New Zealand's future surveillance activities.

A **border systems** project currently underway is focusing on improving the management of risks at the border, while facilitating trade and travel. Resources will be targeted at highest risk items and co-management arrangements with industry will be made where appropriate. New standards will be less prescriptive and rigid and a single computerized border clearance system will improve data sharing and information management capabilities, while reducing compliance costs for importers and exporters. In the area of biosecurity, the government continues to focus on Maori interests in the field of biosecurity response and management. This includes, for example, determining the values that Maori attribute to waterways.

Trade policy

In 2007, New Zealand initiated WTO dispute settlement proceedings against Australia regarding the quarantine conditions applied to the export of apples from New Zealand. A dispute panel was established in January 2008 to hear the case on Australian measures affecting the importation of apples from New Zealand.

New Zealand has **Free Trade Agreements** (FTA) with Australia; Singapore; Thailand; the Trans-Pacific (involving Singapore, Brunei and Chile); China; ASEAN (signed in February 2009). Negotiations are currently underway with Malaysia, Hong Kong, the Gulf Co-operation Council (Saudi Arabia, UAE, Oman, Qatar, Bahrain, and Kuwait). Negotiations are also due to commence for the enlargement of Trans-Pacific Partnership, a bilateral FTA with Korea and with India.

Chapter 11

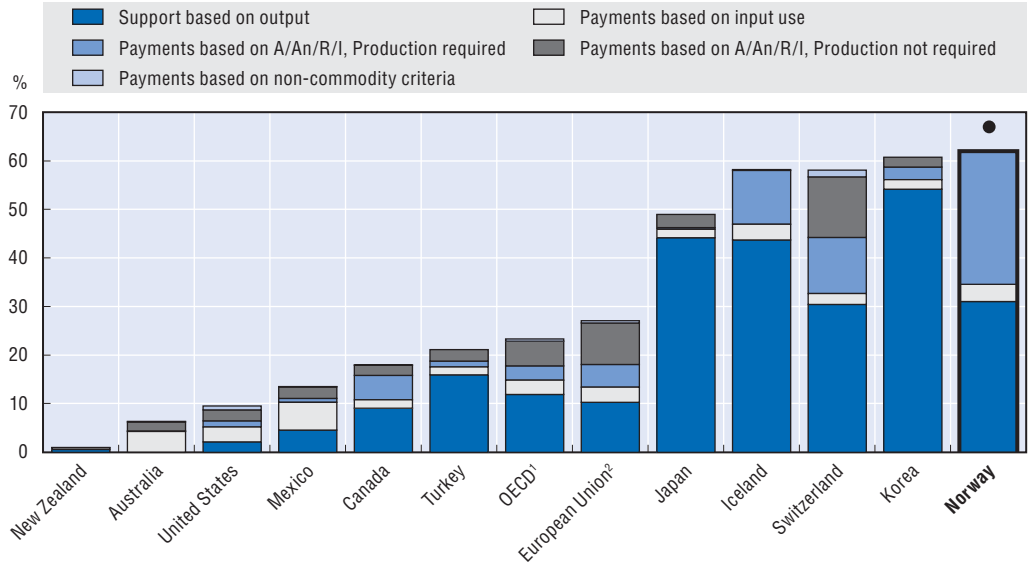
Norway

Evaluation of policy developments

- Overall, policy reform since 1986-88 has made modest progress towards market orientation. There has been a move away from market price support and output payments and a small reduction in the overall level of support. But the level of support remains very high and more production and trade distorting measures still account for over half of support. However, agriculture remains among the most highly protected in the OECD area and greater efforts are required to reduce the share of production-linked support and increase market access.
- Better targeted policy measures implemented in recent years, such as individual farm conservation plans, regionally-based environmental payments, environmental taxes, and incentives for year-round grazing have the potential to improve the economic efficiency and environmental performance of policy.
- Programmes to stimulate innovation and establishment of alternative businesses on farms and alternative employment in rural areas have contributed to the financial viability of some farms through diversification of sources of income.
- Increasing direct trading opportunities for milk quotas and the introduction of leasing for milk quotas will allow the market a greater role in determining the patterns of production.
- The environmental action plan outlined in the Ministry of Agriculture's Food and Environmental Strategy 2008-15 emphasises the role of agriculture as part of the solution to climate change. There are opportunities to further improve the targeting of policies to achieve environmental, income or other objectives in ways that are less production and trade distorting.

Figure 11.1. **Norway: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/654620033485

Summary of policy developments

Target prices were increased in response to high fertilizer and feed prices. Quota rental was introduced to increase flexibility in production between different dairy producers.

- Support to producers (%PSE) decreased from 70% in 1986-88 to 62% in 2006-08, compared to an OECD average of 23%. Support increased slightly in 2008 to 62%.
- The combined share of the most distorting types of support in the PSE (support based on commodity output and unconstrained use of variable inputs) fell from 78% in 1986-88 to 53% in 2006-08.
- Prices received by farmers (NPC) were nearly twice as high as those on the world market in 2006-08, compared to over four times as high in 1986-88. Farm receipts (NAC) went from more than three times what they would have been on the world market in 1986-88, to nearly 2.6 times that amount in 2006-08.
- In 2006-08 producer Single Commodity Transfers (SCT) by commodity declined somewhat due to high world prices, particularly in 2007. They ranged from 30% to 50% of commodity gross receipts for grains, milk, pig meat, sheep meat, and eggs. They were particularly high (more than 60%) for beef, poultry and wool. The share of total SCT in the PSE decreased from 72% in 1986-88 to 55% in 2006-08 (56% in 2008).
- The cost imposed on consumers as measured by the %CSE has fallen from 56% in 1986-88 to 44% in 2006-08.
- Support for general services provided to agriculture increased from 4% of total support in 1986-88 to 9% in 2006-08. Total support to agriculture as a percentage of GDP (%TSE) has fallen by two thirds since 1986-88, to 1% in 2006-08, in line with the OECD average.

Figure 11.2. **Norway: PSE level and composition by support categories, 1986-2008**

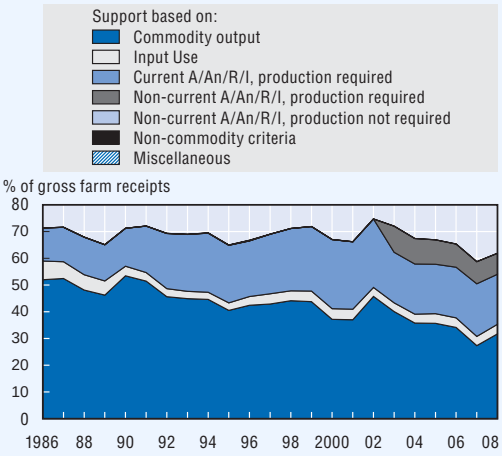


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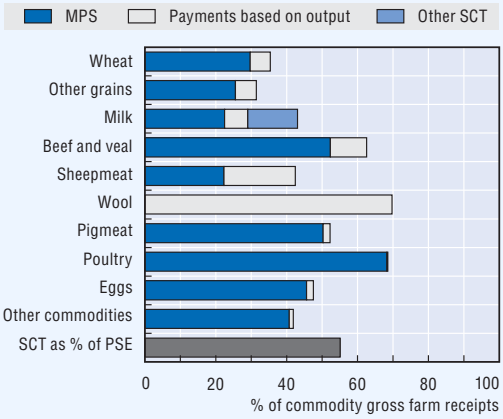
Figure 11.3. **Norway: Producer SCT by commodity, 2006-08**



StatLink http://dx.doi.org/10.1787/654688073752

Table 11.1. **Norway: Estimates of support to agriculture**

NOK million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**17 354**	**20 636**	**19 189**	**20 408**	**22 312**
of which share of MPS commodities (%)	*73*	*78*	*80*	*78*	*77*
Total value of consumption (at farm gate)	**17 899**	**21 273**	**19 404**	**21 412**	**23 002**
Producer Support Estimate (PSE)	**19 150**	**19 764**	**19 584**	**18 576**	**21 132**
Support based on commodity output	13 852	9 906	10 232	8 648	10 838
Market Price Support	*9 249*	*8 487*	*8 804*	*7 363*	*9 295*
Payments based on output	*4 603*	*1 419*	*1 429*	*1 285*	*1 543*
Payments based on input use	1 721	1 131	1 076	1 090	1 227
Based on variable input use	*1 020*	*608*	*570*	*571*	*683*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*628*	*445*	*428*	*444*	*463*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*73*	*78*	*78*	*76*	*81*
with input constraints	*2*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	3 577	6 097	5 677	6 225	6 391
Based on Receipts / Income	*0*	*740*	*526*	*825*	*868*
Based on Area planted / Animal numbers	*3 577*	*5 358*	*5 151*	*5 400*	*5 523*
with input constraints	*0*	*443*	*400*	*458*	*472*
Payments based on non-current A/An/R/I, production required	0	2 629	2 598	2 613	2 676
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	**70**	**62**	**65**	**59**	**62**
Producer NPC	**4.14**	**1.97**	**2.28**	**1.74**	**1.88**
Producer NAC	**3.38**	**2.64**	**2.89**	**2.42**	**2.62**
General Services Support Estimate (GSSE)	**848**	**2 019**	**2 056**	**1 945**	**2 055**
Research and development	472	858	810	864	900
Agricultural schools	0	0	0	0	0
Inspection services	33	315	353	317	276
Infrastructure	133	313	386	263	289
Marketing and promotion	210	70	70	63	77
Public stockholding	0	0	0	0	0
Miscellaneous	0	463	437	437	514
GSSE as a share of TSE (%)	**4**	**9**	**9**	**9**	**9**
Consumer Support Estimate (CSE)	**–9 153**	**–9 134**	**–9 503**	**–8 195**	**–9 703**
Transfers to producers from consumers	–11 383	–9 095	–9 916	–7 863	–9 506
Other transfers from consumers	–969	–543	–380	–643	–607
Transfers to consumers from taxpayers	1 522	449	445	451	452
Excess feed cost	1 677	56	348	–139	–42
Percentage CSE	**–56**	**–44**	**–50**	**–39**	**–43**
Consumer NPC	**3.29**	**1.86**	**2.13**	**1.66**	**1.78**
Consumer NAC	**2.28**	**1.80**	**2.01**	**1.64**	**1.76**
Total Support Estimate (TSE)	**21 520**	**22 232**	**22 086**	**20 972**	**23 639**
Transfers from consumers	12 352	9 638	10 297	8 506	10 113
Transfers from taxpayers	10 137	13 137	12 169	13 109	14 133
Budget revenues	–969	–543	–380	–643	–607
Percentage TSE (expressed as share of GDP)	**3.50**	**0.96**	**1.02**	**0.92**	**0.95**
GDP deflator 1986-88 = 100	**100**	**216**	**207**	**211**	**231**

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Norway are: wheat, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

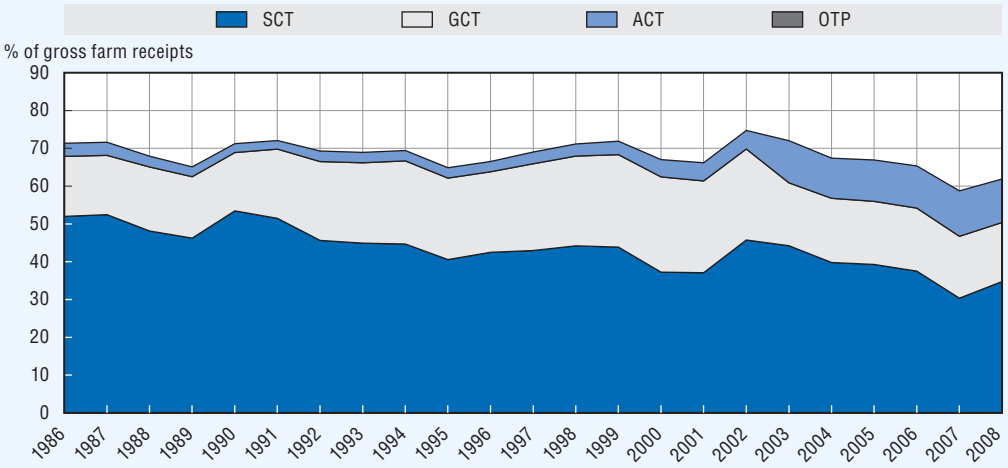
StatLink http://dx.doi.org/10.1787/655838283822

Box 11.1. **Norway: Commodity specificity of support**

In Norway, Single Commodity Transfers (SCT) made up 55% of the PSE in 2006-08, a reduction from 72% in 1986-88 (Figure 11.4). Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 26% of the PSE in 2006-08, a slight increase when compared to 1986-88 when it was 23%. Transfers provided under the heading All Commodity Transfers (ACT) place no restriction on commodities that farmers choose to produce. These payments comprised 19% of the PSE in 2006-08, up from 5% in 1986-88. The increase in the share of ACT payments dates back to 2003 when the Cultural Landscape Programme was introduced, providing all farmers with a per hectare payment, while requiring only landscape maintenance and the use of environmentally sound production practices. Other Transfers to Producers (OTP) are provided with no requirement to produce. Some small transfers were provided under this heading only in the 1990s, supporting maintenance and development of landscape (Figure 11.5).

The increase in more flexible payments dates back to 2003 when the Cultural Landscape Programme was introduced, providing all farmers with a per hectare payment while requiring only landscape maintenance and the use of environmentally sound production practices.

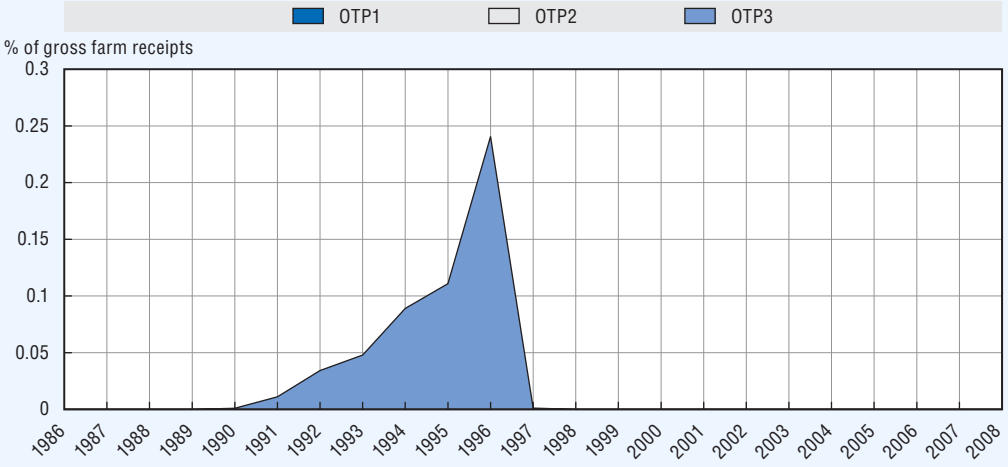
Figure 11.4. **Norway: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

StatLink http://dx.doi.org/10.1787/654740120838

Figure 11.5. **Norway: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.
Source: Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/654754131086

Description of policy developments

Main policy instruments

Border measures and budgetary payments are the main policy instruments supporting agriculture in Norway. Market price support, in the form of wholesale target prices, is provided for most commodities. These target prices and most payments are negotiated annually between the government and producer representatives. Milk production quotas were introduced in 1983. Most of Norway's tariff-rate-quotas were eliminated in 2000 when the WTO bound tariff rates became equal to the in-tariff quota rates. Tariffs for most products are set between 100-400% although there is a system of "open periods" for imports at reduced tariff rates when domestic prices rise above threshold levels. Export subsidies are used for certain commodities (dairy products, grain/flour, eggs, potatoes and meat) when used in a selection of exported processed products to compensate domestic industry for higher domestic commodity prices, and to dispose of surplus production of meat, eggs and dairy products.

A variety of other support measures, including area, headage, and deficiency payments continue to be implemented. Many of these payments are differentiated by region and farm size. Producer levies are used for marketing activities, including export subsidies for livestock products, while exports of processed products and marketing activities for horticultural products are financed directly by the government. The government especially emphasizes income increase for farmers on family farms, support for full-time farmers and farmers in rural areas, prevention of loss of farm land and grazing land, promotion of organic farming and strengthening of investment and welfare measures.

Domestic policy

Each year the government negotiates with farmers' organisations to specify how agriculture policies will be implemented in the following year. An agreement was reached between the government and both of the two farmers' organisations in May 2008. As a result of high fertilizer cost and high feed prices, it was agreed to re-negotiate the agreement if these costs increased beyond those defined in the agreement.

The main changes relative to the original agreement in May 2008 were:

- An increase in target prices with a total effect of NOK 870 million (USD 154 million) from 1 July 2008 and a further increase of NOK 635 million (USD 112 million) from 1 January 2009.
- An increase in budgetary support of NOK 350 million (USD 62 million) from 2008 to 2009.
- Increased support to small farms and in the rural areas.
- Increased support through environmental measures, to maintain cultural landscapes throughout the country.
- Measures to reduce tillage, better use of natural fertiliser, reduced emissions of methane and increased carbon sequestration both in forests and agriculture.
- Increased effort to facilitate organic food production and consumption.
- Improvements of the welfare schemes.

Extraordinary negotiations were again triggered in January 2009, resulting in a further increase in target prices of NOK 500 million (USD 88 million) from 1 January 2009.

As mandated by the 2008 agricultural agreement, a broadly represented working group has been looking at changes in support and marketing programmes in the meats and eggs sectors, with a view to increase price flexibility. As a result, subject to parliamentary approval, the administered price of beef will be discontinued from 1 July 2009.

A new Action Plan for Pesticide Risk Reduction (2004-2008), built on the main elements contained in the previous plan, was implemented. Statistics show that users are moving away from using hazardous pesticides to less harmful preparations. To reach the goals of the Action Plan, the levies were increased by approximately 25% from 2005. The levies were then held constant from 2005 to 2008.

In 2006, a new payment was introduced for grazing animals. The goal of the scheme is to better maintain the landscape values and the biodiversity that depend on grazing animals and open habitats. The payment works together with one for extensive grazing in outlying fields. To qualify for this payment the animals need to be grazed for 16 weeks (12 weeks in the mountain areas and in Northern Norway) in total for the two schemes. The requirement to qualify for the extensive grazing scheme is eight weeks in outlying fields. The payments in the new scheme is differentiated between small animals (sheep, goats, etc.) and larger animals (cows, bulls, deer, horses, etc.), and by regions.

There are several programmes designed to stimulate innovation and establishment of alternative businesses on farms and alternative employment in rural areas. A national plan establishes guidelines for regional strategies, which forms the basis for financing of local projects for business and rural development. Complementary to this an interest rate support scheme was introduced from 2003. This scheme was changed in 2004. Loans from the ordinary finance market, now up to a total of NOK 700 million (USD 124 million), can be subsidised. From 2006 there is also a risk loan scheme for farmers.

The milk quota system regulates milk production according to the market situation. For the quota year starting 1 March 2009 there are no permanent increases in the quotas. However, farmers are allowed to produce two per cent more than their quotas, as a temporary increase within this quota year.

A system for buying and selling quotas was put into force in 1997. Farmers selling cow milk quota were in 2008 allowed to sell 50 % of their quota directly to other producers with quota within the county, at free price (the counties in the South East regarded as one region). The other half has to be sold to the government at a fixed price. About 34 million litres were sold in 2008 and the total volume was redistributed. In 2007 about 26 million litres were sold. This buy and sell scheme also applies for goat-milk quotas. Due to the limited number of producers, there are only two trade areas: Northern Norway and Southern Norway.

The maximum quota at the single farm, after buying quota, is 400 000 litres for cow-milk and 200 000 litres for goat-milk. For co-operations with dairy production, the maximum quota, after buying quota, is 750 000 litres.

As of the quota year 2009/2010, the government has opened quota rental for single farms of up to 400 000 litres. This will increase flexibility in production, as surplus quota can be leased to those who currently have excess production capacity. About 650 farmers have reported that they will lease their quota from 1 March 2009.

Marketing fees, paid by producers and variable through the year, are used to stabilise and balance the market of agricultural products. Agricultural co-operatives are responsible for market regulation within their respective sectors. For sheep meat and beef, domestic production is not sufficient to cover consumption in Norway. In 2008 there was an increase in the marketing fees for sheep to cover costs of combating foot rot disease.

In spring 2009, a White Paper on *Agriculture and Climate Change* was submitted to the Norwegian Parliament for discussion and voting. The focus is on the challenges of mitigation and adaptation in the agricultural sector. Forestry and bio-energy are also covered as these are also under the responsibility of the Ministry of Agriculture and Food.

Trade policy

There are ongoing free trade negotiations between EFTA and respectively Peru and India and between Norway and China. EFTA is also ready to start free trade negotiations with Russia and Ukraine in 2009. These Free Trade Agreements include all processed agricultural products and some basic agricultural products. An agreement with Colombia was signed in 2008. An agreement with the South African Customs Union was implemented 1 May 2008.

Export subsidy outlays in recent years have essentially been dominated by cheese –in many cases the binding constraint was quantity. Average export subsidy outlays for the period 2005-07 were NOK 304 million (USD 53.8 million), of which cheese accounted for about two-thirds.

Chapter 12

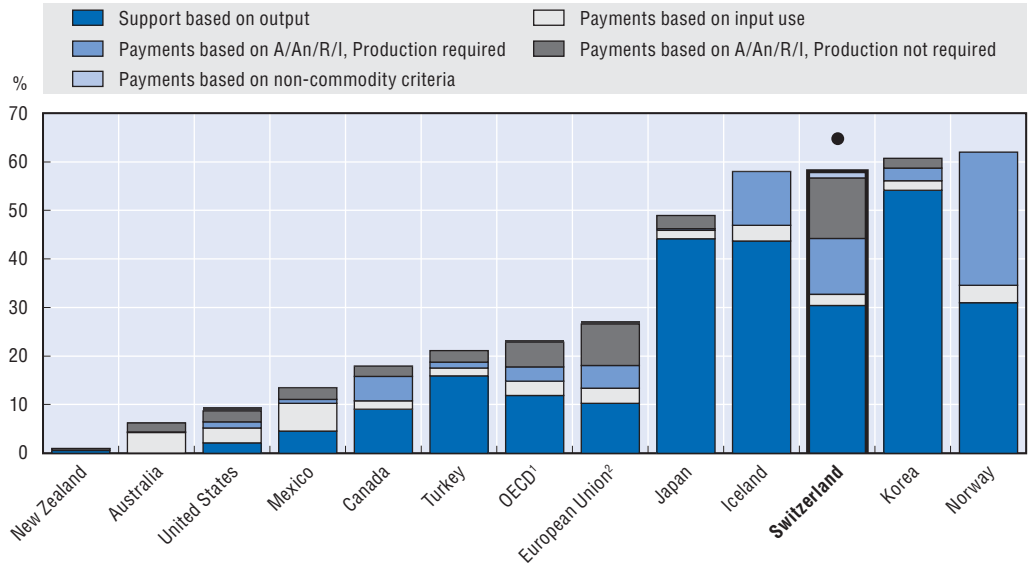
Switzerland

Evaluation of policy developments

- Overall, some progress has been achieved in market orientation, although the level of support remains relatively high. There has been a gradual fall in support since 1986-88, with the share of market price support decreasing, especially in the most recent years, mainly due to higher world prices. However, production and trade distorting policies still account for around a half of support.
- The removal of milk price controls and the elimination of the milk quota system will contribute to improve the economic efficiency of the sector. Moreover, the gradual reduction of export subsidies and their elimination by 2010, the adoption of greater flexibility and transparency in the administration of the tariff rate quota system and further reduction for some tariff barriers (grains, animal feed) will also strengthen the role of the markets in improving economic efficiency.
- The savings in budgetary expenditures to finance market regulation (*e.g.* removal of export subsidies) have been used for direct payments to farmers. A relatively small (but increasing) share of ecological direct payments, which require higher standard, is targeted to animal welfare, environmental and landscape objectives. These payments are conditional on implementing specific farming practices and are among the least production and trade distorting forms of support.
- The continuation of the gradual move away from market price support measures and the increase in direct payments (as confirmed by the Agriculture Policy 2011 reform) are consistent with OECD Ministerial policy reform principles, especially in terms of the structure of support to farmers. However, efforts are needed to further reduce support and better target direct payments to meet societal concerns more efficiently.

Figure 12.1. **Switzerland: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

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Summary of policy developments

The main policy developments in 2007 and 2008 were the phasing out of the milk quota production system and a substantial reduction in export subsidies used mainly for dairy products. The regulations for imports, custom declarations and Tariff Rate Quota administration were further simplified and made available to all economic agents as almost 100% were allocated through auctioning. While there were no significant changes in the structure and the level of *General Direct Payments* and *Ecological Direct Payments*, the latter continued to rise, mainly due to the increase in payments for ecological services. At the end of 2006 the Swiss government was mandated by the Parliament to work out a concept for a more targeted direct payment system by 2009.

- The level of support to producers declined from 77% in 1986-88 to 60% in 2006-08, but remains relatively high compared to the OECD average (23% in 2006-08).
- The share of potentially most distortive forms of support (based on commodity output and non-constrained use of variable inputs) has also declined from 89% in 1986-88 to 52% in 2006-08. The least distorting forms of support (payments with no requirements to produce) represented 23% in 2006-08 (there were no such measures in 1986-88).
- In 1986-88 average producer and consumer prices at farmgate were almost five times higher than world prices, while by 2006-08 they were less than double world prices (NPC). Consequently, the implicit tax on consumers (%CSE) decreased from 73% in 1986-88 to 43% in 2006-08.
- Overall, the total receipts of the farming sector (including budgetary payments) were over 4 times higher than they would have been at world prices in 1986-88 and 2.5 times higher in 2006-08 (NAC).
- Single Commodity Transfers (SCT) represented 86% of the total PSE in 1986-88 and had dropped to 51% by 2006-08. In 2006-08, these transfers varied from around 25% of commodity gross receipts for grains to 76% for poultry. The commodities with the highest relative levels of support provided through single commodity transfers were poultry, eggs and rapeseed (all above 60%).
- Support for general services (in relative terms) has changed little between 1986-88 and 2004-06 and remained around 7% of total support to agriculture. Total support to agriculture (%TSE) was 1.3% of GDP in 2006-08, i.e. around one third of the level estimated in 1986-88.

