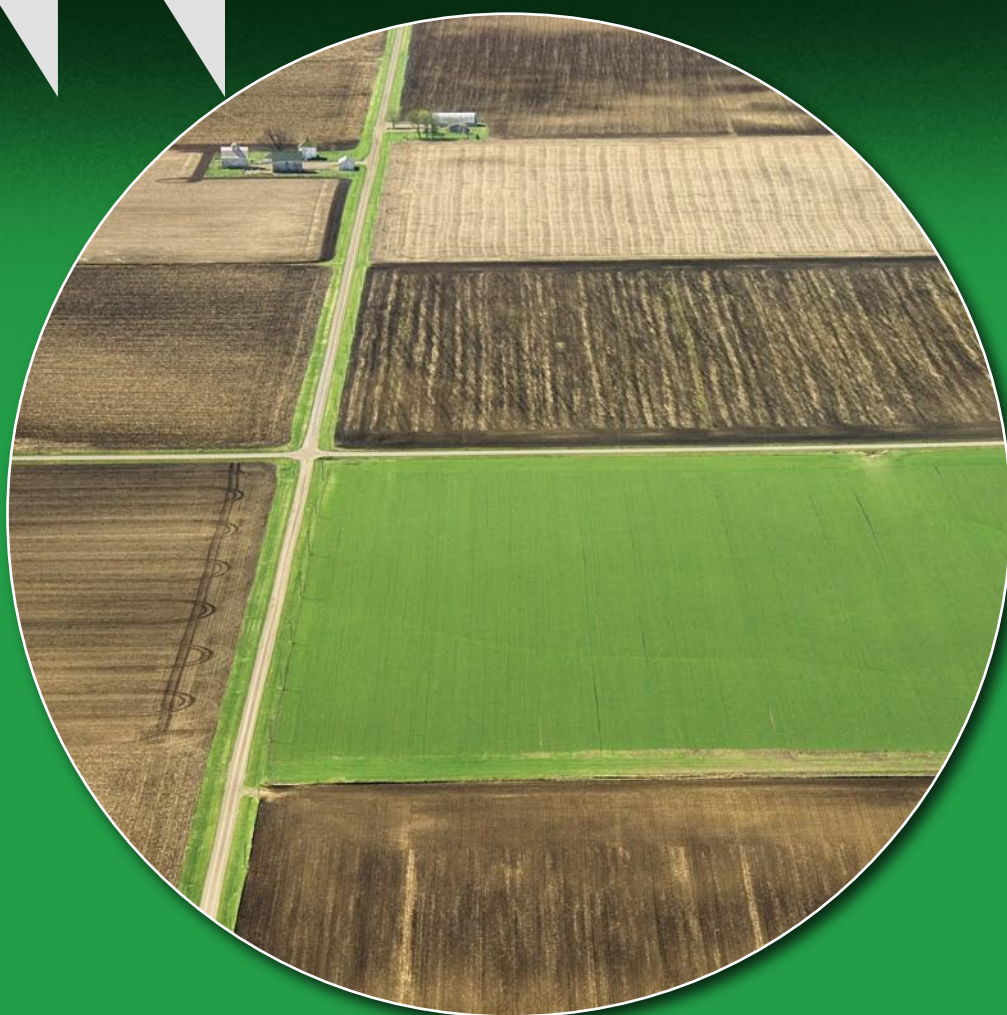




Agricultural Policies in OECD Countries

MONITORING AND EVALUATION 2007



Agricultural Policies in OECD Countries

MONITORING AND EVALUATION 2007



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.



Also available in French under the title:

Les politiques agricoles des pays de l'OCDE
SUIVI ET ÉVALUATION 2007

Corrigenda to OECD publications may be found on line at: www.oecd.org/publishing/corrigenda.

© OECD 2007

No reproduction, copy, transmission or translation of this publication may be made without written permission. Applications should be sent to OECD Publishing rights@oecd.org or by fax 33 1 45 24 99 30. Permission to photocopy a portion of this work should be addressed to the Centre français d'exploitation du droit de copie (CFC), 20, rue des Grands-Augustins, 75006 Paris, France, fax 33 1 46 34 67 19, contact@cfcopies.com or (for US only) to Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, MA 01923, USA, fax 1 978 646 8600, info@copyright.com.

Foreword

This is the 18th annual report in a series examining agricultural policies in OECD countries. In alternate years this information is published in the shorter *Agricultural Policies in OECD Countries: At a Glance*. These two publications respond to the request by OECD ministers to annually monitor and evaluate the implementation of the principles for agricultural policy reform. The Secretariat uses a comprehensive system for measuring and classifying support to agriculture in order to provide insight into the increasingly complex nature of agricultural policy.

Ongoing changes in agricultural policies require that the methods used to calculate and present the Producer and Consumer Support Estimates (PSEs and CSEs) and related indicators be reviewed periodically. In 2006, OECD member countries agreed to a new classification of policy measures within the PSE and to a new calculation of commodity specific support. It should be noted that the classification of policies continues to be according to how they are implemented. The details of the new classification and calculation of commodity specific support are given in Chapter 3 of this report.

The 2007 edition of the report *Agricultural Policies in OECD Countries: Monitoring and Evaluation* is the first time that the new classification of policy measures in the PSE and the new calculations of commodity specific PSEs are presented. More categories and subcategories (labels) are in the new classification than previously, and in order to accurately classify policy measures it is necessary to have more detailed information as to the design and implementation characteristics of policy measures and the associated levels of support. This required close co-operation with member countries and a consistent approach to classifying policy measures across OECD countries. For some policy measures in some countries there are information and data gaps concerning the implementation of policies that made the classification task difficult. In future editions of the report, in the light of better information and data, and refinements in applying the classification system, the necessary adjustments will be made, in co-operation with member countries.

This edition has three parts. Part I provides an overall description of policy developments and assessment of agricultural support in member countries. It also includes a special chapter on the new PSE method applied in the report. Part II contains country chapters that describe, summarise and evaluate policy developments in individual member countries and six countries which are now part of the EU but not members of the OECD. Part III contains additional statistics on support and related indicators.

Acknowledgements

This edition was prepared by the Trade and Agriculture Directorate of the OECD with the active participation of member countries. The following people from the OECD Secretariat contributed to drafting this report: Václav Vojtech (co-ordinator), Ken Ash, Morvarid Bagherzadeh, Carmel Cahill, Andrea Cattaneo, Dimitris Diakosavvas, Hsin Huang, Il Jeong Jeong, Joanna Paulina Komorowska, Osamu Kubota, Jussi Lankoski, Wilfrid Legg, Roger Martini, Alexandra de Matos Nunes, Olga Melyukhina, Catherine Moreddu, Kevin Parris, Véronique de Saint-Martin, Peter Talks, Stefan Tangermann, Frank van Tongeren and Monika Tothová. Alexandra de Matos Nunes co-ordinated the preparation of the main tables and graphs. Statistical assistance was provided by Joanna Paulina Komorowska, Laetitia Reille, Véronique de Saint-Martin and Noura Takrouri-Jolly. Secretarial services were provided by Françoise Bénicourt, Marina Giacalone and Michèle Patterson. Technical assistance and programming in the preparation of the new PSE/CSE database was provided by Eric Espinasse and Frano Ilicic. Many other colleagues in the OECD Secretariat made useful comments in drafting the report.

This book has...



StatLinks 

**A service that delivers Excel® files
from the printed page!**

Look for the *StatLinks* at the bottom right-hand corner of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser, starting with the <http://dx.doi.org> prefix.

If you're reading the PDF e-book edition, and your PC is connected to the Internet, simply click on the link. You'll find *StatLinks* appearing in more OECD books.

Table of Contents

Executive Summary	11
--------------------------------	----

Part I

Main Policy Developments and Evaluation

Chapter 1. Main Policy Developments in 2005 and 2006	17
1.1. Developments in domestic policies	18
1.2. Developments in trade policy	29
Chapter 2. Evaluation of Support Policy Developments	35
Annex 2.A1. Policy Principles	60
Annex 2.A2. Operational Criteria	61
Chapter 3. The New PSE Classification	63
3.1. Introduction	64
3.2. Measuring agricultural support	64
3.3. Changes in the PSE methodology applied in this report	65
3.4. Indicators used in policy analysis	70
3.5. The use of the new classification and related indicators in policy analysis ..	71
Annex 3.A1. Definitions of the OECD Indicators of Support	73
Annex 3.A2. Commodity Groups Applied in Member Countries	75

Part II

Country Chapters

Chapter 4. Australia	82
Chapter 5. Canada	92
Chapter 6. European Union	99
Chapter 7. Iceland	167
Chapter 8. Japan	173
Chapter 9. Korea	181
Chapter 10. Mexico	189
Chapter 11. New Zealand	195
Chapter 12. Norway	203
Chapter 13. Switzerland	213
Chapter 14. Turkey	222
Chapter 15. United States	231

Part III

Summary Tables of Estimates of Support for OECD countries

• • •

List of Boxes

2.1.	How are support policy developments evaluated?	36
2.2.	How are the %PSE and NAC measured?	44
2.3.	What has OECD analysis concluded about the impacts of producer support?	56
3.1.	Previous classification of PSE and related support indicators	66
3.2.	New PSE classification	67
3.3.	Definitions of categories in the new PSE classification	68
4.1.	Australia: Commodity-Specificity of Support	84
4.2.	Australia: Proposed National Plan for Water Security	88
5.1.	Canada: Commodity-Specificity of Support	95
6.1.	European Union: Commodity-Specificity of Support	101
6.2.	European Union: The 2006 sugar reform	107
6.3.	European Commission: Commission proposals for fruit and vegetable reform	110
7.1.	Iceland: Commodity-Specificity of Support	170
8.1.	Japan: Commodity-Specificity of Support	176
9.1.	Korea: Commodity-Specificity of Support	184
10.1.	Mexico: Commodity-Specificity of Support	192
11.1.	New Zealand: Commodity-Specificity of Support	198
12.1.	Norway: Commodity-Specificity of Support	206
13.1.	Switzerland: Commodity-Specificity of Support	216
13.2.	Switzerland: Agricultural Policy 2011	218
14.1.	Turkey: Commodity-specificity of support	225
15.1.	United States: Commodity-specificity of support	234
15.2.	The 2007 US Farm Bill: Highlights of the Administration's Proposal of 31 January 2007	236
15.3.	United States: Conservation Reserve Program (CRP) general sign-up and re-enrolments	238

List of Tables

2.1.	OECD: Estimates of support to agriculture	38
2.2.	OECD: Estimates of support to agriculture	39
2.3.	Contribution to change in Producer Support Estimate by country, 2005 to 2006	40
2.4a.	Contribution to change in Market Price Support by country, 2005 to 2006	41
2.4b.	Contribution to change in Border Price by country, 2005 to 2006	42
2.5.	Composition of General Support Services Estimate by country	52
4.1.	Australia: Estimates of support to agriculture	85
5.1.	Canada: Estimates of support to agriculture	94
6.1.	European Union: Estimates of support to agriculture (EU25 from 2004)	103
6.2.	European Union: Estimates of support to agriculture (EU15)	104
6.3.	European Union: Selected institutional prices	107
6.A2.1.	European Union: Overview of the implementation of direct payments under the CAP in member states	161

7.1. Iceland: Estimates of support to agriculture	169
7.2. Iceland: Administered prices for milk	171
8.1. Japan: Estimates of support to agriculture	175
8.2. Japan: Administered prices	179
8.3. Japan: Guaranteed prices for calves per head.	179
9.1. Korea: Estimates of support to agriculture	183
9.2. Korea: Government purchase prices and quantities of major cereals	186
10.1. Mexico: Estimates of support to agriculture	191
11.1. New Zealand: Estimates of support to agriculture.	197
12.1. Norway: Estimates of support to agriculture	205
12.2. Norway: Administered prices	209
12.3. Norway: Average marketing fees 2005, and per cent change in 2006 and 2007	209
12.4. Norway: Headage payments	212
13.1. Switzerland: Estimates of support to agriculture.	215
13.2. Switzerland: Outlays for direct payments.	220
14.1. Turkey: Estimates of support to agriculture	224
14.2. Turkey: Purchasing prices for cereals, sugar and tobacco	227
14.3. Turkey: Export subsidy rates, 2006.	230
15.1. United States: Estimates of support to agriculture	233
15.2. United States: Payment rates for crops and milk for 2005-06	237
III.1. OECD: Producer Support Estimate by country	242
III.2. OECD: Breakdown of PSE by degree of commodity specificity	244
III.3. OECD: Consumer Support Estimate by country	246
III.4. OECD: General Services Support Estimate by country.	248
III.5. OECD: Total Support Estimate by country.	249
III.6. OECD: Composition of Producer Support Estimate by country	250
III.7. OECD: Characteristics of policy support by country	253
III.8. Australia: Breakdown of PSE by degree of commodity specificity	255
III.9. Canada: Breakdown of PSE by degree of commodity specificity	257
III.10a. European Union: Breakdown of PSE by degree of commodity specificity (EU25 from 2004)	259
III.10b. European Union: Breakdown of PSE by degree of commodity specificity (EU15)	261
III.11. Iceland: Breakdown of PSE by degree of commodity specificity	263
III.12. Japan: Breakdown of PSE by degree of commodity specificity	264
III.13. Korea: Breakdown of PSE by degree of commodity specificity.	266
III.14. Mexico: Breakdown of PSE by degree of commodity specificity	267
III.15. New Zealand: Breakdown of PSE by degree of commodity specificity	269
III.16. Norway: Breakdown of PSE by degree of commodity specificity	271
III.17. Switzerland: Breakdown of PSE by degree of commodity specificity	273
III.18. Turkey: Breakdown of PSE by degree of commodity specificity	275
III.19. United States: Breakdown of PSE by degree of commodity specificity	277
III.20. Australia: Payments made on the basis of area, animal numbers, receipts or income.	279
III.21. Canada: Payments made on the basis of area, animal numbers, receipts or income.	279
III.22. European Union: Payments made on the basis of area, animal numbers, receipts or income.	280

III.23. Iceland: Payments made on the basis of area, animal numbers, receipts or income.	280
III.24. Japan: Payments made on the basis of area, animal numbers, receipts or income.	281
III.25. Korea: Payments made on the basis of area, animal numbers, receipts or income.	281
III.26. Mexico: Payments made on the basis of area, animal numbers, receipts or income.	282
III.27. New Zealand: Payments made on the basis of area, animal numbers, receipts or income.	282
III.28. Norway: Payments made on the basis of area, animal numbers, receipts or income.	283
III.29. Switzerland: Payments made on the basis of area, animal numbers, receipts or income.	283
III.30. Turkey: Payments made on the basis of area, animal numbers, receipts or income.	284
III.31. United States: Payments made on the basis of area, animal numbers, receipts or income.	284

List of Figures

2.1. Evolution of OECD Producer Support Estimate (%PSE), Producer Nominal Protection Coefficient (NPCp) and Producer Nominal Assistance Coefficient (NACp)	37
2.2. Producer Support Estimate by Country	43
2.3. Producer Nominal Assistance Coefficient by country	45
2.4. OECD: Composition of Producer Support Estimate	45
2.5. Composition of Producer Support Estimate by Country, 1986-88 and 2004-06	46
2.6. Producer Nominal Protection Coefficient by country	47
2.7. Consumer Support Estimate by country	48
2.8. OECD: Single Commodity Transfers, 1986-88 and 2004-06	49
2.9. OECD: Producer Nominal Protection Coefficient by commodity	50
2.10. OECD: Composition of producer support degree of commodity flexibility.	50
2.11. Use of payments not requiring production, by country	51
2.12. Total Support Estimate by country.	54
2.13. OECD: Changes in the level and composition producer support.	55
4.1. Australia: Producer Support Estimate by country, 2004-06.	82
4.2. Australia: PSE level and composition by support categories, 1986-2006.	83
4.3. Australia: Producer SCT by commodity, 2004-06	83
4.4. Australia: PSE level and commodity specificity, 1986-2006	84
5.1. Canada: Producer Support Estimate by country, 2004-06	92
5.2. Canada: PSE level and composition by support categories, 1986-2006	93
5.3. Canada: Producer SCT by commodity, 2004-06	93
5.4. Canada: PSE level and commodity specificity, 1986-2006.	95
6.1. European Union: Producer Support Estimate by country, 2004-06	99
6.2. European Union: PSE level and composition by support categories, 1986-2006	100
6.3. European Union: Producer SCT by commodity, 2004-06.	100
6.4. European Union: PSE level and commodity specificity	101
6.5. European Union: Components of GCT	101

7.1.	Iceland: Producer Support Estimate by country, 2004-06	167
7.2.	Iceland: PSE level and composition by support categories, 1986-2006	168
7.3.	Iceland: Producer SCT by commodity, 2004-06.	168
7.4.	Iceland: PSE level and commodity specificity, 1986-2006	170
8.1.	Japan: Producer Support Estimate by country, 2004-06.	173
8.2.	Japan: PSE level and composition by support categories, 1986-2006	174
8.3.	Japan: Producer SCT by commodity, 2004-06	174
8.4.	Japan: PSE level and commodity specificity, 1986-2006.	176
9.1.	Korea: Producer Support Estimate by country, 2004-06	181
9.2.	Korea: PSE level and composition by support categories, 1986-2006.	182
9.3.	Korea: Producer SCT by commodity, 2004-06	182
9.4.	Korea: PSE level and commodity specificity, 1986-2006	184
10.1.	Mexico: Producer Support Estimate by country, 2004-06	189
10.2.	Mexico: PSE level and composition by support categories, 1986-2006.	190
10.3.	Mexico: Producer SCT by commodity, 2004-06.	190
10.4.	Mexico: PSE level and commodity specificity, 1986-2006	192
11.1.	New Zealand: Producer Support Estimate by country, 2004-06	195
11.2.	New Zealand: PSE level and composition by support categories, 1986-2006	196
11.3.	New Zealand: Producer SCT by commodity, 2004-06	196
11.4.	New Zealand: PSE level and commodity specificity, 1986-2006.	198
12.1.	Norway: Producer Support Estimate by country, 2004-06.	203
12.2.	Norway: PSE level and composition by support categories, 1986-2006.	204
12.3.	Norway: Producer SCT by commodity, 2004-06	204
12.4.	Norway: PSE level and commodity specificity, 1986-2006.	206
12.5.	Norway: Components of GCT	206
13.1.	Switzerland: Producer Support Estimate by country, 2004-06	213
13.2.	Switzerland: PSE level and composition by support categories, 1986-2006	214
13.3.	Switzerland: Producer SCT by commodity, 2004-06.	214
13.4.	Switzerland: PSE level and commodity specificity, 1986-2006	216
13.5.	Switzerland: Components of GCT.	216
14.1.	Turkey: Producer Support Estimate by country, 2004-06	222
14.2.	Turkey: PSE level and composition by support categories, 1986-2006.	223
14.3.	Turkey: Producer SCT by commodity, 2004-06.	223
14.4.	Turkey: PSE level and commodity specificity, 1986-2006	225
15.1.	United States: Producer Support Estimate by country, 2002-06.	231
15.2.	United States: PSE level and composition by support categories, 1986-2006	232
15.3.	United States: Producer SCT by commodity, 2004-06	232
15.4.	United States: PSE level and commodity specificity, 1986-2006.	234

Executive Summary

Agricultural policies in 2006 were implemented in the context of generally stronger world prices for agricultural commodities and continued US dollar weakness. On the domestic front, reform involved some further decoupling of support in the European Union through the Single Payment Scheme. Korea and Japan have both recently agreed on policy reform measures, while the United States is in the process of proposing new farm legislation to replace the current Farm Bill. Many countries are developing policies to stimulate biofuel production. Ongoing negotiations towards a Doha Development Agenda so far failed to reach agreement despite extensive talks, and the multilateral trade policy situation remained largely unchanged as a result.

As a share of gross farm receipts, the estimated level of support in the OECD area (%PSE) declined from an average 38% of receipts in 1986-88 to 29% in 2004-06. In 2006, the %PSE was 27%, a fall of two percentage points from 2005. However, there has been little change in the level of producer support since the late 1990s for the OECD as a whole. In the most recent period there was progress in the way that support is delivered to producers – through a noticeable shift away from measures linked to the production of specific commodities. But despite a sizeable reduction, production-linked measures still dominate producer support in most countries. As well, there has been only limited progress towards policies targeted to clearly defined objectives and beneficiaries. Better targeting of policies would increase their effectiveness in meeting domestic objectives, enhance efficiency, and improve transparency.

Despite some reduction, OECD agriculture continues to be characterised by high support

In 2006, support to producers in the OECD area was estimated at USD 268 billion or EUR 214 billion and accounted for 27% of farm receipts. There has been a reduction of support as a share of farm receipts in the period 2004-06, relative to 1986-88. Together with support for general services to agriculture such as research, infrastructure, inspection, marketing and promotion, total support to the agricultural sector (%TSE) was equivalent to 1.1% of OECD GDP in 2004-06, this is less than half of the 1986-88 average of 2.5%.

Large differences in the level of support persist between countries

While support has declined compared with 1986-88, wide differences remain in the level of support among countries. Support to producers in 2004-06 was around 1% of farm receipts in New Zealand and 5% in Australia. It was 14% in the United States and Mexico, 22% in

Canada, and 24% in Turkey. At 34%, the level of support in the European Union was 5 percentage points above the OECD average. Support was 55% of farm receipts in Japan and over 60% in Iceland, Norway, Korea and Switzerland.

Progress in reducing the level of support remains uneven across countries

Since 1986-88, producer support as a percentage of farm receipts has fallen most in Canada, Mexico (since 1991-93) and New Zealand. Among the high support countries, the greatest reductions have occurred in Iceland, Switzerland and Japan. Total support to agriculture expressed as a share of GDP has also fallen in all OECD countries, while the high share of total support in Turkey reflects the large agricultural sector and relatively low GDP.

Greater progress has been made in changing the way in which support is provided to producers

The share of the most production and trade distorting forms of support – those linked to outputs or variable inputs – declined from 86% of producer support in 1986-88 to 64% in 2004-06 in the OECD area. A decrease in production-linked support (including market price support, reflecting mainly border protection measures) is also shown by a significant reduction in the gap between domestic producer and border prices (as measured by the producer nominal protection coefficient, NPC). In 1986-88, average OECD producer prices were 51% higher than border prices; by 2004-06 the gap had halved to 25%. The largest reductions in the gap have occurred in Switzerland, Norway and Iceland, but producer prices are still more than twice border prices in these countries, as is also the case in Japan and Korea. Reductions in the most distorting forms of support have been accompanied by increases in payments based on current or non-current area, animal numbers, revenues or incomes. In the most recent years the payments not requiring any production grew in importance. Cross-compliance conditions, especially environmental, are increasingly being attached to payments.

Most support is still for specific commodities, but policies allowing more flexibility to producers are growing in importance.

Single commodity transfers (SCT) remain the most important component of the PSE, although their share in total producer support declined from 88% in 1986-88 to 64% in 2004-06. The reduction of transfers targeted to a single commodity has been uneven across commodities. While the SCT share in producer receipts for milk, eggs, grains and oilseeds fell by more than half, other traditionally highly protected sectors such as rice and sugar have experienced only a small decline (they remain the commodities with the highest percentage SCT and NPC). Support over the years has evolved towards budgetary payments less tied to producing a specific commodity (and therefore not in the SCT), either by allowing a group of commodities (or all commodities) to be eligible for a payment, or by having no production requirement to receive payment.

*A number of important policy changes
were implemented during 2005 and 2006...*

The implementation of the 2003 Common Agricultural Policy reform continued in the European Union with the introduction of the Single Payment Scheme starting in 2005, and extension of the reform to the sugar sector in 2006. A new Rural Development Regulation was adopted for the 2007-13 period, with EU countries developing their implementation programmes. Iceland is gradually replacing milk payments based on output by headage payments (2005-12). A new basic plan for Food, Agriculture and Rural Areas was established in Japan. One of its features was the introduction, from 2007, of new direct payments giving more flexibility in production decisions to producers. Korea began implementing revisions to its rice policy that include the abolition of government purchasing and the introduction of direct payments. Switzerland is gradually phasing out the milk quota production system.

... and some new changes are under consideration

The United States is in the final year of the 2002-07 Farm Bill and proposals for the new Farm Bill are under way. Switzerland's New Agricultural Policy proposals for 2007-11 (AP 2011) imply further moving away from measures supporting commodity prices.

*Multilateral agricultural trade negotiations
resumed, but a successful outcome remains
elusive*

The Doha Development Agenda (DDA) round of trade negotiations continued under the auspices of the WTO, but no conclusion was reached, and negotiations on bilateral and regional trade agreements increased. Progress in the multilateral trade negotiations would provide an added incentive for further agricultural policy reform.

PART I

Main Policy Developments and Evaluation

PART I
Chapter 1

Main Policy Developments in 2005 and 2006

This chapter highlights the major changes and new initiatives in agricultural policy in OECD countries in 2005 and 2006. These changes are described in detail in the country chapters of Part II. Agricultural policy developments in 2005-06 were dominated by the implementation of policy reforms decided in earlier years mainly in European Union, Japan and Korea. There was a general move towards allowing farmers more flexibility as to what they are required to produce to be eligible for support, or not to produce at all. Constraints on farming practices are becoming more frequent through more regulation and compliance conditions. Government involvement in promoting renewable energy sources from agriculture also grew.

Agricultural policy developments in 2005–06 were dominated by the implementation of policy reforms decided in earlier years mainly in the EU, Japan and Korea. There was a general move towards allowing farmers more flexibility as to what they are required to produce to be eligible for support, or not to produce at all. Constraints on farming practices are becoming more frequent through more regulation and compliance conditions. Government involvement in promoting renewable energy sources from agriculture also grew.

Many countries were involved in preparing for new farm legislation. They share the goals of a competitive farm sector in the global economy, while protecting the environment and rural areas and meeting the broader concerns of society. In the international arena, no conclusion was reached in the multilateral negotiations in the Doha Development Agenda, but there was a proliferation of negotiations on bilateral and regional trade agreements.

The increases in many commodity prices on world markets resulted in a fall in market price support. In recent years there has been a tendency towards some convergence of policies across OECD countries – a greater role for market signals to guide production decisions, increased attention to policies to address a wider set of objectives and reflections on the appropriate roles of agricultural and other policies. Nevertheless, the experiences of OECD countries have varied in the depth, breadth and pace of reform.

1.1. Developments in domestic policies

Objectives are wide ranging and instruments and implementation mechanisms are adjusting

The objectives of agricultural policy are extensive ranging from farm income maintenance, farm and agri-food business competitiveness, environmental sustainability, resource management and pollution control, to food security and food safety, food quality, alleviation of climate change risk, animal welfare, rural viability and preservation of culturally valuable landscapes.

Within the broad suite of policy instruments, countries are gradually steering away from the least targeted and most distorting forms of support to less distorting ones. Price support measures, such as administered prices, import tariffs and export subsidies, are being progressively reduced. Budgetary payments are increasingly subject to environmental and other cross compliance requirements although they are also income supporting. Governments continue to take the decoupling route while also trying to increase the competitiveness of the agri-food sectors. Yet, in the absence of trade reform, abolition of the most distorting measures might not trigger all the adjustments needed.

Decentralisation, delegation of responsibilities and co-financing to subnational and regional authorities continued across OECD countries. In some countries, rural development strategies are progressively moving away from a largely agricultural focus in less-favoured areas, to broader, more territorially based policies.

The PSE reflects exogenous market and other developments as well as changes in policies across countries. For example the presence of border measures may prevent the transmission of lower world prices into domestic markets, thus increasing market price support even though there are no other policy changes.

New policies were implemented in the EU

The introduction of Single Payment Schemes in the **European Union (EU)** further increased the flexibility afforded to farmers in their production decisions, but some commodity-linked area and headage payments remained in some EU countries. Depending on the country, the single payment was implemented over the two years 2005 and 2006, with a gradual inclusion of dairy payments between 2005 and 2007. As a result, payments not based on current commodity parameters and not requiring production (category E) now represent 28% of the EU PSE. Efforts were made to simplify the implementation of the CAP and budgetary discipline was reinforced.

Specific transitional schemes apply in new **EU** member states. Most apply the Single Area Payment Scheme (SAPS), under which each hectare receives the same payment rate, until 2010. New member states received 30% of the EU15 direct payment rate in 2005, 35% in 2006 and 40% in 2007. Most EU member states, though, complemented EU funds with Complementary National Direct payments (CNDP or top-up payments) from national funds granted as commodity-specific area or headage payments. In some countries they were co-financed from Rural Development Regulation funds. Bulgaria and Romania joined the **EU** in January 2007 and from that date have begun to apply the CAP.

A significant reform of the sugar support regime in the **EU** came into force in July 2006. The reform includes a reduction of guaranteed prices over four years, the abolition of intervention and establishment of a private storage system in case the market price falls below the reference price, a single quota, the introduction of a charge on farmers producing beyond quota, partial compensation payments to be included in the single payment and a voluntary restructuring scheme, as well as concomitant modifications to preferential import systems.

With respect to market price support measures, the decrease of intervention prices for butter and skimmed milk powder continued in the **EU**, while the sugar reform led to a decrease in the minimum sugar beet price as well as in the safety net price for sugar. Other support prices remained unchanged in 2005 and 2006. **EU** sugar quotas were cut, quotas for starch potatoes rose and milk quotas in the EU15 increased.

Policies in other OECD countries remained largely unchanged, market price support and output payments varied with world prices

2005 and 2006 were marked by generally high commodity prices and several natural calamities. High commodity prices resulted in lower deficiency payments and market price support; natural calamities and outbreaks of animal disease prompted a variety of policy responses resulting in budgetary outlays.

Price support reflecting differences between domestic and world commodity prices saw the largest decrease. In **Korea**, the gap between domestic and border prices fell significantly for rice, milk and poultry and no payments were made from the calf breeding stabilisation scheme. In the **United States**, counter-cyclical payments based on current prices and past production increased by 11% in 2005, but fell by two-thirds in 2006.

Prices administered by governments were not subject to much change. In **Japan** purchasing prices for wheat and barley declined, while selling prices for their products as well as for calves and the floor level of the pigmeat price stabilisation band remained unchanged. **Korean** purchase prices of barley and maize have been held constant since 2001. In **Norway** deficiency payment rates for wool and sheepmeat remained constant. Loan rates, direct payment rates, and target prices in the **United States** were pre-determined for the period 2002-07.

The dismantling of administered prices for milk at the wholesale level in **Iceland** had been scheduled but was then postponed indefinitely. In **Norway** target prices for beef increased in 2005 and for sheepmeat in 2006, as did the deficiency payment rates for goat milk. Purchasing prices in **Turkey** decreased in 2005 for all commodities except tobacco and sugar, but increased for most types of wheat, rye, oats and tobacco in 2006. As scheduled, target prices for cereals in the **United States** increased in 2004, but remained constant in 2005 and 2006.

Production quota developments were not uniform across countries. In **Norway** the maximum milk quota for individual farms was increased, while the total milk quota did not change significantly. The production quota for sugar beet in **Turkey** remained unchanged at its 2002 level. **Switzerland** gradually phased out the milk quota system. By 2006, 63% of producers accounting for 75% of production had already left the quota production system. After the rice policy reform in **Japan**, farmers and farmers' organizations, rather than the government, will decide on production adjustment policies.

Budgetary payments continue to embrace increased flexibility

While most of the **EU** payments that are integrated into the single payment do not require production, some commodity specific payments remain in some countries (such as payments per hectare of cereals, oilseeds, protein crops, rice, dried fodder and energy crops) and livestock payments. Those payments were maintained at their 2004-05 levels adjusted by the coupling rate where relevant. The dairy premium, that will be incorporated into the single payment, was increased in 2005 and 2006 following the cut in support prices. In **Norway** headage payments decreased or remained unchanged for all animals except sheep and suckler goats. New payments were introduced for lamb carcasses and for year-round outdoor grazing of sheep. In **Turkey**, there was an increase in the rate of income support payments granted on a per hectare basis to all registered farmers.

Iceland reduced output based milk payments and introduced a payment based on the number of bovine animals, a payment for animal breeding programmes and a payment for land improvement. Following a sharp fall in rice prices after the abolition of government purchases, **Korea** implemented a two-tier area-based payment system, and these policy changes resulted in a decline of production and cultivated area. The fixed payment element based on historical production increased between 2005 and 2006, while the variable payment element, based on the difference between the target and the current post-harvest price and given only to farmers currently producing rice, decreased. **Japan** decided to introduce three new payments: one based on historical area in a defined and fixed base period to correct geographical handicaps; a second to encourage quality improvement, and a third to mitigate income instabilities due to price and yield fluctuations. Wheat, barley, soybeans, sugar beet and starch potatoes are eligible for all three payments, rice only for the latter. Environmental compliance and other conditions apply.

Most transition programmes in 2005-06 concerned tobacco. **Australia** assists former tobacco growers in re-establishing themselves in alternative economic activities, including off-farm. An adjustment assistance programme in **Canada** also aims to retire base and production quotas for tobacco. The **US** tobacco programme was terminated and tobacco producers and quota holders will receive transition “buy-out” payments, funded by a levy on tobacco manufacturers and importers. Following the 2004 reform of the **EU** tobacco regime, an increasing share of the payment will be gradually included in the single payment up to 2010.

Greater emphasis on environmental sustainability and addressing long-term climate change

Environmental sustainability is usually expressed as emphasis on water protection, limits to air pollution, reduction of pollution from fertilisers and chemicals, protection from soil erosion, and conservation of biodiversity and cultural landscapes. **New Zealand** is developing a sustainable development framework to address the factors helping or hindering the implementation of economically and environmentally sound sustainable development, leading to the development of national frameworks for land and water quality and allocation. In the **United States** the Administration’s proposal for the 2007 Farm Bill increases conservation funding, simplifies and consolidates conservation programmes.

Supplementary payments were paid to producers who apply stricter farmer practices than those required by regulations. **Switzerland, Korea, Norway** and **EU** are providing payments for environmentally friendly farming, environmentally friendly livestock practices and improvement of animal welfare. “Improving the environment and the countryside” is a priority of the new **EU** rural development policy to be implemented from 2007 onwards.

Countries are channelling greater research efforts into studying the effects of climate change on agriculture. The National Agriculture and Climate Change Action Plan in **Australia** identifies four key areas to manage multiple climate change risks to agriculture: adaptation, mitigation, research and development, and awareness and communication. The Action Plan 2000 in **Canada** finances programmes to address agricultural sources of emissions of greenhouse gases. **New Zealand** is developing technologies and systems for improving the economic and environmental performance of agriculture via a research consortium.

Exceptional weather events triggered disaster payments and some new policies

Responding to severe droughts, in 2005 and 2006 the **European Commission** authorised affected farmers to use set-aside land to feed animals and allowed member states to grant advance payments earlier than usual. Additional measures were taken by **EU** member states in the form of temporary tax concessions (social security, value added tax, and personal income tax), opening credit lines to compensate for feed and pasture shortage or to assist with irrigation. **Portugal** approved, in 2005, strategic orientations to recover areas that had been burned in 2003 and 2004. These orientations will also apply to the area devastated by fires in 2005.

The **United States** provided assistance to agricultural producers who suffered losses from natural disasters as well as additional emergency assistance to producers who suffered losses due to hurricane disasters in 2005. Compensation payments were aimed at

livestock, dairy, cottonseed, specialty and nursery crop producers and processors (first handlers in case of cotton) as the loss of electricity, shortage of fuel, and infrastructure damage temporarily interrupted the flow of products to markets. In 2006, **Canada** provided a payment to producers affected by floods to assist in improving and protecting flood-damaged soil until a commercial crop can be planted

With the ongoing drought in **Australia**, nearly half of the drought relief under the Exceptional Circumstances Relief Payment Scheme was provided to farmers as income support in the form of social security payments, small business assistance, business interest subsidies, personal counselling and other support programmes. The government is currently working towards reforming drought policy through negotiations with state governments.

Water shortages and droughts necessitate reflection on new policies

While some countries have started reconsidering their water policies and implementing reform policies, further efforts could include enforcement and trading of water property rights, determination of pricing schemes and allocations, the reform of subsidisation of different uses of water and delegation of competencies to local authorities.

Major initiatives were taken in **Australia**. The implementation of the 2004 water policy reform programme continued in 2005 and 2006, including improvements to water resource accounting, trading, measuring and metering of water. Additional resources were committed from 2005 to 2009 for projects to support installation of water pipelines to agricultural areas, wastewater recycling and improved water management. Australian landholders can claim accelerated depreciation for investments relating to land and water conservation, aimed at improving natural resource management.

The Sustainable Water Programme of Action in **New Zealand**, established in 2003, aims to address the issues of maintaining water quality and the increasing demand for water, including for irrigation. **Spain** reviewed its National Irrigation Plan, which was applied in 2006 and 2007 to assess efficiency gains in the consumption of water through infrastructure improvements. In **Mexico** two projects, Baluarte Presidio and El Tigre have, since 2005, improved irrigation infrastructure on 22 500 hectares. **Turkey** implemented a number of regulations to control water and soil pollution, and protect wetlands. The government plays a major role in providing infrastructure investment for irrigation.

Outbreaks of animal disease continued to preoccupy policymakers and test preparedness

Animal disease prevention campaigns include vaccinations, regulations to avoid transmission of a virus, or administrative measures facilitating crisis management. **Portugal** vaccinated sheep against bluetongue disease. Many **EU** member states, **Norway** and **Switzerland** banned keeping poultry in the open air to limit the risk of spread of avian influenza. The **United Kingdom** replaced a system of BSE testing for cattle that could no longer enter the food or feed chain by a measure providing for the disposal of and compensation for cattle born before 1 August 1996. The **United Kingdom** also introduced a scheme to help farmers meet their legal responsibilities for disposing of fallen animals. **Estonia**, in 2005, opened the first processing factory for animal waste materials. The **United States** designed a National Poultry Improvement Program to prevent the spread of poultry diseases in commercial poultry operations. The **United Kingdom** started a poultry register to collect essential information about certain bird species to help reduce the impact of disease outbreaks, with more than 250 million birds now included.

Responding to an outbreak of bluetongue disease at the end of 2004, **Portugal** limited animal traffic within the national territory and granted advance premium payments. Measures taken in **France** in response to disease outbreaks in 2006 included, particularly for livestock producers experiencing the most difficulty, reductions or delays for social security contributions, partial interest concessions, payments for keeping animals on farms that would otherwise have been killed and various payments to compensate for income losses due to market disturbances. As well, costs of tests, laboratory analyses, and veterinary visits were partially reimbursed.

In spring 2006, the **European Commission** agreed to fund 50% of the cost of measures taken to support the poultry market affected by avian influenza, such as the destruction of hatching eggs and chicks, the early slaughter of the breeding flock, other voluntary reductions in output and the compensation of income losses, even if the farm itself is not affected by the outbreak. Additional compensation was available in some member states compensating for income losses, loan guarantees, interest concessions and reductions in social security contributions. **Switzerland** continued to pay premiums for keeping animals outdoors even for those periods when producers were banned from keeping their flocks in the open air, and the appropriate marketing labels could be used (provided it was completed by a notice on the temporary ban).

In 2006, **Turkey** implemented an insurance support scheme open to all producers and covering hailstorm and frost for aquaculture, greenhouse and livestock products, including poultry. The government reimburses 50% of the premium costs. Agricultural insurance schemes were extended to include insurance for animal disease, such as in **Spain** where the Combined Agricultural Insurance System includes cattle insurance for foot and mouth disease, and poultry insurance. The product coverage of **Korea's** livestock insurance scheme protecting farmers' income from outbreaks of animal disease and natural disasters more than doubled from 2002 to 2006 and now includes cattle, pork, chicken, horses, deer, duck, pheasant, quail and turkey. **France** introduced a crop insurance scheme to help farmers insure either individual crops, or the whole farm with the government subsidizing 35% of premiums (40% for young farmers).

Although many countries have disaster response plans in place incorporating comprehensive risk management and cost benefit analysis, many policies also involve *ad hoc* measures. Further reforms could be aimed at planning, prevention, minimising consequences, and strengthening mechanisms to stabilise and protect household income in exceptional circumstances. Traceability schemes and registers, where they have not already been introduced, would help reduce the impact of a disease outbreak.

Organics continue to attract interest of consumers and governments

Organic production is growing in response to consumer demand including demands for more traditional production systems and perceived higher quality food (commanding a price premium), and governments are establishing policies to promote organic products. Organic production can improve environmental performance of agriculture by using fewer chemicals in less-intensive systems. However, organic production is often lower yielding and therefore uses more land than conventional systems. The farm management practices adopted are key factors in determining the overall environmental impact. Environmental sustainability initiatives and related framework laws in many countries (**Austria, Norway, Turkey, Belgian region of Flanders, Germany, France, Greece and Spain**) were updated to promote organic farming practices as ecologically sound. Some of the rural development

schemes, for example in the **EU** (discussed later in the chapter), also promote organic agriculture. Plans on organic farming in general include three steps: development of organic farms, increasing and promoting consumption, and institutional coordination such as certification and labelling.

Subsidies, tax concessions, special quotas and credit schemes are used to encourage adoption. From 2006 onwards, the **Belgian region of Flanders** simplified the per hectare premium system in order to make it more accessible to farmers who want to convert to organic farming. In the **United Kingdom (Northern Ireland)**, the Organic Farming (Conversion of Animal Housing) Scheme, facilitating the development of organic livestock production, was closed to new applicants from September 2005. **Germany** continued payments to producers for the introduction and maintenance of organic production. **France** offered a tax rebate to farmers who earn 40% of their income from organic farming. Farmers are also able to discount their conversion years when calculating historic reference amounts for the Single Payment Scheme. **Turkey** in 2005 provided a new credit scheme at an interest rate of 25%-60%, among others, to producers for organic farming, aromatic and medicinal crops, and good farming practices. **Norway** in 2006 earmarked 10% of the milk quota bought by the state for producers of organic milk.

The **European Commission** allowed the producers of organic food to choose whether or not to use the EU organic logo. Imports of organic products are allowed but cannot be marketed as organic unless they comply with EU standards or come with equivalent guarantees from the country of origin. The **German** Federal Organic Farming Scheme includes a variety of measures at all levels of the food chain, such as training, information, advisory activities, supporting research and development projects, and technology transfers. **Estonia** adopted the Organic Farming Law in 2006 which specifies the requirements for organic farming in the areas not covered by EU regulations.

The **Belgian region of Flanders** approved a subsidy for a three-year organic food promotion campaign to boost consumption of organic products in the region and promote the expansion of organic farming. A commissioned survey in **Spain** revealed that domestic consumption could be enhanced by providing consumers with more information on organic products. A two-year promotional campaign commenced in 2006.

Bioenergy: targets and taxes to stimulate consumption, subsidies and premiums to increase production

Increased interest in bioenergy and biomaterials produced from agricultural biomass has been driven by concerns over the environment and climate change (greenhouse gases), energy security, diversification of energy sources, and market development for agricultural products. Production of energy from agriculture is becoming an additional source of income for agriculture and forestry. Increased biofuel production from agricultural sources (sugar cane and beet, rapeseed and other oil crops, and maize) can have significant effects on food and feed commodity prices through the competition for scarce land. In the long run farmers and markets are likely to adjust to higher commodity prices. However, while there is concern as to the economic and wider environmental effects (not only greenhouse gases, but also water, soil erosion and biodiversity), the evidence is not yet clear.

Although high energy prices played a role in increasing interest in bioenergy, OECD governments are increasingly active in supporting the production and use of bioenergy. Policies pursued in many countries include stimulating demand for biofuels, developing

distribution networks, and supporting research and development. Taxes (or tax concessions) are often used to encourage use of biofuels, while subsidies encourage the steady supply of feedstocks and investment in processing capacity. Countries are seeking new methods such as the chemical processing of waste food oil, or the use of methane gas fermented from livestock waste.

Many countries, including the **EU** and **EU** member states, **US** and **Japan**, established targets for biofuels in overall transport fuel strategies. **Germany**, where biofuels had earlier benefited from tax concessions, passed a law in October 2006 obliging firms in the mineral oil economy to use a minimum quota of biofuels from January 2007 onward. To reach the national targets, **France** implemented an incentive tax system based on a fuel tax rebate granted to eligible production of bio-ethanol and bio-diesel and an additional tax as a penalty for fuel suppliers who do not incorporate enough biofuels into road fuels. **Austria** also followed a horizontal approach by introducing an obligation for the oil industry to substitute a specific percentage of fuels based on mineral oil by biofuels. The **Irish** incentive scheme for biofuels resulted in eight projects being awarded excise relief for a two year period. **Italy** provided that a share of production will be used for the production of biofuels, as dealt with in special planting contracts or supply chain agreements, for inclusion in the experimental "bio-ethanol" programme. The six-year programme beginning in 2005 called for exemption of excise duty on bio-diesel within an annual limit. In **Sweden**, biofuels are exempt from carbon dioxide and energy taxes from 2004 to 2008. **Norway** also exempts biofuels from the carbon dioxide tax. In **Australia**, biofuels benefit from reduced taxes compared to fossil fuels.

The **EU** member states are allowed to grant national aid of up to 50% of the costs of establishing multi-annual crops on areas eligible for the energy crop aid. The energy crop payments were extended to the ten new member states from 2007. The **Belgian region of Flanders** granted premiums for the production of fuel crops. **Lithuania** doubled its support to bio-diesel production between 2006 and 2005. As from 2005, energy crops in **Turkey** enjoyed growing interest and the government supported production of canola through a deficiency payment.

The Administration's proposal for the 2007 **US** Farm Bill includes provisions for a bio-energy and bio-based product research initiative and new funding for renewable energy research and development and production, targeted to cellulosic ethanol. For the **United Kingdom (England)** the government proposed key measures to unlock the potential for renewable energy in biomass, including: a capital grant scheme for biomass boilers; the establishment of a new expert centre to provide information and advice; grant support for biomass supply chains; and a commitment to consider using biomass heating in government buildings. Among the priorities for the next three years are bioenergy, plant based pharmaceuticals, and renewable construction materials and chemicals. **Canada** introduced an initiative to help agricultural producers develop sound business proposals and undertake feasibility studies to support the creation and expansion of the biofuels production capacity. Measures are in place in **Germany** to promote research, development and demonstration projects as well as marketing.

Australia provides ethanol production grants and one-off capital grants for projects that develop new or expanded biofuels production. **Greece** supports 40% of the capital costs for bio-diesel plants and tax exemptions when biofuels are produced on the basis of contracts between farmers and production units. The **United States** supports ethanol

production through a tax credit for domestic production and a tariff on imported ethanol. **Canada** offers a line of credit to increase ethanol production capacity.

Sweden appointed a biofuels committee to evaluate its capacity to produce biofuels from field crops and forestry, and mandated the committee to examine the ethical aspects of producing biofuels because of trade-offs between using crops for food and for fuel, particularly in the context where large parts of the world's population cannot afford to buy sufficient food.

Responding to consumer concerns about production processes with new regulations

In 2006, **Denmark** initiated a new food policy focussing on availability of healthy foods, transparency through sufficient labelling, and food and veterinary research to promote consumer health by securing safe and nutritious food. In January 2007, the **Australian** government launched a review to examine outstanding issues on the consistent application of food laws; levels of enforcement across jurisdictions; and the role of the Australian government in the food regulatory system.

Food safety remains of crucial interest. The **US** issued compliance guidelines outlining best management practices for each step in the broiler slaughter process and targeting small poultry plants to help them better comply with regulatory requirements regarding salmonella control. The **EU** banned the use of the last four antibiotics still allowed as feed additives and tightened dioxin legislation. **Korea** widely applied the HACCP (Hazard Analysis Critical Control Point) system to the livestock industry and launched a traceability scheme for agricultural and livestock products. The Commonwealth of **Australia** and state governments agreed in 2003 to a risk-based national system for livestock identification and tracing. The system became a mandatory requirement for all cattle produced in June 2005, and for all sheep and goats born after 1 January 2006.

In 2004, **Norway** established a Food Safety Authority, responsible for all matters relating to health, quality and other consumer interests in feed and food production and marketing, bringing together into one organisation responsibilities previously held by several agencies. The Agricultural Authority of **Iceland** also combined multiple authorities to monitor and gives guidance in areas concerning health and safety of livestock rearing and production.

As a response to growing problems with dietary habits among the **Japanese** and increasing occurrence of life-style diseases, the government is promoting *Shokuiku*. *Shokuiku* increases food and nutrition awareness in order to help people to make healthy food choices and thereby improve general well-being. The basic law on *Shokuiku* came into effect in July 2005.

Animal welfare initiatives are not limited to actual welfare of farm animals, but embrace tracking and traceability initiatives. In the **United Kingdom**, the Animal Welfare Act came into effect in April 2007 simplifying animal welfare legislation, applying to farmed and non-farmed animals. In **Switzerland**, about 40% of total ecological payments are accorded to improve animal welfare. Temporary assistance was available in new **EU** member states to help farmers meet costs related to compliance with EU environmental, hygiene, welfare, food safety and occupational safety standards. **New Zealand** developed a new code of welfare for deer in 2005.

Agriculture is still a focus of rural development, although diversification efforts are noticeable

As governments seek to enhance the quality of life of rural communities, agriculture remains the main focus of rural development strategies for many of them. However, efforts to increase funds for broader economic development and diversification of activities are becoming noticeable.

In the **Netherlands**, the government, in a major policy document, has asserted that farmers in naturally handicapped areas can expect compensation for their conservation and protection efforts. To secure its rural development objectives, the government provides funding for nature, agriculture, recreation, landscape, soil, water, reconstruction of sandy soil areas and socio-economic vitality.

Japan introduced a new rural development programme in 2007 to encourage community initiatives aimed at conserving the quality of rural resources and improve the environment with a view to sustainable rural development. 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. **Korea** introduced a pilot project of direct payments for landscape conservation in 2005 to farmers to preserve traditional landscape in selected villages. A direct payment for less-favoured areas, introduced on a pilot basis in 2004, became a national programme in 2006.

In **Turkey** the Participatory Rural Development Programme includes land consolidation, institutional reinforcement of farmers' organisations; and a village-based participatory investment programme supporting community-based activities in small-scale agricultural processing and marketing, as well as the rehabilitation of public infrastructure related to the provision of public services in remote rural areas.

As part of a rural development scheme, **Korea** lowered health insurance premiums for farmers by 50% (the other 50% is paid by the government), expanded government support of pension payments, and implemented a support programme to improve living conditions (e.g. education, medical services, and infrastructure). In particular, disadvantaged mountain areas in **Italy** social security relief is raised to 75% of employers' share (as opposed to 70% previously), whereas in disadvantaged agricultural areas and territory in certain municipalities, relief is raised to 68% (compared to 40% previously).

The **Korean** government encouraged the diversification of off-farm income sources through agro-tourism. **Lithuania** also supported alternative entrepreneurial activities in rural areas in 2006, along with investment in water management systems and rural tourism.

The second pillar or Rural Development Regulation of Agenda 2000 includes various measures co-financed by **EU** member states, drawn from a list of available measures that can be tailored to the specific conditions facing rural areas. The measures that tend to dominate the second pillar are payments to LFAs, agri-environmental measures, support to young farmers, investment and infrastructure support, extension services, and assistance for forestry, promotion and diversification of agriculture.

In **EU** member states, much of the direct budgetary support is provided in form of Less-Favoured Area (LFA) payments per hectare of agricultural land. LFAs are defined as mountain areas, areas in danger of abandonment or where conservation of the countryside is necessary, and other areas affected by specific handicaps. In **France** in 2005 close to 30% of national expenditures were allocated to LFA payments. **Greece** allocated about 46% of

the payments financed by the national budget to LFA. In new member states the share of LFA payments often exceeds 60%.

Belgium implemented measures favouring young and woman farmers and supporting investments. Investment assistance and setting up of young farmers in **France** made up around 15% of national expenditures under the rural development programme (RDP). **Sweden** supported agri-environmental payments to farmers for public good provision such as biodiversity, farm investment, set-up aid for young farmers, and business training and investments to improve processing and marketing. **Denmark** encourages environmentally sustainable farming, organic farming and planting of shelter belts. In **Portugal**, most expenditure was for investments in farm holdings and development and structural adjustment of rural areas. **Estonia** offered a vocational educational support conditional upon undertaking to work and live in the country once the studies are completed. The amount of the support depends on academic achievement.

The rural development programme in the **EU** for the new implementation period 2007-13 was agreed in June 2005. Measures are grouped under four thematic axes: 1) improvement of sector competitiveness by using measures to improve human and physical capital (e.g. training, setting-up of young farmers, farm modernisation) and product quality; 2) land management which includes LFAs, agri-environmental schemes, animal welfare, afforestation and non-productive investments; 3) diversification of the rural economy and quality of life in rural areas encompassing measures for micro businesses, tourism, renovation of villages, rural services and the conservation of rural heritage; and 4) Leader: bottom-up strategies for local development, including multi-sectoral, as well as public-private partnerships. The current definition of LFAs will be maintained until 2010.

EU member states are supporting rural development tailored to local needs through decentralisation (addressed later) and regionalisation. **Germany** is promoting bottom-up participation in formulating and implementing the development strategy with subregional approaches that are expected to be better suited to subregional needs and promote rural public-private partnerships.

The **EU** rural development programme for the new implementation period continues to focus mostly on the agricultural sector. However, setting minimum shares of expenditures for new priorities based on the different axes should further reinforce sustainable land management and rural diversification efforts and promote cooperative, multisectoral and integrated approaches to rural development.

Making progress towards decentralisation, sharing the cost of delivering policies and improving oversight

Decentralisation concerns many policy areas – environmental measures, disaster management, rural development – where regional and local authorities are assumed to have deeper knowledge about issues and how to solve them. Decentralisation also requires co-ordination between national governments, regional and local authorities, and allows for better targeting of the programmes. However, strong public administration, and regional and local autonomy are prerequisites of successful decentralisation.

The **Netherlands** concluded a large decentralisation operation in 2006 with the signing of management agreements between the national government and each of the 12 provinces. In these agreements, covering a period of seven years, measurable

performance targets are set for each national objective and the government will make financial resources available to help achieve the targets.

Reform of public administration and integration of various levels of governance in **Italy** is one of the policy objectives. The underlying premise is that continuing decentralization of subsidy provision reinforces the principle of assigning competence to the territorial government nearest to where citizens live. The main reasons for the decentralization of responsibilities under the National Environmental Programme in **Norway** are to raise local public awareness of agri-environmental issues, to better target local needs and to improve the efficiency of delivery. In **Sweden**, an important element of the rural development programme is the increased role of local and regional authorities in planning, decision making, implementation and follow-up of the various measures. The aim is a more efficient use of funds. In **Mexico**, Alianza programmes are designed to decentralise decision making and implementation through the participation and funding of federal and local governments as well as producers. In **Canada**, major agricultural policies are delivered through a policy framework agreed with the provinces, who share in the cost of programme delivery.

In **Denmark** from 1 January 2007 a major reform of the municipal structure has taken effect. The new larger municipalities assume a number of responsibilities from the former counties including administration of regulations on nature protection, environment and physical planning. Approval in respect of Environmental Impact Assessments, nature and water protection, and odour was combined into a single administration in the new municipalities.

In **New Zealand** most of the responsibilities, such as soil conservation cost-share programmes, flood control and drainage works, and pest plant and animal control programmes, under the Resource Management Act are assigned to regional and district councils. **Japanese** prefecture and local governments provide infrastructure and extension services. **Korea** implemented the Regional Agriculture Cluster Programme establishing regional networks among the academic community, research institutes, the industrial sector, and local governments to provide technical or marketing assistance to farmers.

1.2. Developments in trade policy

Negotiations on the Doha Development Agenda did not advance significantly in 2005-06. Some areas, such as trade facilitation discussions, have been progressing. Talks paused and then resumed, but agreement has not yet been reached in many areas. Agriculture remains an area of particular difficulty with significant issues still outstanding on all three pillars of the negotiations.

Multilateral minimum access commitments

Fill rates of tariff-rate-quotas (TRQs) varied. **Japan's** TRQs continued to be underfilled in 2006 for some products, including skimmed milk powder due to invocation of a special safeguard measure. **Korea's** fill rate was around 67% in 2006. 40% of the **EU's** individual TRQs were fully filled in 2001/02. In November 2005, **Korea** extended special treatment for rice until 2014 and increased minimum market access amounts.

Disciplines on export competition

Helped by high commodity prices and World Trade Organisation (WTO) commitments, the use of export subsidies is on the decline, and so is their product coverage. **Switzerland**

applied export subsidies mainly to dairy products (around 85% of the total in 2005 and 2006), live animal exports, fruits and potatoes. **Norway** used export subsidies to promote branded cheese, processed agricultural products and surplus meat, eggs and dairy products. Norway used the full volume and value of its URAA commitment on cheese in most years. The **EU** remained well below its WTO ceiling for export subsidies in the marketing year 2002/03, except in cheese, rice, fresh fruits and vegetables, and wine where over 90% of the allowance was used, in volume. In 2006, **Turkey** provided export subsidies in the form of deductions in taxes, social insurance premium costs, telecommunication costs or energy costs on 16 commodity groups (e.g. processed fruit and vegetables, fruit juices, olive oil, potatoes, apples, poultrymeat and eggs) out of the 44 eligible groups. **Canada** used the full volume and value of permitted export subsidies on dairy products. In the **United States**, the total value of products covered by export credit guarantees under the Export Credit Guarantee Program decreased by 26% in 2005 and again by 37% in 2006 to USD 1.4 billion.

A small number of state trading enterprises continues to operate

The Canadian Wheat Board markets all wheat and barley grown in designated areas of western **Canada**, pools sales revenue and returns proceeds to producers through a series of payments, and negotiates rail car supply and allocation. During a plebiscite held in February and March 2007, the majority (62%) of producers voted in favour of the marketing choice option under which they would be able to market barley outside of the CWB.

Those who wish to export kiwi fruit from New Zealand (except to Australia) must obtain a permit from the New Zealand Kiwifruit Board to market collaboratively with Zespri, the main exporter of kiwifruit. In **Australia** there are some statutory and regulatory arrangements (mainly at state level) that allow for export control of a few commodities, including wheat, barley, rice, lupins and canola in certain states. In December 2006, the government implemented temporary changes to the bulk wheat export marketing arrangements, effective until 30 June 2007, although this does not remove the export single-desk arrangements. These changes provide time for the government to review its long-term export market arrangements, following the Cole Inquiry.

Sanitary and phytosanitary measures in reaction to animal diseases to protect human and animal health

The **EU** banned poultry imports from various countries affected by avian influenza over the period 2005-06. A ban on live birds from all countries was imposed in October 2005 and was maintained until the end of January 2006. To prevent the spread of Newcastle disease, regional bans on poultry imports from Bulgaria and Romania were imposed in spring 2006. Following cases of foot and mouth disease in Brazil and parts of Argentina, the **EU** temporarily banned beef imports from the regions in 2005 and 2006.

The ban on British beef exports to other **EU** countries introduced in 1996 at the height of the BSE crisis was lifted in spring 2006. After a case of BSE was confirmed in Canada in May 2003 and in the United States in December 2003, **Japan** suspended imports of Canadian and US beef and related products. Imports resumed in 2005 conditional on the compliance with the agreed Export Program. After detecting specified risk materials in US beef in January 2006, imports from the United States were suspended until measures to prevent any recurrences were taken. Imports were resumed in July 2006.

More transparency in regulations to avoid barriers to trade

Japan established a positive list of maximum pesticide residues in May 2006, responding to concerns that the negative list was not providing adequate protection. **Australia** is helping in the development of international animal welfare guidelines, following efforts to improve animal welfare for live animal exports at home. In 2005, **Switzerland** simplified the administration of imports, custom declarations and TRQs.

The **European Commission** proposed new rules on geographical name protection in January 2006. Non-EU producers wanting to register a product as a Protected Geographical Indication, a protected Designation of Origin or a Traditional Specialties Guaranteed will be able to apply directly to the EU and no longer have to have their governments apply on their behalf. In addition, their governments will not have to satisfy the EU that they give similar protection to corresponding European goods in their own market, allowing coffee and other products not grown in the EU to obtain such denominations.

Australia introduced a country of origin labelling standard for packaged food and unpackaged fresh and processed fruit, vegetables, nuts, seafood and pork.

A number of dispute settlement procedures were ongoing

In October 2006, a WTO panel requested by the **United States** in 2003 ruled that the **EU** moratorium on the authorisation of new genetically modified crops between 2001 and 2004 hampered trade because of the long approval process for sales and that national bans were inconsistent with the EU Communities' WTO obligations.

In July 2005, the **United States** announced measures to comply with a WTO ruling on the dispute with Brazil regarding certain US agricultural programmes primarily benefiting cotton. Risk-based fees were introduced to cover long-term operating costs and losses and the upland cotton user marketing certificate was ended as of July 2006.

In response to a WTO ruling in March 2006, **Mexico** eliminated the 20% tax on beverages containing high fructose corn syrup (HFCS) and sweeteners other than sugar. Also responding to a WTO ruling from February 2006, the **EU** created a new tariff line and adjusted its tariffs on frozen boneless chicken cuts.

Ecuador requested formal WTO consultations concerning **EU** import arrangements for bananas in November 2006, followed by a panel request in March 2007. The **EU** applies a tariff quota for African, Caribbean and Pacific countries.

In January 2005, the **EU** asked the WTO to establish a new panel on the beef hormone issue stating that **Canada** and the **United States** failed to lift their sanctions against the EU despite the fact that the EU had adopted new legislation in 2003. The EU maintains that this new legislation had been based on a comprehensive risk assessment following the conclusion of the first panel. Canada and the United States do not believe that the revised legislation can be considered an implementation of the WTO recommendations and rulings related to beef hormones. A WTO Panel is expected to issue a report on this topic before the end of 2007.

In December 2006, the **EU** requested a dispute settlement panel to investigate extra duties imposed on European olive oil exports by Mexico.

In January 2007, **Canada** requested consultations with the **United States** on subsidies provided to U.S. corn growers and on the total level of U.S. trade-distorting agricultural support, arguing that these policies are inconsistent with the United States' WTO obligations.

Other trade issues

Exports of dairy products from **New Zealand** are regulated where importing countries have country specific tariff quotas for New Zealand products. The New Zealand Dairy Board, a wholly owned subsidiary of Fonterra, holds exclusive access to these markets for fixed periods. This legislation is currently under review.

Following a European Court of Justice ruling, the **EU** introduced new import arrangements for its WTO bound tariff rate quota for butter from **New Zealand**, applicable from 2007. Licences for quota butter imports from **New Zealand** into the **EU** will no longer be awarded exclusively to the single European importer that the New Zealand exporter historically chose to trade with. From 2007 onwards, any importer on the European approved list may apply for an import licence. Forty-five per cent of import licences will be allocated to “new” importers.

The **EU** reached a new rice import deal with Thailand in March 2006 after similar arrangements with the **United States**, India and Pakistan. In March 2006, the **EU** and the **United States** signed a bilateral wine trade agreement that includes a partial mutual recognition of names of origin, technical oenological practices and simplified certification rules. Russia and the **EU** agreed to apply trade bans at the regional rather than national level in the event of animal disease outbreaks, to improve co-operation between veterinary and customs authorities and to work towards creating a standard procedure for reporting frauds. The **EU** and China agreed to reduce the imports of illegal food products into Europe by improving exchange of information and speed of communication. To provide compensatory adjustment for **EU** enlargement, the **EU** offered new TRQs. Some of them are *erga omnes* and some allocated to specific countries such as **Australia**, **Canada**, China, **New Zealand**, Brazil, Thailand and the **United States**. These TRQs compensate countries for the increase in new member states' tariffs.

Turkey and **Australia** signed a Memorandum of Understanding in December 2005 proposing exchanges of scientific and technical information, research reports and experts, agricultural trade and investment related activities, and other joint activities. In June 2006, a Breeder Cattle Protocol was agreed to facilitate the export of cattle from Australia to Turkey. In 2006, **Australia** agreed on Agricultural Technical Cooperation programme with China to share expertise in agricultural development, management of supply chains, quarantine, rural adjustment and the environment. **Australia** also signed an MoU with Malaysia in March 2006 establishing broad agricultural co-operation between the two countries.

The number of free trade agreements was increasing

OECD members are continuing to negotiate bilateral and regional free trade agreements (FTAs) and conducting studies to determine the feasibility of new ones. Many FTAs contain agricultural provisions, although many omit them. Developing countries, in particular smaller, more disadvantaged countries, are often awarded special concessions on their exports.

The **EU** and **Switzerland** signed a bilateral agreement in February 2005 complementing the earlier free trade agreement. In 2006, The European Free Trade Association (**Iceland**, Liechtenstein, **Norway** and **Switzerland**) signed agreements with the South African Customs Union and with Egypt, and implemented previously signed agreements with **Korea**. In 2005 and 2006, **Japan** signed FTAs with several countries mainly in South-East

Asia requiring Japan to eliminate or reduce tariffs, or to introduce preferential tariff-quotas for several sensitive agricultural products such as poultrymeat and several fruits. In 2005, **New Zealand** finalised a closer economic partnership agreement with Thailand, and a strategic economic partnership agreement with Singapore, Brunei and Chile.

The **United States** implemented legislation for the United States-Central America-Dominican Republic FTA covering Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. All but Costa Rica have ratified the agreement. The Agreement makes the existing Caribbean Basin Initiative permanent and the Generalized System of Preferences duty-free benefits and phases out the remaining tariffs. The United States-Oman FTA, eliminating duties and commercial barriers to most bilateral trade in goods and services between the two countries, and providing immediate duty-free access on all current agricultural products from Oman was implemented in 2006.

An FTA between **Mexico** and **Japan** entered into force in 2005. In 2006, **Korea** implemented FTAs with Singapore and the European Free Trade Association. In the FTA with ASEAN, 71 sensitive agricultural products for Korea are exempt from tariff reductions. Many other countries were also actively pursuing free trade agreements, preparing to launch new negotiations or exploring feasibility of additional bilateral trade and investment agreements.

PART I
Chapter 2

Evaluation of Support Policy Developments

This chapter evaluates changes in agricultural support in OECD countries, both in the short term (2006 compared with 2005) and over the longer term (the 2004-06 average compared with the 1986-88 base period). It first discusses the level of support provided to producers at the OECD total level and how this varies between OECD countries. Changes in the composition of support are then considered. This is important because the effects of support on production, trade, income and the environment are related to the way in and conditions under which it is delivered to producers. Finally, the chapter investigates the commodity specificity of how support is provided – to specific commodities, groups of commodities, or any (or no) commodity. Estimates are also provided on the level and composition of support to consumers and to general agricultural services and the total value of support that results from agricultural policies. Finally, some conclusions are drawn about agricultural policy reform progress being made in OECD countries in terms of lowering the level of support, shifting to less production-linked policy measures and increasing the flexibility in commodity production choices available to producers through reducing the commodity-specificity of programmes.

Agricultural policies in 2006 were implemented in the context of generally stronger world prices for agricultural commodities and continued US dollar weakness. On the domestic front, significant progress towards decoupling of support in the **European Union** is taking place through the introduction of the Single Payment Scheme. The **United States** is in the final year of the 2002-07 Farm Bill, and **Korea** and **Japan** have both recently completed policy reforms related to rice.

This chapter evaluates changes in agricultural support in OECD countries, both in the short term (2006 compared with 2005) and over the longer term (the 2004-06 average compared with the 1986-88 base period) (Box 2.1). It first discusses the **level of support** provided to producers at the OECD total level and how this varies between OECD countries. Changes in the **composition of support** are then considered. This is important because the

Box 2.1. How are support policy developments evaluated?

In 1987, ministers stressed the need for a progressive reduction in agricultural support and a move towards those forms of support that are less production and trade distorting in order to let the agricultural sector respond more to market signals. Ministers also recognised that governments need flexibility in the choice of policy measures and in the pace of reform, taking into account the diverse situations in OECD countries, and the need to address a range of policy goals. In 1998, they agreed on a set of principles for agricultural policy reform (Annex 2.A1) and a set of operational criteria that should apply in designing and implementing policy measures (Annex 2.A2).

The Producer Support Estimate (PSE) and derived indicators are the principal tools used to monitor and evaluate agricultural policy developments. A distinction is made between support provided to producers and its impact on individual production decisions, and support provided to general services for the agricultural sector as a whole. Policy measures within the PSE are classified in terms of how policies are implemented. A new PSE classification system applied for the first time in this report provides new opportunities for evaluation, allowing a closer look at how support is provided with respect to commodity choice and presenting more information regarding the basis and conditions upon which support is provided to agricultural producers.

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, input, area/animal numbers/revenues/incomes, non-commodity criteria.
- Whether the support is based on current or historical basis.
- Whether production is required or not.

Further explanations of the new PSE system for classification and measurement of policy support can be found in Chapter 3 of this report.

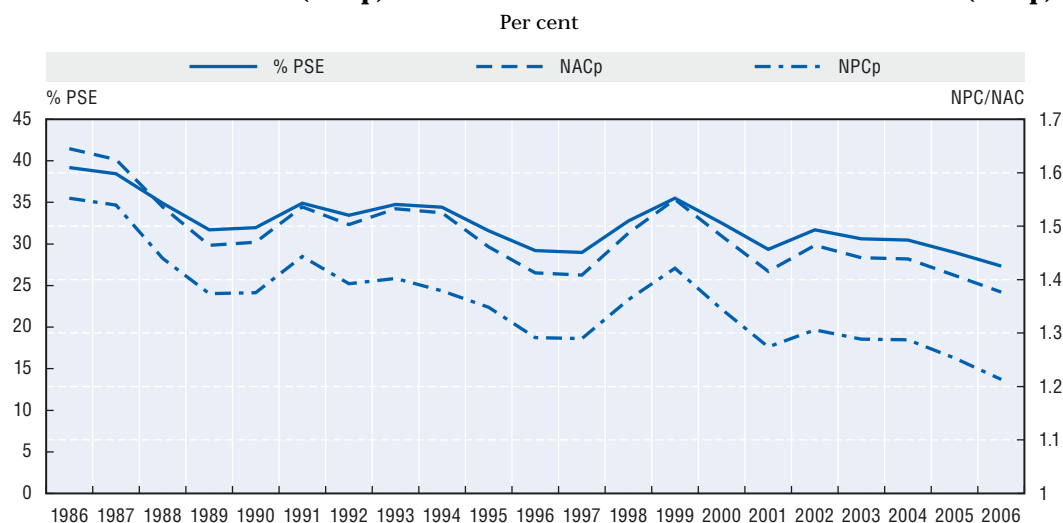
effects of support on production, trade, income and the environment are related to the way in and conditions under which it is delivered to producers. Finally, the chapter investigates **the commodity specificity** of how support is provided to specific commodities, groups of commodities, or any (or no) commodity. Estimates are also provided on the level and composition of support to **consumers**, and to **general agricultural services** and the total value of support that results from agricultural policies. Finally, some conclusions are drawn about agricultural policy **reform progress** being made in OECD countries in terms of lowering the level of support, shifting to less production-linked policy measures and increasing the flexibility in commodity production choices available to producers through reducing the commodity-specificity of programmes.

