

OECD Reports Agriculture Supports Decreased in 2001

Note: In the text "billion" equals 1,000 million.)

Executive Summary

Support to agricultural producers in OECD countries decreased for the second consecutive year, but remains above the lowest level, reached in 1997. There has been some movement towards greater market orientation and lower support and protection since the mid-'80s, but wide differences remain across countries and commodities.

Despite some shift away from market price support and) output payments, these remain as the dominant forms of support in most countries, impeding the transmission of world market signals to producers and distorting production and trade. Although there has been some progress in agricultural policy reform, it has been slow, variable, and insufficient.

A quiet year for reform but the policy debate is changing. Few agricultural policy reform programmes were introduced in 2001 and some previously announced reforms were delayed. Policy discussion in many countries focused on areas such as sustainable development, food safety, environment, rural development, the multifunctional role of agriculture, market concentration and competition policy, but actual policy changes in these areas were few.

Institutional changes in some countries reflected the increasing priority given to food safety and rural development issues. Emergency measures were applied once again in some countries in response to Bovine Spongiform Encephalopathy (BSE), Foot and Mouth Disease, market developments and crop failures. In a few OECD countries, new price support policies were introduced or existing ones extended to new products.

Total support to agriculture amounted to US \$311 billion (EUR 347 billion). About three-quarters of total support [estimate] to agriculture (TSE) went to producers while the remainder was used to provide general services (e.g. infrastructure, inspection, research and marketing). Total support to agriculture decreased by USD 10 billion from 2000, accounting for 1.3 percent of the GDP [gross domestic product] in the OECD area, compared with 2.3 percent in 1986-88.

Support to producers decreased slightly in 2001. Support to agricultural producers accounted for 31 percent of total farm receipts (percent PSE) [producer support estimate] in the OECD area in 2001, compared with 32 percent in 2000 and 38 percent in 1986-88. As in 2000, the decrease mainly reflected an increase in world prices, causing a fall in price support.

Market price support and output payments remain dominant. The share of market price support and output payments, which are among the most production and trade distorting measures, remained high at 69 percent of producer support, though down from 82 percent in 1986-88. Prices received by OECD farmers in 2001 were still on average 31 percent above world prices, compared with 58 percent in the mid-80s, shielding farmers in many countries from world market signals.

A smaller share of receipts from government intervention. Gross farm receipts were on average 45 percent higher in 2001 than they would have been at world prices without any support, compared with 62 percent in 1986-88. This indicates some improvement in market orientation with a bigger share of farm receipts generated at world prices and a smaller share by government intervention. Significant differences remain across countries and commodities.

Wide range of support levels across the OECD. Support levels in 2001 remained lowest in New Zealand (1 percent PSE) and Australia (4 percent PSE), and highest in Iceland, Japan, Korea, Norway and Switzerland (around or over 60 percent PSE). Among the high support countries, there has been a shift away from the most distorting forms of support in Iceland, Norway and Switzerland since the mid-80s. The percent PSE in the European Union accession countries -- Czech Republic, Hungary, Poland, Slovak Republic and Turkey, fell to under 20 percent, compared with 35 percent in the European Union. The percent PSE for Mexico, Canada and the United States is around or less than 20 percent.

Wide variation in support levels across commodities. While support decreased for most commodities relative to the 1986-88 averages, support across commodities varies widely. The percent PSE in 2001 was greater than 80 percent for rice, 55 percent for sheep meat, 45 percent for sugar and milk, 36 percent for wheat and beef, between 15 percent and 30 percent for poultry, pigmeat, oilseeds and maize, and less than ...

... 10 percent for eggs and wool. Virtually all support to sugar, milk and rice is market price support, which is potentially the most production and trade distorting policy measure.

Modest progress in agricultural policy reform since the mid-80s. Overall, the level of support and protection to agriculture has decreased since the mid-80s and there has been some shift towards less distorting policy measures. These developments have the potential to cause less environmental pressure and to be more effective in transferring income to farmers and in achieving other policy goals. Nevertheless, the continued dominance of the most distorting forms of support means that farmers remain shielded from world markets signals. The current support levels impose a burden on consumers and taxpayers in the OECD countries. They also constrain agricultural growth and development opportunities in non-OECD countries. WTO [World Trade Organization]

Ministers recognised this in the Doha Declaration by placing the needs and interests of the developing countries at the heart of their Work Programme. Given the slow and variable pace of implementation of the agricultural policy reform agreed by OECD Ministers, greater efforts are still needed. The challenge is to further reduce support, ensure well functioning markets, implement better targeted measures that are less production and trade distorting, and effectively address both domestic and international goals.

OECD: Producer Support Estimate (percent of total farm receipts) by Country

	1986-88	1999-2000	1999	2000	2001
Australia	9	5	6	4	4
Canada	34	18	18	19	17
European Union	42	36	39	34	35
Japan	62	60	61	61	59
Korea	70	66	66	67	64
Mexico	-1	18	15	19	19
New Zealand	11	1	1	1	1
Norway	66	66	67	64	67
Poland	4	12	19	7	10
Switzerland	73	70	72	70	69
Turkey	14	21	23	24	25
United States	25	23	25	22	21
OECD	38	33	35	32	31

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Economic Impact of Biotechnology.

The following report was prepared by the Federal Reserve Bank of Dallas and looks at the impact of the biotechnology industry on the US economy, using the Ernst & Young, *Biotechnology Industry Report: Convergence, 2000* as a major reference.

For those interested in the historical background of the current biotech sector, the article contains a time line – stretching from mans first antibiotic, moldy soybean curds used to treat boils (China), to the development of the term 'biotechnology' in 1919, through to the current human genome project. The article looks at both the health care and agriculture sectors and makes some interesting observations on biotech value multipliers. Find the report at <http://www.agrifood.info/Biotechnology/Articles/EcolImpactofBiotech.pdf>

EXPORT PRACTICES WORKSHOP - 18 & 19 June 2002, Canberra

Opening Address by The Hon Mark Vaile MP, Minister for Trade - Presenters include, Jim Kennedy – Executive Director, Supermarket to Asia, Ian Murray – Executive Director, Australian Institute of Export, Dianne Tipping – Managing Director, Exxon, Neville Yuill – Director, Australian Institute of Export & former international banker, Geoff Farnsworth – Special Counsel, Blake Dawson Waldron

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