Figure 12.2. **Switzerland: PSE level and composition by support categories, 1986-2008**

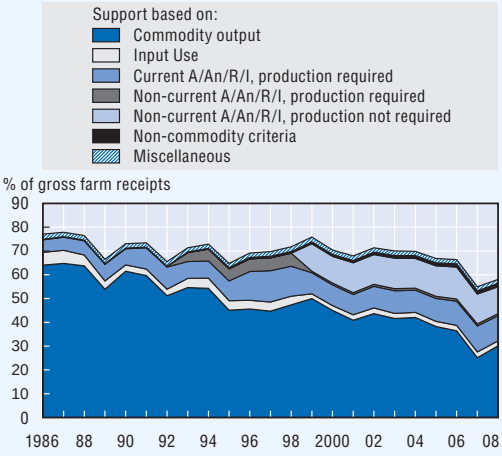

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Figure 12.3. **Switzerland: Producer SCT by commodity, 2006-08**

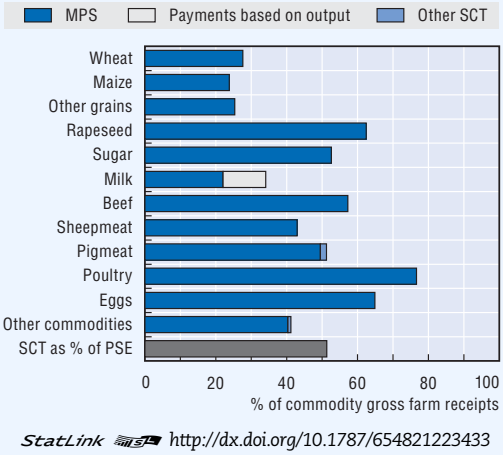

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Table 12.1. **Switzerland: Estimates of support to agriculture**

CHF million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**9 482**	**6 905**	**6 541**	**6 880**	**7 294**
of which share of MPS commodities (%)	*84*	*80*	*78*	*79*	*82*
Total value of consumption (at farm gate)	**11 661**	**8 519**	**8 154**	**8 489**	**8 916**
Producer Support Estimate (PSE)	**8 440**	**6 083**	**6 521**	**5 617**	**6 111**
Support based on commodity output	7 024	3 107	3 581	2 568	3 173
Market Price Support	*6 982*	*2 799*	*3 239*	*2 279*	*2 878*
Payments based on output	*42*	*309*	*342*	*290*	*295*
Payments based on input use	561	230	224	249	218
Based on variable input use	*454*	*105*	*106*	*113*	*95*
with input constraints	*0*	*20*	*22*	*20*	*20*
Based on fixed capital formation	*70*	*109*	*106*	*109*	*111*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*36*	*17*	*12*	*27*	*11*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	612	1 074	998	1 114	1 112
Based on Receipts / Income	*15*	*0*	*0*	*0*	*0*
Based on Area planted / Animal numbers	*597*	*1 074*	*998*	*1 114*	*1 112*
with input constraints	*340*	*1 063*	*986*	*1 103*	*1 100*
Payments based on non-current A/An/R/I, production required	28	91	91	91	92
Payments based on non-current A/An/R/I, production not required	0	1 264	1 320	1 283	1 190
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*1 264*	*1 320*	*1 283*	*1 190*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
Payments based on non-commodity criteria	0	140	133	139	148
Based on long-term resource retirement	*0*	*0*	*0*	*0*	*0*
Based on a specific non-commodity output	*0*	*140*	*133*	*139*	*148*
Based on other non-commodity criteria	*0*	*0*	*0*	*0*	*0*
Miscellaneous payments	216	175	174	173	179
Percentage PSE	**77**	**60**	**66**	**55**	**58**
Producer NPC	**4.80**	**1.83**	**2.18**	**1.59**	**1.73**
Producer NAC	**4.38**	**2.53**	**2.97**	**2.22**	**2.38**
General Services Support Estimate (GSSE)	**688**	**482**	**496**	**478**	**473**
Research and development	135	89	89	89	89
Agricultural schools	38	16	18	18	11
Inspection services	14	11	12	11	11
Infrastructure	137	96	108	92	89
Marketing and promotion	45	54	55	54	54
Public stockholding	103	42	40	42	43
Miscellaneous	216	175	174	173	178
GSSE as a share of TSE (%)	**7**	**7**	**7**	**8**	**7**
Consumer Support Estimate (CSE)	**–7 728**	**–3 630**	**–4 173**	**–3 088**	**–3 629**
Transfers to producers from consumers	–7 210	–2 850	–3 341	–2 353	–2 857
Other transfers from consumers	–1 982	–932	–1 041	–890	–864
Transfers to consumers from taxpayers	1 089	90	106	90	74
Excess feed cost	374	62	103	66	18
Percentage CSE	**–73**	**–43**	**–52**	**–37**	**–41**
Consumer NPC	**4.72**	**1.83**	**2.16**	**1.62**	**1.72**
Consumer NAC	**3.72**	**1.78**	**2.08**	**1.58**	**1.70**
Total Support Estimate (TSE)	**10 218**	**6 655**	**7 122**	**6 185**	**6 659**
Transfers from consumers	9 192	3 782	4 382	3 243	3 721
Transfers from taxpayers	3 008	3 805	3 781	3 832	3 802
Budget revenues	–1 982	–932	–1 041	–890	–864
Percentage TSE (expressed as share of GDP)	3.81	1.30	1.46	1.21	1.24
GDP deflator 1986-88 = 100	100	136	133	136	139

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Switzerland are: wheat, maize, other grains, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

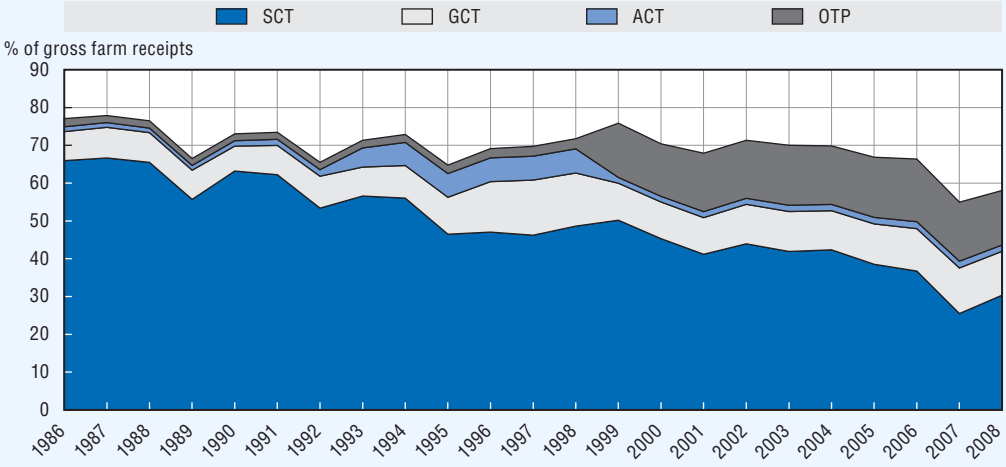
StatLink http://dx.doi.org/10.1787/655870546763

Box 12.1. **Switzerland: Commodity specificity of support**

Producer Single Commodity Transfers (SCT) in 2006-08 made up 51% of the PSE, a reduction from 86% in 1986-88. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 20% of the PSE in 2006-08, an increase of 10 percentage points from 1986-88. Transfers provided under the headings All Commodity Transfers (ACT) place no restriction on commodities that farmers choose to produce. They are relatively low, although they have increased from 1.6% in 1986-88 to 3% in 2006-08. Other Transfers to Producers (OTP) regroup payments without requirement to produce. The share of these payments in the total PSE increased tenfold from 2.6% in 1986-88 to 26% in 2006-08 (Figure 12.4).

Support in Switzerland has become less commodity specific over the period, as the payments to groups of commodities or all commodities were introduced (or increased) to partly compensate for the reduction of market price support. During the late nineties the introduction of general area and farm payments contributed to the sharp increase of OTP in the overall level of support (Figure 12.5). In 2006-08 these General area payments represented 80% of OTP. The remaining were payments based on non-commodity output and miscellaneous payments with an OTP share of 9% and 11% respectively in 2006-08.

Figure 12.4. **Switzerland: PSE level and commodity specificity, 1986-2006**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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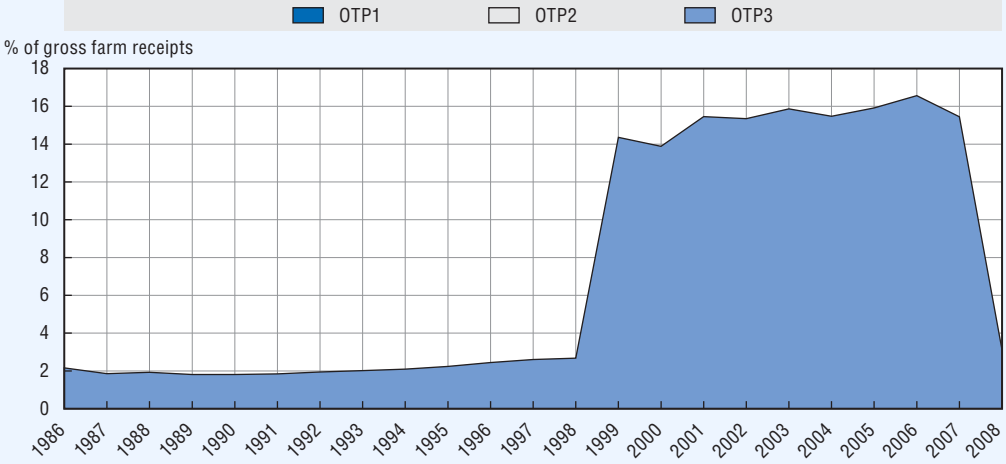
Figure 12.5. **Switzerland: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions), plus Payments based on non-commodity criteria, plus Miscellaneous payments.
Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655005745715

Description of policy developments

Main policy instruments

The period 2007-08 was one for the implementation of further policy reforms. The AP 2007 agricultural policy reform programme provided the basic legislative framework governing agricultural policy for the period 2004-07. From 2008, the new policy package is gradually being implemented under the Agricultural policy reform 2011 (AP 2011). The key feature of AP 2011 is a further reduction of 30% in budgetary expenditures for market price support (2008-11 in comparison with 2004-07). The savings are being used for direct payments for services (*e.g.* preserving culturally valuable landscape or animal welfare) and to compensate for difficult production conditions. All remaining export subsidies for agricultural commodities are to be eliminated by 1 January 2010,[1] and customs duties on imported animal feed and cereals for human consumption are to be reduced. All state guarantees for prices and sales were already abolished in 1999 and, since then, budgetary payments have been subject to environmental and other cross compliance requirements. Despite the gradual reduction the import measures consist of relatively high tariffs for most products and are combined with a system of tariff rate quotas (TRQs). For feed grains and animal feed, imports remain subject to custom duties based on threshold prices.

There are two main categories of direct payments. **General Direct Payments** are mainly granted in the form of general area and headage payments, and to a lesser extent also include payments to farmers operating in less favoured conditions. **Ecological Direct Payments** are mainly granted in the form of area and headage payments to farmers who voluntarily apply stricter farming practices than those required by regulations and the farm environmental management practice requirements (PER- *prestations écologiques requises*). All Direct Payments are based on the condition that farmers comply with farm management practice requirements (PER).

Domestic policy

From May 2009, the **milk quota** system was abolished for all dairy farmers, although until May 2015 they will only be able to sell milk under the terms of existing contracts drawn up with buyers (exempted are those farmers who sell their milk directly to final consumers).

Price support expenditures (price supplements, domestic price support and export refunds) for dairy products were reduced in 2007 by 17% compared to 2006, to reach CHF 361 million (USD 301 million). The expenditures budgeted for 2008 was reduced by another 5%. Payments for the price supplement paid to processors for milk transformed into cheese and the premium for milk produced without silage feed were reduced during 2007 and 2008, while domestic market support for butter slightly increased. In 2007, export subsidies for cheeses and other milk products were 60% lower than in 2006. In 2008, they were further reduced (50% lower than in 2007) especially for the other milk products. By 1 July 2009, all price support expenditures for dairy products will be abolished except from payments for the price supplement paid to processors for milk transformed into cheese and the premium for milk produced without silage feed.

The structure of the programmes and the eligibility conditions applied within the General Direct Payments and the Ecological Direct Payments categories have remained largely unchanged under the AP 2011 (implemented from 2008). Outlays to farmers for these two categories remained rather stable in 2007 and 2008 (Table 12.2). About 80% of the

total is granted under **General Direct Payments**, although they have declined by 5% in 2008. Area payments per hectare of agricultural land were reduced, but remain the most important single category and account for 60% of general direct payments. The other important category of general payments is the payment per livestock unit (LU) for roughage consuming animals, and these payments were increased by 37% in 2007 to compensate for a reduction in milk market support. Additional payments are granted for livestock under difficult conditions (*e.g.* mountains). Headage payments for roughage consuming animals and animals raised in difficult conditions together accounted for 33% of general direct payments. The remaining 5% of General Direct Payments are paid to cultivate the steep slopes in mountain regions.

Ecological Direct Payments increased overall by 3% to CHF 540 million (USD 498 million) in 2008. About 44% of these payments are provided to improve animal welfare and these payments also increased in 2008. Payments for animal friendly husbandry systems and headage payments for animals kept outdoors increased by 8.5% and 2.4% respectively (Table 12.2). Around one quarter of ecological payments are granted for "ecological compensation" (payments for extensive meadows, dry land areas to produce litter, hedges, floral and rotation fallow, extensive area strips and high-stem fruit trees) and another 10% is paid for "contributions to environmental quality" (*Contributions au sens de l'ordonance sur la qualité écologique – OQE*). In 2008, the level of ecological compensation decreased by 3%, while the contributions for environmental quality increased by 40% (although from a lower base). The remaining ecological payments for extensive farming and organic farming were reduced by 6.5% and 12.5% respectively (Table 12.2).

Table 12.2. **Switzerland: Outlays for direct payments**

Types of payments	2007		2008p		Change in CHF price 2007 to 2008p
	mn CHF	mn USD	mn CHF	mn USD	%
General direct payments	**2 070**	**1 725**	**1 971**	**1 819**	**–4.8**
of which:					
Area payments	1 276	1 063	1 190	1 098	–6.7
Holding of roughage-consuming animals	413	344	402	371	–2.6
Payments for farming in difficult production locations	382	318	379	350	–0.8
Holding of livestock under difficult conditions	*278*	232	*275*	254	*–1.0*
Farming on steep slopes	*93*	77	*92*	85	*–0.7*
Wine cultivation on steep slopes	*11*	10	*12*	11	*5.2*
Ecological payments	**524**	**436**	**540**	**498**	**3.1**
of which:					
Ecological compensation	127	106	123	114	–3.1
Contributions for environmental quality	32	27	45	42	40.2
Extensive cereal and rapeseed farming	31	26	29	27	–5.3
Organic farming	28	23	28	26	–0.3
Regularly keeping animals outdoors	156	130	160	148	2.4
Animal welfare through housing systems	52	43	56	52	8.5
Summer pasturing	92	77	92	85	–0.1
Water protection	6	5	7	6	18.8
Total	**2 594**	**2 162**	**2 511**	**2 317**	**–3.2**

p: provisional.
Direct payments are subject to restrictions of environmental and farm management practices.
Source: Federal Office of Agriculture, Bern, 2005.

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In 2008, the AP 2011 introduced a new programme *Sustainable use of natural resources*. The programme provides financing (maximum 80% of costs, in 6 year programmes) of projects developed by local authorities designed to improve the use of natural resources in specific areas. Around CHF 10 million (USD 9 million) per year is budgeted for these projects. However, this programme remains relatively small and only CHF 1 million (USD 0.9 million) was spent on projects set up during 2008.

Trade policy

In order to lower input prices of Swiss agriculture, especially feed prices of meat and egg producers, the **threshold price** (*i.e.* the minimum price at which imports enter Switzerland) for imported animal feed was reduced by CHF 30 per tonne (USD 27.7 per tonne) during 2007 (*e.g.* feed barley from CHF 430 per tonne to CHF 400 per tonne or soy meal from CHF 500 to CHF 470 per tonne).

TRQs cover a number of basic agricultural and food products, in particular, meat, milk products, potatoes, fruits, vegetables, bread grain and wine. TRQ volumes notified at the WTO all show high fill rates. Since 1999, allocated TRQ volumes have been transferable from one importer to another. As a part of AP 2007, the auctioning system has been progressively extended, in particular in the meat sector, replacing the "domestic purchasing requirements". In 2005 and 2006, one-third and two-thirds of meat TRQs respectively were allocated through auctioning. In 2007 and 2008, all TRQs were allocated through auctioning, with some exceptions for beef and sheep meat (both 90%). From 2009, the sale by auction will be applied for butter and milk powder as well. The Special Safeguard Clause was not invoked in the last years.

Export subsidies are applied mainly to dairy products (around 80% of total export subsidies in 2008) the remaining 20% were essentially for live animal exports and fruit juice concentrates. All export subsidies for basic agricultural products will be phased-out by 1 January 2010.[2]

In accordance with the bilateral **trade agreement** with the EU which became effective on 1 June 2002, tariffs for a number of agricultural products were reduced. For cheese, border protection was reduced in steps and abolished completely in 2007. In November 2008, Switzerland and EU launched negotiations on full trade liberalisation in the agro-food sector. Negotiations will include the removal of bilateral tariffs, as well as non-tariff issues such as food and feed safety. Switzerland concluded also a bilateral agreement with Japan in 2008. As a member of EFTA, Switzerland participates in ongoing free trade negotiations between EFTA and, respectively, Peru and India. EFTA is also ready to start free trade negotiations with Russia and Ukraine in 2009. These Free Trade Agreements include all processed agricultural products and some basic agricultural products. An agreement with Colombia was signed in 2008. An agreement with the South African Customs Union was implemented from 1 May 2008**.**

Preferential tariff rates are applied to imports from developing countries. In the context of the initiative of the Swiss government to grant zero tariffs on all products imported from least developed countries by 2007, a further 50% reduction to that implemented in 2002 has been effective as from April 2004. Until mid-2009, after a transition period (in which for the majority of products quota-free, zero-duty access is provided) all agricultural tariff lines to all LDC countries will be free. Preferential access to

all other developing countries continues to be granted by Switzerland through the Generalised System of Preferences.

Notes

1. Price compensation for processed agricultural products will be phased out in accordance with WTO rules.
2. Except for processed agricultural products, as indicated earlier.

Chapter 13

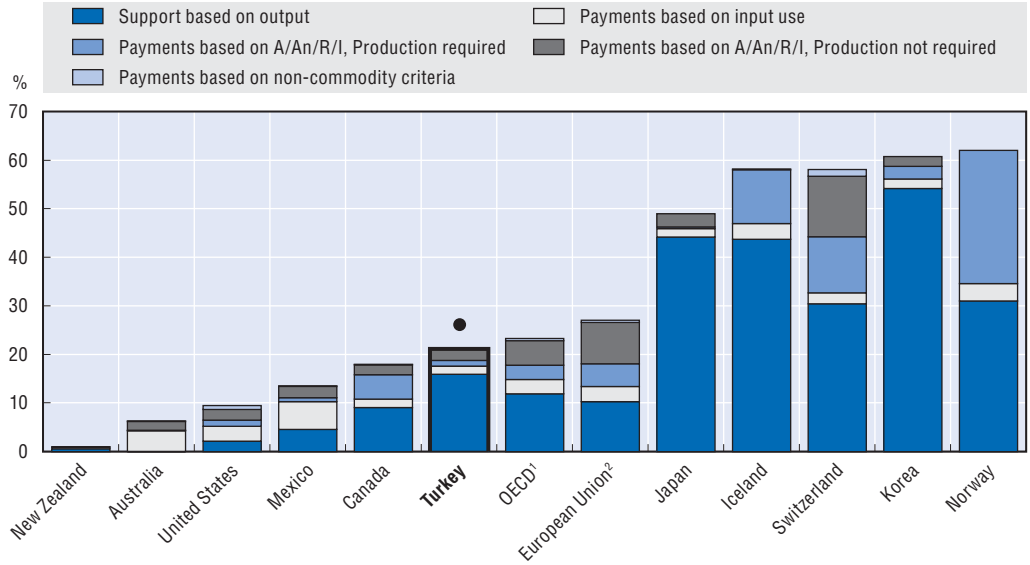
Turkey

Evaluation of policy developments

- Overall, since 1986-88, progress made in policy reform aimed at improving market orientation has been variable. There have been frequent *ad hoc* changes to policy settings within the context of high inflation. While the level of producer support in 2006-08 was higher than its 1986-88 level, it nonetheless remains below the OECD average.
- In 2008, the increase in output-based payments for certain commodities — despite high world prices — raised the level of distortion and reduced the market orientation of these sectors.
- The anticipated withdrawal of the state from direct involvement in the production, processing and marketing of sugar, tobacco and tea by 2013 is a welcome development, but the continued existence of the Turkish Grain Board (TMO) will impede exposure of the sector to greater competition.
- Direct income support payments, which are granted on a flat, per hectare rate, with no requirement to produce commodities, should decrease the production distortions associated with agricultural support policies and enhance the targeting of stated objectives.
- While the new Agricultural Law makes competitiveness and modernisation of the agricultural sector a priority, it undermines ongoing reform efforts by singling out support linked to commodity production as a key instrument of agricultural policy.
- Efforts to strengthen the legal framework and develop more coherent rural development policies offer an opportunity to modernise the sector and increase its productivity, while ensuring protection of the environment and natural resources. Decoupled support initiated with the Direct Income Support scheme need to be strengthened and further developed.

Figure 13.1. **Turkey: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

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Summary of policy developments

The main policy development in 2008 was the enactment of the new Agricultural Law. The new law is based on the Government's "Agricultural Policy Paper 2006-10", which is intended to bring Turkey's agricultural policies into line with those of the European Union. The Agricultural Reform Implementation Project (ARIP) was completed on 31 December 2008. The Rural Development Programme and a wider set of investment support activities have been continued.

The share of agriculture in employment decreased from 43% in 1993 to 27 % in 2008, but agriculture remains the most important employment sector. Agriculture's contribution to GDP declined from 20% in 1980 to 8 % in 2008. Agriculture supplied 9% of exports, and accounts for 6% of imports in 2008. The rate of inflation was 8.8% in 2007 and 10.3% in 2008.

- Support to producers (%PSE) increased by six percentage points to 25% in 2008, compared to 2007. It was 21% in 2006-08, five percentage points higher than in 1986-88, but remained below the OECD average of 23%.
- In 1986-88, the most distorting policies (based on commodity output and non-constrained variable inputs use) accounted for all of producer support and in 2006-08 for 78%. Reductions in the most distorting forms of support have been offset by increases in the *Direct Income Support* payments, which represent 13% of support to farmers.
- Prices received by farmers in 2006-08 were about 21% higher than those received on the world market. They were 17% higher during 1986-88.
- The share of single commodity transfers increased from 71% of producer support in 1986-88 to 78% in 2006-08. In 2008, single commodity transfers were over 40% for wheat and sugar.
- The cost imposed on consumers, as measured by the %CSE, decreased from 16% in 1986-88 to 14% in 2006-08. Consumers paid prices 21% higher than world prices in 1986-88 and 18% higher in 2006-08.
- Support for general services provided to agriculture decreased from 10% of total support in 1986-88 to 8% in 2006-08. The share of total support to agriculture in GDP decreased slightly to around 2%.

Figure 13.2. **Turkey: PSE level and composition by support categories, 1986-2006**

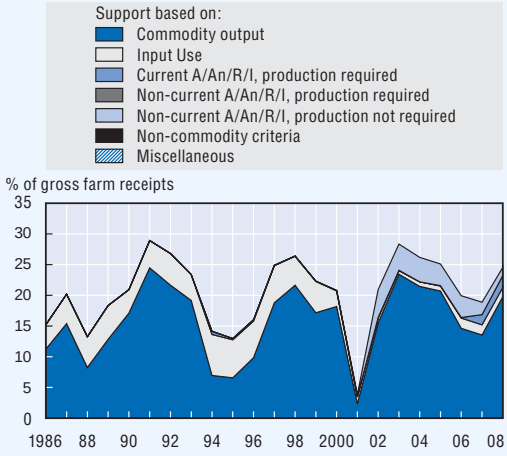

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Figure 13.3. **Turkey: Producer SCT by commodity, 2006-08**

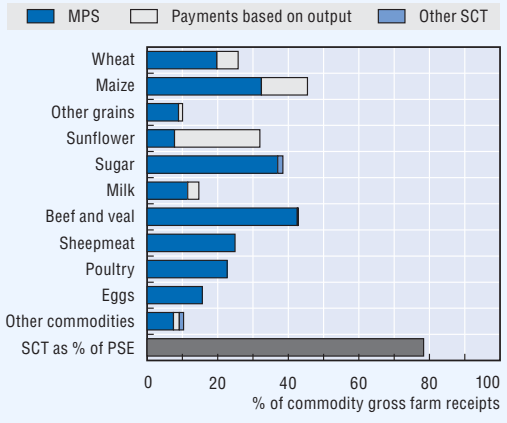

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Table 13.1. **Turkey: Estimates of support to agriculture**

TRY million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**18**	**75 265**	**70 234**	**75 150**	**80 410**
of which share of MPS commodities (%)	*57*	*58*	*58*	*58*	*58*
Total value of consumption (at farm gate)	**15**	**70 005**	**58 615**	**68 012**	**83 389**
Producer Support Estimate (PSE)	**3**	**17 241**	**15 146**	**15 348**	**21 231**
Support based on commodity output	2	13 081	11 116	11 016	17 111
Market Price Support	*2*	*11 242*	*9 393*	*9 182*	*15 152*
Payments based on output	*0*	*1 839*	*1 723*	*1 834*	*1 959*
Payments based on input use	1	1 302	1 269	1 342	1 296
Based on variable input use	*1*	*290*	*190*	*258*	*423*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on fixed capital formation	*0*	*942*	*1 018*	*1 009*	*798*
with input constraints	*0*	*0*	*0*	*0*	*0*
Based on on-farm services	*0*	*71*	*61*	*76*	*74*
with input constraints	*0*	*0*	*0*	*0*	*0*
Payments based on current A/An/R/I[1], production required	0	1 035	71	1 348	1 685
Based on Receipts / Income	*0*	*30*	*2*	*32*	*55*
Based on Area planted / Animal numbers	*0*	*1 005*	*68*	*1 317*	*1 630*
with input constraints	*0*	*3*	*1*	*2*	*5*
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	1 824	2 690	1 642	1 139
With variable payment rates	*0*	*0*	*0*	*0*	*0*
with commodity exceptions	*0*	*0*	*0*	*0*	*0*
With fixed payment rates	*0*	*1 824*	*2 690*	*1 642*	*1 139*
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	**16**	**21**	**20**	**19**	**25**
Producer NPC	**1.17**	**1.21**	**1.20**	**1.14**	**1.29**
Producer NAC	**1.19**	**1.27**	**1.25**	**1.23**	**1.33**
General Services Support Estimate (GSSE)	**0**	**1 575**	**2 552**	**798**	**1 374**
Research and development	0	40	32	38	50
Agricultural schools	0	0	0	0	0
Inspection services	0	155	329	66	71
Infrastructure	0	4	4	8	0
Marketing and promotion	0	1 361	2 152	677	1 253
Public stockholding	0	0	0	0	0
Miscellaneous	0	15	35	10	0
GSSE as a share of TSE (%)	**10**	**8**	**14**	**5**	**6**
Consumer Support Estimate (CSE)	**–2**	**–10 189**	**–8 663**	**–6 851**	**–15 052**
Transfers to producers from consumers	–2	–11 299	–10 059	–7 689	–16 151
Other transfers from consumers	0	549	895	327	426
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	561	501	511	673
Percentage CSE	**–16**	**–14**	**–15**	**–10**	**–18**
Consumer NPC	**1.21**	**1.18**	**1.19**	**1.12**	**1.23**
Consumer NAC	**1.19**	**1.17**	**1.17**	**1.11**	**1.22**
Total Support Estimate (TSE)	**3**	**18 816**	**17 697**	**16 146**	**22 604**
Transfers from consumers	2	10 750	9 164	7 362	15 725
Transfers from taxpayers	1	7 517	7 639	8 458	6 453
Budget revenues	0	549	895	327	426
Percentage TSE (expressed as share of GDP)	2.91	2.17	2.33	1.89	2.27
GDP deflator 1986-88 = 100	100	335 441	307 334	330 653	368 335

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for Turkey are: wheat, maize, other grains, oilseeds, sugar, potatoes, tomatoes, grape, apple, cotton, tobacco, milk, beef and veal, sheepmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

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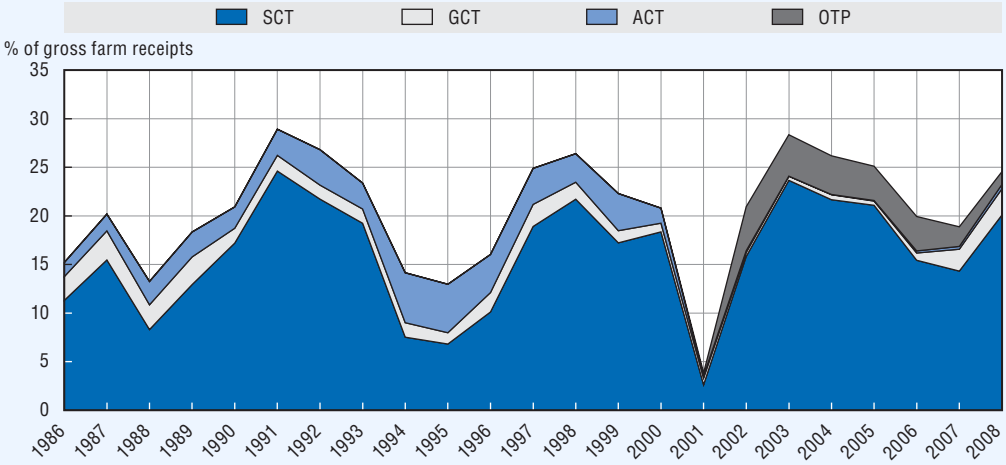
Box 13.1. **Turkey: Commodity specificity of support**

In 2008, Single Commodity Transfers (SCT) made up 82% of the PSE, up from 76% in 2007; they increased from 71% in 1986-88 to 78% in 2006-08. Group Commodity Transfers (GCT), where producers have the option to produce any of a specified group of commodities as part of programme eligibility, made up 9% of the PSE in 2006-08, 8 percentage points lower than in 1986-88. Transfers provided under the headings All Commodity Transfers (ACT) place no restriction on commodities that farmers choose to produce. Other Transfers to Producers (OTP) provide even greater flexibility in that these transfers do not require any commodity production at all. Together, ACT and OTP accounted for 7% of the total PSE in 2008, down from 13% in 2007 (this share was 12% in 2006-08, which is the same share as in 1986-88).

Direct payments account for almost all of OTP. In 2008, direct payments, which are based on non-current area, animal numbers, receipts or income, are provided with no obligation to produce, with fixed rates and without commodity exception, declined by 31%, as compared to 2007.