Chapters 4 to 15 in Part II describe, summarise and evaluate trends in policy developments for each OECD country,¹ with additional background tables in Part III.

Levels of producer support have declined modestly...

As a share of gross farm receipts (%PSE), the level of producer support has declined in the OECD area from 38% of receipts in the 1986-88 period to 29% in 2004-06. That is, support generated by agricultural policies accounts for just under 30% of current OECD gross farm receipts (Figure 2.1, Tables 2.1 and 2.2). Historically, this measure of support has been trending downward. Deviations from the long-term trend can be ascribed in large part to shifts in market conditions affecting the rates of price support and output payment resulting from existing policies (for example, commodity prices were high in 1996 and low in 1999). The advantage of interpreting percentage changes as opposed to monetary values of support is that it avoids exchange rate effects. Specifically, the trend in the PSE level as measured in euros vs. US dollars is somewhat different.

Figure 2.1. **Evolution of OECD Producer Support Estimate (%PSE), Producer Nominal Protection Coefficient (NPCp) and Producer Nominal Assistance Coefficient (NACp)**



Source: OECD, PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/073451103830>

Firmer world prices have resulted in lower market price support levels and in some cases reduced deficiency payments as the price gap between domestic and world prices is reduced. The Producer Nominal Protection Coefficient (NPC), which measures the level of domestic

Table 2.1. OECD: Estimates of support to agriculture
USD million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	591 896	843 563	836 079	841 133	853 477
<i>Of which share of MPS commodities (%)</i>	<i>72</i>	<i>68</i>	<i>69</i>	<i>67</i>	<i>67</i>
Total value of consumption (at farm gate)	561 050	830 995	809 731	824 046	859 208
Producer Support Estimate (PSE)	241 932	280 247	291 976	280 998	267 768
Support based on commodity output	199 357	168 322	186 602	169 128	149 234
<i>Market Price Support</i>	187 149	155 075	170 319	152 410	142 494
<i>Payments based on output</i>	12 209	13 247	16 283	16 718	6 740
Payments based on input use	20 265	28 574	27 336	28 852	29 533
<i>Based on variable input use</i>	9 931	11 516	10 849	11 669	12 031
<i>Based on fixed capital formation</i>	6 556	8 806	8 156	8 838	9 426
<i>Based on on-farm services</i>	3 778	8 251	8 332	8 346	8 076
Payments based on current A/An/R/I, production required ¹	18 905	42 325	56 580	40 035	30 359
<i>Based on single commodities</i>	13 564	11 413	16 955	9 628	7 656
<i>Based on specific group of commodities</i>	3 757	16 056	25 219	15 407	7 542
<i>Based on all commodities</i>	1 585	14 856	14 406	15 001	15 161
Payments based on non-current A/An/R/I, production required ¹	533	732	667	717	811
Payments based on non-current A/An/R/I, production not required ¹	1 742	36 920	17 771	38 957	54 032
<i>With variable payment rates</i>	181	4 088	4 604	5 142	2 517
<i>With fixed payment rates</i>	1 561	32 833	13 168	33 815	51 515
Payments based on non-commodity criteria	920	3 699	3 535	3 659	3 904
<i>Based on long-term resource retirement</i>	913	3 336	3 196	3 287	3 525
<i>Based on a specific non-commodity output</i>	1	275	244	296	285
<i>Based on other non-commodity criteria</i>	6	88	94	76	93
Miscellaneous payments	210	-324	-516	-351	-106
Percentage PSE	38	29	30	29	27
Producer NPC	1.51	1.25	1.29	1.25	1.21
Producer NAC	1.60	1.41	1.44	1.41	1.38
General Services Support Estimate (GSSE)	39 484	66 624	63 429	67 027	69 415
Research and development	3 555	6 627	6 619	6 420	6 844
Agricultural schools	886	1 734	1 708	1 751	1 743
Inspection services	1 092	3 033	2 709	3 148	3 242
Infrastructure	13 878	21 441	21 848	21 418	21 057
Marketing and promotion	11 895	29 261	25 942	30 021	31 818
Public stockholding	6 561	2 064	2 136	1 806	2 250
Miscellaneous	1 617	2 464	2 466	2 464	2 461
GSSE as a share of TSE (%)	13.2	17.5	16.3	17.5	18.7
Consumer Support Estimate (CSE)	-160 933	-135 963	-148 562	-135 019	-124 307
Transfers to producers from consumers	-172 610	-150 123	-163 110	-149 343	-137 915
Other transfers from consumers	-22 272	-21 354	-20 381	-21 923	-21 759
Transfers to consumers from taxpayers	21 050	33 903	32 741	34 181	34 787
Excess feed cost	12 899	1 612	2 189	2 067	579
Percentage CSE	-30	-17	-19	-17	-15
Consumer NPC	1.54	1.26	1.29	1.26	1.23
Consumer NAC	1.43	1.21	1.24	1.21	1.18
Total Support Estimate (TSE)	298 674	380 774	388 146	382 206	371 970
Transfers from consumers	194 882	171 477	183 492	171 266	159 673
Transfers from taxpayers	129 856	230 651	225 036	232 863	234 055
Budget revenues	-22 272	-21 354	-20 381	-21 923	-21 759
Percentage TSE (expressed as share of GDP) ²	2.51	1.07	1.15	1.08	1.00

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

MPS is net of producer levies and excess feed costs. MPS commodities: see notes to individual country tables in Part II.

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

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, 2007.

Table 2.2. **OECD: Estimates of support to agriculture**

EUR million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	536 152	677 257	672 928	676 792	682 051
<i>Of which share of MPS commodities (%)</i>	<i>72</i>	<i>68</i>	<i>69</i>	<i>67</i>	<i>67</i>
Total value of consumption (at farm gate)	507 701	667 132	651 722	663 043	686 631
Producer Support Estimate (PSE)	219 894	225 027	235 001	226 096	213 985
Support based on commodity output	181 172	135 178	150 189	136 084	119 260
<i>Market Price Support</i>	170 034	124 530	137 083	122 632	113 873
<i>Payments based on output</i>	11 138	10 648	13 106	13 452	5 386
Payments based on input use	18 363	22 939	22 002	23 215	23 601
<i>Based on variable input use</i>	9 015	9 245	8 732	9 389	9 614
<i>Based on fixed capital formation</i>	5 940	7 069	6 564	7 111	7 533
<i>Based on on-farm services</i>	3 408	6 625	6 706	6 715	6 454
Payments based on current A/An/R/I, production required ¹	17 277	34 004	45 539	32 213	24 261
<i>Based on single commodities</i>	12 436	9 170	13 647	7 747	6 118
<i>Based on specific group of commodities</i>	3 372	12 907	20 298	12 397	6 027
<i>Based on all commodities</i>	1 469	11 927	11 595	12 070	12 116
Payments based on non-current A/An/R/I, production required ¹	505	587	537	577	648
Payments based on non-current A/An/R/I, production not required ¹	1 578	29 610	14 304	31 346	43 179
<i>With variable payment rates</i>	161	3 285	3 705	4 138	2 012
<i>With fixed payment rates</i>	1 417	26 325	10 598	27 208	41 168
Payments based on non-commodity criteria	803	2 970	2 845	2 944	3 120
<i>Based on long-term resource retirement</i>	797	2 678	2 573	2 645	2 817
<i>Based on a specific non-commodity output</i>	1	221	197	238	228
<i>Based on other non-commodity criteria</i>	6	71	76	61	75
Miscellaneous payments	197	-261	-415	-282	-84
Percentage PSE	38	29	30	29	27
Producer NPC	1.51	1.25	1.29	1.25	1.21
Producer NAC	1.60	1.41	1.44	1.41	1.38
General Services Support Estimate (GSSE)	35 837	53 485	51 051	53 932	55 472
Research and development	3 218	5 321	5 327	5 165	5 469
Agricultural schools	802	1 392	1 374	1 409	1 393
Inspection services	989	2 435	2 181	2 533	2 591
Infrastructure	12 600	17 215	17 585	17 233	16 827
Marketing and promotion	10 808	23 488	20 880	24 156	25 428
Public stockholding	5 955	1 657	1 719	1 453	1 798
Miscellaneous	1 464	1 978	1 985	1 983	1 967
GSSE as a share of TSE (%)	13.2	17.5	16.3	17.5	18.7
Consumer Support Estimate (CSE)	-146 042	-109 183	-119 572	-108 639	-99 339
Transfers to producers from consumers	-156 805	-120 553	-131 281	-120 164	-110 214
Other transfers from consumers	-20 108	-17 144	-16 404	-17 640	-17 388
Transfers to consumers from taxpayers	19 077	27 218	26 352	27 502	27 800
Excess feed cost	11 794	1 296	1 762	1 663	463
Percentage CSE	-30	-17	-19	-17	-15
Consumer NPC	1.54	1.26	1.29	1.26	1.23
Consumer NAC	1.43	1.21	1.24	1.21	1.18
Total Support Estimate (TSE)	271 366	305 730	312 404	307 530	297 257
Transfers from consumers	176 913	137 697	147 686	137 804	127 602
Transfers from taxpayers	118 003	185 177	181 123	187 366	187 043
Budget revenues	-20 108	-17 144	-16 404	-17 640	-17 388
Percentage TSE (expressed as share of GDP)²	2.51	1.07	1.15	1.08	1.00

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

MPS is net of producer levies and excess feed costs. MPS commodities: see notes to individual country tables in Part II.

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

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. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

market protection, declined slightly from 1.25 in 2005 to 1.21 in 2006. This reflects a situation where OECD domestic prices are on average 21% above world prices, compared to 1986-88 when the NPC was on average 1.51, reflecting a 51% premium of domestic over world prices.

... and declines in producer support were seen in most countries in 2006...

Reductions in support levels were led by reductions in the level of market price support (MPS), which declined in 2006 for most countries except **Mexico** and **Canada**, where it increased due to increases in producer prices for maize in Mexico, and a reduced border price for milk in Canada (Table 2.3). Changes in budgetary support levels were mixed among OECD countries. They declined in **Japan, Korea, Canada, New Zealand** and the **United States**, (in the latter higher prices for programme commodities reduced certain payments based on output). They increased in **Australia**, where input payments increased as a response to drought conditions, the **European Union, Iceland, Mexico, Norway, Switzerland** and **Turkey**. **Mexico** was the only OECD country where both market price support and budgetary payments increased. For the OECD as a whole, change in budgetary payments contributed to a 1% fall in PSE (other things being equal), while changes in MPS contributed to a 3% fall in PSE (other things being equal).

The overall level of support in 2006 increased in **Australia, Canada, the European Union** and **Mexico**. In **Australia**, an increase in budgetary payments can be largely traced to disaster payments following the prolonged drought experienced there, while in **Canada** and **Mexico** higher MPS was behind the increases. The level of support increased slightly in the **European Union** although the %PSE remained stable in all other countries, support levels declined, most significantly in the **United States**, where higher world prices for most

Table 2.3. Contribution to change in Producer Support Estimate by country, 2005 to 2006

	Value of Producer Support (PSE) ¹		Contribution of		Contribution of budgetary payments (BP) based on:							
			MPS	BP	Output	Input use	Current A/An/R/I prod.req.	Non-current A/An/R/I prod.req.	Non-current A/An/R/I prod. not req.	Non-commodity criteria	Misc.	
	USD mn, 2006	% change	% change in PSE if all other variables are held constant									
Australia	1 377	3.1	-0.2	3.3	0.0	10.6	-0.4	-0.2	-6.6	0.0	0.0	
Canada	7 531	7.8	10.7	-2.9	0.0	-0.5	0.8	1.7	-4.8	0.0	-0.1	
European Union	137 970	2.0	-1.3	3.3	-3.5	-0.1	-6.8	0.0	13.4	0.1	0.2	
Iceland	213	-1.1	-1.6	0.4	-0.2	-0.6	1.0	0.6	-0.4	0.2	0.0	
Japan	40 652	-4.9	-4.7	-0.2	0.1	-0.1	-0.3	0.0	0.2	0.0	0.0	
Korea	25 403	-1.2	0.4	-1.6	0.0	0.0	-2.2	0.0	0.6	0.0	0.0	
Mexico	7 154	30.9	26.1	4.8	-0.3	5.1	0.0	0.1	-0.3	0.2	0.0	
New Zealand	87	-36.6	-21.5	-15.1	0.0	1.3	-16.4	0.0	0.0	0.0	0.0	
Norway	2 965	-0.9	-1.4	0.5	-0.1	0.0	1.4	-0.8	0.0	0.0	0.0	
Switzerland	4 996	-9.7	-10.1	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	
Turkey	10 131	-18.4	-25.8	7.4	2.0	3.5	0.1	0.0	1.9	0.0	0.0	
United States	29 289	-30.1	-9.5	-20.6	-12.9	0.1	-0.6	0.0	-7.5	0.3	0.0	
OECD ²	267 768	-4.7	-3.4	-1.3	-3.5	0.2	-3.6	0.0	5.3	0.1	0.1	

1. Per cent changes in national currency.

2. Per cent changes in national currency weighted by the value of PSE in the previous year i.e. not equivalent to the variation in OECD PSE in any common currency.

Source: OECD PSE/CSE database, 2007.

programme commodities reduced market price support, marketing loan and counter-cyclical payments related to current prices. The **European Union** decreased payments requiring production by 13% and increased by 90% payments without production requirements – but with requirements to comply with environmental and animal welfare conditions – highlighting the movement towards least distorting policies exemplified by the EU single payment. Taken together, these changes in budgetary payments contributed to a 3.3% increase in PSE (other things being equal), while changes in MPS contributed to a 1.3% fall in PSE (other things being equal) (Table 2.3).

Total MPS is calculated as the level of production multiplied by the price gap, measured as the difference between the price at the border and the price at the farm gate of an agricultural commodity. In 2006, border prices were higher for most countries, leading to a reduction in the gap between world and domestic prices. Changes in unit MPS in 2006 drove changes in total MPS in most cases (Table 2.4a). Exceptions were **Australia**, where drought conditions impacted production such that total MPS declined while unit MPS actually increased, and **Iceland**, which was the only other country where unit MPS and total MPS moved in different directions, total MPS increasing and unit MPS decreasing.

The increase in border prices resulted in most cases from changes in the world price of commodities rather than exchange rate movements (Table 2.4b). On average for the OECD, border prices increased by 10%, of which over 9% was due to world price movements and less than 1% to changes in exchange rates. **Turkey** saw an increase in average border prices of almost 30%, while average border prices declined in **Canada**, **Korea** and the **United States** (though in the **United States** the border prices of most programme commodities increased). Changes in border prices can affect a country's support level only when border protection is in place that insulates domestic prices against changes in world prices.

Table 2.4a. Contribution to change in Market Price Support by country, 2005 to 2006

	Market Price Support (MPS) ¹	Contribution to % change in MPS of:	
		Quantity	Unit MPS
	% change	If all other variables are held constant	
Australia	-50.7	-87.8	37.1
Canada	25.1	-1.3	26.4
European Union	-2.5	0.4	-2.8
Iceland	5.7	6.1	-0.4
Japan	-7.8	-4.2	-3.5
Korea	-4.8	-4.0	-0.9
Mexico	17.0	1.6	15.4
New Zealand	-39.7	1.7	-41.4
Norway	-7.4	0.9	-8.4
Switzerland	-13.2	-0.3	-12.9
Turkey	-12.4	-3.1	-9.2
United States	-44.5	3.9	-48.4
OECD ²	-6.8	-1.5	-5.3

1. Per cent changes in national currency.

2. Per cent changes in national currency weighted by the value of MPS in the previous year i.e. not equivalent to the variation in OECD MPS in any common currency.

Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076410231634>

Table 2.4b. **Contribution to change in Border Price by country, 2005 to 2006**

	Border Price ¹ % change	Contribution to % change in Border Price of:	
		Exchange Rate	World Price (USD)
		If all other variables are held constant	
Australia	12.7	1.6	11.2
Canada	-15.8	-6.2	-9.6
European Union	12.0	-0.7	12.7
Iceland	12.4	10.9	1.5
Japan	15.4	6.1	9.4
Korea	-4.3	-7.1	2.8
Mexico	1.6	0.2	1.4
New Zealand	9.5	9.1	0.5
Norway	9.0	-0.1	9.1
Switzerland	15.9	1.0	15.0
Turkey	29.0	7.5	21.5
United States	-4.4	0.0	-4.4
OECD ²	10.2	0.7	9.5

1. Per cent changes in national currency.

2. Per cent changes in national currency weighted by the value of MPS in the previous year i.e. not equivalent to the variation in OECD MPS in any common currency.

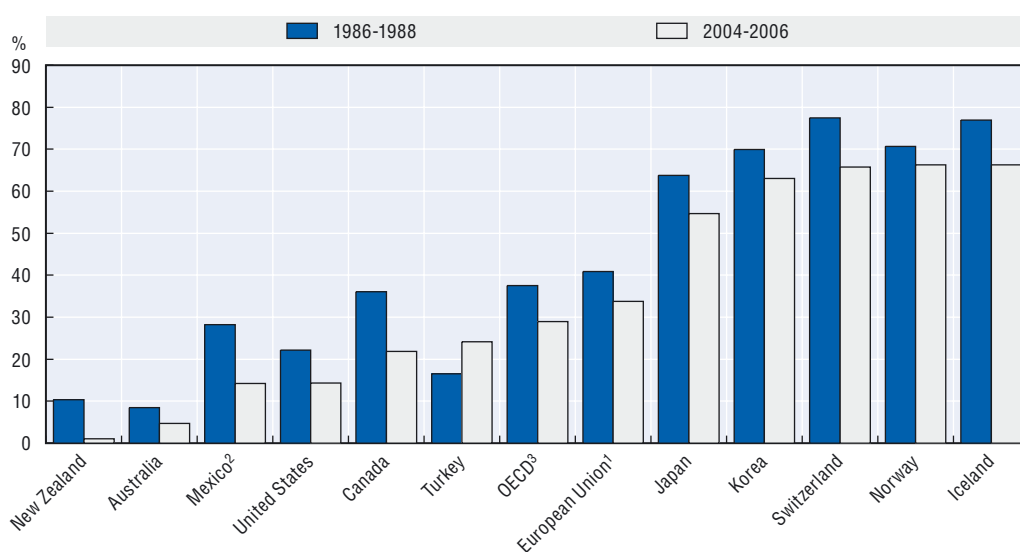
Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076410231634>

... but the level of support still varies widely across countries

The average percentage PSE in 2004-06 was below 10% in **Australia** and **New Zealand**, was 14% in the **United States** and **Mexico**, 22% in **Canada**, 24% in **Turkey**, 34% in the **European Union**, and above 50% in **Norway**, **Japan**, **Korea**, **Switzerland** and **Iceland**. (Figure 2.2) Overall, the OECD average was 29%. While support has declined compared with 1986-88 in all OECD countries except **Turkey**, proportionally larger reductions in %PSE have been made in the countries that already have the lowest levels of support.

On the other hand, the greatest reductions in the Producer Nominal Assistance Coefficient (NAC) were seen in countries providing the highest level of support (Box 2.2). The NAC measures the monetary value of support (transfers) from consumers and taxpayers to producers relative to current production valued at border prices. In 2004-06, the OECD average NAC was 1.41, reflecting a situation where farm receipts were 41% higher than they would have been if generated entirely from the prevailing market conditions (Figure 2.3). In 1986-88, the OECD NAC was 1.60. The NAC shows that there has been a significant decline in the value of support levels relative to the value of agricultural production between the base and current periods in **Switzerland** and **Iceland**, the NAC in both countries declining by more than 1.4 (140 percentage points). In both countries, total farm receipts were 4.4 times the value of market receipts in 1986-88, but only 2.9 times market receipts in 2004-06. In **Iceland**, this resulted despite an increase in the monetary value of the PSE by 82% (market receipts increased by much more – 207%).² In **Switzerland**, market receipts increased by 41% while the monetary value of the PSE decreased by 20%.

Figure 2.2. **Producer Support Estimate by Country**

Note: Countries are ranked according to 2004-06 levels. For more detail, see Annex Table III.1.

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

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 six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073578406061>

Steady reductions in production-linked support have not applied to all commodities...

Support based on commodity output (market price support and payments based on output) continues to be the largest part of transfers resulting from agricultural policy in most countries. This type of support has been shown to be the most distorting of production and trade, a relatively inefficient means of increasing farm household income, and most damaging to the environment. Notwithstanding considerable progress in reducing support based on commodity output, and a general recognition of the desirability of more decoupled policies, this is not the case for certain commodities, in particular rice, sugar and milk which continue to be heavily supported through price protection policies (see Figure 2.8 below). Border measures such as tariffs increase the domestic price of these commodities in countries where high tariffs exist, but the resulting impact on domestic production and consumption in the protected markets means that these tariffs also reduce the world price for these goods, disadvantaging producers in other countries.

Support based on commodity output, mostly MPS, has declined overall as a share of the PSE from 82% to 56% (26 percentage points) from 1986 to 2006 (Figure 2.4). Overall, payments not requiring production have seen the largest gains, but have started from a very small base. This form of payments only emerged to a significant degree after 1994, though their use has accelerated significantly after 2004, subsequent to their adoption in the **European Union** (in the form of single payments).

For the OECD as a whole, the use of payments based on area, animal numbers, receipts or income (either current or not) increased by a factor of four between 1986-88 and 2004-06. However, as this support includes different measures with different conditions they cannot be considered as a single homogenous group. Increases have occurred in support offered

Box 2.2. How are the %PSE and NAC measured?

While the %PSE and the NAC are complementary measures that always move in the same direction, the %PSE is relatively sensitive to changes in support levels when support is low relative to receipts, whereas the NAC is relatively sensitive to changes in market receipts when support is high. In order to understand changes in policy support over a broad range of support levels, both measures should be considered.

The %PSE is the share of the PSE in total receipts, and so measures the ratio of the PSE to total receipts, including support:

$$\%PSE = \frac{PSE}{Y + PSE}$$

where Y equals market receipts at world prices, i.e. excluding market price support. The PSE includes MPS, so Y excludes it to avoid double-counting. The %PSE approaches the value of 1 as the PSE gets large relative to Y. When the PSE is large relative to market receipts, changes in the PSE will move the %PSE by a relatively small amount as the change in PSE impacts both the numerator and denominator of the ratio that defines the %PSE. As a result, the %PSE is relatively insensitive to PSE changes when the PSE is significantly larger than Y. For example, a %PSE value of 75 indicates a situation where the PSE is three times the level of market receipts. This was approximately the case in Switzerland in the 1986-88 period. To reduce the %PSE from 75 to 66, nine percentage points, which reflects the situation for Switzerland in 2004-06, either the PSE has to reduce by half, or market receipts must increase by 50%.

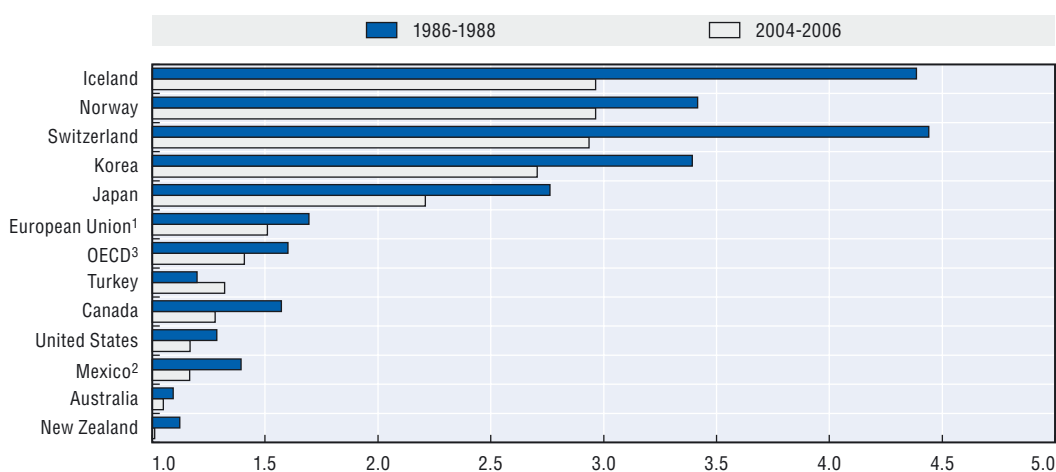
The NAC is the extent to which receipts come from the marketplace, and so measures the ratio of total receipts to market receipts:

$$NAC = \frac{Y + PSE}{Y}$$

The NAC approaches a value of 1 as the PSE becomes small relative to market receipts. When the PSE is large relative to Y, changes in the PSE will affect the NAC approximately linearly, but changes in market receipts can affect the NAC asymptotically (consider the denominator of the equation to see why this is so). For example, for the same situation described above where the PSE is three times the level of market receipts (%PSE = 75), the NAC has a value of 4, reflecting a situation where total receipts are 400% the market receipts. Increasing market receipts by 50% would reduce the NAC to 3, a reduction of 100 percentage points and 25% of the value of the indicator.

on the basis of all four of these parameters-ranging between an increase of 320% for payments based on animal numbers, to payments based on farm receipts, which increased by 460%. Payments based on area, which are also very diverse, dominate this category, forming nearly 80% of its total, and these have increased by more than 400% during the period. Clearly, support offered on the basis of these characteristics is becoming a more important part of support in the OECD area.

Payments based on area are the most important of these forms of support in most countries. However, these policies often differ in terms of the associated implementation criteria and their stated policy objectives. Payments based on income are particularly important in **Canada**, where they comprised one-third of the PSE in 2006. Australia also makes significant use of payments based on income where they are 24% of the PSE.

Figure 2.3. **Producer Nominal Assistance Coefficient by country**

Note: Countries are ranked according to 2004-06 levels. For more detail, see Annex Table III.1.

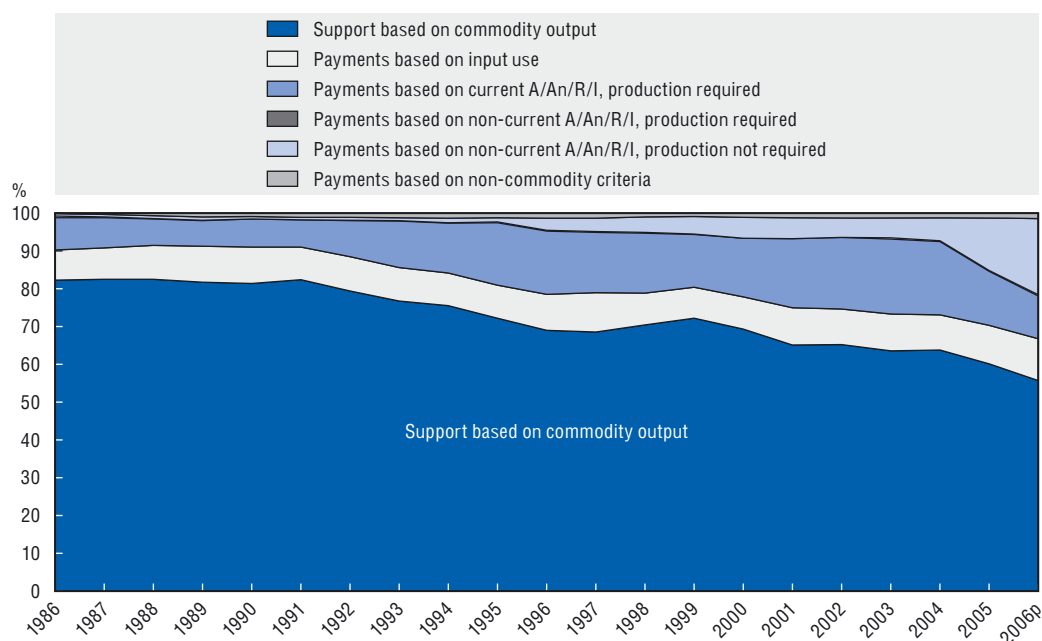
1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

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 six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073642231480>

Figure 2.4. **OECD: Composition of Producer Support Estimate**

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

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073668463106>

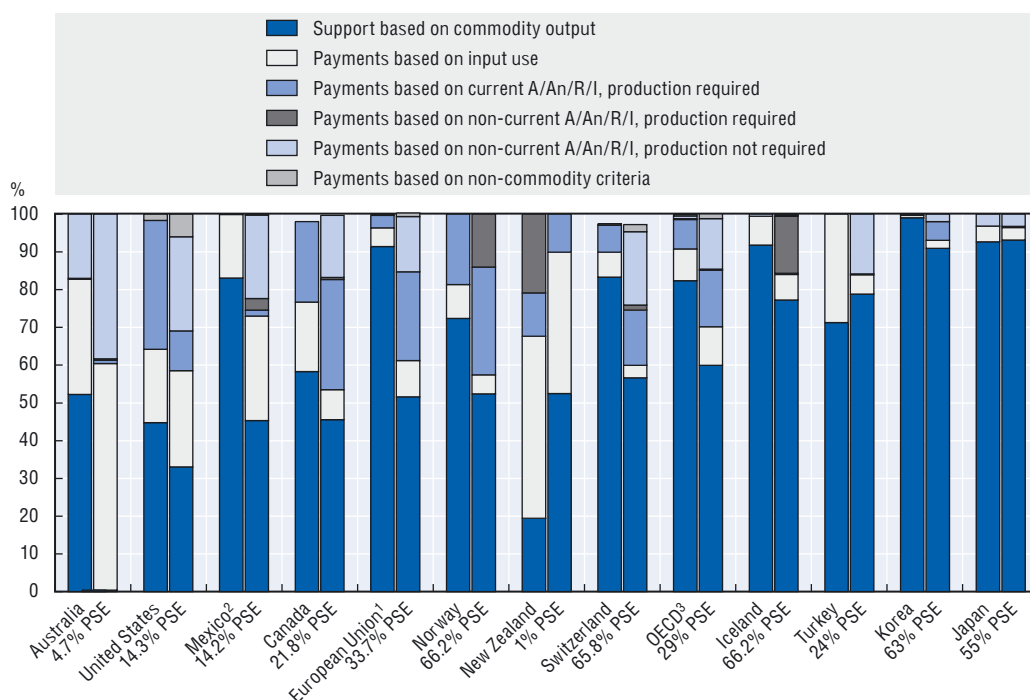
Payments based on farm receipts are less commonly used, but are relatively more important in **Australia**, where they form about 12% of the PSE, in **Norway** (5%), and the **United States** (3%).

... nor has progress been even across countries

Canada has made the most progress in reducing the proportion of support that is based on output or variable input use, with just nearly half of support being based on criteria other than output or variable input use in the 2004-06 period (Figure 2.5). The **United States, Switzerland, Norway** and the **European Union** also have significant proportions – more than 40% of support – that are made on bases other than output or variable input use. On the other hand, **Japan** and **Korea** have made the least progress in moving away from output based support. In these countries, market price support continues to make up around 90% of the total PSE, notwithstanding recent reforms in those countries (Figure 2.5). In **Turkey**, the share of support based on output increased from the base period 1986-88 and stands at about 80% of support.

The reduction in the prevalence of market price support in the PSE can most clearly be seen in the reduction in the Nominal Protection Coefficient (NPC), which shows the degree of domestic market protection provided to producers expressed as the ratio between the producer price at farmgate (including payments per unit of output) and the border price (Figure 2.6). This measure is similar to the NAC, the difference being that the NAC includes

Figure 2.5. **Composition of Producer Support Estimate by Country, 1986-88 and 2004-06**



Note: Countries are ranked according to the 2004-06 shares of market price support and payments based on output in the PSE.

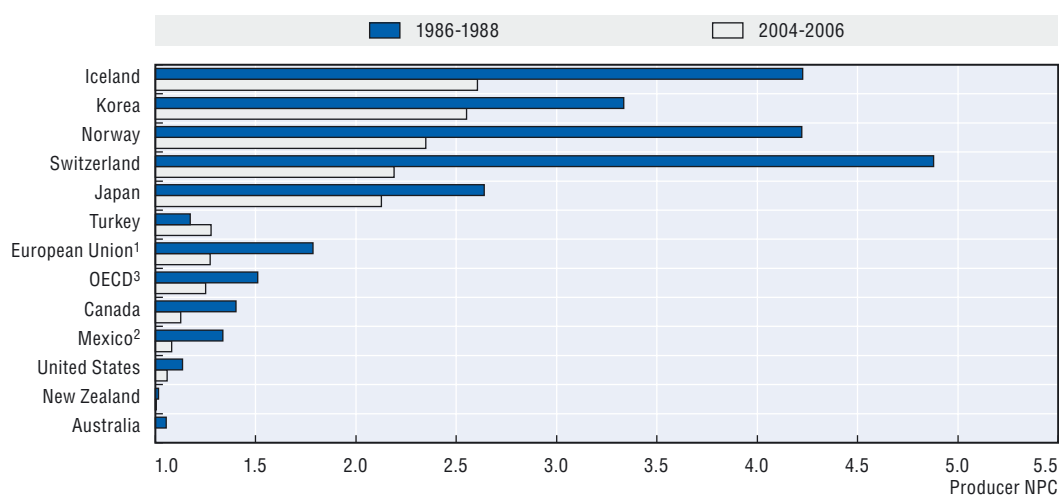
A (area), An (animal numbers), R (receipts) or I (income).

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

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 six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

Figure 2.6. **Producer Nominal Protection Coefficient by country**

Note: Countries are ranked according to 2004-06 levels. For more detail, see Annex Table III.1.

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

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 six non-OECD EU member states.

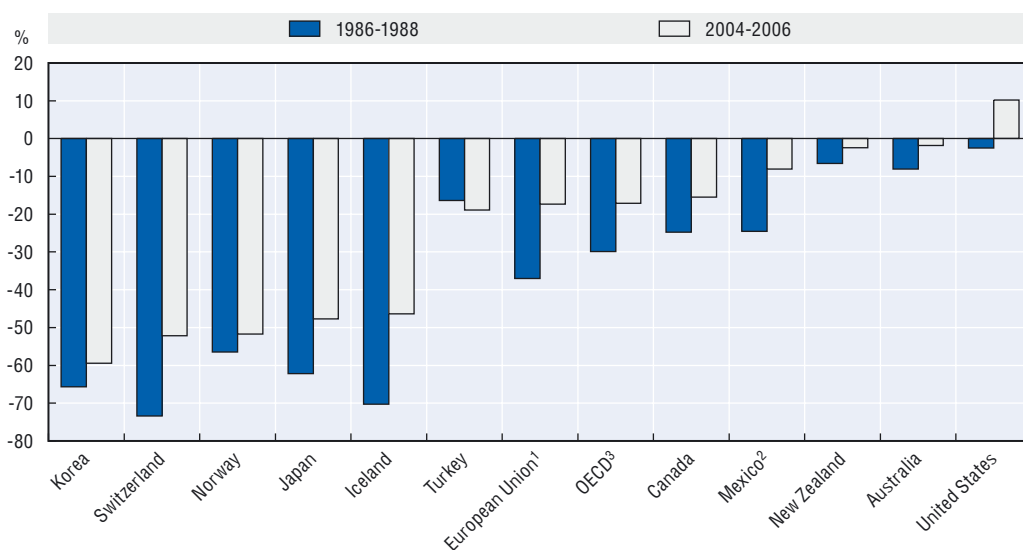
Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073728757748>

all forms of budgetary support while the NPC contains only those that affect the producer price. The trends in the NAC are closely aligned with those of the overall PSE, while the NPC reflects more closely the changes in the level of output support. In 1986-88, five countries – **Iceland, Norway, Korea, Switzerland** and **Japan** – had an NPC greater than two, indicating domestic market prices more than double world prices. These same countries continued to have an NPC greater than 2 in 2004-06, although the decline from the base period is significant for all of them, and in particular for **Switzerland** and **Norway**. In **Australia** and **New Zealand**, domestic prices were less than 1% above world prices in 2004-06, while in the **United States** and **Mexico**, they were less than 10% above world prices.

Trends in producer support have important implications for the consumer. In virtually all cases, implicit taxation of consumers (negative consumer support estimates, measured at the farm gate) stem from the effects of market price support policies that raise prices for domestic consumers and producers (Figure 2.7). These policies more than offset the benefits of any pro-consumer policies. Only in the **United States**, where domestic food aid programmes for low-income consumers are significant, this is not the case. Other countries with important transfers from taxpayers to consumers are the **European Union, Iceland, Korea, Norway** and **Switzerland**, although these countries remain among those with the largest negative consumer support estimate. In most countries, the implicit tax on consumers as measured by the CSE was smaller than in 1986-88, **Turkey** being the only exception.

Figure 2.7. Consumer Support Estimate by country



Note: Countries are ranked according to 2004-06 levels. A negative percentage CSE is an implicit tax on consumption.

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

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 six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

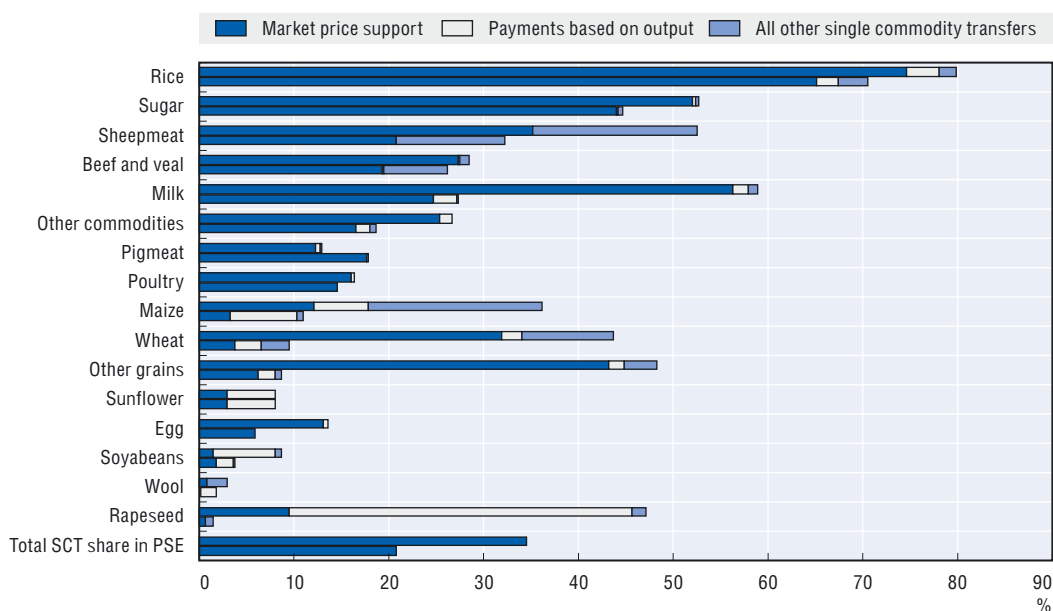
1 2 <http://dx.doi.org/10.1787/073737171562>

Most support is for specific commodities, though its share in producer support has declined...

Single commodity transfers (SCT) remain the most important component of the PSE. These are transfers based on the production of a single commodity such that the producer must produce the designated commodity in order to receive the support. The dominant policy is market price support, which necessarily refers to specific commodities. SCT as a proportion of the PSE has declined from a high of 88% in 1986-88 to 64% in 2004-06. The share of SCT in the PSE exceeds the share of support based on output in the PSE as a result of commodity specific support based on input use, area, animal numbers, receipts, or income. Of these, the most important is payments based on area.

The reduction in transfers targeted to a single commodity has not been homogeneous across commodities compared with 1986-88 (Figure 2.8). For example, SCTs for milk, eggs, maize, wheat, other grains, soybeans and rapeseed fell by more than half. However, other traditionally protected sectors such as rice and sugar have experienced only a small decline in this support. In fact, these two commodities remain those with the highest percentage SCTs. However, the **European Union** implemented reforms to its sugar policies in 2006 by reducing the guaranteed price. With the exception of sheepmeat, which experienced a reduction by one third in the per unit support, single commodity transfers to livestock production (beef, pigmeat, poultry) remained stable with a slight increase for pigmeat. The role of market price support relative to other SCT measures is substantially lower for commodities relying increasingly on headage payments (beef and veal and sheepmeat) and for maize and wheat.

Figure 2.8. **OECD: Single Commodity Transfers, 1986-88 and 2004-06**
SCT as % of gross farm receipts for each commodity



Note: For each commodity the first horizontal top bar represents 1986-88, the bottom bar 2004-06. Commodities are ranked according to 2004-06 levels.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073744738855>

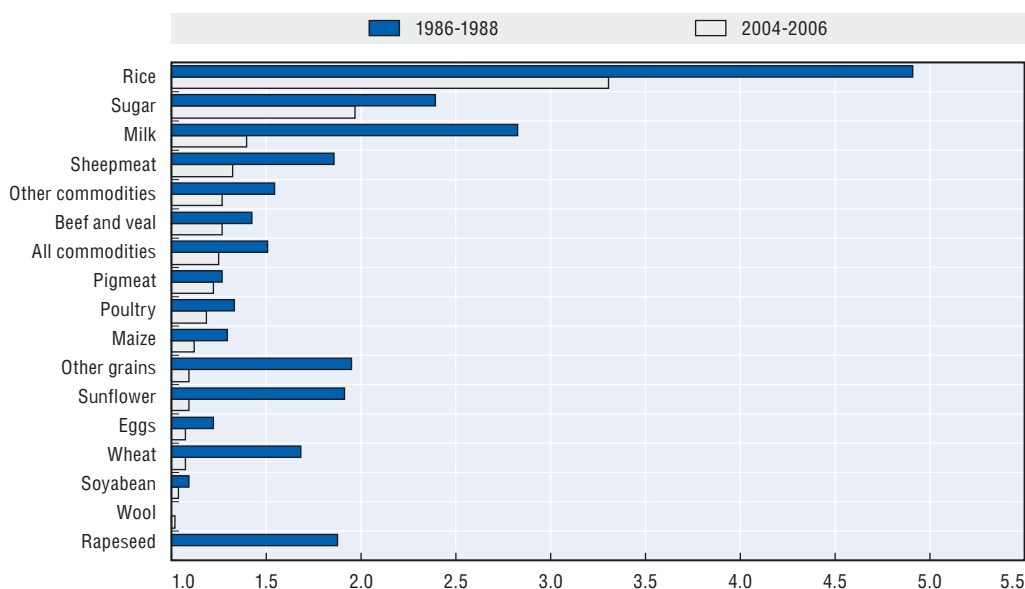
Single-commodity transfers other than market price support and payments based on output mostly involve payments based on area or animal numbers.

Those commodities showing the largest decreases in the level of support are also those with the most significant decreases in the level of price support as indicated by the producer NPC (Figure 2.9). For example, in 1986-88 prices received by wheat producers were on average 68% higher than border prices. By 2004-06 they were only 7% higher. Similarly, the average producer price for milk was nearly three times the border prices in 1986-88. By 2004-06 they were on average only 39% higher, down from 65% in 2002-04, indicating a continuing convergence between producer and border prices for milk in OECD countries. Producers of some commodities (wheat, maize, other grains, oilseeds, sheepmeat, beef and veal) increasingly receive a larger share of commodity-specific support that is not dependent upon the amount produced of the commodity. Examples of this type of payments could include headage payments for sheepmeat, or area payments for maize for ethanol production.

... and policies allowing more flexibility to producers are growing in importance

Support over the years has evolved towards budgetary payments that are less tied to producing a specific commodity, either by allowing for a group of commodities (or all commodities) to be eligible for a payment, or by having no production requirements to receive payments (Figure 2.10). The shift away from the most production distorting policies began in the early 1990s with an increase in payments requiring production of a commodity from a defined set of commodities (Group Commodity Transfers – GCT), but it has recently given way to policies not linked to the production of any commodity. The most significant change in this direction is the introduction of the Single Payment Scheme in the

Figure 2.9. **OECD: Producer Nominal Protection Coefficient by commodity**

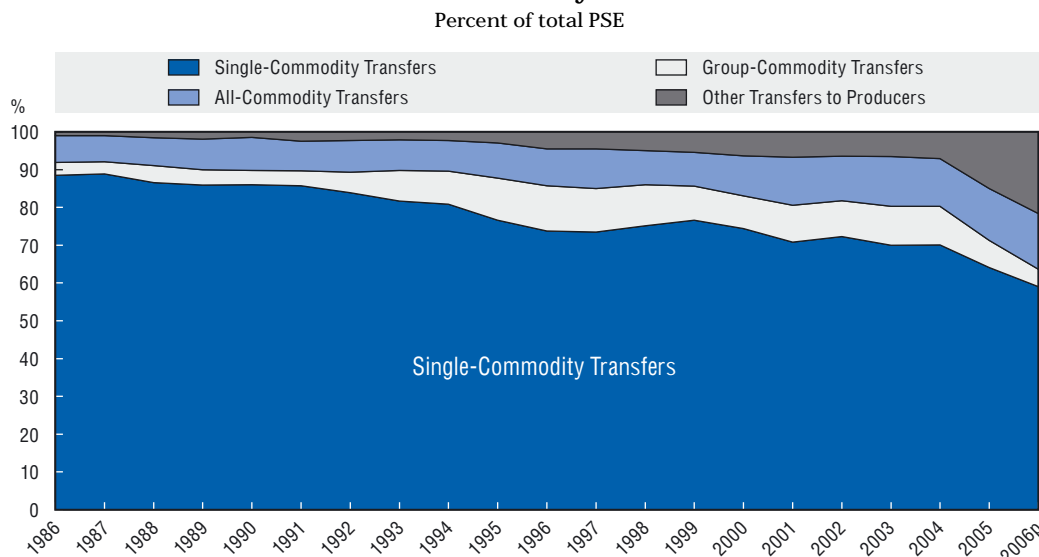


Note: Commodities are ranked according to 2004-06 levels.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073765018234>

Figure 2.10. **OECD: Composition of producer support degree of commodity flexibility**



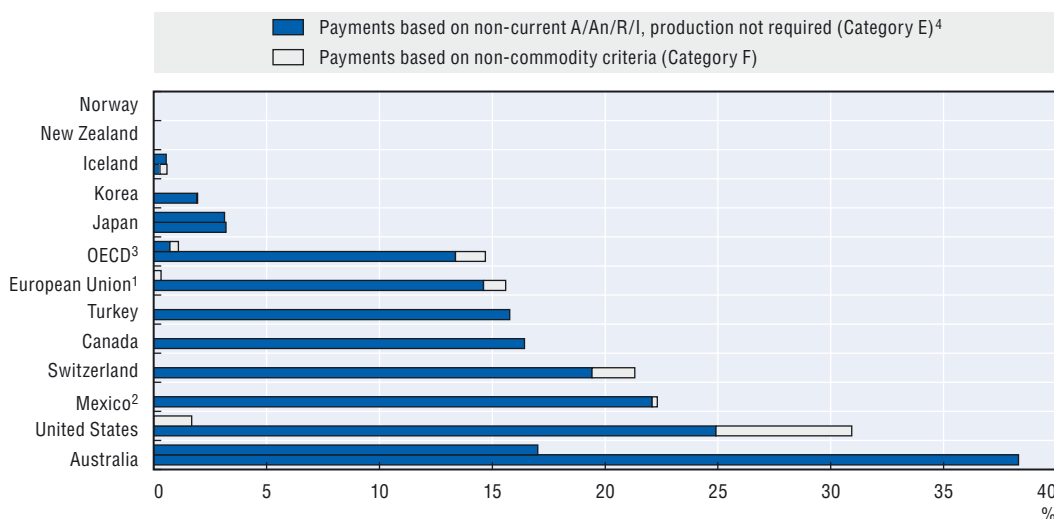
Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073503255441>

European Union starting in 2005, a change reflected in the growing importance of Other Transfers.

In the 1986-88 period, only a small portion of support provided by OECD countries was made on a basis that did not require production (Figure 2.11). By 2004-06, this share has increased to 15% of the PSE for the OECD as a whole, and many key national policies fall under this category. The trend towards policies allowing more flexibility to producers

Figure 2.11. **Use of payments not requiring production, by country**
In percentage of PSE



Note: The top bar represents 1986-88 and the bottom bar 2004-06. Countries are ranked according to 2004-06 levels.

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

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 six non-OECD EU member states.

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

Source: OECD, PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/073527383656>

becomes particularly apparent at the country level. In particular, the share of support that does not require production, was over 30% in **Australia** and the **United States** and over 20% in **Switzerland** and **Mexico**. At the other end of the spectrum, **Iceland**, **Korea** and **Japan** have less than 5% of support in this category. The sharpest increase in the use of such policies has been in the **European Union**, with the increase in the level of OTP registered in the OECD after 2004 due almost entirely to the introduction of the Single Payment Scheme. Payments based on non-commodity criteria form a smaller share of support, and are more than 5% of the PSE only in the **United States**. It is also the case that some of the policies in other categories, such as per-hectare payments with input constraints, have the stated objective of addressing non-commodity objectives.

Support for general services to agriculture is increasing...

While support received individually by producers has been falling, there has been an increase in the share of support for general services to the agricultural sector (General Services Support Estimate, GSSE) as a whole and not received individually by producers (Annex Table III.4). This category at the overall OECD level has increased from 13% of the Total Support Estimate (TSE) (%GSSE) in 1986-88 to 18% in 2004-06.

The average %GSSE in 2004-06 was 60% in **New Zealand**, around 30% in **Australia**, **Canada** and the **United States**, around 15% in **Japan** and **Mexico** and less than 15% in all other countries. For all countries, this was constant or higher than in 1986-88 as a share of the TSE.

There have been some notable changes in the composition of support within the GSSE (Table 2.5). Support for marketing and promotion has driven the increase in the GSSE since the mid-1980s, rising from 30% in 1986-88 to 44% of the overall GSSE in 2004-06. It has

Table 2.5. Composition of General Support Services Estimate by country
Percentage of GSSE

		1986-88	2004-06	2004	2005	2006p
Australia	Research and development	35	57	57	57	57
	Agricultural schools	0	0	0	0	0
	Inspection services	24	16	16	16	16
	Infrastructure	17	23	23	23	23
	Marketing and promotion	13	1	1	1	1
	Public stockholding	0	0	0	0	0
	Miscellaneous	11	3	3	3	3
Canada	Research and development	17	17	17	14	19
	Agricultural schools	14	9	10	9	8
	Inspection services	17	27	25	24	33
	Infrastructure	23	19	20	16	20
	Marketing and promotion	29	28	28	36	20
	Public stockholding	0	0	0	0	0
European Union¹	Research and development	12	16	16	16	16
	Agricultural schools	2	8	8	8	8
	Inspection services	2	6	6	7	5
	Infrastructure	12	43	41	43	44
	Marketing and promotion	18	20	20	19	20
	Public stockholding	54	7	9	6	8
	Miscellaneous	0	1	1	1	0
Iceland	Research and development	19	25	22	26	25
	Agricultural schools	6	8	12	6	5
	Inspection services	5	12	9	14	12
	Infrastructure	17	21	21	20	21
	Marketing and promotion	7	15	14	15	15
	Public stockholding	45	21	22	19	21
Japan	Research and development	4	9	8	9	10
	Agricultural schools	2	1	1	1	0
	Inspection services	1	1	1	1	1
	Infrastructure	86	85	86	85	85
	Marketing and promotion	2	2	1	2	2
	Public stockholding	3	2	2	2	2
	Miscellaneous	2	0	0	0	0
Korea	Research and development	6	16	14	16	19
	Agricultural schools	1	3	3	3	3
	Inspection services	3	5	4	5	5
	Infrastructure	46	56	59	57	50
	Marketing and promotion	0	1	1	1	1
	Public stockholding	44	20	18	19	22
Mexico²	Research and development	10	16	17	15	17
	Agricultural schools	16	22	22	19	25
	Inspection services	0	17	20	20	12
	Infrastructure	25	13	14	17	7
	Marketing and promotion	9	31	26	28	38
	Public stockholding	35	0	0	0	0
	Miscellaneous	5	1	1	0	1
New Zealand	Research and development	51	38	44	37	33
	Agricultural schools	0	9	8	9	9
	Inspection services	26	32	34	30	30
	Infrastructure	23	22	13	24	28
	Marketing and promotion	0	0	0	0	0
	Public stockholding	0	0	0	0	0
	Miscellaneous	0	0	1	0	0

Table 2.5. **Composition of General Support Services Estimate by country (cont.)**
Percentage of GSSE

		1986-88	2004-06	2004	2005	2006p
Norway	Research and development	56	49	45	49	52
	Agricultural schools	0	0	0	0	0
	Inspection services	4	20	22	20	19
	Infrastructure	16	11	12	13	9
	Marketing and promotion	25	4	5	3	3
	Public stockholding	0	0	0	0	0
	Miscellaneous	0	16	16	16	16
Switzerland	Research and development	20	18	18	18	17
	Agricultural schools	6	4	4	4	4
	Inspection services	2	2	2	2	2
	Infrastructure	20	19	19	17	21
	Marketing and promotion	7	11	11	11	11
	Public stockholding	15	8	9	9	8
	Miscellaneous	31	38	38	38	37
Turkey	Research and development	18	2	4	2	2
	Agricultural schools	1	0	1	0	0
	Inspection services	16	12	14	7	14
	Infrastructure	3	0	0	0	0
	Marketing and promotion	28	84	79	90	82
	Public stockholding	0	0	0	0	0
	Miscellaneous	35	1	2	1	2
United States	Research and development	7	6	7	5	5
	Agricultural schools	0	0	0	0	0
	Inspection services	2	3	3	3	2
	Infrastructure	24	14	14	14	13
	Marketing and promotion	59	71	69	72	73
	Public stockholding	0	0	0	0	0
	Miscellaneous	7	6	7	6	6
OECD³	Research and development	9	10	10	10	10
	Agricultural schools	2	3	3	3	3
	Inspection services	3	5	4	5	5
	Infrastructure	35	32	34	32	30
	Marketing and promotion	30	44	41	45	46
	Public stockholding	17	3	3	3	3
	Miscellaneous	4	4	4	4	4

p: provisional.

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

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 six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076414554410>

always been the most important form of GSSE support in **Turkey** and the **United States** and now also in **Mexico**. The costs associated with public stockholding of agricultural products (a major part of the public budgetary costs of maintaining MPS to producers) is now a fifth of its 1986-88 level at 3% of the overall GSSE in 2002-04, reflecting lower public stocks as a result of a combination of policy and market developments.

About one-third of overall GSSE support is for infrastructure. It is particularly important in **Japan** and **Korea**, and has been increasing in the **European Union**, partly as a result of financing available through the Rural Development Regulation and associated

national expenditures. Support for research and development, and for education remained stable at 9-10% of the overall GSSE, but is around 50% or more of the GSSE in **Australia** and **Norway**. While the share of inspection services in the overall GSSE remains small at just 3-4%, its share rose in a number of countries, reflecting a greater public policy focus on food safety and on maintaining sanitary and phytosanitary standards, especially given the increase in traded commodities.

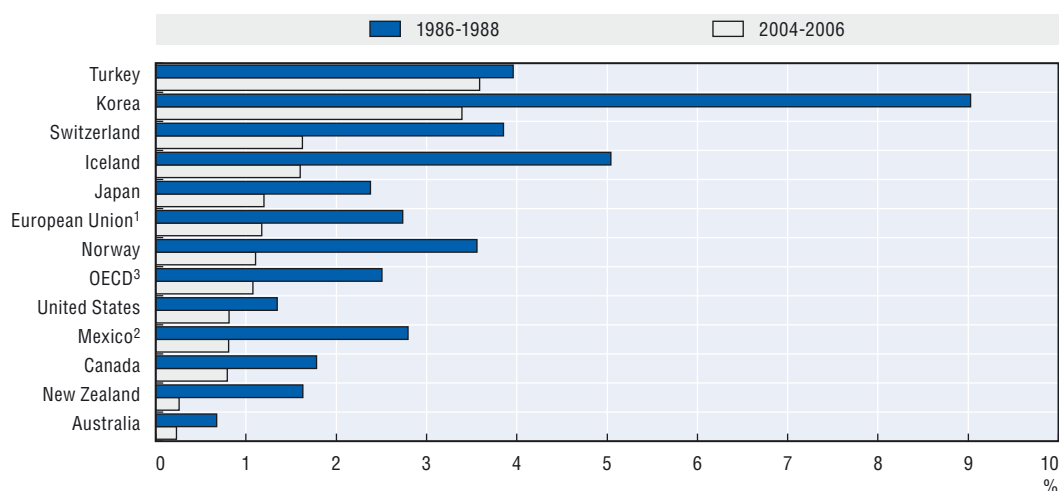
Support for general services to agriculture does not vary with respect to individual farmers' production decisions regarding output or use of factors of production, and does not directly affect farm receipts. Included in the GSSE are efforts to ensure plant, animal and human health, which benefit both consumers and producers alike. Advisory services, training, research and development, and inspection services can improve long-term productivity or expand the sector's production capacity.

... while total support to agriculture has decreased slightly

For the OECD as a whole, transfers to agriculture as measured by the Total Support Estimate (TSE) amounted to USD 372 billion (EUR 297 billion) in 2006 (Annex Table III.5). When measured as a share of GDP (%TSE) overall support decreased slightly from 1.1% of GDP in 2005 to 1% in 2006. This is less than half the 1986-88 average of 2.5%. Since then there has been a decrease in the value of transfers from consumers, and an increase in transfers from taxpayers, reflecting the change in the composition of producer support.

In 2004-06, the %TSE ranged from less than 0.3% in **Australia** and **New Zealand** to approximately 3.5% in **Turkey** and **Korea** (Figure 2.12). Across all OECD countries, the %TSE has fallen by 40% or more since 1986-88 (averaging 50%) with the exception of Turkey where it has decreased only slightly. This reflects a combination of factors including overall GDP

Figure 2.12. **Total Support Estimate by country**
Percentage of GDP



Note: Countries are ranked according to 2004-06 levels.

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

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 OECD total does not include the six 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.

Source: OECD, PSE/CSE database, 2007.

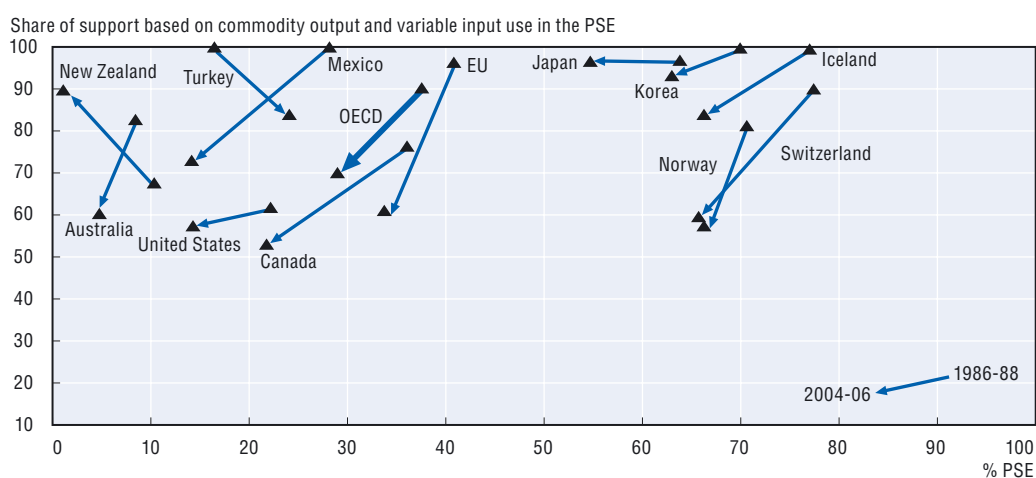
levels and growth, changes in the relative contribution of agriculture to GDP, and changes in the amount of support from agricultural policies.

Overall, there has been progress in policy reform...

In 1987, ministers stressed the need for a progressive reduction in agricultural support and a move towards those forms of support that are less production and trade distorting in order to let the agricultural sector respond more to market signals. The overall PSE and changes in its component parts provide information that enables an evaluation of the progress made by OECD countries towards this goal. Specifically, an overall view can be achieved by evaluating progress since 1986-88 in terms of how much support is provided (level of PSE), how support is provided (composition of PSE), and how much flexibility support allows farmers (commodity specificity).³ These three aspects of support together determine to a large degree the market and trade impacts of agricultural policy.

For the OECD as a whole, progress has been made in both reducing the level of support and the share of support that is more directly connected to production (Figure 2.13). The level of the PSE as measured by the %PSE has fallen from 38% in 1986-88 to 29% in 2004-06. Policies have become less directly tied to commodity production and prices, as measured by the share of the PSE that most directly affects these support based on output and payments based on the use of variable inputs (without constraints). The share of such support, which has the greatest potential to distort markets and trade, has declined from 91% to 63% (Box 2.3). And support is also being delivered in a way that is less or even not at all commodity-specific, i.e. puts less constraints on the choices farmers have regarding what to produce, as indicated by the growing levels of All Commodity Transfers (ACT) and Other Transfers to Producers (OTP), which place no restriction on commodities that farmers choose to produce or have no requirement to produce (Figure 2.10).

Figure 2.13. OECD: Changes in the level and composition producer support



Note: The level of support is measured by the %PSE. The composition of support is measured by the share of market price support, payments based on output and payments based on variable input use (without constraints) in gross farm receipts.

Source: OECD, PSE/CSE database, 2007.

Box 2.3. What has OECD analysis concluded about the impacts of producer support?

The OECD has been collecting and analysing information regarding support to agriculture for twenty years. In that time, it has tried to answer the question of what effect this support has on production, prices, trade and the welfare of agricultural producers, and, more recently, on the environment. The lessons learned from this data collection and analysis has assisted member countries in the ongoing process of policy reform as OECD member countries continue to improve the efficiency and effectiveness of their agricultural policies.

In *Decoupling: A Conceptual Overview* (OECD, 2001), three potential mechanisms through which policies affect production and trade are highlighted. These are **static effects**, that occur whenever policies affect the incentive prices of agricultural outputs or inputs, **risk effects** stemming from the risk-reducing or income-enhancing effects of policies and **dynamic effects** that occur through changes in investment decisions caused by policy expectations.

In *Decoupling: Policy Implications* (OECD, 2006), the following summation was made:

- For **static effects**, it was found that payments based on area could be less distorting than all other forms of support, and that among these payments, those that impose fewer conditions on the use of land are likely the least distorting. Further, MPS and payments based on output could have similar impacts on production and trade that are higher than the corresponding effects associated with any category of payments based on land. Payments based on variable inputs were found to potentially be the most production and trade distorting among the five categories considered. It was found that high initial levels of one type of support could reduce the marginal impact on production of an increase in that category of support and could potentially reverse these results.
- When farmers are risk averse, **risk effects** can be important. Adding risk aversion parameters to the OECD Policy Evaluation Model (PEM) demonstrated that large risk-related effects are possible for some PSE categories (OECD, 2002). Insurance effects seem to be more important than wealth effects.
- For **dynamic effects** it was found that the effects of price expectations could be significant. Under this assumption, OECD (2002) found that expectations of future payments – and especially their correlation with market prices – can have important effects on current production decisions.

In the *Synthesis Report of the Case Studies on the Pig, Dairy and Arable Crop Sectors* (OECD, 2006), it was found that, despite the complexities involved in quantifying the environmental effects of the linkages between agriculture, trade and the environment:

- On balance, agricultural trade liberalisation could be beneficial to the environment, in terms of the scale and intensity of input use, pesticide use, nitrogen uptake and off load and GHG emissions.
- Decoupling agricultural support from production decisions, the provision of information and investment in human capital would reduce environmental pressures and facilitate the adoption and diffusion of environmentally benign farming systems.
- The simulation analysis undertaken in the arable crop study suggests that whenever payments decrease the average variable costs of production, production and trade flows could potentially be affected.

Despite this progress in policy reform, there remains scope for improvement. Meeting the OECD ministers' vision for agricultural policies to be targeted and tailored to specific objectives, will require greater emphasis on policies based on meeting clearly defined goals. It should be recalled, however, that market price support, considered to have the greatest potential effects on markets and to be the least effective in improving farm income, remains the dominant component of the PSE. Similarly, support (in accordance with Table III.7) based on the production of a single commodity also represent the largest share of the PSE. Producers receive nearly 30% of their revenue in the form of transfers from taxpayers and consumers as a result of agricultural policy.

... while some countries have made more progress than others...

Different patterns of support and reform are evidenced across OECD countries as shown by changes in the level of support, its composition, and the extent of commodity-specific transfers between 1986-88 and 2004-06. In almost all countries there has been some progress in policy reform, i.e. an improvement in one or more of the three elements, but the extent to which further progress is necessary varies considerably. For more detail, see the *Summary of policy developments* section for each country in Chapters 4-15.

- **Australia:** the level of producer support is the second lowest among OECD countries and domestic and border prices are generally aligned, but Australia has seen increases, though relatively small ones, in recent years due to the severity of drought.
- **Canada:** progress has been made in reducing the level of producer support and reliance on the most distorting forms of support, with the exception of producer support for milk, eggs and poultry.
- **European Union:** the level of producer support has fallen gradually relative to historical levels, and bold steps have been made in recent years to decouple support from production. Nonetheless, the level of production and trade distorting support remains significant for livestock, milk, sugar, and rice production, even though support to sugar has declined as a result of reforms to the sugar support regime that were implemented late in 2006.
- **Iceland:** a significant reduction occurred in support levels relative to the value of agricultural production. However, the level of producer support is one of the highest in the OECD and has only fallen slightly, while the most distorting forms of support continue to dominate.
- **Japan:** there has been a gradual fall in the level of producer support, but with little or no movement to less distorting forms of support especially for rice, although a substantial reduction did occur in the support for beef.
- **Korea:** the level of producer support has fallen slightly, but remains high, together with a small reduction in the overall importance of the most distorting forms of support, reflecting a reduction in market price support for rice along with increases for some livestock products.
- **Mexico:** progress has been made by halving the level of producer support, reducing support linked to production and decreasing differences in support levels between commodities, although there is still some reliance on production-linked and input subsidies.

- **New Zealand:** the level of producer support is the lowest among OECD countries, having been reduced from a relatively low base, domestic and border prices are closely aligned.
- **Norway:** the level of producer support is the second highest among OECD countries and there has been little change over time, but progress has been made in lowering the importance of the most distorting forms of support and allowing more flexibility in the choices farmers have regarding what to produce.
- **Switzerland:** while the level of producer support has only fallen slightly, significant improvements have been made in shifting away from commodity-specificity of support, which is the most production distorting. The proportion of support relative to market receipts of the sector has fallen significantly.
- **Turkey:** while below the OECD average, the level of producer support has increased over time, as has the importance of the most distorting forms of support, and support for specific commodities. Total support accounts for the largest share in GDP of OECD countries, reflecting the relative importance of agriculture in the economy.
- **United States:** producer support as a percentage of farm receipts is relatively low. There has been a significant reduction over time in reliance on the most distorting forms of support and in the commodity specificity of support. Recent high commodity prices contributed to a renewal of the downward trend in support, in particular in 2006, as several policies connect support to price levels.

... but overall support remains high, most of which is linked to production

Government intervention continues to be significant, as does its potential impact on production, trade and the environment. Although progress has been made since 1986-88, about three-quarters of the total support to agriculture transferred from taxpayers and consumers is provided to individual producers. Producer support accounts for just under 30% of farm receipts, of which over 60% is generated by the most distorting forms of commodity and input linked support. Wide differences remain in the level of support between commodities.

While the overall consumer and taxpayer costs of agricultural support policies have fallen for the OECD economy as a whole, most producer support continues to be provided through policies generating higher producer prices. This can bear heavily on low-income consumer households, for whom food constitutes a larger share of their total expenditure. Moreover, as most of the support provided to producers is still either output- or input-linked, a high share of support goes to larger farms, which may increase farm income and wealth disparities.

OECD governments are increasingly focusing on environmental performance, the contribution of agriculture to rural development, animal welfare and food safety and quality issues. These reflect consumer and citizen concerns, and are having an increasing impact on the requirements for receiving producer support. For example, in 2006 approximately 26% of PSE support in OECD countries involved constraints on use of inputs such as fertilizer and pesticides, or maintaining land according to best management practices, up from 4% in 1986-88. For the European Union, Switzerland, and the United States, the share of PSE support constraining the use of inputs was above 35% in 2006. However, despite the greater emphasis on environmental performance, the majority of support remains linked to production or factors of production. In such a policy environment, producer support constraining the use of inputs is unlikely to offset the

environmental impact linked to higher production levels arising from production-linked support. In this respect, increasing the share of payments not requiring production (20% in 2006 for OECD) would enable countries to continue pursuing rural development objectives while providing additional environmental improvements. Reform offers further opportunities to better target environmental, animal welfare, and rural development objectives in ways that are effective and economically efficient.

Notes

1. This report also covers those member states of the European Union that are not members of the OECD. However, as indicated in various tables in figures, they are not included in the total for OECD.
2. Readers should take care when looking for these figures in the estimates of support to agriculture-market receipts are the total value of production at the farm gate *minus* market price support.
3. The term “commodity specificity” is used in this report in a qualitative manner to denote the preponderance of single commodity transfers (more commodity specific) relative to other types of support.

ANNEX 2.A1

Policy Principles

OECD Agriculture Ministers in 1998 adopted a set of policy principles, building on the agricultural policy reform principles agreed by OECD ministers in 1987. 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.

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

ANNEX 2.A2

Operational Criteria

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.

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

PART I
Chapter 3

The New PSE Classification

In this publication the OECD Secretariat is using for the first time the new PSE method with new classification categories and using labels providing more detailed characteristics of policies applied. This chapter provides information on the overall concept of estimation of support in agriculture and a detailed description of the new PSE classification and related indicators used in the report.

3.1. 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 are 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.

3.2. 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).
- 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 3.A1.

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.

3.3. Changes in the PSE methodology applied in this report

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 in recent years (including the 2006 report on *Agricultural Policies in OECD Countries: At a Glance*) is shown in Box 3.1.

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

Box 3.1. Previous classification of PSE and related support indicators**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)

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 Boxes 3.2 and 3.3. The key underlying criteria for the new

Box 3.2. New PSE classification

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
- B.2. Fixed capital formation
- B.3. On-farm services

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

- C.1. Of a single commodity
- C.2. Of a group of commodities
- C.3. Of all commodities

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
- E.2. Fixed rates

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

G. Miscellaneous payments

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

- With/without L (with or without current commodity production limits).
- With V/F rates (with variable or fixed payment rates).
- With/without C (with or 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).

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

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).

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

Box 3.3. Definitions of categories in the new PSE classification

Definitions 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.

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.

- **Variable rates:** payments rates vary with respect to levels of current output or input prices.
- **Fixed rates:** payments rates do not vary with respect to these parameters.

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).

Box 3.3. Definitions of categories in the new PSE classification (cont.)

Definitions of labels

With or without current commodity production limits: defines whether or not there is a specific limitation on current commodity production (output, area or animal numbers) that is eligible to receive payments or MPS. Applied in categories A-D.

With variable or fixed payment rates: defines whether payments rates vary with respect to levels of current output or input prices or production/yields and/or area (variable rates); or do not vary with respect to these parameters (fixed rates). Applied in categories A-D (in E it is a specific subcategory).

With or without input constraints: defines whether or not there are specific requirements for the reduction, replacement, or withdrawal in the use of inputs for commodity production eligible to receive payments. Applied in categories A-F.

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.

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, B and D (in C it is a specific subcategory).

are at fixed or variable rates (Box 3.3). The applied labels are provided in the PSE database. Labels may be used alternatively as additional subcategories 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 new classification has been implemented in the 2007 report on *Agricultural Policies in OECD Countries: Monitoring and Evaluation* and will be also implemented in the report on *Agricultural Policies in non-OECD Countries: Monitoring and Evaluation*.

The definitions of the categories and labels in the new PSE classification are shown in Box 3.3.

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. These categories are:

- **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 policies whose payments are made on the basis that one or more of a designated list of commodities is produced. That is, a producer may produce from a set of allowable commodities and receive the transfer that does not vary with respect to this decision.
- **All Commodity Transfers (ACT):** the annual monetary value of gross transfers 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 made under policies that do not fall in the above three cases (SCT, GCT, ACT). That is, transfers 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. The detailed lists (by country) of commodity groups included in the GCT are provided in Annex 3.A2.

3.4. 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 (Box 3.2). 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. The Annex 3.A1 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 Box 3.3). When desired, the labels in the database may be used alternatively as additional subcategories in the main classification framework. Currently labels are used in this way as subcategories in C and 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 (see Annex Table III.7, and Table III.20-Table III.31) 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).

3.5. 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.

ANNEX 3.A1

Definitions of the OECD Indicators of Support

Nominal indicators

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/revenues/incomes (current, non-current), and non-commodity criteria.

Market Price Support (MPS): the estimated 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.

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 payment. This includes broader policies where transfers are specified on a per-commodity basis. SCT is also available by commodity.

Group Commodity Transfers (GCT): the annual monetary value of gross transfers from policies whose payments are made on the basis that one or more of a designated list of commodities is produced. That is, 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 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 made under policies that do not require any commodity production at all.

Consumer Support Estimate (CSE): the annual monetary value of gross transfers to (from) 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 agriculture as a sector (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.

Relative 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).

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 PNPC 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): The %CSE measures the implicit tax (or subsidy, if CSE is positive) on consumers as a share of consumption expenditure at the farm gate.

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 CNPC 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): overall transfers to farming sector as a percentage of GDP.

Share indicators (these indicators express a share of a specific nominal indicator in the total PSE)

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

Share of GCT in total PSE (%): share of Group specific transfers in the total PSE.

Share of ACT in total PSE (%): share of All Commodity Transfers in the total PSE.

Share of OTP in total PSE (%): share of Other Transfers to Producers in the total PSE.

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

ANNEX 3.A2

Commodity Groups Applied in Member Countries

This annex provides illustrative information on the commodity groups identified in member countries. This grouping is based on a common set of groups which are most commonly to be found in the policies applied within OECD member-countries but leaves flexibility to reflect specific policy mixes. The purpose is to use these generic categories as a menu and use only those which are relevant. The selection of groups should provide an opportunity to categorise all programmes summed up as transfers to groups of products and may vary from year to year as new programmes are added and continuing programmes may be modified. The Secretariat will continue his effort to improve the consistency of the groups used in the different countries (i.e. the same group name should have the same meaning in terms of commodities covered).

Australia

Three different commodity groups have been defined for Australia based on the policies in place over the period starting in 1986. These are:

- **All crops:** Includes mostly disaster payments and weed strategy payments.
- **Fruits and vegetables:** Disease control and eradication payments.
- **All livestock:** Payments related to animal identification and control and disease control and eradication.
- **Ruminants:** Disease control and eradication payments.

Canada

Three different commodity groups have been defined for Canada based on the policies in place over the period starting in 1986. These are:

- **Crops:** This includes any policy that is available to producers of any grain or oilseed crop.
- **Livestock:** This group includes policies directed at producers of livestock, including cattle, pigs, dairy and poultry. Some examples are the BSE Recovery Program (2003) and the Feed Freight Assistance Program (until 1995).
- **All commodities except supply managed:** This includes Canada's major agricultural support policies, including the stabilisation component of the Canadian Agricultural Income Stabilisation (CAIS) programme (started 2003) and the Net Income Stabilization Account (NISA) programme (1994-2002).

European Union

Twelve different commodity groups have been defined for the EU based on the policies in place over the period starting in 1986. These commodity groups are:

- **All crops:** This includes any policy that is available to producers of any crop, such as measures for irrigation, pest control or environmentally friendly crop farming.
- **All arable crops:** This includes any policy that is available to producers of any crop. This group is only used for measures such as payments for crop rotation, as most area payments under Agenda 2000 were restricted to COP (see below).
- **Cereals, oilseeds and protein crops (COP):** This includes any policy that is available to producers of any COP crop, such as set-aside payments and Agenda 2000 area payments after 2003.
- **Grains:** This includes payments per hectare of cereals, with a rate per ha for any cereal different from that for oilseeds or protein crops. They were introduced by the 1992 reform. In 2004, these payments became part of the COP group.
- **Oilseeds:** This includes payments per hectare of oilseeds, with a rate per ha for any oilseed different from that for cereals or protein crops.
- **Protein crops:** This includes payments per hectare of protein crops, with a rate per ha for any protein crops different from that for cereals or oilseeds.
- **All fruits and vegetables:** This includes measures for the whole fruit and vegetable sector, such as measures for orchard improvement.
- **Other crops:** This group includes payments to non-commodity specific crops other than COP, including grass and forage crops.
- **All livestock:** This group includes policies directed at producers of livestock, including cattle, pigs, dairy and poultry. Examples are measures for disease control, breeding improvement, compensating losses or manure handling, as well as some regional payments.
- **Ruminants:** This includes payments for beef, sheep and goats such as less-favoured area payments before 2000, which were paid per livestock unit.
- **Non-ruminants:** No payment is made specifically to non-ruminants in EU member states.
- **Milk and beef:** This includes payments to the dairy sector, which cannot be associated to either milk production or meat production, such as investments in stables.

Iceland

Three different commodity groups have been defined for Iceland based on the policies in place over the period starting in 1986. These commodity groups are:

- **Livestock:** This group includes policies directed at producers of livestock, including cattle, pigs, dairy and poultry. An example is the animal breeding programme.
- **Ruminants:** This group includes policies directed at producers of cattle, dairy and sheepmeat.
- **Sheepmeat and poultry:** This group includes policies directed at producers of sheepmeat and poultry. An example is the animal disease control programme.

Japan

Two different commodity groups have been defined for Japan based on the policies in place over the period starting in 1986. These commodity groups are:

- **Livestock:** This group includes policy directed at producers of livestock, including cattle, pigs, dairy and poultry. Animal disease control programme is an example.
- **Wheat, barley and soybeans:** This group includes policy that is available to producers of wheat, barley and soybeans.

Korea

Four different commodity groups have been defined for Korea based on the policies in place over the period starting in 1986. These commodity groups are:

- **All crops:** This includes any policy that is available to producers of any crop. This set of transfers includes payments based on input use such as fertilizer, seeds and pesticides. In more recent years (starting from 1999), this group includes also payments for set-aside, direct payment for environment friendly farming practices, paddy-field environmental conservation payment and direct payment for landscape preservation.
- **All livestock:** This includes policies directed at producers of livestock, including cattle, pigs, dairy and poultry. The transfers in this category include three programmes; direct payment for environmentally friendly livestock practices, payments for management of livestock waste and credit concessions to livestock farmers.
- **Beef and pigmeat:** This includes payments in the meat quality enhancement programme. It is the payments per head of animal to encourage good quality beef and pigmeat.
- **Beef and milk:** This includes payments in the cattle reproduction programme which includes artificial insemination.

Mexico

Two main commodity groups have been defined for Mexico based on the policies in place over the period starting in 1986. These commodity groups are:

- **Crops:** This includes any policy that is available to producers of any grain or oilseed crop. Most of the policies in this group belong to ALIANZA. This group of policies decreased in importance in the GCT between 1991-93 and 2004-06, decreasing from 6 to 2%.
- **Livestock:** This group includes policies directed at producers of livestock, including cattle, pigs, dairy and poultry. Some examples are ALIANZA programmes such as the Livestock Improvement and the Genetic Improvement. This group of policies has become an important part of the GCT in 2004-06, but was not used at all in the base period of 1991-93.
- Several smaller groups of commodities emerged, such as **fruits, flowers, industrial crops**, and **alternative crops**. Some of these payments are subnational to take advantage of specific agro-climatic conditions. None of these payments was materialized recently.

New Zealand

Two different commodity groups have been defined for New Zealand based on the policies in place over the period starting in 1986. These commodity groups are:

- **All livestock:** This category represents the payments on animal disease control programmes that seek to safeguard the health of the agricultural animal population.

These programmes include export quality assurance for live animals, the reduction of production limiting diseases, disease surveillance and disease eradication. This payment represented 100% of GCT since 1993 when the payments for the other group (sheepmeat, wool, beef and milk) were completely stopped.

- **Sheepmeat, wool, beef and milk:** This category included policies directed at producers of sheep and cattle. The transfers in this category represent payments in seven programmes; labour subsidy programme, fertilizer price subsidy programme, livestock incentive scheme, land development and encouragement loan scheme, interest concession programme from the rural bank and finance corporation, debt discounting write-off programme from the rural bank and finance corporation, the debt write-off programme for producer boards. The payments for this category were completely stopped in 1992 as the reform of these sectors was accomplished.

Norway

Eleven different commodity groups have been defined for Norway based on the policies in place over the period starting in 1986. The main commodity groups are:

- **All crops:** This includes any policy that is available to producers of any crop, such as measures for irrigation, pest control or environmentally friendly crop farming.
- **Grains:** This group includes payments based on output, payments per hectare of grains, transport subsidies and regional subsidies.
- **All livestock:** This group includes payments to producers of livestock, including cattle, pigs, dairy and poultry. Examples are deficiency payments, headage payments and the vacation and temporary substitute scheme for livestock producers, as well as some regional payments.
- **Feed crops:** Here are included all subsidies to coarse feed, including acreage support to mountain farming and support to meadowseed storage.

Switzerland

Eight different commodity groups have been defined for Switzerland based on the policies in place over the period starting in 1986 (6 of them were used in 2004-06). These commodity groups are:

- **All livestock:** This set of transfers includes policies that are available to livestock raised in difficult conditions (livestock in mountain areas, 1986-98; livestock in difficult conditions, 1999-2006). At a later stage this group includes also payments for animal welfare (payments for animal housing systems, from 1996; payments for keeping animal outdoors, from 1999).
- **Ruminants:** The transfers in the category represent payments of two programmes Base area payment for grassland (1993-98) and Payments for roughage eating animals (from 1999). The programme consists of headage payments available to all producers for ruminants (beef, sheep and goats, horses, lamas, alpagas, etc.).
- **All crops:** This includes any policy that is available to producers of any crop. This set of transfers includes payments based on input use such as fertilizer, seeds and pesticides. However, the most important part of transfers within this group were the payments for integrated production (1992-98).

- **Arable crops:** Transfers to this group are mainly the Base area payment to arable land applied in the 1992-98 period.
- **Grains:** This represents mainly the Base premium for coarse grains (1986-2000), a relatively small amounts of payments were for Extensive production of grains (1992-98).
- **Oilseeds:** Area payments for oilseeds (from 1999).
- **Grains and oilseeds:** Area payments for extensive grains and rapeseed cultivation (from 1999).
- **All crops except wine:** Payments for crop production on steep slopes.

Turkey

Six different commodity groups have been identified, based on the policies in place over the period starting in 1986.

- **All crops:** This primarily includes support for input use, such as fertiliser subsidies, pesticide subsidies, hybrid seed subsidies and support for natural disasters.
- **All livestock:** This entails transfers to livestock producers in the form of input support, such as support for feed, capital grants, livestock replacement and control of disease.
- **Milk, beef and sheepmeat:** This group includes support to producers of cattle, dairy and sheep for animal replacement due to natural disasters through the Livestock Replacement Programme and for pasture improvement.
- **Irrigated crops:** Electricity and irrigation Subsidies
- **Wheat, sugar, cotton, sunflower:** It includes payments under the On Farm Development Support Programme.
- **Hazelnuts and tobacco:** It includes payments under the Transition Programme.

United States

There are eight different commodity groups, based on the policies in place over the period starting in 1986. Of these, the first four accounted for all of GCT support in 2004-06.

- **All crops:** This primarily includes payments for environmental conservation and protection purposes. Examples of programmes in this group include the Farmland Protection Program, Conservation Security Program, Environmental Quality Improvement Program and Conservation Technical Assistance Program.
- **Programme crops:** This includes payments to producers of wheat, feed grains, upland cotton, rice, oilseeds tobacco and peanuts under the Crop Disaster Payments Program.
- **Irrigated crops:** This includes support for irrigation provided through the Reclamation Program.
- **Milk, beef and sheepmeat:** This includes support to producers of cattle, dairy and sheep under the Feed Assistance Program and the Grassland Reserve Program.
- **Non-programme crops:** It includes payments under the Non-insured Crops Disaster Assistance Program.
- **Milk and beef:** It includes payments under the Livestock Indemnity Program.
- **Beef and sheepmeat:** It includes payments for grazing support.
- **Tree and vineyard:** It includes payments under the Tree and Vineyard Disaster Payments Program.

PART II

Country Chapters

Chapter 4

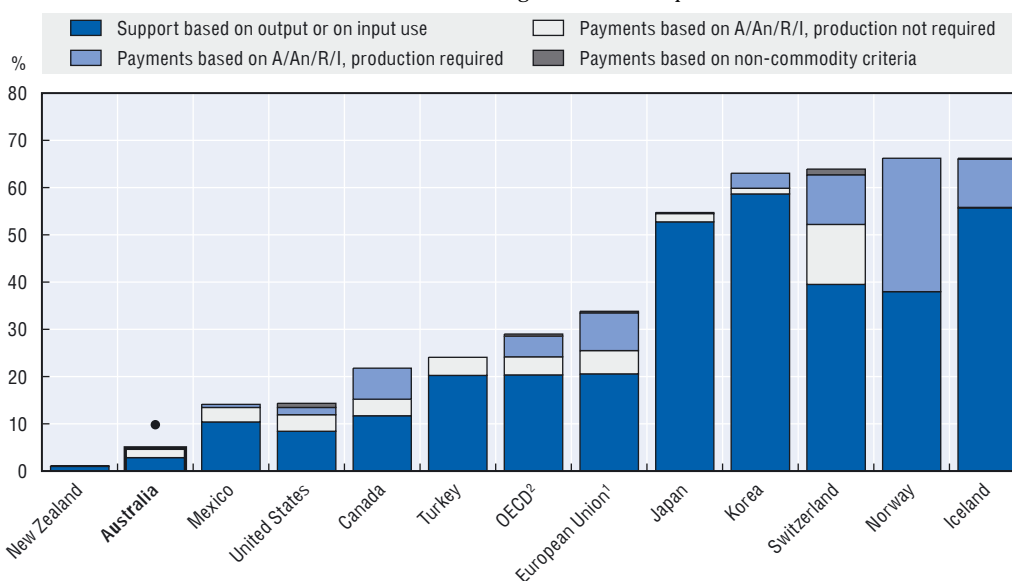
Australia

Evaluation of policy developments

- Overall, there has been substantial progress since 1986-88 in removing policies creating agricultural production and trade distortions. Producer support rose in 2006 as a result of a significant fall in the value of farm production and a small increase in drought related support to farmers due to the most devastating drought on record.
- Reform of the dairy sector has resulted in a substantial reduction of support, improved the economic viability of the sector, and lowered costs to consumers.
- Progress has been made in streamlining drought support measures and shifting policy emphasis towards drought preparedness amongst farmers. This is important as agriculture is particularly vulnerable to the increase in climate variability expected over coming decades.
- Considerable progress has been made in reforming water policies. But rural water reform needs to be accelerated through improving: specification, enforcement and trading of water property rights; determination and pricing of appropriate environmental allocations; and phasing out cross-subsidisation of water usage between urban and rural water users and between different types of agricultural water uses.
- Natural resource and environmental policies have been expanded and strengthened. However, concerns remain including: ongoing declines in soil quality; pressure from sheep and cattle grazing on sensitive habitats; and further declines in the extent, condition and fragmentation of vegetated habitats in some areas.
- While strict sanitary and phytosanitary measures remain and procedures can be lengthy, steps have been taken to improve import risk analysis in order to make the process more transparent, timely and efficient.
- To ensure the continued growth in agricultural production and exports, a key challenge will be to reinforce the economic viability of farming while also providing for the conservation of natural resources and addressing environmental concerns related to farming activities.

Figure 4.1. **Australia: Producer Support Estimate by country, 2004-06**

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

Summary of policy developments

Key policy developments in 2005-06 included: additional drought relief; removal of the domestic sugar levy; strengthening of water policy reforms and environmental programmes; improvements to food standard regulations, risk based national system for livestock identification and tracing, and food import risk analysis; and a further extension of the number of countries included under negotiations toward bilateral and regional free trade agreements.

- Producer support (%PSE), decreased from 8% in 1986-88 to 5% by 2004-06 (6%, 2006), compared to a decline in the OECD average over the same period from 38% to 29%. Support rose in 2006 as a result of a major fall in the value of farm production and a small increase in drought relief payments related to the most devastating drought on record.
- Specific Commodity Transfers (SCT) made up 2% of the PSE in 2004-06, a reduction from 52% in 1986-88. Support is highest for rice and sugar.
- A large share of producer support is accounted for by Fuel Tax Credits, which represented 29% of support in 2004-06.
- Domestic producer prices have been closely aligned with world prices since 2001, compared to 1986-88 when they were 5% higher. This compares to the OECD average with producer prices 25% above world prices in 2004-06.
- The cost imposed on consumers from agricultural policies (%CSE) declined from 8% in 1986-88 to 2% by 2004-06 (2%, 2006), in particular, reflecting reduction in support to milk.
- Support for general services accounted for 29% of total support in 2004-06 (28%, 2006), compared to 18% 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 0.7% in 1986-88 to 0.2% by 2004-06 (0.2%, 2006), around a third of the OECD average.

Figure 4.2. Australia: PSE level and composition by support categories, 1986-2006

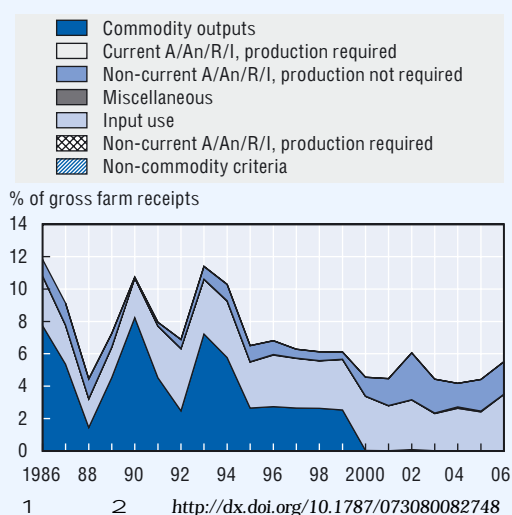
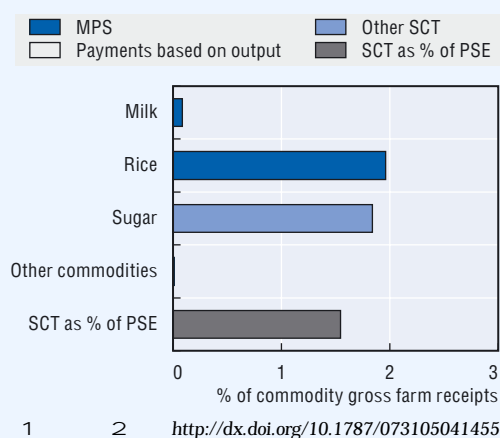


Figure 4.3. Australia: Producer SCT by commodity, 2004-06

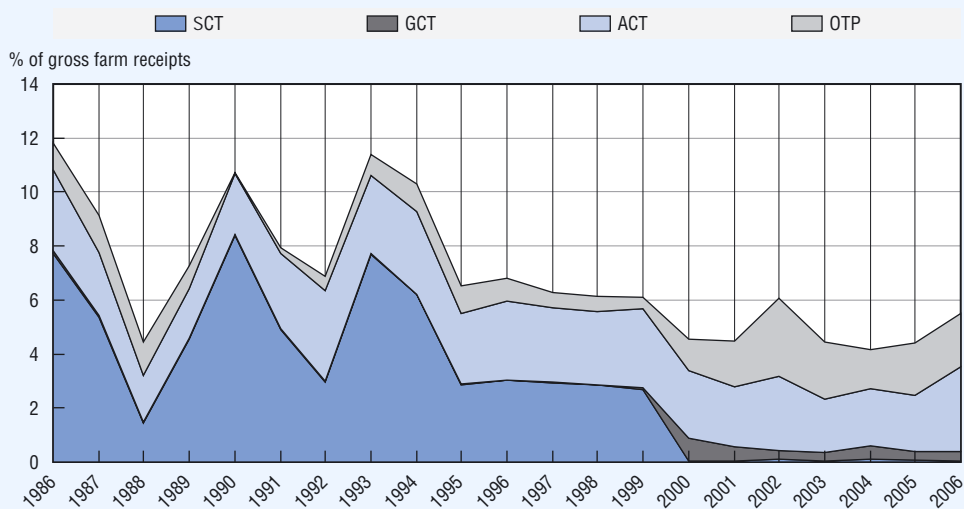


Box 4.1. Australia: Commodity-Specificity of Support

Single Commodity Transfers (SCT) made up 2% of the PSE in the 2004-06 period, a reduction from 52% in 1986-88. Over this period while support has been highest for rice, sugar and milk, it has been reduced significantly.

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 9% of the PSE in 2004-06, an increase of 1% from 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 or do not require any commodity production at all.¹ Together they comprised 89% of the PSE in 2004-06, up from 47% in 1986-88. These changes have to be viewed against an overall reduction in the %PSE from 8% in 1986-88 to 5% by 2004-06.

Figure 4.4. Australia: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/073146850066>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Table 4.1. Australia: Estimates of support to agriculture
AUD million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	19 904	35 306	35 894	38 579	31 446
<i>Of which share of MPS commodities (%)</i>	<i>86</i>	<i>83</i>	<i>83</i>	<i>84</i>	<i>81</i>
Total value of consumption (at farm gate)	6 202	12 234	11 445	12 075	13 182
Producer Support Estimate (PSE)	1 675	1 726	1 563	1 779	1 834
Support based on commodity output	939	7	8	8	4
<i>Market Price Support</i>	939	7	8	8	4
<i>Payments based on output</i>	0	0	0	0	0
Payments based on input use	484	1 034	980	967	1 155
<i>Variable input use</i>	306	649	584	604	759
<i>Fixed capital formation</i>	5	164	204	147	142
<i>On-farm services</i>	173	221	191	216	254
Payments based on current A/An/R/I ¹ production required	3	15	17	18	10
<i>Of a single commodity</i>	0	9	11	12	4
<i>Of a group of commodities</i>	0	0	0	0	0
<i>Of all commodities</i>	3	6	6	6	6
Payments based on non-current A/An/R/I ¹ production required	0	6	14	4	0
Payments based on non-current A/An/R/I ¹ production not required	250	663	544	782	665
<i>Variable rates</i>	250	426	429	517	331
<i>Fixed rates</i>	0	238	114	265	334
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	8	5	4	4	6
Producer NPC	1.05	1.00	1.00	1.00	1.00
Producer NAC	1.09	1.05	1.04	1.05	1.06
General Services Support Estimate (GSSE)	371	612	610	613	614
Research and development	130	349	347	349	350
Agricultural schools	0	0	0	0	0
Inspection services	89	99	100	98	98
Infrastructure	62	140	138	141	140
Marketing and promotion	49	8	8	8	9
Public stockholding	0	0	0	0	0
Miscellaneous	41	17	16	17	17
GSSE as a share of TSE (%)	18.1	28.8	31.3	28.1	27.5
Consumer Support Estimate (CSE)	-493	-222	-229	-214	-224
Transfers to producers from consumers	-493	-4	-5	-5	-3
Other transfers from consumers	0	-3	-2	0	-7
Transfers to consumers from taxpayers	0	-215	-223	-209	-214
Excess feed cost	0	0	0	0	0
Percentage CSE	-8	-2	-2	-2	-2
Consumer NPC	1.09	1.00	1.00	1.00	1.00
Consumer NAC	1.09	1.02	1.02	1.02	1.02
Total Support Estimate (TSE)	2 047	2 123	1 950	2 183	2 234
Transfers from consumers	493	7	7	5	10
Transfers from taxpayers	1 554	2 118	1 945	2 179	2 231
Budget revenues	0	-3	-2	0	-7
Percentage TSE (expressed as share of GDP)	0.70	0.23	0.23	0.23	0.22
GDP deflator 1986-88 = 100	100	170	162	170	177

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

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

MPS commodities for Australia are: wheat, other grains, rice, oilseeds, sugar, cotton, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

Source: OECD, PSE/CSE database, 2007.

Description of policy developments

Main policy instruments

Agricultural support is mainly provided by budget-financed programmes as well as through some regulatory arrangements and tax concessions. Budgetary financed programmes, such as *Agriculture-Advancing Australia*, *Natural Heritage Trust* and the *National Water Initiative*, are largely used for structural adjustment and for natural resource and environmental management. There are some statutory and regulatory arrangements (mainly at state level) that allow for export control of a few commodities, including wheat, barley, rice, lupins and canola in certain states. Commonwealth (national) tax arrangements are risk-management tools which allow primary producers to manage the tax implications of fluctuating incomes. Consumers of diesel fuel, including farmers and other primary producers, receive grants and rebates on excise taxes on fuel used for off-road vehicles and machinery.

Landholders can claim accelerated depreciation for investments relating to land and water conservation, aimed at improving natural resource management. Expenditure on research and development is financed largely by funds collected through industry levies, supplemented by funding from the Commonwealth budget. In exceptional circumstances (e.g. droughts and floods) Commonwealth and state governments can provide a range of assistance measures. Tariffs protect producers of certain types of cheese, unprocessed tobacco, and processed fruit and vegetables.

Domestic policy

In March 2005, an independent **Agriculture and Food Policy Reference Group** was commissioned by the government to review agriculture and food policies and the changes needed to improve performance over the next 10-20 years. The Group's report *Creating our Future: Agriculture and Food Policy for the Next Generation* (www.agfoodgroup.gov.au/next_generation.html) February, 2006, identified a number of key elements to improve performance including: placing greater emphasis on innovation in production and marketing, underpinned by research and development; focusing policies to achieve greater self-reliance of business operators; reducing the regulatory burden on business; and developing a partnership approach between businesses and Commonwealth and state governments. The government has accepted many of the report's 55 recommendations and will outline the next steps in a government policy statement to be issued during 2007.

Since 2002, the national economy, and especially the agriculture sector, has been affected by one of the most **extensive and devastating droughts** on record. The drought caused a 70% fall in the net value of farm production between 2001-02 and 2002-03 and a reduction in the rate of economic growth of 1%. Although there was some recovery in seasonal conditions the following year, drought conditions again worsened, particularly in the south-eastern part of the mainland, where more than 92% of producers in New South Wales, Victoria and South Australia reported below average or drought conditions. The Australian Bureau of Agricultural and Resource Economics (ABARE) has forecast that the gross value of crop and livestock production will fall by 35%, or AUD 6.2 billion (USD 4.7 billion), between 2005-06 and 2006-07 and estimated the drought will reduce the national economic growth rate in 2006-07 by around 0.7% from what would have otherwise been achieved.

With the drought, relief under the **Exceptional Circumstances Relief Payment Scheme** (ECRP) totalled around AUD 1.25 billion (USD 0.93 billion) between 2002 and January 2007. Nearly a half – AUD 560 million (USD 420 million) – of the drought relief under the ECRP was provided to farmers for the 2006-07 drought as income support in the form of social security payments, small business assistance, business interest subsidies, personal counselling and other support programmes. The government is currently working towards reforming drought policy through negotiations with state governments.

The implementation of the 2004 **National Water Initiative** (water policy reform programme) continued over 2005 and 2006, including improvements to water resource accounting, and measuring and metering of water, which will facilitate the development of water trading markets. Under the *Water Smart Australia* programme, AUD 336 million (USD 257 million) has been committed from 2005 to 2009 for projects to support installation of water pipelines to agricultural areas, wastewater recycling and improved water management. The total value of these projects, including contributions from state governments and others, will be AUD 915 million (USD 700 million).

Both the severe drought and water policy reforms has focussed national attention on water. This includes a proposal for a *National Plan for Water Security* (Box 4.2).

In November 2006, the **Report of the Inquiry into certain Australian companies in relation to the UN Oil-For-Food Programme**, the Cole Report, was released (www.offi.gov.au). The inquiry was established by the government in November 2005 to examine possible legal breaches by several Australian companies, including AWB International Ltd. (AWBI). The Cole Report set out a range of findings and as recommended, in December 2006, the government announced the establishment of a task force of relevant government agencies to consider possible prosecutions in consultation with the Commonwealth Director of Public Prosecutions.

In December 2006, the government implemented **temporary changes to the bulk wheat export marketing arrangements**, effective until 30 June 2007, although this does not remove the export single-desk arrangements (i.e. export monopoly). These changes are intended to provide greater flexibility during the drought affected 2006-07 harvest, and provide time for the government to review its long-term wheat export marketing arrangements. The legislation transfers AWBI's right to veto bulk wheat export applications by other traders to the Minister for Agriculture, Fisheries and Forestry. These changes do not amend the functions or objectives of the Wheat Export Authority (WEA) and AWBI remains exempt from the WEA's export controls. The temporary changes mean that the WEA will need to seek the agreement of the minister before approving or rejecting an application for bulk exports, taking into account the public interest.

Reform of the sugar industry under the **Sugar Industry Reform Program** (SIRP), which provides funding of AUD 444 million (USD 326 million) over 5 years (2004 to 2009) continued over 2005-06 (see *Agricultural Policies in OECD Countries: Monitoring and Evaluation*, 2005). The levy on domestic sugar sales, including imported sugar, introduced in January 2003 to partly fund the SIRP, was abolished in November 2006 to offset rising input costs for sugar refiners. Between 2003 and 2006 the AUD 3 cents (USD 2 cents) per kilogram levy raised about AUD 80 million (USD 58 million).

Support of between AUD 40-45 million (USD 30-34 million) will be provided in 2007 under the **Tobacco Grower Adjustment Assistance Package**. The purpose of the support is to provide adjustment assistance for former tobacco growers to re-establish themselves in

Box 4.2. Australia: Proposed National Plan for Water Security

In response to the ongoing and most extensive and devastating drought on record the Prime Minister announced in January 2007 a proposal for a AUD 10 billion (USD 7.5 billion) **National Plan for Water Security**. The Plan seeks on a national scale to secure long-term water supplies, improve water efficiency and address the over-allocation of water in rural areas. The 10-point plan more specifically aims to:

1. provide investment in irrigation infrastructure to line and pipe major delivery channels;
2. improve on-farm irrigation technology and metering;
3. share water savings on a 50/50 basis between irrigators and the Commonwealth to enhance water security and environmental flows;
4. address over-allocation of water entitlements in the Murray-Darling Basin (MDB);
5. establish a new set of governance arrangements for the MDB;
6. place a sustainable cap on surface and groundwater use in the MDB;
7. undertake major engineering work at key MDB sites;
8. expand the role of the Australian Bureau of Meteorology to provide the necessary water data to improve decision making by governments and industry;
9. create a taskforce to explore future land and water development in Northern Australia; and,
10. complete the restoration of the Great Artesian Basin.

The Plan's implementation is conditional on the acceptance of the proposal to move the powers to manage the MDB from state governments to the Commonwealth, which is viewed by the Commonwealth as essential to speed up the process of the current water policy reforms. The Plan's funding over a 10-year period includes: some AUD 6 billion (USD 4.5 billion) for improvement to irrigation infrastructure and river delivery systems; around AUD 3 billion (USD 2.3 billion) to assist irrigators and their communities adjust to reductions in water allocation entitlements; AUD 0.6 billion for Murray-Darling Basin Commission reform; almost AUD 0.5 billion (USD 0.4 billion) for the Bureau of Meteorology to improve information of water; and the remainder for other parts of the Plan.

alternate economic activities, either by moving to other activities on their existing farm or re-establishing themselves off-farm.

Various **environmental programmes** relevant to agriculture were continued over 2005 and 2006, including the Natural Heritage Trust, National Action Plan for Salinity and Water Quality, the National Landcare Programme (see *Agricultural Policies in OECD Countries: Monitoring and Evaluation*, 2003 and 2005). The Murray-Darling Basin Ministerial Council approved the Asset Environmental Management Plans for six ecological assets identified through the Living Murray Initiative, and AUD 37 million (USD 29 million) was provided in January 2006 to recover an average 145 gigalitres of water annually to achieve the environmental objectives identified under the Plans.

The Australian National Audit Office reviewed in 2006 the **regulation of pesticides and veterinary medicines** by the Australian Pesticides and Veterinary Medicines Authority (APVMA) (www.anao.gov.au/). The Audit Office made recommendations to improve the

APVMA's monitoring, reporting and registration processes all of which were accepted by the APVMA to help strengthen the current system.

The **Defeating the Weed Menace** (DWM) programme was launched in 2005 and directs over AUD 44 million (USD 34 million) during 4 years to support coordinated and strategic action against the menace of weeds nationally. The DWM programme supports regionally based on-ground weed management actions and nationally strategic activities including: national coordination activities, national level research and education and awareness.

In August 2006, the Commonwealth and state governments released the **National Agriculture and Climate Change Action Plan 2006-09**. The Action Plan identifies four key areas to manage multiple climate change risks to agriculture:

1. Adaptation – to build resilience into agricultural systems.
2. Mitigation – to reduce greenhouse gas emissions from agriculture.
3. Research and development investment – to enhance capacity in R&D and innovation to address the challenges of climate change in agriculture.
4. Awareness and communication – to improve the understanding of climate change issues by agricultural industries and rural communities to enable informed decision making.

Following the release of the **Biofuels Action Plan** (www.pmc.gov.au/biofuels/) in December 2005, the government reaffirmed that it will develop a domestic biofuels sector capable of contributing at least 350 megalitres to the national fuel supply chain by 2010. Current initiatives to encourage biofuels include: reduced taxes compared to fossil fuels; providing ethanol production grants; and AUD 38 million (USD 29 million) under the Biofuels Capital Grants Programme to fund one-off capital grants for projects that provide new or expanded biofuels production capacity.

The government agreed in October 2005 to a nationally consistent definition of threshold levels for the unintended presence of **genetically modified (GM) material** in canola grain and seed. The threshold level for canola grain is 0.9% for the 2006 and 2007 seasons, and for canola seed 0.5%.

In 2006, additional funding for the **Rural Financial Counselling Service** (RFCS) Programme was provided of almost AUD 10 million (USD 7.5 million) over two years. The extra funding aims to help primary producers, fishermen and small rural businesses identify ways to become self-reliant and better equipped to manage change and adjustment.

The **Industry Partnership Programme** commenced in July 2005 over 3 years as part of the Agriculture-Advancing Australia package with funding of AUD 15 million (USD 11 million). The Programme aims to assist partner industries at the national level to build their structural, human and strategic capacity, and to develop strategies to respond to existing and potential opportunities and threats.

Further effort was made to improve food industry competitiveness. Under the five year, National Food Industry Strategy (started July 2002), an additional AUD 12 million (USD 9 million) was provided in 2005 for the Food Innovation Grants, designed to assist the food industry to improve its competitiveness through improvements in: innovation; the business environment; sustainability; and international market development. The New Industries Development Program, with funding of over AUD 34 million (USD 25 million) to 2010, helps farmers and the agro-food industry turn innovative business ideas into profitable ventures through merit-based grants, scholarships and learning tools.

In January 2007, the government launched an independent review to examine ways to streamline food regulations to make them more nationally consistent, following the findings of the *Taskforce on Reducing Regulatory Burdens on Business*. The review will examine outstanding issues on the consistent application of food laws; levels of enforcement across jurisdictions; and the role of the Australian government in the food regulatory system.

The Commonwealth and state governments agreed in 2003 to a **risk-based national system for livestock identification and tracing** (NLIS) (see *Agricultural Policies in OECD Countries: Monitoring and Evaluation*, 2005). The Commonwealth government provided a further AUD 20 million (USD 15 million) from 2004/05 to 2007/08 to assist with the national implementation of the NLIS. Of this total, AUD 15 million (USD 11.3 million) has been allocated to the cattle industry with the remainder assigned to other livestock industries (e.g. sheep, goats and pigs). In January 2006, AUD 1.2 million (USD 0.9 million) has been provided over three years to help the pork industry to develop and implement the NLIS. The NLIS became a mandatory requirement for all cattle produced in June 2005, and for all sheep and goats born after 1 January 2006. The Commonwealth government is also providing additional resources to **strengthen defences against bird flu**, with an additional AUD 44 million (USD 33 million) over three years, starting from 2006-07.

Trade policy

A **country of origin labelling standard** requires packaged food and unpackaged fresh and processed fruit, vegetables, nuts, seafood and pork, to be distinctly labelled with the country of origin. The standard took effect from June 2006 for unpackaged fruit, vegetables and seafood, from December 2006 for unpackaged pork, and will take effect in December 2007 for packaged food.

Following efforts to **improve animal welfare for live animal exports** the Australian Animal Welfare Strategy was implemented in 2006 for Australia to share its experience with trading partners and international fora, particularly the World Organisation for Animal Health (OIE) in the development of international animal welfare guidelines. The government has continued to implement a range of measures aimed at improving animal welfare aspects of live export trade, and this includes a requirement to comply with the *Australian Standards for the Export of Livestock* (the Standards). Further revisions of the Standards were undertaken in 2006, including improving animal welfare conditions in the live export trade to the Middle East with funding of AUD 11 million (USD 8 million), of which AUD 4 million (USD 3 million) is investment to help improve animal welfare practices in importing countries and to upgrade their handling procedures.

Changes to the **import risk analysis** (IRA) process, under *Biosecurity Australia* (BA), will take effect in 2007 and include: improved consultation with stakeholders; timeframes for the completion of IRAs; scope for scientific scrutiny; and improved processes for receiving and prioritising import requests. The government also provided nearly AUD 8 million (USD 6 million) over five years from 2006 to establish the *Australian Centre of Excellence for Risk Analysis* (ACERA) to build on the capacity to use the best analytical tools available for risk analysis, not just in quarantine but more generally, drawing on expertise in Australia and from overseas. ACERA is working on a range of projects looking at the methods and practice of risk analysis, such as biosecurity framework development and qualitative modelling.

Building on **bilateral and regional free trade agreements** (FTAs) with many key trading partners, agreements on market access and negotiations for additional FTAs and Memorandums of Understanding (MoU) were started between Australia and the following countries or regional groupings:

- **China:** negotiations were launched in April 2005, following the consideration of a joint FTA feasibility study. The seventh round of discussions for an FTA were held in December 2006, which marked the beginning of market access negotiations as Australia and China tabled their requests and offers on market access for goods (including agriculture) and lists of barriers affecting market access requests on a range of services. In addition, a four-year AUD 5.5 million (USD 4 million) *Australia China Agricultural Technical Co-operation* programme was announced in 2006, to strengthen bilateral relationships in agriculture. This includes the sharing of expertise in areas such as agricultural development, management of supply chains, quarantine, rural adjustment and the environment.
- **Japan:** on 12 December 2006, Australia and Japan agreed to commence formal negotiations on an FTA in 2007, following a joint government study which concluded that a comprehensive and WTO consistent FTA would bring significant benefits to both countries.
- **Korea:** access to the Korean rice market was agreed in 2004 with an annual quota of 9 030 tonnes for the next decade, with the first imports under the quota received in 2006. A joint private sector FTA feasibility study was announced in December 2006 and is expected to be concluded toward the end of 2007.
- **Malaysia:** negotiations on an FTA were announced in April 2005, and a MoU was signed in March 2006 on broad based agricultural co-operation between the two countries.
- **Australia, New Zealand and ASEAN:** negotiations for an FTA between Australia, New Zealand and ASEAN, started in November 2004 and are due for completion during 2007.
- **Turkey:** a MoU was signed in December 2005 which proposes exchange of scientific and technical information, research reports and experts, agricultural trade and investment related activities, and other joint activities. In June 2006, a *Breeder Cattle Protocol* was agreed to facilitate the export of cattle from Australia to Turkey.
- **Chile:** following an approach by Chile in late 2006, Australia has agreed to explore the feasibility of commencing negotiations for an FTA with Chile in the first half of 2007.
- **Mexico:** in December 2006, the terms of reference were agreed for the Joint Experts Group (JEG) between Australia and Mexico. The first meeting of the JEG will occur in 2007, with the group's main consideration being to strengthen the bilateral relationship including the consideration of the possible benefits and implications of progressing with an FTA.
- **Gulf Co-operation Council (GCC):** following a decision by the United Arab Emirates (UAE) that the Australian FTA negotiations with them be incorporated into a wider GCC FTA, investigations started in 2006 on an FTA with GCC nations (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), and negotiations are expected to commence in 2007. In 2006, Australia assisted the GCC in developing a regional strategy, *GCC Regional Strategic Plan on Animal Handling and Transport Arrangements*. The strategy focuses on ensuring the health and welfare of all animals in the GCC countries is promoted and protected by the development and adoption of sound welfare standards and handling practices. Australia is facilitating the development of an implementation plan to help the GCC countries apply these measures.

Chapter 5

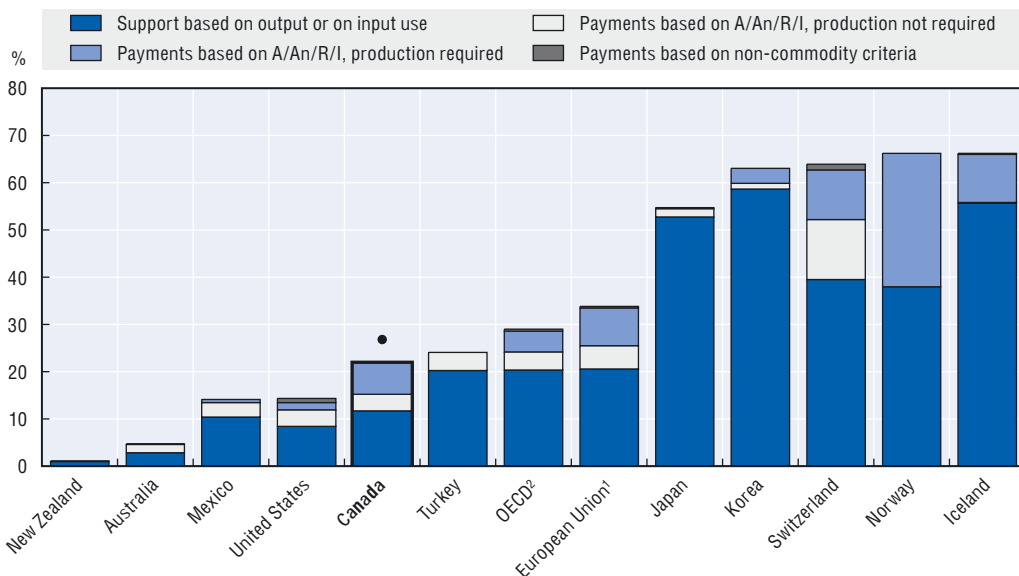
Canada

Evaluation of policy developments

- Canada has made substantial progress in policy reform, reducing the level of support since 1986-88 and shifting the policy focus from single commodities to broad commodity groups. However, the level of support has been trending upward in the most recent years.
- Support based on non-current production has increased steadily since 2000, but only one programme in this category has had a duration of longer than two years. Continued use of *ad hoc* payment programmes may result in a *de facto* institutionalisation of income support and resulting incoherence with stated government policies that identify income risk management and not income support as the main focus of government intervention in the sector. Moreover, such programmes can change the expectations of producers, increasing the level of distortion and reducing the market-orientation of the sector.
- Supply management systems and related border protection are the only remaining major source of market price support in Canada. As a result, consumers continue to pay prices well above world levels, in particular for milk. Moreover, the related export subsidies require keeping exports within WTO limits, effectively establishing a barrier for growth in exports of value added dairy products.
- Further reforms might usefully explore policies that would provide producers with the instruments they need to manage income risks without continuing reliance on either supply management or *ad hoc* payments.

Figure 5.1. **Canada: Producer Support Estimate by country, 2004-06**

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/073151202402>

Summary of policy developments

Canada introduced the Farm Income Payment (FIP) and the Grains and Oilseeds Payment Programme (GOPP) in 2005 and the CAIS Inventory Transition Initiative (CITI) in 2006, continuing a series of one-time payment programmes that began with the APF Transition Payment in 2002. The Canadian Farm Families Options Programme (CFFOP) is a new initiative targeting producers with low overall household income.

- Support to producers (%PSE) fell from 36% in 1986-88 to 22% in 2004-06, below the OECD average of 29%. There was a slight increase in 2006 compared to 2005 when the PSE rose to 23%.
- Canada has significantly reduced the share of the most distorting forms of support in the PSE. Support based on output or variable input use declined from 68% of the PSE in 1986-88 to 50% in 2004-06. Prices received by farmers were 40% above world market levels in 1986-88 but only 13% higher in 2004-06.
- Transfers to specific commodities made up 57% of the PSE in 2004-06, compared with 72% in 1986-88.
- The cost imposed on consumers as measured by the %CSE dropped from 25% in 1986-88 to 15% in 2004-06.
- Support based on non-current factors and not requiring production made up 16% of the PSE in 2004-06. No policies were in this category in 1986-88.
- Support for general services provided to agriculture has increased from 19% of total support in 1986-88 to 26% in 2004-06. Total support to agriculture as a percentage of GDP has fallen by 44%, from 1.8% of GDP in 1986-88 to 0.8% in 2004-06.

Figure 5.2. **Canada: PSE level and composition by support categories, 1986-2006**

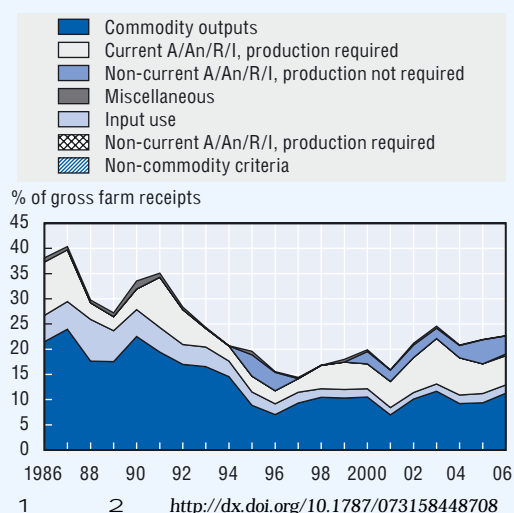


Figure 5.3. **Canada: Producer SCT by commodity, 2004-06**

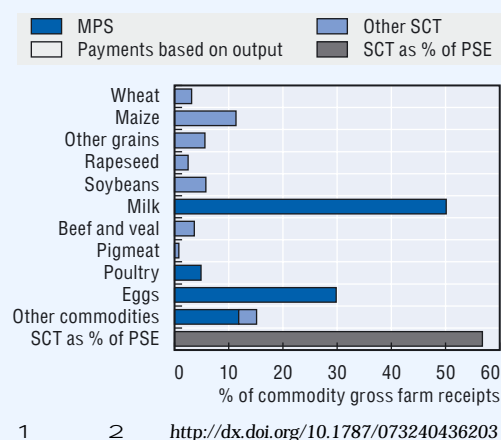


Table 5.1. **Canada: Estimates of support to agriculture**

CAD million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	18 458	32 165	31 591	31 570	33 335
<i>Of which share of MPS commodities (%)</i>	<i>82</i>	<i>75</i>	<i>74</i>	<i>75</i>	<i>75</i>
Total value of consumption (at farm gate)	15 367	23 394	22 842	22 959	24 380
Producer Support Estimate (PSE)	8 047	7 963	7 442	7 916	8 532
Support based on commodity output	4 689	3 639	3 294	3 388	4 236
<i>Market Price Support</i>	4 176	3 639	3 294	3 388	4 236
<i>Payments based on output</i>	512	0	0	0	0
Payments based on input use	1 416	632	606	667	624
<i>Variable input use</i>	795	383	333	400	416
<i>Fixed capital formation</i>	595	199	177	235	184
<i>On-farm services</i>	26	51	95	33	25
Payments based on current A/An/R/I ¹ production required	1 787	2 307	2 642	2 106	2 173
<i>Of a single commodity</i>	1 090	841	1 201	633	687
<i>Of a group of commodities</i>	697	243	376	211	140
<i>Of all commodities</i>	0	1 224	1 065	1 262	1 346
Payments based on non-current A/An/R/I ¹ production required	0	44	0	0	133
Payments based on non-current A/An/R/I ¹ production not required	0	1 314	868	1 729	1 345
<i>Variable rates</i>	0	274	0	0	822
<i>Fixed rates</i>	0	1 040	868	1 729	523
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	155	26	32	26	20
Percentage PSE	36	22	21	22	23
Producer NPC	1.40	1.13	1.12	1.12	1.15
Producer NAC	1.57	1.28	1.26	1.28	1.29
General Services Support Estimate (GSSE)	1 920	2 860	2 535	3 122	2 923
Research and development	332	477	434	446	552
Agricultural schools	274	254	249	279	233
Inspection services	327	784	633	755	964
Infrastructure	438	534	503	503	595
Marketing and promotion	549	811	716	1 138	578
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	19.2	26.4	25.4	28.3	25.5
Consumer Support Estimate (CSE)	-3 785	-3 633	-3 292	-3 378	-4 229
Transfers to producers from consumers	-4 126	-3 629	-3 290	-3 378	-4 220
Other transfers from consumers	-11	-3	-1	0	-8
Transfers to consumers from taxpayers	42	0	0	0	0
Excess feed cost	310	0	0	0	0
Percentage CSE	-25	-15	-14	-15	-17
Consumer NPC	1.37	1.18	1.17	1.17	1.21
Consumer NAC	1.33	1.18	1.17	1.17	1.21
Total Support Estimate (TSE)	10 009	10 823	9 977	11 039	11 455
Transfers from consumers	4 137	3 633	3 292	3 378	4 229
Transfers from taxpayers	5 883	7 194	6 687	7 661	7 234
Budget revenues	-11	-3	-1	0	-8
Percentage TSE (expressed as share of GDP)	1.80	0.79	0.77	0.80	0.80
GDP deflator 1986-88 = 100	100	150	146	150	153

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

1. A (area planted), An (animal numbers), R (receipts) or 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 costs.

Source: OECD, PSE/CSE database, 2007.

1

2

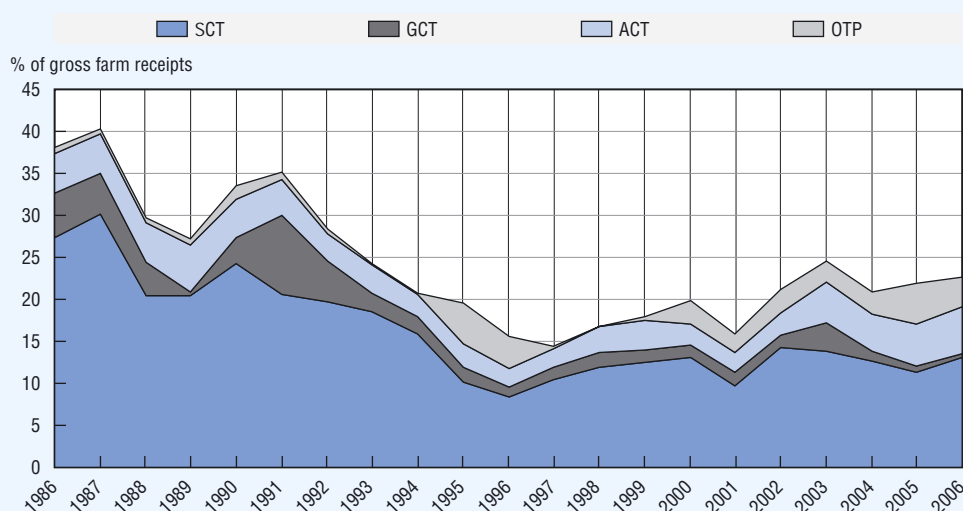
<http://dx.doi.org/10.1787/075110344644>

Box 5.1. Canada: Commodity-Specificity of Support

Single Commodity Transfers (SCT) made up 57% of the PSE in the 2004-06 period, a reduction from 72% in 1986-88. SCT are highest for milk, poultry and eggs. 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, a reduction of 9% from 1986-88. 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 or do not require any commodity production at all.¹ Together these made up 40% of the PSE in 2004-06, up from 15% in 1986-88.

In the mid-1980s, Group Commodity Transfers were focused mainly on a small number of grains produced in western Canada. This changed dramatically in 1991, when the Net Income Stabilisation Account (NISA) programme was introduced. This programme reflected a new, “whole-farm” focus where payments are made on the total receipts of the farm. The only exceptions were commodities already benefiting from supply-management policies – milk, eggs and poultry. By 1998, 92% of payments made as group commodity transfers were made to a group of commodities that included all commodities not under supply-management. In 2003, the NISA programme was replaced by the Canadian Agricultural Income Stabilisation (CAIS) programme. This programme continued in broad terms the whole-farm approach taken by the NISA programme, but contained a “disaster” component that eliminated the restriction on supply-managed commodities and which formed the majority of spending under the programme. As a result, group commodity transfers declined as a proportion of the PSE as the majority of CAIS funding is considered as part of ACT. Also coinciding with the phasing-out of the NISA programme was the first in a series of *ad hoc* programme transfers made on a historical basis. These are classified as OTP and now make up around 16% of the PSE.

Figure 5.4. Canada: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073272721043>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments

Main policy instruments

Major Canadian agricultural policies are delivered through a policy framework agreed with the provinces, who share in the cost of programme delivery. This Agricultural Policy Framework (APF) is approaching the end of its implementation period and discussions regarding its successor agreement are currently under way. While this framework encompasses programmes targeting several different policy areas (business risk management, food safety, environment, science and innovation, sector renewal), the largest programme in terms of funding under the framework is the Canadian Agricultural Income Stabilisation (CAIS) programme. This programme continues a long-standing policy focus on income stabilisation rather than support, and is based on overall farm income in comparison with a reference income based on the producers' recent history. However, special one-time payments have been made in recent years for exceptional circumstances.

Milk, poultry, and eggs receive support through the supply management system which is a combination of price support through high out-of-quota tariff protection for these commodities and production quotas designed to balance domestic supply and demand. This system accounts for the great majority of market price support in Canada and has been in place since the late 1960s for milk and the mid-1970s for poultry and eggs.

The Canadian Wheat Board (CWB) has statutory authority to market for export and domestic use wheat and barley grown in designated areas of western Canada. In actual practice, most feed quality wheat and barley are marketed outside the CWB. The CWB pools sales revenue and returns proceeds to producers through a series of payments. The CWB is also involved in the negotiation of rail car supply and allocation and manages the flow of Board grains into the primary elevator system. During a plebiscite held in February and March 2007, the majority (62%) of producers voted in favour of the marketing choice option under which they would be able to market barley outside of the CWB. The government of Canada has begun the process of amending the Canadian Wheat Board Regulations with the intention of removing barley from the board's single desk authority by August 1, 2007, across the CWB's designated area.

Domestic policy

The CAIS programme insures against drops in farm income through insuring a "reference margin" based on a recent historical average. In its original design, in years where the margin falls below the reference margin, producers are allowed to make a withdrawal from a programme account they maintain and receive a matching payment according to the extent of the shortfall relative to the reference margin. The programme has been modified since its introduction in 2004 to include coverage of "negative margins" to compensate for losses as well as reductions in income. The requirement for producers to deposit one-third of the insured amount using their own funds was eliminated, and in 2006 was replaced by a participation fee of CAD 4.5 per CAD 1 000 of reference margin protected. CAIS accounts were closed and the balances repaid to participants; participants now directly receive a programme payment when their margin falls below the reference level.

The Tobacco Adjustment Assistance Programme (TAAP) was implemented in 2005. This programme was designed to aid in the transition of the Canadian tobacco growing industry

by permanently retiring Base Production Quota (BPQ) through a reverse auction process. The programme paid producers CAD 1.05 per pound of BPQ under the federal programme, plus an additional payment of CAD 0.6690 per pound of BPQ from the province of Ontario programme fund distributed by the Tobacco Board. Tobacco is grown primarily in the province of Ontario.

The Canadian Farm Families Options Programme (CFFOP), started in 2006, is a two-year programme providing payments to participants in order to maintain a minimum household income (from all sources) of CAD 25 000 for a family or CAD 15 000 for an individual. To remain eligible for the payment in the second year of the programme, producers must either carry out a farm business assessment, or participate in a learning programme provided through the Canadian Agricultural Skills Service. The second-year payment will be reduced by at least 25% from the first-year payment.

The Cover Crop Protection Programme (CCPP), also initiated in 2006, is a national initiative that provides financial assistance to Canadian producers who were unable to seed commercial crops in spring 2005 and/or spring 2006 as a result of flooding. The programme provides a payment to affected producers to assist in improving and protecting flood-damaged soil until a commercial crop can be planted. The CCPP targets land that producers normally seed with commercial crops as part of their ongoing farming operation. The programme provides a one time payment of CAD 15 per acre for eligible claims of 10 acres or more. In total, CAD 50 million will be available in 2006/07 fiscal year for the 2005 and 2006 crop years. Payments are made to owners of flooded land and the programme does not require producers to take any specific actions regarding cover crops.

In 2006, the **CAIS Inventory Transition Initiative (CITI)** is a one-time programme providing a payment based on a retroactive change in the formula to calculate value of farm inventories under the CAIS programme. The payments are limited to an individual payment of CAD 500 000 for each programme year. A participant's total payment cannot exceed the overall CAIS payment cap of CAD 3 million or 70% of a programme year margin decline, from CITI and CAIS for each programme year. Payments totalling CAD 822 million were made under this programme.

The **Grains and Oilseeds Payment Programme (GOPP)**, put in place in 2005, is a one-time payment based on historical farm sales. The programme provides payments to producers of grains, oilseeds, or special crops based on average net sales from 2000 to 2004. An initial payment of 7.47% of a producer's five-year average of net sales of eligible grains and oilseeds for the 2000-04 tax years was followed by a final payment is based on 1.28% of average net sales of eligible grains and oilseeds. Payments in 2005 totalled CAD 752 million. Similar *ad hoc* payments were made under the APF transition payment programme (2002 and 2003), the Transitional Industry Support Programme (2004) and the Farm Income Payment (2005). At the provincial level, the Disaster Declaration Programme in Alberta and the Nova Scotia Margin Enhancement programme made payments in 2006 based on historical CAIS participation, and the Ontario Grains and Oilseeds Payment Programme was an enhancement to the national programme.

The **Enhanced Spring Credit Advance Programme (ESCAP)** is an enhancement to the existing Spring Credit Advance Programme (SCAP) which doubles the interest free loan maximum to CAD 100 000 and extends the repayment period for loans by nine months to September 30, 2007. The advance is calculated by multiplying the producer's insured yield under crop insurance by the advance rate provided under the guarantee agreement. The

amount of the advance must be less than the total insured value of the crop under crop insurance. SCAP began as an emergency initiative in 2000 but has been extended until 2006. Starting in January 2007, SCAP and the Advance Payments Program have been merged into a single programme. This new Advance Payments Program is available to crop and livestock producers.

Trade policy

Canada had deregulated the marketing of milk (and cream) for dairy product exports in response to a ruling of the Appellate Body of the World Trade Organization (WTO) in 1999. Commercial export milk (CEM) mechanisms were developed by dairy industry stakeholders, implemented through provincial deregulation, and accommodated by federal deregulation. Following a ruling by the WTO Appellate Body in December 2002 that the supply of CEM involves export subsidies, provinces amended their respective regulations to eliminate CEM. Canada now limits the provision of **export subsidies** to dairy products to the levels specified in its WTO schedule of commitments.

Canada has requested consultations with the United States at the World Trade Organization (WTO) on subsidies provided to US corn growers, as well as on the total level of US trade-distorting agricultural support and certain US export credit programmes. Canada's position is that existing US corn subsidy programmes cause prejudice to Canadian corn growers through their effects on prices in the Canadian market. Canada also asserts that the United States' export credit guarantees serve to subsidize the exportation of certain US agricultural products. Canada's position is that these programmes are inconsistent with the United States' WTO obligations. Moreover, Canada believes that total US trade-distorting domestic support, specifically, the Total Aggregate Measurement of Support (Total AMS), exceeds the United States' corresponding WTO commitment levels for certain years.

Canada is currently negotiating **free trade agreements** (FTAs) with the Republic of Korea, Singapore, the Central America 4 (CA4, comprising El Salvador, Guatemala, Honduras and Nicaragua) and the European Free Trade Association (EFTA, comprising Norway, Iceland and Switzerland-Liechtenstein). Canada also held exploratory discussions with a view to negotiate FTAs with the Andean Community countries (Colombia, Peru, Ecuador and Bolivia), the Dominican Republic and the Caribbean Community (CARICOM).

Chapter 6

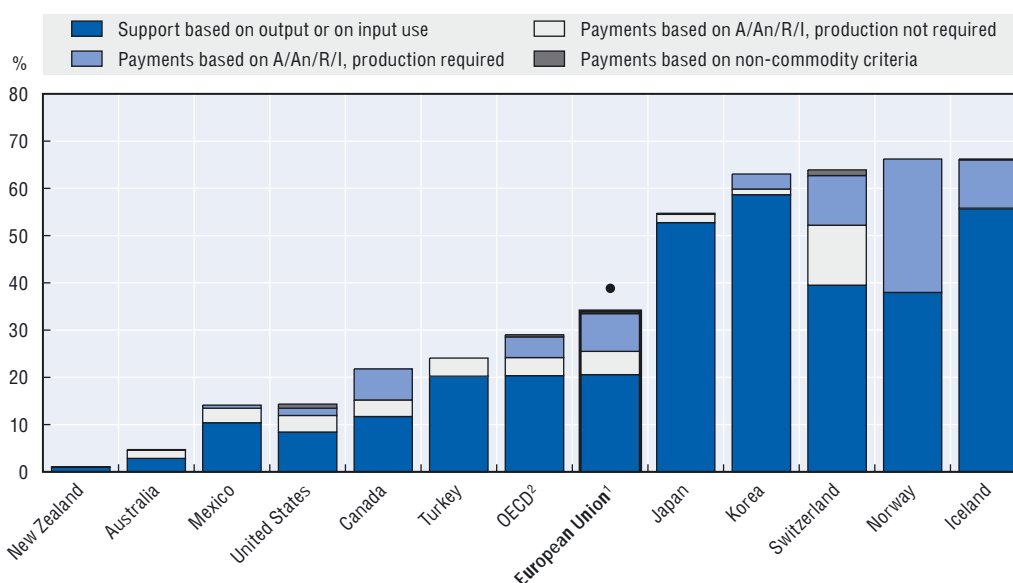
European Union

Evaluation of policy developments

- Overall, policy reforms since 1986-88 have improved the sector's market orientation. There has been a consistent move away from previously high levels of market price support and output payments and some reduction in the level of support. Market price support and output payments now account for close to half of support to producers (46% in 2006), down from more than nine-tenths in the late eighties.
- The introduction of Single Payment Schemes from 2005 is an important step towards further reducing production and trade distortions, although some commodity-linked area and headage payments remain in some EU countries.
- The sugar reform will significantly reduce one of the most distorting forms of support – price support – in a sector that had remained unreformed for a long time.
- The new Rural Development programme for 2007-13 continues to focus mostly on the agricultural sector. Nonetheless, the setting of a minimum share of expenditures for different priorities should further reinforce sustainable land management and rural diversification efforts, as well as promote co-operative, multisectoral and integrated approaches to rural development.
- Efforts to simplify the CAP, in particular the operation of two new funds under one single management and control system, should lead to lower implementation costs and improved management and control of funds.
- Future efforts need to focus on further reducing market protection and continuing progress towards better targeted and less production and trade distorting forms of support.

Figure 6.1. **European Union: Producer Support Estimate by country, 2004-06**

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073765576673>

Summary of policy developments

The Single Payment Scheme, which replaces most of the previous area and headage payments by a single payment with no requirement to produce, was implemented in 2005 or 2006 depending on the country. A reform of the sugar sector began to be implemented in July 2006. It includes a reduction of support prices, partially compensated for by payments included in the single payment.

- Support to producers (%PSE) decreased from 41% in 1986-88 to 34% in 2004-06,¹ compared to an OECD average of 29%. Support decreased in 2006 to 32% (from 33% in 2005) for the EU25.
- The combined share of the most distorting types of support (commodity output and variable input based support) in the PSE fell from 92% in 1986-88 to 56% in 2004-06. During the same period the share of the less distorting types of support (payments which place no requirement to produce) reached 15% (29% in 2006).
- Prices received by farmers were 27% higher than those observed on the world market in 2004-06, compared to 79% in 1986-88. Farm receipts were 51% higher than they would have been on the world market in 2004-06, compared to 69% in 1986-88.
- The Single Commodity Transfer (SCT) was close to zero for common wheat, barley, oats, oilseeds and eggs in 2004-06. It was around 20-30% of commodity gross receipts for milk and rice, and 40% or above for sugar and all meats except pigmeat. The share of total SCT in the PSE decreased from 94% in 1986-88 to 58% in 2004-06 (49% in 2006).
- The cost imposed on consumers as measured by the %CSE fell from 37% in 1986-88 to 17% in 2004-06.
- Support for general services provided to agriculture increased from 8% of total support in 1986-88 to 9% in 2004-06. Total support to agriculture as a percentage of GDP has more than halved since 1986-88, to 1.2% in 2004-06.

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

Figure 6.2. **European Union: PSE level and composition by support categories, 1986-2006**

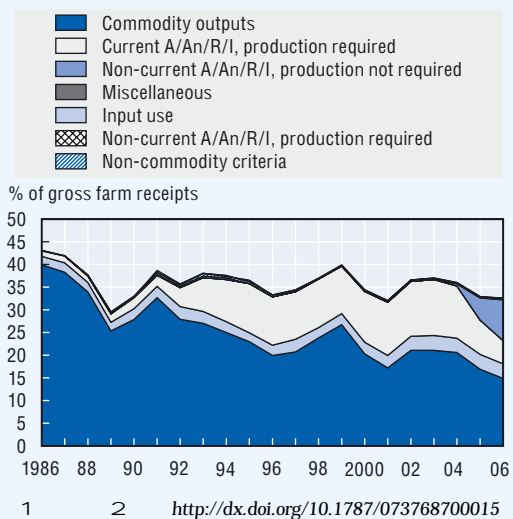
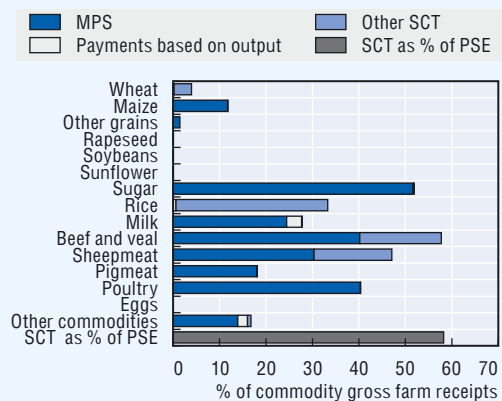


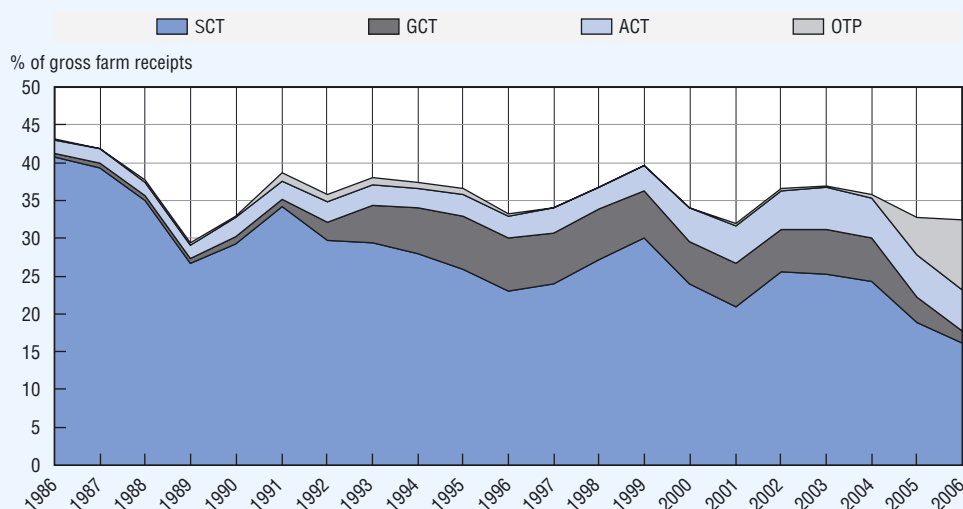
Figure 6.3. **European Union: Producer SCT by commodity, 2004-06**



Box 6.1. European Union: Commodity-Specificity of Support

Single Commodity Transfers (SCT) made up 58% of the PSE in 2004-06 (49% in 2006), a reduction from 94% 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 10% of the PSE in 2004-06 (5% in 2006), compared to 1% in 1986-88, and 20% in 1995-97. 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 or do not require any commodity production at all.¹ Together these made up 31% of the PSE in 2004-06 (45% in 2006), up from 5% in 1986-88.