Figure 13.4. **Turkey: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

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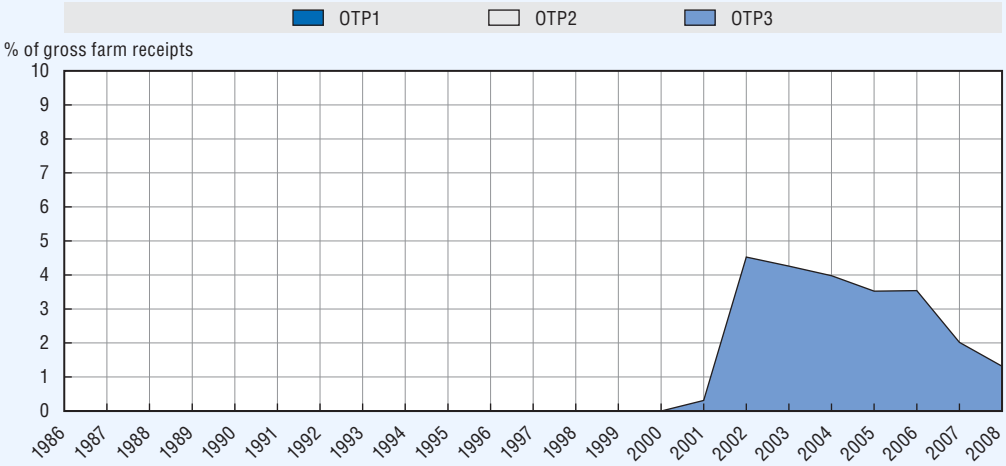
Figure 13.5. **Turkey: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.
Source: OECD, *PSE/CSE database*, 2009.

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Description of policy developments

Main policy instruments

Border measures and budgetary payments are the main policy instruments supporting agriculture. Under the 2001-05 ARIP, an annual direct income support payment to cushion the losses associated with the removal of administered prices and input subsidies is granted on a per hectare basis to all farmers registered with the National Farmer Registration System (NFRS) at a flat rate. The ARIP programme, which was extended for the period 2005-08, was terminated as of 31 December 2008. However, NFRS implementation has been continued. Import tariffs – complemented by purchasing prices fixed for cereals, sugar and tobacco – provide support for domestic production. Export subsidies are applied to a number of products, including fresh and processed fruit and vegetables and derived food products, poultry meat and eggs. Production quotas at processing plant level are applied for sugar beet.

Deficiency payments – based on production costs, world and domestic prices – are implemented for olive oil, oilseeds, maize, cotton, tea and cereals. Tea growers are partially (70%) compensated for the costs incurred in implementing the strict pruning requirements to control supply. Compensatory payments are also granted to potato and livestock producers to compensate for income losses.

Most farmers are exempt from income tax. Input subsidies are provided mainly in the form of interest concessions, and payments to improve animal breeds and farm production capacity (*e.g.* field levelling, drainage, soil improvement and protection, and land consolidation). Farmers also received an area-based payment for gasoline use in 2007 and 2008. Financial aid is granted to assist in the restructuring and transformation of Agricultural Sales Co-operatives (ASC) and their unions (ASCU) into independent, financially autonomous and self-managed co-operatives.

A number of regulations control water and soil pollution, and protect wetlands. National and regional plans provide information to help farmers to combat land desertification and reduce the discharge of nutrients. The Government plays a major role in providing infrastructure investment, especially for irrigation.

Domestic policy

The Agriculture Law enacted in April 2005 to facilitate implementation of the *Agricultural Strategy Paper 2006-10* puts emphasis on increasing productivity, competitiveness and ensuring food supply. It also creates the legal basis for certain management systems necessary for implementation of the *acquis communautaire*. The tools of agricultural support to be used for achieving the strategic objectives, principles and priorities of the agricultural policies outlined in the strategy paper include direct payments, deficiency payments, compensatory payments, livestock support (fodder crops, artificial insemination, milk premiums, risk-free livestock regions, bee-keeping, fisheries), crop insurance support, rural development support and environmental set-aside. In addition, funds will be allocated to selected credit supports and research and development.

A National Rural Development Strategy paper, in line with the EU's Rural Development Programme, has been prepared. The Instrument for Pre-Accession Assistance Programme (IPARD) was approved by the European Commission Rural Development Committee in December 2007 and a concise action plan for the accreditation process has been submitted to

the European Commission. The Turkish Rural Development Programme for 2007-2013, prepared under IPARD, and designed to support policy development in the field of agriculture and rural development, as well as the preparation for the implementation and management of the Common Agricultural Policy, was approved by the European Commission in February 2008.

Purchasing prices, which are set by marketing boards and take into account world prices, cost of production and domestic market conditions, increased in 2007 compared to the previous year's prices for all commodities except tobacco. In 2008, purchasing prices in nominal terms increased for all commodities (Table 13.2).

Table 13.2. **Turkey: Purchasing prices for cereals, sugar and tobacco**

Product	2006		2007		2008		Change in TRY price 2006/07	Change in TRY price 2007/08
	TRY mn/t	USD/t	TRY mn/t	USD/t	TRY mn/t	USD/t	%	%
Wheat								
Durum, Anatolian	385	269	400	308	592	456	4	48
Durum, other	300	210	400	308	592	456	33	48
Hard, white	375	262	400	308	592	456	7	48
Hard, red Anatolian	375	262	400	308	592	456	7	48
White barley	265	185	309	238	368	283	17	19
Rye	250	175	–	–	–	–	–	–
Oats	260	182	–	–	–	–	–	–
Maize	226	158	302	232	371	286	34	23
Sugar beet	100	70	96	74	109	84	–4	14
Tobacco, Agean A	5 790	4 049	–	–	–	–	–	–
GDP deflator 1995 = 100	4 792		4 186	–	4 729	–	–13	13

Source: Government of Turkey, Resmi Gazete [Official Gazette], Ankara, 2008.

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The system of **direct income support** (DIS) continued in 2008. DIS support is provided on a per hectare basis and allocated directly to producers registered in the National Farmer Registration System (NFRS) for the areas between 0.1 to 50 hectares for each production period. DIS payments are independent of crop type and level of production. Additional DIS payments are granted to the farmers who undertake soil analysis, utilize organic farming or certified seeds on their land. DIS was applied to over 16.4 million hectares of land (63% of total agricultural land), and 2.75 million farmers (89% of the total), have been registered under the National Farmer Registration (NFR) system. The rate of DIS payments was TRY 70 (USD 54) per hectare in 2008. DIS beneficiaries also received a so-called "diesel payment" of TRY 28.2 (USD 22) per hectare and a "fertiliser payment" of TRY 21 (USD 16) per hectare on average in 2008 (up to a maximum of 50 hectares). The diesel payment varies between TRY 18 (USD 14) per hectare for fruit and vegetable production and can reach TRY 54 (USD 41) per hectare for industrial crops. Fertiliser payments are between TRY 11.5 (USD 9) per hectare for fruit and vegetable production and TRY 30 (USD 23) per hectare for industrial crops.

The **transition payment** programme, aimed at helping farmers switch from over-produced commodities (namely hazelnuts and tobacco) to other commodities was completed at the end of 2007. In 2008, the total amount of the price premium was increased by 75% for milk, while it remained unchanged for beef producers. **Deficiency payments** in nominal terms increased by 124% for wheat and 16% for tea, but decreased by 17% for cotton, 66% for maize and 43% for sunflowers.

The 1996 **insurance support scheme**, which is open to all producers and covers hailstorm, frost risk for orchards and livestock, including poultry, continued in 2007 and 2008. The government reimburses 50% of the premium costs. In 2008, TRY 41 million (USD 32 million) were paid to insure crops and TRY 14 million (USD 11 million) to insure livestock.

Farmers benefit from **loans** offer at concessional rates by the Ziraat Bank (TCZB) and Agricultural Credit Cooperatives (ACC), with a subsidy rate varying between 25% and 100% of the current agricultural credit rate of TCZB. The subsidy is paid by the Treasury to TCZB and ACC. Agricultural enterprises and farmers are entitled to benefit interest concessions for the following loans: good agriculture practises, organic farming, production of organic inputs, production of certified seed, agricultural research and development, breeding dairy cattle, livestock production aquaculture production, stock farming, irrigation, agricultural mechanisation (except for tractor and harvesters), greenhouse horticulture, bulb production for export purposes, production of medicinal crops, livestock production in specialised industrial zones based on agriculture, milking unit and milk cooling tanks, and manure storage. Credits regarding the pressurised irrigation system (drip and sprinkler irrigation) have been offered by TCZB since May 2007 and by ACC since the beginning of 2009 with 100% subsidy rate. For other irrigation credits the subsidy rate is 60%.

With regard to agricultural **state economic enterprises**, the 9th Development Plan of Turkey (2007-2013) foresees complete withdrawal of the State from the activity areas of sugar, tobacco and the tea processing by 2013, while the Grain Board (TMO) will be maintained. In 2008, the cigarette production unit of TEKEL was privatised.

On **rural development**, in 2008 the village-based participatory investments sub-component of the Participatory Rural Development Programme , which aimed to support community-based activities in small-scale agricultural processing, marketing and other off-farm businesses, as well as the rehabilitation of public infrastructure related to the provision of public services in remote rural areas, was terminated. TRY 250 million has been allocated to the Support of Rural Development Investments programme to be implemented in 81 provinces during 2009. Concerning the IPARD programme, its main strategic objectives are: modernisation of the agricultural production and processing sectors through increasing efficiency and competitiveness and implementation of European Union standards (axis 1); capacity-building and preparatory actions for the implementation of agri-environmental measures and the *Liaison Entre Actions de Développement de l'Économie Rurale* (LEADER) approach (axis 2); and development and diversification of the rural economy, increase of quality of life and attractiveness of the rural areas, counteracting rural out-migration (axis 3). Financial aid of EUR 212 million, of which 75% is EU financed, has been allocated to the Rural Development Programme for the financial period 2007-2009. The Agriculture and Rural Development Support Institution (ARDSI) has been established as a public institution for the management and implementation of the IPARD Programme. Studies for the accreditation of the ARDSI has started in 2007 and continued in 2008. Manuals, guidelines and other documents for training of the staff were prepared.

Concerning **environmental protection**, the Law for the implementation of Soil Protection and Land Use regulation was enacted in July 2005. The "Environmentally Based Agricultural Land Utilisation" sub-component of the amended ARIP aims to protect environmentally fragile areas by setting aside agricultural areas formerly planted to crops in excess production or subject to severe erosion and replacing harmful agricultural farm practices with more environmentally friendly ones such as contour tillage, reduced flow irrigation, organic agriculture, production of fodder and adoption of pasture rehabilitation measures.

Several projects have been implemented to harmonise domestic **food safety and quality** standards with those of the European Union. The Project for Restructuring and Strengthening Food Safety and Control System in Turkey, which is supported by the EU and covering the period of 2006-2008, aims to ensure food security in Turkey, increase effectiveness in food control system, and structurally strengthen the existing central and field organisation of the Ministry of Agriculture and Rural Affairs and its duties and responsibilities, and improve cooperation with the private sector. In the field of foodstuffs, a large part of the EU legislation including some regulations was harmonised under the Regulation on Turkish Food Codex.

Trade policy

In 2007, most of the agricultural products' **tariff rates** remained the same as in 2006. Crustaceans, soybeans and soybean meal were the only commodities with tariff rate increases in 2007. In response to tight domestic supplies, the Turkish Government reduced import duties for sunflower seed and most vegetable oils in September 2007. Facing rapid price commodity increases, the Turkish government issued a decree in February 2008 increasing the quota for zero-duty wheat and maize imports, and cutting tariffs on various feed grains, oilseeds and vegetable oils. The average rate of customs duties for agricultural products was 59% in 2007 and 58% in 2008.

Export subsidies for agricultural products were announced in the Official Gazette in March 2008 and were applied for the exports realised during the 2008 calendar year. In 2008, 16 commodity groups, out of the 44 groups eligible under Turkey's WTO commitments, received export subsidies. Export subsidies are set at 10% to 20% of the export values, on 14% and 100% of exports of eligible products (Table 13.3). The subsidies are provided to exporters in the form of deductions in their payments to public corporations such as taxes, social insurance premium costs, telecommunication costs or energy costs.

Table 13.3. **Turkey: Export subsidy rates, 2008**

Product	Rate (USD/ton)	Share of exported quantity eligible for the subsidy (%)	Maximum payment ratio (%)
Cut flowers (fresh)	205	37	10
Vegetables, frozen (excluding potatoes)	79	27	10
Vegetables (dehydrated)	370	20	10
Fruits (frozen)	78	41	8
Preserves, pastes	75	51	15
Honey	65	32	5
Homogenized fruit preparations	63	35	5
Fruit juices (concentrated)	150	15	12
Olive oil	100	100	5
Prepared or preserved fish	200	100	5
Poultry meat (excluding edible offal)	186	14	20
Eggs (per 1 000 pieces)	15	78	10
Preserved poultry meat products	250	40	10
Chocolate and other food preparations containing chocolate	119	48	6
Biscuits, waffles	119	18	8
Macaroni, vermicelli	66	32	10

Source: Undersecretariat of Foreign Trade.

Chapter 14

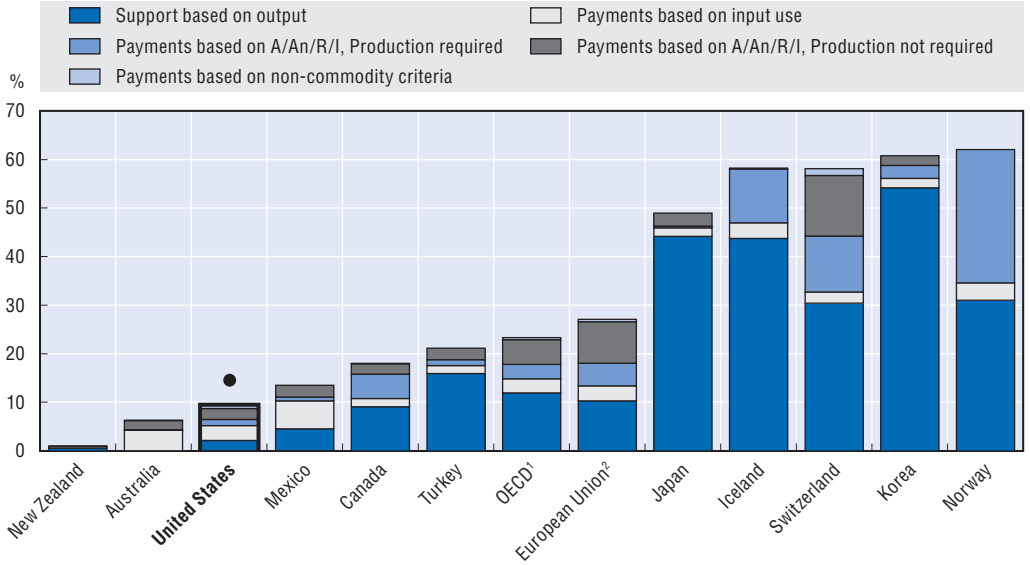
United States

Evaluation of policy developments

- Overall, there has been progress towards market orientation with levels of producer support and border protection having substantially decreased since 1986-88 and the level of producer support currently the third-lowest in the OECD area. However, since 2002 the decline has been primarily due to higher world commodity prices, as several support policy measures are linked with changes in prices.
- However, the 2008 Farm Act offers little progress towards market orientation. Payments of the new crop-specific Average Crop Revenue Election (ACRE) programme can be triggered even when commodity prices are high, as long as these prices are volatile. The interactions of the ACRE programme with the existing mix of commodity programmes further complicates decisions by producers.
- Incentives for increasing production of renewable fuels need to focus on research and development of second generation technologies rather than tax concessions and import tariffs, which insulate domestic producers from world market signals. Budgetary support provided by the 2008 Farm Act to incorporate conservation practices continues to be substantially lower than for production-linked support programmes, which, in turn, may raise environmental stress by increasing production.
- Continuation of the system of tariff quota import and the foreseen increase in the price support loan rate for sugar would have the effect of further sheltering domestic sugar producers from international competition through the most highly distorting forms of support.
- Changes in export credit guarantee programmes and the elimination of the Export Enhancement Program are welcome.
- The 2008 Farm Act, while maintaining the support programmes for crops entrenched in the 2002 Farm Act, provides additional avenues and scope for commodity-linked support — including greater potential for support to the dairy and sugar sectors — even when market prices are higher than previously.

Figure 14.1. **United States: Producer Support Estimate, 2006-08**

Per cent of gross farm receipts



A (Area planted), An (Animal numbers), R (Receipts), I (Income).

1. The OECD total does not include the non-OECD EU member states.
2. Average of EU25 in 2006 and EU27 in 2007-08.

Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655088740427

Summary of policy developments

The Food, Conservation and Energy Act (FCEA) of 2008, enacted into law in June 2008, provides the basic legislation governing farm policy for the period 2008-2012. However, 2008 was a transitional year as policy developments were determined by both the Farm Security and Rural Investment Act (2002 Farm Act) of 2002 and the FCEA. The new Farm Act retains most of the traditional agricultural support measures but it also introduces alternative support options for major field crops. Additionally, the Act makes important changes to support arrangements for dairy and sugar, and to disaster relief arrangements.

- In 2008, support to producers (%PSE) declined from 10% in 2007 to 7%, triggered by strong world commodity prices reducing MPS for milk and making counter-cyclical payments redundant. The %PSE fell from 22% in 1986-88 to 10% in 2006-08, which is less than half the OECD average.
- The combined share of the most distorting policies (commodity output and non-constrained use of variable inputs) in the PSE decreased from 52% in 1986-88 to 34% in 2006-08, while the share of the least production- and trade distorting support (payments with no requirement to produce) increased ten-fold, to 31% in 2006-08.
- Producer prices were 13% higher than world prices in 1986-88 and 3% higher in 2006-08.
- The share of Single Commodity Transfers (SCT) to producers decreased from 71% of PSE in 1986-88 to 29% in 2006-08. Two-fifths of this support is attributable to support provided to the milk sector, 9% to cotton and 6% to sugar.
- Although domestic prices were on average equal to world prices in 2008, the %CSE constituted an implicit subsidy to consumers of 9% of the value of consumption in 2006-08, in part due to food consumption aid (part of *food stamps*), compared to an implicit tax of 3% in 1986-88.
- Support for general services provided to agriculture increased from 27% of total support in 1986-88 to 43% in 2006-08. Total support to agriculture represents 0.7% of GDP, down from 1% in 1986-88.

Figure 14.2. **United States: PSE level and composition by support categories, 1986-2008**

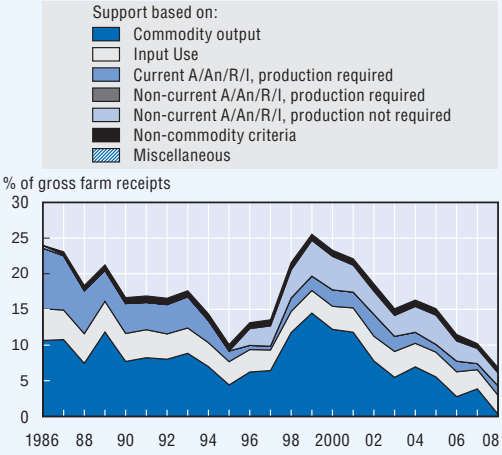


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Figure 14.3. **United States: Producer SCT by commodity, 2006-08**

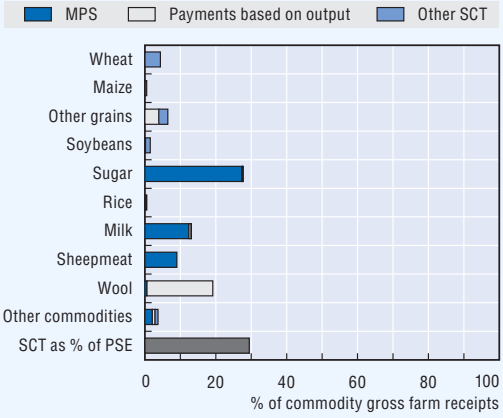

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Table 14.1. **United States: Estimates of support to agriculture**

USD million

	1986-88	2006-08	2006	2007	2008p
Total value of production (at farm gate)	**143 469**	**291 576**	**246 198**	**311 268**	**317 260**
of which share of MPS commodities (%)	*72*	*71*	*69*	*73*	*71*
Total value of consumption (at farm gate)	**132 029**	**254 548**	**219 134**	**270 305**	**274 207**
Producer Support Estimate (PSE)	**36 219**	**29 473**	**31 199**	**33 963**	**23 259**
Support based on commodity output	15 993	7 188	7 569	12 902	1 092
Market Price Support	*13 077*	*6 299*	*5 625*	*12 455*	*818*
Payments based on output	*2 916*	*888*	*1 944*	*447*	*274*
Payments based on input use	7 061	9 141	9 460	8 943	9 019
Based on variable input use	*3 697*	*3 202*	*3 376*	*3 152*	*3 079*
with input constraints	*739*	*416*	*409*	*386*	*454*
Based on fixed capital formation	*1 233*	*1 153*	*1 338*	*1 064*	*1 056*
with input constraints	*1 233*	*1 119*	*1 258*	*1 046*	*1 052*
Based on on-farm services	*2 131*	*4 786*	*4 746*	*4 727*	*4 884*
with input constraints	*349*	*1 028*	*1 026*	*1 011*	*1 048*
Payments based on current A/An/R/I[1], production required	12 234	3 778	4 049	2 809	4 478
Based on Receipts / Income	*912*	*1 322*	*1 505*	*1 203*	*1 258*
Based on Area planted / Animal numbers	*11 322*	*2 457*	*2 544*	*1 606*	*3 220*
with input constraints	*2 565*	*2 380*	*2 402*	*1 535*	*3 203*
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	338	6 966	7 692	7 069	6 135
With variable payment rates	*0*	*827*	*1 548*	*932*	*0*
with commodity exceptions	*0*	*827*	*1 548*	*932*	*0*
With fixed payment rates	*338*	*6 139*	*6 145*	*6 138*	*6 135*
with commodity exceptions	*0*	*5 178*	*5 178*	*5 182*	*5 175*
Payments based on non-commodity criteria	592	2 401	2 429	2 239	2 535
Based on long-term resource retirement	*592*	*2 340*	*2 372*	*2 197*	*2 450*
Based on a specific non-commodity output	*0*	*0*	*0*	*0*	*0*
Based on other non-commodity criteria	*0*	*61*	*57*	*42*	*85*
Miscellaneous payments	0	0	0	0	0
Percentage PSE	**22**	**10**	**11**	**10**	**7**
Producer NPC	**1.13**	**1.03**	**1.03**	**1.04**	**1.00**
Producer NAC	**1.28**	**1.11**	**1.13**	**1.11**	**1.07**
General Services Support Estimate (GSSE)	**17 197**	**42 830**	**42 526**	**41 859**	**44 105**
Research and development	1 131	2 111	1 794	2 332	2 207
Agricultural schools	0	1	1	1	1
Inspection services	384	875	876	866	883
Infrastructure	3 937	5 123	5 684	4 359	5 326
Marketing and promotion	10 645	32 501	31 913	32 064	33 525
Public stockholding	0	66	103	85	9
Miscellaneous	1 100	2 154	2 154	2 152	2 154
GSSE as a share of TSE (%)	**27**	**43**	**43**	**41**	**46**
Consumer Support Estimate (CSE)	**–3 791**	**20 087**	**19 663**	**12 645**	**27 952**
Transfers to producers from consumers	–12 746	–5 946	–5 571	–12 266	0
Other transfers from consumers	–1 429	–1 054	–785	–1 316	–1 060
Transfers to consumers from taxpayers	10 089	27 087	26 020	26 227	29 012
Excess feed cost	294	0	0	0	0
Percentage CSE	**–3**	**9**	**10**	**5**	**11**
Consumer NPC	**1.12**	**1.03**	**1.03**	**1.05**	**1.00**
Consumer NAC	**1.03**	**0.92**	**0.91**	**0.95**	**0.90**
Total Support Estimate (TSE)	**63 505**	**99 390**	**99 744**	**102 049**	**96 376**
Transfers from consumers	14 175	7 000	6 356	13 582	1 060
Transfers from taxpayers	50 759	93 444	94 173	89 783	96 376
Budget revenues	–1 429	–1 054	–785	–1 316	–1 060
Percentage TSE (expressed as share of GDP)	1.33	0.72	0.76	0.74	0.67
GDP deflator 1986-88 = 100	100	163	159	163	167

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
1. A (area planted), An (animal numbers), R (receipts), I (income).
MPS commodities for the United States are: wheat, maize, other grains, rice, oilseeds, sugar, cotton, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.
Source: OECD, *PSE/CSE database*, 2009.

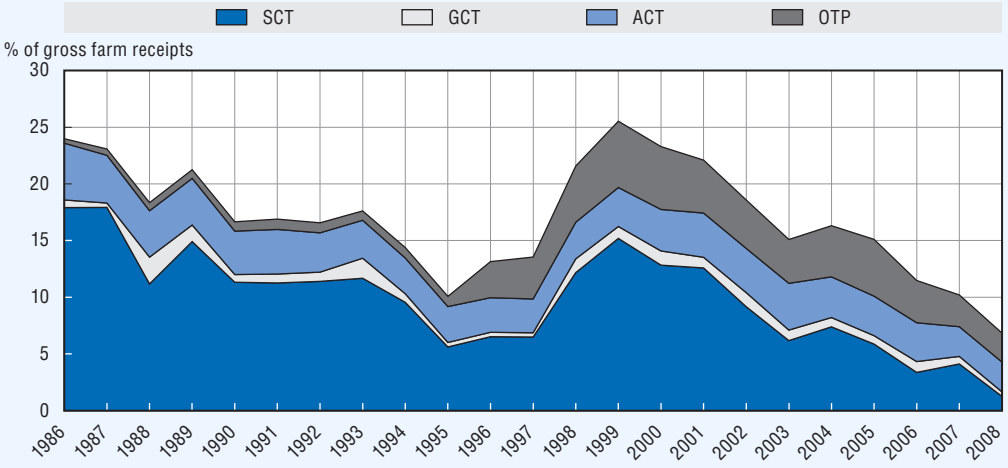
StatLink http://dx.doi.org/10.1787/656083586136

Box 14.1. **United States: Commodity specificity of support**

In 2008, *Single Commodity Transfers* (SCT) made up 21% of the PSE, a reduction from 41% in 2007; they declined from 71% in 1986-88 to 32% in 2006-08. Group Commodity Transfers (GCT), where producers have the option to produce any of a specified group of commodities as part of programme eligibility, have remained fairly constant since the 1986-88 period, and accounted for 6% of total PSE in 2008. Transfers provided under the headings All Commodity Transfers (ACT) place no restriction on commodities that farmers choose to produce, while Other Transfers to Producers (OTP) do not require any commodity production at all. ACT and OTP accounted for 73% of the total PSE in 2008, up from 52% in 2007 and 23% in 1986-88.

In 2008, payments based on non-current area, animal numbers, receipts or income that are provided with no obligation to produce, accounted for 71% of OTP, a decrease from 76% in 2007. The decline is attributable to countercyclical payments, which are provided with variable rates, which, due to high world prices, were not made in 2008. Payments with fixed rates and with commodity exception (*e.g.* direct payments) or without commodity exception (*e.g.* tobacco buy-out programme) remained almost unchanged. Payments based on non-current area, animal numbers, receipts or income that are provided with no obligation to produce were primarily introduced with the 1996 Farm Act and continued with the 2002 Farm Act.

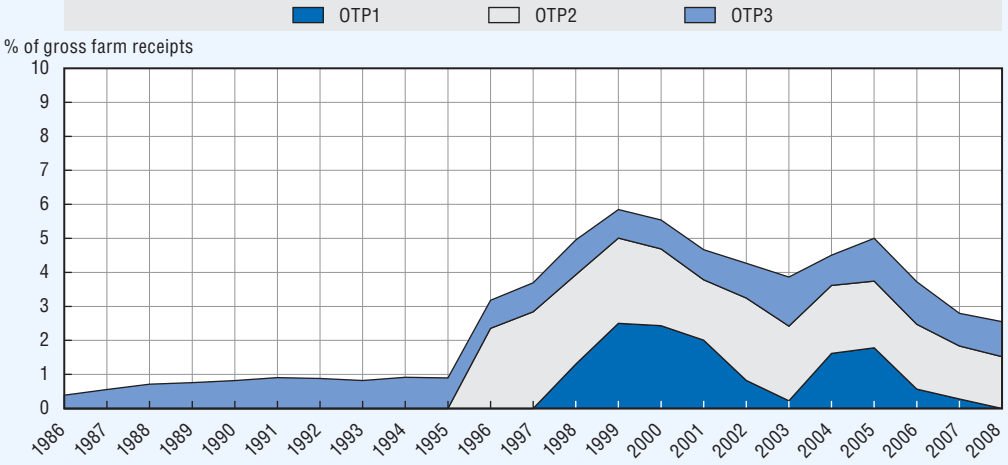
Figure 14.4. **United States: PSE level and commodity specificity, 1986-2008**



SCT – Single Commodity Transfers; GCT – Group Commodity Transfers; ACT – All Commodity Transfers; OTP – Other Transfers to Producers.