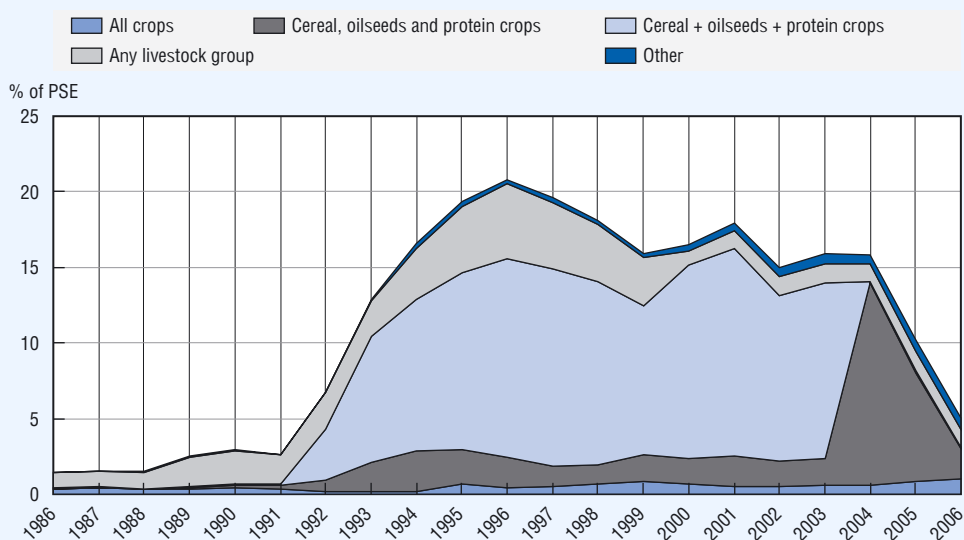
Figure 6.4. European Union: PSE level and commodity specificity



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/073850221556>

Figure 6.5. European Union: Components of GCT



Note: Cereals + oilseeds + protein crops is the sum of the three individual commodity groups.

Source: OECD PSE/CSE database, 2007.

Box 6.1. European Union: Commodity-Specificity of Support (cont.)

Support in the EU has become gradually less commodity specific over the period, as shown by the evolution of transfers within and outside the GCT categories. SCTs dominated the PSE and GCTs were small until 1992, when area and headage payments were introduced to partially compensate producers for the reduction in administered prices. While headage payments in the livestock sector remained commodity specific, area payments were made available to producers of any cereals, oilseeds or protein crops (COP), with the rate for cereals different from that for oilseeds or protein crops. The share of these three categories of GCTs in the PSE was between 9% and 13% over the period 1993-2003. In 2003, a common rate was applied to any cereals and oilseeds, as it had been for set-aside land from 1992. As a result, the share of GCTs for COP in the PSE rose to 13% in 2004. The share of GCTs in the PSE decreased in 2005 and further in 2006 as the single payment, which does not require any production of any commodity and is classified in OTPs, replaced part or all of these former payments.

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Table 6.1. European Union: Estimates of support to agriculture (EU25 from 2004)

EUR million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	211 407	276 132	278 494	271 790	278 111
<i>Of which share of MPS commodities (%)</i>	75	72	73	72	72
Total value of consumption (at farm gate)	189 224	274 009	268 635	270 771	282 620
Producer Support Estimate (PSE)	91 530	112 787	120 002	108 102	110 258
Support based on commodity output	83 696	58 383	69 058	55 609	50 482
<i>Market Price Support</i>	78 820	54 366	63 516	50 473	49 109
<i>Payments based on output</i>	4 876	4 017	5 543	5 135	1 374
Payments based on input use	4 528	10 794	10 596	10 949	10 836
<i>Variable input use</i>	877	4 369	4 156	4 540	4 412
<i>Fixed capital formation</i>	2 574	4 195	4 025	4 193	4 366
<i>On-farm services</i>	1 077	2 230	2 415	2 217	2 059
Payments based on current A/An/R/I ¹ production required	3 041	26 870	38 440	24 767	17 402
<i>Of a single commodity</i>	2 052	7 109	11 953	5 747	3 628
<i>Of a group of commodities</i>	859	10 528	17 581	9 604	4 400
<i>Of all commodities</i>	130	9 232	8 905	9 416	9 374
Payments based on non-current A/An/R/I ¹ production required	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	16 039	1 449	16 088	30 580
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	16 039	1 449	16 088	30 580
Payments based on non-commodity criteria:	301	1 101	1 016	1 110	1 175
<i>Long-term resource retirement</i>	301	963	900	956	1 032
<i>Specific non-commodity output</i>	1	138	116	154	144
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	-36	-399	-558	-421	-218
Percentage PSE	41	34	36	33	32
Producer NPC	1.79	1.27	1.33	1.26	1.22
Producer NAC	1.69	1.51	1.56	1.49	1.48
General Services Support Estimate (GSSE)	8 874	11 576	11 147	11 394	12 188
Research and development	1 067	1 878	1 821	1 872	1 940
Agricultural schools	165	889	867	883	918
Inspection services	156	648	619	741	585
Infrastructure	1 048	4 977	4 614	4 956	5 361
Marketing and promotion	1 625	2 265	2 194	2 192	2 408
Public stockholding	4 776	852	960	678	917
Miscellaneous	38	68	72	71	59
GSSE as a share of TSE (%)	8.5	9.1	8.2	9.2	9.7
Consumer Support Estimate (CSE)	-68 287	-46 871	-53 198	-43 936	-43 479
Transfers to producers from consumers	-79 261	-50 232	-57 747	-47 647	-45 303
Other transfers from consumers	-1 496	-750	-494	-848	-909
Transfers to consumers from taxpayers	4 400	3 435	4 041	3 681	2 582
Excess feed cost	8 070	677	1 002	877	151
Percentage CSE	-37	-17	-20	-16	-16
Consumer NPC	1.75	1.23	1.28	1.22	1.20
Consumer NAC	1.59	1.21	1.25	1.20	1.18
Total Support Estimate (TSE)	104 804	127 798	135 190	123 177	125 027
Transfers from consumers	80 757	50 982	58 241	48 494	46 212
Transfers from taxpayers	25 543	77 566	77 443	75 530	79 724
Budget revenues	-1 496	-750	-494	-848	-909
Percentage TSE (expressed as share of GDP)	2.75	1.18	1.30	1.14	1.10
GDP deflator 1986-88 = 100	100	160	157	160	162

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

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

MPS commodities for the EU are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants & flowers and wine.

Market price support is net of producer levies and excess feed costs.

EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.

Source: OECD, PSE/CSE database 2007.

Table 6.2. European Union: Estimates of support to agriculture (EU15)

EUR million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	211 407	248 488	251 235	244 277	249 953
<i>Of which share of MPS commodities (%)</i>	75	72	73	71	72
Total value of consumption (at farm gate)	189 224	247 092	243 299	242 979	254 997
Producer Support Estimate (PSE)	91 530	99 617	106 053	96 166	96 632
Support based on commodity output	83 696	50 087	58 904	48 629	42 727
<i>Market Price Support</i>	78 820	46 178	53 601	43 536	41 397
<i>Payments based on output</i>	4 876	3 909	5 303	5 093	1 330
Payments based on input use	4 528	9 420	9 328	9 592	9 341
<i>Variable input use</i>	877	3 894	3 692	4 172	3 818
<i>Fixed capital formation</i>	2 574	3 420	3 351	3 310	3 599
<i>On-farm services</i>	1 077	2 106	2 285	2 110	1 923
Payments based on current A/An/R/I ¹ production required	3 041	25 135	37 254	23 056	15 096
<i>Of a single commodity</i>	2 052	6 878	11 729	5 551	3 355
<i>Of a group of commodities</i>	859	9 814	17 111	8 903	3 427
<i>Of all commodities</i>	130	8 443	8 414	8 601	8 313
Payments based on non-current A/An/R/I ¹ production required	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	14 223	0	14 366	28 302
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	14 223	0	14 366	28 302
Payments based on non-commodity criteria:	301	1 027	1 001	1 034	1 047
<i>Long-term resource retirement</i>	301	899	887	890	920
<i>Specific non-commodity output</i>	1	128	114	144	127
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	-36	-275	-434	-511	120
Percentage PSE	41	33	35	32	32
Producer NPC	1.79	1.26	1.31	1.26	1.21
Producer NAC	1.69	1.49	1.54	1.48	1.46
General Services Support Estimate (GSSE)	8 874	9 641	9 446	9 384	10 092
Research and development	1 067	1 756	1 709	1 744	1 816
Agricultural schools	165	744	732	736	764
Inspection services	156	371	370	371	370
Infrastructure	1 048	4 026	3 759	3 986	4 332
Marketing and promotion	1 625	2 053	2 019	1 991	2 147
Public stockholding	4 776	650	800	513	637
Miscellaneous	38	42	58	43	26
GSSE as a share of TSE (%)	8.5	8.6	7.9	8.6	9.2
Consumer Support Estimate (CSE)	-68 287	-43 161	-48 517	-40 613	-40 353
Transfers to producers from consumers	-79 261	-46 252	-52 914	-44 008	-41 834
Other transfers from consumers	-1 496	-1 139	-530	-1 285	-1 601
Transfers to consumers from taxpayers	4 400	3 359	3 814	3 612	2 652
Excess feed cost	8 070	871	1 114	1 068	430
Percentage CSE	-37	-18	-20	-17	-16
Consumer NPC	1.75	1.24	1.28	1.23	1.21
Consumer NAC	1.59	1.22	1.25	1.20	1.19
Total Support Estimate (TSE)	104 804	112 617	119 313	109 162	109 376
Transfers from consumers	80 757	47 391	53 445	45 293	43 435
Transfers from taxpayers	25 543	66 365	66 399	65 154	67 542
Budget revenues	-1 496	-1 139	-530	-1 285	-1 601
Percentage TSE (expressed as share of GDP)	2.75	1.09	1.20	1.06	1.02
GDP deflator 1986-88 = 100	100	160	157	160	162

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

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

MPS commodities for the EU are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry, eggs, potatoes, tomatoes, plants & flowers and wine.

Market price support is net of producer levies and excess feed costs.

EU12 for 1986-94, including ex-GDR from 1990; EU15 for 1995-2006.

Source: OECD, PSE/CSE database, 2007.

Description of policy developments¹

Main policy instruments

The Common Agricultural Policy (CAP) is composed of two pillars. The first pillar defines Common Market Organisations (CMOs), and now includes the Single Payment Scheme. The second pillar or Rural Development Regulation (RDR) of Agenda 2000 includes various measures co-financed by EU member states, drawn from a list of available measures that can be tailored to the specific conditions facing their rural areas.

A major reform of the CAP was decided in 2003 (see OECD, 2004, *Analysis of the 2003 CAP reform* for a full description of CAP changes, available at www.oecd.org/agr/policy). The reform includes adjustments to CMO parameters for crops, beef and dairy products, which were introduced from 2004. A second package of reforms was decided in 2004 for the olive oil, cotton, tobacco and hop sectors. The main feature of the 2003 reform is the introduction, as part of the Single Payment Scheme, of a single payment which does not require recipients to produce. It replaces part or all of the premia that existed under different CMOs. Implementation of the Single Payment Scheme started in 2005 or 2006 in the EU15, depending on the country, using various formulas described in Table 6.A2.1. Farmers were allotted payment entitlements based on historical reference amounts received during the period 2000-02. Depending on the country, payment entitlements were established either at the farm level or at the regional level, or a mixture of both. Some area payments to crops and headage payments to beef and sheep are maintained in some EU15 countries.

Direct payments were introduced in 2004 in new member states, starting at 25% of the EU15 level and being progressively increased to reach 100% in 2013. Specific transitional schemes apply in new member states. Eight apply the Single Area Payment Scheme (SAPS), under which each eligible hectare receives the same payment rate. It will apply until 2010. Malta and Slovenia chose to maintain former area and headage payments until 2006 and implemented the Single Payment Scheme in 2007. During the ten-year phase-in period, new EU member states may complement EU funds with Complementary National Direct payments (CNDP or top-up payments) from national funds. They are granted as commodity-specific area or headage payments. Over the period 2004-06, a maximum of 20% of the CNDP can be co-financed from RDR funds on average. Total payments cannot exceed 100% of the EU15 payment rate. Similar arrangements were made for Bulgaria and Romania when they joined the EU in January 2007.

There are intervention prices for cereals (with the exception of rye) but not for oilseeds and protein crops (peas, beans and sweet lupins). The market support regime for cereals and sugar comprises trade protection through tariffs, tariff rate quotas (TRQs) and export subsidies. Until July 2006, when a new regime came into force (Box 6.2), the sugar support regime comprised intervention prices and production quotas, while producers (growers and processors) jointly paid the cost of disposing of production in excess of the quota through producer levies.

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 mainly through 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) Development Plans, which define the list of measures chosen by the country and their funding. Available measures include agri-environmental measures, early retirement schemes, and payments to assist farmers in less-favoured areas (LFAs), as well as payments available to both farmers and non farmers for afforestation, tourist infrastructure and the development of non-agricultural businesses. Other measures such as farm investment, the installation of young farmers, training, investment aid for processing and marketing facilities, additional assistance for forestry, promotion and conversion of agriculture, are also either co-financed or entirely financed by EU member states. Four additional measures were introduced under the 2003 CAP reform: quality incentives for farmers, support to help farmers to meet standards, a farm advisory system and support to cover animal welfare costs. Specific measures are also available in new member states: temporary income support for semi-subsistence farms undergoing restructuring, support to producer groups, technical assistance and a temporary measure until 2006 to help farmers meet costs related to compliance with EU environmental, hygiene, welfare, food safety and occupational safety standards.

Domestic policy

In 2006, EU25 expenditures and direct aids (Heading 1.A of the guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF) amounted to EUR 42.2 billion (USD 52.8 billion), compared to EUR 42.1 billion (USD 52.7 billion) in 2005. In the budget for 2007, expenditures on market and direct aids (from the European Agricultural Fund for Guarantee, EAFG) amount to EUR 42.9 billion (USD 53.7 billion) for the EU27. This increase is mainly explained by the phasing-in of direct payments in new member states and some market expenditures in Bulgaria and Romania. Figures for the 2007 budget reflect the implementation of the single payment which accounts for more than 80% of direct payments under this heading. This share will come close to 90% once the reforms are fully implemented.

Total expenditures on agriculture (market, direct aids and rural development) are estimated at EUR 53.8 billion (USD 67.3 billion) in 2007 for the EU27, compared to EUR 53.4 billion (USD 66.8 billion) in 2006 for the EU25.

As part of the first step of the 2003 CAP reform introduced in 2004, intervention was abolished for rye, the support price for rice was cut by 50% and the first cuts applied to the dairy sector. Intervention prices for butter and skimmed milk powder continued to be reduced, by 7.5% and 5.3% respectively in 2005/06 and by 8.1% and 5.6% respectively in 2006/07 (Table 6.3). The decline between 2004 and 2007 will reach a total of 25% for butter and 15% for skimmed milk powder. Following the sugar reform, the minimum sugar beet price decreased by 25% in 2006/07 compared to its level in previous marketing years (see Box 6.2). In mid-December 2006, the commission proposed the abolition of maize intervention as from July 2007. Other intervention prices remained unchanged during the marketing years 2004/05 to 2006/07.

For those countries that have partially retained Agenda 2000 crop payments, the rates (per hectare) were maintained at the 2004/05 levels adjusted by the coupling rate. Depending on the country, these may include payments per hectare of cereals, oilseeds

Table 6.3. European Union: Selected institutional prices

Product	2003/04		2004/05		2005/06		2006/07		Change in EUR price 2005/06 to 2006/07 %
	EUR/t	USD/t	EUR/t	USD/t	EUR/t	USD/t	EUR/t	USD/t	
Cereals ¹	101	114	101	125	101	126	101	126	0
Rice ¹	298	337	150	186	150	186	150	188	0
Sugar beet ²	48	54	48	60	44	55	33	41	-25
Milk									
Skimmed milk powder ¹	2 055	2 322	1 952	2 426	1 850	2 299	1 747	2 186	-6
Butter ^{1,3}	3 282	3 708	3 052	3 792	2 824	3 510	2 595	3 247	-8
Beef and veal ⁴	2 224	2 513	2 224	2 763	2 224	2 764	2 224	2 783	0
Pigmeat ⁵	1 509	1 705	1 509	1 875	1 509	1 875	1 509	1 888	0

Note: Marketing year July to June for cereals, rice, sugar beet and milk, April to May for beef and veal and sheepmeat, and November to October for pigmeat.

1. Intervention prices. There is no intervention for rye.

2. Minimum price.

3. Buying-in price set at 90% of the intervention price.

4. Basic price for storage. Payments for private storage can be made when the average price on the EU market falls below 103% of this basic price. There is also provision for public intervention when the average market price of young cattle or steers falls below EUR 1 560 per tonne.

5. Basic price. When the EU price, weighted to reflect the relative size of the pig herd in each member state, falls below 103% of the basic price, intervention may be authorised. Public intervention has not been used since the early eighties.

Source: European Commission.

Box 6.2. European Union: The 2006 sugar reform

The EU Council of Ministers of Agriculture reached political agreement on a reform of the sugar CMO on 24 November 2005, which was adopted on 20 February 2006. The new regime applies from 1 July 2006 to 30 September 2015. Within budgetary limits and subject to current and future international commitments, the reform includes:

- **A reduction of guaranteed prices** over four years. The “reference” price for white sugar replaces the former intervention price and will be cut by 36% from EUR 631.9 per tonne in 2005/06 to EUR 404.4 per tonne in 2009/10. The minimum price for sugar beet will be gradually cut by close to 40%, from EUR 43.6 per tonne in 2005/06 to EUR 26.3 per tonne from 2009/10.
- **The abolition of intervention** and establishment of a private storage system in case the market price falls below the reference price. Access to intervention is retained as a transitional measure until 2009/10. During the transition period, the intervention price will be set at 80% of the reference price of the following year. Intervention purchases are to be limited to 600 000 tonnes each year.
- **The introduction of a production charge** of EUR 12 per tonne of sugar quota (EUR 6 per tonne for isoglucose quota), from 2007/08.
- **The merging of the A and B sugar quotas into one single quota** (17.440 million tonnes). An additional amount of 1 million tonnes of quota will be made available to former C-sugar producing member states. No permanent quota cuts are foreseen during the phase in of the price reduction. However, freely chosen reductions in quota quantities can be sold into a voluntary restructuring scheme (see below). At the end of the restructuring period in 2010/11, a permanent quota cut will be made, as a flat rate percentage reduction, if quota renunciation under the voluntary restructuring scheme is not sufficient to balance

Box 6.2. European Union: The 2006 sugar reform (cont.)

the internal market. A levy for any surplus production will be introduced to control production above quota. Isoglucose quotas will be increased by 100 000 tonnes per year over three years. In addition, a further 103 000 tonnes of isoglucose quota will be available to Lithuania (8 000 tonnes), Sweden (35 000 tonnes) and Italy (60 000 tonnes), upon payment of a charge of EUR 730 per tonne. Inulin quota will be unchanged.

- **The introduction of a partial compensation** in a form of a payment to sugar beet growers to be integrated in the single payment. Farmers will be compensated for, on average, 64.2% of the price cut through a payment with no production requirement. For those member states with more than 50% reduction in quota production, a temporary commodity-specific aid corresponding to a further 30% of revenue loss is payable for four years. Limited national aids are permitted in Italy, Finland and for the French overseas departments. The EU has made sugar beet eligible for the energy crop aid of EUR 45 per hectare.
- **The introduction of a voluntary restructuring scheme** with funds available for factory closures, for assistance to sugar beet growers, for diversification measures in affected regions of member states and for transition measures. Funds will be provided by a levy on all sugar, isoglucose and inulin quota, in the first instance, and will be borne by sugar users in the form of higher prices.
- **Necessary modifications to preferential import systems:** Preferential imports of 1.3 million tonnes of sugar, white value, per year from the African, Caribbean and Pacific countries (ACP) as well as India under the Sugar Protocol of the Cotonou Agreement continue under the sugar reform, but at the lower reference price. The zero tariff imports foreseen under the Everything But Arms (EBA) initiative for Least Developed Countries (LDCs) from 2009/10 is also maintained. From 2009 to 2015 the EU will apply a ceiling on duty-free imports from LDCs and ACP countries together of 3.5 million tonnes, with normal tariffs applicable on any imports above this volume from ACP countries but not LDCs. After 2015, the idea is to apply an EBA safeguard clause for sugar. An initial aid package of EUR 40 million will be made available in 2006 and a total of EUR 1 244 million has been earmarked for a period of seven years to assist ACP countries adversely affected by the lowering of the price that they receive for their exports. Raw cane sugar for EU refiners will continue to be imported on the current basis of "traditional supply needs" (TSN). From 2009/10, the TSN will be fixed at the EU level for all origins. The traditional monopoly held by sugar refiners in refining preferential imports of raw sugar from cane under the TSN is set to expire after 2009/10.

Source: EU Commission, Press Release IP/05/1473, 24 November 2005; OECD (2007), "EU sugar policy reform", (AGR/CA/APM[2006]15/FINAL).

and protein crops (COP) and land set-aside, as well as payments introduced by the 2003 CAP reform for which production is required (e.g. payments for rice and dried fodder).

Similarly, for those countries that have partially retained Agenda 2000 livestock payments, the rates (per head) were maintained at the 2004/05 levels adjusted by the coupling rate – the suckler cow premium, special beef premium, deseasonalisation premium, the extensification premium, slaughter premium, ewe premium and additional ewe premium in less-favoured areas – have been partially retained by some countries. Following the cut in prices decided in the 2003 CAP reform, the dairy premium was increased to EUR 16.31 per tonne in 2005, and EUR 24.49 per tonne in 2006. This payment is

included in the single payment over the years 2005 to 2007, depending on the country. Member states have the possibility to add to the premium out of the so-called national envelopes.

In the first marketing year under the reformed sugar regime, **sugar production under quota** was subject to a one-year cut of 2.5 million tonnes (13.6%) in order to improve the balance on the sugar market. Production quotas for starch potatoes were extended, at the same level, for two years in June 2005 and again for two years in December 2006. As part of the Agenda 2000 and 2003 CAP reform, milk quotas in the EU15 were increased from 119.013 million tonnes in 2004/05 to 119.063 tonnes in 2005/06 and 119.544 tonnes in 2006/07. Quotas for new member states were unchanged in 2005/06 but were increased as of the 2006/07 marketing year as the totality of the milk quota reserves were allocated to them.

The implementation of the Single Payment Scheme started in 2005. Ten of the EU15 countries implemented it in 2005 and five in 2006. Five countries included the dairy payment in the single payment in 2005, six in 2006 and four will do so in 2007. Payments resulting from the reform of the sugar sector entered the single payment in 2006 (Box 6.2) as well as part or all of the payments for hop, cotton, tobacco and olive oil, as decided in the 2004 reform. In the case of tobacco, integration in the single payment will be carried out gradually over a four year transition period. From 2010 onwards 50% of the payment will be included in the single payment with the other half used for restructuring under rural development programmes. In the case of cotton, while the pre-reform support was based on a per tonne payment to processors, 65% of support is integrated into the single payment, another part is transferred to rural development and the remaining part is paid per hectare. The processing aid to flax and hemp, which was due to expire in 2005/06, was extended until 2007/08.

The transitional period of application of the SAPS in new member states, which was 2004-06 with two additional years if requested, was extended until 2010. After that date the Single Payment Scheme will apply. The phasing-in of direct payments in new member states proceeded as planned: they received 30% of the EU15 payment rate in 2005, 35% in 2006 and 40% in 2007. For sugar the full payment is included in the single payment without phasing-in.

In December 2006, EU ministers agreed to a reform of the CMO for bananas. It is applied since January 2007. The current aid scheme, which compensates producers for drops in prices, is replaced with a budget transfer to the POSEI scheme (*Programme d'options spécifiques à l'éloignement et l'insularité*). POSEI provides support to the outermost regions, where most EU bananas are grown, to assist local agricultural production and marketing. For producers in non-outermost-regions bananas are included in the single payment.

In January 2007, the Commission unveiled its plan for a reform of the CMO for fruits and vegetables. The main proposals are outlined in Box 6.3.

In three consecutive years 2004/05, 2005/06 and 2006/07, wine producers were allocated about EUR 450 million for the restructuring and conversion of vineyards. This support, which is granted under Regulation 1493/1999, covers measures for varietal conversion, relocation of vineyards and improvements to vineyard management techniques.

In July 2006, the EU Commission authorised farmers affected by the drought to use set-aside land to feed animals. Subsequently, it allowed member countries to grant advance

Box 6.3. European Commission: Commission proposals for fruit and vegetable reform

In January 2007, the Commission tabled the following proposals for the reform of the fruits and vegetable policy:

- **Additional support and flexibility to Producer Organisations (POs):** Producers would be free to join different POs for each product. EU co-financing would increase from 50% to 60% in areas where production marketed via POs is less than 20%, in the new member states, and in case of mergers of POs and associations of POs. 60% EU co-financing to POs operating in a transnational scheme or on an inter-branch basis would continue. Member states and POs would develop Operational Programmes based on a national strategy.
- **Crisis Management** would be organised through POs. Tools would include green harvesting/non-harvesting, withdrawals, promotion and communication tools in times of crisis, training, harvest insurance, and financing of the administrative costs of setting up mutual funds. The measures would be co-financed by the EU and producers. Withdrawals for free distribution to schools, children's holiday camps, hospitals, charitable organisations, old people's homes and penal institutions would be 100% paid by the EU up to a limit of 5% of the quantity of marketed production of each PO.
- **Inclusion of fruit and vegetables in the single payment:** Land covered by fruit and vegetables would be eligible for payment entitlements to be integrated in the single payment. All existing support for processed fruit and vegetables would also be integrated and the national budgetary ceilings for the single payment would be increased. Member states would be allowed to establish reference amounts based on a representative period. The total amount that would be transferred to the single payment is around EUR 800 million.
- **Environmental measures:** In addition to cross compliance, which is compulsory for those farmers receiving direct payments, each Operational Programme would have to spend at least 20% of its funds on environmental measures. There would be a 60% EU co-financing rate in each Operational Programme specific for organic production.
- **Promotion:** POs would be able to include promotion of fruit and vegetables consumption in their operational programmes. EU co-financing would be increased to 60% if the promotion is targeted towards school-age children and adolescents.
- **Trade with third countries:** It is proposed that export refunds be abolished.

For more background information, please see MEMO/06/245, http://ec.europa.eu/agriculture/capreform/fruitveg/index_en.htm.

Source: EU Commission press release IP/07/75.

payments of up to 50% of direct aids to farmers on the 16 October instead of the usual 1 December.

For the period 2000-06, the budget available for EU funding for the **Rural Development Regulation** (RDR), the "second pillar" of the CAP, amounted to around EUR 60 billion (USD 75 billion) for the EU25 (2004-06 for new member states). The RDR is co-financed by the EU member states, with about half coming from the EU budget. EU25 RDR expenditures for 2006 from the Guarantee section (of the EAGGF) amounted to EUR 7.6 billion (USD 9.5 billion) as compared to EUR 6.8 billion (USD 8.5 billion) in 2005. This increase mainly reflects the effect of modulation, whereby direct payments are reduced and the

corresponding amount is transferred to EU support for rural development. EU25 expenditures for 2006 from the Guidance section were stable at EUR 3.6 billion (USD 4.5 billion). The appropriations available for rural development payments from the European Agricultural Fund for Rural Development (EAFRD, the new unified fund) under the 2007 budget amount to EUR 10.9 billion (USD 13.6 billion) for the EU27.

The rural development (RD) programme for the new implementation period 2007-13 was agreed in June 2005. While during the 2000-06 period, RDR funds were under either the guarantee section or the guidance section of the EAAGF, depending on the region, they will be under a new single European Agricultural Fund for Rural Development (EAFRD) from 2007. The existing three types of programming (RD programmes, LEADER and Operational programmes in Objective 1 areas) and the two types of financial management and control systems (guarantee and guidance sections of the EAAGF) are simplified and brought under a single funding, programming, financial management and control framework. Current RDR measures are grouped under three thematic axes plus a separate axis applying the multi-sectoral approach and principles of LEADER. Axis 1, "Improving the competitiveness of the agricultural and forestry sector", includes measures to improve human and physical capital such as training, setting-up of young farmers, farm modernisation, as well as measures to improve product quality. Axis 2, "land management", encompasses less-favoured areas, agri-environmental schemes, animal welfare, afforestation and non-productive investments. Axis 3, "Diversification of the rural economy and quality of life in rural areas", concerns measures for non-agricultural sectors such as micro businesses, tourism, renovation of villages, rural services and the conservation of rural heritage. Minimum funding percentages are fixed for each of these axes, to ensure that RD programmes are balanced. The current definition of less-favoured areas will be maintained until 2010.

The financial contribution will be at least 10% for axis 1 and 3, 25% for axis 2 and 5% for the LEADER axis. EAFRD support for the EU25/27 will amount, in current EUR, to EUR 77.7/88.3 billion (USD 97/110 billion) for the period 2007-13. Member states will first submit National Strategy Plans and afterwards more detailed programmes laying out the programmed measures and corresponding funds.

In December 2005, the European Commission adopted an Action Plan designed to increase the use of **biomass** from forestry, agriculture and waste materials for energy purposes. To help meet the 2010 target – a 5.75% market share for biofuels in the overall transport fuel supply – the European Commission adopted an EU Strategy for Biofuels in February 2006, along seven policy axes: 1) Stimulating demand for biofuels; 2) Capturing environmental benefits; 3) Developing the production and distribution of biofuels; 4) Expanding feedstock supplies; 5) Enhancing trade opportunities; 6) Supporting developing countries; and 7) Supporting research and development. In September 2006, the Commission adopted a proposal aiming at reinforcing the use of the energy crop premium scheme. In addition to the extension of the scheme to the new member states (finally agreed by ministers in December 2006), the Commission also proposed to allow member states to grant national aid of up to 50% of the costs of establishing multi-annual crops on areas on which an application for the energy crop aid has been made. In March 2007, the EU Council agreed a target for biofuels of 10% for the overall fuel supply by 2020.

From January 2006, the use of the last four antibiotics still allowed as **feed additives** was banned and farmers are forbidden from using any antibiotics as growth promoters in

animal feed. In February 2006, the Commission tightened dioxin legislation by adding to the maximum limits on dioxin in food products set in 2002, new ceilings that include dioxin-like molecules.

The **European Commission** allowed the producers of organic food to choose whether or not to use the EU organic logo. Imports of organic products are allowed but cannot be marketed as organic unless they comply with EU standards or come with equivalent guarantees from the country of origin.

In spring 2006, the Commission agreed to fund 50% of the cost of measures taken to support the poultry market affected by **Avian flu**, such as the destruction of hatching eggs and chicks, the early slaughter of the breeding flock, other voluntary reductions in output and the compensation of income losses, even if the farm itself is not affected by Avian flu (April, June). The ban on British beef exports to other EU countries introduced in 1996 at the height of the BSE crisis was lifted in spring 2006.

Various efforts were made to **simplify** the implementation of the CAP. A new regulation was adopted in May 2005, which creates two new funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) that will both operate under a single management and control system. It will include the use of accredited paying agencies, accredited coordination bodies, a better system of certification of the accounts, an improved annual accounting system completed by a declaration of assurance from the director of the national paying agencies, an annual clearance of accounts exercise, and an annual conformity clearance of accounts exercise. The regulation also includes reinforced rules for budgetary discipline. The new system was implemented in January 2007. As part of the 2003 reform, each member state had also been required to set up an integrated administration and control system to facilitate the implementation of the Single Payment Scheme and other aid schemes (Chapter 4 of Council Regulation [EC No. 1782/2003]). It comprises:

- a computerised data base;
- an identification system for agricultural parcels;
- a system for the identification and registration of payments entitlements;
- aid applications;
- an integrated control system; and
- a single system to record the identity of each farmer who submits an aid application.

As part of a broad initiative to simplify the CAP (see http://europa.eu.int/comm/agriculture/simplification/index_en.htm for more details), the Commission proposed to:

- identify and eliminate unnecessary or out of date provisions through a “legal audit” of existing rules, and to improve the structure and presentation of agricultural law; and
- amalgamate the existing CMOs into a single CMO to provide a single set of harmonised rules in the areas of market policy such as intervention, private storage, tariff rate quotas, export refunds, safeguard measures, promotion of agricultural products, state aid rules, communications and reporting of data, without changing the substance of the existing instruments and mechanisms.

In October 2006, a CAP simplification action plan with concrete measures was presented and a simplification conference was held, focusing on the views and needs of stakeholders. In December 2006, the Commission tabled a proposal for a Council

Regulation establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products. The plan is to replace the 21 individual CMOs with one CMO, without changing policies.

Trade policy

In 2005 and 2006, export subsidy spending was close to EUR 2.5 and 1.8 billion respectively (USD 3.1 and 2.3 billion), compared to EUR 3.2 billion (USD 4 billion) in 2004. This fall occurred as a result of the rise in world prices. According to the most recent EU notifications to the WTO on **export subsidies**, in the marketing year 2002/03, the EU remained well below its WTO ceiling for export subsidies except in the case of cheese, rice, fresh fruits and vegetables and wine where over 90% of the allowance was used, in volume.

On **market access**, 40% of the EU's individual TRQs were fully filled, while 13 of the 87 individual TRQs registered a fill rate of zero in 2002/03. The EU is in the process of compiling consolidated commitments for the enlarged EU25, but as of February 2007 they had not yet been submitted to WTO.

To provide compensatory adjustment for EU enlargement, the EU offered new TRQs. Some of them are *erga omnes* and some allocated to specific countries such as Australia, Canada, China, New Zealand, Brazil, Thailand and the United States. These TRQs compensate countries for the increase in new member states' tariffs. In addition, WTO TRQs of the new member states were merged into the WTO TRQs of the EU15 in cases where new member states in-quota rates were lower than the EU out-of-quota rates.

Following a European Court of Justice ruling, the EU introduced new import arrangements for its WTO bound tariff rate quota for butter from New Zealand applicable from 2007. Licences for quota butter imports from **New Zealand** into the **EU** will no longer be awarded exclusively to the single European importer that the New Zealand exporter historically chose to trade with. From 2007 onwards, any importer on the European approved list may apply for an import licence. 45% of import licences will be allocated to new entrants. In 2001, the EU had agreed to replace its tariff quota system for **bananas** by a single tariff to be applied on 1 January 2006. The tariff rate of EUR 230 per tonne proposed by the EU in January 2005 was rejected by WTO arbitrators. In November 2005, the EU agreed a new import tariff of EUR 176 per tonne for most favoured nation suppliers of bananas, which applied from 1 January 2006. A tariff quota for ACP (African, Caribbean, Pacific) countries of 775 000 tonnes at zero duty also applies. Ecuador made a formal request for WTO consultation over EU import arrangements for bananas in November 2006, on the alleged basis that there was a discriminatory treatment for bananas from Latin American countries. In March 2007, it then requested a panel be set up on this issue.

In October 2006, a WTO panel launched at the request of the United States in 2003, ruled that the EU moratorium on the authorisation of new genetically modified (**GM**) crops in place between 2001 and 2004 broke international trade laws because the long approval process for sales of GM crops in the EU market hampered trade. It also ruled that the banning of certain GM organisms imposed by some EU member states, was inconsistent with the EU's WTO obligations.

In January 2005, the **EU** asked the WTO to establish a new panel on the beef hormone issue stating that **Canada** and the **United States** failed to lift their sanctions against the EU despite the fact that the EU had adopted new legislation in 2003. The EU maintains that this new legislation had been based on a comprehensive risk assessment following the

conclusion of the first panel. Canada and the United States do not believe that the revised legislation can be considered an implementation of the WTO recommendations and rulings related to beef hormones. A WTO Panel is expected to issue a report on this topic before the end of 2007.

In December 2006, the EU requested a dispute settlement panel to investigate extra duties imposed on European olive oil exports by Mexico.

A WTO arbitration panel ruled in February 2006 that the EU must adjust its tariffs on frozen boneless **chicken** cuts within four months. Following that ruling, the EU decided to readjust its schedule and agreed with Brazil and Thailand on Tariff Rate Quotas (TRQ) for imports of certain meat categories from Brazil and from Thailand (not yet adopted by the Council).

The European Commission proposed new rules on **geographical name protection** in January 2006. Non-EU producers wanting to register a product as a Protected Geographical Indication (PGI), a protected Designation of Origin (PDO) or a Traditional Specialties Guaranteed (TSG) will be able to apply directly to the EU and no longer have to have their governments apply on their behalf. In addition, their governments will not have to satisfy the EU that they give similar protection to corresponding European goods in their own market, allowing coffee and other products not grown in the EU to obtain such denominations.

In September 2006, the EU modified the specification for high-quality beef imports from Argentina, Brazil and Uruguay, in agreement with these countries, specifying that the label "Hilton Beef" refers to grass-fed animals.

The EU **rice** import system was revised as it could no longer operate given its link to the intervention price for rice, which was halved following the 2003 EU reform. After similar arrangements with the United States, India and Pakistan, a new rice import deal was struck with Thailand in December 2005.

In March 2006, the EU and the United States signed a bilateral **wine** trade agreement. It includes a partial mutual recognition of names of origin, technical oenological practices and simplified certification rules. The United States has changed the legal status of 17 traditional European wine names, such as Burgundy, Champagne, Port and Sherry, in order to restrict their use in future to wine originating from the EU.

A bilateral agreement between the EU and Switzerland was signed in February 2005. As a result, export refunds and import duties between the two countries were either abolished or reduced. Russia and the EU agreed to apply trade bans at the regional rather than national level in the event of animal disease outbreaks, to improve co-operation between veterinary and customs authorities and to work towards creating a standard procedure for reporting frauds. The EU and China signed an agreement to reduce the imports of illegal food products into Europe, by improving exchange of information and speed of communication. The EU started or resumed trade talks with Mediterranean partner countries and Mercosur countries in 2005.

The EU banned poultry imports from various countries affected by **avian influenza** over the period 2005-06. As the disease spread in 2005, a ban on live birds from all countries was imposed in October and was maintained until the end of January 2006. Regional bans on poultry imports from Bulgaria and Romania were also imposed in spring 2006 to prevent the spread of Newcastle disease.

In October 2005, the EU temporarily banned beef imports from Brazil as **Foot and Mouth Disease** cases were found. It has also banned imports of de-boned and mature beef from eight Argentinean regions for the same reason in February 2006.

A new **generalised system of preferences** entered into force in January 2006. It awards trade concessions to developing countries, by focusing on smaller, more disadvantaged countries, and less on large developing economies such as China and India. The number of schemes is reduced from five to three: the normal Generalised System of Preference (GSP), the Everything But Arms (EBA) initiative and a “GSP+” category, which would reward actions against drug trafficking or that combat governmental corruption. Preferences for some products would be downgraded once countries reach a given level of competitiveness. GSP+ had entered into force from July 2005 and was extended to 15 additional countries in December 2005.

Bulgaria and Romania joined the EU on 1 January 2007. The pre-accession agreement between the EU and Croatia, which aims to create a free trade area in most agricultural goods between the two countries, entered into force in February 2005. The EU launched accession negotiations with Croatia and Turkey in October 2005.

Austria

Sector-wide policy initiatives. Environmental sustainability continued to be a major focus of Austrian farm policies. The main instrument is the Agri-Environmental Programme (ÖPUL) which has been evolving since 1989. The current ÖPUL-2000 offers 32 measures that aim at improving the environmental sustainability of farming, with a heavy emphasis on promoting organic farming practices.² Participants in the scheme sign up for a contract which specifies precisely what actions are to be taken, or what services are to be delivered in return for payments. In 2006, EUR 643 million (2005, EUR 653 million) was disbursed under this scheme, which amounted to an average of EUR 5 060 (2005, EUR 4 820) per participant. The majority of farmers participate in this scheme, that is 80% of all enterprises representing 88% of the total utilised agricultural area in Austria.

The emphasis on organic farming has resulted in a visible increase of the arable area devoted to organic farming. About 11% of the arable area is now cropped according to organic standards and about 13% of the farms are officially certified “organic” (*Biobetriebe*).

Austria followed a horizontal approach to bioenergy by introducing an obligation for the oil industry to substitute a specific percentage of fuels based on mineral oil by biofuels. It is expected that this approach will lead to meeting the EU-wide bioenergy targets in the short run.

The year 2005 was characterized by a drought in early summer and floods in July and August, leading to scarcity of feed for livestock. In order to ease the burden, the prohibition to use crops from set aside acreage was lifted on 13 July in certain areas. Additional support measures comprised a postponement of repayments of subsidised agricultural investment loans and support to farmers for the purchase of fodder. Some regions in Austria suffered drought again in 2006.

Implementation of the Single Payment Scheme. Austria introduced the Single Payment Scheme in 2005, based on historical entitlements in 2000-02. All arable crop payments were integrated into the single payment, but suckler cow and calf slaughter premiums remain fully commodity-specific. In addition, 40% of the adult cattle slaughter premiums and 25% of the payments for hops remain product specific. In 2005, 80 123 farms received livestock

premiums (suckler cow and slaughter premiums). These payments amounted to about EUR 98 million.

Milk premiums were introduced in 2004 and were increased annually up to 2006 (from 11.81 EUR/t in 2004, to 23.77 EUR/t in 2005 and to 35.44 EUR/t in 2006) as elsewhere in the EU. From 2007 onwards milk premiums will be integrated into the Single Payment Scheme based on the milk quota distribution on 31 March.

Under the Single Payment Scheme, EUR 497 million were transferred to 130 960 farms on the basis of 2.38 million payment entitlements in 2005. The payment entitlements are transferable and tradable within Austria, either with or without the accompanying acreage.³ In the latter case, parts of the entitlements (50% in 2007) must be transferred to a “national reserve.”

In Austria, as in other EU member states, the introduction of the Single Payment Scheme was a massive administrative task. The total cost for administration of the support programmes, including the switch to the new system, is estimated at 1.8% of the total support payments. The cornerstone is the INVEKOS system (*Integriertes Verwaltungs- und Kontrollsystem*) that is used to administer and monitor these programmes. The execution of the support programmes is done by a semi-independent paying agency, Agrarmarkt Austria (AMA). This agency monitored a sample of at least 1% of the payment recipients in 2005 in order to check adherence to cross-compliance criteria.

In 2005, the average direct payment per hectare transferred within INVEKOS (basically payments within the framework of the first pillar, agri-environmental payments and compensatory allowances) amounted to EUR 621. The distribution of payments across farms is skewed towards larger holdings; 3% of the holdings received payments larger than EUR 36 366. Altogether they accounted for 17% of the payments received and they farmed 15% of the agricultural area. At the lower end, 30% of the holdings received payments no larger than EUR 3 643, totalling 5% of the payments, while they accounted for 10% of the farmed acreage.

Implementation of the Rural Development Plan. Rural development has an important place in the Austrian portfolio of farm policies.⁴ The share of rural development expenditure in the budget amounts to 58% (including federal and subnational contributions), as compared to 14% in the EU agricultural budget (which excludes national co-finance). Within the framework of the second pillar of the CAP a total of EUR 995 million was paid to 141 847 holdings and a total of EUR 57 million was paid to other applicants. 133 096 enterprises with a utilized agricultural area of 2.25 million hectares (without alpine pastures) participated in the Agri-Environmental Programme (ÖPUL).

ÖPUL is subsumed under the Rural Development Agenda since 2000. All rural development expenditures are co-financed by the EU. In addition to ÖPUL the measures comprise less-favoured area payments, agricultural investment programmes, start-up subsidies, processing and marketing premiums, payments to foster the adaptation and development of rural areas, education programmes and forestry programmes. The rural development programme for the new period of implementation 2007-13 has been completed and submitted to the European Commission; the launching of the programme is planned for 2007.

Within the 2005 tax reform, the sparkling wine tax (1.08 EUR/bottle) was abolished and a refund of petroleum tax for agriculture was introduced. Amendments of the milk quantity regulation (BGBl II Nr 240/2005) contained some crucial modifications concerning

restrictions on the partial leasing of milk quota and the introduction of a tighter notification period for quota transfer. The milk quota allocation regulation (BGBl. II Nr 102/2006) described the allocation of additional quota stipulated in the Agenda 2000 and CAP reform 2003 (linear allocation in three steps). Some minor changes were made in the wine law (minimum charges for vintage inspections, changes of wine regions), fertiliser law, health law and food safety law (adoption of charges).

Change in national budget expenditures. National expenditures for Austria's agriculture and forestry amounted to EUR 99 million in 2005, an increase of 7% compared to 2004. This increase is due to budgetary technicalities resulting from the coincidence of animal premiums paid out for the last time in February 2005 and the single payments paid out for the first time in December 2005. Another reason for the increased budget was the scheduled rise of the milk premiums. For 2006, a budget increase of 3% was projected. Of the total expenditures, 59% was financed by the European Union, 20% by the federal government, and 21% by the federal states. In Austria, 42% of the funds are allocated to the first pillar of the Common Agricultural Policy (basically the single payment, area, animal and product premiums) and the remainder to the second pillar (rural development).

Changes in regulations and institutions. The adaptation of agricultural laws came into force at the beginning of 2005 and led to a number of changes in the agricultural research- and training infrastructure. The *Bundesamt und Forschungszentrum für Wald (BFW)* is now subdivided into a "Federal research and training centre for forests, natural risks and landscape" and a "Federal forest authority", which is bestowed with the status of a public institution as of January 2005. The Federal Institute for Alpine Agriculture was merged with the Alpine Agricultural College to form the Higher Research and Training Institute Raumberg-Gumpenstein. Similarly the Federal institute for agricultural technology will merge with the Agricultural College Franzisko Josephinum.

Belgium

Implementation of the Single Payment Scheme. The Single Payment Scheme was introduced in 2005 in both the Flemish and Walloon regions, based on farm level historical entitlements in 2000-02. Both regions have chosen to include all the payments for cereals, oilseeds and protein crops in the single payment, as well as most livestock payments. In both regions, dairy payments were integrated into the single payment in 2006. In the Flemish region, the suckler cow premium, the calf slaughter premium and payments for linseed and spelt remain commodity-specific. In the Walloon region, the suckler cow premium and payments for linseed and spelt remain commodity-specific.

Implementation of the Rural Development Plan. Three Rural Development Plans are implemented in Belgium: one for the Flemish region, one for the Walloon region, and a third one at the federal level. The Walloon government programme focuses on the improvement of agriculture profitability with measures in favour of young farmers and woman farmers and the creation of a fund designed to boost rural economic development. The Flemish agricultural investment fund measure (*Vlaams Landbouwinvesteringsfonds*) was modified by the Flemish government on 16 June 2006 with respect to support for agricultural investments and establishing young farmers. The modification aims to better adapt current investment to farmers needs and to seek a balance between demand for investment support and available funding.

A new planning programme for the 2007-13 period (PDPO II) was developed in Flanders from 2005 and finalised in 2006, the previous programme having ended in 2006. The new programme has three objectives:

- Developing the agricultural and forestry sectors competitiveness through support measures for the development of physical capital and to encourage innovation as well as production and commodity quality improvement.
- Enhancing the environment and rural land use planning through support measures for a sustainable use of agricultural and forested lands.
- Improving the quality of life in rural areas, and encouraging the diversification of the rural economy.

Other changes in national policies. Organic farming remains a key element of agricultural policy and, from 2006 onwards, the Flemish government has attempted to simplify the per hectare premium system, in order to make it more accessible to farmers who want to convert to organic farming. The Flemish government has approved a subsidy of around EUR 460 000 for an organic food promotion campaign by the Flemish Centre for Agricultural and Fisheries Marketing (VLAM). The three-year campaign, amounting to a total of EUR 1.5 million, aims to boost consumption of organic products in the region and therefore to promote the expansion of organic farming.

The Flemish poultry sector lost an estimated EUR 60 million at the beginning of 2006 due to avian influenza. The Flemish agriculture minister has allocated EUR 300 000 to fund a promotion campaign for poultrymeat. Poultry farms recording losses following the outbreak of avian influenza in the autumn of 2005 and the spring of 2006 will be given compensation. Payment started in February 2007.

In accordance with the sustainable development objective, the Wallon authorities have undertaken the promotion of renewable energy, particularly agricultural renewable energy: promotion of energy crops, feasibility study for the location of biofuel plants, support for investment. At the same time, the Flemish government made big efforts for the promotion of fuel crops, and premiums of 45 EUR/ha are granted for the production of fuel crops.

Change in national budget expenditures. Agricultural budgetary expenditure for 2005, excluding EU payments, was EUR 234 million, a 3% increase from 2004.

Changes in regulations and institutions. The Flemish government adopted the legislation relating to the implementation, from 1 April 2006, of the new structure for the Agriculture and Fisheries Department, which is responsible for the formulation and delivery of agricultural policy in Flanders. The Department is made up of four divisions:

- Agricultural and fisheries policy (ALVB).
- Sustainable agriculture development (ADLO).
- Monitoring and studies (AMS).
- Management support service (MOD).

The work of the Agriculture and Fisheries Department is complemented by the following institutions:

- An independent agency for agriculture and fisheries (ALV).
- An agricultural and fisheries research institute (ILVO).
- The Flemish centre for agricultural and fisheries marketing (VLAM).

Czech Republic

Implementation of the single payment. From 2004, the Czech Republic (CR) opted for a Simplified Area Payment Scheme (SAPS) with a flat rate per hectare of all agricultural land. These payments were set at 30% of payments to the EU15 in 2005 and increased to 35% in 2006. In 2005 and 2006, Complementary National Direct Payments (“top-ups”) were paid per hectare for selected arable crops (grains, oilseeds, protein crops), hops, flax and per head (livestock unit) of ruminants. In principle, the ceiling on top-up payments from the national budget has been fixed at 30%. In 2005, the “top-up” payments were paid at the level of 28.4%, and the total payment reached 58.4% of the EU15 level. In 2006, the “top-up” payments were paid close to their ceiling level, allowing direct payments to be paid nearly at the maximum 65% of the EU15 level.

Implementation of the Rural Development Plan and the Single Programming Document. Under the programmes implemented within the Horizontal Rural Development Plan (RDP) in 2004-06, agri-environmental measures represented around half of the payments and, together with payments to less-favoured areas (LFAs) (more than 40%), represent the bulk of the RDP payments. Most of the agri-environmental payments were for extensive livestock production on grassland (around 60% of AE payments) and for catch crops production on arable land (around 30%). The payments to LFAs and areas with environmental restrictions are made per hectare of grassland. Overall, more than 80% of RDP payments are linked to grassland areas. The payments within the RDP plan were financed from EU funds at a rate of 80%.

Other projects co-financed from EU funds include programmes providing investment support to farming. After accession the Special Accession Programme for Agriculture and Rural Development (SAPARD) was replaced by Special Programming Document funds (Operational Programme – OP) set for 2004-06. Both SAPARD and OP projects focus mainly on investments to agriculture, but also provide payments for the development of food processing activities and infrastructure projects in rural areas.

Other changes in national policies. National programmes that have been maintained since EU accession are mainly credit subsidies, fuel tax rebates and disaster payments. In addition to the “top-up” payments mentioned above, national funding is used to finance the maintenance of the genetic livestock and crop potential, prevention of the spread of livestock and crop diseases. National funding also provided support for the renewal of vineyards, hop-gardens and orchards.

Change in national budget expenditures. The total amount of national payments (including those co-financing the EU programmes) increased in 2005 by 13% over 2004 to reach CZK 12.4 billion (EUR 418 million) and remained around that level in 2006.

Changes in regulations and institutions. Apart from the consolidation of the institutions administering the CAP, there were no major changes in regulations and institutions in 2005 and 2006.

Denmark

Sector-wide policy initiatives. A new food policy was implemented in 2006 to promote food safety and ensure quality nutrition. This policy focuses on making such food available to the general public, ensuring transparency through sufficient labelling of foods, delineating the responsibilities of the producer, government and retailers, as well as providing a framework for food and veterinary research.

In 2006, legislation covering farms with livestock production was reformed to facilitate the localization and expansion of farms and to reduce pressure on the price of agricultural land. According to the so-called harmony-requirement, the area of a farm with livestock production shall be large enough to allow for spreading part of the manure produced by the livestock of that farm. For farms consisting of more than one holding, this requirement previously have been met on the holding where the livestock was situated. Since the reform, however, this requirement can be met with land from all holdings and the minimum share of land to be owned by the farmer to fulfil the requirement was reduced. Finally, the existing upper limit of 750 animal units for a farm is to be raised to 950 animals units, provided supplementary requirements on animal welfare are met.

Implementation of the Single Payment Scheme. The Single Payment Scheme was implemented in Denmark in 2005 and was based on a combination of both the regional and farm level models. This scheme was adjusted following the reform of the common market organisation for sugar in 2006 to compensate for the price reduction in sugar beet. For 2006 and 2007, compensation is allocated as a flat rate increase of all payment entitlements. As of 2008, part of the compensation will be reallocated as a “sugar top-up” to the entitlements of farmers growing sugar beet, the calculation of which will be based on the farmers’ delivery rights of sugar beet for production of quota sugar in 2006.

Implementation of the Rural Development Plan. The total support for rural development amounted to DKK 610 million (EUR 82 million) in 2005 and approximately DKK 1 030 million (EUR 138 million) in 2006, including the EU contribution. The rural development plan for 2000-06 covers a large number of measures, including support to encourage environmentally sustainable farming, organic farming and planting of shelter belts. The emphasis is on agri-environmental measures. The total budget for this period is approximately DKK 5.4 billion (EUR 0.7 billion). For 2006, a number of amendments were made to the plan, including support to the training of rural district advisors, extension services to farmers on cross compliance, and investment and demonstration of new farm technologies.

In 2005 and 2006, extensive planning of the Danish implementation of the new rural development programme for the period 2007-13 was undertaken. The main objectives of the draft rural development strategy is to promote entrepreneurship and new places of work in rural areas, to improve the competitiveness of agriculture and forestry, to diversify rural landscapes, nature and the environment, as well as to improve the conditions of life in rural areas. The measures needed to undertake these objectives are specified in the draft programme and the total budget that has been allocated for this period is approximately DKK 6.2 billion (EUR 0.8 billion). It is expected that for 2007-08, about 25% will be spent on the development of agriculture; about 55% on nature and environment and about 20% on quality of life in rural areas.

Change in national budget expenditures. The total agricultural support budget for 2006 (including EU payments) was around DKK 10.2 billion (EUR 1.4 billion) in 2006, which is 4% above the 2005 level. From 2004 to 2005, total support fell by 5%. EU payments accounted for 90% of the budget.

Changes in regulation and institutions. In Denmark, from 1 January 2007, a major reform of the municipal structure has taken effect. The new larger municipalities assume a number of responsibilities from the former counties including administration of regulations on nature protection, environment and physical planning. Approval in respect

of Environmental Impact Assessments, nature and water protection, and odour was combined into a single administration in the new municipalities. At the same time the regulation of livestock production was simplified and all concerns with respect to Environmental Impact Assessments (EIA), nature and water protection, odours, etc. are now dealt with by a single administration in the new municipalities. The new regulation incorporates all changes, extensions and establishment of new livestock farms with more than 75 animal units.

From 1 January 2007, a major reform of the Danish university and research sector also occurred. This reform seeks to enhance the synergies and the impact of Danish research by creating three large universities by merging existing universities and government research institutions. As part of this reform, the Institute of Agricultural Sciences and the Danish National Environmental Research Institute were merged with the University of Aarhus; the Danish Institute for Food and Veterinary Research and the Danish Institute for Fisheries Research were merged with the Technical University of Denmark; and the Royal Veterinary and Agricultural University has been merged with the University of Copenhagen. To coordinate food research, a National Food Forum has been established.

Finland

Implementation of the Single Payment Scheme. The Single Payment Scheme adopted in the context of the 2003 CAP reform was introduced in Finland in 2006. CAP support remains commodity-specific mainly for suckler cows, male bovines, ewes and starch potato, while support for arable crops was almost completely included in the single payment as of 2006. Overall, about 93% of CAP payments are granted through the single payment in Finland.

The Single Payment Scheme is implemented on the basis of a hybrid model consisting of a regional flat-rate payment and farm-specific top-ups. Farm level top-ups are based on farmers' historical entitlement to 69% of the dairy payments, 30% of the male bovine premiums, and 16% of starch potato aid. These farm-level top-ups will stay at the same level until 2010 and then gradually decrease and be incorporated into the flat rate regional payments by 2016. Gradually decreasing farm-level top-up is also paid to sugar beet growers until 2019. The value of payment entitlements were established at the end of 2006. Cross-compliance conditions attached to CAP support are being introduced gradually between 2005-07. In addition to cross compliance, Finland has decided nationally that if a farmer sets aside more than the mandatory area, this unused arable area must be under grass (perennial green fallow) to be eligible for CAP support. The funds released through the modulation of direct payments are allocated to agri-environmental support.

Implementation of the Rural Development Plan. Payments are provided under the Continental Horizontal Rural Development Programme 2000-06, Regional Rural Development Programme 2000-06 outside Objective 1 regions for Continental Finland and for the Rural Development Programme of Åland Islands 2000-06. The most important categories are compensation to less-favoured areas (LFAs) and agri-environmental support which represented 43% and 30% of RDP expenditure in 2005, respectively. The EU contribution is about 31% of LFA and 42% of the agri-environmental support and the rest is paid from national funds. In addition to the EU co-financed LFA and agri-environmental support, Finland provides national supplements (top-ups) for both LFA and agri-environmental support and these top-ups are fully financed by the national budget. Taking

into account national supplements, LFA compensation amounted to EUR 543 million and agri-environmental support EUR 348 million.

The key emphasis of the agri-environmental support is on water protection, but measures also aim to limit air pollution, reduce pesticide risks and promote conservation of biodiversity and cultural landscapes. The agri-environmental scheme consists of mandatory basic and additional measures and special measures. The basic and additional measures cover 94% of farmers and 98% of the arable area. Expenditure on the basic and additional measures totalled EUR 254 million in 2005 while expenditure on special measures amounted to EUR 40 million (of which organic production EUR 17 million). The rural development funding has been cut in the context of the new EU financial frameworks for 2007-13 and in Finland this has led to a reduction in rural development funding of about EUR 100 million/year. The new financial framework also cut the regional and structural policy support for Finland by about 25%.

Change in national budget expenditures. National support paid in Finland consists of three main parts: northern aid, national aid for southern Finland, and national supplements to LFA and agri-environmental support. The national support totalled EUR 609 million in 2005 and EUR 614 in 2006. A national supplement to LFA compensation was introduced in 2005 (total of EUR 120 million) with the constraint that the total amount of co-financed LFA and national supplement may not exceed an average of EUR 250 per hectare.

France

Sector-wide policy initiatives. A law on the development of rural areas was adopted in February 2005. In addition to economic development, employment, housing and services, the law includes measures related to land zoning in peri-urban areas, land consolidation, and the sustainable management of private forests, wetlands (through fiscal measures) and Natura 2000 sites. Specific attention is given to mountainous areas. In January 2006, it was complemented by a new agricultural Framework Law, which aims to:

- Update legislation applying to farm enterprises by modernising their legal status and facilitating transmission; improving farmers' working conditions and social protection; and facilitating the use of hired labour.
- Maintain farm income by developing biofuels and bioproducts; strengthening the economic organisation of the agri-food sector; and improving risk management.
- Better respond to societal and consumer concerns by improving food safety; promoting food quality; and encouraging environmentally friendly farming practices.
- Develop regions by protecting all types of agricultural land; ensuring the sustainability of farming in mountainous areas; and improving the performance of forestry.
- Modernise the institutional environment of agriculture.

Specific measures under this law include simplification of farm business registration, a requirement that rural leases must have been held for at least three years before they can be transferred outside the farmer's family, improvement of social security cover for spouses, provisions allowing farmers who have contributed to the general pension regime to benefit from the special provisions of farm pensions, extension of crop insurance, a tax rebate for labour replacement costs, and provisions to support the installation of young farmers and the transmission of farms between generations. These include interest

concessions on loans, and the possibility for young farmers, to spread some of the cost of farm acquisition over time.

Implementation of the Single Payment Scheme. As planned, the single payment was implemented in 2006 based on farm level historical entitlements in 2000-02. It included the dairy and sugar payments from the start. Farm entitlements were established in October 2005 and applications were made in May 2006. Due to exceptional climatic circumstances, advance payments totalling EUR 2.77 billion were made in October 2006. On 1 December 2006, farmers received, as planned, the remainder of the SFP. In total, the single payment amounted to EUR 5.28 billion. In addition, farmers received EUR 1.10 billion in area and headage payments linked to commodity production, which France had opted to maintain at the following rates: 25% of arable crop and hop payments; 50% of the sheep premium, 100% of the suckler cow premium, 100% of the calf slaughter premium and 40% of the adult cattle slaughter premium, as well as 100% of payments to all products in overseas territories.

By October 2006, there had been over 300 000 transfers of single payment entitlements, covering a total of 4.5 million hectares, to reflect changes in land holding. Mechanisms to allocate the national reserve of single payment entitlements were put in place. Priority is given to new entrants and individual imbalances resulting from the reform are then addressed. A complementary, national programme to allocate entitlements from the reserve was introduced at the end of 2006. The Minister of Agriculture decided that initially, the national reserve would be funded by a 2.2% levy. In May 2006, the Minister of Agriculture decided to reduce single payment entitlements of farmers, who did not activate their entitlements in 2006, by the amount of the unused entitlements.

Implementation of the national Rural Development Plan. The implementation of the French Rural Development Plan 2000-06 continued. In 2005, close to 30% of national expenditures were allocated to less-favoured area payments, and close to one-quarter to agri-environmental payments, among which the environmental grass premium. Assistance to investments in agricultural holdings and setting up of young farmers made up around 15% of national expenditures under the RDP. In addition, around EUR 310 million were granted to assistance to the development of rural areas through single programming documents for objective 2 areas.

In October 2006, the government announced the new national programming plan for the implementation of rural development measures covering the period 2007-13. Funds allocated to this programme will amount to EUR 13 billion, of which EUR 6.4 billion will come from the EU budget (compared to EUR 13.8 billion, of which EUR 6.7 billion from EU funds in the 2000-06 programming plan). The focus of the 2007-13 plan is on the regionalization of management (50% of funds will be managed by regions), simplification in terms of the number of measures and procedures, and consensus building.

In September 2006, a crop plan for the environment was introduced, with government funding of EUR 20 million, including 50% from the EU, which can be complemented by regional funds. It will form part of the national rural development plan being drawn up for 2007-13. As the plan for the improvement of livestock buildings does for livestock farmers, the crop plan provides investment assistance to help crop farmers adjust to environmental regulations. The main objectives of the plan are the reduction of pollution from fertilisers and chemicals, the reduction of water use, and better protection from soil erosion. Regional

priorities will be defined in consultation with all actors in the region. As of 2007, the plan will also focus on energy savings in greenhouses and plant biodiversity. Already in 2006, the government contribution to energy saving investments was raised from 22 to 35% for farmers that are members of a producer group (from 25 to 40% for young farmers).

Other changes in national policies with a direct budgetary impact. Within the framework of the reform of the Common Organization of the market for sugar, France is authorized to grant national aids in overseas departments within a maximum limit of EUR 90 million per annum. In 2006, the government set aside an extra EUR 10 million to aid consolidation and restructuring in the dairy industry. Within the strategic plan launched in 2004 to modernize the dairy sector, the government allocated EUR 25 million in 2005 to help producers who left the dairy sector and to facilitate the reallocation of milk production quota thus released to producers entering dairy production or wishing to develop their dairy activity in a sustainable way in the long term.

A number of measures were taken to respond to the crisis that is affecting the wine sector. They include interest concessions to producers and cooperatives, (EUR 49 million), assistance to investments (EUR 5 million) and promotion for enterprises (EUR 12 million), cash flow assistance to producers (EUR 15 million), and reductions in social security contributions (EUR 6 million). Various tax rebates and delays in social contribution payments were also granted to producers. The EU Commission has allowed France to distill 1.3 million hectolitres of drinkable alcohol. In addition, the EU Wine Management Committee had agreed to allow France to convert up to 1.5 million hectolitres of table wine and 1.1 million hectolitres of quality wine into bio-ethanol, as part of the crisis distillation scheme.

A plan to support fruit and vegetable producers was announced in late 2005. Funds granted in 2006 amounted to EUR 15 million for exceptional measures to support income of farmers most affected by the crisis in the sector and EUR 25 million for interest concessions to modernize orchards, manage supply, support producer groups and for marketing and promotion actions. In March 2006, a new strategic plan was announced with a further EUR 40 million in payments and EUR 25 million in interest concessions on loans to facilitate consolidation.

A crop insurance scheme was introduced in 2005 to help farmers insure either individual crops, or the whole farm. The government subsidizes 35% of premiums (40% for young farmers). Government expenditures for this scheme amounted to EUR 20 million in 2005. In summer of both 2005 and 2006, farmers in regions affected by drought were allowed to use set-aside land for livestock grazing and fodder harvesting. This measure was applied to most of the regions (departments) in 2005 and in 2006.

Avian influenza reached France at the end of 2005 and the country was cleared of the disease in June 2006. An initial aid package for the poultry sector amounted EUR 63.5 million. It includes an information campaign to promote poultrymeat, compensation of income losses registered between November 2005 and April 2006 for producers specialized in poultry production, interest concessions, reductions in social security contributions, and extra support for label producers. Of these EUR 63.5 million, EUR 30 million were allocated to slaughterers and processors to compensate them for the income losses they incurred when forced to reduce their activity during the crisis. A complementary support plan was announced in September 2006. Broiler producers will receive aid in proportion to their losses and without ceiling, with co-financing from the EU,

on top of the EUR 1 000 per farm advance payments they received under the first plan. Hatcheries and genetic selection businesses will receive additional compensation for the destruction of eggs and breeding flocks, over and above the maximum of EUR 150 000 that they have been able to claim under the first plan.

At the end of 2006, the government took or announced measures to support livestock producers experiencing the most difficulty following outbreaks of bluetongue disease, which affects ruminants. They include reductions and delays for social security contributions, partial interest concessions (EUR 1 million allocated), payments for keeping animals, that would otherwise have been killed, on farms (within a budget of EUR 1.5 million) and payments to compensate for income losses due to market disturbances, limited to EUR 3 000 per farm, with a total budget of EUR 7.5 million. In addition, costs of tests, analysis and veterinary visits were partially reimbursed.

In addition to traditional fuel tax rebates, farmers were reimbursed for part of the tax on domestic fuel and natural gas until the end of 2005. These rebates amounted to EUR 1 030 million in 2005.

A new plan for biofuel production was announced in September 2004 and reinforced in September 2005. Targets have been set by law in January 2006 as follows: biofuels should be incorporated into fuels at a rate of 5.75% by 2008, 7% in 2010 and 10% in 2015. To reach these targets, an incentive tax system based on two main instruments has been implemented. The first instrument is a fuel tax rebate which is granted to eligible production of bio-ethanol and bio-diesel. The tax rebate (calculated in EUR per litre of biofuel) should amount to around EUR 275 million in 2006 and around EUR 900 million in 2008 (if the reduction rate per litre remains the same). The second instrument is an "additional tax" (*Taxe Générale sur les Activités Polluantes* – TGAP) which is paid by the suppliers that do not comply with the national targets set by the law. This additional tax acts as a penalty for the fuel suppliers who do not incorporate enough biofuels into road fuels. Therefore, the aim is to incorporate into fuels around 0.65 million tonnes of bio-ethanol and 2.1 million tonnes of bio-diesel by 2008 and around 0.75 million tonnes of bio-ethanol and 2.8 million tonnes of bio-diesel by 2010. Diesel consumption dominates (two-thirds) total road fuel consumption in France.

In the new Agricultural Framework Law, measures to boost organic farming were announced. A tax rebate is offered to farmers who earn 40% of their income from organic farming. This will be worth up to EUR 2 000 over three years, and was expected to cost a total of EUR 15 million in 2006. Farmers are also able to discount their conversion years when calculating historic reference amounts for the single payment.

Change in national budget expenditures: National expenditures on agriculture increased by 5% in 2005 compared to 2004, and decreased by 7% in 2006, reflecting variations in fuel tax rebates. National expenditures other than these rebates decreased by 8% in 2005 and were stable in 2006.

Changes in regulations and institutions. As part of efforts towards administrative simplification, a number of measures (100 by March 2007) were taken from February 2006. They include a reduction of control time, advance payments for controlled farms, simplified application forms, pre-filled forms accessible online forms and information available on the Internet, and sharing of information between administrations.

A law for the creation of private limited dairy companies (*sociétés civiles laitières*) was introduced in November 2005. According to this law, milk quotas can be transferred,

without charge, to a company whose object is to pool the milk production activities of the partners without transferring the corresponding land. This law will allow producers to make common investments and share work constraints and risks.

The public rendering service was re-organised to clarify responsibilities, increase transparency and reduce costs. Direct contracting and auctioning were developed. Government funding for the service will remain at EUR 44 million per year, covering a quarter of total costs.

Germany

Sector-wide policy initiatives. The promotion of organic farming and focus on renewable resources for energy production and industrial purposes has received much attention in recent years. Around EUR 20 million was spent on the Federal Organic Farming Scheme in both 2005 and 2006. This scheme includes a variety of measures at all levels of the food chain, such as training, information, advisory activities, supporting research and development projects, and technology transfers. In order to promote sustainable growth in the sector, payments to producers for the introduction and maintenance of organic production were continued and use of the German eco-label on a voluntary basis has steadily increased. Support options for further ecologically sound and animal-welfare oriented methods have been continued within the framework of agri-environmental support under the Joint Task for the Improvement of Agricultural Structures and Coastal Protection (GAK).

The production of energy and raw materials derived from agriculture for industrial production has steadily become an additional source of income in the agriculture and forestry sectors. The area devoted to renewable resources from agriculture has doubled since 2003, to 1.6 million hectares in 2006 which represents about 13% of the total crop area. Measures for the promotion of research, development and demonstration projects as well as marketing measures in the area of renewable resources from agriculture accounted for EUR 52.2 million in 2006. A law was passed in October 2006 to oblige firms in the mineral oil economy to use a minimum quota of biofuels as of January 2007 onward. The firm-specific and tradable biofuel quota will be increased over time and the biofuels used under the quota can no longer benefit from tax exemptions that were granted previously.