StatLink http://dx.doi.org/10.1787/655145545616

Figure 14.5. **United States: Other Transfers to Producers, 1986-2008**



OTP1: Payments based on non-current A/An/R/I, production not required, with variable rates (with and without commodity exceptions).
OTP2: Payments based on non-current A/An/R/I, production not required, with fixed rates (with commodity exceptions).
OTP3: Payments based on non-current A/An/R/I, production not required, with fixed rates (without commodity exceptions) plus Payments based on non-commodity criteria plus Miscellaneous payments.
Source: OECD, *PSE/CSE database*, 2009.

StatLink http://dx.doi.org/10.1787/655173116117

Description of policy developments

Main policy instruments

The main policy instruments for the crop sector are Direct Payments (DP), Counter-Cyclical Payments (CCP) and support provisions operating through non-recourse marketing loans for cereals, rice, upland cotton, oilseeds, peanuts and pulses (small chickpeas, lentils and dry peas). DPs are based on pre-determined rates and historical production. CCPs are based on current prices and historical production. Neither requires any current production as a basis for payment eligibility. Sugar is supported by a tariff-rate-quota (TRQ), together with provisions for non-recourse loans and marketing allotments. Milk and dairy products are supported by minimum prices with government purchases of butter, SMP and cheddar cheese, as well as by tariffs, TRQs and export subsidies, though rarely used in recent years. When prices fall below target levels, a payment is made per tonne of milk marketed below a per farm production limit. There are marketing loans for wool, mohair and honey, and border measures, including TRQs, for beef and sheepmeat.

Environmental programmes form a relatively important and increasing dimension of agricultural policy, focusing on measures to convert environmentally sensitive cropland to approved conservation uses (including long-term retirement), to re-convert farmland back into wetlands, and to encourage crop and livestock producers to adopt practices that reduce environmental problems, while land retirement remains a key strategy, increasingly the emphasis is shifted towards environmental protection of agricultural lands in production (working lands). Ethanol production is supported through a tax blenders' credit and import tariff. Research and advice are increasingly focused on food safety and promoting sustainable farming practices. Payments for natural disasters, subsidies for grazing and irrigation, interest concessions, and tax concessions are also provided.

The 2008 Farm Act largely maintains the structures of support in the 2002 Farm Act for farm programme crops (*i.e.* grains, oilseeds, cotton and pulses). It continues the DP, CCP and marketing loan assistance programmes for the 2008 through 2012 crop years, but with changes to programme eligibility criteria, payment limitations and adjustments to target prices and loan rates for some commodities. The Act offers a new revenue insurance programme, the Average Crop Revenue Election (ACRE) programme, revises dairy price support and *ad hoc* natural disaster programmes are replaced by an ongoing disaster programme. New provisions are introduced to address marketing and competitiveness of horticulture and livestock products. Funding is increased for most domestic food assistance programmes, particularly food stamps, renamed the Supplemental Nutrition Assistance Programme (SNAP).

The Congressional Budget Office estimates the total cost of the 2008 Farm Act at USD 284 billion over FY 2008-012. More than two-thirds of funds are foreseen for domestic food assistance programmes, with the overwhelming majority financing the Supplemental Nutrition Assistance Programme (previously the Food Stamp Programme). Programmes for farmers are projected to receive 30% of the budget, of which around 15% (USD 8.3 billion) is farm support programmes, just over 7% is crop insurance and 9% is support for conservation.

Around USD 28 billion (3.5%) of the American Recovery and Reinvestment Act of 2009, which was signed into law on 17 February 2009, will be appropriated by the United States

Department of Agriculture (USDA). In particular, the Act: provides USD 19.7 billion to increase the monthly amount of nutrition assistance to 31.8 million people; enables expanded opportunities for broadband loans and grants to rural communities; expands funding opportunities to develop water and waste facilities; provides funding to protect and conserve the national forests and farm land; and provides free technical assistance in the development of business adjustment plans to producers of raw agricultural commodities and fishermen who have been adversely affected by import competition.

Domestic policy

Main provisions of Food, Conservation and Energy Act

Support levels for **countercyclical payments** are adjusted with many crops receiving increases, and support for cotton being reduced slightly. Beginning with crop year 2009, CCP payments are available for pulse crops, namely dry peas, lentils, small chickpeas and large chickpeas. The 2008 Farm Act maintains **target prices** at previous levels for 2008 and 2009 except for a reduction for upland cotton (1.6%). It also maintains existing target prices for maize and rice from 2010 to 2012. However, it increases target prices for wheat (6.4%), barley (17.4%), oats (24.3%), grain sorghum (2.3%) and soybeans (3.4%) from 2010 to 2012 (Table 14.2).

Table 14.2. **United States : Payment rates for crops under the 2002 Farm Act and under the 2008 Farm Act**

USD per tonne

	Marketing loan rates				Direct payment rates		Countercyclical payments target price			
	2002 Farm Act	2008 Farm Act			2002 Farm Act	2008 Farm Act	2002 Farm Act	2008 Farm Act		
	2004-07	2008	2009	2010-12	2002 – 07	2008-12	2004 – 07	2008	2009	2010-12
Wheat	101.0	101.0	101.0	108.0	19.1	19.1	144.0	144.0	144.0	153.2
Maize	76.8	76.8	76.8	76.8	11.0	11.0	103.5	103.5	103.5	103.5
Grain sorghum	76.8	76.8	76.8	76.8	13.8	13.8	101.2	101.2	101.2	103.5
Barley	85.0	85.0	85.0	89.6	11.0	11.0	102.9	102.9	102.9	120.8
Oats	91.6	91.6	91.6	95.8	1.7	1.7	99.2	99.2	99.2	123.3
Upland cotton	1 146.4	1 146.4	1 146.4	1 146.4	147.0	147.0	1 596.1	1 570.9	1 570.9	1 570.9
Rice	143.3	n.a.	n.a.	n.a.	51.8	n.a.	231.5	n.a.	n.a.	n.a.
Long grain rice	*n.a.*	143.3	143.3	143.3	*n.a.*	*51.8*	n.a.	231.5	231.5	231.5
Medium grain rice	*n.a.*	143.3	143.3	143.3	*n.a.*	*51.8*	n.a.	231.5	231.5	231.5
Soybeans	183.7	183.7	183.7	183.7	16.2	16.2	213.1	213.1	213.1	220.5
Other oilseeds	205.0	205.0	205.0	222.5	17.6	17.6	222.7	222.7	222.7	279.6
Sugar cane[1]	396.8	396.8	396.8	407.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sugar beet	504.9	504.9	504.9	460.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Peanuts	391.4	391.4	391.4	391.4	39.7	36.0	545.8	545.8	545.8	545.8
Dry peas	137.2	137.2	119.1	119.1	n.a.	n.a.	n.a.	n.a.	183.5	183.5
Lentils	258.4	258.4	248.7	248.7	n.a.	n.a.	n.a.	n.a.	282.5	282.5
Small cheakpeas	163.8	163.8	163.8	163.8	n.a.	n.a.	n.a.	n.a.	228.4	228.4
Large cheakpeas	n.a.	n.a.	248.7	248.7	n.a.	n.a.	n.a.	n.a.	282.5	282.5

Crop year periods vary between different commodities. n.a. : not applicable.
1. Beginning in FY 2010 loan rate increase by 0.25 cents/lb.
Source: USDA.

StatLink http://dx.doi.org/10.1787/656124411615

Marketing loan rate provisions will be the same as in the 2002 Farm Act, but with modifications to coverage, levels of payment and payment limits. The coverage of eligible

crops is extended to include large chickpeas starting in 2009, and long-grain rice and medium-grain rice specified separately rather than as "rice", each with its own national loan rate. Marketing loans for ELS cotton for 2008-2012 crops are authorised, but the loans must be repaid at the established loan rate plus interest. Eight out of 20 commodities have an increase in their loan rate (wheat, barley, oats, minor oilseeds, graded wool, honey, cane sugar, beet sugar), two have a decrease (dry peas, lentils), and one is new in 2009 (large chickpeas).

The **direct payment rates** per eligible crop (*i.e.* wheat, corn, barley, grain sorghum, oats, upland cotton, rice, soybeans, other oilseeds, and peanuts) remain the same as under the 2002 Farm Act, but **paymentbase acres** are reduced from 85% to 83.3% for crop years 2009-2011. The 85% ratio is restored for the 2012 crop year to restore the baseline for the next Farm Act. The reduction to 83.3% does not affect the CCP, which will continue to be provided for 85% of the base area. Provision of advanced direct payments is eliminated in the 2012 crop year.

The new optional revenue-based countercyclical programme, **Average Crop Revenue Election** (ACRE) programme, which is based on state and farm revenue shortfalls, is available beginning with the 2009 crop year, as an alternative to receiving CCP payments. Enrolled farmers receive payments when revenue from programme crops (including peanuts) falls below levels determined from moving averages of past yields and market prices. More specifically, to receive an ACRE payment, two triggers must be met: i) the actual state revenue for the crop must be less than the state revenue guarantee amount; and ii) an individual's actual revenue for the crop must be less than the farm's benchmark revenue. Benchmark yields at the state and farm levels are calculated from averages for the previous five years with the highest and the lowest excluded, while national average market prices are calculated from the previous two years. If both triggers are met, a producer will receive an ACRE payment calculated as the difference between the state's actual revenue and the ACRE guarantee per acre, multiplied by a percentage (83.3% or 85% depending on the crop year) of the farm's planted acreage, but prorated based on the individual farm's yield history compared to the state's yield history.

The state programme guarantee is set at 90% of the moving average yield multiplied by the moving average price. The ACRE state revenue guarantee for a given crop for 2010-2012 cannot change by more than 10% from the previous crop year and the per unit payment cannot be greater than 25% of the state programme guarantee for the crop. ACRE payments are calculated on planted area, but the total number of eligible planted area for all crops on a given farm cannot exceed the farm's total base area. Enrolled farmers are subject to a 20% reduction in direct payments and a 30% reduction in marketing loan rates. Farmers can choose when to enrol, but once enrolled in the programme, they must remain in the programme for the duration of the 2008 Act. If they do enrol, they must enrol all of the crops on the farm.

Payment yields for DP and CCP payments are unchanged from the 2002 Act, except those payment yields to be established for any designated oilseed or newly eligible pulse crop. With respect to **planting flexibility** and restrictions for programme participants, the 2008 Farm Act retains the overall provision on planting restrictions for fruits, vegetables and wild rice, excluding mung beans and pulse crops (dry peas, lentils, small chickpeas and large chickpeas) on base area. Beginning in 2009, the 2008 Farm Act includes a pilot planting flexibility programme for fruits and vegetables for processing in seven mid-

western states. As with the previous legislation, participants receiving these payments must continue to abide by **conservation compliance requirements**. The **base area** on land that had been subdivided into multiple residential units or other non-farming use is eliminated. Further DP, CCP and ACRE payments to farms with fewer than 4 hectares of all crops are prohibited, unless the farm is owned by a socially disadvantaged or limited-resource farmer or ranchers.

Two types of **payment limits** are continued. One sets the maximum amount of farm programme payments that a person can receive annually, while the other sets the maximum amount of income that an individual can earn and still remain eligible for programme benefits. Regarding the limit on the amount of payments, the enacted 2008 Farm Act continues the USD 40 000 limit on DP and USD 65 000 limit on CCP payments, including ACRE payments. The total amount of payments must be attributed (linked) to a person, by taking into account direct and indirect ownership interests of the person in a legal entity. Payment limits on marketing loan benefits and loan deficiency payments are abolished. While previously the adjusted gross income limit had an exception if a certain proportion was earned from farming sources, this exception is revoked and a distinction between adjusted gross nonfarm income and adjusted gross farm income is made. If a three-year average of nonfarm adjusted gross income exceeds USD 500 000, then no programme benefits are allowed (DP, CCP and marketing loan assistance). If a three-year average of farm adjusted gross income exceeds USD 750 000, then no DP payments are allowed (but CCP and marketing loan assistance benefits are allowed for these higher-income farmers).

The **dairy** market price support programme and the Milk Income Loss Contract (MILC) programme were amended, while the Dairy Export Enhancement, the Dairy Indemnity and the Dairy Promotion and Research programmes remained unchanged. Administered prices for manufactured products (*e.g.* cheddar cheese, butter, and non-fat dry milk) instead of fluid milk will be used for dairy price support. The payment rate of the MILC programme is increased and the payment is adjusted for changes in the cost of feed. The ceiling on production receiving the MILC payments was also increased. The loan rates for **sugar** cane are raised progressively from USD 397 per tonne in 2008 to reach USD 413 per tonne by 2011.

The Upland Cotton Economic Adjustment Assistance programme is introduced to provide adjustment support to US users (cotton millers) of **upland cotton**, whether it is domestically produced or imported. From August 2008 to end-July 2012, economic adjustment assistance equal to USD 88 per tonne will be provided to domestic users of upland cotton for all documented use of upland cotton during previous month regardless of the origin of the cotton. The payment rate will be reduced to USD 66 per tonne on 1 August 2012. Support can be used only for acquisition, construction, installation, modernisation, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery.

The 2008 Farm Act formalises the *ad hoc* measures used to provide ***disaster assistance*** and establishes a permanent whole-farm revenue disaster assistance programme for crop producers called the Supplemental Revenue Assurance Programme (SURE) to allow for direct emergency assistance in response to weather-related events without requiring legislation each time a disaster occurs. The SURE programme provides payments at 60% of difference between disaster assistance programme guarantee and total farm revenue,

where revenue includes all crops produced on farm. The guarantee is based on 115% of the insurance protection purchased or 120% of the non-insured assistance programme coverage signed up for on the farm, but may not exceed 90% of the expected revenue for the farm.

Four additional smaller disaster programmes are authorised to provide assistance to livestock, forage, and orchard and nursery tree producers until FY2011: i) the Livestock Indemnity Payments Programme, which compensates ranchers at a rate of 75% of market value for livestock mortality caused by a disaster; ii) the Livestock Forage Disaster Programme, to assist ranchers who graze livestock on drought-affected pastureland or grazing land; iii) the Emergency Assistance for Livestock, Honey Bees and Farm Raised Fish Programme, which provides up to USD 50 million to compensate these producers for disaster losses not covered under other disaster programmes; and iv) the Tree Assistance Programme, for orchard and nursery growers who can receive a payment to cover 70% of the cost of replanting trees or nursery stock following a disaster (up to USD 100 000 per year per producer). Except for the Livestock Indemnity Programme, these programmes require prior insurability from either crop insurance or the non-insured crop disaster assistance programme. Arrangements apply from 2008 to 2012, but farmers who had not taken out crop insurance for 2008 when the new Farm Act came into force, had the option to buy into the programme for 2008 by paying an administrative fee.

Concerning domestic **credit policy**, the main changes entail: i) further prioritization and subsidisation of Farm Service Agency lending for beginning and socially disadvantaged farmers; ii) increases in lending limits per individual to USD 300 000 (up from USD 200 000) for each of the direct farm ownership and direct operating loan programmes; and iii) extension of the guarantee programme for seller-financed land loans.

The 2008 Farm Act continues the evolution of **environmental conservation programmes** begun in the 1985 Farm Act. The 2008 Farm Act re-authorizes almost all 2002 Farm Act conservation programmes, increases in spending by nearly USD 8 billion, modifies several programmes, and creates several new conservation programmes. Changes to existing programmes address eligibility requirements, programme definitions, enrolment and payment limits, contract terms, evaluation and ranking criteria, and other administrative issues. Producer coverage across most programmes is also expanded to include speciality crop producers and producers in the transition to organic production, and to provide additional assistance to beginner, limited resource and socially disadvantaged producers.

The 2008 Farm Act objectives continue to shift the conservation focus from land retirement to environmental protection of agricultural lands in production (working lands) by increasing funding for the Environmental Quality Incentives Programme (EQIP) and new Conservation Stewardship Programme (CSP) (successor to the Conservation Security Programme). Authorised funding for the EQIP is increased from USD 1.3 billion per year in 2007 to USD 1.8 billion per year by 2012. EQIP continues to provide cost-share and technical assistance for adopting new conservation practices. New EQIP priorities highlighted in the 2008 Farm Act include conservation practices related to organic production, payments to producers to address air quality concerns.

In the new CSP, the "tiered" payment approach of the Conservation Security Programme is replaced by a payment to compensate producers for installing and adopting conservation practices. The amount of payment will be based on environmental benefits

and costs of applying such practices. Animal waste facility construction, and treatment and maintenance of facilities are not eligible for this programme. Additional funding and programme provisions apply. Enrolment in the new CSP is targeted to cover nearly 5.2 million new hectares per year at an average cost of implementation of USD 0.3 per hectare, or USD 230 million per year for new contracts.

Land retirement programmes continue, with particular emphasis on wetlands. The maximum set-aside area under the Conservation Reserve Programme, which is the largest conservation programme in terms of total annual funding, will be decreased from 15.9 million hectares down to 12.9 million hectares, beginning in 2010. However, the maximum enrolment area covered by the Wetlands Reserve Programme is increased by 0.3 million hectares to over 1.2 million hectares and eligible lands are expanded to include certain types of private and tribal wetlands, croplands, and grasslands, as well as lands that meet the habitat needs of specific wildlife species.

Other programmes re-authorised in the 2008 Farm Act include preservation programmes such as the Farmland Protection Programme (FPP) and the Grasslands Reserve Programme (GRP). The FPP is modified to work through "certified entities" for the purchase of conservation easements. The GRP is set to increase by 0.5 million hectares during 2009-2012.

On **rural development**, the 2008 Farm Act maintains several programmes for infrastructure, economic development and health care in rural communities, such as water, energy, and health programmes, broadband internet expansion to enhance rural economies and loan guarantees to support value-added agricultural enterprises, including renewable energy and locally and regionally produced agricultural products. The Farm Act requires USDA to prepare a report assessing the various definitions of "rural" and the effect these various definitions have on programmes administered by USDA Rural Development. Funding of USD 194 million is authorised over the FY2008-2012 period in mandatory spending for rural development programmes, of which 62% is for funding of backlogged water and wastewater applications.

Funding of USD 466 million is allocated to enhance **specialty crop competitiveness** over ten years. Grants are provided to the states to support marketing, research, education, food safety, and pest and disease management for specialty crops, such as fruits, vegetables and tree nuts. Additional grants are also available to support local farmers' markets, other direct marketing ventures, agri-tourism and to encourage the consumption of fresh fruits and vegetables. The 2008 Farm Act also increases funding for enhanced market information, certification, and regulation for **organic** food production.

The 2008 Farm Act contains **tax-related and revenue provisions** related to conservation, energy, and agricultural provisions, among other revenue provisions. For example, among the conservation provisions, the Farm Act authorises a new type of tax-exempt private bond whose proceeds are used to finance USD 500 million in forest conservation; it also modifies income tax deductions for qualified timber gains. **Country of origin labelling** is now a mandatory and the list of covered commodities has been expanded to include goat meat, chicken, ginseng, pecans and macadamia nuts. For red meats, several new types of label categories are created to facilitate and simplify compliance in specifying the origin of the products.

With respect of **bio-energy**, the 2008 Farm Act continues and expands funding for Federal agency procurement of bio-based products, construction and development of

advanced biofuel refineries, biomass research and development, and biodiesel education. New programmes are created, including a Biomass Crop Assistance Programme to provide financial assistance to producers for growing biomass crops and developing conversion facilities, and the Agricultural Bioenergy Feedstock and Energy Efficiency Research and Extension Initiative to provide for competitive grants to fund projects with a focus on supporting on-farm biomass crop research and extension. Mandatory spending for the Farm Act's agriculture-based energy programmes are projected at about USD 600 million over FY2008-2012 and USD 900 million over FY2008-2017. An amount of USD 320 million is provided for biorefinery assistance in mandatory funding for loan guarantees to produce biofuels. Guarantees may cover 90%t of the loan amount with loans up to 80% of cost or maximum of USD 250 million.

Funding on **domestic food assistance** is boosted by an estimated USD 3.2 billion over five years (FY2008-FY2012) and USD 10.2 billion over ten years (FY2008-FY2017), accounting for more than two-thirds of all spending on programmes and activities covered by the 2008 Farm Act. The most significant provisions address the administration of, eligibility for, and benefits under the Food Stamp Programme, increasing funding for The Emergency Food Assistance Programme (TEFAP) and for a programme of making free fresh fruits and vegetables available in schools. Reforms in the Food Stamp Programme, renamed the Supplemental Nutrition Assistance Programme (SNAP) beginning in fiscal year 2009, provide for the largest share of the new spending with an increase in the minimum standard deduction and the minimum benefit for recipients. Asset limits are indexed and assets such as retirement accounts and education funds are excluded. Spending on food stamps is estimated to total USD 2.3 billion over five years and USD 7.82 billion over ten years (73% and 77%, respectively of the total domestic food assistance spending). The second largest increase is mandated for TEFAP, with estimated additional outlays of USD 526 million over FY2008-2012 and USD 1.26 billion over FY2008-2017 (17% and 12%, respectively of total domestic food assistance spending).

Trade policy

On **trade-related provisions**, the 2008 Farm Act extends USDA's export market development programmes through FY2012. Funding for the Market Access Programme, which promotes mainly high value food exports, is maintained at the FY2007 level of USD 200 million annually and that of the Foreign Market Development Programme, which promotes mainly bulk or generic commodity exports, at USD 34.5 million annually. Other **international aid** programmes such as the Farmer-to-Farmer Programme and the Bill Emerson Humanitarian Trust are also extended. The Export Enhancement Programme is repealed. The **tariff on ethanol** imported for fuel use is extended for two years through 31 December 2010.

The TRQ import system for **sugar** continues. To address the potential for a US sugar surplus caused by unrestricted imports from Mexico under the North American Free Trade Agreement (NAFTA) and from other countries under other free trade agreements, and the resulting loan forfeitures, a sugar-for-ethanol programme has been mandated. USDA is now required to purchase US-produced sugar roughly equal to excess imports, if necessary to maintain market prices above support levels. The sugar purchased must then be sold to bio-energy producers for processing into ethanol. USDA's Commodity Credit Corporation will provide open-ended funding for this programme. Other provisions increase the raw sugar and refined beet loan rates by 4%-5% by FY2012, guarantee allotments for the

US sugar producing sector of not less than 85% of estimated domestic consumption, and remove some of the discretionary authority that USDA exercises to administer import quotas.

The US Export Credit Guarantee programmes have been modified, following the ruling in the WTO cotton case. Changes include elimination of the 1% cap of the value of the export product cap on user fees for the Export Credit Guarantee Programme GSM-102 – the primary export programme – and elimination of the short-term Supplier Credit Guarantee Programme and the long-term Export Credit Guarantee Programme GSM-103.

In respect of **international food assistance**, the P.L. 480 food aid programmes are extended through 2012 and funding to various food aid programme activities is increased. Funding of USD 2.5 billion is authorised to be appropriated annually for P.L. 480 Title II, which provides US commodities for emergency relief and non-emergency projects overseas. A pilot programme of USD 60 million is initiated to evaluate effectiveness of local or regional procurement of food for humanitarian assistance.

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PART III

Summary Tables of Estimates of Support for OECD Countries

Table III.1. **OECD: Producer Support Estimate by country**

		1986-88	2006-08	2006	2007	2008p
Australia	USD mn	931	2 178	1 833	2 488	2 213
	EUR mn	865	1 597	1 461	1 818	1 514
	Percentage PSE	7	6	6	7	6
	Producer NPC	1.04	1.00	1.00	1.00	1.00
	Producer NAC	1.07	1.07	1.07	1.07	1.06
Canada	USD mn	6 019	6 594	6 839	7 413	5 532
	EUR mn	5 491	4 882	5 448	5 415	3 784
	Percentage PSE	36	18	22	19	13
	Producer NPC	1.39	1.11	1.16	1.12	1.07
	Producer NAC	1.56	1.22	1.28	1.24	1.15
European Union[1]	USD mn	99 742	138 866	131 041	135 111	150 445
	EUR mn	90 536	101 999	104 400	98 697	102 902
	Percentage PSE	40	27	31	25	25
	Producer NPC	1.76	1.15	1.19	1.13	1.12
	Producer NAC	1.68	1.37	1.44	1.34	1.33
Iceland	USD mn	193	213	237	237	166
	EUR mn	174	158	189	173	114
	Percentage PSE	77	58	65	57	51
	Producer NPC	4.19	2.14	2.61	2.04	1.77
	Producer NAC	4.32	2.41	2.88	2.31	2.04
Japan	USD mn	49 590	38 853	39 356	35 581	41 622
	EUR mn	44 967	28 605	31 355	25 991	28 469
	Percentage PSE	64	49	52	48	48
	Producer NPC	2.63	1.87	1.99	1.81	1.81
	Producer NAC	2.76	1.96	2.06	1.91	1.92
Korea	USD mn	12 055	23 389	25 827	25 988	18 354
	EUR mn	10 821	17 371	20 576	18 984	12 554
	Percentage PSE	70	61	65	65	52
	Producer NPC	3.32	2.44	2.70	2.68	1.94
	Producer NAC	3.38	2.61	2.88	2.86	2.07
Mexico[2]	USD mn	8 495	6 194	5 805	6 438	6 339
	EUR mn	6 914	4 554	4 625	4 703	4 336
	Percentage PSE	29	13	14	14	13
	Producer NPC	1.34	1.05	1.07	1.06	1.04
	Producer NAC	1.40	1.16	1.16	1.16	1.15
New Zealand	USD mn	432	102	99	115	92
	EUR mn	413	75	79	84	63
	Percentage PSE	10	1	1	1	1
	Producer NPC	1.02	1.01	1.01	1.01	1.00
	Producer NAC	1.12	1.01	1.01	1.01	1.01
Norway	USD mn	2 794	3 322	3 053	3 171	3 742
	EUR mn	2 528	2 436	2 432	2 316	2 559
	Percentage PSE	70	62	65	59	62
	Producer NPC	4.14	1.97	2.28	1.74	1.88
	Producer NAC	3.38	2.64	2.89	2.42	2.62
Switzerland	USD mn	5 385	5 175	5 203	4 681	5 640
	EUR mn	4 860	3 807	4 145	3 419	3 857
	Percentage PSE	77	60	66	55	58
	Producer NPC	4.80	1.83	2.18	1.59	1.73
	Producer NAC	4.38	2.53	2.97	2.22	2.38

Table III.1. **OECD: Producer Support Estimate by country** *(cont.)*

		1986-88	2006-08	2006	2007	2008p
Turkey	USD mn	3 118	12 915	10 592	11 807	16 347
	EUR mn	2 826	9 415	8 438	8 625	11 181
	Percentage PSE	16	21	20	19	25
	Producer NPC	1.17	1.21	1.20	1.14	1.29
	Producer NAC	1.19	1.27	1.25	1.23	1.33
United States	USD mn	36 219	29 473	31 199	33 963	23 259
	EUR mn	33 118	21 858	24 856	24 809	15 909
	Percentage PSE	22	10	11	10	7
	Producer NPC	1.13	1.03	1.03	1.04	1.00
	Producer NAC	1.28	1.11	1.13	1.11	1.07
OECD[3]	USD mn	239 921	261 222	258 185	259 995	265 487
	EUR mn	218 064	192 402	205 695	189 922	181 589
	Percentage PSE	37	23	26	22	21
	Producer NPC	1.50	1.16	1.20	1.15	1.13
	Producer NAC	1.59	1.31	1.36	1.29	1.27

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. For Mexico, 1986-88 is replaced by 1991-93.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.2. **OECD: Consumer Support Estimate by country**