Implementation of the Single Payment Scheme. Germany introduced the Single Payment Scheme in 2005, based on a hybrid model combining elements of the first model (when direct payments were granted according to farm specific payments in the reference period 2000-02) and a regional model (a uniform payment per hectare in a region derived from total payments to the region in the past and the share of the region in the total eligible area). In 2006, dairy payments were combined into a single payment, using the quota holding on 31 March 2005 as a reference. Germany opted for full decoupling with the exception of payments for hops (25%) and tobacco (60%) which will remain product-specific until 2009. New and stricter cross-compliance restrictions came into force in 2006. All payment entitlements will be gradually transformed so that by 2013 there will be a uniform payment rate in each region.

Payment entitlements are tradable and transferable, but with some restrictions. Entitlements can only be activated if the corresponding acreage is situated in the same region in which payment entitlement was granted. Hence, a producer cannot buy entitlements in one region and utilize them in another region. There is a national reserve

of entitlements that serves to accommodate both the need of farmers in specific situations and new entrants into the farming sector. Germany has set up a nationwide registration and monitoring system (InVeKos) that links payment entitlements to individual entrepreneurs.

In 2005, Germany granted payments to 383 690 farmers for a total of EUR 4.96 billion. In 2006, the national ceiling for Germany for the single payment was EUR 5.65 billion, compared to EUR 5.15 billion in 2005, and which was in line with Commission Regulation (EC) No. 1156/2006. This increase is due to the inclusion of sugar and tobacco in the single payment, to the last increase of the milk premium, and to the additional payment for milk (for a total premium amount of 3.55 ct/kg). In total, about EUR 950 million was paid to individual milk producers in 2006.

Implementation of the National Rural Development Plan. The GAK will continue to serve as the national framework for rural development programmes of the *Länder* for the period 2007-13. In addition to the traditional measures in Axis 1 which seek to improve the competitiveness of farmers (infrastructure, investment-aid, etc.) and the agri-environmental schemes in Axis 2, new initiatives were taken in Axis 3 to promote subregional approaches that are expected to be better suited to subregional needs. Special schemes were introduced for the setting-up of cross-sectoral regional development-strategies and their coordinated implementation steered by rural public-private partnerships. The government imposes a bottom-up participation for the development and implementation of this strategy. In so far as income-diversification-investments and investments in rural infrastructure are concerned, top-ups are foreseen if the investments can be integrated into the subregional development strategy.

Change in national budget expenditures. The 2006 agricultural budget of the federal government, excluding EU contributions and expenditures by the *Länder*, amounted to EUR 5.1 billion, the same level as in 2005. As in previous years, social policy in agriculture accounted for the largest share, almost three-quarters (about EUR 3.8 billion). In 2006, about EUR 612 million were earmarked for the GAK programme, the most important federal measure supporting structural change and development in rural areas. These federal expenditures were co-financed by the *Länder* so that the GAK spent EUR 1 billion on measures such as investment aids (about 25% of GAK expenditure), improvement of agricultural structures (34%), sustainable agriculture (less-favoured areas and agri-environmental measures, together covering 24% of GAK expenditure).

Changes in regulations and institutions. Germany is authorized by the European Commission to employ a special clause in the nitrate directive to allow on a **case-by-case** basis the application of manure up to a maximum quantity of 230kg nitrogen/ha instead of the usual maximum standard of 170 kg/ha. This possibility is limited to intensively used grassland and allows a better recycling of on farm nutrients.

In January 2007, the Animal Breeding Law was thoroughly revised with the aim to simplify cross-border trade in animal semen. The former governmental task of rating breeding results and performance monitoring in animal breeding was privatised. To conserve biological diversity a periodical monitoring of animal genetic resources was introduced.

Greece

Implementation of the Single Payment Scheme. Implementation of the Single Payment Scheme in the 2003 CAP reform began in January 2006 based on farm level historical entitlements in 2000-02. Core elements are: full decoupling of direct payments for the majority of products; the introduction of new cross-compliance measures; and mandatory retention of up to 10% of the single payment to encourage specific sectors of importance in the areas of environment, quality production and marketing. The inter-ministerial Acts which provide the national legal framework for the implementation of the CAP reform were signed in 2005.

Greece opted for full integration of support in the single payment for all products except for seeds, which remain fully specific to commodity production and cotton, where 35% of the payment remains in the form of a commodity specific area payment. For cotton, payments can be granted to a maximum area of 370 000 hectares. Both farming organisations (farmer groups and co-operatives) and individual farmers are eligible to receive this support. The first 300 000 hectares are eligible for the cotton-specific payment of EUR 594 per hectare and the remaining 70 000 hectares for EUR 343 per hectare. This is equivalent to a weighted average of EUR 546 per hectare, or a total of EUR 202.2 million. If the threshold acreage is exceeded, a payment policy is applied for acreage up to 70 000 hectares. The 65% of the support that is included in the single payment amounts to EUR 967 per hectare, with total expenditure of EUR 367.4 million. A roster of farmers qualified for support with no link to commodity production, known in Greece as the "List of Cotton Producers' Rights", has been established by the government. If the eligible area planted with cotton exceeds the maximum area limit, the per-hectare payment will be reduced proportionally. Provisional estimates for 2006 suggest that the area planted exceeds the threshold.

In conformity with Article 69 of Regulation (EC) No. 1782/2003, which allows member states to provide an additional payment for specific types of farming important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products, Greece decided on the following retention rates: 10% of support for arable crops, sugar and beef; 5% for sheep and goats; 4% for olive oil; and 2% for tobacco (to be used for investment on premium quality produce); in addition, for olive oil, 2% will be retained for the funding of working programmes established by producer organisations and 3% for pest management.

Cross-compliance conditions for receiving payments have been applied gradually over the 2005-07 period. Requirements for maintaining land in good agricultural and environmental condition and the identification of animals were introduced in 2005, while conditions for maintaining plant and animal health, notification of diseases and food safety issues were introduced in 2006.

Concerning the establishment of statutory management requirements (SMRs) (Annex III of Regulation [(EC) No. 1782/2003]), which require compliance with a number of articles from 19 pre-existing EU directives and regulations, the requirements adopted include protection of groundwater, sewage sludge, conservation of natural habitats, wild flora and fauna, protection of water from pollution caused by nitrates originating from agricultural sources, public and animal health, and identification and registration of bovine and caprine animals. To comply with the EU Nitrate Directive, action programmes relating to vulnerable zones were established with rules relating to periods when the application of

certain types of fertiliser is prohibited. The list of approved pesticides was completed and made available on the Internet.

Greece has implemented measures for virtually all of the standards concerning the minimum requirements that are aimed at avoiding the abandonment of agricultural land and ensuring that all agricultural land is maintained in good agricultural and environmental condition (GAECs) (Annex IV of Regulation [EC] No. 1782/2003). In particular, measures were established to avoid soil run-off on sloping lands, to improve post-harvest management of land, to ensure crop rotation and appropriate use of machinery, minimum livestock densities, protection of hedgerows and permanent pasture, and prevention of the encroachment of unwanted vegetation on agricultural land.

For the requirement concerning measures designed to ensure maintenance of permanent pastures at the 2003 level, Greece has established maximum and minimum grazing densities to prevent abandonment in mountainous and less-favoured areas and to protect permanent pastures in mountainous areas and islands from overgrazing and degradation. Grazing density in Greece is calculated on a livestock unit per hectare basis.

Control committees of the Prefecture Authorities monitor SMR and GAEC standards. Only those farms that have been pre-selected according to the EU's Integrated Administration and Control System (IACS) criteria for the eligibility controls (such as size of payments, number of plots and animals, size of farms and former non-compliance) are checked. The severity of penalty, imposed by the national payment agency, is based on the relevant EU regulation.

A farm advisory system has been established and came into operation on 1 January 2007, as stipulated by EU regulations. Its principle aim is to assist farmers in the implementation of cross-compliance requirements and, in addition, to increase farmers' awareness of on-farm processes relating to the environment, food safety and animal health. The system is run by private geotechnical scientists and the Geotechnical Chamber and is under the responsibility of the Ministry of Rural Development and Food. Financial support up to a maximum level of 80% of the farmers' cost, but not exceeding EUR 1 500 per year will be granted annually from the rural development programme. Funding for farmers wishing to employ an advisory service is estimated at around EUR 30 million per year, 25% of which consists of national funding. The estimated cost of setting up the system is EUR 1.5 billion.

Implementation of the Rural Development Plan. For 2006, rural development expenditures are provisionally estimated at EUR 652 million, 38% of which was financed from the national budget. About 46% of the payments financed by the national budget were allocated to less-favoured areas, and another 24% for early retirement. A proposal to include livestock producers in the early retirement scheme, estimated to cost EUR 40 million, was announced in 2006. As at the end of 2006, 57.3% (or EUR 1.2 billion) for the national funds of the horizontal rural development programme 2000-06 had been disbursed. Under Axis 3 of the programme, owners of olive groves and vineyards in two areas in central Greece will be eligible for EUR 90 per hectare payments if they comply with certain traditional farming practices. A task force has been formed for the finalisation and fine-tuning of the 2007-13 Rural Development Plan.

Other changes in national policies. In April 2005, due to major wine stock surpluses, the European Commission, at the request of the Greek government, allowed crisis distillation measures to come into effect for certain types of wine, which included financial support

for the distillation of 340 000 hectolitres of table wine and 40 000 hectolitres of quality wines produced in specific regions. Similar measures were approved by the European Commission also for 2006. Payments for processing figs almost doubled in 2005, from EUR 139 to EUR 258.6 per tonne. Farmers' pensions are to be increased by EUR 50 per month and, as of January 2007, the minimum pension is to be set at EUR 280 per month.

The EU regulation introducing specific measures in favour of certain agricultural products from the smaller Aegean islands was amended by the EU Council of Agriculture Ministers in 2006. The amendment envisages the presentation by Greece of a programme concerning the specific supply arrangements for those agricultural products essential in the smaller Aegean islands (whether for human consumption, as agricultural inputs or for processing) and support for local production. The programme, due to come into effect in January 2007, will be fully financed by the EU and is estimated to cost EUR 24 million; the amount to be allocated annually may not exceed EUR 5.5 million.

Payments for natural disasters amounted to EUR 536 million in 2004, EUR 260 million in 2005, and EUR 421 million in 2006. An amount of EUR 22 million was paid from the national budget to compensate producers from losses due to fires which occurred over the March 2003-December 2005 period. A number of measures were adopted in 2005 to assist livestock producers, including debt write-offs, increases of interest concessions to young farmers up to 100%, 25% reduction of their insurance contributions and waiving of the usual charge of a construction license.

As from 2005, farmers have been able to buy diesel fuel at subsidised prices throughout the year. In 2006, diesel fuel tax concessions were estimated at around EUR 11 million. A number of policies introduced in 2005-06 are aimed at encouraging the production and domestic consumption of bioenergy. An update of the Greek Law 343/2005 forms the basis for the production of biofuels. Measures include support of 40% of the capital costs for bio-diesel plants and tax exemptions when biofuels are produced on the basis of contracts between farmers and production units. In accordance with European Union regulations, 5.75% of fuels consumed in Greece will be biofuels by 2010.

Change in national budget expenditures. In 2006, total agricultural budgetary support to agriculture is provisionally estimated to have increased slightly, to EUR 4.5 billion, of which 40% (EUR 1.8 billion) was financed by the national budget. Up to mid-December 2006, payments of EUR 1 250 million (or 75% of the total SFP), had been made, benefiting 792 200 farmers (or 94.4% of total eligible farmers). Increasing emphasis is being given to public investment for rural development, which has increased from EUR 430 million in 2002-03, to EUR 823 million in 2004-05, and which is estimated to reach EUR 479 million in 2006.

Changes in regulations and institutions. The relevant national laws concerning organic farming have been updated to promote and facilitate the production of organic vegetable and animal food products. The 4% retention of the SFP for organic olive oil and table olives will take the form of payments up to EUR 65 per hectare. In 2006, compensation from natural disasters for organic farming increased by 4%.

Greece was among the first European countries to detect H5N1 avian flu in wild swans in February 2006, although no cases were detected in domestic poultry. The government has provided loan guarantees to poultry businesses equivalent to EUR 40.8 million. The total compensation to Greek poultry producers in 2006 is estimated at EUR 18.9 million,

50% of which will be financed by the EU. The implementation of the Emergency Action Plan for the prevention of avian flu continues.

Complementary measures regarding geographical indications and protected designation of origin olives and olive oil were adopted by the EU Council of Agriculture Ministers in mid-2006. In October 2006, within the framework of the new EU regulation regarding alcoholic drinks, the EU Council of Agriculture Ministers decided that the Greek alcoholic drinks ouzo, tsipouro, tsikoudia and the Cypriot drink zivania, are protected products within the EU.

Hungary

Implementation of the single payment. The Single Area Payment Scheme (SAPS) was implemented as of 2004. In accordance to the phasing in of the Single Payment Scheme, these payments were set at 30% of payments to the EU15 in 2005 and increased to 35% in 2006. The total amount reached HUF 87 billion (EUR 351 million) and HUF 118 billion (EUR 446 million) respectively.

Complementary National Direct Payments (“top-up”) were paid in the form of area (arable crops) and headage (suckler cows, beef cattle, sheep and goat) payments. Top-up payments were also paid per tonne of milk. The total value of the national “top-up” payments was HUF 26 billion (EUR 105 million) in 2005 and increased more than three times to reach HUF 90 billion (EUR 340 million) in 2006. The ceiling of “top-up” payments from the national budget has been fixed at 30% of the payments to the EU15. However, in 2005 and 2006 these payments remained below this ceiling due to budgetary problems.

Implementation of the Rural Development Plan and the Single Programming Document. The EU Special Accession Programme for Agriculture and Rural Development (SAPARD) ceased to exist as of May 2004. However, SAPARD funds were still used in 2005 and 2006 to finance projects established before that date. The Rural Development Plan (RDP) and Single Programming Document (SPD) programmes were set for the years 2004-06. Overall, the RDP is worth EUR 754 million and the foreseen SPD spending is EUR 417 million for the period 2004-06. The rate of national co-funding was set at 20% for the RDP and 25% for SPD.

During 2005 and 2006, about EUR 400 million (HUF 100 billion) were spent to finance the RDP programmes and EUR 273 million (HUF 70 billion) on SPD programmes (the remaining sums to be spent in 2007). Most of the RDP payments were agri-environmental in nature (Agricultural Environment Protection Programme). These payments represented 85% of RDP expenditures in 2005 and declined to 70% in 2006 as new RDP programmes were implemented, such as the establishment of producer groups and technical assistance programmes. The SPD funds financed mainly investments to agriculture and food and marketing activities in order to improve the quality of production and meet EU quality standards. From 2006, SPD payments were also used to finance investments in rural infrastructure.

Other changes in national policies. Several national support programmes were maintained following EU accession. In addition to the national top-ups to the Single Area Payment, the most important programmes in terms of payments provided include credit subsidies to loans for agriculture, support for on-farm afforestation, subsidised veterinary costs, and breeding and genetic development. There were no major changes in these policies in 2005 and 2006.

Change in national budgetary expenditures. Changes in policies linked to EU accession, together with national fiscal austerity, led to a reduction of payments from the national budget in 2004 and 2005. The total amount of national payments in 2005 (including those which co-financed the EU programmes) increased by one third compared to 2004, and remained around that level in 2006 at HUF 175 billion (EUR 661 million).

Changes in regulations and institutions. Changes in regulations and institutions in 2005 and 2006 were mostly related to entry into the EU in May 2004, the adoption of the CAP, and implementation of CAP mechanisms (market regulation, administration of payments) and regulatory measures. At the end of 2006, Hungary adopted a new law allowing for genetically modified (GM) plants to be planted, albeit subject to stringent conditions. Under the new law, a 400-metre buffer zone must be established between GM crops and adjacent fields in order to prevent cross-pollination. Written permission to plant GM crops is required from all landowners within the buffer zone.

Ireland

Sector-wide policy initiatives. The Department of Agriculture and Food produced an Action Plan in response to the report of the Agri Vision 2015 committee. The Plan sets out the actions required by all actors, both public and private, to ensure the future success of the sector. These actions are organised around five requirements:

- take full advantage of the freedom to farm exclusively for the market arising from the decoupling of farm direct payments;
- focus on the requirements of the consumer at every stage in the value chain, especially in ensuring the highest standards of food safety, quality as well as on the range and type of product;
- continue, and accelerate the process of structural change at farm and processor level to achieve the most competitive structures possible;
- ensure that the knowledge base and technical skills of the sector are developed to place it in a world-leading position; and
- match these capabilities with an entrepreneurial focus on exploiting all market opportunities to the full.

Implementation of the Single Payment Scheme. The Single Payment Scheme was introduced in 2005, based on farm level historical entitlements in 2000-02. Ireland chose to include the maximum amount of payments in the single payment, with dairy payments included from 2005. It is based on the average number of animals (hectares in the case of the Arable Aid Schemes) on which payment was made under each scheme in the reference years (2000-02) multiplied by the 2002 payment rate for that scheme (EUR 383.04 for Arable Aid Schemes).

The rate of sugar beet compensation, based on historical production contracts, to be incorporated into the Single Payment Scheme was set. The rate is EUR 9.62 per contracted tonne in 2006, rising to EUR 13.63 in 2012.

Implementation of the Rural Development Plan. Payments for agri-environmental programmes, principally the Rural Environmental Protection Scheme (REPS), and to less-favoured areas under the Disadvantaged Area Compensatory Allowance are the main focus of expenditures under the CAP Rural Development Plan 2000-06.

In 2004, a revised REPS scheme, under the reference REPS 3, was introduced. REPS obliges participants to draw up and follow a nutrient and grassland management plan, as well as undertaking other measures. REPS also provides additional support to producers wishing to convert to organic farming. Payments made through REPS totalled EUR 329 million in 2006.

The total area designated as less-favoured area (LFA) is 5.155 million hectares, comprising almost 75% of Ireland's total land area. The majority of LFAs are classified under Article 19 of Council Regulation No. 1257/00 – areas in danger of abandonment and where conservation of the countryside is essential. Area-based compensation payments under the Disadvantaged Area Compensatory Allowance totalled EUR 257 million in 2006.

Other changes in national policies. The Scheme of Investment Aid for Farm Waste Management was introduced in 2006. This scheme is designed to help farmers meet the requirements of the EU Nitrates Directive and provides for expanded eligibility and grant amounts compared with the previous regional farm waste management schemes.

The Pilot Mineral Oil Tax (MOT) Relief Scheme was introduced in 2005. This incentive scheme for biofuels has resulted in eight projects being awarded excise relief for a two year period. The eight companies can produce a certain amount of biofuels each year and do not have to pay excise to the Revenue Commissioners on a particular quantity they are producing. In 2006, excise relief of EUR 0.69 million was granted under this scheme. A further Biofuels Mineral Oil Tax Relief Scheme II was introduced in 2006. Under this scheme sixteen projects have been awarded excise relief to the period 2010. When fully operational the relief is expected to support the use and production of some 163 million litres of biofuels each year. In addition, Green Diesel Excise Relief of EUR 14.62 million was provided to producers in 2005.

Disease levies on milk and beef production were reduced by 50% effective 1 January 2007. The reduction follows improvements in the disease situation. The reduction in the amount of the levy amounts to approximately EUR 5 million per year.

The maximum capital allowance under the accelerated scheme for investment in pollution control facilities increased to EUR 50 000 from EUR 31 750. From 1 January 2005, Single Payment Scheme entitlements were recognised as qualifying assets for CAT agricultural relief and CGT retirement relief. Stamp duty relief for young trained farmers was extended to 31 December 2008.

At the end of 2005 there were just over 7 824 low-income farmers (about 6% of total farm holders) in receipt of social welfare payments through the Farm Assist Scheme.

Change in national budget expenditures. Total public expenditure on agriculture increased by 13% in 2005 to EUR 457 million. Total public expenditures increased by a further 8% in 2006 to EUR 496 million. A significant portion of the increase is due to increases in environmental payments under the REPS scheme.

Changes in regulations and institutions. A new Milk Quota Trading Scheme was established to supersede the Milk Quota Restructuring Scheme. The new system has two elements, a priority pool and a market pool, the latter in the form of an Exchange. Producers are obliged to provide 30% of milk quota offered for trade to the priority pool, where a maximum price of 12 cents per litre is in effect. The remainder is traded on the market pool at a market-determined rate.

Italy

Sector-wide policy initiatives. The Economic and Financial Planning Document for 2004-07 covers strategic directives in the areas of: i) competitiveness of farms and agri-food business, ii) agri-food traditions and specialities, iii) multipurpose values: product quality, protection of land and environmental landscape, food safety and consumer protection, and iv) reform of public administration and integration of various levels of governance. Continuing decentralization of subsidy provision reinforces the principle of assigning competence to the territorial government nearest to where citizens live.

In the context of the stated priorities, the Finance Act of 2006 (law 266/2005) contains several measures including tax concessions and related extensions, support for investments, farm businesses and agricultural supply chains for food and promotion and use of biofuels. Furthermore, legislation entitled "Urgent measures for the agriculture, agri-business and fishing sectors, as well as taxation of companies" (Law 81/2006), called for major changes in: farm welfare, support for the agri-energy supply chain, restructuring and reconversion of the sugar beet-sugar sector and stronger support for the poultry sector.

Implementation of the Single Payment Scheme. The Single Payment Scheme has been extended to include olive oil, tobacco and sugar and national rules for application were adopted during 2005 and early 2006. Moreover, Italy decided to introduce the single payment of aid to the milk and milk products sector in advance, recognizing as beneficiaries those producers who received payments based on the quotas they held as of 31 March 2006.

Italy has decided to opt for total inclusion of aid to olive oil in the single payment, giving up the opportunity to maintain up to 40% of aid as under previous support programmes, in the form of supplementary payments to farms with at least 0.3 hectares of area planted to olive trees. Sector financing of 5% was set aside for programmes worked out by recognized producer groups, to support action for quality, traceability, market, environmental improvement and protection, and diffusion of information. As regards tobacco, Italy moved toward including part of the aid in the single payment. In the first phase of reform (2006-09), 60% of aid will remain specific to commodity production, whereas the remaining part will go toward single payments (except for Puglia where the rate of inclusion in the single payment is 100%). In the second reform phase (from 2010 onwards), aid will be completely independent from commodity production, but 50% of direct payments will be channeled into restructuring programmes in traditional tobacco-growing areas, within the framework of rural development policies.

For sugar, Italy decided to use the three-year period 2000/01-2002/03 to calculate aid to be included in the Single Payment Scheme. Furthermore, as part of the reform of the relevant CMO (Common Market Organisation), Italy decided to give up 50% of its production quota. However, the reduction in quotas was accompanied by a guarantee of additional payments independent from commodity production to continuing sugar beet farmers and funds for processing industries for diversification and restructuring. The application of Article 69 of the horizontal regulation of CAP reform (EC 1782/2003) calls for withholding 8% of financial resources from the sector.

Implementation of the Rural Development Plan. During 2005, more emphasis was placed on the dual management of various programmes for rural development financed through the EAGGF Guidance and Guarantee sections. Implementation of RDPs in 2005 resulted in spending of EUR 1 400 million. That amount, together with what was spent in the preceding

five planning years, brings the total spending to approximately EUR 8 000 million, or 90% of total available RDP financing for the 2000-06 period.

Expenditures for environmental measures under the RDP accounted for 48% of total disbursements from 2000 to 2005. A large increase in spending has been recorded in the past few years in the category of investments.

Other changes in national policies. To reduce labour costs, the Financial Act (commas 361-362) provides a reduction of 1% in social security contribution payments for temporary labour to the INPS (National Institute of Social Insurance), beginning on 1 January 2006. Furthermore, legislation was passed providing for social security concessions for agricultural employers in disadvantaged areas (Law 81/2006). In particularly disadvantaged mountain areas, social security relief is raised to 75% of the employers' share (as opposed to 70% previously), whereas in disadvantaged agricultural areas, including Objective 1 areas named in Regulation EC 1260/99 and territory in the municipalities of Abruzzo, Molise and Basilicata, relief is raised to 68% (compared to 40% previously).

Urgent measures for the prevention of avian flu were put in place (Law 244/2005) allowing for the purchase of medicines and other prophylactic material and supporting the poultry market. AGEA is authorised to buy frozen meat and other products in quantities not in excess of 17 000 tonnes, and at a maximum expense of EUR 20 million. The government can grant aid to facilitate reconversion and restructuring loans to businesses affected by emergency situations in the poultry supply chain. Beginning on 1 January 2006, measures to suspend or defer certain taxes are provided for poultry raisers, poultry butchers and wholesale poultrymeat dealers.

Also in November 2005, urgent measures were put in place in agriculture to counteract low prices in the grapes and wine sector, with EUR 90 million being appropriated to take grapes off the market.

The Financial Act granting concessions for production of bio-diesel, provides that a share of production will be used for the production of biofuels, as dealt with in special planting contracts or supply chain agreements, for inclusion in the experimental "bio-ethanol" programme. The six-year programme beginning on 1 January 2005 called for exemption of bio-diesel from excise taxes within a contingent annual limit of 200 000 tonnes.

Change in national budget expenditures. National expenditures in 2005 have increased by 4% over 2004 levels, and preliminary data indicate a reduction of 9% in 2006 relative to 2005. These changes are likely to affect expenditure for infrastructural services and subsidies for crop insurance most, but will most likely have had repercussions across the board.

Changes in regulations and institutions. Provisions concerning the simplification of the procedures for enrolling in the business register and the economic and administrative archive and the securitization of welfare credits and exclusion for farm welfare credits were recently introduced. The same legislation also introduced certification of regular repayments of European Community subsidies and renewed the terms for revaluation of land and shares. Legislative Decree No. 152 of 3 April 2006 put into effect the delegation of powers for the so-called "Environment Code", which simplifies, rationalises and reorganises environmental regulations into six key sectors: waste and reclamation, water, soil protection, air pollution, environmental assessment, and environmental damage.

Luxembourg

Implementation of the Single Payment Scheme. Payment entitlements are allocated according to a “mixed-regional model”. The reference payment is composed of a regional component (the same for all regions) and an individually determined component that depends on the historical amount of premiums during a reference period (2000-02). This single payment replaces all previous commodity specific payment regimes; that is, Luxembourg applies 100% decoupling as defined by the European Union. The ceiling for total payments has been fixed at EUR 33.4 million in 2005, EUR 36.6 million in 2006, and EUR 37.1 million in 2007.

Implementation of the Rural Development Plan. The Rural Development Plan in Luxembourg aims to: support the competitiveness and income of the agriculture sector; assure the viability of agriculture in less-favoured areas; protect the natural environment; promote sustainable forestry practices; and encourage adaptation and development in rural areas. The budget foresees a total transfer of about EUR 465 million to rural areas (EUR 374 million national funding, EUR 91 million European Guidance and Guarantee Fund, Guarantee Section).

Funding is provided for five major axes. Axis 1, Improving the Structure of the Agriculture Sector, includes investments to farm holdings and young farmers, training, and aids for transformation and commercialisation of agriculture products. It accounts for 43% of national expenditures. Axis 2, Support for Agriculture in less-favoured areas, accounts for 25% of national expenditures. Axis 3, Protection of the Environment and Natural Spaces, accounts for 23% of national expenditures. Axis 4 (Forestry) and Axis 5 (Adaptation and Development of Rural Areas) account for the remaining 9% of the budget.

The Rural Development Plan for the new period of implementation 2007-13 will be based on three areas or axes of development: Axis 1, improving the competitiveness of the agriculture and forestry sector; Axis 2, improving the environment and rural spaces; and Axis 3, improving the quality of life and diversification of activities in rural areas. A fourth Axis, based on the experience of the EU's LEADER programme focuses on local strategies for rural development. The budget foresees a total transfer (for the period 2007-13) of EUR 367 million.

Other changes in national policies. In 2004, the Ministry of Agriculture, Viticulture, and Rural Development introduced a disaster insurance programme for agricultural field crops and wines. The programme covers part of the losses in revenue resulting from natural disasters. This programme was enlarged in 2006 to include horticultural crops. Plans to include the livestock sector are foreseen for 2007. The long-term goal is to eliminate the need for direct intervention by the state in case of disaster through implementation of a single insurance programme for the sector.

Change in national budget expenditures. Total national budget expenditures for agriculture are estimated to be EUR 80.3 million in 2006. This is nearly 3% higher than the EUR 78.0 million spent in 2005.

Netherlands

Sector-wide policy initiatives. In the memorandum “The Choice for Agriculture”, published in September 2005, the government sets out its vision of the Dutch agricultural sector for the future.⁵ It was discussed in parliament and subsequently with stakeholders from primary agriculture and the agro food industry over a period of several months. This

innovative policy memorandum uses medium-term scenario studies (until the year 2015) to identify the main drivers of development within and around the sector and to pinpoint the main challenges for entrepreneurs and policy makers. It defines the division of roles and responsibilities of government and entrepreneurs. The government is mainly seen as facilitating development towards a more market oriented yet sustainable agriculture against the background of changing demands from society and the market. The document points towards opportunities for the sector and expresses confidence in the future. It underscores that declining income support will generate more opportunities for economically viable commercial farming in the future. It also addresses the role of farmers in maintaining the quality of the countryside. It states that farmers in areas with a natural handicap can expect compensation for their efforts to protect the natural environment and to conserve nature.

Deregulation and the reduction of policy related transaction costs has been another key policy priority in the most recent period. A target of a 25% overall reduction of the administrative burden was set. The Ministry of Agriculture, Nature and Food Quality has already achieved this target in 2006. According to the latest calculations, the regulatory burden can be reduced by a further 12 percentage points in 2007, bringing the total reduction to 37%.

Implementation of the Single Payment Scheme. The Single Payment Scheme was introduced in the Netherlands in 2006. Payments are based on historical entitlements, i.e. based on payments received in the past, with 2000-02 as the reference period. The Netherlands opted for keeping specific support for flax seed, for slaughtering premiums for veal calves (EUR 50 per animal) and for full grown cattle (EUR 80 per animal). Dairy payments are integrated into the single payment on the basis of the milk quota holding on 31 March 2007. The historical model has led to wide variation in payments per hectare. While the average payment amounts to about EUR 400 per hectare, producers of open-field horticulture receive only EUR 76/h and producers of veal calves EUR 3500/ha. The total amount for the single payment is set at EUR 325 million, and while the average farm receives EUR 10 000, payments can reach up to EUR 20 000 for some crop and dairy farms, representing a substantial 40-50% of their net farm income.⁶

If a farmer does not meet the cross-compliance criteria, payments are reduced and infringement may lead to prosecution. Single payment entitlements are tradable in the Netherlands, but only within the farm sector. Since the single payment is linked to the farm and not to land ownership, buying and selling of entitlements is possible without farmland ownership attached to them. However, in order to receive the actual payment, the farmer has to prove that he has the required area in agricultural use, although the land may be leased, rented or owned. Entitlements can also be rented, but only in combination with farmland.

Implementation of Rural Development Plan: The Agenda for a Living Countryside. Dutch policy on securing a viable, sustainable and living countryside is laid down in the Agenda for a Living Countryside.⁷ To secure its rural development objectives, the government provides funding for nature, agriculture, recreation, landscape, soil, water, reconstruction of sandy soil areas and socio-economic vitality. The new Multi-Year Programme 2007-13 for the Agenda, presented in December 2006 under the leadership of the Ministry of Agriculture, Nature and Food Quality and involving three other ministries, brings together these national objectives and the associated government funding.

The main reason for embarking on this Second Multi-Year Programme is that the various administrative layers involved in rural areas – national government, provincial and local authorities, and water boards – are joining forces in 2007 under a new administrative model with a new funding system, the Investment Budget for Rural Areas (ILG, *Investeringsfonds Landelijk Gebied*). This model assigns control to the provincial authorities for the achievement of national policy objectives for the countryside at regional level. The Second Multi-Year Programme incorporates the realisation of national objectives for rural areas through “physical consolidation” (acquisition, consolidation and management), management and use of natural resources and “socio-economic vitality” (space for development, public participation, social infrastructure). The emphasis is on achieving national objectives through regional and local approaches. Urban areas (housing), the main road network, the railways and national waterways (safety) fall outside the scope of the Second Multi-Year Programme.

This large decentralisation operation concluded in December 2006 with the signing of management agreements for the ILG between the national government and each of the 12 provinces. In these agreements, covering a period of seven years, measurable performance targets are set for each national objective and the government will make available financial resources to help achieve the targets. The Investment Budget contains EUR 3.7 billion from national sources; together with investments from provincial and local authorities, water boards and private parties, a total of EUR 7.5 billion is available in the next seven years for the integrated development of rural areas.

Other changes in national policies. In January 2006, a new policy on manure was introduced in the Netherlands after the European Court of Justice ruled that the old minerals accounting system (MINAS) was not in conformity with the obligations of the EU nitrate directive. Under MINAS farmers were required to keep an account of minerals imported, applied and exported from their farms. The new system introduces direct technical norms for the application of nitrogen from animal manure, for total nitrogen application per ha (and specific to each crop), and for total phosphate application per ha. For some categories animal manure production rights will be maintained. Emissions in excess of maximum levels are subject to penalty payments of up to EUR 7/kg of nitrate and EUR 11/kg of phosphate, and may result in prosecution. While this system of technical norms aims at reducing emissions to maximum allowable levels it is also expected to reduce the administrative burden by some 40%. In addition, a derogation from the EU-wide maximum level of nitrate emissions of 170 kg per ha was obtained from the European Commission in 2006 for nitrate application from grazing animals. A maximum of 250 kg of nitrate per ha is allowed for grass land for manure only from grazing animals. The derogation will be in force for a period up to 2010.

Change in national budgetary expenditures. The total national budget for the Ministry of Agriculture, Nature and Food Quality was EUR 2.1 billion in 2006. This represents an increase of 8% compared to 2005.

Poland

Implementation of the Single Payment. The Single Area Payment Scheme (SAPS) was implemented in 2004. According to the schedule for the phasing in of the Single Payment Scheme, payments were set at 30% of the payments in the EU15 in 2005 and increased to 35% in 2006.

Complementary National Direct Payments (CNDP) are paid using a mechanism similar to that used for the SAPS (except for starch potato and tobacco). Payments for sector I (bovine and ovine animals, milk, arable crops, legumes, seeds and nuts), sector II (hops) and sector V (energy crops) are made in proportion to land area. Payments in sectors III (starch potato) and IV (tobacco) are related to the production quotas allocated to Poland. Overall, the CNDP increased the value of total direct payments to 65% of the EU15 level.

Implementation of the Rural Development Plan and the Single Programming Document.

The EU Special Accession Programme for Agriculture and Rural Development (SAPARD) was due to expire in 2004. However, SAPARD remained in place in 2005 and 2006 to finance projects approved before that date. By the end of January 2006, SAPARD funds had been fully used and remaining payments were covered from the Rural Development Plan (RDP) funds (Projects under Regulation 1268/1999).

The RDP, set for the years 2004-06, comprises eight categories covering a broad range of policies ranging from funding of early retirement to support for agri-environment and improvement of animal welfare. In addition, funds are also provided for partial financing of two measures implemented under other aid schemes (complementary area payments and Projects under Regulation 1268/1999). Funds allocated in the period 2004-06 amount to EUR 6 458.8 million, of which EUR 2 866.4 million are from EU and EUR 3 592.4 million from Poland's national budget.

The Polish Single Programming Document, the Sectoral Operational Programme (SOP), designed to assist adjustments in the agricultural and food sector, sustainable development of rural areas, and to provide technical assistance, was implemented during the period 2004-06, but payments may continue to be disbursed until the end of 2008. The funds are provided by the EU, the Polish budget and private sector participants.

Other changes in national policies. Several national support programmes have been maintained following EU accession. The most important programmes in place until the end of 2006 include interest rate subsidies provided for: investment and disaster loans granted up until accession; new loans granted under preferential credit lines declared as existing aid for investments in agriculture, the agri-food sector, the purchase of agricultural land, new production technologies and investments under professional programmes. The resources from national budget allocated for support of crops and livestock improvement were relatively unchanged from PLN 123.7 million in 2005 (EUR 31.7 million) to PLN 122.5 million in 2006 (EUR 31.4 million). 2006 was the second year of implementation of the 3-year National Apiculture Programme, to which the EC has allocated PLN 56.25 million (EUR 14.4 million). Fifty per cent of the programme's expenditures are financed from the national budget. In 2006, for the first time, the Agricultural Market Agency provided refunds for the processing of straw from flax and hemp into fibre. Refunds totalled PLN 0.16 million (EUR 0.04 million). In addition, Poland allocated PLN 650 million (EUR 166.6 million) in 2006 for fuel tax concessions.

Change in national budgetary expenditures. Total national expenditures on agriculture (including the co-financing of the EU programmes) increased (in PLN) in 2005 by 2.8% reaching PLN 4.1 billion (EUR 1 025 million) and then increased by another 5.7% to PLN 4.4 billion (EUR 1 019 million) in 2006. The observed increase in the national budgetary expenditures (in PLN terms) is mainly due to financing of the CNDP. The observed changes measured in EUR are significantly different from those measured in PLN due to the fall in

the exchange rate between the Polish zloty and the euro in the 2004-06 period (15.9% and 9.2% respectively).

Changes in regulations and institutions. Changes in regulations and institutions in 2005 and 2006 were mostly related to entry into the EU in May 2004, the adoption of the CAP and implementation of its mechanisms (market regulation, administration of payments), and regulatory measures.

Portugal

Sector-wide policy initiatives. Most national policy initiatives dealt with the consequences of major forest fires and drought, as well as bluetongue disease. There was an outbreak of bluetongue disease at the end of 2004 and which affected traditional trade circuits during 2005. A plan limiting animal traffic within the national territory was implemented. In addition to forestry specific plans, the National council for afforestation approved, in 2005, strategic orientations to restore burnt-out areas in 2003 and 2004. These orientations will also apply to the area devastated by fires in 2005.

Implementation of the Single Payment Scheme. As planned, the Single Payment Scheme was introduced in 2005 based on the 2000-02 farm level historical entitlements. From January 2006, the single payment included 100% of cotton and olive oil payments and 50% of tobacco payments. From mid-2006, it included the new sugar payment and, from January 2007, the milk payment originally introduced in 2004 and the banana payment. Under Article 69 of EC Regulation 1782/2003, Portugal opted to keep 10% of the single payment national envelope for complementary payments to the olive oil and sugar sectors, and 1% each for the arable crops, rice, beef and sheep sectors.

Regarding cross-compliance, new indicators were defined in order to comply with the legislation with respect to public health, animal health and phytosanitary rules.

Implementation of the Rural Development Plan 2000-06 continued and the rules and strategic options for the next planning period (2007-13) were adopted. Most expenditures under the 2000-06 plan were for investments in farm holdings and development and structural adjustment in rural areas.

Other changes in national policies. In order to alleviate the effects of the 2005 drought on farmers' income, a number of decisions were made. These include:

- to allow the possibility to use set-aside lands for animal feed over the entire country;
- early payment of milk and milk-product aid to allow producers to cope with liquidity problems;
- in the context of the VITIS programme, to extend the time limit for conversion and restructuring of vineyards until the end of May 2006;
- to temporarily exempt farmers from social security contributions in order to help them face the decrease in revenue due to the fall in production, or to help meet the need to purchase means of production essential to the pursuit of agricultural activity;
- to open a credit line to help with hydraulic work for agriculture, namely to ease the watering of livestock in the regions most affected by the drought; and
- to open another credit line in some regions to compensate for feed and pasture shortage.

To compensate livestock farmers for income losses they incurred because of the drought and the bluetongue outbreak, the following measures were approved:

- use of set-aside land to feed animals and the possibility of non compliance with the mandatory requirements to the premium rights without incurring any reduction in aids;
- increase in advance premium payments from 60% to 80% for suckler cows and male bovines in 2004-05;
- granting of advance payments for the supplementary sheep and goat premiums for 2005;
- reinforcement of the project to fight against animal disease included in PIDDAC (Investment and expenditure programme for central administration development) up to EUR 5.5 billion of national contribution; and
- non co-financed aid granted to aviary producers (without repayment) to help compensate the additional cost of feed.

Changes in national budget expenditures. National expenditures on agriculture increased in 2005 because of measures related to exceptional circumstances, such as drought, forest fires and animal disease.

Changes in regulations and institutions. A new licence for bovine farming was established and which for the first time clarified the framework for that activity. In 2005, following the European regulation, GMOs were cultivated in Portugal: 772.3 hectares of maize were planted.

In the context of the EU regulation on the prevention of water pollution by nitrates from agricultural sources, new vulnerable zones (VZ) were designated in 2005 and some existing ones were expanded. Continental Portugal now has eight VZ corresponding to 110 808 hectares. By the end of 2005, 9 of the 24 protected areas, as designated in the national legislation on biodiversity conservation, had a management plan.

Some progress was made in the preparation of the strategic programme for the management of agricultural residues; an advisory group was established. The programme Natura 2000 was analysed to identify implementation solutions, including the definition of sectoral goals, measurement of achievement and monitoring of actions taken in 2004 and perspectives for 2010. The new estimates suggest a declining trend in greenhouse gas emissions produced from 3% to 7% from the baseline in the agriculture sector.

Slovak Republic

Implementation of the Single Payment. From 2004 the Slovak Republic (SR) opted for a Single Area Payment Scheme (SAPS) with a flat rate per hectare of all agricultural land. According to the scheme for phasing them in, the Single Payments were set at 30% of the payments to the EU15 in 2005 and increased to 35% in 2006. In 2005 and 2006, Complementary National Direct Payments (“top-ups”) were paid as area payment for selected arable crops (grains, oilseeds, protein crops), hops, tobacco, and headage payments to suckler cows, sheep and goats. The ceiling of “top-up” payments from the national budget has been fixed at 30%. However, both in 2005 and 2006, these payments remained below that ceiling. In 2005, the “top-up” payments were made at the level of 24% and 19% in 2006, i.e. in both years the total payments (SAPS+“top-up”) were at 54% of EU15 level.

Implementation of the Rural Development Plan and the Single Programming Document. Under the programmes implemented within the Rural Development Plan (RDP), payments

to less-favoured areas (LFAs) and payments for agri-environmental measures represented the core of the RDP payments (90% of RDP payments in 2005 and 70% in 2006). Although in nominal terms, both payments increased in 2006, the decline of their share in the total RDP expenditure was due to the development of other programmes not financed in 2005 (investments in agriculture, food processing and marketing). Most of the agri-environmental payments were for payments provided under the basic scheme which is an area payment provided per hectare of arable land, permanent grassland, orchards and vineyards (a fixed rate is defined for each of these categories) cultivated under specific environmentally friendly conditions. The payments to LFAs are paid per hectare of agricultural land in less-favoured areas (mainly mountainous and hilly areas). The payments within the RDP plan were financed from EU funds at a rate of 80%.

After accession, the Special Accession Programme for Agriculture and Rural Development (SAPARD) was replaced by a Sectoral Operational Programme Agriculture and Rural Development (SOP) set for 2004-06 (in Objective 1 regions). Both SAPARD and SOP projects focus mainly on investments in agriculture, but also provide payments for the development of food processing activities and infrastructure projects in rural areas. Overall, the total amount of payments financing rural development (RDP, SOP and SAPARD) almost doubled in 2006 compared with 2005.

Other changes in national policies. Most of the national programmes providing payments to agriculture were terminated at the end of April 2004. Some of the national payments continued to be provided from May 2004 within the “state aid” basket. They focused on conservation of livestock and crop genetic resources, credit subsidies, water subsidies and support to irrigation infrastructure, fuel tax rebates and disaster payments. Slovakia also maintained its interest rate support of commodity loans secured by warehouse receipts up to the end of 2006.

Change in national budget expenditures. The total amount of national payments (including those co-financing the EU programmes) in 2005 declined by 6% compared to 2004, but in 2006 the national payments increased by 46% to reach SKK 5.6 billion (EUR 149 million). These developments were mainly due to the time lag between the start and completion of individual projects and related financing of projects under the RDP and SPD programmes (most of the programmes except payments to LFAs).

Changes in regulations and institutions. Other than the consolidation of the institutions administering the CAP, there were no major changes in regulations and institutions in 2005 and 2006. The Slovak government (Ministry of Agriculture and Ministry of Health) issued 11 decrees during 2006 in order to update and complete the *Codex Alimentarius* which provides food quality and food safety regulation for different group of commodities and products. Concerning institutional changes, three research institutes financed by the Ministry of Agriculture (crop production, livestock production, and wine production) were merged into a single institution, the Slovak Centre for Agricultural Research in Nitra (*Slovenské centrum poľnohospodárskeho výskumu Nitra*), as of 1 January 2006.

Spain

Implementation of Single Payment Scheme. The Single Payment Scheme was implemented in 2006. Spain applied the scheme at the national level with payments based on historical entitlements and with a common regulatory framework for all regions. Autonomous communities manage the single payments, but coordination is carried out by

the central government. A national database has been created by the Ministry of Agriculture in order to calculate reference amounts and payment entitlements. A National Reserve has been created by a linear 3% reduction of the reference amounts.

Payments will remain specific to commodity production for the following commodities: seeds (100% of the payment); arable crops (25%); sheep and goat premiums (50%); suckler cow premium (100%); slaughter premium for calves (100%); slaughter premium for adult bovines (40%). Payments in the outermost regions will also remain 100% specific to commodity production.

Implementation of the Rural Development Plan. The implementation of the Spanish Rural Development Plan 2000-06 is completed. In 2006, a Rural Development National Strategic Plan was drawn up, establishing the basic framework for the 2007-13 programmes. Agriculture is the main focus of the Spanish strategy on rural development. Measures are to be applied through seventeen regional programmes, each including at least the following horizontal measures: water management; aid for adding value to agricultural and forestry products; support for meeting standards and; prevention actions against forest fire and desertification. Proceedings have been initiated so as to develop a basic Law on Sustainable Rural Development, which will address basic economic, social and environmental problems in rural areas.

Other changes in national policies. The Combined Agricultural Insurance System is the largest agricultural programme in terms of national expenditure in Spain, with a budget of EUR 240 million in 2006, a 7% increase on 2005. The State Agricultural Insurance Agency (ENESA) draws up an annual plan each year; in 2006, it is aimed at consolidating risks and crops already covered by the scheme and to improve others. Some novelties are cattle insurance for foot and mouth disease, and poultry insurance. Various lines have been improved so as to include organic production. The cost of insurance premiums is subsidised taking different factors into account facts such as being a young farmer or contracting through producer organizations.

Irrigation water in Spain has become scarce due to unfavourable climatic conditions in recent years. The use of this resource depends on two legal texts which affect irrigation policy: the Water Framework Directive and the New Adapted Text of the Water Law. This situation has led to an in-depth review of the National Irrigation Plan (PNR) known as the Action Plan for the Modernisation of Irrigation, which is being applied in 2006 and 2007. The objective of the review is to find ways of making important efficiency gains in the consumption of water.

The Action Plan consists of an ambitious set of projects aimed at improving infrastructures implemented through a 2006 decree established between the Ministries of the Environment and of Agriculture, Fishing and Food. Farmers who are to benefit from the Plan are committed to adopting measures to reduce pollution through a rigorous programme of environmental surveillance. The Ministry of Agriculture, Fishing and Food will invest EUR 712 million in Action Plan projects in three ways: funds allocated by the Ministry as direct investment by the General Directorate for Rural Development; financing and execution of projects by the government Agrarian Infrastructures Corporation (SEIASAS); and, projects commissioned by the government.

In 2005 and 2006, temporary support was granted to compensate producers for the effects of drought. Some tax concessions were applied, particularly value added tax rebates and reductions in personal income tax, as well as in social security contributions. The

Institute for Official Credit (ICO) provided farmers with subsidised loans in order to lessen the impact of the adverse climatic conditions. In 2005 and 2006, temporary support was provided to compensate producers for the increase in costs, particularly those due to higher oil prices. The main measure is a direct payment of EUR 0.06 per litre of petrol consumed. Only professional farmers were eligible for this aid.

Change in national budgetary expenditures. The total agricultural budget of the government for 2006, (excluding transfers from the EU), is estimated to have increased by 3%, with a budget of EUR 1 267 million.

A new Action Plan on Organic Farming for 2007-10 was announced. Three measures are foreseen: promoting development of organic farms; increasing domestic consumption of organic products and; improving institutional coordination. A survey commissioned by the Ministry of Agriculture, Fishing and Food revealed that domestic consumption in Spain could be enhanced by providing consumers with more information on organic products. A two-year promotional campaign commenced in 2006.

Changes in regulations and institutions. A new decree in late 2006 set a new structure for the Spanish Agricultural Guarantee Fund (FEGA), which is the coordination body that ensures consistency in the management of European funds by the various paying agencies. The structure of FEGA has been changed so as to conform to the new procedures for implementing direct payments, including the Single Payment Scheme. FEGA is also the body responsible for coordinating both the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development from 2007.

Sweden

Sector-wide policy initiatives. A biofuels committee has been appointed to evaluate Sweden's capacity to produce biofuels from field crops and forestry. The committee is also mandated to examine the ethical aspects of producing biofuels because it is considered that there are trade-offs between using crops for food and for fuel, particularly in a context where large parts of the world's population cannot afford to buy sufficient food. Recommendations are due in April 2007.

Implementation of the Single Payment Scheme. The Single Payment Scheme, introduced in 2005, is based on a combination of both the regional and farm level models. Payments totalling about SEK 6.6 billion (EUR 711 million) consist of two components: a basic amount paid per hectare throughout the region; and an additional amount based on the average of certain payments made to individual farmers during the period 2000-02. As a transitional measure (to be reviewed in 2009), 75% of the male beef premium remains commodity-specific to minimize the risk that slaughter animal production is significantly reduced.

Implementation of the Rural Development Plan. The Rural Development Plan for Sweden (2000-06) sought to promote environmentally sustainable development by supporting farmers through agri-environmental payments and generating new opportunities for economic diversification through forestry and tourism. The total cost of the programme was EUR 2.55 billion, of which EUR 1.13 billion was provided by the European Guidance and Guarantee Fund, Guarantee Section.

Priority 1: Ecologically sustainable rural development consisted of different measures that have been defined to channel environmental payments to farmers for the services they provide for the public good. The management of pastures, meadows, and leys are considered to be important in supporting a rich biodiversity and reducing the leaching of

chemicals. Other measures included retaining traditional agricultural practices (including breeds of livestock), less-favoured area payments, and training in environmental farming techniques and investments in farms. These agri-environmental measures accounted for 85% of total expenditures.

Priority 2: Economically and socially sustainable rural development emphasizes well-targeted, cost-effective projects to increase the competitiveness of farm and rural businesses. Measures included investment in farms, setting-up aid for young farmers, business training and investments to improve processing and marketing. Rural communities were supported by measures to promote tourism, the development of villages, and conservation of rural cultural heritage.

Two regions, Norra Norrland (EUR 50.6 million) and Sodra Skoglanen (EUR 61.1 million), were covered by EAGGF/Guidance measures (Objective 1). These included: Investment in agricultural, plant and reindeer companies; setting-up aid for young farmers and reindeer businesses; marketing and processing of agricultural goods; training, rural development and development of reindeer husbandry and Sami villages; and environmental measures in connection with forestry. The strategy differentiated between the coast and inland areas.

The Rural Development Programme for the new period of implementation 2007-13 came into force in 2007. The largest share, about 75%, will be allocated to various environmental measures, including support to less-favoured areas (axis 2). The remaining 25% will go to measures aimed at furthering competitiveness, diversification, and quality of life in rural areas (axes 1 and 3). The programme will transfer about SEK 5 billion (EUR 676 million) a year to rural areas in Sweden, an increase of around SEK 1 billion (EUR 135 million) compared to the previous programme including Objective 1 and Leader+.

While the new programme increases resources to all axes, more emphasis will be placed on development and competitiveness. This is reflected in increased funding for training and education as well as measures to diversify the rural economy.

An important element of the new programme is the increased role of local and regional authorities in planning, decision making, implementation and follow-up of the various measures. The aim is a more efficient use of the funds.

Other changes in national policies. The green tax shift strategy, gradually implemented since 2001, raised taxes having an impact on the environment while at the same time reducing taxes on labour. Accordingly higher taxes on petrol and diesel have been implemented since January 2004. However, since 2005 farmers can get a refund for 77% of the carbon dioxide tax on diesel used in farm and forestry machinery, to bring rates paid by Swedish farmers in line with those paid by competitors. Carbon dioxide neutral fuels continue to be given competitive fiscal conditions. Biofuels are exempt from carbon dioxide and energy taxes from 2004 to 2008.

Change in national budget expenditures. National budget expenditures for agriculture totalled SEK 3.9 billion (EUR 388 million) in 2006. This was 7% higher than the SEK 3.6 billion (EUR 418 million) spent in 2005.

Changes in regulations and institutions. The Swedish Animal Welfare Agency will merge with the Board of Agriculture in 2007. The Agency, founded in 2004, is responsible for ensuring the welfare of domestic animals, animals used in research, wild animals in captivity and pet animals.

United Kingdom

Sector-wide policy initiatives. The government's priorities for delivering a sustainable farming and food sector were outlined in the Department for Environment, Food and Rural Affairs (Defra) July 2006 report *Sustainable Farming and Food Strategy: Forward Look for England*⁸ which builds on the 2002 *Sustainable Farming and Food Strategy* (see *Agricultural Policies in OECD Countries: Monitoring and Evaluation, 2003*). The report sets out five priority themes:

- **Succeeding in the market:** reconnecting farmers with their markets and strengthening the links between the numerous elements of the food chain. For farm businesses and the food chain collectively to move away from dependence on subsidy and towards a more professional business-focussed approach.
- **Improving the environmental performance of farming:** building on progress in integrating environmental concerns into agriculture by addressing key issues related to environmental protection, resource management and pollution control.
- **Sustainable consumption and production:** encouraging production and consumption patterns of food with lower environmental impacts.
- **Climate change and agriculture:** contributing to national climate change initiatives by exploiting opportunities to reduce emissions from agriculture and seeking opportunities to expand the production of bioenergy and other non-food crops which can help to reduce overall UK carbon emissions.
- **Animal health and welfare:** delivering high standards of animal health and welfare as a contribution to the economic, social and environmental sustainability of farming.

The administrations in Northern Ireland, Scotland and Wales have also recently published their forward looking strategies as follows:

- **Northern Ireland:** Within the context of their five year Strategic Plan (2006/11)⁹ the Department of Agriculture and Rural Development (DARD) Northern Ireland published the *Northern Ireland Animal Health and Welfare Strategy*¹⁰ during 2006. The Strategy provides a comprehensive, strategic approach to animal health and welfare in Northern Ireland and sets out a vision of a Northern Ireland where standards of animal health and welfare are amongst the highest in the world, and where all stakeholders fully understand and accept their roles and responsibilities. The Strategy reflects Northern Ireland's geographical position within the Island of Ireland and the corresponding work on seeking an agreed strategic approach to animal health and welfare across the island and also addresses DARD's commitment to produce a strategy that is consistent, in terms of its principles and outcomes, with the GB Animal Health and Welfare Strategy published in 2004. In 2006, DARD published its Rural Strategy¹¹ to provide a broad strategic framework for rural policy in Northern Ireland over the next seven years. Additionally, in 2007 it published a Renewable Energy Action Plan¹² aimed at enabling farmers, landowners and the wider rural community to capitalize on the opportunities presented by renewable energy.
- **Scotland:** The Scottish Executive published its *A Forward Strategy for Scottish Agriculture: Next Steps*¹³ in March 2006, which builds on the achievements of the *Forward Strategy for Scottish Agriculture* published in 2001 in areas such as animal health and welfare, diversification and the environment, and seeks to maintain momentum and to take account of the changing world. The Scottish Parliament debated the *Crofting Reform Bill*¹⁴

during 2006, which introduces powers to create new crofts, bring neglected croft land back into production and extend crofting tenure beyond the crofting counties. The Bill builds on the *Land Reform Act* introduced in 2003 and passed in January 2007.¹⁵

- **Wales:** The Welsh assembly government published in March 2006 the *Environment Strategy for Wales*.¹⁶ The Strategy recognises the importance of the environment and explains how the assembly government will tackle the challenges facing it over the next 20 years. It sets out the assembly government's long-term vision for the environment in Wales, which is "By 2026, we want to see our distinctive Welsh environment thriving and contributing to the economic and social well-being and health of all of the people of Wales."

As well as Defra's Forward Look report for England, the Department has also launched a number of joint reports with other government departments, including:

- **A Vision for the Common Agricultural Policy**,¹⁷ with the HM Treasury in December 2005, contributes to the debate on how to achieve a sustainable future for the EU's CAP by considering the economic, social and environmental costs of the CAP, the impact of the CAP on developing countries, and examines further scope for reform of the CAP.
- **The government's response to the Biomass Task Force**,¹⁸ with the Department of Trade and Industry in April 2006, sets out some key measures to unlock the potential for renewable energy in biomass, including: a five-year capital grant scheme for biomass boilers and Combined Heat and Power (CHP) systems; the establishment of a new Biomass Energy Centre to provide advice and guidance on all aspect of biomass energy; a second round of the Bioenergy Infrastructure Scheme; and a commitment to consider the suitability for using biomass heat and/or power in government buildings.
- **Creating Value for Renewable Materials**,¹⁹ with the Department of Trade and Industry in November 2006, reviews progress since the 2004 report *Strategy for Non-Food Crops and Uses* (see *Agricultural Policies in OECD Countries: Monitoring and Evaluation, 2005*) and identifies the priorities for the next three years, especially greater focus on bioenergy, plant based pharmaceuticals, and renewable construction materials and chemicals.

Implementation of the Single Payment Scheme. Following difficulties in implementing payments to which farmers in England were entitled under the single payment for 2005, the government in April 2006 authorised partial payments to those who had not already received a payment. By December 2006 nearly all claimants had received full or partial payments of an estimated total value of GBP 1 528 million (EUR 2 247 million). Payments made by the devolved administrations to farmers in Scotland, Wales and Northern Ireland were unaffected and paid according to schedule. The government announced in June 2006 that additional support arising from reform of the CAP sugar regime agreed in November 2005, would be incorporated into the single payment by adding to entitlements held by sugar beet producers meeting certain criteria.

Implementation of the Rural Development Plan. Each of the four devolved administrations of the United Kingdom carried out consultations on their respective Rural Development Programmes for the period 2007-13, the previous programme having ended in 2006. The first payments to farmers in England through the *Environmental Stewardship Scheme*, which was launched in March 2005 and replaced the *Environmentally Sensitive Areas*, *Countryside Stewardship* and *Organic Farming Schemes* – were made in spring 2006. The Scheme is made up of three elements; *Entry Level Stewardship (ELS)*, *Organic Entry Level Stewardship (OELS)* and *Higher Level Stewardship (HLS)*. By July 2006 over 30% of eligible

agricultural land in England was under some form of funded environmental management scheme. In Wales, the first payments to farmers through *Tir Cynnal*, a new entry-level agri-environment scheme, were made in April 2006, following approval by the EU Commission during 2005. A modification to the Northern Ireland Rural Development Programme in 2005 introduced new options and higher payment rates for some existing options available to participants in the Environmentally Sensitive Areas Scheme and the Countryside Management Scheme.

The *Land Management Contract Menu Scheme* was introduced in Scotland in 2005. The scheme is aimed at encouraging farmers to carry out activities which are beneficial for the environment, for their business and for the wider public. It is funded by the proceeds of modulation and UK matching funding. In Northern Ireland, the *Organic Farming (Conversion of Animal Housing) Scheme*, which opened in December 2003 with a budget of GBP 2 million (EUR 2.9 million), was closed to new applicants from September 2005. The scheme facilitated the development of organic livestock production and was funded through the Northern Ireland Assembly's Executive Programme Fund. The *Farm Nutrient Management Scheme* opened for applications in January 2005. The scheme, which has funding of GBP 45 million (EUR 66 million), aims to assist farmers to comply with the manure storage requirement of the EU Nitrates Directives and the Northern Ireland requirements of the *Control of Pollution (Silage, Slurry and Agricultural Fuel Oil) Regulations*. A weather aid package, which provided partial compensation of GBP 4.6 million (EUR 6.8 million) for losses to production and increased costs during bad weather in 2002, was paid to farmers in November 2005.

The government's headline indicator of wild bird populations shows that overall populations were 10% higher in 2004 compared to 1970, but for farmland birds they are under 60% of their 1970 level. However, since the mid-1990s the farmland bird indicator has remained fairly stable, although there are regional differences with northern parts of England showing a recovery in farmland birds since 1994.²⁰ For other flora and fauna (e.g. mammals, butterflies), incomplete evidence for terrestrial and aquatic species suggests that intensive farming practices continue as a major threat to species diversity and abundance.²¹

Other changes in national policies. The *National Fallen Stock Scheme* (NFSS), introduced in November 2004, was jointly set up by the government and the farming industry to help farmers meet their legal responsibilities for disposing of dead animals. Previously, many farmers disposed of fallen stock in a burial pit. This practice is now illegal and the Scheme provides a means of disposing of fallen stock in compliance with the law. By the end of November 2006 over GBP 11 million (EUR 16 million) of support was provided under the NFSS, and after an independent review of the scheme the government agreed funding for the Scheme should continue to November 2008.

Change in national budget expenditures. Agricultural budgetary expenditure for 2005 and 2006, excluding EU payments, was GBP 712 million (EUR 1 047 million) and GBP 675 million (EUR 993 million) respectively, a 10% decrease from 2004 to 2005 and 5% decrease from 2005 to 2006 (in GBP terms). Under the *Freedom of Information Act*, data was released in 2006 by the government on recipients of CAP budgetary support in England during 2004/05. The data reveals that GBP 1.4 billion (EUR 2.1 billion) was paid to nearly 90 800 farm businesses, cooperatives and private landowners, with six recipients each receiving over GBP 1 million (EUR 1.5 million). CAP payments to non-farm businesses were

more significant, with sugar and dairy processors dominant. Seven companies received in excess of GBP 10 million (EUR 15 million) in 2004/05, with Tate and Lyle, the sugar refiner, the largest recipient of CAP payments totaling almost GBP 125 million (EUR 184 million).

Total income from farming in the UK is estimated to have risen in 2006 by over 10% in current prices, or by nearly 7% in real terms, to GBP 2.72 billion (EUR 4 billion). Total income from farming per full time person equivalent is estimated to have risen by almost 13% in current prices, or by more than 9% in real terms, to GBP 13 840 (EUR 20 353). Increases in the value of output, due in particular to higher prices for cereals, potatoes and cattle, have more than offset higher input costs.²²

Changes in regulations and institutions. Farm regulation and charging strategy: Defra published (2005) a strategy, *Partners for Success – A Farm Regulation and Charging Strategy*,²³ for England. This strategy seeks a new relationship in which government and the farming industry will work together to deliver a better environment, improved animal health and welfare, safer food and working conditions and a sustainable industry over a 10-year period.

Sharing responsibility and costs of animal disease: As announced in *The Partners for Success – A Farm Regulation and Charging Strategy* the Department established the Joint Industry/Government Working Group on Sharing Responsibility and Costs of Animal Disease²⁴ to work in partnership to make recommendations that would help inform debate on how responsibilities and costs of animal disease outbreaks should be shared between government and the industry in England. The Group published its report on 12 July 2006. Government and farming industry representatives achieved a consensus around the principles of sharing costs and responsibilities in the event of an exotic disease outbreak, recommending that where costs are shared, responsibilities should also be shared.

The *Over Thirty Month Scheme*, an exceptional market support measure, which was introduced in May 1996 to remove older cattle at risk of incubating **BSE** from the food chain, was replaced in January 2006 by a rigorous BSE testing scheme for cattle over thirty months old slaughtered for human consumption and the *Older Cattle Disposal Scheme*, an exceptional market support measure providing for disposal of and compensation for cattle born before 1 August 1996, and will end on 31 December 2008. The ten-year ban on UK beef and cattle exports was lifted in May 2006, following progress in reducing cases of BSE in cattle to less than 200 cases per million cattle in 2006.

The bulk of the *Animal Welfare Act 2006*²⁵ came into effect in April 2007. The Act extends (while also consolidating and simplifying) animal welfare legislation, applying to both farmed and non-farmed animals. In November 2006, the government consulted on a draft animal welfare delivery strategy to pursue improvements to welfare through partnership-based, non-legislative mechanisms; the consultation closed at the end of March 2007 and it is anticipated that the final strategy will be published late summer 2007. The government (with the Scottish executive and the Welsh assembly government) established the poultry register in December 2005 to collect essential information about certain bird species to help reduce the impact of a disease outbreak, with more than 250 million birds now included under the register. The UK's first outbreak of the H5N1 strain of avian influenza occurred in January/February 2007.

Notes

1. The description of policy developments at the European Union level is followed by information on policy development at member states level. Policy developments in European Union countries that are not members of the OECD are presented in Annex 6.A1.
2. ÖPUL 2000,
www.ama.at/Portal.Node/public?rm=PCP&pm=gti_full&p.contentid=10008.30392&Merkblatt_OEPUL_2000.pdf.
3. Antragstellung MFA 2007,
www.ama.at/Portal.Node/public?rm=PCP&pm=gti_full&p.contentid=10008.35027&Merkblatt_Uebertragung_A4.pdf.
4. Grüner Bericht, <http://publikationen.lebensministerium.at/>.
5. Ministry of Agriculture, Nature and Food Quality (2005), Kiezen voor landbouw. Een visie op de toekomst van de Nederlandse agrarische sector, www9.minlnv.nl/pls/portal30/docs/FOLDER/MINLNV/LNV/STAF/STAF_DV/DOSSIERS/MLV_GOIK/DUURZAAM_ONDERNEMEN/MLV_GOIK_DON_KVL/BBR_2005_305BIJLAGE.PDF.
6. De Bont C.J.A.M. et al. (2006), Betekenis van subsidies voor de continuïteit van landbouwbedrijven, Den Haag, LEI, Rapport 6.06.10, www.lei.dlo.nl/publicaties/PDF/2006/6_xxx/6_06_10.pdf.
7. Ministry of Agriculture, Nature and Food Quality (2006), Agenda voor een Vitaal Platteland MJP2 Meerjarenprogramma Vitaal Platteland 2007-2013, "SAMEN WERKEN", www9.minlnv.nl/pls/portal30/docs/FOLDER/MINLNV/LNV/STAF/STAF_DV/KAMERCORRESPONDENTIE/2006/02/20060221_DP_2006_216BIJLAGE_V2.PDF.
8. www.defra.gov.uk/farm/policy/sustain/pdf/sffs-fwd-060718.pdf.
9. www.dardni.gov.uk/index/strategies-report-accounts/dard-strategies.htm.
10. www.dardni.gov.uk/index/strategies-reports-accounts/animal-health-and-welfare-strategy.htm.
11. www.dardni.gov.uk/pubs-dard-rural-strategy-2007-2013.
12. www.dardni.gov.uk/content-newpage-renewable-energy-action-plan.
13. www.scotland.gov.uk/Publications/2006/03/01142456/0.
14. Crofting: System of land management based on small holdings.
15. www.scotland.gov.uk/News/Releases/2007/01/25172652.
16. <http://new.wales.gov.uk/topics/environmentcountryside/epq/Envstratforwales/?lang=en>.
17. www.hm-treasury.gov.uk./documents/international_issues/global_challenges/the_common_agricultural_policy.cfm.
18. www.defra.gov.uk/farm/crops/industrial/energy/biomass-taskforce/index.htm.
19. www.defra.gov.uk/farm/crops/industrial/pdf/nfc-progress-0611.pdf.
20. www.defra.gov.uk/environment/statistics/wildlife/index.htm.
21. www.defra.gov.uk/wildlife-countryside/resprog/findings/atlas.htm; and www.jncc.gov.uk/page-1829.
22. <http://statistics.defra.gov.uk/esg/statnot/account.pdf>.
23. www.defra.gov.uk/farm/policy/regulation/charge/index.htm.
24. www.defra.gov.uk/farm/policy/regulation/csharead/jigwg/index.htm.
25. www.defra.gov.uk/animalh/welfare/act/index.htm.

ANNEX 6.A1

Policy Developments in European Union Countries that are not Members of the OECD*

Estonia

Implementation of the single payment. The Single Area Payment Scheme (SAPS) was continued in 2005 and 2006. All national direct support schemes were changed to CAP-like schemes in 2005 and provided under the Complementary National Direct Payment (CNDP) (“top-up” payments) to producers of arable crops, milk, beef and sheepmeat. Altogether, the CNDP and SAPS support amounted to EUR 66 million in 2006, which is significantly more than the EUR 49 million spent in 2005. Actual payments for dairy cows under CNDP remained below the maximum authorised level of 95% of the EU support level for milk. For other products under CNDP, the maximum level of support was set at 65% of the EU support level, partly (EUR 5 million) financed from the Rural Development Plan 2004-06 (RDP) for arable crops and seeds. In April 2006, EU reserve quotas of milk were opened to new member states. The total milk quota for Estonia increased by 3%.

The implementation of the Single Payment Scheme will start from 2011 according to Article 143b of Council Regulation (EC) No. 1782/2003.

Implementation of the Rural Development Plan and the Single Programming Document. The Rural Development Plan (EAGGF and co-financing) and the National Development Plan 2004-06 (NDP) (structural funds and co-financing) replaced the Special Accession Programme for Agriculture and Rural Development (SAPARD). The last payments under pre-accession SAPARD were made in the third quarter of 2006. Within five years a total of EUR 62 million was paid out and investments worth EUR 147 million were made under SAPARD. The RDP included less-favoured area payments and agri-environmental measures. Around 80% was financed by the EU. In 2005, RDP was extended to support afforestation of agricultural land, support for areas with environmental restrictions and support for establishment, restoration and maintenance of stonewalls. The NDP mainly includes investment support measures to farmers and agro food of which 70% of the costs are covered by the EU.

Other changes in national policies. A new market development measure was introduced in 2005. It is provided to non-profit organisations to cover costs associated with market

* The work on non-OECD EU member countries (Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia) has been made possible by a voluntary contribution from the European Commission approved by Council on 22 May 2005 (C/M[2005]19 and Annex 1).

promotion and research; product developments; and quality improvement that increase marketing possibilities of (processed) agricultural products. Close to EUR 0.6 million was provided for market development support in 2005 and EUR 1 million was planned for the year 2006 of which 80% was spent.