		1986-88	2006-08	2006	2007	2008p
Australia	USD mn	- 386	- 202	- 185	- 210	- 211
	EUR mn	- 354	- 148	- 147	- 153	- 144
	Percentage CSE	- 7	- 1	- 1	- 1	- 1
	Consumer NPC	1.06	1.00	1.00	1.00	1.00
	Consumer NAC	1.08	1.01	1.01	1.01	1.01
Canada	USD mn	- 2 852	- 3 805	- 4 578	- 4 075	- 2 762
	EUR mn	- 2 583	- 2 838	- 3 647	- 2 977	- 1 889
	Percentage CSE	- 25	- 16	- 21	- 16	- 11
	Consumer NPC	1.37	1.19	1.27	1.19	1.12
	Consumer NAC	1.33	1.19	1.27	1.19	1.12
European Union[1]	USD mn	- 74 438	- 48 964	- 50 566	- 45 466	- 50 859
	EUR mn	- 67 631	- 36 095	- 40 286	- 33 212	- 34 787
	Percentage CSE	-37	-12	-15	-10	-10
	Consumer NPC	1.75	1.14	1.18	1.13	1.12
	Consumer NAC	1.59	1.13	1.17	1.12	1.11
Iceland	USD mn	-112	-102	-123	-112	-72
	EUR mn	-101	-76	-98	-82	-49
	Percentage CSE	-70	-42	-53	-41	-33
	Consumer NPC	4.39	1.79	2.15	1.71	1.51
	Consumer NAC	3.47	1.76	2.12	1.68	1.48
Japan	USD mn	- 61 128	- 44 943	- 46 711	- 40 767	- 47 352
	EUR mn	- 55 248	- 33 127	- 37 215	- 29 780	- 32 388
	Percentage CSE	-62	-42	-45	-40	-41
	Consumer NPC	2.64	1.73	1.84	1.67	1.69
	Consumer NAC	2.64	1.73	1.83	1.67	1.69
Korea	USD mn	- 11 754	- 27 523	- 30 779	- 31 812	- 19 976
	EUR mn	- 10 567	- 20 474	- 24 522	- 23 238	- 13 664
	Percentage CSE	-66	-58	-63	-62	-48
	Consumer NPC	2.92	2.43	2.72	2.65	1.91
	Consumer NAC	2.91	2.42	2.71	2.65	1.91
Mexico[2]	USD mn	- 6 357	- 1 903	- 2 208	- 2 384	- 1 119
	EUR mn	- 5 173	- 1 422	- 1 759	- 1 742	- 765
	Percentage CSE	-25	-4	-6	-5	-2
	Consumer NPC	1.38	1.05	1.07	1.06	1.03
	Consumer NAC	1.32	1.04	1.06	1.05	1.02
New Zealand	USD mn	- 60	- 60	- 59	- 71	- 51
	EUR mn	- 56	- 45	- 47	- 52	- 35
	Percentage CSE	-6	-3	-3	-3	-2
	Consumer NPC	1.07	1.03	1.03	1.03	1.02
	Consumer NAC	1.07	1.03	1.03	1.03	1.02
Norway	USD mn	- 1 332	- 1 533	- 1 481	- 1 399	- 1 718
	EUR mn	- 1 210	- 1 126	- 1 180	- 1 022	- 1 175
	Percentage CSE	-56	-44	-50	-39	-43
	Consumer NPC	3.29	1.86	2.13	1.66	1.78
	Consumer NAC	2.28	1.80	2.01	1.64	1.76
Switzerland	USD mn	- 4 937	- 3 084	- 3 330	- 2 573	- 3 349
	EUR mn	- 4 451	- 2 275	- 2 653	- 1 880	- 2 291
	Percentage CSE	-73	-43	-52	-37	-41
	Consumer NPC	4.72	1.83	2.16	1.62	1.72
	Consumer NAC	3.72	1.78	2.08	1.58	1.70

Table III.2. **OECD: Consumer Support Estimate by country** *(cont.)*

		1986-88	2006-08	2006	2007	2008p
Turkey	USD mn	- 2 394	- 7 639	- 6 058	- 5 271	- 11 589
	EUR mn	- 2 177	- 5 535	- 4 826	- 3 850	- 7 927
	Percentage CSE	-16	-14	-15	-10	-18
	Consumer NPC	1.21	1.18	1.19	1.12	1.23
	Consumer NAC	1.19	1.17	1.17	1.11	1.22
United States	USD mn	- 3 791	20 087	19 663	12 645	27 952
	EUR mn	- 3 491	14 674	15 666	9 237	19 119
	Percentage CSE	-3	9	10	5	11
	Consumer NPC	1.12	1.03	1.03	1.05	1.00
	Consumer NAC	1.03	0.92	0.91	0.95	0.90
OECD[3]	USD mn	- 160 828	- 116 712	- 123 909	- 118 240	- 107 989
	EUR mn	- 145 937	- 86 317	- 98 718	- 86 372	- 73 862
	Percentage CSE	-30	-13	-15	-12	-10
	Consumer NPC	1.54	1.19	1.23	1.18	1.15
	Consumer NAC	1.43	1.15	1.18	1.14	1.12

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. For Mexico, 1986-88 is replaced by 1991-93.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.3. **OECD: General Services Support Estimate by country**

		1986-88	2006-08	2006	2007	2008p
Australia	USD mn	95	914	870	1 072	800
	EUR mn	86	674	693	783	547
	Percentage of TSE	10	32	34	32	28
Canada	USD mn	1 464	2 604	2 383	2 679	2 751
	EUR mn	1 328	1 912	1 899	1 957	1 881
	Percentage of TSE	19	28	26	27	33
European Union[1]	USD mn	9 187	15 463	15 890	14 821	15 679
	EUR mn	8 272	11 403	12 659	10 827	10 724
	Percentage of TSE	8	10	11	10	9
Iceland	USD mn	18	12	15	11	10
	EUR mn	16	9	12	8	7
	Percentage of TSE	7	5	6	4	6
Japan	USD mn	8 775	9 668	8 291	9 984	10 729
	EUR mn	7 889	7 079	6 605	7 293	7 338
	Percentage of TSE	15	20	17	22	20
Korea	USD mn	1 069	3 455	3 698	3 561	3 106
	EUR mn	954	2 557	2 946	2 601	2 124
	Percentage of TSE	8	13	12	12	14
Mexico[2]	USD mn	1 105	817	775	982	696
	EUR mn	900	603	617	717	476
	Percentage of TSE	11	11	11	12	9
New Zealand	USD mn	119	189	168	196	203
	EUR mn	108	139	134	143	139
	Percentage of TSE	21	65	63	63	69
Norway	USD mn	124	339	321	332	364
	EUR mn	112	249	255	243	249
	Percentage of TSE	4	9	9	9	9
Switzerland	USD mn	438	410	396	399	437
	EUR mn	396	302	315	291	299
	Percentage of TSE	7	7	7	8	7
Turkey	USD mn	309	1 152	1 785	614	1 058
	EUR mn	277	865	1 422	449	723
	Percentage of TSE	10	8	14	5	6
United States	USD mn	17 197	42 830	42 526	41 859	44 105
	EUR mn	15 712	31 542	33 880	30 577	30 167
	Percentage of TSE	27	43	43	41	46
OECD[3]	USD mn	40 023	76 665	76 043	74 416	79 536
	EUR mn	36 284	56 448	60 583	54 360	54 401
	Percentage of TSE	13	21	21	20	21

p: provisional. TSE: Total Support Estimate.

1. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. For Mexico, 1986-88 is replaced by 1991-93.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.4. **OECD: Total Support Estimate by country**

		1986-88	2006-08	2006	2007	2008p
Australia	USD mn	935	2 898	2 525	3 358	2 812
	EUR mn	873	2 129	2 011	2 453	1 923
	Percentage of GDP	0.4	0.3	0.3	0.4	0.3
Canada	USD mn	7 514	9 199	9 222	10 091	8 283
	EUR mn	6 849	6 795	7 347	7 371	5 665
	Percentage of GDP	1.8	0.7	0.7	0.7	0.6
European Union[1]	USD mn	113 841	156 764	149 591	153 111	167 591
	EUR mn	103 251	115 218	119 179	111 845	114 629
	Percentage of GDP	2.7	0.9	1.0	0.9	0.9
Iceland	USD mn	256	230	256	253	180
	EUR mn	230	171	204	185	123
	Percentage of GDP	5.0	1.3	1.5	1.3	1.1
Japan	USD mn	58 257	48 542	47 670	45 584	52 374
	EUR mn	52 758	35 700	37 978	33 299	35 823
	Percentage of GDP	2.4	1.1	1.1	1.0	1.1
Korea	USD mn	13 197	26 907	29 624	29 594	21 504
	EUR mn	11 842	19 976	23 601	21 618	14 708
	Percentage of GDP	9.0	2.9	3.3	3.1	2.4
Mexico[2]	USD mn	10 453	7 446	6 830	7 960	7 546
	EUR mn	8 506	5 473	5 442	5 815	5 161
	Percentage of GDP	2.7	0.7	0.7	0.8	0.7
New Zealand	USD mn	551	291	268	311	294
	EUR mn	521	214	213	227	201
	Percentage of GDP	1.6	0.2	0.3	0.2	0.2
Norway	USD mn	3 138	3 736	3 443	3 580	4 186
	EUR mn	2 842	2 740	2 743	2 615	2 863
	Percentage of GDP	3.5	1.0	1.0	0.9	1.0
Switzerland	USD mn	6 518	5 661	5 683	5 154	6 145
	EUR mn	5 883	4 165	4 528	3 765	4 203
	Percentage of GDP	3.8	1.3	1.5	1.2	1.2
Turkey	USD mn	3 426	14 067	12 376	12 421	17 404
	EUR mn	3 103	10 279	9 860	9 074	11 904
	Percentage of GDP	2.9	2.2	2.3	1.9	2.3
United States	USD mn	63 505	99 390	99 744	102 049	96 376
	EUR mn	57 998	73 310	79 466	74 545	65 920
	Percentage of GDP	1.3	0.7	0.8	0.7	0.7
OECD[3]	USD mn	299 618	367 838	363 247	364 314	375 953
	EUR mn	272 200	270 890	289 398	266 126	257 145
	Percentage of GDP	2.48	0.89	0.96	0.88	0.84

p: provisional.

1. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. For Mexico, 1986-88 is replaced by 1991-93.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.5. **OECD: Composition of Producer Support Estimate by country**

Percentage share in PSE

	1986-88	2006-08	2006	2007	2008p
Australia					
Percentage PSE	*7*	*6*	*6*	*7*	*6*
Support based on commodity output	52	0	0	0	0
Payments based on input use	26	67	66	66	69
Payments based on current A/An/R/I', production required	0	2	3	1	1
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	22	30	29	32	28
Payments based on non-commodity criteria	0	2	2	1	2
Miscellaneous payments	0	0	0	0	0
Canada					
Percentage PSE	*36*	*18*	*22*	*19*	*13*
Support based on commodity output	58	50	58	48	44
Payments based on input use	19	10	8	10	11
Payments based on current A/An/R/I, production required	22	25	20	18	38
Payments based on non-current A/An/R/I, production required	0	3	2	6	0
Payments based on non-current A/An/R/I, production not required	0	12	11	17	7
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	2	0	0	0	1
European Union[2]					
Percentage PSE	*40*	*27*	*31*	*25*	*25*
Support based on commodity output	91	38	42	36	36
Payments based on input use	5	11	10	12	12
Payments based on current A/An/R/I, production required	4	17	17	17	17
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	32	29	32	33
Payments based on non-commodity criteria	0	2	2	2	2
Miscellaneous payments	0	0	0	0	0
Iceland					
Percentage PSE	*77*	*58*	*65*	*57*	*51*
Support based on commodity output	93	75	80	74	70
Payments based on input use	7	6	5	6	6
Payments based on current A/An/R/I, production required	0	2	0	3	3
Payments based on non-current A/An/R/I, production required	0	17	14	17	20
Payments based on non-current A/An/R/I, production not required	1	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	1
Miscellaneous payments	0	0	0	0	0
Japan					
Percentage PSE	*64*	*49*	*52*	*48*	*48*
Support based on commodity output	93	90	93	89	88
Payments based on input use	4	4	3	4	4
Payments based on current A/An/R/I, production required	0	1	1	0	1
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	3	6	4	6	6
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Korea					
Percentage PSE	*70*	*61*	*65*	*65*	*52*
Support based on commodity output	99	89	90	90	87
Payments based on input use	1	3	3	3	4
Payments based on current A/An/R/I, production required	0	4	4	4	5
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	3	3	3	4
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Mexico[3]					
Percentage PSE	*29*	*13*	*14*	*14*	*13*
Support based on commodity output	83	34	41	36	24
Payments based on input use	17	42	35	40	52
Payments based on current A/An/R/I, production required	0	1	1	1	2
Payments based on non-current A/An/R/I, production required	0	5	3	6	5
Payments based on non-current A/An/R/I, production not required	0	18	19	17	17
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0

Table III.5. **OECD: Composition of Producer Support Estimate by country** *(cont.)*

Percentage share in PSE

	1986-88	2006-08	2006	2007	2008p
New Zealand					
Percentage PSE	*10*	*1*	*1*	*1*	*1*
Support based on commodity output	19	58	57	63	55
Payments based on input use	48	40	38	37	44
Payments based on current A/An/R/I, production required	12	2	5	0	1
Payments based on non-current A/An/R/I, production required	21	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Norway					
Percentage PSE	*70*	*62*	*65*	*59*	*62*
Support based on commodity output	72	50	52	47	51
Payments based on input use	9	6	5	6	6
Payments based on current A/An/R/I, production required	19	31	29	34	30
Payments based on non-current A/An/R/I, production required	0	13	13	14	13
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Switzerland					
Percentage PSE	*77*	*60*	*66*	*55*	*58*
Support based on commodity output	83	51	55	46	52
Payments based on input use	7	4	3	4	4
Payments based on current A/An/R/I, production required	7	18	15	20	18
Payments based on non-current A/An/R/I, production required	0	2	1	2	2
Payments based on non-current A/An/R/I, production not required	0	21	20	23	19
Payments based on non-commodity criteria	0	2	2	2	2
Miscellaneous payments	3	3	3	3	3
Turkey					
Percentage PSE	*16*	*21*	*20*	*19*	*25*
Support based on commodity output	71	75	73	72	81
Payments based on input use	29	8	8	9	6
Payments based on current A/An/R/I, production required	0	6	0	9	8
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	11	18	11	5
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
United States					
Percentage PSE	*22*	*10*	*11*	*10*	*7*
Support based on commodity output	44	22	24	38	5
Payments based on input use	20	32	30	26	39
Payments based on current A/An/R/I, production required	34	13	13	8	19
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	24	25	21	26
Payments based on non-commodity criteria	2	8	8	7	11
Miscellaneous payments	0	0	0	0	0
OECD[4]					
Percentage PSE	*37*	*23*	*26*	*22*	*21*
Support based on commodity output	82	51	54	51	48
Payments based on input use	8	12	11	13	13
Payments based on current A/An/R/I, production required	8	12	11	12	14
Payments based on non-current A/An/R/I, production required	0	0	0	1	0
Payments based on non-current A/An/R/I, production not required	1	22	21	22	23
Payments based on non-commodity criteria	0	2	2	2	2
Miscellaneous payments	0	0	0	0	0

p: provisional.

1. A (area planted), An (animal numbers), R (receipts), I (income).
2. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
3. For Mexico, 1986-88 is replaced by 1991-93.
4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.6. **OECD: Characteristics of policy support by country**

Percentage share in PSE[1]

	1986-88	2006-08	2006	2007	2008p
Australia					
Proportion of support with output and payment limits	0.0	37.9	36.0	40.8	36.9
Proportion of support with input constraints	0.0	1.5	1.7	1.2	1.7
Proportion of support based on single commodities	51.6	0.2	0.3	0.2	0.2
Proportion of support not requiring production	22.4	31.2	30.9	33.3	29.4
Canada					
Proportion of support with output and payment limits	34.1	55.4	46.5	59.5	60.3
Proportion of support with input constraints	0.1	1.0	0.8	1.4	0.8
Proportion of support based on single commodities	71.1	60.9	64.5	57.8	60.3
Proportion of support not requiring production	2.1	12.3	11.8	17.5	7.7
European Union[2]					
Proportion of support with output and payment limits	30.8	46.4	48.7	45.2	45.2
Proportion of support with input constraints	1.6	48.5	46.2	49.4	50.0
Proportion of support based on single commodities	93.4	42.0	45.9	39.9	40.3
Proportion of support not requiring production	0.4	33.5	31.0	34.7	34.7
Iceland					
Proportion of support with output and payment limits	0.0	46.0	40.3	47.1	50.4
Proportion of support with input constraints	0.0	0.4	0.2	0.1	0.8
Proportion of support based on single commodities	94.1	95.4	96.0	95.3	94.8
Proportion of support not requiring production	0.6	0.4	0.2	0.1	0.8
Japan					
Proportion of support with output and payment limits	2.1	2.6	2.6	2.0	3.1
Proportion of support with input constraints	0.0	3.3	0.0	4.4	5.5
Proportion of support based on single commodities	92.7	90.3	93.2	89.3	88.6
Proportion of support not requiring production	3.1	5.5	3.7	6.5	6.3
Korea					
Proportion of support with output and payment limits	0.0	3.3	3.1	3.1	3.7
Proportion of support with input constraints	0.0	0.3	0.2	0.2	0.4
Proportion of support based on single commodities	99.0	91.3	92.1	91.8	90.0
Proportion of support not requiring production	0.0	3.3	3.1	3.1	3.7
Mexico[3]					
Proportion of support with output and payment limits	0.5	29.4	30.7	28.1	29.4
Proportion of support with input constraints	0.0	4.8	3.5	5.8	5.2
Proportion of support based on single commodities	84.5	44.2	46.3	47.1	39.2
Proportion of support not requiring production	0.0	18.2	19.7	17.5	17.4
New Zealand					
Proportion of support with output and payment limits	0.2	0.0	0.0	0.0	0.0
Proportion of support with input constraints	0.0	0.0	0.0	0.0	0.0
Proportion of support based on single commodities	19.1	58.4	56.9	63.0	55.3
Proportion of support not requiring production	0.0	0.0	0.0	0.0	0.0
Norway					
Proportion of support with output and payment limits	31.4	25.3	29.4	22.4	24.2
Proportion of support with input constraints	0.0	10.5	10.2	11.4	10.0
Proportion of support based on single commodities	72.3	55.1	57.4	51.7	56.2
Proportion of support not requiring production	0.0	0.0	0.0	0.0	0.0

Table III.6. **OECD: Characteristics of policy support by country** *(cont.)*

Percentage share in PSE[1]

	1986-88	2006-08	2006	2007	2008p
Switzerland					
Proportion of support with output and payment limits	33.0	14.2	17.4	9.0	16.2
Proportion of support with input constraints	4.8	43.2	39.8	47.5	42.3
Proportion of support based on single commodities	85.6	51.3	55.4	46.4	52.3
Proportion of support not requiring production	2.6	26.1	25.0	28.4	24.8
Turkey					
Proportion of support with output and payment limits	70.8	87.1	91.6	83.1	86.6
Proportion of support with input constraints	0.0	0.0	0.0	0.0	0.0
Proportion of support based on single commodities	71.2	78.4	77.4	75.9	81.8
Proportion of support not requiring production	0.0	11.3	17.8	10.7	5.4
United States					
Proportion of support with output and payment limits	75.4	53.4	53.7	65.5	41.1
Proportion of support with input constraints	23.6	49.3	51.7	37.5	58.7
Proportion of support based on single commodities	71.1	29.4	29.4	40.4	18.5
Proportion of support not requiring production	2.6	32.4	32.4	27.4	37.3
OECD[4]					
Proportion of support with output and payment limits	27.6	37.9	38.1	38.8	36.7
Proportion of support with input constraints	4.3	32.0	30.3	31.5	34.1
Proportion of support based on single commodities	87.7	54.6	57.5	53.9	52.2
Proportion of support not requiring production	1.4	24.0	22.5	24.4	25.0

p: provisional.

1. The shares may add to more than 100% as different characteristics may apply to the same payment.
2. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
3. For Mexico, 1986-88 is replaced by 1991-93.
4. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.7. **OECD: Composition of General Services Support Estimate**

Percentage share in GSSE

		1986-88	2006-08	2006	2007	2008p
Australia	Research and Development	100	56	51	49	66
	Agricultural schools	0	0	0	0	1
	Inspection services	0	8	7	7	9
	Infrastructure	0	35	40	43	23
	Marketing and promotion	0	1	1	1	1
	Public stockholding	0	0	0	0	0
	Miscellaneous	0	0	0	0	0
Canada	Research and Development	17	16	17	17	15
	Agricultural schools	14	9	10	10	7
	Inspection services	17	31	30	33	31
	Infrastructure	23	19	18	19	22
	Marketing and promotion	29	24	25	22	24
	Public stockholding	0	0	0	0	0
	Miscellaneous	0	0	0	0	0
European Union[1]	Research and Development	13	18	16	19	20
	Agricultural schools	2	9	7	10	10
	Inspection services	2	6	4	6	6
	Infrastructure	14	43	48	44	36
	Marketing and promotion	19	22	24	18	25
	Public stockholding	50	1	0	2	2
	Miscellaneous	0	0	0	0	0
Iceland	Research and Development	20	19	32	14	13
	Agricultural schools	7	2	7	0	0
	Inspection services	6	29	22	30	36
	Infrastructure	13	6	5	8	6
	Marketing and promotion	8	8	5	11	7
	Public stockholding	47	35	29	38	37
	Miscellaneous	0	0	0	0	0
Japan	Research and Development	4	8	9	8	8
	Agricultural schools	2	2	0	4	4
	Inspection services	1	1	1	1	1
	Infrastructure	86	85	87	84	83
	Marketing and promotion	2	0	0	0	1
	Public stockholding	3	2	2	2	2
	Miscellaneous	2	1	0	2	2
Korea	Research and Development	6	23	24	21	24
	Agricultural schools	1	3	2	3	3
	Inspection services	3	4	4	4	3
	Infrastructure	46	53	48	55	57
	Marketing and promotion	0	1	1	1	2
	Public stockholding	44	16	21	15	11
	Miscellaneous	0	0	0	0	0
Mexico[2]	Research and Development	10	19	20	18	20
	Agricultural schools	16	19	29	27	0
	Inspection services	0	24	26	26	22
	Infrastructure	25	21	9	13	42
	Marketing and promotion	9	16	16	17	16
	Public stockholding	35	0	0	0	0
	Miscellaneous	5	1	1	0	1
New Zealand	Research and Development	51	32	31	34	31
	Agricultural schools	0	9	9	9	9
	Inspection services	26	29	31	28	30
	Infrastructure	23	29	29	29	30
	Marketing and promotion	0	0	0	0	0
	Public stockholding	0	0	0	0	0
	Miscellaneous	0	0	0	0	0

Table III.7. **OECD: Composition of General Services Support Estimate** *(cont.)*
Percentage share in GSSE

		1986-88	2006-08	2006	2007	2008p
Norway	Research and Development	56	43	39	44	44
	Agricultural schools	0	0	0	0	0
	Inspection services	4	16	17	16	13
	Infrastructure	16	15	19	14	14
	Marketing and promotion	25	3	3	3	4
	Public stockholding	0	0	0	0	0
	Miscellaneous	0	23	21	22	25
Switzerland	Research and Development	20	18	18	19	19
	Agricultural schools	6	3	4	4	2
	Inspection services	2	2	2	2	2
	Infrastructure	20	20	22	19	19
	Marketing and promotion	7	11	11	11	11
	Public stockholding	15	9	8	9	9
	Miscellaneous	31	36	35	36	37
Turkey	Research and Development	18	3	1	5	4
	Agricultural schools	1	0	0	0	0
	Inspection services	16	9	13	8	5
	Infrastructure	3	0	0	1	0
	Marketing and promotion	28	87	84	85	91
	Public stockholding	0	0	0	0	0
	Miscellaneous	35	1	1	1	0
United States	Research and Development	7	5	4	6	5
	Agricultural schools	0	0	0	0	0
	Inspection services	2	2	2	2	2
	Infrastructure	22	12	13	10	12
	Marketing and promotion	63	76	75	77	76
	Public stockholding	0	0	0	0	0
	Miscellaneous	6	5	5	5	5
OECD[3]	Research and Development	9	10	9	11	10
	Agricultural schools	2	3	2	3	3
	Inspection services	3	4	4	4	4
	Infrastructure	35	29	30	28	29
	Marketing and promotion	33	49	50	48	50
	Public stockholding	15	1	2	2	1
	Miscellaneous	4	3	3	4	3

p: provisional.

1. EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. For Mexico, 1986-88 is replaced by 1991-93.
3. Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU total from 2004. The OECD total does not include the non-OECD EU member states.

Source: OECD, PSE/CSE database, 2009.

Table III.8. **OECD: Producer Single Commodity Transfers**

USD million

		1986-88	2006-08	2006	2007	2008p
Total PSE (USD mn)		239 921	261 222	258 185	259 995	265 487
Total Producer SCT (USD mn)		210 510	142 443	148 581	140 165	138 582
Share of Producer SCT in Total PSE (%)		88	55	58	54	52
Wheat						
	Producer SCT (USD mn)	16 141	3 823	2 913	3 332	5 225
	Percentage SCT	43	7	8	6	7
	Producer NPC	1.67	1.05	1.06	1.05	1.06
Maize						
	Producer SCT (USD mn)	11 013	2 211	1 750	3 262	1 621
	Percentage SCT	36	4	4	4	2
	Producer NPC	1.30	1.03	1.04	1.05	1.01
Other grains						
	Producer SCT (USD mn)	9 870	905	996	344	1 376
	Percentage SCT	48	4	7	1	5
	Producer NPC	1.95	1.04	1.06	1.01	1.04
Rice						
	Producer SCT (USD mn)	25 346	17 618	18 519	17 778	16 557
	Percentage SCT	80	60	67	62	52
	Producer NPC	4.90	2.50	2.90	2.57	2.04
Rapeseed						
	Producer SCT (USD mn)	1 833	91	54	79	140
	Percentage SCT	47	1	1	1	1
	Producer NPC	1.87	1.00	1.01	1.00	1.00
Sunflower						
	Producer SCT (USD mn)	1 154	163	166	192	132
	Percentage SCT	47	7	9	8	4
	Producer NPC	1.91	1.07	1.10	1.08	1.04
Soyabean						
	Producer SCT (USD mn)	1 101	905	542	582	1 592
	Percentage SCT	9	3	2	2	5
	Producer NPC	1.09	1.02	1.03	1.01	1.01
Sugar						
	Producer SCT (USD mn)	5 214	4 072	3 215	4 969	4 032
	Percentage SCT	51	35	26	43	36
	Producer NPC	2.32	1.57	1.41	1.73	1.55
Milk						
	Producer SCT (USD mn)	44 003	15 108	22 815	15 368	7 140
	Percentage SCT	58	13	23	12	5
	Producer NPC	2.76	1.16	1.30	1.14	1.05
Beef and Veal						
	Producer SCT (USD mn)	18 481	20 019	20 711	19 006	20 339
	Percentage SCT	29	20	22	19	19
	Producer NPC	1.43	1.22	1.25	1.20	1.20
Sheepmeat						
	Producer SCT (USD mn)	4 357	3 181	3 365	2 982	3 195
	Percentage SCT	52	30	31	29	30
	Producer NPC	1.86	1.37	1.40	1.35	1.37
Wool						
	Producer SCT (USD mn)	112	33	34	32	34
	Percentage SCT	3	1	2	1	2
	Producer NPC	1.01	1.01	1.02	1.01	1.02
Pigmeat						
	Producer SCT (USD mn)	5 908	12 744	10 023	10 761	17 449
	Percentage SCT	13	18	16	16	23
	Producer NPC	1.26	1.23	1.19	1.19	1.30
Poultry						
	Producer SCT (USD mn)	3 918	8 677	6 782	8 950	10 299
	Percentage SCT	16	16	15	16	17
	Producer NPC	1.33	1.21	1.19	1.23	1.21
Eggs						
	Producer SCT (USD mn)	2 073	1 061	1 117	698	1 367
	Percentage SCT	14	4	5	3	4
	Producer NPC	1.22	1.05	1.07	1.04	1.05
Other Commodities						
	Producer SCT[1] (USD mn)	59 987	51 832	55 581	51 832	48 083
	Percentage SCT	26	13	15	13	11
	Producer NPC	1.51	1.16	1.19	1.14	1.14

p: provisional. PSE: Producer Support Estimate. SCT: Single Commodity Transfers. NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.9. **OECD: Producer Single Commodity Transfers**