The Rural Development Foundation (RDF) and the Estonian Agricultural Registers and Information Board (ARIB) implement state aid schemes that are introduced under the Rural Development and Agricultural Market Regulation Act. In 2005 and 2006, the RDF continued to grant loans and to provide collateral on loans to farmers and other entrepreneurs in rural areas for different purposes and on different terms.

In 2005, the RDF supported disaster payments for farm structures and compensation for production losses, which were paid through the Agricultural Registers and Information Board (ARIB).

2006 was the first year of implementation of the development plan, "Estonian Food 2006-08", approved by the government at the end of 2005. The development plan is financed from the state budget; total expenditure in 2006 was EUR 1.3 million, EUR 1 million is planned for 2007. Within the plan no direct support to producers will be granted. The aim of the development plan is to help identify traditional Estonian food, increase the competitiveness of local food products and to promote the food production industry of Estonia and the reputation of Estonian cuisine both at home and abroad.

In 2006, ARIB assigned EUR 0.5 million to compensate partially producers for increases in diesel fuel excise tax. Only these producers eligible for SAPS in 2005 could apply.

In 2005, vocational educational support was made conditional upon undertaking to work and live in the country once the studies have been completed. The amount of the support depends on academic achievement. This support cost EUR 0.2 million in 2005 and EUR 0.15 million in 2006.

Change in national budget expenditures. In total the support provided to agriculture and rural development was EUR 149 million in 2006, up from EUR 128 million provided in 2005. About 30% of this support was financed from national funds and the remainder was EU funded. The level of support has increased significantly as compared to the pre-accession period; in 2003, total support provided was EUR 47 million.

Changes in regulations and institutions. The Plant Reproduction and Variety Protection Law was adopted in 2005. The Organic Farming Law that was adopted in 2006 specifies the requirements for organic farming in the areas that are not covered by EU regulations.

In January 2005, the first processing factory for animal waste materials was opened. The factory is state owned and was constructed with support from the EU. Agricultural producers and the food industry must pay for the service, but the government has set prices low enough to promote the legal marketing of animal waste materials.

In 2006, the government decided that, as from July 2007, the Veterinary and Food Board (VFB) would control food safety at all stages of the food chain. At present, this responsibility is shared by three ministries: the Ministry of Agriculture, the Ministry of Social Affairs and the Ministry of Economic Affairs and Communications. Since January 2007, the VFB has taken over the functions of maintaining the authorized alcohol register.

In 2006, the authorized holder of the state security reserve of cereals was privatized.

Latvia

Implementation of the Single Payment. Complementary national direct payments were continued in 2005 and 2006 in the form of area payments for arable crops, fodder, payments per slaughtered or exported animals for adult bovines, per heads for suckler cows and ewes, and potato starch and seed for grassland and flax seeds. The number of applicants increased from 67 900 in 2004 to 80 500 in 2006. In 2006, the declared area for arable crop payments and for Single Area Payment exceeded the maximum reference area.

Implementation of the Rural Development Plan and the Single Programming Document. To date, most payments have been made to less-favoured areas. However, this share declined to 60% in 2006 (from 81% in 2004) as new programmes have been set up. Support for Restructuring of Semi-subsistence Farms and Support for Producer Groups were continued and received 11% of total expenditures and agri-environmental measures received 8%.

New programmes were implemented in 2005. The largest payments were made to meet EU standards in the fields of environmental protection, human, animal and plant protection, and animal welfare on farms (17% of total payments in 2006), while payments to compensate for restrictions related to environmental protection objectives received 2% of the payments and the early retirement programme received less than 1%.

Other changes in national policies with a direct budgetary impact. In 2005 and 2006, disaster payments were paid to cover the renovation of farm structures, the purchase of equipment and for production loss.

The Credit Programme for Purchase of Agricultural Land ceased in 2006, EUR 12.85 million were spent under this programme which granted loans for the purchase of agricultural land to farmers with a repayment term of 20 years and an annual interest rate of 4%. In 2005, a differentiated interest rate was charged under the Agricultural Long-Term Investment Credit Programme with a 4% rate applied to organic farms and cooperative companies of agricultural services, compared to 5% charged to other farmers.

In 2006, a five-year scheme to support intensification of the fruit and vegetable sector was established. Farmers who comply with the standards of this scheme are eligible to receive support.

Change in national budget expenditures. National expenditures on agriculture and rural development increased by close to 50% in 2005 and again by 29% in 2006 to reach EUR 194 million.

Lithuania

Implementation of the Single Payment Scheme. The implementation of the Single Payment Scheme will start in 2011. The Single Area Payment Scheme and Complementary National Direct Payments (CNDP) continued to be applied in 2006 with expenditures of EUR 265 million, of which EUR 33 million were paid from the national budget. CNDPs for arable crops such as grains, rapeseed, starch potatoes, protein crops, fibre flax and other crops were financed by the EAGGF-Guarantee section (EU Rural Development Fund) and the national budget. The livestock sector was supported by CNDPs for suckler cows, bulls, slaughtered adult cattle, ewes, and milk. The acreage of agricultural land qualifying for direct support increased in 2006, reaching 2.64 million hectares as compared to 2.57 in 2005 and 2.55 in 2004. Income support averaged 64% of the direct payments level in EU15, one percentage point below the maximum rate authorized by EU regulations, while this share

was up to 97% for flax fibre (maximum authorized 100%) and 63% for milk (maximum authorized 95%). The area sown with fibre flax has decreased sharply in Lithuania since 2004.

Implementation of the Rural Development Plan and the Single Programming Document.

Each measure under the Rural Development Plan is financed from the EU EAGGF-Guarantee section (80% of total funds allocated for each measure) and co-financed from the national budget (20%). The most important measures were those dealing with less-favoured areas (LFAs), with meeting EU standards, and early retirement. In 2005, LFAs received EUR 77 million, 34% of all RDP funds. Support given to farmers to meet EU standards amounted to EUR 67 million. There were 7 522 applications submitted under the early retirement measure, and these received EUR 48 million in 2006. Agri-environmental commitments were supported under RDP to the amount of EUR 22 million, almost three times what was paid in the previous two programming years.

Investment aid for rural development was distributed through the Lithuanian Single Programming Document (SPD) for 2004-06. Public funding can amount to up to 50% of the total budget of the project, of which 25% comes from the national budget. Up to EUR 192 million was allocated for rural development under SPD over this three-year period. The implementation of the SPD was slow, however, and 2006 was the first year when significant financial support was granted. In 2006, support under SPD amounted to EUR 114 million. Investment in farm holdings, development of rural areas and the establishment of young farmers were the most important measures in terms of spending. EUR 51 million was allocated to support investments in farm holdings. Applications for this measure were 50% higher than the resources available. The year 2006 was important for the promotion of rural areas: investment in water management systems, rural tourism and other alternative entrepreneurial activities in rural areas. The support for this type of measure reached EUR 23 million and accounted for 27% of total public support allocated for the three programme years. During the whole programming period only 41% of available public support was allocated.

Other changes in national policies. Support to bio-diesel production doubled over the period 2005 and 2006. Disaster payments paid to compensate for crop losses amounted to EUR 201 million in 2006.

Change in national budget expenditures. National expenditures on agriculture and rural development increased by 26% in 2005 and by 28% in 2006 to reach EUR 313 million.

Malta

Implementation of the Single Payment. Malta did not apply for the Single Area Payment Scheme (SAPS), but provides per holding payments under the *Ad Hoc* Specific Temporary Support to Full-Time Farmers. Three payment rates were defined – per hectare of irrigated land, non-irrigated land and per livestock unit. These rates are multiplied by the number of hectares and livestock units on the farm as of 1 May 2004, to establish the total annual payment per holding. Per hectare and per livestock unit payment rates are reduced each year by 20% of their level in 2004 in order to phase out this assistance within a five-year period. In 2006, these rates were: EUR 460 per hectare of irrigated land, EUR 120 per hectare of non-irrigated land, and EUR 40 per livestock unit. A total of EUR 7.4 million was budgeted for this assistance over the three years 2004-06, with 80% co-financed by the European Union. An estimated 75% of full-time farmers could be eligible for such

payments, with payments covering 25% of irrigated, 10% of non-irrigated land and 60% of livestock units.

The Single Payment Scheme will be introduced in 2007 and is based on a regional model. It will gradually incorporate less-favoured area payments and other eligible land-based payments.

Special Marketing Policy Programme for Maltese Agriculture. Upon its accession to the European Union on 1 May 2004, Malta adopted the mechanisms of the CAP, including mechanisms of market regulation and the border regime. At the time of joining the European Union, Malta was to phase out import levies applied previously to imports from the European Union and align border protection with the EU common tariff. This implied income losses in some key agricultural sectors, leading Malta to negotiate a special transition aid – Special Marketing Policy Programme for Maltese Agriculture (SMPPMA). The SMPPMA incorporates nine sector-specific aid schemes: for tomatoes, fresh fruits, fresh vegetables, potatoes, wine, pigs, dairy, poultry and egg farming. All sector schemes provide for price subsidies for the products concerned to compensate for the eliminated import levies. The subsidy is based on the differential between the EU and Malta prices in 1998-2000. It is to be progressively reduced each year from 100% of that differential to 18% for livestock products and to 15% for crop products. The implementation period is set at 7 years for the livestock sector and 11 years for the crop sector. In addition to the price subsidy, some SMPPMA sector schemes contain restructuring and marketing assistance, and per hectare aid. Thus, restructuring (investment) assistance is available for wine and all livestock sectors, marketing aid for tomatoes and potatoes, and per hectare assistance for wine grapes and potatoes.

Implementation of the Rural Development and the Single Programming Document. Malta was not included in the SAPARD programme and had limited pre-accession experience of EU-type rural development measures. The totality of Malta's territory is recognised as an Objective 1 region. After accession, the Rural Development Regulation was implemented through the Rural Development Programme (RDP) and the Single Programming Document (SPD) for 2004-06, providing respectively for 80% and 70% EU co-financing. Total EU funding under these two programmes, amounted to EUR 3.1 million in 2004 (34% of planned expenditure), EUR 8.3 million in 2005 (80% of planned expenditure), and EUR 11.6 million was budgeted for 2006.

The 2004-06 RDP contained common EU measures, such as assistance to less-favoured areas, agri-environmental measures, as well as actions foreseen specifically for the new members, such as support of producer groups, compliance with EU standards, technical assistance, and financing of the SMPPMA and the *Ad Hoc* Assistance to Full-Time Farmers (a derogation for Malta). The latter two take up the largest share of Malta's overall spending under its RDP (around 42%). In the first three years after accession, Malta could direct up to 20% of the national rural development allocation under the EAGGF Guarantee Fund for this purpose. Malta's 2004-06 SPD financed investments in agricultural holdings and in processing and marketing. In 2004-05, the actual SPD spending was only 16% of the budgeted amounts.

In 2006, Malta prepared the national Rural Development Strategy for 2007-13 to launch its next Rural Development Plan (RDP). About EUR 76.6 million will be allocated from the European Agricultural Fund for Rural Development (EAFRD) over its implementation period and EUR 25 million as the national contribution. Almost one half of EAFRD funds (41%) are

budgeted for enhancing competitiveness of the agricultural sector (Axis 1), reflecting Malta's most pressing adjustment need. Improving environment and the country side (Axis 2) will also be emphasised, with 25 % of RDP spending directed for this purpose, notably for preservation of rural landscapes, environmental and ecological sustainability and maintaining biodiversity. Another 27 % will be allocated for improving the quality of life in rural areas and diversification (Axis 3), with 3 % reserved for building local capacity (Axis 4), and 4% for technical assistance.

In addition to the RDR measures, a new programme co-financed by the European Union for vineyard restructuring was launched in 2006.

Other changes in national policies. The largest national measure, in terms of budgetary cost, is subsidising the marketing expenses of agricultural cooperatives (with EUR 0.6 million budgeted annually). Services to producers are the next most important item in national spending. These include testing for animal diseases (EUR 0.18 million budgeted per year) and subsidising farmers located in Gozo island for use of ferry transportation (EUR 0.075 million per year). A national programme of credit assistance provides interest rate subsidies to farmers taking loans for construction and reconstruction of farms and structural works. The programme's annual budget is about EUR 0.097 million per year. An implicit budgetary support is also provided through tax preferences; thus, small farmers in Malta are exempt from payment of the Final Settlement Tax (representing a 3% sales tax).

The Republic of Cyprus

Implementation of the Single Area Payment and Complementary National Direct Payments. As of 2004, the Republic of Cyprus (RC) opted for a Simplified Area Payment Scheme (SAPS) with a flat rate per hectare of all agricultural land. In accordance with the phasing-in rules for the Single Payment Scheme, these payments were set at 30% of the payments to the EU15 in 2005 and were increased to 35% in 2006. The RC supplemented the SAPS with Complementary National Direct Payments (CNDPs) and direct state aids to arable crops, durum wheat, broad beans, fodder crops, olives, raisins, bananas, tobacco, dairy cows, and sheep and goats.

Implementation of the Rural Development Plan. Cyprus merged all schemes available under the Temporary Rural Development Instrument (TRDI) for new member states into a single "Cyprus Rural Development Plan 2004-06 (RDP)". The main objective of the RDP is to integrate the Cypriot agri-food sector into the European agri-food sector under current conditions of competition and sustainable development so that Cypriot farmers will be prepared to face the competition they will be confronted with in the near future.

The RDP 2004-06 includes 21 measures to develop and strengthen the agricultural sector. Approximately 50% of the RDP 2004-06 was co-financed by the EU, with the exception of agri-environmental measures for which the EU contribution was 60%.

The first payments were made in 2005. At the end of December 2006, close to 33% of all RDP funds had been spent to support investments in farm holdings, less-favoured area payments received 32% of RDP funds, and agri-environmental payments accounted for 18%. Assistance to young farmers, to the processing industry, and projects designed to meet EU standards accounted each for around 5% of RDP funds.

Change in national budget expenditures. National expenditures on agriculture (excluding those covered by the EU) are estimated to have increased by 17% between 2005 and 2006.

Slovenia

Implementation of the Single Payment. Slovenia did not apply for the Single Area Payment Scheme (SAPS), but chose to implement all CMO direct payments according to the pre-reform Agenda 2000 scheme. These payments, together with the national top-ups, reached 90% of the comparable (pre-reform) level in the EU15 in 2005 and 95% in 2006. Topping-up of direct payments to 100% of the national envelope is foreseen for 2007. In addition to regular CMO measures, temporary support was provided to poultry producers in 2006 to compensate for the loss of revenue due to avian influenza.

The Single Payment Scheme will be introduced in Slovenia in 2007. The payment will consist of two components: a basic flat rate per hectare, uniform across the country (EUR 332 per hectare of arable land and about EUR 133 per hectare of permanent grassland), and a specific supplement based on historical farm entitlements. The latter will absorb 100% of sugar payments, 80% of dairy premiums, and 30% of all premiums for the beef sector. Of the current commodity-specific payments Slovenia will retain 65% of the special beef premium, 50% of the sheep and goats premiums and 25% of the hop premium. A 10% rule will be applied to support extensive systems of quality beef production, namely extensive rearing of cows and heifers for meat.

Compliance conditions for receiving payments are being introduced gradually over the 2005-07 period. In 2005, conditions for maintaining land in good agricultural and environmental condition and animal identification were adopted, and in 2006 conditions for maintaining human, plant and animal health. The remaining regulations are to be put in place in 2007.

Implementation of the Rural Development Plan and the Single Programming Document. After accession, the Rural Development Regulation (RDR) was implemented through the Rural Development Plan (RDP) for 2004-06, (with 80% EU co-financing) and the Single Programming Document (SPD) for 2004-06 (50% EU co-financing). The SAPARD programme ended upon Slovenia's entry to the European Union, but payments were disbursed up to October 2006, of which two-thirds were from EU funds. Total expenditure for rural development under these three RDR programmes, including both EU and national contributions, amounted to EUR 102 million in 2005 and approximately EUR 121 million in 2006.

Agri-environmental measures, less-favoured area payments and measures for meeting standards accounted for the highest shares of EU-financed RDR funds – 32%, 33% and 22% respectively in 2005-06. Structural measures, such as investments in farm holdings, early retirement, processing and marketing, represented 9% of EU RDR funds, while other rural development measures, such as forestry, diversification of activities on farms, rural infrastructure, and technical assistance accounted for another 4%. The national contribution varied from around 50% for investments in farm holdings, processing and marketing, forestry, and development and structural adjustment of rural areas, to around 20% for other RDR measures.

Total EU RDR funding more than doubled in 2005 and increased by 22% in 2006. This was largely due to the post-accession re-evaluation of per ha payment rates for less-

favoured areas and agri-environmental payments. Also, starting from 2005 additional measures, such as early retirement and meeting standards have been implemented. Besides the RDR measures, two specific programmes were launched in 2005. One is the restructuring of vineyards, entirely financed by the European Union (EUR 2.9 million in 2005 and EUR 2.3 million in 2006). This programme replaced a similar national one implemented previously. Another special programme concerns support for beekeepers (EUR 0.4 million in 2005 and EUR 0.5 million in 2006), with 50% co-financing from the European Union. This programme provides support to increase the economic viability of beekeeping (including vocational training, information, extension services, quality analysis of honey, and disease eradication).

The National Strategic Plan for Rural Development and the Rural Development Programme for the period 2007-13 were submitted for public discussion in 2006. These documents change, to some degree, the emphasis in rural development policy. It is now intended to increase funds for economic development of rural areas, including such measures as competitiveness, quality of life, and diversification of activities. The Rural Development Programme envisages total funding of about EUR 1 159 million over the seven-year period, of which EUR 900 million (80%) is the contribution from the European Agricultural Fund for Rural Development (EAFRD). About 33% of the total budget is destined for raising competitiveness of agriculture and forestry (Axis 1), reflecting the growing developmental and restructuring needs and a lack of competitiveness in these sectors. Another 53% is to be allocated for maintenance of cultural landscape and environmental protection (Axis 2) and for support of the multifunctional role of agriculture. Nearly 11% is budgeted for improvement of quality of life in rural areas and economic diversification (Axis 3), and the remaining 3% – for the LEADER activities (Axis 4).

Other changes in national policies. National assistance was provided to farmers for mitigating the effects of unfavourable weather conditions. In 2005, a second payment of state aid amounting to EUR 7.1 million was transferred to producers affected by a hailstorm in 2004. Another EUR 10.2 million of state aid was paid in 2006 to alleviate the consequences of various natural disasters that occurred in 2005 (storms, frost, and hailstorms), covering 28% of damage. To help minimise risks of crop production, a new programme was launched in 2006, offering producers a 30% insurance premium subsidy. EUR 1.7 million were spent for this assistance in 2006.

In addition to the beekeeping programme co-financed by the European Union, a national programme was introduced in 2005, providing support for preservation of autochthonous bees. Total expenditures under this programme amounted to EUR 0.8 million in 2005 and EUR 0.7 million in 2006. Another national measure was a transitional LFA payment of EUR 0.6 million per year in 2005-06. This payment was provided to farmers in areas covered by the LFA support under the national criteria (effective before accession), but not included in the list of eligible areas under the Rural Development Programme 2004-06.

A new Personal Income Tax Act was adopted in 2004, and subsequently amended in 2005/06. According to it, most agricultural payments and state aid received by agricultural producers will be gradually included in their personal income tax base.

Change in national budget expenditures. National agricultural budget expenditures on agriculture were reduced to EUR 136 million in 2005, or by 27% compared to 2004. This reduction reflected the shift in financing of most measures from the national budget to

EAGGF. In 2006, national spending rose to EUR 158 million (by 16%), mainly due to an increase in EAGGF funds, which had to be co-financed from the national budget. Overall budgetary spending on agriculture (national and EU) amounted to EUR 265 million in 2005 (up by 17%) and EUR 314 million in 2006 (up by 18%).

Changes in regulations and institutions. The alignment of national legislation with EU requirements continued in 2005-06, mainly in the areas of agricultural policy measures and food safety and quality (phyto-sanitary and veterinary regulations, origin protection, and other). A decree setting conditions for maintaining land in good agricultural and environmental condition was published in March 2005 and amended in December 2005.

ANNEX 6.A2

Overview of the Implementation of Direct Payments in European Union Member States

Table 6.A.2.1. European Union: Overview of the implementation of direct payments under the CAP in member states

Member state	Start of SPS	Dairy paym. in SP	Regions	Model SP/SAPS	Other implementation details	Payments that remain commodity-specific	Implementation of the tobacco, cotton, olive oil and hops reform and the sugar reform
Austria	2005	2007		SP historical		<ul style="list-style-type: none"> – suckler cow premium 100% – slaughter premium calves 100% – slaughter premium bovine adults 40% 	<ul style="list-style-type: none"> – tobacco 100% in SP – hops payment 25% commodity-specific
Belgium	2005	2006	Flanders + Brussels	SP historical		<ul style="list-style-type: none"> – suckler cow premium 100% – slaughter premium calves 100% – seeds (some species) 100% 	<ul style="list-style-type: none"> – tobacco 100% in SP
Czech Rep.	2005	2006	Wallonia	SP historical		<ul style="list-style-type: none"> – suckler cow premium 100% – seeds (some species) 100% <p>CNDPs per hectare of grains, oilseeds, protein crops, hops and flax; and per livestock unit of ruminants, at a rate close to 30% of EU15 level in 2006.</p>	<ul style="list-style-type: none"> – tobacco 100% in SP – separate sugar payments
Denmark	2005	2005	One region	SP static hybrid	Flat-rate payment made to all farmers, at rate of around EUR 310/ha for arable land and EUR 67/ha for permanent grassland. On top of grassland premium, livestock farmers are paid an additional amount based on historical entitlements. Around 27% of dairy aid entitlement "recycled" into flat-rate payment, the rest paid as historical entitlement. Between 2009 and 2012, beef aid payment entitlements will be progressively incorporated into the "regionalized" fund, thus gradually bringing premium rights for permanent pasture up to the same level as for arable aid payments (EUR 310/ha).	<ul style="list-style-type: none"> – special male bovine premium 75% – sheep and goat premium 50% 	
Estonia				SAPS			CNDPs per hectare of arable crops and per head of dairy cow, beef cattle, and sheep, at a rate of 60% of EU15 level in 2006 for dairy cows and 30% for other products.

Table 6.A2.1. European Union: Overview of the implementation of direct payments under the CAP in member states (cont.)

Member state	Start of SPS in SP	Dairy paym. in SP	Regions	Model SP/SAPS	Other implementation details	Payments that remain commodity-specific	Implementation of the tobacco, cotton, olive oil and hops reform and the sugar reform
Finland	2006	2006	Three regions* (based on reference yield)	SP dynamic hybrid moving to a flat rate model	National envelopes applied. 10% of the ceiling for the bovine sector and 2.1% of the ceiling for the arable sector. * Three regional aid rates established – to encompass about 85% of total aid entitlements. Farm-specific top-ups to flat-rate payment will be available for dairy farmers (70% of the dairy premium entitlement) and beef producers (25% of the beef special premium). Top-ups to be transferred into the main regionalized payments after a transitional period.	<ul style="list-style-type: none"> – sheep and goat premium 50% – special male bovine premium 75% – Article 69 application: <ul style="list-style-type: none"> • 2.1 % of the ceiling for arable crops, • 10% of the ceiling for the bovine sector – seeds (timothy seed) 	
France	2006	2006		SP historical	SPS entitlements may be transferred only within departments; where entitlements are transferred without land attached, 50% of the entitlement will be siphoned off to the national reserve.	<ul style="list-style-type: none"> – arable crops 25% – sheep and goat premium 50% – suckler cow premium 100% – slaughter premium calves 100% – slaughter premium bovine adults 40% – seeds (some species) – outermost regions 100% 	<ul style="list-style-type: none"> – 10% deduction in the olive oil sector for the funding of working programmes established by producer organisations (2) – hops payments 25% commodity-specific – olive oil 100% in SP – tobacco 40% in SP
Germany	2005	2006	Länder ¹	SP dynamic hybrid moving to a flat rate model	All aids cut by 1% to create national reserve. Aids paid based on hybrid model from 2005 onwards. All farmers will receive regionalized "arable land" and/or "permanent grassland" aid payments, plus, where relevant, top-ups based on historical aid entitlements, as follows: a) From 2005 to 2009, aid entitlements arising from the following historical CAP aid schemes paid as a regionalized flat-rate aid for each region: – For arable land: Arable aids, seed aids, 75% of SP element of potato starch premium, and SP element of hops premium. – For permanent grassland: Slaughter premium for adult cattle, national additional payments for cattle, 50% of extensification payments for cattle.		<ul style="list-style-type: none"> – hops payment 25% commodity-specific – tobacco 40% in SP

Table 6.A2.1. European Union: Overview of the implementation of direct payments under the CAP in member states (cont.)

Member state	Start of SPS	Dairy paym. in SP	Regions	Model SP/SAPS	Other implementation details	Payments that remain commodity-specific	Implementation of the tobacco, cotton, olive oil and hops reform and the sugar reform
Germany (cont.)					<p>b) From 2005 to 2009, aid entitlements arising from the following historical CAP aid schemes paid as "top-ups" on a per-farm basis:</p> <ul style="list-style-type: none"> – Dairy premium, suckler cow premium, special beef premium, calf slaughter premium, ewe premium, 50% of beef extensification premium, dried fodder aid and 25% of SP element of potato starch premium, as well as the SP element of the tobacco premium and the sugar payment. <p>Each Bundesland may vary the allocation of the aid rate between the permanent grassland and arable land payments by up to 15%. There is also an element of harmonisation of the rates of regional aid set by each Bundesland.</p> <p>Between 2010 and 2013, there will be a gradual transition to a fully regionalized aid system. The gap between each farmer's aid entitlement based on the hybrid model, and his new entitlement based on the new fully regionalized system, will be closed as follows:</p> <p>2010: 10% of the difference. 2011: 30% of the difference. 2012: 60% of the difference. 2013: 100% of the difference.</p>		
Greece	2006	2007		SP historical	<p>A national envelope scheme is to operate as follows:</p> <ul style="list-style-type: none"> Cereals 10% Beef and veal 10% Sheep and goats 5% Olive oil 4% Tobacco 2% 	<ul style="list-style-type: none"> – seeds – Article 69 application: <ul style="list-style-type: none"> • 10% of the ceiling for arable crops, • 10% of the ceiling for the beef sector, • 5% of the ceiling for the sheep and goat sector. 	<ul style="list-style-type: none"> – Article 69 application: <ul style="list-style-type: none"> • 2% of the ceiling for tobacco, • 4% of the ceiling for olive oil, • 10% of the ceiling for sugar – 2% deduction in the olive oil sector for the funding of working programmes established by producer organisations (2) – tobacco and olive oil 100% in SP – separate sugar payments
Hungary				SAPS			
Ireland	2005	2005		SP historical			

Table 6.A2.1.1. European Union: Overview of the implementation of direct payments under the CAP in member states (cont.)

Member state	Start of SPS	Dairy paym. in SP	Regions	Model SP/SAPS	Other implementation details	Payments that remain commodity-specific	Implementation of the tobacco, cotton, olive oil and hops reform and the sugar reform
Italy	2005	2006		SP historical	National envelope use for arable crops (7%), beef (8%) and sheep (5%)	<ul style="list-style-type: none"> – seeds 100% – Article 69 for quality production: <ul style="list-style-type: none"> • 8% of the ceiling for the arable sector, • 7% of the ceiling for the bovine sector, • 5% of the ceiling for the sheep and goat sector 	<ul style="list-style-type: none"> – Article 69 application: <ul style="list-style-type: none"> • 8% of the ceiling for sugar – 5% deduction in the olive oil sector for the funding of working programmes established by producer organisations (2) – olive oil 100% in SP – tobacco 40% in SP – for the region Puglia, tobacco 100% in SPS – separate sugar payments
Latvia				SAPS		CNDPs per hectare of arable crops and fodder, per tonne of starch potato and flax seeds; and per head of slaughtered or exported adult cattle, suckler cows and ewes.	
Lithuania				SAPS		CNDPs per hectare of arable crops such as grains, rapeseed and fibre flax; per tonne of potato starch and milk; and per head of slaughtered cattle, suckler cows and ewes, at a rate of 29% of the EU15 level in 2006.	
Luxembourg	2005	2005	One region	SP static hybrid		None	
Malta	2007		One region	SP regional model		None	
Netherlands	2006	2007		SP historical		<ul style="list-style-type: none"> – slaughter premium calves 100% – slaughter premium bovine adults 100% – seeds for fibre flax 100% 	
Poland				SAPS		CNDPs paid as SAPS except for starch potatoes and tobacco where they are paid per tonne of quota, at an overall rate of 30% of the EU15 level in 2006.	<ul style="list-style-type: none"> – separate sugar payments
Portugal	2005	2007		SP historical	National envelope at 10% for olive oil and 1% each for arable crops, rice, beef and sheep sectors.	<ul style="list-style-type: none"> – suckler cow premium 100% – slaughter premium calves 100% – slaughter premium bovine adults 40% – sheep and goat premium 50% – seeds 100 % – outermost regions 100% – Article 69 application: <ul style="list-style-type: none"> • 1% (arable crops, rice, bovine and ovine sectors) 	<ul style="list-style-type: none"> – Article 69 application: <ul style="list-style-type: none"> • 10% of the ceiling for the olive oil sector, • 10% of the ceiling for sugar – tobacco 50% in SP – olive oil 100% in SP

Table 6.A2.1. European Union: Overview of the implementation of direct payments under the CAP in member states (cont.)

Member state	Start of SPS	Dairy paym. in SP	Regions	Model SP/SAPS	Other implementation details	Payments that remain commodity-specific	Implementation of the tobacco, cotton, olive oil and hops reform and the sugar reform
Rep. of Cyprus				SAPS		CNDPs per hectare of arable crops, durum wheat, broad beans, fodder crops, olives, raisins, bananas and tobacco; and per head of dairy cow, sheep and goat. CNDPs per hectare of grains, oilseeds, protein crops, hops and tobacco; and per suckler cows, sheep and goats, at a rate of 19% of the EU15 level.	
Slovak Republic				SAPS			– separate sugar payments
Slovenia	2007		One region	SP regional model		– special male bovine premium 75% – sheep and goat premium 50% – Article 69 application: • 10% of the bovine sector	– hops payment 25% commodity-specific
Spain	2006	2006		SPS historical		– seeds 100% – arable crops 25% – sheep and goat premiums 50% – suckler cow premium 100% – slaughter premium calves 100% – slaughter premium bovine adults 40% – Article 69 application: • 7% of the ceiling for the bovine sector, • 10% of the ceiling for dairy payments – outermost regions 100%	– tobacco 40% in SP – olive oil 93.6% in SP – Article 69 application: • 5% of the ceiling for the tobacco sector, • 10% of the ceiling for the cotton sector, • 10% of the ceiling for sugar
Sweden	2005	2005	Three regions (based on reference yield)	SP static hybrid	National envelope of 0.45% used to create aid scheme for beef producers. Entitlements to 50% of suckler cow premium, 50% of beef extensification premium, 40% of beef slaughter premium and 67.5% of dairy premium (from 2007) allocated on a historical basis. All other aids paid regionally. For permanent pasture the regionalized component is EUR 125/ha throughout the country. For non-pasture land the rate varies across five regions, from EUR 125/ha in the north to EUR 255/ha in the south.	– special male bovine premium 74.55% – Article 69 application: • 0.45% of total ceiling	

Table 6.A2.1. European Union: Overview of the implementation of direct payments under the CAP in member states (cont.)

Member state	Start of SPS	Dairy paym. in SP	Regions	Model SP/SAPS	Other implementation details	Payments that remain commodity-specific	Implementation of the tobacco, cotton, olive oil and hops reform and the sugar reform
United Kingdom	2005	2005	England normal	SP dynamic-hybrid moving to flat rate payment	No national envelope	None	
					Aid payments to farmers will have both a historical and regional component in the transitional period (2005-12). The transition from historical to regional payments will be made as follows:		
					2005: 10% regional, 90% historical		
					2006 15% regional, 85% historical		
					2007 30% regional, 70% historical		
					2008: 45% regional, 55% historical		
					2009 60% regional, 40% historical		
					2010 75% regional, 25% historical		
					2011 90% regional, 10% historical		
					2012 onwards: 100% regional		
Regional payment to be differentiated between moorland severely disadvantaged regions (estimated at £20-40/ha); other severely disadvantaged regions (approx. £110-130/ha); and all other regions (approx. £210-230/ha).							
Modulation raised to rate of 5% in 2005 and 10% from 2006 onwards.							
2005		England moorland	Idem		None		
2005		England SDA less moorland	Idem		None		
2005		Scotland	SP historical	Use of 10% national envelope for quality beef. Modulation rate raised to 6.5% in 2005 and 8.5 in 2006 – objective is to set rate at 10% by 2007.	– Article 69 application: • 10% of the ceiling for the bovine sector		
2005		Wales	SP historical	Modulation rate set at 4.5% in both 2005 and 2006.	None		
2005		Northern Ireland	SP static hybrid	Basic flat-rate aid paid to all farmers, topped up by a supplementary aid linked to each farmer's individual historical entitlements; These are based on rights to special beef premium (50%), cattle slaughter (50%), sheep (35% for standard rights – 80% for LFA top-premium rights), and arable (20%). No national envelopes applied. Additional modulation deductions of 4.5% from 2006.	None		

SPS: Single Payment Scheme; SP: Single Payment; SAPS: Single Area Payment Scheme; SDA: Severely Disadvantaged Areas; LFA: Less-Favoured Areas.

1. Berlin included in Brandenburg, Bremen in Lower Saxony and Hamburg in Schleswig-Holstein.

2. Art. 110 (i) of 1782/2003 and Art. 8 of Reg. 865/2003.

3. Art. 69 of Reg. 1782/2003: Optional implementation for specific types of farming and quality production. Up to 10% of national ceilings can be granted to specific types of farming sectors, which are important for improving the environment or the quality of agricultural products.

Source: Commission website http://ec.europa.eu/agriculture/markets/sfp/ms_en.pdf, February 2007, CAP Monitor.

Chapter 7

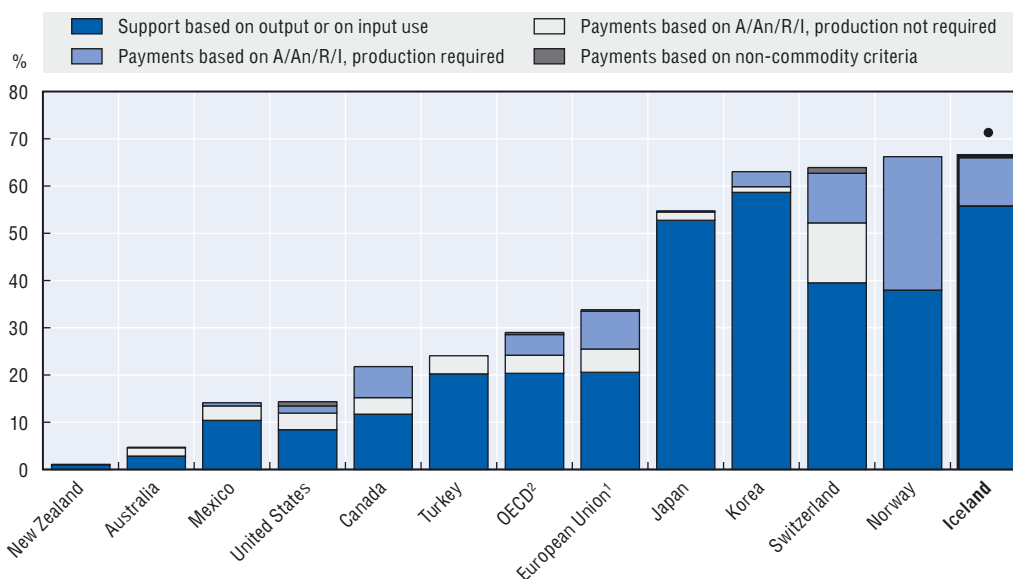
Iceland

Evaluation of policy developments

- Overall, since 1986-88 there has been some progress in policy reform. The level of producer support has declined, however it remains very high, and is among the highest in the OECD. There has been some progress in shifting away from the most distorting payments, including a shift from support based on commodity outputs to payments based on non-current animal numbers for sheepmeat.
- A new eight-year framework agreement between government and the farmers' association concerning support to dairy production was implemented in 2005. Outputs payments which are a highly production and trade distorting form of support are still the major form of support for dairy producers. However, they will decrease year by year and new payment per animal, which is relatively less distorting, was introduced.
- Further efforts are required to reduce market protection, to develop measures that are more efficient at targeting explicit policy objectives in ways that are less production and trade distorting and reduce the level of support.

Figure 7.1. **Iceland: Producer Support Estimate by country, 2004-06**

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/074002050363>

Summary of policy developments

A new agreement between the government and the farmers' association concerning the framework of support to dairy production was signed in May 2004 and took effect from September 2005. This agreement is valid from 2005 to 2012. Based on the agreement, annual payments for milk producers based on output are gradually reducing year by year and a new type of direct payment based on number of animals is introduced.

- Support to producers, as measured by the %PSE, declined from 77% in 1986-88 to 66% in 2004-06. However, it is still more than twice the OECD average.
- The combined share of most distorting payments (commodity output and variable input base payments) in the PSE fell from 99% in 1986-88 to 78% in 2004-06. There were no payments based on non current A/An/R/I, production required in 1986-88 but they account for 15% of the total PSE in 2004-06.
- Prices received by farmers in 1986-88 were more than 4.2 times higher than those in the world market but were 2.6 times higher in 2004-06. Farm receipts were 4.4 times higher than they would have been on the world market in 1986-88 but were 3 times higher in 2004-06.
- Milk, poultry and eggs are the highest supported commodities measured by producer SCT, followed by sheepmeat and wool. The share of producer SCT in the total PSE increased from 92% in 1986-88 to 93% in 2004-06.
- The cost imposed on consumers, as measured by the %CSE, fell from 70% in 1986-88 to 46% in 2004-06.
- Support for general services provided to agriculture increased between 1986-88 and 2004-06, from 7% to 9% of total support. Total support to agriculture declined from 5% of GDP in 1986-88 to 1.6% in 2004-06.

Figure 7.2. **Iceland: PSE level and composition by support categories, 1986-2006**

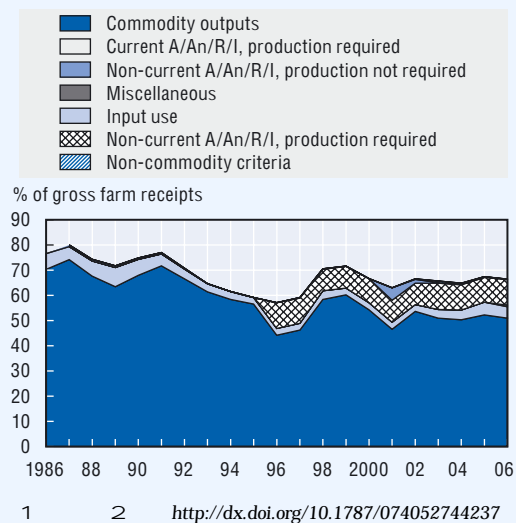


Figure 7.3. **Iceland: Producer SCT by commodity, 2004-06**

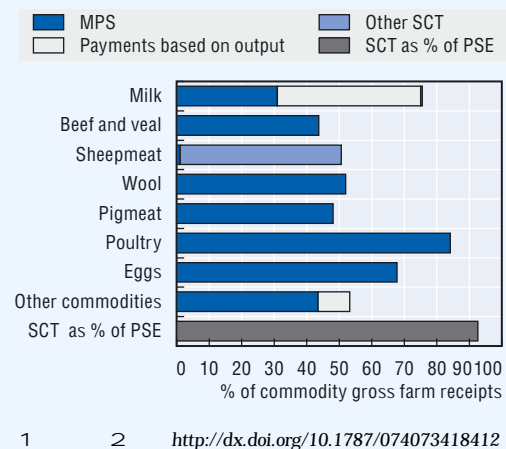


Table 7.1. Iceland: Estimates of support to agriculture

ISK million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	9 644	14 220	13 566	14 547	14 547
<i>Of which share of MPS commodities (%)</i>	<i>80</i>	<i>86</i>	<i>82</i>	<i>84</i>	<i>91</i>
Total value of consumption (at farm gate)	8 750	12 939	12 240	13 535	13 041
Producer Support Estimate (PSE)	7 963	14 453	13 499	15 016	14 845
Support based on commodity output	7 312	11 168	10 467	11 649	11 387
<i>Market Price Support</i>	7 246	6 861	6 247	7 286	7 051
<i>Payments based on output</i>	66	4 306	4 219	4 363	4 336
Payments based on input use	602	981	818	1 111	1 014
<i>Variable input use</i>	138	108	72	131	121
<i>Fixed capital formation</i>	289	448	376	431	538
<i>On-farm services</i>	174	425	370	549	356
Payments based on current A/An/R/I ¹ production required	0	48	0	0	145
<i>Of a single commodity</i>	0	48	0	0	145
<i>Of a group of commodities</i>	0	0	0	0	0
<i>Of all commodities</i>	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production required	0	2 174	2 072	2 183	2 268
Payments based on non-current A/An/R/I ¹ production not required	48	39	52	65	0
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	48	39	52	65	0
Payments based on non-commodity criteria:	0	43	91	8	31
<i>Long-term resource retirement</i>	0	43	91	8	31
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	77	66	65	67	66
Producer NPC	4.23	2.60	2.52	2.70	2.60
Producer NAC	4.39	2.96	2.84	3.07	2.98
General Services Support Estimate (GSSE)	769	1 425	1 382	1 470	1 423
Research and development	140	351	311	382	361
Agricultural schools	47	109	160	89	76
Inspection services	40	167	128	205	167
Infrastructure	124	293	286	301	292
Marketing and promotion	54	208	192	215	217
Public stockholding	359	292	300	272	304
Miscellaneous	5	6	6	6	6
GSSE as a share of TSE (%)	7.3	8.8	9.1	8.7	8.6
Consumer Support Estimate (CSE)	-4 846	-5 849	-5 327	-6 356	-5 862
Transfers to producers from consumers	-6 615	-6 086	-5 591	-6 640	-6 028
Other transfers from consumers	-98	-98	-45	-129	-119
Transfers to consumers from taxpayers	1 867	335	309	413	284
Excess feed cost	0	0	0	0	0
Percentage CSE	-70	-46	-45	-48	-46
Consumer NPC	4.36	1.92	1.85	2.00	1.89
Consumer NAC	3.50	1.87	1.81	1.94	1.85
Total Support Estimate (TSE)	10 600	16 214	15 190	16 900	16 551
Transfers from consumers	6 714	6 184	5 636	6 770	6 146
Transfers from taxpayers	3 984	10 127	9 599	10 260	10 524
Budget revenues	-98	-98	-45	-129	-119
Percentage TSE (expressed as share of GDP)	5.04	1.61	1.66	1.67	1.49
GDP deflator 1986-88 = 100	100	299	287	296	313

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

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

MPS commodities for Iceland are: milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

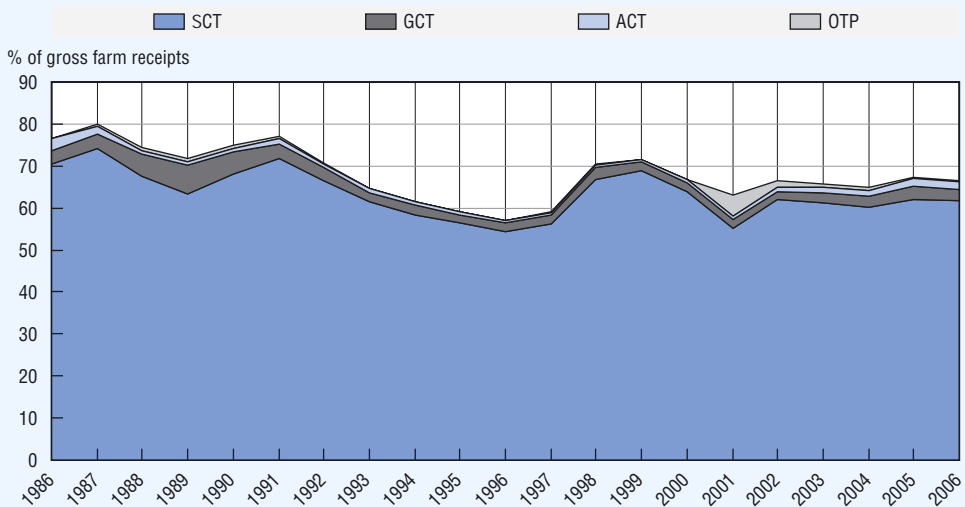
Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 7.1. Iceland: Commodity-Specificity of Support

In Iceland, Single Commodity Transfers (SCT) made up 92% of the PSE in 1986-88 and this has remained unchanged in 2004-06. Group Commodity Transfers (GCT), where producers have the option to produce one of a specified group of commodities as part of programme eligibility, made up 5% of the PSE in 1986-88 and fell to 4% in 2004-06. 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 or do not require any commodity production at all.¹ Together they comprised 5% of the PSE in 2004-06, up from 3% in 1986-88.

Figure 7.4. Iceland: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074218716200>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments

Main policy instruments

Support in Iceland is mainly provided through border measures, payments based on output and production quotas. Milk and sheepmeat are the two major agricultural commodities and developments in domestic agricultural policies have been concentrated on these two sectors in accordance with agricultural agreements between the government and the farmers' union. During the 1990's, the government phased out all administered prices except for milk, for which the government administers both producer and wholesale prices, coupled with production quotas. Payments based on output are also made to milk producers. For sheepmeat, the government provides payments based on historical production quota entitlements established after output payments were abolished in 1996. A levy is imposed on the 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 products. However, only a limited quantity of imports competes with the major, domestically produced commodities. Consumer subsidies for wool are provided at the wholesale level. Agri-environmental policy mainly focuses on soil conservation.

Domestic policy

The dismantling of the **administered price for milk** at the wholesale level had been scheduled but was postponed indefinitely in 2004. The legislation now provides for abolition at any time, by decision of the competent authorities. For the production years 2004-06, the administered price for milk at the producer level was decreased by 2.1% but was increased by 1.5% at the wholesale level. The total value of payments for milk in 2006 was around ISK 4 000 million (USD 57 million).

Table 7.2. **Iceland: Administered prices for milk**

Product	2004		2005		2006		Change in ISK price	
	ISK/t	USD/t	ISK/t	USD/t	ISK/t	USD/t	2004-05	2005-06
							%	
Price at the producer level	83 324	1 187	83 921	1 335	82 125	1 179	0.7	-2.1
Price at the wholesale level	71 518	1 019	71 518	1 137	72 560	1 041	0.0	1.5

Source: Ministry of Agriculture, Iceland, 2007.

A new agreement between the government and the farmers' association concerning the framework of support to dairy production was signed in May 2004 and took effect from 1st September 2005. This agreement is valid from 2005 to 2012. There are four elements in the agreement. First, direct payments for milk producers for each of the eight years from 2005 to 2012 are agreed. Provision is ISK 4000 million (USD 57 million) ISK in 2005, decreasing year by year as the agreement is implemented. In 2012, the final year of the agreement, ISK 3 014 million (USD 43 million) will be paid. The second element is a new type of direct payment for milk producers, introduced as of 1st January 2006. This payment is based on the number of bovine animals and the amounted to ISK 396 million (USD 6 million) in 2006. Third, new support to bovine animal breeding programmes and

general development issues was introduced from 2005. Fourth, a payment for land improvement will be introduced from 1st September 2007.

A renewed agreement between the government and the Farmers' Association concerning overall agricultural support was signed in May of 2005. The agreement is valid for the years from 2006 to 2010. The agreement secures ISK 612.7 million (USD 8.8 million) in 2006. The farmers' association manages these funds, which are for advisory services, sheep rearing programme, and developmental programmes, marketing programmes and for the Agricultural Productivity Fund.

There were several **institutional changes** in 2005 and 2006. The Agricultural University of Iceland was established 1st January 2005 in order to strengthen research in agriculture. The new institute combines three research institutions, The Agricultural University at Hvanneyri, The Agricultural Research Institute and The State Horticultural School. The Agricultural Authority of Iceland started operation on 1st January 2006 under the Ministry of Agriculture. This institution combines The Chief Veterinary Officer, the Institute of Freshwater Fishing, the State Meat Valuation Inspectorate and the State Feed, Seed and Fertilizer Surveillance Authority. The Authority's role is to monitor and give guidance to the Ministry of Agriculture in all areas concerning health and safety of livestock rearing and production. In addition, the Authority has taken over some of the monitoring of health and safety, formerly carried out by the farmers' association and the Plant Protection Service, formerly carried out by Agricultural University of Iceland

The **Agricultural Loan fund** ceased operations on 31 December 2005. The fund was sold off to the banking sector and government revenues from the sale were allocated to the **Farmers Pension Fund** in fiscal year 2006.

Trade policy

Tariff-rate-quotas under the minimum access commitments were fully filled in 2005 and 2006 except for meat and edible offal of pigs, sheep and butter which were underfilled. Some additional quotas for beefmeat and meat of poultry were granted to importers, due to the market situation in Iceland.

Chapter 8

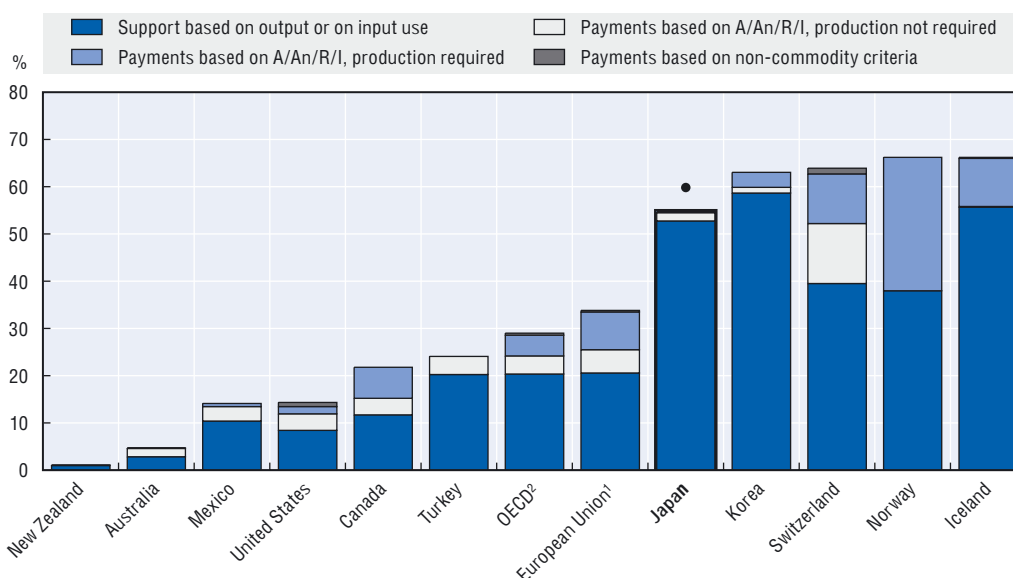
Japan

Evaluation of policy developments

- Overall, there has been some progress in reducing the level of producer support since 1986-88, but support is still high, almost twice the OECD average. Most support continues to be provided through market price support with little narrowing of the gap between domestic and world price.
- Several new payments were introduced in 2007 with the aim of moving away from individual commodity based policy to a flexible commodity policy and to concentrate support on more efficient and stable farmers. These policies have potential to move to less production and trade distorting payments and also provide flexibility in a shift from single commodity support to group commodity support.
- The government is gradually reducing its involvement in the price formation of agricultural products. The administered prices for rice were abolished in 2004 and administered prices for wheat and barley in 2007. However, there are still high levels of border protection with the result that the actual effect on the level of the producer support estimate will be limited.
- Although there are some signs of a move toward less distorting forms of support, the level of support and the proportion of support accounted for by the most distorting forms are still high. Further efforts are needed to reduce the high level of support and reduce market protection, and move toward more decoupled policies that are clearly targeted to the farm income, rural development, environmental or other objectives pursued.

Figure 8.1. Japan: Producer Support Estimate by country, 2004-06

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/074222168760>

Summary of policy developments

In March 2005, **the new Basic Plan for Food, Agriculture and Rural Areas** was announced. One of its most important elements is a transition towards a flexible commodity policy. In the past, policies targeted individual commodities through price policy and border measures. The Plan also stresses the importance of concentrating support on more efficient and stable farms. Three new direct payments have been introduced in 2007 in order to promote those aims stipulated in the plan.

- Support to producers, as measured by the %PSE, declined from 64% in 1986-88 to 55% in 2004-06. However it remains almost twice the OECD average.
- The combined share of most distorting payments (commodity output and variable input based payments) in PSE remained unchanged at around 95% in 1986-88 and 2004-06. The share of least distorting payments (payments which place no requirement to produce) also remained unchanged at 3% in 1986-88 and 2004-06.
- Prices received by farmers in 1986-88 were around 2.6 times higher than those in world markets and 2.1 times higher in 2004-06. Farm receipts were 2.2 times higher than they would have been on the world market in 2004-06, compared to 2.7 times higher in 1986-88.
- Rice continues to be the most heavily supported commodity measured by producer SCT and accounted for 34% of the total SCT in 2004-06. The share of total producer SCT in total PSE remain unchanged at 93% from 1986-88 to 2004-06.
- The cost imposed on consumers, as measured by the %CSE, fell from 62% in 1986-88 to 48% in 2004-06.
- Support for general services provided to agriculture increased between 1986-88 and 2004-06, from 15% to 17% of total support. Total support to agriculture has declined from 2.4% of GDP in 1986-88 to 1.2% in 2004-06.

Figure 8.2. **Japan: PSE level and composition by support categories, 1986-2006**

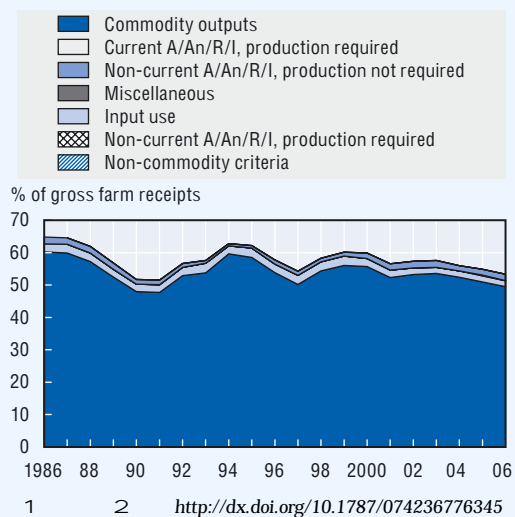


Figure 8.3. **Japan: Producer SCT by commodity, 2004-06**

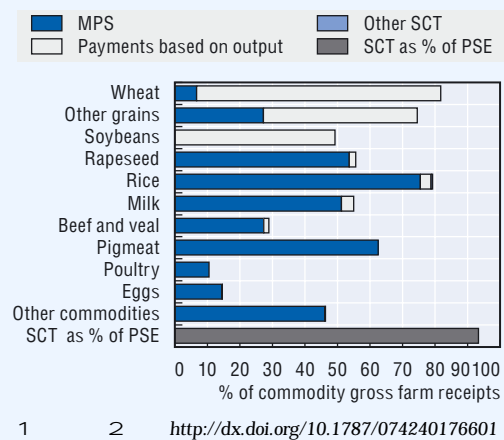


Table 8.1. Japan: Estimates of support to agriculture

JPY billion

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	10 610	8 504	8 714	8 489	8 310
<i>Of which share of MPS commodities (%)</i>	<i>68</i>	<i>65</i>	<i>65</i>	<i>66</i>	<i>64</i>
Total value of consumption (at farm gate)	14 310	12 234	12 690	11 948	12 064
Producer Support Estimate (PSE)	7 245	4 972	5 202	4 980	4 735
Support based on commodity output	6 718	4 633	4 876	4 626	4 396
<i>Market Price Support</i>	6 496	4 391	4 615	4 396	4 163
<i>Payments based on output</i>	221	241	261	230	233
Payments based on input use	299	165	176	163	156
<i>Variable input use</i>	149	83	82	81	85
<i>Fixed capital formation</i>	129	70	78	68	64
<i>On-farm services</i>	21	13	16	15	7
Payments based on current A/An/R/I ¹ production required	0	15	4	30	13
<i>Of a single commodity</i>	0	9	0	16	12
<i>Of a group of commodities</i>	0	6	4	14	1
<i>Of all commodities</i>	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production required	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	228	159	145	161	170
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	228	159	145	161	170
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	64	55	56	55	53
Producer NPC	2.64	2.13	2.19	2.13	2.06
Producer NAC	2.76	2.21	2.27	2.22	2.14
General Services Support Estimate (GSSE)	1 267	1 052	1 156	1 046	955
Research and development	46	92	93	92	93
Agricultural schools	29	9	15	11	2
Inspection services	8	10	10	10	10
Infrastructure	1 090	898	1 000	886	808
Marketing and promotion	22	19	11	24	22
Public stockholding	43	24	28	24	20
Miscellaneous	29	0	0	0	0
GSSE as a share of TSE (%)	14.9	17.5	18.2	17.4	16.8
Consumer Support Estimate (CSE)	-8 902	-5 835	-6 114	-5 812	-5 577
Transfers to producers from consumers	-6 409	-4 390	-4 614	-4 395	-4 162
Other transfers from consumers	-2 489	-1 453	-1 512	-1 424	-1 425
Transfers to consumers from taxpayers	-16	3	4	2	2
Excess feed cost	11	6	7	4	7
Percentage CSE	-62	-48	-48	-49	-46
Consumer NPC	2.65	1.92	1.93	1.95	1.86
Consumer NAC	2.65	1.91	1.93	1.95	1.86
Total Support Estimate (TSE)	8 496	6 028	6 363	6 028	5 692
Transfers from consumers	8 898	5 844	6 126	5 818	5 587
Transfers from taxpayers	2 087	1 637	1 748	1 633	1 530
Budget revenues	-2 489	-1 453	-1 512	-1 424	-1 425
Percentage TSE (expressed as share of GDP)	2.39	1.20	1.28	1.20	1.11
GDP deflator 1986-88 = 100	100	99	100	99	98

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

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

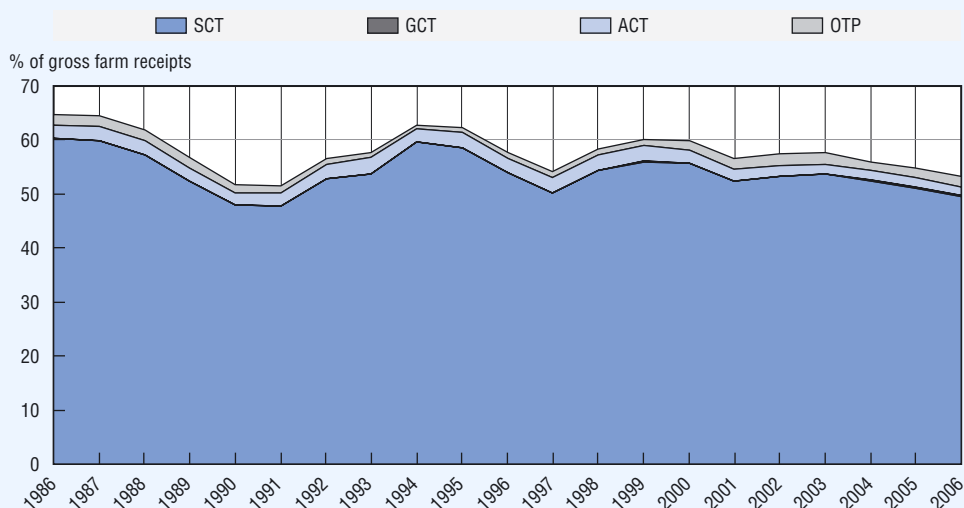
Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 8.1. Japan: Commodity-Specificity of Support

In Japan, Single Commodity Transfers (SCT) made up 93% of the PSE in 2004-06 – no change from 1986-88. Group Commodity Transfers (GCT), where producers have the option to produce one of a specified group of commodities as part of programme eligibility, made up less than 1% of the PSE in 2004-06, also unchanged from 1986-88. 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 or do not require any commodity production at all.¹ Together these transfers comprised around 7% of PSE from 1986-88 to 2004-06.

Figure 8.4. Japan: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074252115124>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

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.

Government is reducing its involvement in price formation of agricultural products. The administered price for rice was abolished in 2004 and administered prices for wheat and barley in 2007. However, there are still several commodities for which administered prices are set, such as sugar beet, sugar cane and pigmeat. As for beef and pigmeat, the Agriculture and Livestock Industries Corporation (ALIC) operates price stabilisation systems.

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 to improve the quality of soil through composting. 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

Purchasing prices for wheat and barley declined, while selling prices remained unchanged in 2006. The minimum producer prices for sugar beet and sugar cane were reduced slightly in 2006 (Table 8.1). The floor level of the pigmeat price stabilization band has remained unchanged since 2000. The government set a ceiling of 2 million tonnes on manufacturing milk to be covered by direct payments in 2006, the same level as in 2005. All administered prices for calves have remained constant since 2001, with the exception of dairy breeds for which prices were reduced by 1.5% in 2006 (Table 8.2).

In March 2005, **the new Basic Plan for Food, Agriculture and Rural Areas** was announced. A number of new directions in agricultural policy were proposed. One of the most important elements was a transition towards a flexible commodity support policy. In the past, policies provided support to individual commodities through price policy and border measures, but this had the effect of delaying necessary structural adjustment. The Plan also stresses the importance of concentrating support on more efficient and stable farms. Another important element of the Basic Plan is the proposed revision of the agricultural land ownership and land use system so that farmland is used effectively. This is consequent to the yearly reduction in the total area of land used for agricultural purposes that results largely from an increase in farmland abandonment and conversion to other purposes.

The Outline of the Farm Management Stabilization Programme was elaborated in October 2005 with the objective of implementing the Basic Plan. This programme lays out

the details of the commodity flexible, efficient and stable farm concentration policy, including the criterion to receive payments and the commodities covered. It also recommends the introduction of a rural development programme in order to conserve the quality of farm resources. This programme would also have the benefit of underlining the importance of promoting rice policy reform.

The law on farm income stabilization came into effect on 1 April 2007 and **three new direct payments** were introduced as part of the commodity flexibility policy. The first payment is based on historical area planted in a defined and fixed base period; wheat, barley, soybeans, sugar beet and starch potatoes are eligible for this payment. The aim of this payment is to correct disadvantages in domestic agriculture caused by geographical handicaps as compared to other countries. The second payment seeks to encourage quality improvement of domestic products by farmers producing any of the above five crops. The third payment is to compensate for part of the loss of income compared with the average income of the preceding years in order to mitigate income instabilities caused by price and yield fluctuations. Six crops are eligible for this payment: rice, wheat, barley, soybeans, sugar beet and starch potatoes. 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. Eligible farmers should also respect certain environment related conditions established by the government to promote environment friendly agriculture. With the introduction of these new payments, relevant commodity specific payments which were payments base on output were abolished.

A new rural development programme was introduced in 2007 to encourage community initiatives aimed at conserving the quality of rural resources such as land and water, as well as to improve the environment with a view to sustainable rural development. As depopulation, ageing population and other problems increase in rural areas, maintaining the quality of rural resources has become more difficult. In addition, increasing public concern over environmental problems has made clear the need to place more emphasis on environmental conservation. This led to the introduction of the **new rural development programme**.

Rice policy reform is also under way, based on the Principle and Outline of Rice Policy Reform established in 2002. The basic concept of this reform, which is to be completed by 2012, is to produce rice that meets market demand, especially from a quality point of view. One of the most important reforms in rice policy implemented in 2007 was the reform of the production adjustment system. In the past, it was mainly the government which decided how much would be produced in consultation with the farmers' organization. As of 2007, production adjustment policies will be decided by the farmers themselves and farmers' organizations.

The second important element of the Basic Plan, the **reform of the agricultural land ownership and land use system**, was completed in 2005. The number of retirees in the agricultural sector is increasing as ageing of the farmer population progress. Not enough younger farmers are taking over the management of their farms and the total area of abandoned farmland has increased. The new law allows companies to rent and manage agricultural land. Whereas in the past only individuals or agricultural production legal persons (a corporation owned by farmers) could rent and manage agricultural land, now companies can use these abandoned lands for agricultural purposes.

There are a growing number of problems with dietary habits currently amongst the Japanese people today. These include a growing nutritional imbalance with an excessive intake of fat, irregular eating habits, and a growing tendency to skip meals. As a result, the number of obese people and lifestyle-related diseases are increasing. The government has started to promote **Shokuiku** which is a new concept, encouraging people to increase awareness about food and nutrition in order to help them in choosing a healthy diet and thereby enhancing quality of life. The basic law on *Shokuiku* came into effect in July 2005. As this policy covers a broad range of issues, various government agencies collaborate under the leadership of the Cabinet Office, with the Ministry of Agriculture Forestry and Fisheries focusing on the food chain itself.

A new system of pesticide restrictions was implemented in May 2006 and a positive list system for the inspection of pesticides residues in foods was introduced. In the past, a negative list system listing the names of prohibited pesticides was in force. However, it was found that many imported fruits and vegetables contained pesticides that are not authorized as safe in Japan. In response to public concerns, the government introduced a positive list system of pesticides that could be used. It also set out the maximum residue limits in foods of all pesticides, as opposed to only certain number of pesticides as was the case in the past.

Table 8.2. Japan: Administered prices

Product	2004/05 ¹		2005/06 ¹		2006/07 ¹		Change in JPY price	
	JPY/t	USD/t	JPY/t	USD/t	JPY/t	USD/t	04/05-05/06	05/06-06/07
							%	
Wheat ²	138 430	1 269	119 950	1 059	119 100	1 023	-13.3	-0.7
Wheat ³	36 450	334	38 120	336	38 120	327	4.6	0.0
Barley ²	119 220	1 093	101 200	893	100 480	863	-15.1	-0.7
Barley ³	31 900	292	33 500	296	33 500	288	5.0	0.0
Sugar beet ⁴	16 760	154	16 640	147	16 560	142	-0.7	-0.5
Sugar cane ⁴	20 230	185	20 130	178	20 110	173	-0.5	-0.1
Pigmeat ⁵	365 000	3 345	365 000	3 222	365 000	3 134	0.0	0.0

1. Years are July to June for wheat and barley, October to September for sugar beet and sugar cane and April to March for pigmeat.

2. Government purchase price for domestic production.

3. Government selling price for domestic production, application of these prices are different from July to June.

4. Minimum producer price.

5. Floor price in the price stabilization band.

Source: Ministry of Agriculture, Forestry and Fisheries, Japan.

Table 8.3. Japan: Guaranteed prices for calves per head

Breed	2004/05		2005/06		2006/07		Change in JPY price	
	(April to March)		(April to March)		(April to March)		04/05-05/06	05/06-06/07
	JPY/head	USD/head	JPY/head	USD/head	JPY/head	USD/head	%	
Black Wagyu	304 000	2 805	304 000	2 621	304 000	2 805	0.0	0.0
Brown Wagyu	280 000	2 583	280 000	2 414	280 000	2 583	0.0	0.0
Other beef breeds	200 000	1 845	200 000	1 724	200 000	1 845	0.0	0.0
Dairy breeds	129 000	1 190	110 000	1 129	110 000	1 190	0.0	0.0

Source: Ministry of Agriculture, Forestry and Fisheries, Japan.

As a result of the steep rise in oil prices, the development of bioenergy has been promoted in recent years in Japan. The Japanese government has set a target for using bioenergy of 3 080 million liters by 2012. As Japan has only a limited capacity to produce agricultural products such as maize and sugar cane, which are widely used for producing bioenergy in other countries, it is seeking new methods, such as the chemical processing of waste food oil, or the use of methane gas fermented from livestock waste.

Trade policy

The quantitative restriction on rice imports was abolished and replaced by a tariff-quota system in 1999. In 2006, 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 136 000 tonnes in 2005. Japan's tariff-rate-quotas continue to be underfilled in 2006 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 2005 and 2006 in accordance with the WTO Agricultural Agreement on several products including milk powder and maize (corn) starch.

Up to the beginning of 2000, Japan was not active in concluding **Free Trade Agreements (FTA)**. The first FTA was signed with Singapore in 2002 and the second with Mexico in 2004; the latter was the first FTA in which agricultural products were actually included. In 2005 and 2006, Japan signed FTAs with several countries, mainly in South-East Asia. These FTAs require Japan to eliminate or reduce tariffs, or to introduce preferential tariff-quotas for several sensitive agricultural products such as poultrymeat and several fruits. Japan is now negotiating FTAs with Korea, ASEAN, Co-operation council for the Arab states of the Gulf, Viet Nam, and India. Japan will also start FTA negotiations with Australia and Switzerland.

In May 2003, a case of BSE infection was confirmed in Canada for the first time. Japan immediately **suspended imports** of Canadian beef and related products. In December 2003, BSE was also confirmed in the US, the largest beef exporter to Japan, and imports of US beef and related products were suspended. After a two-year suspension, and following scientifically based risk assessments by the Food Safety Commission, imports of US beef and beef products were resumed in December 2005 on condition of compliance with the Export Program agreed between the US and Japan. Imports from Canada were also resumed in 2005 under similar conditions. However, imports from the US were suspended in January 2006 because specified risk materials (SRMs) were found in US beef. Japan requested that the US explain the causes and that it take measures to prevent any recurrences; imports were resumed in July 2006.