EUR million

		1986-88	2006-08	2006	2007*p*	2008p
Total PSE (EUR mn)		218 064	192 402	205 695	189 922	181 589
Total Producer SCT (EUR mn)		191 415	105 183	118 374	102 388	94 787
Share of Producer SCT in Total PSE (%)		88	55	58	54	52
Wheat						
	Producer SCT (EUR mn)	14 750	2 776	2 320	2 434	3 573
	Percentage SCT	43	7	8	6	7
	Producer NPC	1.67	1.05	1.06	1.05	1.06
Maize						
	Producer SCT (EUR mn)	10 122	1 629	1 394	2 383	1 109
	Percentage SCT	36	4	4	4	2
	Producer NPC	1.30	1.03	1.04	1.05	1.01
Other grains						
	Producer SCT (EUR mn)	9 032	662	794	251	941
	Percentage SCT	48	4	7	1	5
	Producer NPC	1.95	1.04	1.06	1.01	1.04
Rice						
	Producer SCT (EUR mn)	23 037	13 022	14 754	12 986	11 325
	Percentage SCT	80	60	67	62	52
	Producer NPC	4.90	2.50	2.90	2.57	2.04
Rapeseed						
	Producer SCT (EUR mn)	1 662	65	43	57	96
	Percentage SCT	47	1	1	1	1
	Producer NPC	1.87	1.00	1.01	1.00	1.00
Sunflower						
	Producer SCT (EUR mn)	1 048	121	132	140	90
	Percentage SCT	47	7	9	8	4
	Producer NPC	1.91	1.07	1.10	1.08	1.04
Soyabean						
	Producer SCT (EUR mn)	1 001	649	432	425	1 089
	Percentage SCT	9	3	2	2	5
	Producer NPC	1.09	1.02	1.03	1.01	1.01
Sugar						
	Producer SCT (EUR mn)	4 745	2 983	2 561	3 629	2 758
	Percentage SCT	51	35	26	43	36
	Producer NPC	2.32	1.57	1.41	1.73	1.55
Milk						
	Producer SCT (EUR mn)	39 984	11 429	18 177	11 226	4 884
	Percentage SCT	58	13	23	12	5
	Producer NPC	2.76	1.16	1.30	1.14	1.05
Beef and Veal						
	Producer SCT (EUR mn)	16 868	14 765	16 500	13 884	13 912
	Percentage SCT	29	20	22	19	19
	Producer NPC	1.43	1.22	1.25	1.20	1.20
Sheepmeat						
	Producer SCT (EUR mn)	3 903	2 348	2 681	2 178	2 186
	Percentage SCT	52	30	31	29	30
	Producer NPC	1.86	1.37	1.40	1.35	1.37
Wool						
	Producer SCT (EUR mn)	105	24	27	23	24
	Percentage SCT	3	1	2	1	2
	Producer NPC	1.01	1.01	1.02	1.01	1.02
Pigmeat						
	Producer SCT (EUR mn)	5 352	9 260	7 986	7 861	11 935
	Percentage SCT	13	18	16	16	23
	Producer NPC	1.26	1.23	1.19	1.19	1.30
Poultry						
	Producer SCT (EUR mn)	3 504	6 329	5 403	6 538	7 045
	Percentage SCT	16	16	15	16	17
	Producer NPC	1.33	1.21	1.19	1.23	1.21
Eggs						
	Producer SCT (EUR mn)	1 887	778	890	510	935
	Percentage SCT	14	4	5	3	4
	Producer NPC	1.22	1.05	1.07	1.04	1.05
Other Commodities						
	Producer SCT[1] (EUR mn)	54 416	38 344	44 281	37 862	32 888
	Percentage SCT	26	13	15	13	11
	Producer NPC	1.51	1.16	1.19	1.14	1.14

p: provisional. PSE: Producer Support Estimate. SCT: Single Commodity Transfers. NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.10. **Australia: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (AUD mn)		1 327	2 686	2 435	2 974	2 651
Total Producer SCT (AUD mn)		753	6	7	5	5
Share of Producer SCT in Total PSE (%)		52	0	0	0	0
Wheat	Producer SCT (AUD mn)	109	0	0	0	0
	Percentage SCT	4.5	0.0	0.0	0.0	0.0
	Producer NPC	1.05	1.00	1.00	1.00	1.00
Maize	Producer SCT (AUD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Producer SCT (AUD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Rice	Producer SCT (AUD mn)	13	1	1	0	1
	Percentage SCT	11.1	2.0	2.0	2.0	2.0
	Producer NPC	1.13	1.02	1.02	1.02	1.02
Rapeseed	Producer SCT (AUD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Sunflower	Producer SCT (AUD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Soyabean	Producer SCT (AUD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Producer SCT (AUD mn)	66	5	5	5	4
	Percentage SCT	10.4	0.5	0.4	0.5	0.4
	Producer NPC	1.12	1.00	1.00	1.00	1.00
Milk	Producer SCT (AUD mn)	348	0	0	0	0
	Percentage SCT	25.9	0.0	0.0	0.0	0.0
	Producer NPC	1.40	1.00	1.00	1.00	1.00
Beef and Veal	Producer SCT (AUD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Sheepmeat	Producer SCT (AUD mn)	10	0	0	0	0
	Percentage SCT	1.3	0.0	0.0	0.0	0.0
	Producer NPC	1.01	1.00	1.00	1.00	1.00
Wool	Producer SCT (AUD mn)	26	0	0	0	0
	Percentage SCT	0.6	0.0	0.0	0.0	0.0
	Producer NPC	1.01	1.00	1.00	1.00	1.00
Pigmeat	Producer SCT (AUD mn)	1	0	0	0	0
	Percentage SCT	0.1	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Producer SCT (AUD mn)	0	0	0	0	0
	Percentage SCT	0.1	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Eggs	Producer SCT (AUD mn)	43	0	0	0	0
	Percentage SCT	14.5	0.0	0.0	0.0	0.0
	Producer NPC	1.18	1.00	1.00	1.00	1.00
Other Commodities	Producer SCT[1] (AUD mn)	136	0	1	0	0
	Percentage SCT	3.7	0.0	0.0	0.0	0.0
	Producer NPC	1.11	1.00	1.00	1.00	1.00

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.11. **Canada: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (CAD mn)		7 941	7 209	7 757	7 964	5 906
Total Producer SCT (CAD mn)		5 673	4 389	5 005	4 599	3 562
Share of Producer SCT in Total PSE (%)		71	61	65	58	60
Wheat	Producer SCT (CAD mn)	1 274	67	32	55	113
	Percentage SCT	33.2	1.2	0.8	0.9	1.7
	Producer NPC	1.32	1.00	1.00	1.00	1.00
Maize	Producer SCT (CAD mn)	169	124	106	157	109
	Percentage SCT	20.6	7.8	8.9	7.8	6.6
	Producer NPC	1.13	1.00	1.00	1.00	1.00
Other grains	Producer SCT (CAD mn)	536	55	44	60	62
	Percentage SCT	47.4	3.4	3.4	2.4	4.2
	Producer NPC	1.76	1.00	1.00	1.00	1.00
Rice	Producer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Producer SCT (CAD mn)	170	47	13	39	90
	Percentage SCT	17.0	1.3	0.5	1.1	2.3
	Producer NPC	1.11	1.00	1.00	1.00	1.00
Sunflower	Producer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (CAD mn)	8	25	14	44	17
	Percentage SCT	3.1	2.8	1.7	5.1	1.8
	Producer NPC	1.02	1.00	1.00	1.00	1.00
Sugar	Producer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Producer SCT (CAD mn)	2 447	2 410	2 923	2 587	1 720
	Percentage SCT	69.4	46.1	58.7	48.1	31.4
	Producer NPC	5.19	1.94	2.42	1.93	1.46
Beef and Veal	Producer SCT (CAD mn)	-17	158	118	149	207
	Percentage SCT	-0.5	2.9	2.2	2.7	3.8
	Producer NPC	1.03	1.00	1.00	1.00	1.00
Sheepmeat	Producer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Producer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (CAD mn)	-39	48	-16	-23	182
	Percentage SCT	-1.7	1.5	-0.5	-0.7	5.6
	Producer NPC	1.02	1.00	1.00	1.00	1.00
Poultry	Producer SCT (CAD mn)	123	276	249	318	262
	Percentage SCT	12.2	13.6	13.8	15.6	11.4
	Producer NPC	1.19	1.16	1.16	1.18	1.13
Eggs	Producer SCT (CAD mn)	78	63	179	7	3
	Percentage SCT	16.5	11.2	31.9	1.2	0.5
	Producer NPC	1.28	1.16	1.47	1.01	1.00
Other Commodities	Producer SCT[1] (CAD mn)	923	1 116	1 343	1 207	799
	Percentage SCT	36.7	15.1	18.0	20.3	7.0
	Producer NPC	2.76	1.15	1.19	1.20	1.06

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.12a. **European Union: Producer Single Commodity Transfers (EU27)**[1]

		1986-88	2006-08[2]	2006	2007	2008p
Total PSE (EUR mn)		90 536	101 999	104 400	98 697	102 902
Total Producer SCT (EUR mn)		84 550	42 901	47 870	39 399	41 434
Share of Producer SCT in Total PSE (%)		93	42	46	40	40
Wheat	Producer SCT (EUR mn)	7 330	346	139	757	141
	Percentage SCT	49.3	1.6	1.0	3.4	0.5
	Producer NPC	2.14	1.01	1.00	1.03	1.00
Maize	Producer SCT (EUR mn)	2 697	992	564	2 170	240
	Percentage SCT	51.0	11.6	9.8	23.2	2.0
	Producer NPC	2.20	1.14	1.11	1.30	1.02
Other grains	Producer SCT (EUR mn)	4 956	132	0	-1	398
	Percentage SCT	55.1	1.0	0.0	0.0	3.1
	Producer NPC	2.42	1.01	1.00	1.00	1.03
Rice	Producer SCT (EUR mn)	412	207	207	226	188
	Percentage SCT	58.9	17.3	19.4	19.8	12.8
	Producer NPC	2.62	1.04	1.03	1.06	1.02
Rapeseed	Producer SCT (EUR mn)	1 267	5	3	2	11
	Percentage SCT	57.5	0.1	0.1	0.0	0.1
	Producer NPC	2.37	1.00	1.00	1.00	1.00
Sunflower	Producer SCT (EUR mn)	972	1	1	1	1
	Percentage SCT	56.1	0.0	0.1	0.0	0.0
	Producer NPC	2.30	1.00	1.00	1.00	1.00
Soyabean	Producer SCT (EUR mn)	479	0	0	0	0
	Percentage SCT	60.9	0.0	0.0	0.0	0.0
	Producer NPC	2.63	1.00	1.00	1.00	1.00
Sugar	Producer SCT (EUR mn)	2 784	1 452	1 245	1 769	1 342
	Percentage SCT	59.3	39.5	28.8	47.0	42.8
	Producer NPC	3.32	1.72	1.57	1.87	1.73
Milk	Producer SCT (EUR mn)	21 040	2 855	8 142	130	295
	Percentage SCT	68.8	6.8	19.7	0.3	0.6
	Producer NPC	4.61	1.09	1.25	1.01	1.00
Beef and Veal	Producer SCT (EUR mn)	10 987	11 101	12 496	10 197	10 611
	Percentage SCT	52.9	44.7	50.6	42.4	41.1
	Producer NPC	2.25	1.67	1.85	1.61	1.55
Sheepmeat	Producer SCT (EUR mn)	3 624	2 247	2 451	2 154	2 138
	Percentage SCT	70.1	45.5	46.3	44.4	45.6
	Producer NPC	2.87	1.70	1.74	1.68	1.69
Wool	Producer SCT (EUR mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (EUR mn)	1 379	5 197	3 900	3 967	7 725
	Percentage SCT	7.9	16.5	12.9	13.1	23.5
	Producer NPC	1.28	1.20	1.15	1.15	1.31
Poultry	Producer SCT (EUR mn)	1 579	5 217	4 240	5 313	6 098
	Percentage SCT	22.0	41.0	39.5	40.2	43.4
	Producer NPC	1.79	1.79	1.71	1.87	1.79
Eggs	Producer SCT (EUR mn)	526	-98	-50	-215	-30
	Percentage SCT	11.2	-1.1	-0.7	-2.4	-0.3
	Producer NPC	1.24	1.00	1.00	1.00	1.00
Other Commodities	Producer SCT[3] (EUR mn)	24 518	13 246	14 533	12 930	12 275
	Percentage SCT	26.1	9.8	11.5	9.1	8.7
	Producer NPC	1.51	1.11	1.13	1.10	1.10

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. Average of EU25 in 2006 and EU27 in 2007-08.
3. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.12b. **European Union: Producer Single Commodity Transfers (EU25)**[1]

		1986-88	2006-08	2006	2007	2008p
Total PSE (EUR mn)		90 536	99 470	104 400	95 131	98 880
Total Producer SCT (EUR mn)		84 550	41 299	47 870	37 238	38 789
Share of Producer SCT in Total PSE (%)		93	41	46	39	39
Wheat	Producer SCT (EUR mn)	7 330	346	139	758	141
	Percentage SCT	49.3	1.7	1.0	3.5	0.5
	Producer NPC	2.14	1.01	1.00	1.03	1.00
Maize	Producer SCT (EUR mn)	2 697	805	564	1 849	1
	Percentage SCT	51.0	10.6	9.8	21.9	0.0
	Producer NPC	2.20	1.13	1.11	1.28	1.00
Other grains	Producer SCT (EUR mn)	4 956	114	0	-1	343
	Percentage SCT	55.1	0.9	0.0	0.0	2.8
	Producer NPC	2.42	1.01	1.00	1.00	1.03
Rice	Producer SCT (EUR mn)	412	210	207	228	196
	Percentage SCT	58.9	17.7	19.4	20.1	13.5
	Producer NPC	2.62	1.04	1.03	1.06	1.02
Rapeseed	Producer SCT (EUR mn)	1 267	2	3	2	3
	Percentage SCT	57.5	0.0	0.1	0.0	0.0
	Producer NPC	2.37	1.00	1.00	1.00	1.00
Sunflower	Producer SCT (EUR mn)	972	1	1	1	1
	Percentage SCT	56.1	0.0	0.1	0.0	0.0
	Producer NPC	2.30	1.00	1.00	1.00	1.00
Soyabean	Producer SCT (EUR mn)	479	0	0	0	0
	Percentage SCT	60.9	0.0	0.0	0.0	0.0
	Producer NPC	2.63	1.00	1.00	1.00	1.00
Sugar	Producer SCT (EUR mn)	2 784	1 444	1 245	1 761	1 326
	Percentage SCT	59.3	39.5	28.8	47.1	42.7
	Producer NPC	3.32	1.72	1.57	1.87	1.73
Milk	Producer SCT (EUR mn)	21 040	2 858	8 142	162	270
	Percentage SCT	68.8	6.9	19.7	0.3	0.5
	Producer NPC	4.61	1.09	1.25	1.01	1.00
Beef and Veal	Producer SCT (EUR mn)	10 987	11 031	12 496	10 145	10 451
	Percentage SCT	52.9	45.1	50.6	43.1	41.5
	Producer NPC	2.25	1.68	1.85	1.63	1.56
Sheepmeat	Producer SCT (EUR mn)	3 624	2 091	2 451	1 910	1 912
	Percentage SCT	70.1	45.5	46.3	44.5	45.8
	Producer NPC	2.87	1.70	1.74	1.68	1.69
Wool	Producer SCT (EUR mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (EUR mn)	1 379	4 741	3 900	3 365	6 957
	Percentage SCT	7.9	15.6	12.9	11.7	22.2
	Producer NPC	1.28	1.19	1.15	1.13	1.29
Poultry	Producer SCT (EUR mn)	1 579	5 132	4 240	5 190	5 967
	Percentage SCT	22.0	42.1	39.5	41.6	45.0
	Producer NPC	1.79	1.81	1.71	1.90	1.83
Eggs	Producer SCT (EUR mn)	526	-80	-50	-179	-10
	Percentage SCT	11.2	-1.0	-0.7	-2.1	-0.1
	Producer NPC	1.24	1.00	1.00	1.00	1.00
Other Commodities	Producer SCT[2] (EUR mn)	24 518	12 603	14 533	12 047	11 231
	Percentage SCT	26.1	9.6	11.5	8.9	8.5
	Producer NPC	1.51	1.11	1.13	1.10	1.10

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.
2. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.13. **Iceland: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (ISK mn)		7 882	15 444	16 544	15 183	14 605
Total Producer SCT (ISK mn)		7 419	14 733	15 879	14 468	13 851
Share of Producer SCT in Total PSE (%)		94	95	96	95	95
Wheat	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Maize	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rice	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Producer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Producer SCT (ISK mn)	2 553	6 496	7 295	6 017	6 174
	Percentage SCT	85.6	63.1	74.2	59.5	55.6
	Producer NPC	8.21	2.88	4.04	2.42	2.19
Beef and Veal	Producer SCT (ISK mn)	323	393	547	463	169
	Percentage SCT	57.7	31.7	44.8	38.1	12.1
	Producer NPC	2.47	1.42	1.70	1.50	1.06
Sheepmeat	Producer SCT (ISK mn)	2 200	2 772	2 625	2 821	2 870
	Percentage SCT	72.6	52.8	53.3	55.7	49.4
	Producer NPC	3.81	1.08	1.11	1.13	1.00
Wool	Producer SCT (ISK mn)	26	149	144	145	158
	Percentage SCT	15.0	52.9	53.4	54.2	51.1
	Producer NPC	1.20	2.24	2.25	2.31	2.15
Pigmeat	Producer SCT (ISK mn)	358	1 058	1 037	1 055	1 081
	Percentage SCT	77.3	61.0	62.2	64.1	56.6
	Producer NPC	4.57	2.65	2.72	2.87	2.36
Poultry	Producer SCT (ISK mn)	233	1 576	1 602	1 526	1 600
	Percentage SCT	86.4	80.8	85.6	82.4	74.5
	Producer NPC	7.65	5.79	7.34	5.98	4.05
Eggs	Producer SCT (ISK mn)	300	307	337	309	276
	Percentage SCT	80.2	58.8	66.7	61.9	47.6
	Producer NPC	5.24	2.59	3.10	2.71	1.95
Other Commodities	Producer SCT[1] (ISK mn)	1 426	1 982	2 292	2 132	1 522
	Percentage SCT	73.0	41.7	52.4	39.8	32.8
	Producer NPC	-4.15	1.91	2.39	1.77	1.56

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.14. **Japan: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (JPY bn)		7 245	4 357	4 579	4 190	4 303
Total Producer SCT (JPY bn)		6 718	3 939	4 267	3 740	3 811
Share of Producer SCT in Total PSE (%)		93	90	93	89	89
Wheat	Producer SCT (JPY bn)	135	51	100	27	27
	Percentage SCT	84.7	55.0	79.2	43.3	42.5
	Producer NPC	6.56	2.77	4.81	1.76	1.74
Maize	Producer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Producer SCT (JPY bn)	52	9	15	6	7
	Percentage SCT	84.1	49.6	71.8	37.5	39.6
	Producer NPC	6.30	2.27	3.54	1.60	1.66
Rice	Producer SCT (JPY bn)	2 720	1 315	1 420	1 293	1 233
	Percentage SCT	82.6	72.1	76.3	71.2	68.8
	Producer NPC	5.81	3.61	4.18	3.46	3.20
Rapeseed	Producer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (JPY bn)	29	13	26	8	6
	Percentage SCT	64.7	23.9	45.0	15.2	11.4
	Producer NPC	2.96	1.38	1.82	1.18	1.13
Sugar	Producer SCT (JPY bn)	81	48	50	49	47
	Percentage SCT	65	57	54	60	58
	Producer NPC	2.88	2.34	2.15	2.51	2.37
Milk	Producer SCT (JPY bn)	606	322	338	288	340
	Percentage SCT	83.9	50.3	53.4	46.1	51.3
	Producer NPC	6.63	2.02	2.15	1.85	2.05
Beef and Veal	Producer SCT (JPY bn)	357	130	127	130	132
	Percentage SCT	71.5	28.3	27.9	28.2	28.7
	Producer NPC	3.65	1.39	1.39	1.39	1.40
Sheepmeat	Producer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Producer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (JPY bn)	285	309	293	315	320
	Percentage SCT	41.5	63.7	61.8	63.2	66.2
	Producer NPC	1.73	2.77	2.62	2.72	2.96
Poultry	Producer SCT (JPY bn)	45	22	21	22	24
	Percentage SCT	11.3	10.4	10.5	10.4	10.4
	Producer NPC	1.13	1.12	1.12	1.12	1.12
Eggs	Producer SCT (JPY bn)	70	62	60	60	68
	Percentage SCT	17.0	14.6	14.6	14.7	14.6
	Producer NPC	1.21	1.17	1.17	1.17	1.17
Other Commodities	Producer SCT[1] (JPY bn)	2 338	1 656	1 819	1 542	1 607
	Percentage SCT	52.8	39.5	42.8	37.3	38.3
	Producer NPC	2.16	1.65	1.75	1.59	1.62

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.15. **Korea: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (KRW bn)		9 621	22 980	24 582	24 154	20 205
Total Producer SCT (KRW bn)		9 527	20 998	22 633	22 168	18 194
Share of Producer SCT in Total PSE (%)		99	91	92	92	90
Wheat	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Maize	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Producer SCT (KRW bn)	220	120	142	135	82
	Percentage SCT	72.8	62.2	78.3	66.7	41.6
	Producer NPC	3.69	3.11	4.62	3.00	1.71
Rice	Producer SCT (KRW bn)	4 509	5 523	5 751	6 034	4 783
	Percentage SCT	82.0	61.7	69.0	69.3	46.9
	Producer NPC	5.59	2.64	3.05	3.10	1.79
Rapeseed	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (KRW bn)	156	316	361	292	294
	Percentage SCT	78.7	85.0	89.0	88.7	77.1
	Producer NPC	4.75	7.45	9.13	8.87	4.36
Sugar	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Producer SCT (KRW bn)	289	765	961	898	436
	Percentage SCT	64.4	49.4	63.2	57.9	27.2
	Producer NPC	2.82	2.16	2.72	2.37	1.37
Beef and Veal	Producer SCT (KRW bn)	496	1 880	1 741	2 041	1 857
	Percentage SCT	53.8	63.4	65.6	66.6	57.9
	Producer NPC	2.23	2.76	2.91	3.00	2.38
Sheepmeat	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Producer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (KRW bn)	307	2 263	1 987	2 172	2 630
	Percentage SCT	32.2	68.3	68.3	68.6	67.9
	Producer NPC	1.50	3.15	3.15	3.19	3.12
Poultry	Producer SCT (KRW bn)	132	274	292	213	318
	Percentage SCT	49.4	36.4	42.7	31.7	34.8
	Producer NPC	2.09	1.58	1.75	1.46	1.53
Eggs	Producer SCT (KRW bn)	1	180	172	200	168
	Percentage SCT	0.5	21.2	21.7	25.7	16.2
	Producer NPC	0.92	1.27	1.28	1.35	1.19
Other Commodities	Producer SCT[1] (KRW bn)	3 417	9 678	11 227	10 182	7 626
	Percentage SCT	70.9	57.2	61.7	61.1	48.8
	Producer NPC	4.54	2.38	2.61	2.57	1.97

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.16. **Mexico: Producer Single Commodity Transfers**

		1991-93	2006-08	2006	2007	2008p
Total PSE (MXN mn)		26 175	68 116	63 289	70 362	70 696
Total Producer SCT (MXN mn)		22 154	30 062	29 277	33 167	27 743
Share of Producer SCT in Total PSE (%)		85	44	46	47	39
Wheat	Producer SCT (MXN mn)	492	960	851	755	1 274
	Percentage SCT	22.0	9.8	12.9	9.4	7.0
	Producer NPC	1.29	1.04	1.12	1.00	1.00
Maize	Producer SCT (MXN mn)	5 225	2 715	3 286	1 344	3 515
	Percentage SCT	42.9	5.6	9.5	2.4	4.9
	Producer NPC	1.75	1.03	1.09	1.00	1.00
Other grains	Producer SCT (MXN mn)	601	1 060	733	751	1 695
	Percentage SCT	28.0	6.8	7.2	5.5	7.8
	Producer NPC	1.39	1.02	1.05	1.00	1.00
Rice	Producer SCT (MXN mn)	17	67	91	109	0
	Percentage SCT	6.9	8.4	12.0	13.2	0.0
	Producer NPC	1.08	1.10	1.14	1.15	1.00
Rapeseed	Producer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (MXN mn)	75	66	94	47	58
	Percentage SCT	14.4	16.7	30.0	12.6	7.6
	Producer NPC	1.17	1.15	1.41	1.05	1.00
Sugar	Producer SCT (MXN mn)	2 114	6 022	4 674	8 935	4 458
	Percentage SCT	56.1	31.3	24.2	43.9	25.8
	Producer NPC	2.07	1.48	1.32	1.78	1.35
Milk	Producer SCT (MXN mn)	2 359	1 182	3 353	-6	200
	Percentage SCT	37.6	3.5	10.0	0.0	0.4
	Producer NPC	1.68	1.04	1.11	1.00	1.00
Beef and Veal	Producer SCT (MXN mn)	1 795	3 459	2 122	4 304	3 952
	Percentage SCT	24.6	8.7	6.0	10.8	9.4
	Producer NPC	1.33	1.00	1.00	1.00	1.00
Sheepmeat	Producer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Producer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (MXN mn)	25	855	501	389	1 675
	Percentage SCT	0.6	4.4	2.9	2.2	8.2
	Producer NPC	1.06	1.03	1.03	1.00	1.06
Poultry	Producer SCT (MXN mn)	1 685	4 819	3 570	6 659	4 227
	Percentage SCT	33.1	10.9	9.4	14.5	8.9
	Producer NPC	1.62	1.12	1.11	1.17	1.10
Eggs	Producer SCT (MXN mn)	88	-13	-32	-6	0
	Percentage SCT	2.5	-0.1	-0.2	0.0	0.0
	Producer NPC	1.05	1.00	1.00	1.00	1.00
Other Commodities	Producer SCT[1] (MXN mn)	7 678	8 870	10 034	9 888	6 690
	Percentage SCT	18.8	4.4	4.8	4.7	3.8
	Producer NPC	1.23	1.05	1.05	1.05	1.04

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.17. **New Zealand: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (NZD mn)		781	147	153	156	131
Total Producer SCT (NZD mn)		110	86	87	98	72
Share of Producer SCT in Total PSE (%)		19	58	57	63	55
Wheat	Producer SCT (NZD mn)	3	0	0	0	0
	Percentage SCT	2.8	0.0	0.0	0.0	0.0
	Producer NPC	1.03	1.00	1.00	1.00	1.00
Maize	Producer SCT (NZD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Other grains	Producer SCT (NZD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Rice	Producer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Producer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Producer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Producer SCT (NZD mn)	21	0	0	0	0
	Percentage SCT	1.7	0.0	0.0	0.0	0.0
	Producer NPC	1.02	1.00	1.00	1.00	1.00
Beef and Veal	Producer SCT (NZD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Sheepmeat	Producer SCT (NZD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Wool	Producer SCT (NZD mn)	0	0	0	0	0
	Percentage SCT	0.0	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Pigmeat	Producer SCT (NZD mn)	2	0	0	0	0
	Percentage SCT	1.6	0.0	0.0	0.0	0.0
	Producer NPC	1.02	1.00	1.00	1.00	1.00
Poultry	Producer SCT (NZD mn)	18	51	44	59	49
	Percentage SCT	17.4	14.9	13.4	17.7	13.6
	Producer NPC	1.25	1.18	1.16	1.21	1.16
Eggs	Producer SCT (NZD mn)	36	11	18	12	3
	Percentage SCT	44.2	10.4	17.2	11.6	2.3
	Producer NPC	1.81	1.12	1.21	1.13	1.02
Other Commodities	Producer SCT[1] (NZD mn)	30	24	25	27	21
	Percentage SCT	1.6	0.5	0.6	0.6	0.4
	Producer NPC	1.02	1.01	1.01	1.01	1.00

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.18. **Norway: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (NOK mn)		19 150	19 764	19 584	18 576	21 132
Total Producer SCT (NOK mn)		13 852	10 902	11 241	9 599	11 866
Share of Producer SCT in Total PSE (%)		72	55	57	52	56
Wheat	Producer SCT (NOK mn)	330	290	382	207	280
	Percentage SCT	73.1	35.4	51.8	25.7	28.7
	Producer NPC	3.81	1.64	2.14	1.36	1.42
Maize	Producer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Producer SCT (NOK mn)	1 838	449	648	254	444
	Percentage SCT	76.8	31.4	46.6	19.4	28.3
	Producer NPC	4.46	1.53	1.92	1.26	1.41
Rice	Producer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Producer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Producer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Producer SCT (NOK mn)	4 393	3 050	3 641	2 288	3 220
	Percentage SCT	68.5	43.1	53.3	32.4	43.5
	Producer NPC	5.48	1.65	2.04	1.31	1.59
Beef and Veal	Producer SCT (NOK mn)	2 211	2 139	2 131	2 046	2 240
	Percentage SCT	70.6	62.6	63.1	62.3	62.3
	Producer NPC	4.83	2.91	3.14	2.89	2.70
Sheepmeat	Producer SCT (NOK mn)	545	436	362	393	554
	Percentage SCT	55.5	42.4	36.5	41.8	49.0
	Producer NPC	3.87	1.83	1.70	1.79	2.01
Wool	Producer SCT (NOK mn)	104	146	154	131	153
	Percentage SCT	48.7	69.7	68.5	67.7	72.9
	Producer NPC	2.01	3.32	3.18	3.10	3.70
Pigmeat	Producer SCT (NOK mn)	1 237	1 431	1 080	1 458	1 754
	Percentage SCT	50.6	52.2	42.2	53.8	60.7
	Producer NPC	3.50	2.46	2.25	2.52	2.60
Poultry	Producer SCT (NOK mn)	160	747	709	788	743
	Percentage SCT	52.3	68.6	75.1	71.6	59.0
	Producer NPC	5.64	3.78	5.42	3.46	2.46
Eggs	Producer SCT (NOK mn)	430	324	293	356	322
	Percentage SCT	50.6	47.5	47.6	51.5	43.5
	Producer NPC	4.30	2.17	2.42	2.20	1.90
Other Commodities	Producer SCT[1] (NOK mn)	2 605	1 891	1 840	1 676	2 156
	Percentage SCT	54.6	41.9	46.5	36.9	42.2
	Producer NPC	4.16	1.94	2.30	1.68	1.83