Chapter 9

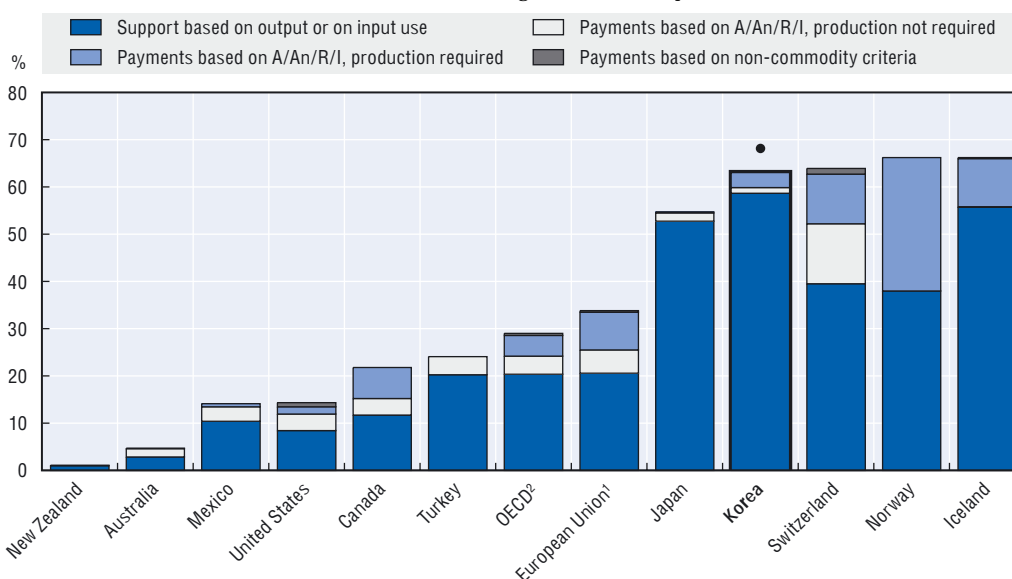
Korea

Evaluation of policy developments

- Overall, there has been limited progress in market orientation, with the level of producer support remaining very high. Most support continues to be provided through market price support although the gap between domestic and border prices has fallen significantly for rice, milk and chicken. Market price support was supplemented by direct payments which accounted for an increasing share of farm household income in recent years.
- Following the 2004 rice negotiation, government purchasing of rice was abolished and a direct income support mechanism for paddy fields was introduced. These area-based payments have the effects of raising and stabilising farm income following the sharp decrease in the price of rice resulting from the abolition of government purchasing, thereby smoothing the transition to the new policy framework. This policy shift reduced market distortion although the MPS is still a dominating factor, as long as import barriers are binding.
- The launching of a traceability information system and the increase of direct payments for environmentally friendly farming are responses to increasing consumer interest in food safety and organic products. The recent policy focus on rural development could lead to more effective policy measures that are less trade distorting and improve the quality of life of rural residents.
- Further efforts are needed to reduce the very high levels of support, reduce market protection and implement measures that are less costly, while continuing to move towards policies that pursue targeted environmental, rural development and income objectives in ways that are less production and trade distorting.

Figure 9.1. **Korea: Producer Support Estimate by country, 2004-06**

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

Summary of policy developments

The major policy developments in 2005 and 2006 were the abolition of government purchasing of rice and the introduction of a direct, area-based, income support mechanism for paddy fields. To facilitate farm consolidation, a new farmland banking system was introduced. Programmes for protecting farm household income from natural disaster and outbreaks of animal disease were reinforced. A traceability information system and Good Agricultural Practices (GAP) regulation were introduced.

- Support to producers (%PSE) declined from 70% in 1986-88 to 63% in 2004-06, but it is still double the OECD average.
- The share of market price support fell from 99% of producer support in 1986-88 to 91% in 2004-06. Prices received by farmers in 1986-88 were 3.3 times higher than those in the world market. By 2004-06 this gap had decreased to 2.6 times.
- Support based on non-current factors and not requiring production made up 2% of the PSE in 2004-06. This reflects the recently introduced fixed payment for paddy fields. Payments based on input use and current factors (production required) accounted respectively for 2% and 5% of PSE, in 2004-06.
- Producer SCT by commodity was more than 70% for rice, barley and soybeans in 2004-06. It was around 60% for milk and beef, and less than 40% for poultry and eggs.
- The cost imposed on consumers as measured by the %CSE fell from 66% in 1986-88 to 59% in 2004-06. Consumers still paid on average two and a half times the world price for agricultural commodities in 2004-06.
- Support provided to general services for agriculture increased between 1986-88 and 2004-06, from 8% to 12% of the TSE. Total support to agriculture was 3.4% of GDP in 2004-06, less than half of the share in 1986-88.

Figure 9.2. Korea: PSE level and composition by support categories, 1986-2006

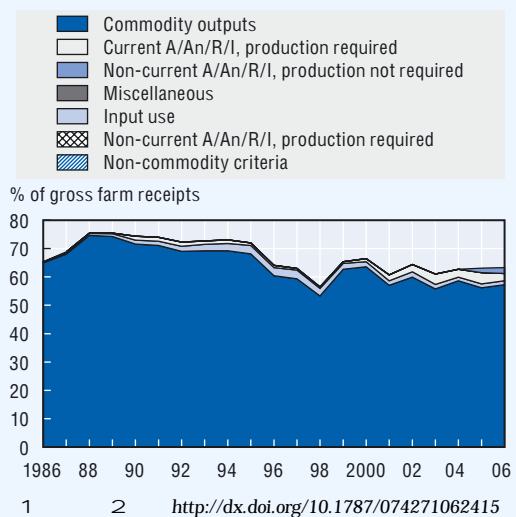


Figure 9.3. Korea: Producer SCT by commodity, 2004-06

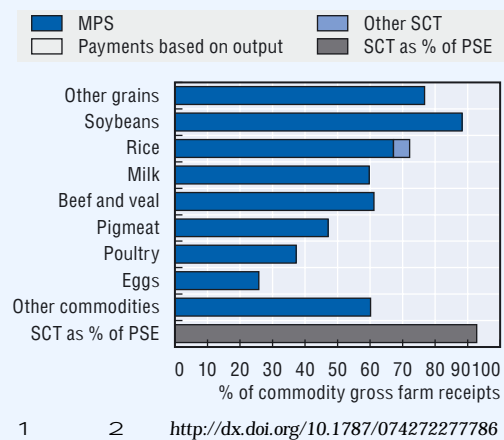


Table 9.1. Korea: Estimates of support to agriculture

KRW billion

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	13 624	36 059	36 156	36 092	35 931
<i>Of which share of MPS commodities (%)</i>	<i>72</i>	<i>57</i>	<i>59</i>	<i>57</i>	<i>54</i>
Total value of consumption (at farm gate)	14 367	45 008	42 926	45 643	46 455
Producer Support Estimate (PSE)	9 635	24 109	23 644	24 483	24 199
Support based on commodity output	9 541	21 921	22 099	21 781	21 882
<i>Market Price Support</i>	9 541	21 921	22 099	21 781	21 882
<i>Payments based on output</i>	0	0	0	0	0
Payments based on input use	66	518	481	535	539
<i>Variable input use</i>	21	287	268	309	283
<i>Fixed capital formation</i>	42	195	184	189	212
<i>On-farm services</i>	3	36	29	37	44
Payments based on current A/An/R/I ¹ production required	28	1 199	1 038	1 548	1 009
<i>Of a single commodity</i>	0	446	0	901	437
<i>Of a group of commodities</i>	0	233	574	97	27
<i>Of all commodities</i>	28	520	463	550	545
Payments based on non-current A/An/R/I ¹ production required	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	464	10	614	769
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	464	10	614	769
Payments based on non-commodity criteria:	0	7	16	5	0
<i>Long-term resource retirement</i>	0	7	16	5	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	70	63	63	63	63
Producer NPC	3.34	2.55	2.57	2.52	2.56
Producer NAC	3.39	2.71	2.68	2.71	2.72
General Services Support Estimate (GSSE)	845	3 257	3 157	3 212	3 402
Research and development	52	531	450	499	645
Agricultural schools	5	88	83	83	97
Inspection services	21	148	137	150	157
Infrastructure	374	1 809	1 878	1 839	1 709
Marketing and promotion	0	40	36	42	42
Public stockholding	394	641	573	599	752
Miscellaneous	0	0	0	0	0
GSSE as a share of TSE (%)	8.0	11.9	11.7	11.6	12.3
Consumer Support Estimate (CSE)	-9 415	-26 725	-24 589	-27 177	-28 409
Transfers to producers from consumers	-9 294	-21 677	-21 368	-21 781	-21 882
Other transfers from consumers	-180	-5 138	-3 317	-5 475	-6 621
Transfers to consumers from taxpayers	59	90	97	79	94
Excess feed cost	0	0	0	0	0
Percentage CSE	-66	-59	-57	-60	-61
Consumer NPC	2.93	2.47	2.35	2.48	2.59
Consumer NAC	2.92	2.47	2.35	2.48	2.58
Total Support Estimate (TSE)	10 539	27 456	26 898	27 773	27 696
Transfers from consumers	9 475	26 815	24 685	27 256	28 503
Transfers from taxpayers	1 245	5 779	5 530	5 992	5 814
Budget revenues	-180	-5 138	-3 317	-5 475	-6 621
Percentage TSE (expressed as share of GDP)	9.01	3.39	3.45	3.44	3.29
GDP deflator 1986-88 = 100	100	240	241	240	239

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

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

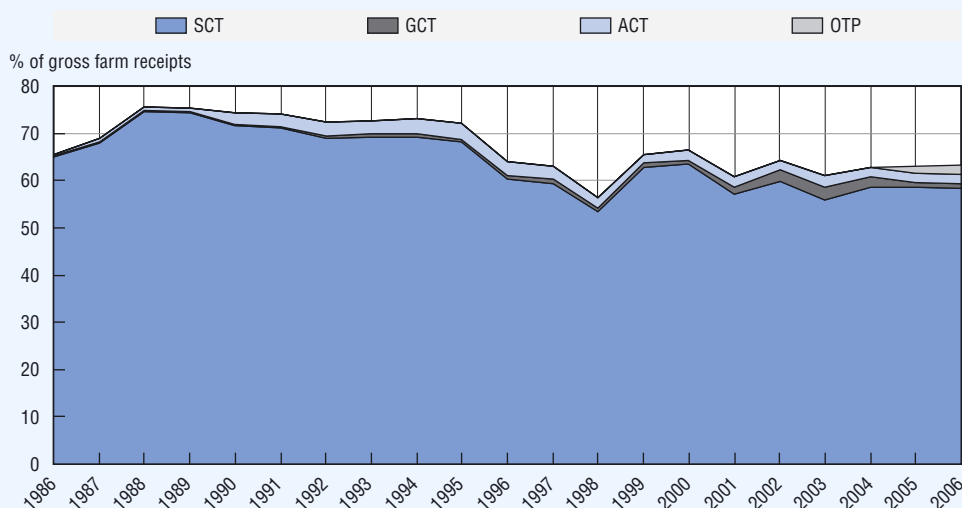
MPS commodities for Korea are: other grains, garlic, red pepper, chinese cabbage, rice, oilseeds, milk, beef and veal, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 9.1. Korea: Commodity-Specificity of Support

In Korea, Single Commodity Transfers (SCT) in 2004-06 made up 93% of the PSE, 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 2% of the PSE in 2004-06, compared to 0.2% in 1986-88. 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 or do not require any commodity production at all.¹ Together these made up 5% of the PSE in 2004-06, up from 1% in 1986-88.

Figure 9.4. Korea: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074286853777>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments

Main policy instruments

Agricultural policies consist mainly of market price support implemented through trade measures and domestic price stabilization mechanisms, including government purchase and public stockholding. Market price support is supplemented by direct payments. Direct payments account for an increasing share of farm household income in recent years, especially after the introduction of fixed and variable direct payment schemes for paddy fields in 2005. The government has implemented programmes to enhance agriculture's competitiveness by developing the agricultural infrastructure, including farm consolidation through a farmland banking system. A mechanism to stabilise farm household income in the case of natural disasters and animal diseases has been reinforced. Policy priorities have been widened to include agri-environment, consumers' interests and rural development. Environmental improvement is supported through payments for reduction of input use. Also, payments are being provided for environmentally friendly farming. The HACCP (Hazard Analysis Critical Control Point) system is being applied widely in the livestock industry. A traceability scheme for agricultural and livestock products has been launched. From 2006, a GAP (Good Agricultural Practices) system was introduced for 96 agricultural products. The government is also seeking to enhance the quality of life of rural communities through the promotion of rural development. The diversification of off-farm income sources is being encouraged through agro-tourism.

Domestic policy

Following the 2004 rice negotiation, government purchasing was abolished and a **direct income support mechanism for paddy field** was introduced. The direct income support mechanism comprises a fixed payments system and a variable payments system from the 2005/06 crop year. To be eligible for the **fixed payment**, paddy fields had to be in production during the period 1998-2000. The fixed payment per hectare for registered paddy fields was KRW 600 000 (USD 586) in 2005 and increased to KRW 700 000 (USD 732) in 2006. Expenditure was KRW 716.8 billion (USD 750 million) for 951 000 hectares, eligible for the fixed payment in 2006. The **variable payment** is given only to farmers who are currently producing rice on registered farmland. The amount of the variable payment is determined according to the difference between a target price and each year's post-harvest price. For the years 2005-07, the target price is KRW 170 083 (USD 178) per 80 kilograms of rice, determined by adding the income effect of past government purchasing and paddy-field environmental conservation payments to the 3 year average of the harvest price from 2001 to 2003. If the post-harvest price is lower than the target price, farmers receive 85% of the difference, after deduction of the fixed payment, which is multiplied by a fixed national reference yield to calculate the payment per hectare. The variable payment per hectare was KRW 958 310 (USD 936) in 2005 and fell to KRW 459 757 (USD 481) in 2006. Rice production fell from 4 768 000 tonnes in 2005 to 4 680 000 tonnes in 2007 reflecting a decrease in cultivated area.

From 2005, the Korean government implemented a **Public Stockholding Scheme** for rice, which is a purchase and release mechanism based on the current market price. The target amount of public stockholding for rice is 864 000 tonnes. In 2006, 22 000 tonnes of imported

rice were sold in the domestic market for table use, following the result of the 2004 rice negotiation. The purchase programmes for **barley**, **maize** and **soybeans** are managed by the National Agricultural Cooperative Federation (NACF). The purchase prices of barley and maize have been held constant since 2001. Government purchases of barley have decreased from 180 000 tonnes from 2004 to 124 000 tonnes in 2006. Also, government purchases of maize have decreased sharply from 2 500 tonnes in 2004 to 600 tonnes in 2006, reflecting the sharp fall in domestic production. However, the price and quantity of government purchase of soybeans have increased in the same period.

Table 9.2. Korea: Government purchase prices and quantities of major cereals

Units	2002 ¹	2003 ¹	2004 ¹	2005 ¹	2006p ¹	Percentage change		
						2003 to 2004	2004 to 2005	2005 to 2006p
Barley²								
Purchase price '000 KRW/t	1 109	1 109	1 109	1 109	1 109	0.0	0.0	0.0
USD/t	886	931	968	1 083	1 160			
Purchase quantity '000 t	247	162	180	181	124	11.1	0.6	-31.5
Maize³								
Purchase price '000 KRW/t	580	580	580	580	580	0.0	0.0	0.0
USD/t	464	487	506	566	606			
Purchase quantity '000 t	3	4	2.5	1.7	0.6	-37.5	-32.0	-64.7
Soybeans³								
Purchase price '000 KRW/t	2 296	2 296	2 296	2 877	2 877	0.0	25.3	0.0
USD/t	1 835	1 928	2 005	2 809	3 009			
Purchase quantity '000 t	4.8	5.4	10.5	12.6	14.1	94.4	20.0	11.9

1. Calendar year basis.

2. Polished-grain equivalent in the case of price, and unhulled-grain equivalent in the case of quantity.

3. Polished-grain equivalent.

Source: Ministry of Agriculture and Forestry.

As the price of beef has been high, the number of cattle increased from 1.6 million in 2004 to 2.0 million in 2006. Beef imports increased by 33% since 2004 to 212 780 tonnes in 2006. As the market price of calves has also been high, no payments have been made from the **calf breeding stabilisation scheme** since 2000.

To facilitate farm enlargement and farmland mobility, a new **farmland banking system**, which is run by the Korean Rural Community and Agricultural Corporation (KRC), was introduced in 2005. It provides financial assistance and information to farmers who wish to own or rent farmland from the KRC or others through the acquisition, temporary holding, resale and lease of farmland. Although non-farmers are prohibited from holding farmland in principle, they may hold more than 1 hectare of farmland acquired by inheritance or out-migration as long as they lease it to KRC for more than 5 years. This change has operated from October 2005 as a result of the revision of the Farmland Act. Its aim is to minimize the fragmentation of farmland and encourage young full-time farmers to increase the scale of their farms more easily through a farmland banking system. In 2006, a new programme is being introduced whereby the KRC will buy farmland from farmers who hold a significant amount of debt. If viable, the KRC will then lease back the farmland to them. This programme aims to stabilize the farmland market and support farmers who are in temporary financial difficulty.

The government introduced a new pilot project of **direct payments for landscape conservation** in 2005 with a budget of KRW 600 million (USD 586 thousand). It involves a payment per hectare to farmers who cultivate plants for aesthetic purposes to preserve traditional landscape in selected villages. About 470 hectares from 1 000 farm households participated in this pilot payments programme in 2006. A **direct payments for less-favoured areas** programme, which was introduced on a pilot basis in 2004, became a national programme in 2006. Its budget increased from KRW 10 billion (USD 8.7 million) in 2004 to KRW 52 billion (USD 54.4 million) and the participating areas increased from 31 000 hectares to 119 000 hectares in the same period. In 2006, 2 779 villages, where the share of arable land is below 22% and the land gradient is over 14%, were eligible to receive KRW 400 000 (USD 418) per hectare for dry fields and KRW 200 000 (USD 209) per hectare for pasture.

Programmes for protecting farm household income from natural disasters were reinforced. A **crop insurance scheme**, which was introduced for apples and pears in 2001, was implemented for seven agricultural products in 2006. The farmers' share of the premium decreased from 41% in 2002 to 31% in 2006 with the remainder paid by the government. Also, the product coverage of the **livestock insurance scheme** to protect farmers' income from outbreaks of animal disease and natural disaster increased from four livestock products (cattle, pork, chicken and horses) in 2002 to nine livestock products, including deer, duck, pheasant, quail and turkey, in 2006.

Policies for promoting environmentally friendly farming have been continued. In 2006, the payment per hectare for **environmentally friendly farming** was increased to KRW 524-794 000 (USD 548-831) for dry fields and KRW 217-392 000 (USD 227-410) for paddy fields. About 27 000 farm households who participate in the production of low-chemical, chemical-free and organic products received total payments of KRW 11.4 billion (USD 11.9 million) in 2006. The pilot programme of **direct payments for environmentally friendly livestock practices**, which was introduced in 2004, was continued for nine hundred livestock producing farm households with a budget of KRW 5.8 billion (USD 6 million) in 2006.

Policies to cope with growing consumer concerns on food safety are being intensified. The **traceability scheme** for agricultural and livestock products, which was launched in 2004 on a pilot basis for beef, has begun to be applied throughout the market. In 2006, the government established a traceability information system for agricultural products (www.agros.go.kr) and about 8 800 farm households and 800 distributors are participating in this programme. In 2006, the government launched the **Good Agricultural Practices (GAP)** regulation and designated 21 institutions as GAP inspection agencies. About 3 700 farm households participated in this programme. The number of safety tests for agricultural products rose from 56 000 items in 2002 to 66 000 items in 2006.

To promote rural development and to improve the quality of life of rural residents, the government established a comprehensive law in 2004: the Special Act for Improving the Quality of Life of Farmers and Fishermen and Promoting Development in Rural, Mountainous and Fishing Communities. The implementation of the Special Act, which involves 15 ministries and 1 government agency, started in 2005. The government lowered health insurance premiums for farmers by 50% (the other 50% is paid by the government) and expanded government support of pension payments. The government also implemented support programmes for the purpose of improving living conditions such as education, medical services, roads, dwellings, drinking water supply, and infrastructure for

the Internet. The government also implemented several policy measures to increase off-farm income by promoting **agro-tourism** with a budget of KRW 10.6 billion (USD 11.1 million) in 2006. To establish regional networks among the academic community, research institutes, the industrial sector, and local governments for providing technical or marketing assistance to farmers, the government implemented the **regional agriculture cluster programme** with a budget of KRW 12 billion (USD 12.6 million) in 2005 and KRW 20 billion (USD 20.9 million) in 2006.

Trade policy

The result of Korea's 2004 rice negotiation was ratified in the national assembly in November 2005. The key result was to extend special treatment for rice until 2014 and to increase minimum market access (MMA) amounts from 225 575 tonnes in 2005 to 408 700 tonnes in 2014 in equal annual instalments. Since the ratification by the national assembly was delayed, the minimum market access for 2005 was imported in 2006.

The **Free Trade Agreements** (FTA) with Singapore and the European Free Trade Association (EFTA) went into effect in March 2006 and September 2006 respectively. Agreement on the commodity sector was reached in the FTA negotiations with ASEAN countries in August 2006. In the FTA with ASEAN, 71 sensitive agricultural products of Korea are exempt from tariff reductions. FTA negotiations were under way with the United States, Canada, India, Japan, and Mexico in 2006.

The fill rate of tariff-rate quota (TRQs) was around 67% in 2006. Out of 63 agricultural products subject to TRQ, 26 were completely filled, 24 were partially filled and there were no imports of 13 products.

Chapter 10

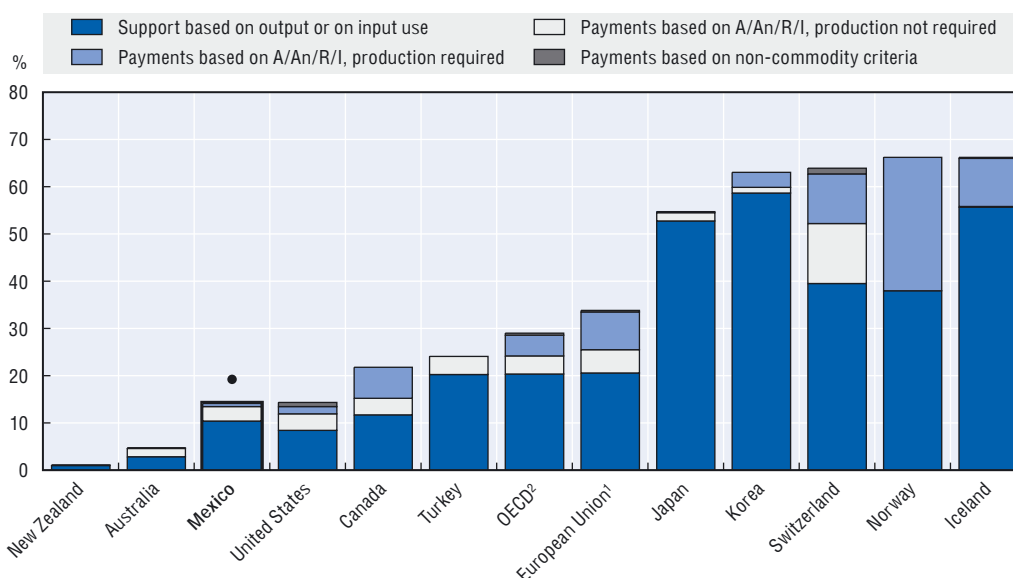
Mexico

Evaluation of policy developments

- Overall, there has been good progress in improving the market orientation of the sector. Compared to the OECD average, the level of producer support remains relatively low. However, market price support and payments based on output continue to represent more than half of producer support.
- Continuing reforms have reduced the degree of commodity market distortion, improved the effectiveness of income transfers to producers, improved the distribution of transfers, and improved transparency through decentralisation.
- The increase in support in 2006 was driven by an increase in the market price support for maize. Domestic price rises outpaced the rise in world prices. Consumers were adversely affected.
- The delays in implementing the “polluter pays” and “user pays” principles are postponing environmental benefits and allowing resource depletion to continue. Agricultural users of water remain subsidised, although some of this support has decreased in recent years.
- While progress was made, further reform should eliminate remaining trade barriers and replace the most distorting target income and input subsidies with less distorting targeted measures. Focus on measuring resource use should be improved.

Figure 10.1. Mexico: Producer Support Estimate by country, 2004-06

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

Summary of policy developments

General directions, objectives, and policy instruments did not change in 2005-06. Mexico has been preparing for full implementation of NAFTA in 2008. The PROCAMPO, set to help farmers cope with lower trade protection and with the removal of direct price support programmes before the inception of NAFTA, was planned to be phased out in 2008. However, the new administration announced that the programme would continue up to 2012.

- Support to producers (%PSE) fell from 28% in 1991-93 to 14% in 2004-06. This is below the OECD average of 29% in 2004-06. Support increased in 2006 to 17%.
- The combined share of the most distorting forms support (commodity output and variable input based support) in the PSE decreased from 92% in 1991-93 to 60% in 2004-06. The least distorting support (payments which place no requirements to produce) accounted for 21% in 2004-06.
- Prices received by farmers in 2004-06 were 8% higher than those received in the world market, compared to 34% in 1991-93. The difference between domestic farm receipts and what they would have been at world market prices decreased from 39% in 1991-93 to 17% in 2004-06.
- Producer SCTs by commodity in 2004-06 were highest for sugar (29%), in the range 6-20% for beef and veal, poultry, wheat, maize, rice, milk, and soybeans and close to zero for pigmeat and eggs. The share of total SCT in the PSE decreased from 85% in 1991-93 to 49% in 2004-06.
- According to the %CSE, the implicit tax on consumers was 8% in 2004-06 compared to 25% in 1991-93.
- Support for general services provided to agriculture increased slightly from 11% in 1991-93 to 14% in 2004-06. Total support to agriculture as a per cent of GDP has fallen from 2.8% in 1991-93 to less than 1% in 2004-06.

Figure 10.2. Mexico: PSE level and composition by support categories, 1986-2006

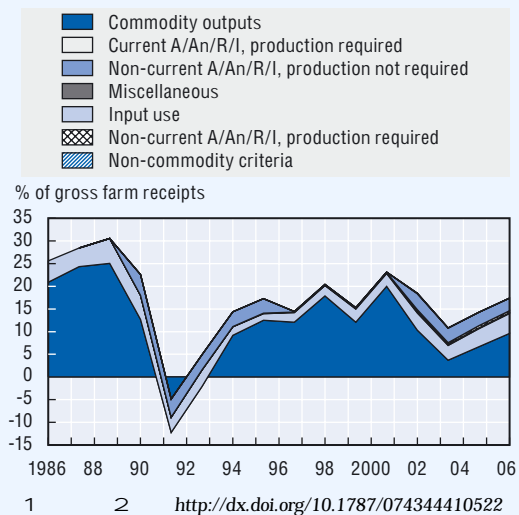


Figure 10.3. Mexico: Producer SCT by commodity, 2004-06

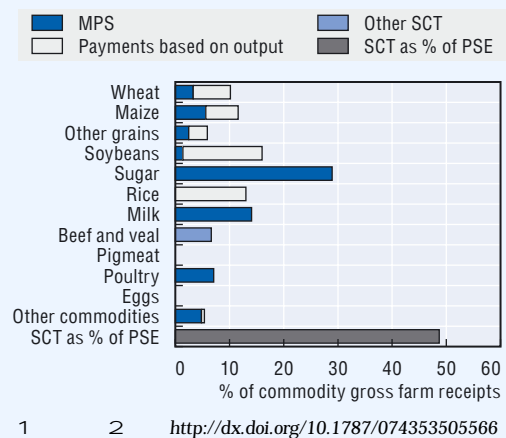


Table 10.1. Mexico: Estimates of support to agriculture
MXN million

	1991-93	2004-06	2004	2005	2006p
Total value of production (at farm gate)	86 539	389 007	377 470	380 768	408 784
<i>Of which share of MPS commodities (%)</i>	<i>69</i>	<i>68</i>	<i>69</i>	<i>68</i>	<i>67</i>
Total value of consumption (at farm gate)	82 500	391 427	373 715	374 201	426 365
Producer Support Estimate (PSE)	25 741	60 661	44 348	59 608	78 028
Support based on commodity output	21 378	28 631	15 231	27 651	43 011
<i>Market Price Support</i>	21 218	24 603	12 309	22 981	38 520
<i>Payments based on output</i>	160	4 028	2 922	4 670	4 490
Payments based on input use	4 353	16 584	13 228	16 748	19 776
<i>Variable input use</i>	2 296	7 626	6 515	7 229	9 134
<i>Fixed capital formation</i>	1 680	6 984	4 650	7 589	8 714
<i>On-farm services</i>	377	1 973	2 062	1 930	1 928
Payments based on current A/An/R/I ¹ production required	10	861	1 121	739	724
<i>Of a single commodity</i>	0	0	0	0	0
<i>Of a group of commodities</i>	10	861	1 121	739	724
<i>Of all commodities</i>	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production required	0	1 833	1 425	2 004	2 070
Payments based on non-current A/An/R/I ¹ production not required	0	12 630	13 116	12 466	12 308
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	12 630	13 116	12 466	12 308
Payments based on non-commodity criteria:	0	123	228	0	140
<i>Long-term resource retirement</i>	0	123	228	0	140
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	28	14	11	14	17
Producer NPC	1.34	1.08	1.04	1.08	1.12
Producer NAC	1.39	1.17	1.12	1.17	1.21
General Services Support Estimate (GSSE)	3 407	9 964	9 285	10 718	9 889
Research and development	339	1 623	1 565	1 609	1 696
Agricultural schools	550	2 199	2 064	2 077	2 457
Inspection services	0	1 740	1 828	2 160	1 233
Infrastructure	809	1 284	1 323	1 815	712
Marketing and promotion	322	3 046	2 396	3 003	3 739
Public stockholding	1 210	0	0	0	0
Miscellaneous	177	71	109	54	51
GSSE as a share of TSE (%)	10.9	14.5	18.0	15.9	11.4
Consumer Support Estimate (CSE)	-19 768	-32 220	-20 582	-30 593	-45 485
Transfers to producers from consumers	-21 710	-24 713	-13 166	-21 498	-39 474
Other transfers from consumers	-770	-5 945	-6 036	-6 397	-5 402
Transfers to consumers from taxpayers	2 100	-2 091	-2 157	-2 767	-1 348
Excess feed cost	612	528	778	69	739
Percentage CSE	-25	-8	-5	-8	-11
Consumer NPC	1.37	1.08	1.05	1.08	1.12
Consumer NAC	1.33	1.09	1.06	1.09	1.12
Total Support Estimate (TSE)	31 248	68 535	51 476	67 559	86 569
Transfers from consumers	22 480	30 658	19 202	27 895	44 875
Transfers from taxpayers	9 538	43 822	38 310	46 062	47 095
Budget revenues	-770	-5 945	-6 036	-6 397	-5 402
Percentage TSE (expressed as share of GDP)	2.79	0.80	0.67	0.81	0.93
GDP deflator 1986-88 = 100	100	527	497	524	559

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

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

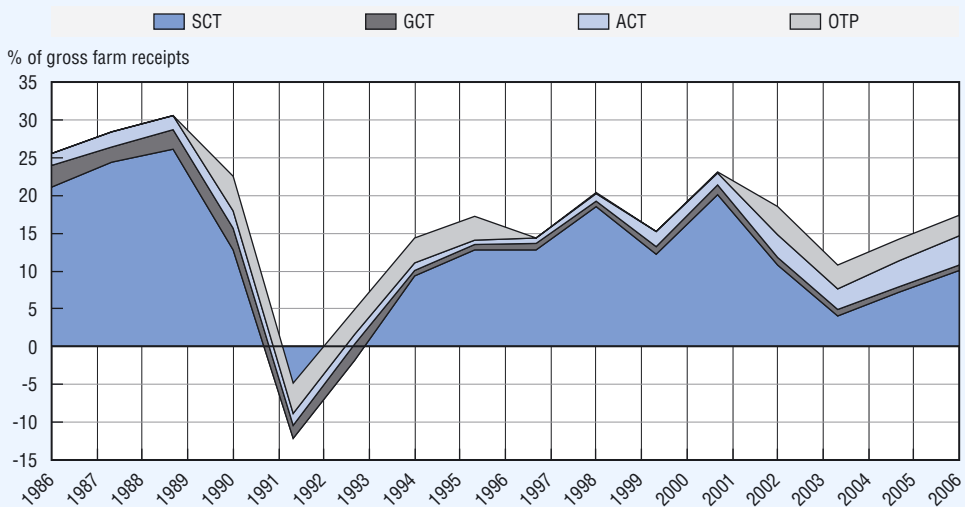
MPS commodities for Mexico are: wheat, maize, other grains, coffee beans, tomatoes, rice, oilseeds, sugar, milk, beef and veal, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 10.1. Mexico: Commodity-Specificity of Support

In Mexico, Single Commodity Transfers (SCT) made up 58% of the PSE in 2006, a reduction from 85% in 1991-93. Group Commodity Transfers (GCT), where producers have the option to produce one of a specified group of commodities as part of programme eligibility, made up 4% of the PSE in 2006, a reduction of 5% from 1991-93. 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 or do not require any commodity production at all.¹ Together these comprised 38% of the PSE in 2006, up from 7% in 1991-93.

Figure 10.4. Mexico: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074371577725>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments¹

Main policy instruments

The direction, objectives, and policy instruments of agricultural policy in Mexico over the 2005-06 period continued to be determined by the Sectoral Program of Agriculture, Livestock, Rural Development, Fisheries and Food 2001-06. They aimed to align current productivity development programmes with marketing opportunities and the needs of domestic and export markets, ensure cohesion between incentives to increase agricultural production and the sustainability of resources and the environment, promote public policies that create a level playing field for competition with other North American Free Trade Agreement (NAFTA) members and improve efforts to fight poverty. Efforts to create and implement decentralized agricultural and rural development policies were continuing through Alianza Programs.

Agricultural policies consisted of market price support provided through tariffs and tariff rate quotas (TRQs), marketing support (ASERCA² Target Income Program); income support payments (PROCAMPO³), input support measures (energy subsidies, irrigation subsidies, rural and farm credit support policy), policies for water and other natural resources (Water Rights Acquisition Program, environmental stewardship provisions in PROCAMPO and PROGAN⁴), policies to improve productivity (ALIANZA⁵) and other policy measures (commercial promotion and agro-business development, weather-related disasters).

Domestic policy

The marketing programmes operated by ASERCA accounted for MXN 6.5 billion, representing 14% of the SAGARPA (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación – Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food) budget in 2005. The Target Income sub-programme operates as a **deficiency payment**. The provisions of the programme, which imposes a maximum yield per hectare that is determined for each region, vary according to each commodity covered. ASERCA also operates a series of measures designed to deal with surplus production and to improve market integration. The most important measures relate to price hedging and generally to the promotion of the knowledge and skills necessary for risk management. There are also measures for crop conversion.

PROCAMPO started in 1993, before the inception of NAFTA, to help farmers cope with lower trade protection and with the removal of direct price support programmes. By linking the payment to historical use of land, it was intended to help farmers switch to more profitable crops in the context of a more competitive economy. By paying all land owners who grew one of a list of eligible crops, rather than only those who sold their output, the programme's scope extends to subsistence farmers. The programme was planned to be phased out in 2008. However, it has been announced that the programme would continue up to 2012.

Expenditure under the PROCAMPO programme has varied little in real terms in recent years, accounting for about 14 billion MXN in 2005 and about one-third of all SAGARPA spending. One of the changes made recently by arrangement with certain financial institutions allowed for a producer to receive the present value of future entitlements in exchange for which the producer must submit an investment plan (capital formation). In 2006, over 20% of PROCAMPO was capitalised under this provision (up from 17% in 2005).

The agricultural sector currently accounts for 76% of Mexico's water use. **Water policy** has long subsidised agricultural users relative to others, although some of this support has decreased in recent years. The strengthening of hydro-agricultural infrastructure and projects for increasing efficiency in water management have been priorities for some time. The irrigation infrastructure for agricultural activities has been improved. Since 2005, two important projects, Baluarte Presidio and El Tigre, facilitate irrigation on an area of 22 500 hectares.

Alianza (*Alianza para el Campo*) began in 1996 and was revised in 2003 (*Alianza Contigo*) to serve as an umbrella for several programmes including many that focus on increasing agricultural productivity and helping farmers to add more capital to their operations. The basic objectives of Alianza elements that focus on agricultural productivity are to increase productive infrastructure, combat animal diseases, transfer relevant technology and promote integrated development of rural communities. In general, Alianza's yearly expenditures (which also includes rural poverty alleviation) have been around 3% of agricultural GDP. Final beneficiaries are required to provide matching contributions in order to access certain programmes. Operation of Alianza programmes is designed to decentralise decision making and implementation, through the participation and funding of federal and local governments as well as producers. Alianza currently accounts for about 16% of total spending by SAGARPA.

Trade policy

With the inception of the NAFTA in 1994, all the import barriers insulating the agricultural sector against trade with Canada⁶ and the United States became tariffs or tariff quotas, and were scheduled to be eliminated gradually for all commodities. As of 2006, most of the **tariffs** on agricultural imports either have been phased-out, or are close to zero. However, transitional tariffs for the four products deemed most sensitive (maize, beans, milk and sugar) are to be phased out by 2008. In 2005, 78% of total agro-food imports came from NAFTA countries, and 86% of Mexico's agricultural and food exports were destined for those same countries.

Mexico has continued to conclude **trade agreements** with other countries. To date, 12 free trade agreements have been signed with countries or blocks of countries within North America, Central America, South America, Europe and Asia. Most recently trade agreements with Uruguay and Japan entered into force in 2004 and 2005, respectively.

In response to a WTO ruling in March 2006, Mexico eliminated the 20% tax on beverages containing high fructose corn syrup (HFCS) and sweeteners other than sugar.

Notes

1. OECD (2006), "Agricultural and Fisheries Policies in Mexico: Recent Achievements, Continuing the Reform Agenda", Paris.
2. ASERCA: "Apoyos y Servicios a la Comercialización Agropecuaria" (Agricultural Marketing Support and Services).
3. PROCAMPO: "Programa de Apoyos Directos al Campo" (Direct Payments Program for the Countryside).
4. PROGAN: "Programa de Estímulos a la Productividad Ganadera" (Programme to Improve Livestock Productivity).
5. Alianza covers three streams: Agriculture Enhancement Program, Livestock Enhancement Program, ALIANZA - rural development.
6. Agreement with Canada does not include sugar, poultry, milk and eggs.

Chapter 11

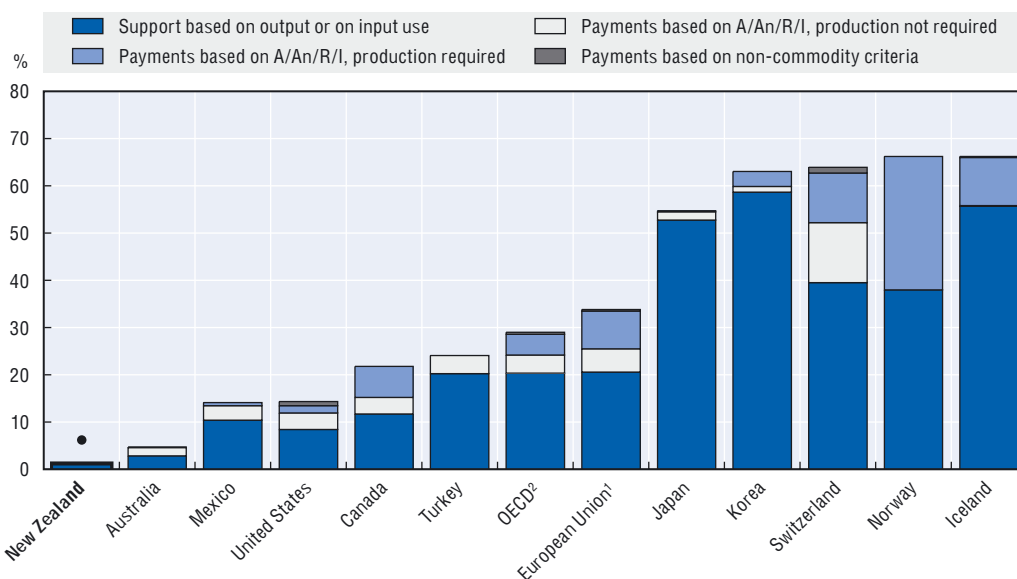
New Zealand

Evaluation of policy developments

- Significant progress has been made since 1986-88 in removing policies causing agricultural production and trade distortions. The level of producer support is the lowest across OECD members, domestic and border prices are aligned, and payments are only provided for pest control or relief against climate disasters.
- Reforms undertaken on the statutory producer organisation and marketing boards brought deregulation for all sectors except for kiwifruit, where statutory export rights have been granted to a designated exporter.
- Efforts for sustainable management of New Zealand's biological and natural resources continued to establish the national frameworks for land and water quality and allocation. A partnership between the dairy industry and both central and local governments has the potential to reduce water pollution. The sustainable farming fund and farm environment awards have made their contribution to the development of sustainable land and water management practices.
- Food safety and biosecurity have been the focus of considerable attention in recent years. The creation of *Biosecurity New Zealand* consolidated accountability for New Zealand's biosecurity system into a single authority to improve consistency in risk assessment and efforts to deal with unwanted pests and diseases.
- Efforts for environmentally sustainable development should continue. The government's efforts to develop additional market-based approaches to deal with both water quality and quantity issues should be encouraged.

Figure 11.1. New Zealand: Producer Support Estimate by country, 2004-06

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

Summary of policy developments

Recent policy initiatives in New Zealand relate to sustainable development, biosecurity controls, and water management. Progress was made over 2005-06 toward establishing a national framework for sustainable development. A package of actions in the sustainable water programme and dairying and clean streams accord which were established in 2003 is now under way. The sustainable farming fund has provided financial grants for the efficient use of water and land during the last seven years. The development of policies on climate change and the review of response policy on natural disasters were undertaken. In the area of biosecurity, development of a science strategy is under way and the government made efforts to improve early detection, effective eradication, and contingency planning.

- Support to producers (%PSE) was 1% in 2004-06, down from 10% in 1986-88 and has been the lowest in the OECD since the agricultural reforms in the mid-1980s.
- The share of payments based on input use decreased from 48% of the PSE in 1986-88 to 37% in 2004-06. Payments based on current factors accounted for 10% of the PSE in 2004-06.
- Producer SCT by commodity was 32% for eggs, 9% for poultry and zero for all the other commodities.
- The cost to consumers, as measured by the %CSE, was 2% in 2004-06 (7% in 1986-88).
- Support for general services provided to agriculture as a share of total support increased between 1986-88 and 2004-06, from 21% to 60%. 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 0.3%, which is less than a quarter of the share in 1986-88.

Figure 11.2. New Zealand: PSE level and composition by support categories, 1986-2006

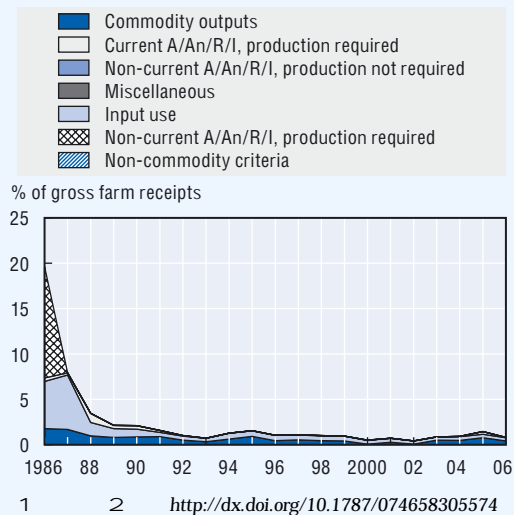


Figure 11.3. New Zealand: Producer SCT by commodity, 2004-06

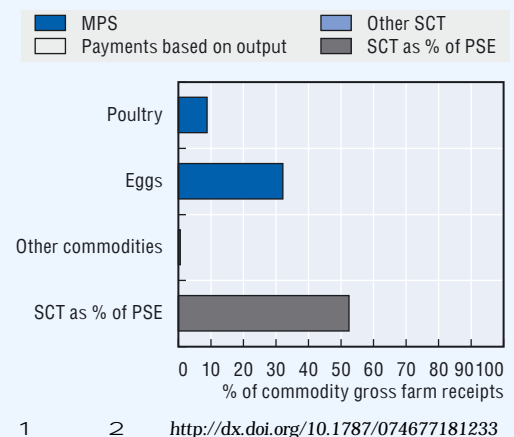


Table 11.1. New Zealand: Estimates of support to agriculture
NZD million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	6 860	15 368	14 661	14 796	16 649
<i>Of which share of MPS commodities (%)</i>	<i>72</i>	<i>74</i>	<i>74</i>	<i>74</i>	<i>74</i>
Total value of consumption (at farm gate)	1 671	3 104	3 020	2 989	3 301
Producer Support Estimate (PSE)	782	162	137	214	136
Support based on commodity output	111	85	71	115	69
<i>Market Price Support</i>	108	85	71	115	69
<i>Payments based on output</i>	3	0	0	0	0
Payments based on input use	314	58	60	55	58
<i>Variable input use</i>	3	0	0	0	0
<i>Fixed capital formation</i>	271	0	0	0	0
<i>On-farm services</i>	40	58	60	55	58
Payments based on current A/An/R/I ¹ production required	42	19	6	43	8
<i>Of a single commodity</i>	0	0	0	0	0
<i>Of a group of commodities</i>	0	0	0	0	0
<i>Of all commodities</i>	42	19	6	43	8
Payments based on non-current A/An/R/I ¹ production required	315	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	0	0	0	0
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	0	0	0	0
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	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	1.00	1.01	1.00
Producer NAC	1.12	1.01	1.01	1.01	1.01
General Services Support Estimate (GSSE)	203	239	220	233	265
Research and development	102	90	96	86	87
Agricultural schools	0	21	18	21	23
Inspection services	54	75	75	71	79
Infrastructure	47	53	29	55	75
Marketing and promotion	0	0	0	0	0
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	1	0	0
GSSE as a share of TSE (%)	20.6	59.6	61.7	52.2	66.1
Consumer Support Estimate (CSE)	-109	-74	-65	-107	-51
Transfers to producers from consumers	-105	-74	-65	-107	-51
Other transfers from consumers	-4	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	0	0	0	0
Percentage CSE	-7	-2	-2	-4	-2
Consumer NPC	1.07	1.02	1.02	1.04	1.02
Consumer NAC	1.07	1.02	1.02	1.04	1.02
Total Support Estimate (TSE)	985	401	357	447	400
Transfers from consumers	109	74	65	107	51
Transfers from taxpayers	881	327	291	340	349
Budget revenues	-4	0	0	0	0
Percentage TSE (expressed as share of GDP)	1.73	0.26	0.24	0.29	0.25
GDP deflator 1986-88 = 100	100	156	152	156	159

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

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

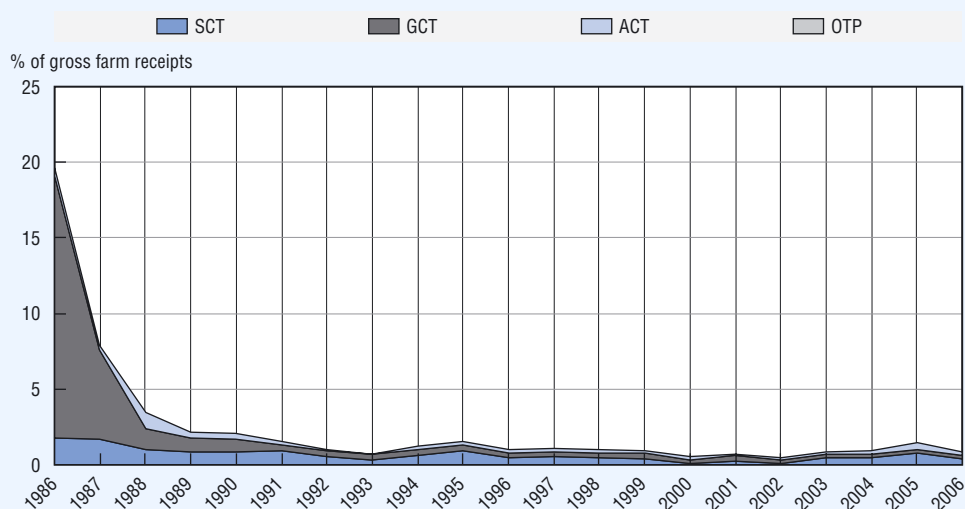
MPS commodities for New Zealand are: wheat, maize, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 11.1. New Zealand: Commodity-Specificity of Support

In New Zealand, Single Commodity Transfers (SCT) in 2004-06 made up 52% of the PSE, an increase from 19% 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 22% of the PSE in 2004-06, compared to 68% in 1986-88. 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 or do not require any commodity production at all.¹ Together these made up 26% of the PSE in 2004-06, up from 13% in 1986-88. These changes have to be viewed against an overall reduction in the %PSE from 10% in 1986-88 to 1% by 2004-06.

Figure 11.4. New Zealand: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/074687074154>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

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 in fact charged to the appropriate beneficiaries. In the event of large-scale emergencies of national significance that are beyond the response capacity of private insurance, local farmer organisations and territorial local authorities, payments to farmers are granted to replace losses resulting from adverse climatic events and natural disasters. The only commodities for which market price support is provided in New Zealand are eggs and poultry due to border measures imposed to prevent the entry of 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. In two cases, statutory export rights have been granted to designated exporters. Exports of dairy products are regulated where importing countries have country-specific tariff quotas for New Zealand products. The New Zealand Dairy Board, a wholly owned subsidiary of Fonterra, holds exclusive access to these markets for fixed periods. This legislation is currently under review. Legislation provides for Zespri to be the main exporter of kiwifruit. Those who wish to export this fruit must obtain a permit 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 choose to work under this legislative framework.

To fund activities such as market research, development, quality assurance, and plant and animal health protection, two industry organisations have statutory powers to collect levies from producers. These producer organisations are Deer Industry New Zealand and the Pork Industry Board. The trend in New Zealand is for sector-specific legislation to be replaced with a harmonised approach 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. 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. Most responsibilities under the RMA are assigned to regional and district councils. Examples of relevant activities include 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

Progress was made over 2005-06 towards establishing a sustainable development framework and improving understanding of the needs for and the impediments to implementing economically profitable sustainable development in this area. The next step will be the development of national frameworks for land and water quality and allocation.

The **Pastoral Greenhouse Gas Research Consortium** (PGGRC) continues to develop technologies and systems for improving the economic and environmental performance of agriculture. Globally, 14% of greenhouse gas emissions come from agriculture. In comparison, 49% of New Zealand's greenhouse gas emissions come from the agricultural sector. The Consortium, a combined industry and government initiative established in 2002, seeks to discover innovative ways to reduce methane and nitrous oxide production from sheep, cattle and deer. A full review of its governance and science, involving independent experts, was completed in 2006. As part of the continuing development of climate change policy for the agriculture and forestry sectors a discussion document on sustainable land management and climate change was released by the government in late 2006; a wide range of options are presented to reduce greenhouse gas emissions from agriculture, to encourage afforestation, and to manage deforestation. Public consultation was undertaken in early 2007.

The **Sustainable Water Programme of Action**, established in 2003, aims to address the issues of maintaining water quality and the increasing demand for water, including for irrigation. This inter-departmental effort is 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 under way. Through the Programme of Action, the government is seeking to raise public awareness of water management issues and 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 SFF.

The **Dairying and Clean Streams Accord** was agreed between 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 to implement. Among these, stock exclusion and stream-crossing targets set for 2007 were attained in 2006. Since 2004, a yearly report provides a stocktaking of progress in implementing this Accord (www.maf.govt.nz or www.mfe.govt.nz)

The discussion on **Nitrogen Restrictions in the Lake Taupo Catchment** is under progress. Lake Taupo is building up increasing levels of nitrates which come from waterways in its catchment. Environment Waikato has proposed capping nitrogen levels in the lake and reducing by 20% manageable discharges in the lake's catchment by 2020. For the initial allocation of nitrogen discharge, MAF proposed in September 2005 that a variation of grandparenting (allocation based on current or historical levels) be adopted in its submission to Environment Waikato. No final decision has yet been taken on the initial allocation method.

The **Sustainable Farming Fund (SFF)** has provided financial grants to 460 producer-led projects during its seven years of operation. It provides money for 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.

The New Zealand **Farm Environment Awards Trust** is a charitable organization which aims to promote sustainable environmental management of land and other resources on farms. The Farm Environment Awards were established in 1993 as a joint initiative between the Waikato Conservation Board and Environment Waikato (the Regional Council). In 2007, the Awards were enlarged to incorporate eight regions. The key objective of the Awards is to encourage sustainable land management and to illustrate to farmers that profitability can be balanced with environmental concerns. Through feedback and profiling winners, the Awards encourage other farmers to be more proactive in their resource management by providing role models for sustainable land management.

New Zealand experienced severe damage from flooding and storms in 2004. To develop a new process for recovering from severe climatic events or natural disasters that are beyond the ability of individual communities to cope with, a review of New Zealand's adverse events response policy is in progress, with consultation with stakeholders undertaken late in 2006. The aim of the review of the **On-farm Adverse Events Recovery Framework** is to promote a shared understanding of the roles and responsibilities of central government, local government, and the primary production sector in preparing for, and recovering from, adverse events.

Recent expansion of New Zealand's orchards and vineyards requires increasing numbers of seasonal labourers. A **seasonal labour strategy for horticulture and viticulture** was launched by MAF, Department of Labour, Ministry of Social Development and the industry in 2005. It seeks to ensure that the sector has access to skilled people in an area that has faced labour shortages in recent years, with a view to lifting productivity within the sector on a sustainable basis.

The government is developing a suite of **agricultural performance indicators** spanning the economic, environmental, and social domains. The final set will include core indicators linking the national, regional, and territorial authority levels with quantitative information. The Ministry of Agriculture and Forestry participated along with livestock industry representatives in an **Animal Identification Working Party** to consider the development of a national animal identification and traceability framework. A new code of welfare for deer was developed in 2005 under the *Animal Welfare Act 1999*.

In the area of **biosecurity**, development of a science strategy is under way, reflecting the importance that New Zealand places on ensuring that sanitary and phytosanitary measures are based on scientific evidence. The cost of Operation Waiheke, a response to a hoax letter claiming foot and mouth disease (FMD) had been released on Waiheke Island in May 2005, was NZD 2 million. The Reserve Bank estimated the impact of a real case of FMD on the New Zealand economy at NZD 10 billion over two years. The government has undertaken a programme of work that focuses on better determining issues that are unique to Mori interests in the field of biosecurity response and management since 2004. This includes, for example, identifying potential pests of a number of native plants and assessing the impacts of these identified pests on Mori cultural values, identifying marine species of significance to Mori and determining the values that Mori attribute to waterways.

Trade policy

Accomplishing more liberal rules-based trade through the WTO Doha Round negotiation is the top agricultural trade policy priority. New Zealand has already finalised four **Free Trade Agreements** (FTA): the 1983 Australia-New Zealand Closer Economic Relations Trade Agreement; the 2001 Agreement between New Zealand and Singapore on a Closer Economic Partnership; the 2005 Thailand-New Zealand Closer Economic Partnership Agreement; and the 2005 Trans-Pacific (involving New Zealand, Singapore, Brunei and Chile) Strategic Economic Partnership Agreement. Currently, New Zealand is negotiating three FTAs: New Zealand-China, New Zealand-Malaysia, and ASEAN-Australia/New Zealand, and soon to begin negotiation with the Gulf Co-operation Council (GCC) (Saudi Arabia, UAE, Oman, Qatar, Bahrain, and Kuwait).

The World Animal Health Organisation (OIE) officially recognised New Zealand as bovine spongiform encephalopathy (BSE) free in early 2006. There has never been a case of BSE in New Zealand.

Chapter 12

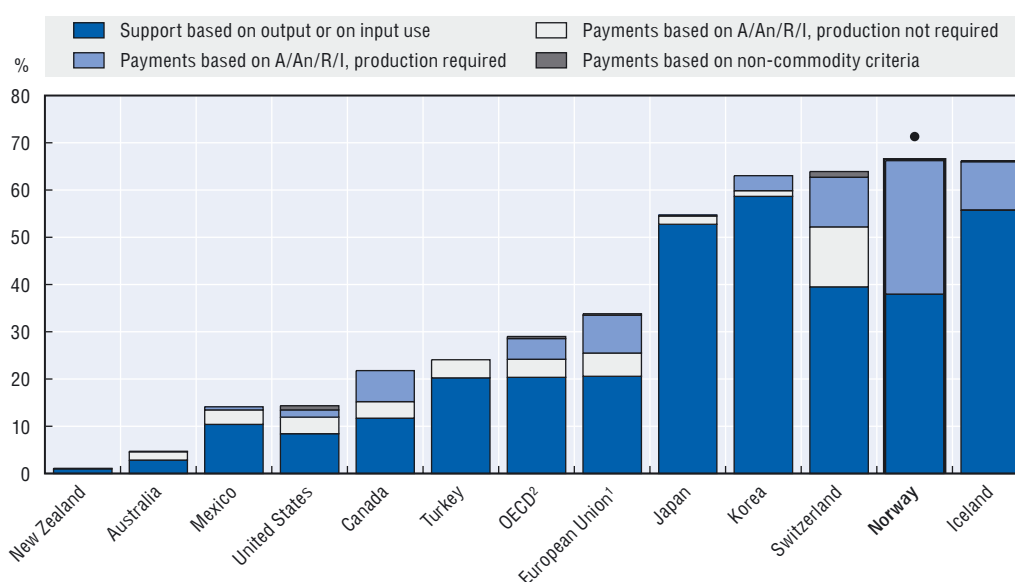
Norway

Evaluation of policy developments

- Overall, policy reform since 1986-88 has improved market orientation somewhat. There has been a move away from market price support and output payments and a modest reduction in the level of support. But the more production and trade distorting measures still account for slightly over half of support and the level of support remains very high.
- More targeted policy measures implemented in recent years, such as individual farm conservation plans, regionally based environmental payments, and incentives for year-round grazing all have the potential to improve the economic efficiency and environmental performance of policy.
- The continued use of taxes to reduce the environmental impact of pesticides is consistent with the polluter-pays-principle.
- Improving the information flow to consumers and increasing direct trading opportunities for milk quotas will allow the market a greater role in determining the patterns of production.
- However, agricultural markets are among the most highly protected in the OECD area and greater effort is required to reduce the level of production-linked support, reduce market protection and improve the targeting of policies to achieve environmental, income or other objectives in ways that are less production and trade distorting.

Figure 12.1. Norway: Producer Support Estimate by country, 2004-06

Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

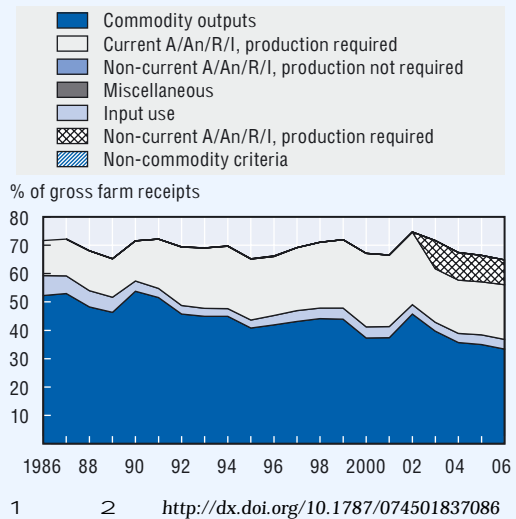
Source: OECD PSE/CSE database, 2007.

Summary of policy developments

In 2006, an additional grazing payment was introduced to complement existing support received for extensive grazing. This was combined with new headage payments for year-round outdoor grazing of sheep and for lamb carcasses. More emphasis is now placed on organic agriculture through increased funding and increasing milk quotas for organic farmers.

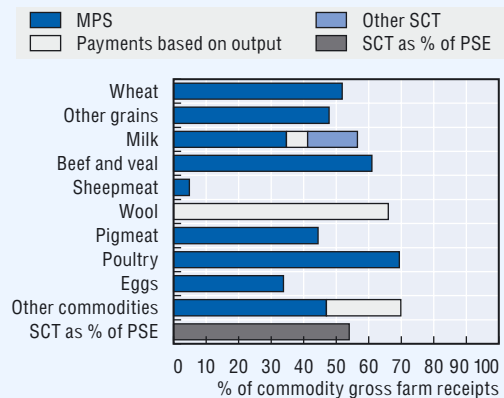
- Support to producers (%PSE) decreased from 71% in 1986-88 to 66% in 2004-06, compared to an OECD average of 29%. Support fell slightly in 2006 to 65%.
- The combined share of the most distorting types of support in the PSE fell from 78% in 1986-88 to 55% in 2004-06. Despite this reduction, during the same period the share of the least distorting types of support remained stable at approximately zero, indicating there is still room for further improvements.
- Prices received by farmers were over twice as high as those on the world market in 2004-06, compared to over four times as high in 1986-88. Farm receipts went from three and a half times what they would have been on the world market in 1986-88, to three times that amount in 2004-06.
- In 2004-06 producer single commodity transfers (SCT) by commodity was low for sheepmeat (5%), but 34% for eggs, between 40-60% for common wheat, barley, oats, milk, and pigmeat, and around 60-70% for poultry and wool. The share of total SCT in the PSE decreased from 64% in 1986-88 to 54% in 2004-06 (51% in 2006).
- The cost imposed on consumers as measured by the %CSE has fallen slightly from 56% in 1986-88 to 52% in 2004-06.
- Support for general services provided to agriculture increased from 3.9% of total support in 1986-88 to 7.5% in 2004-06. Total support to agriculture as a percentage of GDP has fallen by two thirds since 1986-88, to 1.1% in 2004-06, in line with the OECD average.

Figure 12.2. Norway: PSE level and composition by support categories, 1986-2006



<http://dx.doi.org/10.1787/074501837086>

Figure 12.3. Norway: Producer SCT by commodity, 2004-06



<http://dx.doi.org/10.1787/074546655617>

Table 12.1. Norway: Estimates of support to agriculture
NOK million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	17 354	18 722	18 868	18 466	18 832
<i>Of which share of MPS commodities (%)</i>	<i>73</i>	<i>82</i>	<i>82</i>	<i>83</i>	<i>82</i>
Total value of consumption (at farm gate)	17 899	18 583	18 433	18 673	18 644
Producer Support Estimate (PSE)	19 203	19 451	20 013	19 255	19 083
Support based on commodity output	13 905	10 187	10 593	10 131	9 838
<i>Market Price Support</i>	9 351	8 802	9 203	8 736	8 466
<i>Payments based on output</i>	4 554	1 386	1 390	1 395	1 372
Payments based on input use	1 721	979	945	997	994
<i>Variable input use</i>	1 020	510	513	514	503
<i>Fixed capital formation</i>	628	387	350	403	408
<i>On-farm services</i>	73	82	83	81	82
Payments based on current A/An/R/I ¹ production required	3 577	5 563	5 592	5 412	5 684
<i>Of a single commodity</i>	0	13	16	12	12
<i>Of a group of commodities</i>	3 539	4 719	4 825	4 647	4 685
<i>Of all commodities</i>	38	830	750	753	987
Payments based on non-current A/An/R/I ¹ production required	0	2 722	2 882	2 715	2 568
Payments based on non-current A/An/R/I ¹ production not required	0	0	0	0	0
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	0	0	0	0
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	71	66	67	66	65
Producer NPC	4.22	2.35	2.40	2.40	2.25
Producer NAC	3.42	2.96	3.07	2.98	2.84
General Services Support Estimate (GSSE)	848	1 579	1 624	1 545	1 569
Research and development	472	770	736	752	821
Agricultural schools	0	0	0	0	0
Inspection services	33	323	365	306	299
Infrastructure	133	173	188	194	138
Marketing and promotion	210	62	81	51	53
Public stockholding	0	0	0	0	0
Miscellaneous	0	251	253	241	258
GSSE as a share of TSE (%)	3.9	7.5	7.5	7.4	7.6
Consumer Support Estimate (CSE)	-9 244	-9 564	-9 673	-9 773	-9 245
Transfers to producers from consumers	-11 474	-9 858	-10 050	-9 975	-9 550
Other transfers from consumers	-969	-310	-226	-421	-282
Transfers to consumers from taxpayers	1 522	82	108	70	67
Excess feed cost	1 677	523	495	554	520
Percentage CSE	-56	-52	-53	-53	-50
Consumer NPC	3.35	2.21	2.26	2.26	2.12
Consumer NAC	2.31	2.07	2.12	2.11	1.99
Total Support Estimate (TSE)	21 573	21 112	21 746	20 870	20 720
Transfers from consumers	12 443	10 168	10 276	10 397	9 833
Transfers from taxpayers	10 099	11 253	11 696	10 894	11 169
Budget revenues	-969	-310	-226	-421	-282
Percentage TSE (expressed as share of GDP)	3.57	1.12	1.27	1.10	0.99
GDP deflator 1986-88 = 100	100	190	175	190	204

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

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

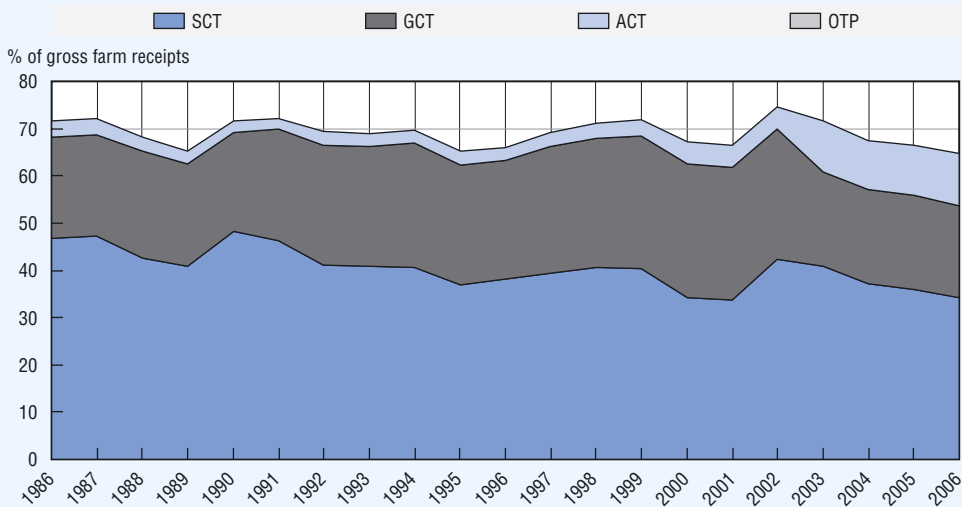
MPS commodities for Norway are: wheat, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 12.1. Norway: Commodity-Specificity of Support

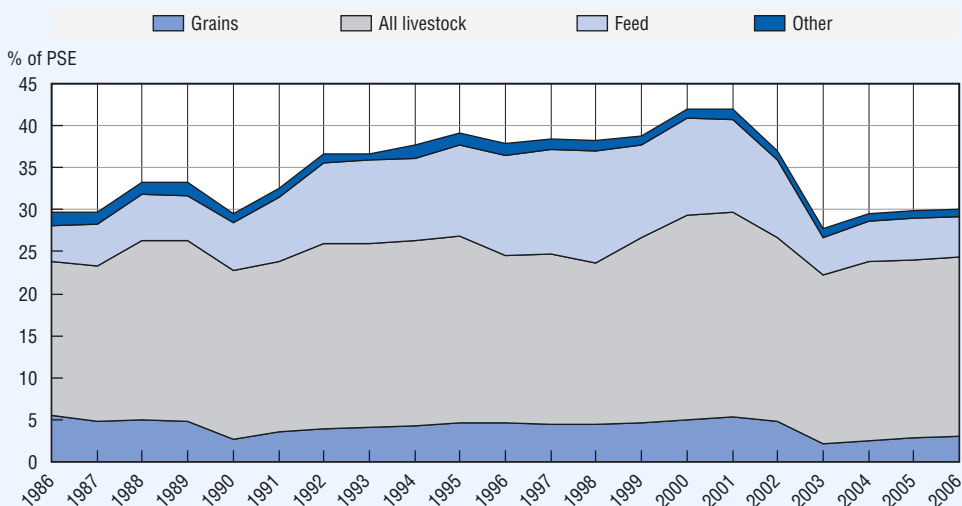
In Norway, Single Commodity Transfers (SCT) made up 53% of the PSE in 2006, a reduction from 64% in 1986-88. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 30% of the PSE in 2006, basically unchanged when compared to 1986-88 when it was 31%. 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 or do not require any commodity production at all.¹ Together these more flexible payments comprised 17% of the PSE in 2006, up from 5% in 1986-88.

Figure 12.4. Norway: PSE level and commodity specificity, 1986-2006



1 2 <http://dx.doi.org/10.1787/074552287004>

Figure 12.5. Norway: Components of GCT



Source: OECD PSE/CSE database, 2007.

Box 12.1. Norway: Commodity-Specificity of Support (cont.)

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. Transfers for producing any one of a group of commodities (GCT), accounting for 30% of PSE support are sizable, with the largest share (21% of PSE) going to livestock producers (irrespective of animal type), followed by 5% of PSE supporting production of coarse feeds, including mountain farming, and the rest going to either producers of grains (3%), or other groups. The relative importance of the different groups in terms of share of PSE support did not change much from 1986 to 2006.

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

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 resulting in an Agricultural Agreement, on a July/June basis. Milk production quotas were introduced in 1983. Most of Norway's tariff-rate-quotas (TRQs) were eliminated in 2000 when the WTO bound tariff rates for these products became equal to the in-tariff quota rates. Tariffs for the vast majority of 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.

Market price support is supplemented by a variety of other support measures, including area, headage, and deficiency payments. A significant proportion of these payments are differentiated by region and farm size. Agri-environmental payments have been increasing in recent years. 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 current direction of Norwegian agricultural policy emphasises increased consumer orientation, food safety and the multifunctional character of agriculture, while continuing to focus on promoting food security, enhancing rural development, and protecting the cultural landscape and biodiversity. The **Norwegian Agricultural Authority** (NAA), established in 2000 under the authority of the Ministry of Agriculture, is the central body implementing agricultural policy.

The **Norwegian Food Safety Authority** was established in 2004 bringing together into one organisation responsibilities previously held by several Norwegian agencies. The Authority is responsible for all matters relating to health, quality and other consumer interests in feed and food production and marketing. Also in 2004, a new Food Production and Safety Act was enacted to replace previous laws regulating the food chain and plant and animal health.

Another responsibility of the Authority is to implement the measures contained in **An Action Plan for the Consumer Orientation of Food Policy (2004-05)** jointly established by four government agencies, including the Ministry of Agriculture and Food. The objectives of the plan are to strengthen the opportunities of consumers to influence the development of food policy and to make an informed choice based on personal preference, and their confidence in the food they consume. Projects include consumer panels for advising politicians and Internet-based information sources.