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.19. **Switzerland: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (CHF mn)		8 440	6 083	6 521	5 617	6 111
Total Producer SCT (CHF mn)		7 225	3 137	3 609	2 606	3 195
Share of Producer SCT in Total PSE (%)		86	51	55	46	52
Wheat	Producer SCT (CHF mn)	417	79	108	83	47
	Percentage SCT	76.0	27.6	39.0	28.7	15.2
	Producer NPC	4.02	1.41	1.64	1.40	1.18
Maize	Producer SCT (CHF mn)	102	16	28	13	7
	Percentage SCT	70.9	23.8	43.9	18.2	9.3
	Producer NPC	3.46	1.37	1.78	1.22	1.10
Other grains	Producer SCT (CHF mn)	173	23	48	21	2
	Percentage SCT	77.7	25.4	48.8	25.1	2.2
	Producer NPC	4.53	1.44	1.95	1.33	1.02
Rice	Producer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Producer SCT (CHF mn)	80	51	49	48	56
	Percentage SCT	83.9	62.4	68.7	59.2	59.4
	Producer NPC	6.45	2.70	3.20	2.45	2.46
Sunflower	Producer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Producer SCT (CHF mn)	95	88	86	103	73
	Percentage SCT	72.9	52.6	59.2	55.3	43.3
	Producer NPC	4.51	2.15	2.45	2.24	1.76
Milk	Producer SCT (CHF mn)	2 701	875	1 131	506	988
	Percentage SCT	83.4	34.1	48.6	19.9	33.8
	Producer NPC	7.91	1.59	2.00	1.26	1.52
Beef and Veal	Producer SCT (CHF mn)	1 311	686	760	700	596
	Percentage SCT	75.0	57.3	63.3	57.6	50.9
	Producer NPC	4.21	2.39	2.76	2.38	2.04
Sheepmeat	Producer SCT (CHF mn)	36	20	17	18	24
	Percentage SCT	68.7	42.9	37.7	41.2	49.9
	Producer NPC	5.42	1.83	1.71	1.77	2.02
Wool	Producer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (CHF mn)	860	542	477	461	688
	Percentage SCT	53.9	51.2	48.5	45.2	59.9
	Producer NPC	3.12	2.20	2.18	1.91	2.53
Poultry	Producer SCT (CHF mn)	116	87	78	89	93
	Percentage SCT	76.0	76.6	78.8	75.9	75.2
	Producer NPC	7.28	4.92	5.92	4.67	4.15
Eggs	Producer SCT (CHF mn)	182	91	102	84	88
	Percentage SCT	77.6	64.9	69.4	62.4	62.9
	Producer NPC	6.41	3.06	3.61	2.84	2.74
Other Commodities	Producer SCT[1] (CHF mn)	1 151	579	725	480	532
	Percentage SCT	73.7	41.2	49.9	33.7	40.0
	Producer NPC	12.93	1.80	2.14	1.53	1.72

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.20. **Turkey: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (TLR mn)		3	17 241	15 146	15 348	21 231
Total Producer SCT (TLR mn)		2	13 580	11 723	11 643	17 374
Share of Producer SCT in Total PSE (%)		71	78	77	76	82
Wheat	Producer SCT (TRL mn)	1	2 815	1 553	1 771	5 120
	Percentage SCT	23.9	33.5	24.2	27.4	49.0
	Producer NPC	1.36	1.55	1.32	1.38	1.96
Maize	Producer SCT (TRL mn)	0	539	701	692	225
	Percentage SCT	13.6	34.8	48.3	42.6	13.6
	Producer NPC	1.16	1.61	1.93	1.74	1.16
Other grains	Producer SCT (TRL mn)	0	291	536	-71	409
	Percentage SCT	21.6	12.9	23.2	-3.1	18.5
	Producer NPC	1.34	1.17	1.30	0.97	1.23
Rice	Producer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Producer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (TRL mn)	0	218	236	249	170
	Percentage SCT	10.4	28.0	32.8	31.0	20.1
	Producer NPC	1.14	1.40	1.49	1.45	1.25
Soyabean	Producer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Producer SCT (TRL mn)	0	584	330	631	791
	Percentage SCT	12.3	41.1	24.6	52.3	46.4
	Producer NPC	1.11	1.74	1.30	2.07	1.85
Milk	Producer SCT (TRL mn)	0	524	1 375	148	48
	Percentage SCT	44.8	10.0	26.7	2.6	0.6
	Producer NPC	2.11	1.17	1.44	1.03	1.04
Beef and Veal	Producer SCT (TRL mn)	0	1 558	1 657	1 349	1 670
	Percentage SCT	6.6	41.3	43.9	41.9	38.1
	Producer NPC	1.19	1.79	1.92	1.73	1.72
Sheepmeat	Producer SCT (TRL mn)	0	317	280	321	350
	Percentage SCT	11.4	25.5	20.3	29.5	26.8
	Producer NPC	1.17	1.43	1.34	1.44	1.50
Wool	Producer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Producer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Poultry	Producer SCT (TRL mn)	0	562	419	594	673
	Percentage SCT	4.1	23.5	21.5	23.9	25.3
	Producer NPC	1.11	1.45	1.48	1.47	1.41
Eggs	Producer SCT (TRL mn)	0	321	270	104	589
	Percentage SCT	5.2	20.7	23.1	8.2	30.8
	Producer NPC	1.14	1.50	1.64	1.26	1.61
Other Commodities	Producer SCT[1] (TRL mn)	1	5 850	4 367	5 855	7 327
	Percentage SCT	8.5	12.1	9.3	11.4	15.5
	Producer NPC	1.12	1.12	1.09	1.07	1.19

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.21. **United States: Producer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total PSE (USD mn)		36 219	29 473	31 199	33 963	23 259
Total Producer SCT (USD mn)		25 997	9 064	9 178	13 712	4 300
Share of Producer SCT in Total PSE (%)		71	29	29	40	18
Wheat	Producer SCT (USD mn)	4 337	513	544	493	502
	Percentage SCT	46.5	4.3	6.6	3.6	2.9
	Producer NPC	1.33	1.00	1.00	1.00	1.00
Maize	Producer SCT (USD mn)	7 217	206	138	-246	727
	Percentage SCT	34.8	0.5	0.4	-0.5	1.5
	Producer NPC	1.13	1.00	1.00	1.00	1.00
Other grains	Producer SCT (USD mn)	1 177	65	102	16	77
	Percentage SCT	37.7	3.3	6.7	0.6	2.7
	Producer NPC	1.35	1.00	1.01	1.00	1.00
Rice	Producer SCT (USD mn)	816	13	18	8	12
	Percentage SCT	50.2	0.5	0.9	0.3	0.4
	Producer NPC	1.45	1.00	1.00	1.00	1.00
Rapeseed	Producer SCT (USD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Producer SCT (USD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Percentage SCT	n.c.	n.c.	n.c.	n.c.	n.c.
	Producer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Producer SCT (USD mn)	172	438	-77	152	1 241
	Percentage SCT	1.7	1.5	-0.4	0.6	4.3
	Producer NPC	1.01	1.00	1.00	1.00	1.00
Sugar	Producer SCT (USD mn)	1 036	623	519	775	574
	Percentage SCT	55.9	27.8	21.4	34.8	27.0
	Producer NPC	2.31	1.39	1.27	1.53	1.36
Milk	Producer SCT (USD mn)	6 340	4 046	3 700	8 433	5
	Percentage SCT	34.9	13.1	15.6	23.6	0.0
	Producer NPC	1.56	1.16	1.18	1.31	1.00
Beef and Veal	Producer SCT (USD mn)	258	0	0	0	0
	Percentage SCT	1.1	0.0	0.0	0.0	0.0
	Producer NPC	1.02	1.00	1.00	1.00	1.00
Sheepmeat	Producer SCT (USD mn)	5	30	28	30	32
	Percentage SCT	1.1	9.0	9.0	9.0	9.0
	Producer NPC	1.01	1.10	1.10	1.10	1.10
Wool	Producer SCT (USD mn)	79	7	8	7	6
	Percentage SCT	47.8	19.1	23.8	18.8	14.8
	Producer NPC	1.01	1.24	1.31	1.23	1.17
Pigmeat	Producer SCT (USD mn)	-66	0	0	0	0
	Percentage SCT	-0.7	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Producer SCT (USD mn)	725	0	0	0	0
	Percentage SCT	8.8	0.0	0.0	0.0	0.0
	Producer NPC	1.11	1.00	1.00	1.00	1.00
Eggs	Producer SCT (USD mn)	136	0	0	0	0
	Percentage SCT	4.4	0.0	0.0	0.0	0.0
	Producer NPC	1.06	1.00	1.00	1.00	1.00
Other Commodities	Producer SCT[1] (USD mn)	3 764	3 122	4 198	4 045	1 123
	Percentage SCT	8.4	3.7	5.1	4.7	1.2
	Producer NPC	1.11	1.03	1.04	1.04	1.00

p: provisional; n.c.: not calculated; PSE: Producer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. The Producer SCT for Other Commodities is the Total Producer SCT minus the sum of Producer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.22. **OECD: Consumer Single Commodity Transfers**

USD million

		1986-88	2006-08	2006	2007	2008p
Total CSE (USD mn)		-160 828	-116 712	-123 909	-118 240	-107 989
Total Consumer SCT[1] (USD mn)		-174 074	-152 338	-150 823	-146 507	-137 763
Wheat						
	Consumer SCT (USD mn)	-12 146	-2 207	-1 167	-2 165	-3 289
	Consumer NPC	1.67	1.05	1.06	1.05	1.06
Maize						
	Consumer SCT (USD mn)	-1 273	-345	-249	-807	21
	Consumer NPC	1.30	1.03	1.04	1.05	1.01
Other grains						
	Consumer SCT (USD mn)	-4 060	-543	-750	-329	-551
	Consumer NPC	1.95	1.04	1.06	1.01	1.04
Rice						
	Consumer SCT (USD mn)	-23 427	-17 471	-18 390	-18 199	-15 822
	Consumer NPC	4.90	2.50	2.90	2.57	2.04
Rapeseed						
	Consumer SCT (USD mn)	-514	-239	-201	-212	-304
	Consumer NPC	1.87	1.00	1.01	1.00	1.00
Sunflower						
	Consumer SCT (USD mn)	-51	-69	-71	-70	-65
	Consumer NPC	1.91	1.07	1.10	1.08	1.04
Soyabean						
	Consumer SCT (USD mn)	-216	-363	-431	-370	-288
	Consumer NPC	1.09	1.02	1.03	1.01	1.01
Sugar						
	Consumer SCT (USD mn)	-7 460	-5 782	-5 097	-6 950	-5 297
	Consumer NPC	2.32	1.57	1.41	1.73	1.55
Milk						
	Consumer SCT (USD mn)	-37 946	-14 971	-20 636	-16 235	-8 041
	Consumer NPC	2.76	1.16	1.30	1.14	1.05
Beef and Veal						
	Consumer SCT (USD mn)	-18 725	-20 929	-21 733	-20 680	-20 375
	Consumer NPC	1.43	1.22	1.25	1.20	1.20
Sheepmeat						
	Consumer SCT (USD mn)	-3 678	-3 655	-3 838	-3 413	-3 712
	Consumer NPC	1.86	1.37	1.40	1.35	1.37
Wool						
	Consumer SCT (USD mn)	-8	2	2	3	2
	Consumer NPC	1.01	1.01	1.02	1.01	1.02
Pigmeat						
	Consumer SCT (USD mn)	-9 076	-14 850	-12 383	-13 091	-19 076
	Consumer NPC	1.26	1.23	1.19	1.19	1.30
Poultry						
	Consumer SCT (USD mn)	-5 485	-9 224	-7 307	-9 971	-10 395
	Consumer NPC	1.33	1.21	1.19	1.23	1.21
Eggs						
	Consumer SCT (USD mn)	-2 643	-1 408	-1 429	-1 171	-1 624
	Consumer NPC	1.22	1.05	1.07	1.04	1.05
Other Commodities						
	Consumer SCT[2] (USD mn)	-47 375	-53 505	-57 616	-53 299	-49 599
	Consumer NPC	1.51	1.16	1.19	1.14	1.14

p: provisional. CSE: Consumer Support Estimate. SCT: Single Commodity Transfers. NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.23. **OECD: Consumer Single Commodity Transfers**

EUR million

		1986-88	2006-08	2006	2007	2008p
Total CSE (EUR mn)		-145 937	-86 317	-98 718	-86 372	-73 862
Total Consumer SCT[1] (EUR mn)		-157 970	-118 555	-120 160	-107 022	-94 228
Wheat						
	Consumer SCT (EUR mn)	-10 994	-1 587	-930	-1 582	-2 249
	Consumer NPC	1.67	1.05	1.06	1.05	1.06
Maize						
	Consumer SCT (EUR mn)	-1 147	-258	-198	-590	14
	Consumer NPC	1.30	1.03	1.04	1.05	1.01
Other grains						
	Consumer SCT (EUR mn)	-3 682	-405	-598	-241	-377
	Consumer NPC	1.95	1.04	1.06	1.01	1.04
Rice						
	Consumer SCT (EUR mn)	-21 229	-12 923	-14 652	-13 294	-10 822
	Consumer NPC	4.90	2.50	2.90	2.57	2.04
Rapeseed						
	Consumer SCT (EUR mn)	-465	-174	-160	-155	-208
	Consumer NPC	1.87	1.00	1.01	1.00	1.00
Sunflower						
	Consumer SCT (EUR mn)	-50	-51	-56	-51	-45
	Consumer NPC	1.91	1.07	1.10	1.08	1.04
Soyabean						
	Consumer SCT (EUR mn)	-193	-270	-343	-270	-197
	Consumer NPC	1.09	1.02	1.03	1.01	1.01
Sugar						
	Consumer SCT (EUR mn)	-6 785	-4 254	-4 061	-5 077	-3 623
	Consumer NPC	2.32	1.57	1.41	1.73	1.55
Milk						
	Consumer SCT (EUR mn)	-34 464	-11 267	-16 441	-11 859	-5 500
	Consumer NPC	2.76	1.16	1.30	1.14	1.05
Beef and Veal						
	Consumer SCT (EUR mn)	-17 082	-15 452	-17 314	-15 107	-13 936
	Consumer NPC	1.43	1.22	1.25	1.20	1.20
Sheepmeat						
	Consumer SCT (EUR mn)	-3 304	-2 697	-3 058	-2 493	-2 539
	Consumer NPC	1.86	1.37	1.40	1.35	1.37
Wool						
	Consumer SCT (EUR mn)	-7	2	2	2	1
	Consumer NPC	1.01	1.01	1.02	1.01	1.02
Pigmeat						
	Consumer SCT (EUR mn)	-8 250	-10 825	-9 865	-9 563	-13 048
	Consumer NPC	1.26	1.23	1.19	1.19	1.30
Poultry						
	Consumer SCT (EUR mn)	-4 937	-6 738	-5 821	-7 283	-7 110
	Consumer NPC	1.33	1.21	1.19	1.23	1.21
Eggs						
	Consumer SCT (EUR mn)	-2 406	-1 035	-1 138	-855	-1 111
	Consumer NPC	1.22	1.05	1.07	1.04	1.05
Other Commodities						
	Consumer SCT[1] (EUR mn)	-42 966	-39 587	-45 902	-38 934	-33 925
	Consumer NPC	1.51	1.16	1.19	1.14	1.14

p: provisional. CSE: Consumer Support Estimate. SCT: Single Commodity Transfers. NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.24. **Australia: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (AUD mn)		-547	-250	-245	-251	-253
Total Consumer SCT[1] (AUD mn)		-547	-250	-245	-251	-253
Wheat	Consumer SCT (AUD mn)	-16	0	0	0	0
	Consumer NPC	1.05	1.00	1.00	1.00	1.00
Maize	Consumer SCT (AUD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Rice	Consumer SCT (AUD mn)	-4	-5	-4	-5	-7
	Consumer NPC	1.13	1.02	1.02	1.02	1.02
Rapeseed	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sunflower	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Soyabean	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (AUD mn)	-66	0	0	0	0
	Consumer NPC	1.12	1.00	1.00	1.00	1.00
Milk	Consumer SCT (AUD mn)	-335	-240	-238	-242	-242
	Consumer NPC	1.40	1.00	1.00	1.00	1.00
Beef and Veal	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sheepmeat	Consumer SCT (AUD mn)	-5	0	0	0	0
	Consumer NPC	1.01	1.00	1.00	1.00	1.00
Wool	Consumer SCT (AUD mn)	-1	0	0	0	0
	Consumer NPC	1.01	1.00	1.00	1.00	1.00
Pigmeat	Consumer SCT (AUD mn)	-1	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Eggs	Consumer SCT (AUD mn)	-43	0	0	0	0
	Consumer NPC	1.18	1.00	1.00	1.00	1.00
Other Commodities	Consumer SCT[2] (AUD mn)	-75	-4	-3	-4	-4
	Consumer NPC	1.11	1.00	1.00	1.00	1.00

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.25. **Canada: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (CAD mn)		-3 754	-4 173	-5 193	-4 378	-2 948
Total Consumer SCT[1] (CAD mn)		-3 754	-4 173	-5 193	-4 378	-2 948
Wheat	Consumer SCT (CAD mn)	-259	0	0	0	0
	Consumer NPC	1.54	1.00	1.00	1.00	1.00
Maize	Consumer SCT (CAD mn)	-2	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Other grains	Consumer SCT (CAD mn)	11	0	0	0	0
	Consumer NPC	1.83	1.00	1.00	1.00	1.00
Rice	Consumer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Consumer SCT (CAD mn)	-46	0	0	0	0
	Consumer NPC	1.11	1.00	1.00	1.00	1.00
Sunflower	Consumer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (CAD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Consumer SCT (CAD mn)	-2 425	-2 809	-3 432	-3 005	-1 990
	Consumer NPC	4.76	1.94	2.42	1.93	1.46
Beef and Veal	Consumer SCT (CAD mn)	-62	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Sheepmeat	Consumer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Consumer SCT (CAD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (CAD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Consumer SCT (CAD mn)	-157	-277	-260	-316	-255
	Consumer NPC	1.19	1.16	1.16	1.18	1.13
Eggs	Consumer SCT (CAD mn)	-90	-61	-175	-6	-3
	Consumer NPC	1.28	1.16	1.47	1.01	1.00
Other Commodities	Consumer SCT[2] (CAD mn)	-724	-1 026	-1 326	-1 051	-700
	Consumer NPC	1.37	1.19	1.27	1.19	1.12

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.26a. **European Union: Consumer Single Commodity Transfers (EU27)**[1]

		1986-88	2006-08[2]	2006	2007	2008p
Total CSE (EUR mn)		-67 631	-36 095	-40 286	-33 212	-34 787
Total Consumer SCT[3] (EUR mn)		-68 538	-37 270	-41 255	-34 912	-35 643
Wheat	Consumer SCT (EUR mn)	-3 955	-181	0	-543	0
	Consumer NPC	2.14	1.01	1.00	1.02	1.00
Maize	Consumer SCT (EUR mn)	-722	-315	-121	-780	-44
	Consumer NPC	2.20	1.14	1.11	1.30	1.02
Other grains	Consumer SCT (EUR mn)	-1 038	-29	0	0	-86
	Consumer NPC	2.34	1.01	1.00	1.00	1.03
Rice	Consumer SCT (EUR mn)	-398	-40	-16	-87	-16
	Consumer NPC	2.50	1.03	1.02	1.05	1.01
Rapeseed	Consumer SCT (EUR mn)	15	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sunflower	Consumer SCT (EUR mn)	12	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Soyabean	Consumer SCT (EUR mn)	4	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (EUR mn)	-2 935	-1 393	-1 203	-1 717	-1 261
	Consumer NPC	3.32	1.72	1.56	1.87	1.73
Milk	Consumer SCT (EUR mn)	-17 618	-2 144	-6 436	-108	112
	Consumer NPC	4.56	1.08	1.23	1.01	1.00
Beef and Veal	Consumer SCT (EUR mn)	-10 208	-9 080	-10 563	-8 373	-8 304
	Consumer NPC	2.25	1.67	1.85	1.61	1.55
Sheepmeat	Consumer SCT (EUR mn)	-3 089	-2 602	-2 807	-2 503	-2 496
	Consumer NPC	2.86	1.70	1.74	1.68	1.69
Wool	Consumer SCT (EUR mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (EUR mn)	-3 517	-4 459	-3 434	-3 387	-6 555
	Consumer NPC	1.28	1.20	1.15	1.15	1.31
Poultry	Consumer SCT (EUR mn)	-2 950	-5 429	-4 363	-5 935	-5 988
	Consumer NPC	1.79	1.79	1.71	1.87	1.79
Eggs	Consumer SCT (EUR mn)	-900	0	0	0	0
	Consumer NPC	1.24	1.00	1.00	1.00	1.00
Other Commodities	Consumer SCT[4] (EUR mn)	-21 240	-11 599	-12 312	-11 479	-11 005
	Consumer NPC	1.44	1.10	1.12	1.09	1.08

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. Average of EU25 in 2006 and EU27 in 2007-08.
3. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
4. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.26b. **European Union: Consumer Single Commodity Transfers (EU25)**[1]

		1986-88	2006-08	2006	2007	2008p
Total CSE (EUR mn)		-67 631	-34 554	-40 286	-30 750	-32 627
Total Consumer SCT[2] (EUR mn)		-68 538	-35 709	-41 255	-32 426	-33 447
Wheat	Consumer SCT (EUR mn)	-3 955	-183	0	-550	0
	Consumer NPC	2.14	1.01	1.00	1.03	1.00
Maize	Consumer SCT (EUR mn)	-722	-200	-121	-480	0
	Consumer NPC	2.20	1.13	1.11	1.28	1.00
Other grains	Consumer SCT (EUR mn)	-1 038	-24	0	0	-73
	Consumer NPC	2.34	1.01	1.00	1.00	1.03
Rice	Consumer SCT (EUR mn)	-398	-23	-16	-39	-14
	Consumer NPC	2.50	1.03	1.02	1.05	1.01
Rapeseed	Consumer SCT (EUR mn)	15	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sunflower	Consumer SCT (EUR mn)	12	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Soyabean	Consumer SCT (EUR mn)	4	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (EUR mn)	-2 935	-1 344	-1 203	-1 637	-1 192
	Consumer NPC	3.32	1.72	1.56	1.87	1.73
Milk	Consumer SCT (EUR mn)	-17 618	-2 165	-6 436	-100	43
	Consumer NPC	4.56	1.08	1.23	1.01	1.00
Beef and Veal	Consumer SCT (EUR mn)	-10 208	-9 084	-10 563	-8 388	-8 301
	Consumer NPC	2.25	1.68	1.85	1.63	1.56
Sheepmeat	Consumer SCT (EUR mn)	-3 089	-2 418	-2 807	-2 229	-2 219
	Consumer NPC	2.86	1.70	1.74	1.68	1.69
Wool	Consumer SCT (EUR mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (EUR mn)	-3 517	-4 102	-3 434	-2 920	-5 954
	Consumer NPC	1.28	1.19	1.15	1.13	1.29
Poultry	Consumer SCT (EUR mn)	-2 950	-5 253	-4 363	-5 654	-5 742
	Consumer NPC	1.79	1.81	1.71	1.90	1.83
Eggs	Consumer SCT (EUR mn)	-900	0	0	0	0
	Consumer NPC	1.24	1.00	1.00	1.00	1.00
Other Commodities	Consumer SCT[3] (EUR mn)	-21 240	-10 912	-12 312	-10 428	-9 996
	Consumer NPC	1.44	1.09	1.12	1.09	1.08

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
3. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.27. **Iceland: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (ISK mn)		-4 538	-7 346	-8 568	-7 173	-6 296
Total Consumer SCT[1] (ISK mn)		-4 538	-7 527	-8 739	-7 353	-6 489
Wheat	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Maize	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rice	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Consumer SCT (ISK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Consumer SCT (ISK mn)	-1 595	-2 015	-3 025	-1 457	-1 563
	Consumer NPC	8.21	1.67	2.29	1.38	1.34
Beef and Veal	Consumer SCT (ISK mn)	-205	-299	-432	-388	-77
	Consumer NPC	2.47	1.42	1.70	1.50	1.06
Sheepmeat	Consumer SCT (ISK mn)	-780	-138	-195	-218	0
	Consumer NPC	3.81	1.08	1.11	1.13	1.00
Wool	Consumer SCT (ISK mn)	98	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Pigmeat	Consumer SCT (ISK mn)	-329	-1 155	-1 054	-1 138	-1 274
	Consumer NPC	4.29	2.65	2.72	2.87	2.36
Poultry	Consumer SCT (ISK mn)	-199	-1 704	-1 581	-1 728	-1 803
	Consumer NPC	7.07	5.79	7.34	5.98	4.05
Eggs	Consumer SCT (ISK mn)	-257	-335	-357	-341	-306
	Consumer NPC	5.02	2.59	3.10	2.71	1.95
Other Commodities	Consumer SCT[2] (ISK mn)	-1 271	-1 881	-2 095	-2 082	-1 466
	Consumer NPC	4.39	1.79	2.15	1.71	1.51

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.28. **Japan: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (JPY bn)		-8 890	-5 044	-5 435	-4 801	-4 896
Total Consumer SCT[1] (JPY bn)		-8 890	-5 044	-5 435	-4 801	-4 896
Wheat	Consumer SCT (JPY bn)	-897	-12	-37	0	0
	Consumer NPC	6.56	1.06	1.19	1.00	1.00
Maize	Consumer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Consumer SCT (JPY bn)	-304	-33	-58	-16	-26
	Consumer NPC	6.18	1.42	1.81	1.18	1.27
Rice	Consumer SCT (JPY bn)	-2 559	-1 337	-1 440	-1 322	-1 249
	Consumer NPC	5.61	3.52	4.03	3.38	3.14
Rapeseed	Consumer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (JPY bn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (JPY bn)	-267	-144	-172	-136	-125
	Consumer NPC	2.50	21.42	2.45	50.34	11.45
Milk	Consumer SCT (JPY bn)	-763	-466	-484	-420	-494
	Consumer NPC	6.30	1.94	2.06	1.79	1.97
Beef and Veal	Consumer SCT (JPY bn)	-558	-290	-290	-296	-284
	Consumer NPC	3.65	1.39	1.39	1.39	1.39
Sheepmeat	Consumer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Consumer SCT (JPY bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (JPY bn)	-356	-585	-550	-596	-610
	Consumer NPC	1.73	2.77	2.62	2.72	2.96
Poultry	Consumer SCT (JPY bn)	-51	-28	-26	-28	-30
	Consumer NPC	1.13	1.12	1.12	1.12	1.12
Eggs	Consumer SCT (JPY bn)	-71	-65	-62	-62	-70
	Consumer NPC	1.20	1.17	1.17	1.17	1.17
Other Commodities	Consumer SCT[2] (JPY bn)	-3 065	-2 082	-2 315	-1 925	-2 007
	Consumer NPC	2.21	1.69	1.79	1.62	1.64

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.29. **Korea: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (KRW bn)		-9 401	-26 952	-29 296	-29 567	-21 991
Total Consumer SCT[1] (KRW bn)		-9 457	-26 996	-29 374	-29 592	-22 022
Wheat	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Maize	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Consumer SCT (KRW bn)	-210	-121	-142	-138	-82
	Consumer NPC	3.42	2.27	2.87	2.50	1.43
Rice	Consumer SCT (KRW bn)	-4 452	-5 411	-5 705	-6 428	-4 100
	Consumer NPC	5.59	2.64	3.05	3.10	1.79
Rapeseed	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (KRW bn)	-175	-353	-421	-344	-294
	Consumer NPC	1.72	1.71	2.10	1.75	1.28
Sugar	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Consumer SCT (KRW bn)	-285	-1 073	-1 363	-1 255	-601
	Consumer NPC	2.82	2.16	2.72	2.37	1.37
Beef and Veal	Consumer SCT (KRW bn)	-495	-4 101	-3 661	-4 739	-3 903
	Consumer NPC	2.23	2.76	2.91	3.00	2.38
Sheepmeat	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Consumer SCT (KRW bn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (KRW bn)	-303	-2 807	-2 568	-2 684	-3 168
	Consumer NPC	1.50	3.15	3.15	3.19	3.12
Poultry	Consumer SCT (KRW bn)	-132	-321	-349	-244	-370
	Consumer NPC	2.09	1.58	1.75	1.46	1.53
Eggs	Consumer SCT (KRW bn)	28	-181	-172	-201	-169
	Consumer NPC	0.92	1.27	1.28	1.35	1.19
Other Commodities	Consumer SCT[2] (KRW bn)	-3 432	-12 629	-14 993	-13 560	-9 335
	Consumer NPC	2.73	2.39	2.69	2.57	1.92

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.30. **Mexico: Consumer Single Commodity Transfers**

		1991-93	2006-08	2006	2007	2008p
Total CSE (MXN mn)		-19 580	-20 867	-24 070	-26 056	-12 475
Total Consumer SCT[1] (MXN mn)		-19 582	-22 927	-25 282	-28 684	-14 815
Wheat	Consumer SCT (MXN mn)	189	158	30	388	56
	Consumer NPC	1.24	1.00	1.00	1.00	1.00
Maize	Consumer SCT (MXN mn)	-4 659	786	193	829	1 337
	Consumer NPC	1.70	1.00	1.00	1.00	1.00
Other grains	Consumer SCT (MXN mn)	-68	21	0	30	34
	Consumer NPC	1.21	1.00	1.01	1.00	1.00
Rice	Consumer SCT (MXN mn)	-30	-1	0	-2	0
	Consumer NPC	1.06	1.00	1.00	1.00	1.00
Rapeseed	Consumer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (MXN mn)	-229	0	0	0	0
	Consumer NPC	1.19	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (MXN mn)	-1 699	-9 423	-8 003	-14 469	-5 797
	Consumer NPC	1.98	1.84	1.58	2.42	1.52
Milk	Consumer SCT (MXN mn)	-1 136	627	-2 088	2 027	1 942
	Consumer NPC	1.55	1.03	1.10	1.00	1.00
Beef and Veal	Consumer SCT (MXN mn)	-1 816	0	0	0	0
	Consumer NPC	1.32	1.00	1.00	1.00	1.00
Sheepmeat	Consumer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Wool	Consumer SCT (MXN mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (MXN mn)	-275	-525	-438	0	-1 137
	Consumer NPC	1.07	1.02	1.02	1.00	1.04
Poultry	Consumer SCT (MXN mn)	-1 955	-4 836	-3 614	-6 667	-4 227
	Consumer NPC	1.58	1.11	1.09	1.15	1.08
Eggs	Consumer SCT (MXN mn)	-152	0	0	0	0
	Consumer NPC	1.05	1.00	1.00	1.00	1.00
Other Commodities	Consumer SCT[2] (MXN mn)	-7 753	-9 736	-11 363	-10 821	-7 023
	Consumer NPC	1.34	1.06	1.08	1.06	1.03

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.31. **New Zealand: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (NZD mn)		-105	-87	-91	-97	-73
Total Consumer SCT[1] (NZD mn)		-105	-87	-91	-97	-73
Wheat	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Maize	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Other grains	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Rice	Consumer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Consumer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Consumer SCT (NZD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Consumer SCT (NZD mn)	-21	0	0	0	0
	Consumer NPC	1.09	1.00	1.00	1.00	1.00
Beef and Veal	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sheepmeat	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Wool	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Pigmeat	Consumer SCT (NZD mn)	-2	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Poultry	Consumer SCT (NZD mn)	-16	-52	-48	-59	-49
	Consumer NPC	1.25	1.18	1.16	1.21	1.16
Eggs	Consumer SCT (NZD mn)	-36	-10	-16	-11	-3
	Consumer NPC	1.81	1.12	1.21	1.13	1.02
Other Commodities	Consumer SCT[2] (NZD mn)	-30	-25	-26	-26	-21
	Consumer NPC	1.07	1.03	1.03	1.03	1.02

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.32. **Norway: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (NOK mn)		-9 153	-9 134	-9 503	-8 195	-9 703
Total Consumer SCT[1] (NOK mn)		-9 153	-9 134	-9 503	-8 195	-9 703
Wheat	Consumer SCT (NOK mn)	-121	-210	-347	-120	-164
	Consumer NPC	2.05	1.57	2.09	1.29	1.34
Maize	Consumer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Other grains	Consumer SCT (NOK mn)	-609	-218	-185	-197	-271
	Consumer NPC	4.07	1.43	1.79	1.18	1.32
Rice	Consumer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Consumer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Consumer SCT (NOK mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Milk	Consumer SCT (NOK mn)	-539	-1 686	-2 387	-916	-1 755
	Consumer NPC	2.98	1.52	1.90	1.21	1.46
Beef and Veal	Consumer SCT (NOK mn)	-1 703	-2 101	-2 015	-2 135	-2 151
	Consumer NPC	3.71	2.61	2.78	2.64	2.40
Sheepmeat	Consumer SCT (NOK mn)	-369	-289	-188	-294	-386
	Consumer NPC	2.69	1.47	1.30	1.49	1.60
Wool	Consumer SCT (NOK mn)	-55	0	0	0	0
	Consumer NPC	2.01	1.00	1.00	1.00	1.00
Pigmeat	Consumer SCT (NOK mn)	-1 586	-1 633	-1 359	-1 717	-1 822
	Consumer NPC	3.37	2.41	2.20	2.48	2.55
Poultry	Consumer SCT (NOK mn)	-286	-767	-774	-783	-743
	Consumer NPC	5.64	3.77	5.41	3.45	2.45
Eggs	Consumer SCT (NOK mn)	-573	-353	-354	-373	-332
	Consumer NPC	4.02	2.13	2.37	2.16	1.87
Other Commodities	Consumer SCT[2] (NOK mn)	-3 312	-1 877	-1 893	-1 659	-2 079
		3.29	1.86	2.13	1.66	1.78

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.33. **Switzerland: Consumer Single Commodity Transfer**

		1986-88	2006-08	2006	2007	2008p
Total CSE (CHF mn)		-7 728	-3 630	-4 173	-3 088	-3 629
Total Consumer SCT[1] (CHF mn)		-8 009	-3 639	-4 182	-3 097	-3 639
Wheat	Consumer SCT (CHF mn)	-538	-100	-139	-98	-65
	Consumer NPC	4.02	1.41	1.64	1.40	1.18
Maize	Consumer SCT (CHF mn)	-139	-16	-27	-13	-7
	Consumer NPC	3.46	1.37	1.78	1.22	1.10
Other grains	Consumer SCT (CHF mn)	-265	-23	-44	-24	-2
	Consumer NPC	4.53	1.44	1.95	1.33	1.02
Rice	Consumer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Consumer SCT (CHF mn)	-313	-279	-252	-255	-330
	Consumer NPC	6.45	2.70	3.20	2.45	2.46
Sunflower	Consumer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Consumer SCT (CHF mn)	-143	-148	-216	-183	-45
	Consumer NPC	4.51	2.15	2.45	2.24	1.76
Milk	Consumer SCT (CHF mn)	-1 837	-509	-727	-168	-632
	Consumer NPC	7.81	1.39	1.71	1.12	1.36
Beef and Veal	Consumer SCT (CHF mn)	-1 382	-774	-844	-782	-696
	Consumer NPC	4.21	2.39	2.76	2.38	2.04
Sheepmeat	Consumer SCT (CHF mn)	-107	-38	-33	-36	-44
	Consumer NPC	5.42	1.83	1.71	1.77	2.02
Wool	Consumer SCT (CHF mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (CHF mn)	-1 066	-598	-546	-495	-754
	Consumer NPC	3.12	2.20	2.18	1.91	2.53
Poultry	Consumer SCT (CHF mn)	-311	-190	-175	-195	-200
	Consumer NPC	7.28	4.92	5.92	4.67	4.15
Eggs	Consumer SCT (CHF mn)	-395	-196	-213	-183	-191
	Consumer NPC	6.41	3.06	3.61	2.84	2.74
Other Commodities	Consumer SCT[2] (CHF mn)	-1 513	-768	-965	-667	-673
	Consumer NPC	4.72	1.83	2.16	1.62	1.72

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.34. **Turkey: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (TLR mn)		-2	-10 189	-8 663	-6 851	-15 052
Total Consumer SCT[1] (TLR mn)		-2	-10 189	-8 663	-6 851	-15 052
Wheat	Consumer SCT (TRL mn)	0	-2 227	-980	-1 539	-4 162
	Consumer NPC	1.36	1.46	1.22	1.31	1.84
Maize	Consumer SCT (TRL mn)	0	-115	-141	-164	-39
	Consumer NPC	1.16	1.43	1.68	1.52	1.11
Other grains	Consumer SCT (TRL mn)	0	-41	-50	7	-82
	Consumer NPC	1.34	1.16	1.27	0.97	1.23
Rice	Consumer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Rapeseed	Consumer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (TRL mn)	0	-92	-101	-91	-85
	Consumer NPC	1.14	1.10	1.15	1.08	1.08
Soyabean	Consumer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sugar	Consumer SCT (TRL mn)	0	-530	-300	-593	-698
	Consumer NPC	1.11	1.78	1.30	2.05	1.99
Milk	Consumer SCT (TRL mn)	0	-476	-1 427	0	0
	Consumer NPC	2.09	1.13	1.39	1.00	1.00
Beef and Veal	Consumer SCT (TRL mn)	0	-1 661	-1 811	-1 356	-1 815
	Consumer NPC	1.19	1.79	1.92	1.73	1.72
Sheepmeat	Consumer SCT (TRL mn)	0	-373	-348	-333	-437
	Consumer NPC	1.17	1.43	1.34	1.44	1.50
Wool	Consumer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Pigmeat	Consumer SCT (TRL mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Poultry	Consumer SCT (TRL mn)	0	-717	-615	-774	-762
	Consumer NPC	1.11	1.45	1.48	1.47	1.41
Eggs	Consumer SCT (TRL mn)	0	-474	-452	-251	-720
	Consumer NPC	1.14	1.50	1.64	1.26	1.61
Other Commodities	Consumer SCT[2] (TRL mn)	-1	-3 482	-2 438	-1 757	-6 252
	Consumer NPC	1.16	1.08	1.06	1.05	1.14

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.35. **United States: Consumer Single Commodity Transfers**

		1986-88	2006-08	2006	2007	2008p
Total CSE (USD mn)		-3 791	20 087	19 663	12 645	27 952
Total Consumer SCT[1] (USD mn)		-13 869	-6 965	-6 318	-13 527	-1 051
Wheat	Consumer SCT (USD mn)	-353	0	0	0	0
	Consumer NPC	1.20	1.00	1.00	1.00	1.00
Maize	Consumer SCT (USD mn)	0	5	14	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Other grains	Consumer SCT (USD mn)	-100	0	0	0	0
	Consumer NPC	1.22	1.00	1.00	1.00	1.00
Rice	Consumer SCT (USD mn)	-5	0	0	0	0
	Consumer NPC	1.01	1.00	1.00	1.00	1.00
Rapeseed	Consumer SCT (USD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Sunflower	Consumer SCT (USD mn)	n.c.	n.c.	n.c.	n.c.	n.c.
	Consumer NPC	n.c.	n.c.	n.c.	n.c.	n.c.
Soyabean	Consumer SCT (USD mn)	0	4	12	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Consumer SCT (USD mn)	-1 995	-1 329	-1 031	-1 688	-1 267
	Consumer NPC	3.18	1.65	1.46	1.89	1.59
Milk	Consumer SCT (USD mn)	-6 181	-3 818	-3 322	-8 132	0
	Consumer NPC	1.56	1.16	1.17	1.30	1.00
Beef and Veal	Consumer SCT (USD mn)	-378	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Sheepmeat	Consumer SCT (USD mn)	-6	-60	-53	-61	-65
	Consumer NPC	1.01	1.10	1.10	1.10	1.10
Wool	Consumer SCT (USD mn)	-2	0	0	0	0
	Consumer NPC	1.01	1.01	1.01	1.01	1.01
Pigmeat	Consumer SCT (USD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Consumer SCT (USD mn)	-727	0	0	0	0
	Consumer NPC	1.11	1.00	1.00	1.00	1.00
Eggs	Consumer SCT (USD mn)	-140	0	0	0	0
	Consumer NPC	1.06	1.00	1.00	1.00	1.00
Other Commodities	Consumer SCT[2] (USD mn)	-3 983	-1 767	-1 938	-3 645	282
	Consumer NPC	1.11	1.03	1.03	1.05	1.00

p: provisional; n.c.: not calculated; CSE: Consumer Support Estimate; SCT: Single Commodity Transfers; NPC: Nominal Protection Coefficient.

1. May differ from the Total CSE by the amount of subsidies to consumers which are not specific to a single commodity.
2. The Consumer SCT for Other Commodities is the Total Consumer SCT minus the sum of Consumer SCTs for the commodities listed above.

Source: OECD, PSE/CSE database, 2009.

Table III.36. **Australia: Payments made on the basis of area, animal numbers, receipts or income**

AUD million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**0**	**47**	**68**	**36**	**36**
Share in total PSE (%)	*0*	*2*	*3*	*1*	*1*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	47	68	36	36
Payments based on non-current A/An/R/I, production required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**250**	**799**	**711**	**954**	**733**
Share in total PSE (%)	*22*	*30*	*29*	*32*	*28*
Payments based on area	0	61	54	65	65
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	211	227	203	203
Payments based on farm income	250	527	430	686	466

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.37. **Canada: Payments made on the basis of area, animal numbers, receipts or income**

CAD million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**1 787**	**1 742**	**1 560**	**1 451**	**2 217**
Share in total PSE (%)	*22*	*25*	*20*	*18*	*38*
Payments based on area	1 113	583	397	631	722
Payments based on animal numbers	42	157	118	149	203
Payments based on farm receipts	632	198	0	273	321
Payments based on farm income	0	804	1 045	397	971
Payments based on non-current A/An/R/I, production required	**0**	**218**	**133**	**517**	**4**
Share in total PSE (%)	*0*	*3*	*2*	*6*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	1	0	0	2
Payments based on farm receipts	0	144	0	430	2
Payments based on farm income	0	73	133	87	0
Payments based on non-current A/An/R/I, production not required	**0**	**890**	**881**	**1 366**	**422**
Share in total PSE (%)	*0*	*12*	*11*	*17*	*7*
Payments based on area	0	50	135	15	1
Payments based on animal numbers	0	19	6	11	39
Payments based on farm receipts	0	200	0	449	152
Payments based on farm income	0	621	740	891	231

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.38a. **European Union: Payments made on the basis of area, animal numbers, receipts or income (EU27)**[1]

EUR Million

	1986-88	2006-08[2]	2006	2007	2008p
Payments based on current A/An/R/I [3], production required	**3 195**	**17 429**	**17 363**	**17 231**	**17 693**
Share in total PSE (%)	*4*	*17*	*17*	*17*	*17*
Payments based on area	515	13 873	13 990	13 784	13 843
Payments based on animal numbers	2 548	3 075	2 824	2 957	3 444
Payments based on farm receipts	91	465	542	466	386
Payments based on farm income	41	17	7	25	19
Payments based on non-current A/An/R/I, production required	**0**	**2**	**2**	**2**	**1**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	2	2	2	1
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**32 230**	**30 725**	**31 919**	**34 046**
Share in total PSE (%)	*0*	*32*	*29*	*32*	*33*
Payments based on area	0	11 043	9 567	11 080	12 481
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	21 187	21 158	20 839	21 565
Payments based on farm income	0	0	0	0	0

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 for 2004-06 and EU27 from 2007.
2. Average of EU25 in 2006 and EU27 in 2007-08.
3. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.38b. **European Union: Payments made on the basis of area, animal numbers, receipts or income (EU25)**[1]

EUR million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [2], production required	**3 195**	**17 076**	**17 363**	**16 785**	**17 081**
Share in total PSE (%)	*4*	*17*	*17*	*18*	*17*
Payments based on area	515	13 758	13 990	13 590	13 693
Payments based on animal numbers	2 548	2 837	2 824	2 704	2 982
Payments based on farm receipts	91	465	542	466	386
Payments based on farm income	41	17	7	25	19
Payments based on non-current A/An/R/I, production required	**0**	**2**	**2**	**2**	**1**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	2	2	2	1
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**31 748**	**30 725**	**31 331**	**33 187**
Share in total PSE (%)	*0*	*32*	*29*	*33*	*34*
Payments based on area	0	10 562	9 567	10 494	11 624
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	21 186	21 158	20 837	21 563
Payments based on farm income	0	0	0	0	0

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.
2. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.39. **Iceland: Payments made on the basis of area, animal numbers, receipts or income**

ISK million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**0**	**345**	**38**	**493**	**504**
Share in total PSE (%)	*0*	*2*	*0*	*3*	*3*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	345	38	493	504
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	**0**	**2 599**	**2 397**	**2 515**	**2 887**
Share in total PSE (%)	*0*	*17*	*14*	*17*	*20*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	2 599	2 397	2 515	2 887
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**48**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*1*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	48	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.40. **Japan: Payments made on the basis of area, animal numbers, receipts or income**

JPY billion

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**0**	**34**	**24**	**13**	**64**
Share in total PSE (%)	*0*	*1*	*1*	*0*	*1*
Payments based on area	0	12	16	12	8
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	22	8	1	56
Payments based on non-current A/An/R/I, production required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**228**	**238**	**172**	**271**	**272**
Share in total PSE (%)	*3*	*6*	*4*	*6*	*6*
Payments based on area	228	238	172	271	272
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.41. **Korea: Payments made on the basis of area, animal numbers, receipts or income**

KRW billion

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**28**	**986**	**1 032**	**917**	**1 009**
Share in total PSE (%)	*0*	*4*	*4*	*4*	*5*
Payments based on area	0	503	474	456	578
Payments based on animal numbers	0	6	13	6	0
Payments based on farm receipts	16	13	11	12	17
Payments based on farm income	13	464	534	444	414
Payments based on non-current A/An/R/I, production required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**750**	**751**	**743**	**755**
Share in total PSE (%)	*0*	*3*	*3*	*3*	*4*
Payments based on area	0	750	751	743	755
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.42. **Mexico: Payments made on the basis of area, animal numbers, receipts or income**

MXN million

	1991-93	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**10**	**684**	**463**	**432**	**1 158**
Share in total PSE (%)	*0*	*1*	*1*	*1*	*2*
Payments based on area	10	596	463	432	894
Payments based on animal numbers	0	88	0	0	264
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	**0**	**3 263**	**2 070**	**4 059**	**3 661**
Share in total PSE (%)	*0*	*5*	*3*	*6*	*5*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	3 263	2 070	4 059	3 661
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**12 309**	**12 308**	**12 309**	**12 310**
Share in total PSE (%)	*0*	*18*	*19*	*17*	*17*
Payments based on area	0	12 309	12 308	12 309	12 310
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.43. **New Zealand: Payments made on the basis of area, animal numbers, receipts or income**

NZD million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**42**	**3**	**8**	**1**	**1**
Share in total PSE (%)	*12*	*2*	*5*	*0*	*1*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	42	3	8	1	1
Payments based on non-current A/An/R/I, production required	**315**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*21*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	315	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.44. **Norway: Payments made on the basis of area, animal numbers, receipts or income**

NOK million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**3 577**	**6 097**	**5 677**	**6 225**	**6 391**
Share in total PSE (%)	*19*	*31*	*29*	*34*	*30*
Payments based on area	974	2 096	1 980	2 156	2 153
Payments based on animal numbers	2 603	3 261	3 171	3 244	3 370
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	740	526	825	868
Payments based on non-current A/An/R/I, production required	**0**	**2 629**	**2 598**	**2 613**	**2 676**
Share in total PSE (%)	*0*	*13*	*13*	*14*	*13*
Payments based on area	0	1 634	1 590	1 662	1 649
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	996	1 008	951	1 027
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.45. **Switzerland: Payments made on the basis of area, animal numbers, receipts or income**

CHF million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**612**	**1 074**	**998**	**1 114**	**1 112**
Share in total PSE (%)	*7*	*18*	*15*	*20*	*18*
Payments based on area	259	221	221	223	219
Payments based on animal numbers	338	853	777	891	893
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	15	0	0	0	0
Payments based on non-current A/An/R/I, production required	**28**	**91**	**91**	**91**	**92**
Share in total PSE (%)	*0*	*2*	*1*	*2*	*2*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	28	91	91	91	92
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**1 264**	**1 320**	**1 283**	**1 190**
Share in total PSE (%)	*0*	*21*	*20*	*23*	*19*
Payments based on area	0	1 264	1 320	1 283	1 190
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.46. **Turkey: Payments made on the basis of area, animal numbers, receipts or income**

TRY million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**0**	**1 035**	**71**	**1 348**	**1 685**
Share in total PSE (%)	*0*	*6*	*0*	*9*	*8*
Payments based on area	0	977	68	1 296	1 567
Payments based on animal numbers	0	28	0	21	63
Payments based on farm receipts	0	30	2	32	55
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**0**	**1 824**	**2 690**	**1 642**	**1 139**
Share in total PSE (%)	*0*	*11*	*18*	*11*	*5*
Payments based on area	0	1 824	2 690	1 642	1 139
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

Table III.47. **United States: Payments made on the basis of area, animal numbers, receipts or income**

USD million

	1986-88	2006-08	2006	2007	2008p
Payments based on current A/An/R/I [1], production required	**12 234**	**3 778**	**4 049**	**2 809**	**4 478**
Share in total PSE (%)	*34*	*13*	*13*	*8*	*19*
Payments based on area	11 053	2 451	2 539	1 600	3 214
Payments based on animal numbers	270	5	5	6	5
Payments based on farm receipts	0	4	5	0	7
Payments based on farm income	912	1 318	1 499	1 203	1 250
Payments based on non-current A/An/R/I, production required	**0**	**0**	**0**	**0**	**0**
Share in total PSE (%)	*0*	*0*	*0*	*0*	*0*
Payments based on area	0	0	0	0	0
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	0	0	0	0
Payments based on farm income	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	**338**	**6 966**	**7 692**	**7 069**	**6 135**
Share in total PSE (%)	*1*	*24*	*25*	*21*	*26*
Payments based on area	338	6 005	6 726	6 114	5 175
Payments based on animal numbers	0	0	0	0	0
Payments based on farm receipts	0	961	967	955	960
Payments based on farm income	0	0	0	0	0

1. A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD, PSE/CSE database, 2009.

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Agricultural Policies in OECD Countries
Monitoring and Evaluation 2009

Data improvements implemented in the 2009 PSE/CSE Database

A number of data improvements have been introduced in the support estimates presented in this Report, which in many cases were possible due to inputs from OECD member countries. This is part of the constant effort to maintain the quality of the estimations and ensure consistent coverage of policy measures across countries in terms of the types of policies included in the estimations and their classification across categories of agricultural support. Improvements made across countries and in each country are presented below; specifically highlighted is the coverage in the country databases of sub-national payments to support agriculture.

Cross-country improvements

The OECD Secretariat has made improvements in the data quality and coverage of irrigation, drainage and aquatic ecosystem services included in the PSE and GSSE estimates, on the basis of answers to a questionnaire sent to countries in January 2009.

Australia

Calculation of Market Price Support (MPS) for milk has been revised back to 2000. Specifically, new price series for manufacturing-quality milk, published by the Australian Bureau of Agricultural and Resource Economics, were applied.

Several changes in the classification of payments to the different PSE categories have been made. The programme *Exceptional Circumstances Interest Rate Subsidy* has been re-classified into the PSE category "Payments based on input use". This reflects the implementation details of the programme more appropriately and brings it into line with how similar programmes are treated in other countries.

Sub-national payments are included in the Australian database. Most of them fall into the GSSE categories. Additional information on state-level programmes has been obtained, allowing for a more accurate classification of these programmes. In the future, improvements in the treatment of sub-national payments will focus on more accurate classification across the PSE, CSE, and GSSE categories, as more detailed information about the implementation of programmes becomes available. The sub-national programmes that require further improvements in the classification represent, however, a very small share of total support.

Canada

Sub-national payments are recorded in both the PSE and the GSSE, identifying payments provided by each province. In the PSE, these payments are classified in the same manner as Federal payments (this has been improved since 2007 with greater

disaggregation). Where programmes are cost-shared between the Federal and Provincial governments, the programme is reported in two separate lines in the database, one relating to the Federal portion and one to the Provincial portion of the programme.

European Union

During the previous year's monitoring cycle, specific effort was made to improve the coverage of expenditures by individual EU member states and their regions in the EU database. These expenditures continue to be reported. In some cases, where updated information for 2008 was not available, the Secretariat prepared its own estimations. For several past years in some countries, the Secretariat also used its own estimations for regional expenditures (*i.e.* for payments below the national level in EU member countries).

Iceland

Numerous improvements have been introduced into Iceland's PSE database. Data series on the total value of production and consumption by commodity have been updated. Budgetary payments have been substantially revised. The data on several programmes have been refined, while some programmes have been excluded from estimations because they are not specific to agriculture. In particular, capital grants available throughout the economy were excluded. In addition, some policies, previously reported as part of aggregations, have been disaggregated and classified more accurately. This concerns the *disease control programme*, which has been sub-divided into measures related to *contagious diseases* and *abattoir surveillance costs* and *salmonella control* (all classified to PSE category "Payments based on on-farm services"). A programme for *animal breed improvement*, classified in PSE category "Payments based on fixed capital formation", has been disaggregated into five sub-programmes, now classified in PSE categories "Payments based on capital formation" and "Payments based on on-farm services" and to GSSE category "Research and development". Individual components of GSSE expenditures have been shown explicitly for the first time. Previously, only aggregate GSSE expenditure was available.

Japan

Rice has been included in the estimation of Excess Feed Cost (for 2007 and 2008).

Sub-national payments were included in support estimates for Japan for the first time in the 2008 Monitoring and Evaluation report and continue to be included. Sub-national payments account for 10% of all budgetary transfers in the PSE and 23% of the GSSE.

Korea

MPS estimates for beef, pigmeat and poultry meat have been improved with transportation costs and slaughtering costs updated back to 2000.

Only payments made at the central government level are reported in the Korean database, while local or provincial-level expenditure for agriculture are not.

Mexico

Excess Feed Cost calculations have been revised and updated back to 1996 based on new information provided by Mexico.

Expenditures from sub-national (State) budgets are not systematically covered in the Mexican PSE. However, the most important state-level expenditure on agriculture is included. It concerns programmes within the ALIANZA framework which, since 2008, are grouped into a single programme *Investments in Productive Assets*, co-financed by the Federal and State governments.

New Zealand

Sub-national payments are covered in New Zealand's estimates of support. They are recorded in the PSE category "Payments based on on-farm services" (outlays by regional councils for pest control) and in GSSE category "Infrastructure" (Soil conservation/Flood control and drainage).

Norway

Some improvements in the classification of programmes were implemented, including *Regional Deficiency Payment* for eggs (now classified in PSE category "Payments based on output") and *Support for Grazing Animals* (now classified in PSE category "Payments based on current Area, Animal Numbers, Receipts, Income: Production required").

Sub-national payments are included in the Norwegian support estimates.

Switzerland

Aggregate sub-national payments – the payments provided by Cantons – are presented without detailed disaggregation. Half of this amount is allocated to PSE category "Miscellaneous", and the remainder to GSSE category "Infrastructure". Payments from Cantons are relatively small compared to Federal expenditures.

Turkey

Disaggregated data on area-based *diesel payments* and *fertiliser payments* were provided by Turkey. These two programmes are now reported separately and re-classified respectively into PSE category "Payments based on current Area, Animal Numbers, Receipts, Income: Production required". Before they were reported as part of *Direct Income Support Payments* (classified to PSE category "Payments based on non-current Area, Animal Numbers, Receipts, Income: Production Not Required").

In the future, a study on Turkish agricultural policies will investigate further the extent of sub-national expenditures in support for agriculture in Turkey.

United States

Cotton has been included in the list of MPS commodities. The price gap for cotton is calculated based on the same method as used for wheat, barley, rice, pig meat, poultry meat and eggs. The price gap is assumed to be equal to the average unit value of export subsidy for cotton (*i.e.* total value of export subsidies for the crop year divided by total exports of cotton).

Sub-national (State-level) expenditures are included in the US database and work is underway with a view to updating and refining the data.

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Agricultural Policies in OECD Countries

MONITORING AND EVALUATION

Overall support to farmers in OECD countries has been declining. In 2008, it was 21% of farmers' gross receipts, down from 22% in 2007 and 26% in 2006. This is the lowest level since the mid-1980s. This report shows that the decline has largely been due to a narrowing of the gap between domestic and world agricultural commodity prices. Progress has been made in decoupling support from production, but production-linked support is still significant. There are wide variations in the levels and composition of support across countries.

The report also focuses on the impacts of the current financial and economic crisis on agriculture, and the policy responses. Agriculture is expected to fare better than many other sectors. It has a relatively smaller financial exposure, demand is less sensitive to income falls, and the existing set of support policies in many countries can dampen the impact of the crisis. Governments are facing tighter fiscal conditions, which is likely to prompt further review of support policies, including for agriculture.

The 2008 United States Farm Act, the Health Check of the European Union's Common Agricultural Policy and the new Growing Forward policy framework in Canada are also reviewed in the report. A special feature in the report focuses on agri-environmental policies in OECD countries.

This report is a unique source of up-to-date estimates of support to agriculture. It provides an overview of agricultural support in the OECD area, complemented by individual chapters on agricultural policy developments in all OECD countries. Data for the calculations of support are available on line at ***www.oecd.org/tad/support/psecse***.

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