Domestic policy

Target prices for cereals, after having typically fallen every year since the target price system was introduced for grains in 2001, were basically left unchanged in 2005 and 2006 (Table 12.2). Increases in target prices occurred for beef in 2005 and for sheepmeat in 2006. On 1 January 2004 a new target price for raw milk for all uses was established. Previously there were separate target prices for different groups of milk uses. This target price was

Table 12.2. Norway: Administered prices

Product	2004/05 (July to June)		2005/06 (July to June)		2006/07 (July to June)		Change in NOK price	
	NOK/t	USD/t	NOK/t	USD/t	NOK/t	USD/t	04/05-06/06	05/06-06/07
							%	
Wholesale level (excluding value added tax)								
Food grains								
Wheat	2 150	318	2 120	329	2 120	329	-1.40	0.00
Rye	1 990	294	1 960	304	1 960	305	-1.51	0.00
Feed grains								
Barley and Oats ¹	1 720	254	1 730	269	1 730	269	0.58	0.00
Oilseeds	4 280	632	4 290	666	4 330	673	0.23	0.93
Beef, bull ²	38 110	5 632	40 130	6 230	40 130	6 235	5.30	0.00
Pigmeat ³	27 220	4 022	27 220	4 226	26 220	4 074	0.00	-3.67
Sheepmeat, lamb ²	44 000	6 502	44 000	6 831	46 000	7 147	0.00	4.55
Eggs ⁴	13 600	2 010	13 600	2 111	13 830	2 149	0.00	1.69
Poultry	26 030	3 847	25 010	3 883	25 010	3 886	-3.92	0.00
Milk ⁵	3 673	5 780	3 702	575	3 721	578	0.79	0.51

1. The same target price applies to both barley and oats.
2. Class O- and better; Carcasses.
3. Class E; Carcasses minus head and trotter.
4. Class A, weighing more than 53 grams.
5. Converted from litres, assuming 1 litre equals 1.032 kilograms of milk.

Source: Ministry of Agriculture, Oslo, 2007.

increased by less than 1% in the 2004/05 annual agreement. Overall, changes in target prices since 2004/05 are estimated to have increased the total value of farm gate production by NOK 300 million (USD 46.6 million), or around 2%.

In Norway, agricultural co-operatives are responsible for market regulation within their respective sectors. Market regulation measures are funded in part by producer levies (marketing fees) imposed on agricultural products, paid by the producers. These levies decreased for grain, sheepmeat, poultry, and eggs, reflecting the fact that there has been only limited surplus production. Beef and pigmeat are the exceptions to this downward trend of marketing fees indicating that significant surplus production has led to lower market prices (Table 12.3). However, surplus production and imports of beef appeared mainly in 2005 and the first part of 2006, and are not expected to be a recurrent issue.

Table 12.3. Norway: Average marketing fees 2005, and per cent change in 2006 and 2007

(NOK per l/kg, 1st of January)

	1 January 2005		Jan. 05-Jan. 06	Jan. 06-Jan. 07
	NOK per l/kg	USD per l/kg	% change	% change
Grain	0.04	0.01	0	-50
Milk	0.08	0.01	25	20
Beef	0.50	0.08	40	214
Sheepmeat	3.00	0.47	-17	-60
Pigmeat	2.40	0.37	-21	42
Egg	0.80	0.12	0	-25
Chicken	0.45	0.07	-44	-20
Turkey	0.30	0.05	-17	-20

Source: The Agricultural marketing Board/Norwegian Agricultural Authority.

Milk production quotas have been tradable since 1997 through a system whereby the NAA purchases and on-sells quota. The government has used this system to reduce production in response to lower domestic consumption and the WTO limits on subsidised exports. Over the period 1997-2001, the government on-sold only 36% of the quota it purchased, withdrawing the other 64% (275 million litres or 15% of production) from the market. Since 2001, it has not been necessary to withdraw quota from the market and so all milk quota purchased by the NAA has been on-sold. In fact, quotas were increased by 2% in 2005 and will be increased by an additional 1% in 2007.

Some flexibility in the system was introduced in 2003 with the government restricting itself to purchasing only 70% of the offered quota (for either on-sale or withdrawal), with the remainder able to be traded directly between farmers. In 2004, the share that farmers could sell directly was increased to 60%, but will be brought down again to 50% in 2007. Sales remain restricted through both systems to existing producers within the same county, with any surplus held by the NAA offered to new milk producers. In addition, in 2006 the maximum milk quota for individual farms was increased by 9%, from 375 000 to 400 000 litres for cow milk and from 187 500 to 200 000 litres for goat milk. In 2006, 10% of the quota bought by the state was earmarked for producers of organic milk, and this amount can be redistributed between counties.

Since July 2003, Tine, the farmer co-operative responsible for raw milk price setting and market regulation, has separated its functions of collecting and selling raw milk from that of processing dairy products. Efforts are also being made to ensure that the prices of processed dairy products charged by Tine are cost-based in an attempt to increase competition in the milk processing sector.

Following the elimination of the **base deficiency payment** for milk in 2002, the NOK 1.81/kg deficiency payment for beef and veal was eliminated in 2003. Deficiency payments remain only for wool, sheepmeat, goatmeat and goat milk, with payment rates for these products remaining constant except for goat milk that was increased by 25% in 2005 and by 12% in 2006. No changes were made to the **regional deficiency payments** except for a small increase starting in 2007 for cow milk and goat milk (only in some regions) and for eggs.

Support for NOK 2.1 billion (USD 333 million), approximately 18% of budgetary support, is provided in the form of **headage payments** under the Production Subsidy to Livestock Programme for cows, beef cattle, sheep, goats, breeding pigs, pig for slaughter and laying hens (Table 12.4). Limits are placed on the animals per farm eligible to receive headage payments. In contrast to the area payment programme, a regional distinction is only made for laying hens and breeding pigs. In 2005/06, headage payments decreased or remained unchanged for all animals except sheep and suckler goats up to 100 animals. New headage payments were introduced in 2005/06 for i) lamb carcasses paying NOK 200 per animal (USD 31/animal) and for ii) year-round outdoor grazing of sheep NOK 100/animal (USD 15/animal) for up to 300 animals.

In 2003, the **Acres and Cultural Landscape Programme**, worth around NOK 3 billion (USD 440 million) or one quarter of total budgetary support to farmers, was separated into two programmes. Under the **Cultural Landscape Programme** in 2006 farmers received a **uniform payment** of NOK 1 870 (USD 277) per hectare for all agricultural land, down from NOK 2 000 (USD 296) in 2004. To receive funds farmers must meet the compliance requirements already in place relating to the maintenance of the landscape and the use of environmentally sound production practices.

The separate Acreage Support Programme also provides **area payments** to producers, but focuses on providing payments to less-favoured areas, encouraging certain crops or providing support to small farmers, to compensate for the maintenance of certain landscapes which incur extra costs. Consequently payment rates vary by crop, region and farm size. In 2004/05, an additional payment of NOK 500 (US 74) per hectare was introduced on grassland over 20 hectares. Starting in 2007 acreage support payments for vegetable and for fruit and berries, previously limited to 3 hectares, will be expanded to areas up to 6 hectares for vegetables and 4 hectares for fruits and berries, albeit at a lower rate for the additional acres. Total expenditures in 2006 for the Acreage Support and the Cultural Landscape Programmes remained stable at NOK 3 billion (USD 470 million).

To better co-ordinate the range of payments being provided for environmental objectives, a **National Environmental Programme** was established in 2004. It includes national agri-environmental goals with the objectives of safeguarding the cultural landscape, including biodiversity, cultural heritage, public access, and reducing pollution. Under the Programme all farms are required to establish an environmental plan. Several payment schemes fall under the Programme, including Acreage Cultural Landscape Support, payments to extensive grazing, support to organic agriculture, and regional environmental programmes. In 2006, an additional grazing payment, complementary to the support received for extensive grazing in outlying fields, was introduced. For 2007, the funding for the new scheme is NOK 125 million (USD 19.4 million). Concerning support to organic agriculture, funding in 2007 will be increased by 25 million NOK to 150 million NOK (USD 23.3 million).

The National Environmental Programme also provides a greater role for the 18 regional administrations. In particular, several national environmental payment programmes paid out of the Agricultural Development Fund have been abolished (e.g. payments to administer cooperatives for extensive grazing, payments to mountain farming and support to changed cultivation practices), with the funding being made available to the 18 counties for the establishment of new environmental and forestry measures. Each of the 18 counties must establish an environmental programme based on regional priorities for achieving the national goals. The main reasons for the devolution of responsibility are to raise local public awareness of agri-environmental issues, to better target local needs and to improve the efficiency of delivery. Funding for this programme was increased from NOK 350 million (USD 54 million) in 2005 to NOK 390 million (USD 61 million) in 2007.

In 2003, the Norwegian authorities conducted an evaluation of the National Plan for Pesticide Risk Reduction (1998-2002), which includes a banded, area-based tax on pesticide use. It revealed that farmers are shifting their pesticide use to less environmentally harmful varieties. A new **Action Plan for Pesticide Risk Reduction (2004-08)**, built on the equivalent main elements contained in the previous plan, began on 1 October 2004. It includes an increase in the number of tax classes from three to five to give a better differentiation of the health and environment risks and an increase in the pesticide tax rates by approximately 25% in 2005 with no further changes in later years.

Trade policy

Export subsidies are used for the promotion of branded cheese, exports of processed agricultural products and to dispose of surplus meat, eggs and dairy products. Although

Table 12.4. Norway: Headage payments

Animal	Number of animals per farm	2004/05 (July to June)		2005/06 (July to June)		2006/07 (July to June)		Change in NOK price	
		NOK/head	USD/head	NOK/head	USD/head	NOK/head	USD/head	04/05-	05/06-
								05/06	06/07
									%
Milk cow and suckler cow	1-16	2 990	464	2 960	460	3 120	484	-1.00	5.41
	17-25	1 614	251	1 584	246	1 584	246	-1.86	0.00
	26-50	426	66	396	61	396	61	-7.04	0.00
Bovine	1-250	787	122	787	122	787	122	0.00	0.00
Milk goat	1-125	1 008	156	900	140	900	140	-10.71	0.00
	126-250	520	81	412	64	412	64	-20.77	0.00
Sheep and suckler goat	1-100	570	88	598	93	624	97	4.91	4.35
	101-250	113	18	113	18	113	18	0.00	0.00
Year-round sheep grazing	1-300	0	0	100	16	100	16	n.a.	0.00
Lamb carcasses		0	0	200	31	209	32	n.a.	4.50
Breeding pig	1-25 southern Norway	594	92	594	92	750	116		n.a.
	1-25 northern Norway	881	137	881	137	1 037	161	0.00	26.26
	26-70	594	92	594	92	594	92	0.00	17.71
Slaughter pig	1-1 400	28	4	28	4	28	4	0.00	0.00
Laying hen	1-1000 southern Norway	12	2	12	2	12	2	0.00	0.00
	1-1000 northern Norway	26	4	26	4	26	4	0.00	0.00
	1001-5000	12	2	12	2	12	2	0.00	0.00

Source: Ministry of Agriculture, Oslo, 2007.

Norway's last notification to the WTO occurred in 2001, based on preliminary figures the total value of export subsidies in 2002 and 2003 was NOK 261 million (USD 39 million) and NOK 320 million (USD 47 million) respectively after averaging NOK 622 million (USD 92 million) during the six years (1996-2000) relating to the URAA reduction period. Restrictions on export subsidies established under the URAA have been binding on cheese, with Norway using the full volume and budget commitment levels in most years. Norway provided NOK 220 million (USD 33 million) for **food aid** in both 2002 and 2003, mainly in the form of cash in lieu of commodities. In 2002 and 2003, the simple average fill rate for the remaining **tariff-quotas** (covering 15 products) were 38% and 47% respectively.

Negotiations with the EU over a reduction in trade barriers for basic agricultural products on the basis of Article 19 of the EEA Agreement were finalised in December 2002 and implemented on 1 July 2003. Negotiations with the EU to remove the industrial element of the tariff on processed products were finalised in March 2004 and implemented in November 2004. Through EFTA, Norway is involved in broader **free trade agreement** negotiations with a number of countries, which include processed agricultural products and, on a bilateral basis, several basic agricultural products. In 2006, agreements were signed with the South African Customs Union and with Egypt. Previously signed agreements with Korea and Lebanon were implemented in 2006 and 2007 respectively. Negotiations continue with Canada, Thailand and the GCC (Gulf Co-operation Council).

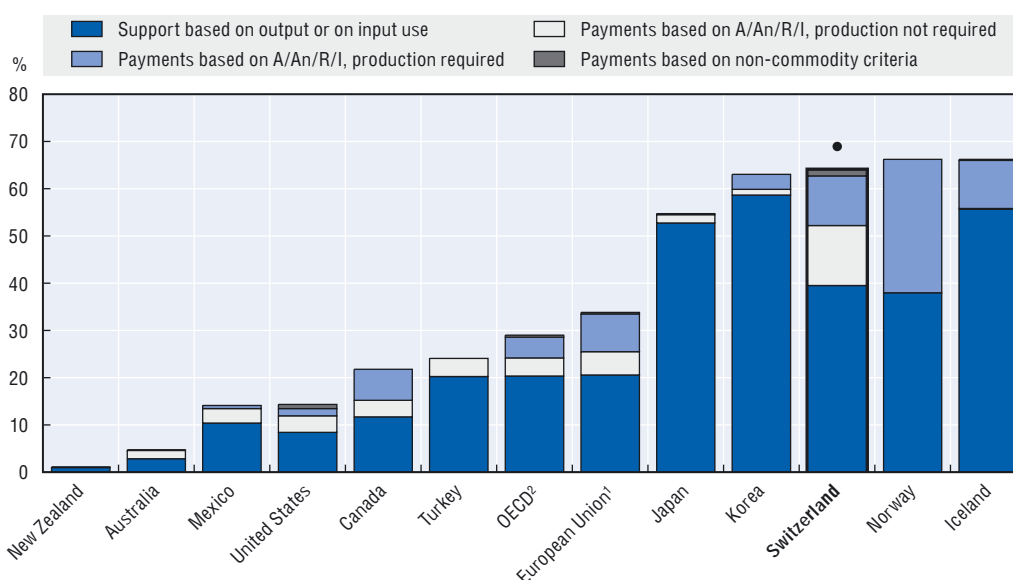
Chapter 13

Switzerland

Evaluation of policy developments

- Overall, there has been a gradual fall in the level of support since 1986-88, and the share of market price has decreased significantly. However, production and trade distorting policies still account for more support than half of the support, and the level of support remains very high.
- The removal of milk price control and the gradual elimination of the milk quota system will contribute to improve the economic efficiency of the sector. The adoption of greater flexibility and transparency in the administration of the tariff rate quota system and further reduction of some tariff barriers (grains, animal feed) will also strengthen the role of the market and improve economic efficiency in the livestock sector.
- Almost all the payments to farmers are conditional on compliance with environmental standards and farming practices (*prestations ecologiques requises*). However, among budgetary payments a relatively small part is targeted to specific societal and consumer concerns – such as animal welfare, environmental issues, organic farming. These payments are conditional on implementing more restrictive farming practices, which should improve environmental performance, and are among the least production and trade distorting forms of support.
- The proposal in AP 2011 to continue to move away from market price support measures is a welcome development. Further progress to reduce market protection and better targeted budgetary payments is needed to meet policy objectives in less production and trade distorting ways.

Figure 13.1. **Switzerland: Producer Support Estimate by country, 2004-06**
Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

1

2

<http://dx.doi.org/10.1787/073280401136>

Summary of policy developments

The main policy developments in 2005 and 2006 were the gradual phase out of the milk quota production system. By 2006, some 63% of producers producing 75% of production had already left the quota production system. There were no significant changes in the structure and the level of *General Direct Payments* and *Ecological Direct Payments*. New payments per animal provided to slaughterhouses and producers were introduced as compensation for the BSE-related additional costs incurred in disposing of by-products from slaughtering. To limit the risk of the spread of avian flu the federal government issued temporary bans on keeping poultry in the open air. The regulations for imports, custom declarations and Tariff Rate Quotas administration were further simplified, with more use of information technology and less administration.

- The level of support to producers declined from 78% in 1986-88 to 66% in 2004-06, which remains twice the average level of support in the OECD.
- The share of the most distortive forms of support (commodity output and variable input based support) has fallen from 90% in 1986-88 to less than 60% in 2004-06. The share of the least distortive support (payments which place no requirement to produce) reached 20% in 2004-06 (no such payments in 1986-88).
- In 1986-88 average producer and consumer prices at the farmgate were almost five times greater than world prices, while by 2004-06 they were just over double world prices (NPC). Consequently, the implicit tax on consumers decreased from 73% in 1986-88 to 52% in 2004-06.
- 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 3 times higher in 2004-06 (NAC).
- Transfers provided directly to commodities (SCT) represented 86% of total PSE in 1986-88 and had dropped to 57% by 2004-06. In 2004-06, these transfers varied from 35% of commodity gross receipts for wheat to 80% for poultry. The commodities with the highest relative levels of support provided through single commodity transfers were poultry, eggs and sugar.
- Support for general services has changed little between 1986-88 and 2004-06 at around nearly 7% of total support to agriculture. Total support to agriculture was 1.6% of GDP in 2004-06, less than half the level estimated in 1986-88.

Figure 13.2. Switzerland: PSE level and composition by support categories, 1986-2006

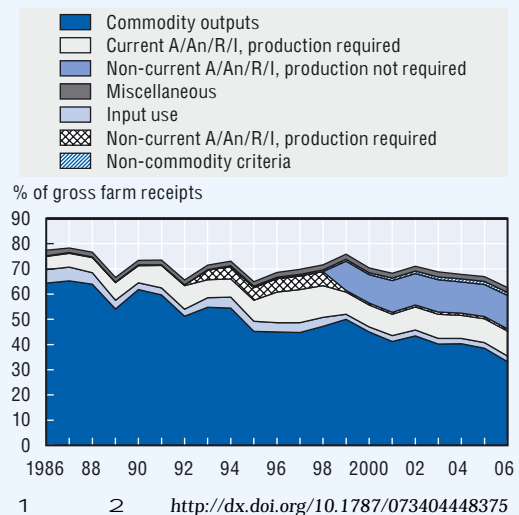


Figure 13.3. Switzerland: Producer SCT by commodity, 2004-06

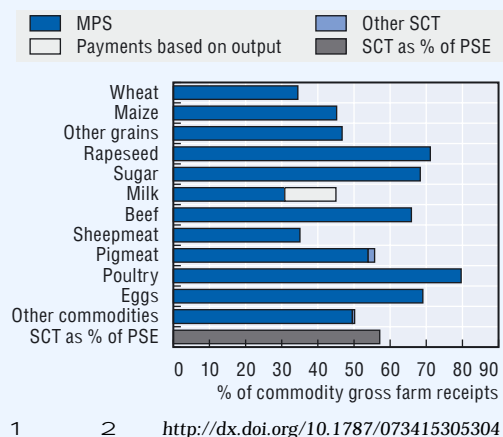


Table 13.1. **Switzerland: Estimates of support to agriculture**

CHF million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	9 482	7 081	7 389	7 124	6 730
<i>Of which share of MPS commodities (%)</i>	<i>84</i>	<i>73</i>	<i>72</i>	<i>71</i>	<i>76</i>
Total value of consumption (at farm gate)	11 661	8 670	8 988	8 722	8 299
Producer Support Estimate (PSE)	8 474	6 820	7 221	6 958	6 280
Support based on commodity output	7 057	3 876	4 292	4 013	3 325
<i>Market Price Support</i>	7 015	3 542	3 960	3 683	2 983
<i>Payments based on output</i>	42	335	332	330	342
Payments based on input use	561	224	224	223	226
<i>Variable input use</i>	454	107	109	105	106
<i>Fixed capital formation</i>	70	103	100	103	106
<i>On-farm services</i>	36	15	15	15	15
Payments based on current A/An/R/I ¹ production required	612	991	983	992	998
<i>Of a single commodity</i>	166	11	11	11	11
<i>Of a group of commodities</i>	445	980	972	981	986
<i>Of all commodities</i>	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production required	28	91	91	92	91
Payments based on non-current A/An/R/I ¹ production not required	0	1 319	1 318	1 320	1 320
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	1 319	1 318	1 320	1 320
Payments based on non-commodity criteria:	0	129	125	130	133
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	129	125	130	133
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	216	188	189	188	188
Percentage PSE	77	66	68	67	63
Producer NPC	4.88	2.19	2.36	2.26	1.95
Producer NAC	4.44	2.93	3.11	3.02	2.68
General Services Support Estimate (GSSE)	688	501	504	490	509
Research and development	135	89	91	89	89
Agricultural schools	38	18	18	19	18
Inspection services	14	12	12	12	12
Infrastructure	137	96	95	85	108
Marketing and promotion	45	55	56	55	55
Public stockholding	103	42	43	42	41
Miscellaneous	216	188	189	188	188
GSSE as a share of TSE (%)	6.7	6.7	6.4	6.4	7.4
Consumer Support Estimate (CSE)	-7 759	-4 455	-4 848	-4 629	-3 887
Transfers to producers from consumers	-7 240	-3 645	-4 066	-3 786	-3 082
Other transfers from consumers	-1 982	-1 059	-1 074	-1 096	-1 007
Transfers to consumers from taxpayers	1 089	146	184	147	107
Excess feed cost	374	103	108	106	95
Percentage CSE	-73	-52	-55	-54	-47
Consumer NPC	4.78	2.19	2.34	2.27	1.97
Consumer NAC	3.76	2.10	2.23	2.17	1.90
Total Support Estimate (TSE)	10 251	7 466	7 909	7 594	6 896
Transfers from consumers	9 222	4 704	5 140	4 882	4 089
Transfers from taxpayers	3 011	3 822	3 843	3 808	3 814
Budget revenues	-1 982	-1 059	-1 074	-1 096	-1 007
Percentage TSE (expressed as share of GDP)	3.86	1.63	1.77	1.67	1.46
GDP deflator 1986-88 = 100	100	132	132	131	133

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

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

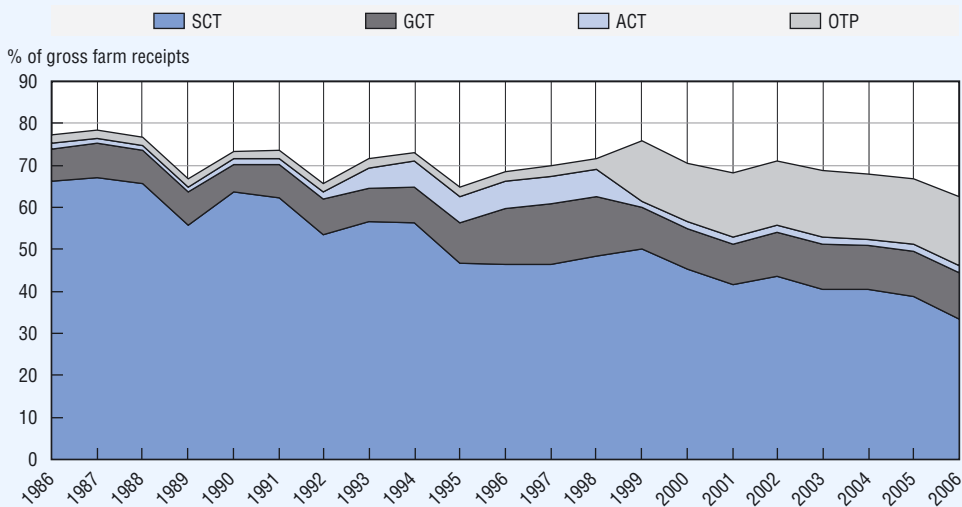
MPS commodities for Switzerland are: wheat, maize, other grains, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 13.1. Switzerland: Commodity-Specificity of Support

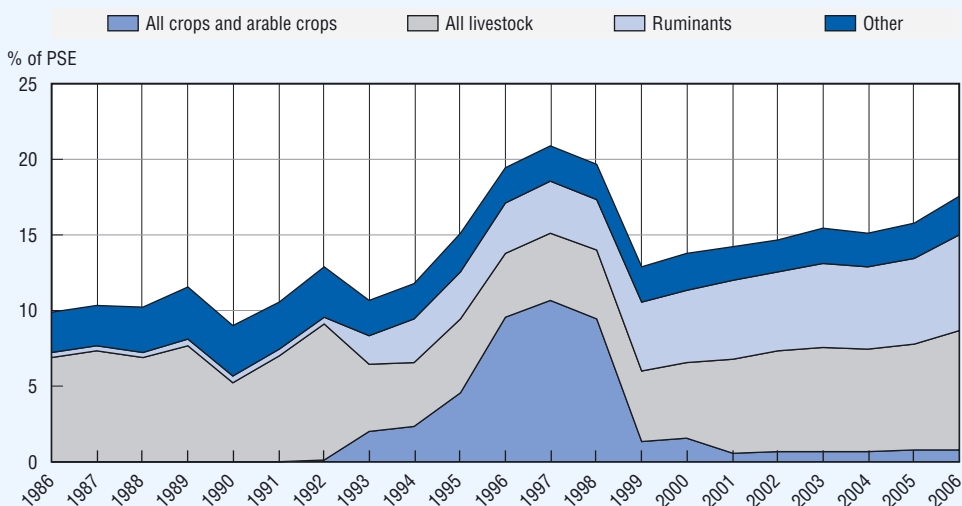
Single Commodity Transfers (SCT) in 2004-06 made up 57% of the PSE, a reduction from 86% in 1986-88. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 16% of the PSE in 2004-06, an increase of 6 percentage points from 1986-88. 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 or do not require any commodity production at all.¹ Together these made up 27% of the PSE in 2004-06, a substantial increase from 5% in 1986-88.

Figure 13.4. Switzerland: PSE level and commodity specificity, 1986-2006



1 2 <http://dx.doi.org/10.1787/073440523532>

Figure 13.5. Switzerland: Components of GCT



Source: OECD PSE/CSE database, 2007.

Box 13.1. Switzerland: Commodity-Specificity of Support (cont.)

Support in Switzerland has become less commodity specific over the period, as the payments to group of commodities or all commodities were introduced (or increased) to compensate for the reduction of market price support. Over the whole period an important part of the GCT was provided to all categories of livestock (cattle, sheep, pigs and poultry) raised in difficult conditions (*Livestock in mountain areas, 1986-98; livestock in difficult conditions, 1999-2006*) and a general payment to ruminants (beef, sheep and goats, horses, lamas, alpagas, etc.) introduced in 1993. Payments for animal welfare (*Payments for Animal housing systems, from 1996; and Payments for keeping animal outdoors, from 1999*) also contributed to increase payments within the group all livestock. In the period 1993-98 important transfers were provided to groups all commodities and arable commodities, which led to an increase in the share of GCT in total PSE. From 1999 these payments (as well as part of payments to livestock groups) were replaced by by more general area and farm payments which contributed to the relative increase of OTP in the overall level of support.

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments

Main policy instruments

The AP 2007 agricultural policy reform programme provides the basic legislative framework governing agricultural policy for the period 2004-07. Border measures and budgetary payments remain the main policy instruments used to support agriculture in Switzerland. Production quotas and deficiency payments have been further reduced since 2004. All state guarantees for prices and sales were abolished and budgetary payments are subject to environmental and other cross-compliance requirements. Import measures consist of relatively high tariffs for most products and a system of tariff rate quotas (TRQs) to support prices on the domestic market. For some products, such as feed grains and animal feed, imports are subject to custom duties based on threshold prices. The federal Parliament is presently debating the legislative changes proposed for AP 2011 – Agricultural policy reform programme to be implemented in 2008-11 (Box 13.2).

Box 13.2. Switzerland: Agricultural Policy 2011

Since the introduction of the new Agriculture Act in 1999, legislative changes and funding for Swiss agriculture is granted by Parliament for a 4-year period.

The proposals of the Swiss Federal Council presently being discussed in Parliament pursue three objectives. Firstly, the potential for lowering costs to consumers and taxpayers in the food sector. At the same time, this should make Swiss agricultural and food sector more competitive and less vulnerable to the impact of future trade liberalization measures. Secondly, the reform steps should be implemented at a pace which is socially sustainable. And finally, the progress achieved over the past few years with regard to ecological aspects should be consolidated and agriculture should be encouraged to make further improvements. The key feature of Agricultural Policy 2011 is a further reduction of 50% in market price support with the savings thus made being used for direct payments. All remaining export subsidies for agricultural commodities are to be eliminated by 2009, and customs duties on imported fodder and cereals are to be reduced. It is widely accepted that farmers carry out tasks for the benefit of the whole population, helping to ensure sufficient food supplies, preserving culturally valuable landscape or safeguarding natural resources, and contributing to settlement in remote and economically disadvantaged areas. The provision of these services involves costs to farmers which are remunerated by way of public payments.

The modifications planned for Agricultural Policy 2011 will be finalized during the summer or autumn 2007, and implementation measures are to be adopted in late 2007.

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 includes payments to farmers operating in less-favoured conditions. General Direct Payments are based on the condition that farmers comply with a set of environmental farm management practice requirements (*prestations écologiques requises – PER*). *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 management practice requirements (*PER*).

Domestic policy

Milk quotas are to be progressively abolished by 2009. From May 2009, the milk quota system will be abolished for all dairy farmers, although until May 2012 they will only be able to sell milk under the terms of contracts drawn up with buyers. As from May 2006, branch organisations or dairy farmers' associations with a significant regional processor can decide production quantities independently. Dairy farmers who are members of such an organisation can be exempted from the state quota system. In 2006, 9 producers' organisations and 18 producer and processor organisations decided to leave the state milk quota system ahead of schedule. This represents 63% of milk producers and 75% of milk production.

As in previous years, price support expenditures (price supplements, domestic price support and export refunds) for dairy products were reduced in 2005 and 2006 by 5.8% and 8.8% respectively to reach CHF 393 million (USD 313 million) in 2006. Payments for the price supplement paid to processors for milk transformed into cheese and the non-silage use premium for milk increased slightly in 2006, while domestic market support for butter and export subsidies for cheeses and other milk products were further reduced. In January 2005, **new payments per head of animal** provided to slaughterhouses and producers were introduced as compensation for the BSE-related additional costs incurred in disposing of by-products from slaughtering. The payment rates for slaughterhouses are CHF 25 (USD 19) for bovine animals and CHF 4.50 (USD 3.50) for sheep, goats and swine. The rate for producers is CHF 25 (USD 19) per calf as compensation for cost incurred because of earmarking, reporting etc. In 2006, these payments were maintained at the same level.

While the structure of the programmes and the eligibility conditions applied within the *General Direct Payments* and the *Ecological Direct Payments* categories have remained unchanged under the AP 2007 (implemented from 2004), the payment rates for some programmes have increased. Outlays to farmers for these two categories remained stable in 2005 and 2006 (Table 13.2). About 80% of the total is granted under **General Direct Payments**. Area payments per hectare of arable land and permanent cropland is the most important single category and accounts for 66% of general direct payments. The other important category of general payments is the payment per livestock unit (LU) for roughage-consuming animals. For beef cattle, buffalos, horses, sheep and goats for milk production the payment per LU was set at CHF 900, while for other sheep and goats, lamas, alpacas and deers the payment was set at CHF 400 per LU. The upper limit to qualify for payments for holding livestock under "difficult conditions" in mountain areas is set at 20 LU. Headage payments for roughage-consuming animals and animals raised in difficult conditions together account for 29% 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 less than 1% to CHF 484 million (USD 385 million) in 2006. About 40% of total are provided to improve animal welfare and these payments also increased the most in 2006. Payments for animal friendly husbandry systems and headage payments for animals kept outdoors increased by 2.2% and 4.7% respectively (Table 13.2). Another 26% of total ecological payments are granted for "ecological compensation": payments for extensive meadows, litter areas, hedges, floral and rotation fallow, extensive area strips and high-stem fruit trees. The level of these payments remained unchanged compared with previous years, while the remaining

Table 13.2. **Switzerland: Outlays for direct payments**

Type of payment	2005		2006p		Change in CHF price 2005 to 2006p
	mn CHF	mn USD	mn CHF	mn USD	%
General direct payments	2000	1605	2000	1591	0.0
<i>of which:</i>					
Area payments	1320	1059	1320	1050	0.0
Holding of roughage-consuming animals	292	234	295	235	1.1
Payments for farming in difficult production locations	388	311	384	306	-1.0
<i>Holding of livestock under difficult conditions</i>	282	226	280	223	-0.8
<i>Farming on steep slopes</i>	95	76	93	74	-1.9
<i>Wine cultivation on steep slopes</i>	11	9	11	9	1.8
Ecological payments	480	385	484	385	1.0
<i>of which:</i>					
Ecological compensation	126	101	126	101	0.3
Extensive cereal and rapeseed farming	32	25	31	25	-1.6
Organic farming	29	23	29	23	-0.3
Regularly keeping animals outdoors	149	119	152	121	2.2
Animal welfare through housing systems	47	38	49	39	4.7
Summer pasturing	92	74	91	72	-0.7
Water protection	6	5	6	5	0.0
Total	2 479	1 990	2 484	1 976	0.2

p: provisional

Direct payments are subject to restrictions of environmental and farm management practices.

Source: Federal Office of Agriculture, Bern, 2006.

ecological payments were slightly reduced (Table 13.2). Summer pasturing accounts for less than 20%, payments supporting extensive grain and rapeseed production for just over 6%, and organic farming for 6%, of total ecological payments.

To limit the risk of the spread of **avian flu** the federal government issued a ban on keeping poultry in the open air for the periods 21 October 2005-15 December 2005 and 20 February 2006-early May 2006. However, premiums for keeping animals outdoor were paid even for those periods, and the appropriate marketing labels could still be used (provided it was completed by a notice on the temporary ban).

Trade policy

In 2005, the regulations for imports, custom declarations and Tariff Rate Quota (TRQ) administration were further simplified, with more use of information technology and less administration. In order to increase the competitiveness of Swiss meat and egg producers, the **threshold price** for imported animal feed (feed grains and protein feed) was reduced as of 1 July 2005. The in-quota tariff rate on bread grains was also reduced.

TRQs cover a number of basic agricultural and food products, in particular, meat, milk products, potatoes, fruits, vegetables, bread grain and wine. 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. In 2005 and 2006, one-third and two-thirds of meat TRQs respectively were allocated through auctioning. The volume of the TRQs remained generally unchanged, with autonomous increases especially for potatoes. The AP 2007 also entails a greater flexibility in the administration of the TRQ for butter in so far as a larger number of importers are

authorised to import and the TRQs will not longer be reserved for the downstream and upstream sector. The special safeguard closes were not invoked during 2005 and 2006.

Export subsidies are applied mainly to dairy products (around 85% of total export subsidies in 2005 and 2006), the remaining 15% were essentially for live animal exports, and to a lesser extent for fruits and potatoes. In accordance with the bilateral **trade agreement** with the EU which became effective on 1 May 2002, tariffs for a number of agricultural products, including cheese, certain other dairy products, and fruits and vegetables, as well as export subsidies for cheese, will be eliminated by 2007. In fact, export subsidies were no longer applied to cheese exports to the EU as from 2005. 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 from least developed countries by 2007, a further 50% reduction to that implemented in 2002 has been effective as from April 2004. The third step towards full tariff elimination in favour of the least developed countries will be implemented in 2007 with the exception of sugar and broken rice for feeding purposes, both of which will have a longer dismantling period up to 2009.

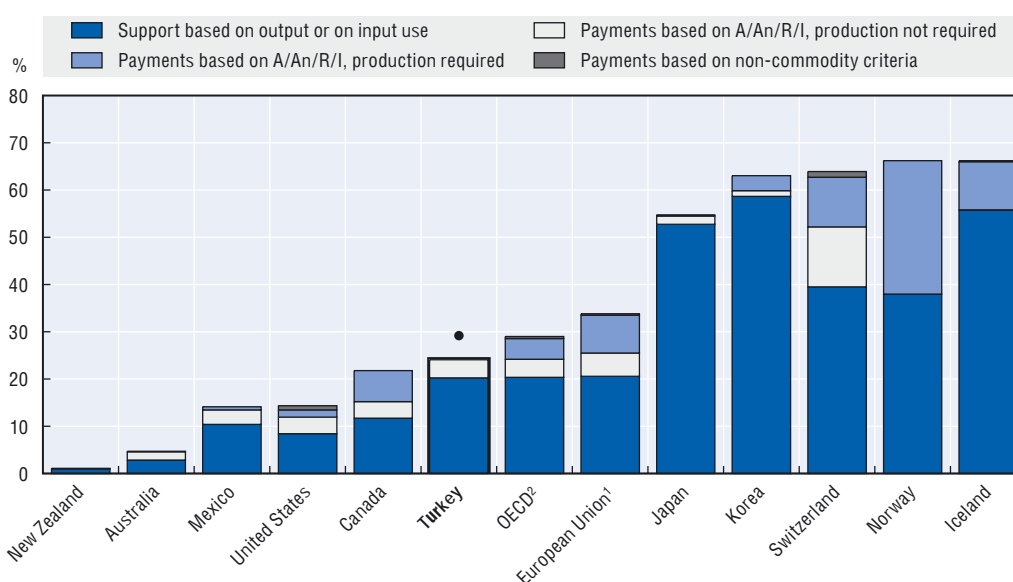
Chapter 14

Turkey

Evaluation of policy developments

- Overall, progress in policy reform towards market orientation since 1986-88 has been variable. There have been frequent *ad hoc* changes to policy settings within the context of high inflation. While the percentage PSE remains higher than its 1986-88 level, it is well below the OECD average and is lower in 2006 than in the previous two years. The composition of support has improved, with a move away from market price support in recent years.
- Direct Income Support payments, which are granted on a flat, per-hectare rate and which entail no requirement to produce commodities, could decrease the production distortions associated with agricultural support policies and enhance the targeting of stated objectives.
- The recent introduction of payments based on output for cereals is a step backwards to more distorting forms of support, which undermines ongoing reform efforts.
- Continuation and expansion of the 2001-05 ARIP is broadly in line with an improvement in market orientation. This, together with efforts to strengthen the legal framework and develop more coherent rural development policies, such as training, advisory and research, and appropriate farming practices could help to modernise the sector and increase its productivity. In order to achieve these objectives Turkey should focus its efforts on policies that facilitate structural adjustment rather than increasing output- and input-linked support.

Figure 14.1. **Turkey: Producer Support Estimate by country, 2004-06**
Per cent of value of gross farm receipts



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

Summary of policy developments

The main policy development in 2006 was the enactment of the new Agricultural Law. The new law relies to 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 extended until 2007 and was broadened to include, in addition to direct income support, a new Rural Development Programme and a wider set of investment support activities. The National Rural Development Strategy was endorsed in 2006.

- Support to producers (%PSE) fell by seven percentage points to 20% in 2006, compared to 2005. It increased from 16% in 1986-88 to 24% in 2004-06, but remained below the OECD average.
- In 1986-88 the most distorting policies (commodity output- and variable input-based payments) accounted for all of producer support and in 2004-06 for 84%. Reductions in the most distorting forms of support have been offset by increases in the Direct Income Support payment, which represents 16% of support to farmers.
- Prices received by farmers in 2004-06 were about 28% higher than those received on the world market. They were 17% higher during 1986-88.
- The share of single commodity transfers increased from 72% of producer support in 1986-88 to 81% in 2004-06. Single commodity transfers were over 40% for sugar and beef and 31% for poultry and eggs.
- The cost imposed on consumers, as measured by the %CSE, increased from 16% in 1986-88 to 19% in 2004-06. Consumers paid prices 21% higher than world prices in 1986-88 and 26% higher in 2004-06.
- In 2004-06, support for general services provided to agriculture remained unchanged from the 1986-88 period, at 10% of total support. The share of total support to agriculture in GDP also remained unchanged, at around 4%.

Figure 14.2. Turkey: PSE level and composition by support categories, 1986-2006

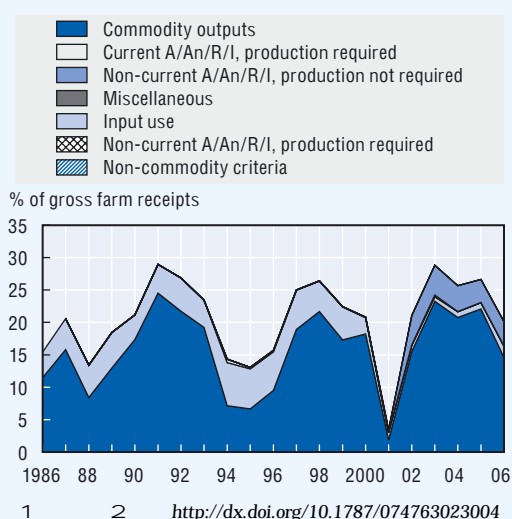


Figure 14.3. Turkey: Producer SCT by commodity, 2004-06

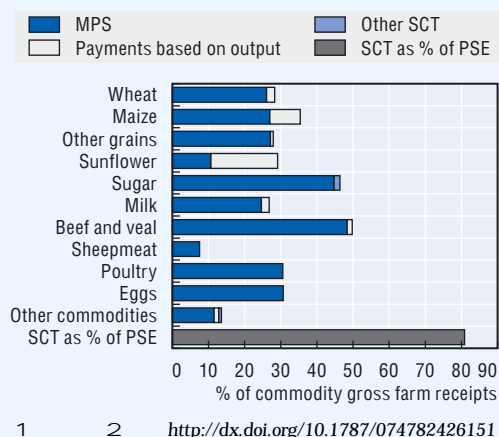


Table 14.1. Turkey: Estimates of support to agriculture
New Turkish Lira, TRY million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	18	62 651	58 499	62 662	66 793
<i>Of which share of MPS commodities (%)</i>	<i>57</i>	<i>59</i>	<i>62</i>	<i>59</i>	<i>57</i>
Total value of consumption (at farm gate)	15	55 720	52 825	56 350	57 985
Producer Support Estimate (PSE)	3	16 073	15 921	17 784	14 514
Support based on commodity output	2	12 723	12 892	14 756	10 522
<i>Market Price Support</i>	2	11 702	12 387	13 652	9 067
<i>Payments based on output</i>	0	1 021	504	1 104	1 455
Payments based on input use	1	805	544	628	1 242
<i>Variable input use</i>	1	178	186	168	181
<i>Fixed capital formation</i>	0	587	341	413	1 009
<i>On-farm services</i>	0	39	17	48	53
Payments based on current A/An/R/I ¹ production required	0	37	5	47	60
<i>Of a single commodity</i>	0	36	5	47	57
<i>Of a group of commodities</i>	0	1	0	0	2
<i>Of all commodities</i>	0	0	0	0	1
Payments based on non-current A/An/R/I ¹ production required	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	2 508	2 481	2 353	2 689
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	2 508	2 481	2 353	2 689
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	16	24	26	27	20
Producer NPC	1.17	1.28	1.30	1.35	1.19
Producer NAC	1.20	1.32	1.35	1.36	1.25
General Services Support Estimate (GSSE)	0	1 880	946	2 311	2 382
Research and development	0	40	38	37	46
Agricultural schools	0	4	6	5	0
Inspection services	0	211	132	157	343
Infrastructure	0	4	4	4	5
Marketing and promotion	0	1 596	750	2 086	1 952
Public stockholding	0	0	0	0	0
Miscellaneous	0	26	17	23	37
GSSE as a share of TSE (%)	9.7	10.5	5.6	11.5	14.1
Consumer Support Estimate (CSE)	-2	-10 468	-11 329	-12 400	-7 675
Transfers to producers from consumers	-2	-11 964	-12 866	-14 113	-8 915
Other transfers from consumers	0	799	616	691	1 090
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	697	921	1 021	150
Percentage CSE	-16	-19	-21	-22	-13
Consumer NPC	1.21	1.26	1.30	1.31	1.16
Consumer NAC	1.20	1.24	1.27	1.28	1.15
Total Support Estimate (TSE)	3	17 953	16 867	20 096	16 896
Transfers from consumers	2	11 165	12 250	13 421	7 825
Transfers from taxpayers	1	5 989	4 002	5 983	7 981
Budget revenues	0	799	616	691	1 090
Percentage TSE (expressed as share of GDP)	4.10	3.64	3.92	4.12	2.89
GDP deflator 1986-88 = 100	100	296 904	274 511	289 308	326 893

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

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

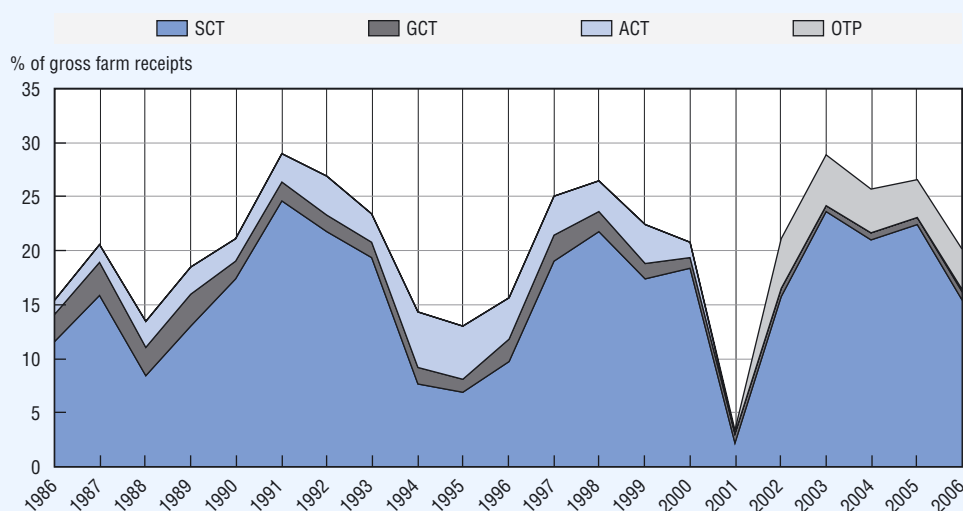
MPS commodities for Turkey are: wheat, maize, other grains, oilseeds, sugar, potatoes, tomatoes, grape, apple, cotton, tobacco, milk, beef and veal, sheepmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 14.1. Turkey: Commodity-specificity of support

In 2006, Single Commodity Transfers (SCT) made up 77% of the PSE, down from 84% in 2005; they increased from 72% in 1986-88 to 81% in 2004-06. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, have doubled in 2006 as compared to 2005, to 4%. GCT fell significantly from 17% in 1986-88 to 3% in 2004-06. Transfers provided under the headings All Commodity Transfers (ACT) and Other Transfers to Producers (OTP) place no restriction on the commodity farmers choose to produce or do not require any commodity production at all.¹ Together these accounted for 20% of the total PSE in 2006, up from 13% in 2005 (they had increased from 11% in 1986-88 to 16% in 2002-04).

Figure 14.4. Turkey: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074810236767>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

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 was extended for the period 2005-07 and its scope enlarged. 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, poultrymeat 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, cotton, tea, and, as of 2005, for 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. A farmer transition programme, originally designed to reduce excess supply of hazelnuts and tobacco, was put in place in 2005 for these crops. Livestock sector support policies include numerous health and quality measures to meet the EU's sanitary and phytosanitary standards.

Most farmers are exempt from income tax. Subsidies on fertilisers were abolished in 2002, as were those on hybrid seeds and pesticides for all commodities. 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 receive an area-based payment for gasoline use. 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. Financial aid is also provided for improving public services to facilitate reform implementation.

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. Capital costs relating to irrigation and operation and maintenance expenditures incurred by the General Directorate of the State Hydraulic works (DSI) are subject to repayment.

A new agriculture law to facilitate implementation of the "Agricultural Strategy Paper 2006-10" was enacted in April 2005. This law puts emphasis on increasing productivity and ensuring food supply. 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. Turkey will adapt the EU's agricultural policy aquis over the period 2005-15, a significant part of which concerns sanitary and phytosanitary measures, animal welfare, hygiene standards and food safety.

Domestic policy

Purchasing prices, which are set by marketing boards and take into account world prices, cost of production and domestic market conditions, decreased in 2005 compared to the previous year's prices for all commodities except tobacco and sugar. In 2006, purchasing prices increased for most types of wheat, rye, oats and tobacco (Table 14.2). In 2006, grain purchasing prices were somewhat higher in national currency, but lower in USD terms compared to the marketing year 2005. Following policy reforms in the tobacco market, purchasing prices for tobacco are now differentiated regionally.

Table 14.2. Turkey: Purchasing prices for cereals, sugar and tobacco

Product	2004		2005		2006		Change in TRL price	Change in TRL price
	TRL mn/t	USD/t	TRL mn/t	USD/t	TRL mn/t	USD/t	2004/05	2005/06
							%	%
Wheat								
Durum, Anatolian	392	273	360	268	385	269	-8	7
Durum, other	374	260	350	261	300	209	-6	-14
Hard, white	371	258	350	261	375	262	-6	7
Hard, red Anatolian	371	258	350	261	375	262	-6	7
White barley	264	184	248	185	265	185	-6	7
Rye	250	174	234	174	250	175	-6	7
Oats	278	193	245	183	260	181	-12	6
Maize	332	231	260	194	226	158	-22	-13
Sugar beet	99	69	99	74	100	70	0	1
Tobacco, Aegean A	4 800	3 340	5 410	4 033	5 790	4 042	13	7
GDP deflator 1995 = 100	3 972		4 186		4 729		5	13

Source: Government of Turkey, Resmi Gazete (Official Gazette), Ankara, 2006.

In 2005, **compensatory payments**, amounting to TRY 12 million (USD 9 million), were granted for the first time to potato growers to compensate for income losses associated with the prohibition of potato production in provinces affected by the potato ward disease. In 2006, a total of TRY 4 million (USD 3 million) was paid in compensatory payments to potato growers, and TRY 54 million (USD 38 million) to tea growers (to compensate for the costs of pruning). No compensatory payments to sugar beet growers were made in either 2005 or 2006, and the production quota remained unchanged at its 2002 level of 2.2 million tonnes of sugar equivalent.

The system of **direct income support** (DIS) continued in 2006. Each registered farmer continues to receive per-hectare payments, up to a maximum of 50 hectares. Producers with less than 0.01 hectare are excluded from DIS payments. At the end of 2005, DIS was applied to over 17 million hectares of land, and 2.75 million farmers have been registered under the National Farmer Registration (NFR) system. The rate of DIS payments was TRY 100 (USD 75) per hectare in 2005 and TRY 160 (USD 112) in 2006. Total expenditure for DIS payments increased from about TRY 1 946 million (USD 1 451 million) in 2005 to

TRY 2 689 million (USD 1 877 million) in 2006. Farmers on the DIS payment register also received a so-called “diesel payment” of TRY 23.9 (USD 18) per hectare (up to a maximum of 50 hectares) in 2005; no payment has been reported for 2006.

The uptake of the **transition payment** programme, aimed at helping farmers switch from overproduced commodities (namely hazelnuts and tobacco) to other commodities, was weak and only TRY 5 million (USD 4 million) out of the TRY 298 million (USD 213 million) available, were paid over the 2001-05 period. No payments have been reported for 2006.

The total amount of the price premium was increased by 41% for milk, while it was negligible for beef producers. **Deficiency payments** in nominal terms decreased by 86% for olive oil, but increased by 24% for cotton, 53% for oilseeds and 76% for cereals. To increase the quality of cereals – mainly wheat – a certified seed supply programme was developed in 2005 by the Ministry of Agriculture and Rural Affairs (MARA). This policy initiative was complemented by a deficiency payment mechanism for cereals in 2005: TRY 35 (USD 28 million) per tonne of wheat and TRY 25 (USD 19 million) per tonne of barley, rye and oats for registered farmers. If crop production is stored by the Turkish Grain Board (TMO), it will make an advance payment to farmers of up to 25% of the total crop value. These farmers will also be able to receive credit from banks with the receipt vouchers they receive from the TMO for their crops.

An **insurance support scheme** was implemented in 2006. The scheme is open to all producers and covers hailstorm and frost for aquaculture, greenhouse and livestock, including poultry. The government reimburses 50% of the premium costs. In 2006, TRY 1.2 million (USD 1 million) were paid to insure crops and TRY 0.6 million (USD 0.4 million) to insure livestock.

In 2006, more than 80% of the total government expenditure on **input subsidies** were for improving livestock breeds. **Interest subsidies** were abolished in 2002. However, in 2005 a new credit scheme at an interest rate of 25-60%, equivalent to TRY 36 million (USD 27 million) in 2005 and TRY 146 million (USD 102 million) in 2006, was provided to producers for organic farming, certified seed production and use, agricultural research and development, fishery products, investments on mechanisation, animal husbandry, irrigation, greenhouse farming, gardening nurseries, aromatic and medicinal crops, and good farming practices. The application period of the Restructuring Farmers’ Debts Law, enacted in mid-2003, ended in January 2006.

Enterprises that operate or invest in animal husbandry (including aquaculture and poultry), greenhouse production, certificated seed production and cooling warehouse sectors and agro-industry, are eligible for support at rates ranging from 20-50% of the cost of **electricity energy** consumption, according to their existing employment levels and levels of new recruitment. As from 2005, there has been a growing interest in producing **energy crops** in Turkey. The government supports production of canola through a deficiency payment scheme.

With regard to agricultural **state economic enterprises**, all state-owned sugar factories (SEKER), the state tobacco company (TEKEL) and the state tea processing companies are to be privatized by 2013, while the TMO will be maintained. Financing practice based on warehouse-receipts by ASCUs and TMO was introduced in 2006. The state hazelnut co-operative, FISKOBIRLIK, has ceased setting purchasing prices and the government eliminated all of its debts of about TRY 2.1 billion (USD 2 billion) during 2000-06. Following

the decision of an inter-ministerial committee chaired by the Prime Minister, procurement of hazelnuts was assigned to the TMO.

Several projects have been implemented to harmonise domestic **food safety and quality** standards with those of the European Union. On 12 November 2006, a new Agricultural Quarantine Regulation was published in the Official Gazette. A new regulation concerning the establishment of **agricultural producer organisations** was published in 2004.

On **rural development**, a new component, the “Participatory Rural Development Programme”, was included in the amended ARIP, consisting of three sub-components: i) land consolidation; ii) institutional reinforcement of farmers’ organisations; and iii) a village-based participatory investment programme. The first sub-component aims at achieving an optimal size of land holdings, while the second aims at strengthening the institutional capacity of farmer organisations, such as co-operatives, water user associations and farmers’ unions. The objective of the “village-based participatory investments” sub-component, which is divided into both private and public sector programmes, is 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. Projects on the following investment areas in 16 pilot provinces are to be implemented: maize drying and storage; collection, cooling and processing of milk; storage, processing and packing of fruits and vegetables; construction of greenhouses using alternative sources of energy (geo-thermal, solar, wind, etc.); meat processing, food legume processing and packing, and bee products processing and packing. Under the programme which focuses on the private sector, individual farmers and other private individuals engaged in small rural businesses would be eligible to participate, as well as groups of farmers, co-operatives, and other farmers’ organisations. A 50% grant element for private-sector investment proposals and 75% for investments by the public sector have been set. The maximum project size as a basis for the loan financing will be TRY 49 000 (USD 35 000) for individuals and TRY 350 000 (USD 250 000) for private enterprises, groups of farmers, and non-profit organisations, and TRY 420 000 (USD 300 000) for public-sector investments.

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. It will be implemented in four pilot provinces totaling approximately 5 000 hectares: farmers in these areas would be offered annual transition payments (5 to 10 years) of TRY 560-1260 (USD 400-900) per hectare.

Trade policy

In 2006, most duties remained at the same rates as in 2005. Duty rates for wheat, barley, corn, sorghum, sunflower seeds, crude sunflower oil and soybean meal were raised in 2006. The average rate of **customs duties** for agricultural products was 56.4% in 2005 and 59.2% in 2006.

Export subsidies for agricultural products were announced in the Official Gazette dated 15 February 2006 and were applied for the exports realised during the 2006 calendar year. In 2006, 16 commodity groups, out of the 44 groups eligible under Turkey's WTO commitments, received export subsidies. 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. The subsidy per product and the share of the exported quantity eligible for the subsidy are given below.

Table 14.3. **Turkey: Export subsidy rates, 2006**

Product	Rate (USD/ton)	Share of exported quantity eligible for the subsidy (%)
Cut flowers (fresh)	205	37
Vegetables, frozen (excluding potatoes)	79	27
Vegetables (dehydrated)	370	20
Fruits (frozen)	78	41
Preserves, pastes	68	51
Honey	65	32
Homogenized fruit preparations	63	35
Fruit juices (concentrated)	134	17
Olive oil	100	100
Prepared or preserved fish	200	100
Poultrymeat (excl. edible offal)	186	14
Eggs	6 per 1 000 pieces	78
Preserved poultrymeat products	250	22
Chocolate and other food preparations containing chocolate	119	48
Biscuits, waffles	119	18
Macaroni, vermicelli	66	32

In 2005 and 2006, the announced rates of **export subsidies** and related quantity limits remained at around 2004 levels, except for olive oil. Export subsidies, limited to a maximum of between 10% and 20% of the export price and between 14% and 100% of the quantities exported, continued to be provided for processed fruit and vegetables, fruit juices, olive oil, potatoes, apples, poultrymeat and eggs.

A Memorandum of Understanding was signed with Australia in December 2005 which proposes exchanges of scientific and technical information, research reports and experts, agricultural trade and investment related activities, and other joint activities.

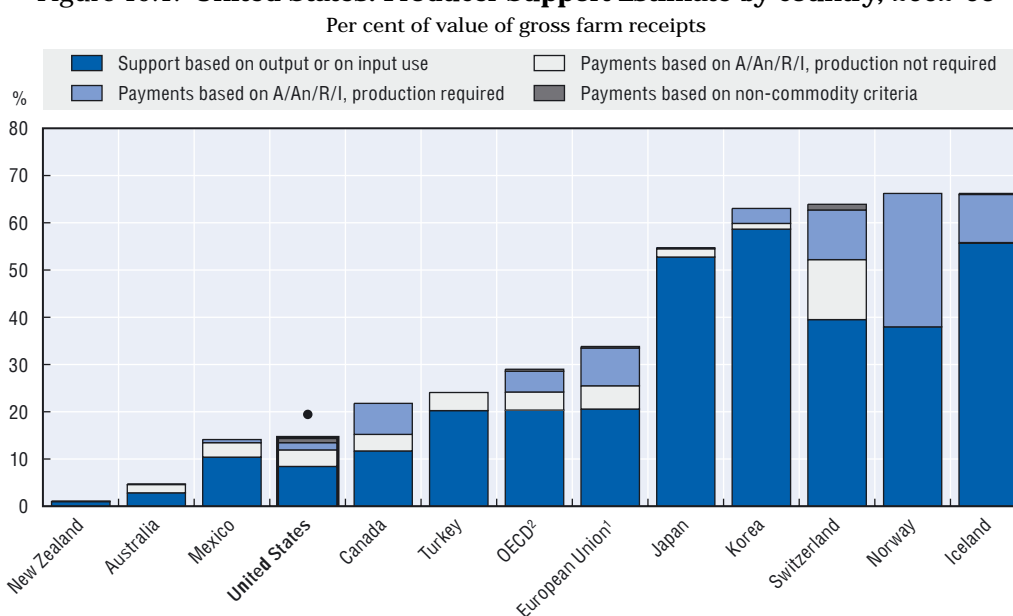
Chapter 15

United States

Evaluation of policy developments

- Overall, policy reforms since 1986-88 have improved market orientation. In recent years, the level of producer support and border protection has substantially decreased, primarily as a result of higher world commodity prices rather than changes in policy settings. The level of producer support is now the third lowest in the OECD area and the gap between domestic and world prices has significantly fallen.
- There has been a significant shift away from payments based on current area of single commodities to counter-cyclical and direct payments based on past area with no requirement to produce. Less than a third of producer support is granted in the form of the most production- and trade-distorting policies. Nevertheless, milk, and to a lesser extent sugar, continue to be very highly supported through market price support.
- Re-enrolment and extension of the *Conservation Reserve Program* contracts will continue the long-term retirement of environmentally fragile lands, while an increasing focus on programmes for working cropland and grazing land is broadening the scope of agri-environmental payments to address environmental issues linked with production. Targeting mechanisms used to select farmers and fields for agri-environmental programmes have improved environmental performance, although there is scope for further developing analytical methods for evaluating policies. Payments for agri-environmental programmes continue to be lower than for production-linked support programmes, which may raise environmental stress by encouraging increased production.
- The 2007 Farm Bill offers an opportunity to further enhance the role of market signals in guiding producer decisions and to better target improvements in environmental outcomes. Additional efforts need to focus on reducing market protection in key sectors, in particular sugar and dairy.

Figure 15.1. **United States: Producer Support Estimate by country, 2002-06**



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

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074833823522>

Summary of policy developments

Higher crop prices in 2006 triggered a decrease by over two-thirds in counter-cyclical payments and an 84% decline in payments based on output (mainly loan deficiency payments for maize and certificate exchange payments for cotton). Environmental contracts for the Conservation Reserve Program were extended. Additional emergency payments for natural disasters were granted. The Upland Cotton User Marketing Certificate Program was repealed. Production quotas for tobacco were terminated in 2005, compensated by new time-limited payments.

- In 2006, support to producers (%PSE) declined from 16% in 2005 to 11%. It fell from 22% in 1986-88 to 14% in 2004-06, which is around half the OECD average.
- The combined share of the most distorting forms of support (market price support, and commodity output- and variable input-based payments) in the PSE decreased from 56% in 1986-88 to 43% in 2004-06, while the share of the least production- and trade-distorting support (payments with no requirement to produce) increased fifteen-fold, to 31% in 2004-06.
- Producer prices were 14% higher than world prices in 1986-88 and 6% higher in 2004-06.
- The share of single commodity transfers to producers decreased from 72% of PSE in 1986-88 to 37% in 2004-06. Around two-fifths of this support in 2004-06 is attributable to support provided to the milk sector and about one-fifth to maize.
- Although domestic prices were on average 3% higher than world prices in 2006, the %CSE constituted an implicit subsidy of 10% in 2004-06, in part due to food consumption aid (part of *Food Stamps*), which represented an implicit tax of 3% in 1986-88.
- Support for general services provided to agriculture increased from 25% of total support in 1986-88 to 33% in 2004-06. Total support to agriculture represents 0.8% of GDP, down from 1.4% in 1986-88.

Figure 15.2. United States: PSE level and composition by support categories, 1986-2006

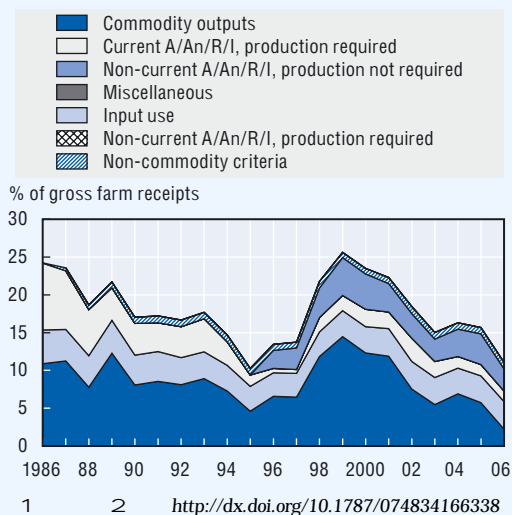


Figure 15.3. United States: Producer SCT by commodity, 2004-06

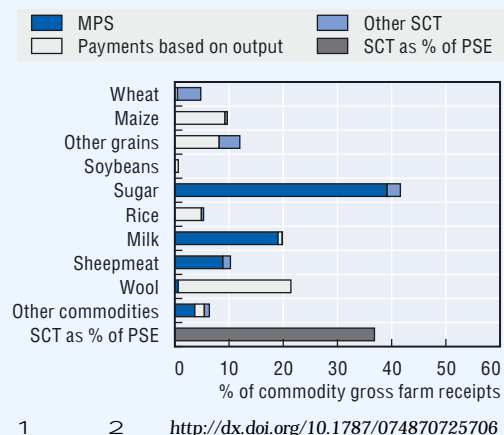


Table 15.1. United States: Estimates of support to agriculture
USD million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	143 469	236 260	234 094	234 652	240 033
<i>Of which share of MPS commodities (%)</i>	<i>69</i>	<i>67</i>	<i>68</i>	<i>66</i>	<i>67</i>
Total value of consumption (at farm gate)	134 626	220 322	212 851	217 703	230 413
Producer Support Estimate (PSE)	36 806	38 107	43 104	41 929	29 289
Support based on commodity output	16 559	13 180	18 265	15 333	5 941
<i>Market Price Support</i>	13 640	8 737	12 428	8 889	4 895
<i>Payments based on output</i>	2 919	4 442	5 837	6 444	1 047
Payments based on input use	7 092	9 383	9 009	9 558	9 581
<i>Variable input use</i>	3 877	3 266	3 131	3 249	3 417
<i>Fixed capital formation</i>	1 051	1 276	1 202	1 364	1 262
<i>On-farm services</i>	2 164	4 841	4 676	4 945	4 902
Payments based on current A/An/R/I ¹ production required	12 569	3 918	4 106	3 952	3 696
<i>Of a single commodity</i>	10 339	1 311	1 159	885	1 890
<i>Of a group of commodities</i>	1 318	916	949	1 500	298
<i>Of all commodities</i>	912	1 691	1 999	1 567	1 507
Payments based on non-current A/An/R/I ¹ production required	0	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	9 420	9 586	10 917	7 757
<i>Variable rates</i>	0	3 527	4 288	4 749	1 544
<i>Fixed rates</i>	0	5 893	5 299	6 168	6 213
Payments based on non-commodity criteria:	585	2 207	2 138	2 169	2 314
<i>Long-term resource retirement</i>	579	2 119	2 043	2 094	2 221
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	6	88	94	76	93
Miscellaneous payments	0	0	0	0	0
Percentage PSE	22	14	16	16	11
Producer NPC	1.14	1.06	1.08	1.07	1.03
Producer NAC	1.29	1.17	1.19	1.19	1.12
General Services Support Estimate (GSSE)	15 869	33 678	31 433	33 658	35 943
Research and development	1 126	1 851	2 100	1 709	1 744
Agricultural schools	49	14	16	12	15
Inspection services	384	847	797	869	876
Infrastructure	3 945	4 612	4 495	4 584	4 756
Marketing and promotion	9 266	24 077	21 730	24 207	26 295
Public stockholding	0	124	143	125	103
Miscellaneous	1 100	2 153	2 152	2 152	2 154
GSSE as a share of TSE (%)	24.7	33.2	30.7	31.9	37.1
Consumer Support Estimate (CSE)	-3 015	19 556	13 464	19 322	25 882
Transfers to producers from consumers	-13 289	-8 737	-12 428	-8 889	-4 895
Other transfers from consumers	-1 489	-1 437	-1 890	-1 575	-846
Transfers to consumers from taxpayers	11 468	29 731	27 783	29 786	31 623
Excess feed cost	294	0	0	0	0
Percentage CSE	-3	10	7	10	13
Consumer NPC	1.12	1.05	1.07	1.05	1.03
Consumer NAC	1.03	0.91	0.93	0.91	0.88
Total Support Estimate (TSE)	64 143	101 516	102 320	105 374	96 854
Transfers from consumers	14 777	10 174	14 318	10 464	5 741
Transfers from taxpayers	50 854	92 779	89 892	96 485	91 959
Budget revenues	-1 489	-1 437	-1 890	-1 575	-846
Percentage TSE (expressed as share of GDP)	1.35	0.82	0.87	0.85	0.73
GDP deflator 1986-88 = 100	100	154	149	154	158

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

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

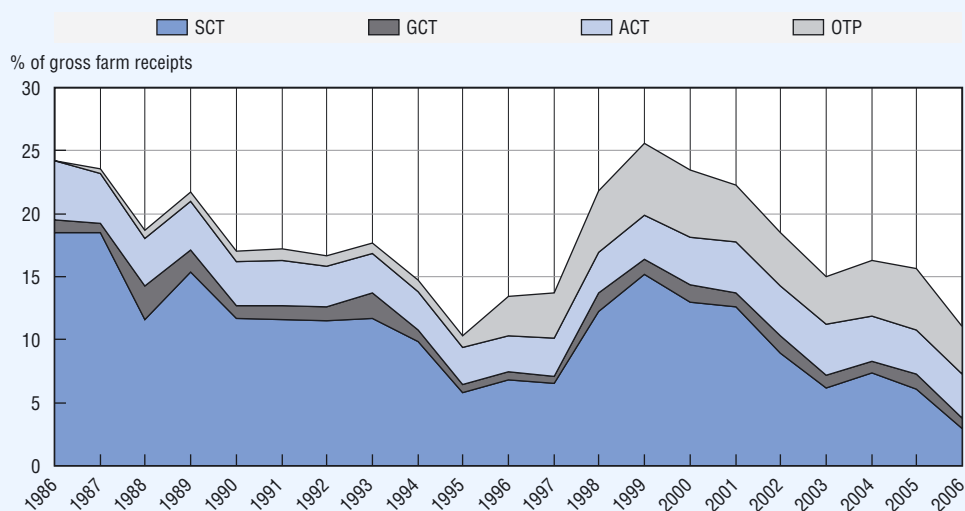
MPS commodities for the United States are: wheat, maize, other grains, rice, oilseeds, sugar, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 15.1. United States: Commodity-specificity of support

In 2006, Single Commodity Transfers (SCT) made up 27% of the PSE, a reduction from 39% in 2005; they declined from 72% in 1986-88 to 37% in 2004-06. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, have remained fairly constant since the 1986-88 period, and accounted for 7% of total PSE. 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 or do not require any commodity production at all.¹ Together they accounted for 66% of the total PSE in 2006, up from 53% in 2005 and 21% in 1986-88.

Figure 15.4. United States: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075068855712>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments

Main policy instruments

The Farm Security and Rural Investment Act of 2002 (the 2002 Farm Act) provides the basic legislation governing farm policy for the period 2002-07. The main policy instruments for the crop sector are Direct Payments (DP), Counter-Cyclical Payments (CCP) and support-price 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 past production. CCPs are based on current prices and past 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 and TRQs. 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.

Interest concessions, fuel tax concessions, payments for natural disasters, and payments for grazing and irrigation are also provided. Environmental programmes form a relatively important and increasing dimension of agricultural policy, focusing on measures to convert highly erodible 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. Land retirement remains a key strategy. Ethanol production is supported through tax credit and import tariff. Research and advice are increasingly focused on food safety and promoting sustainable farming practices.

Commodity programmes authorised under the 2002 Farm Act are set to expire at the end of the 2007 crop year. The **2007 Farm Bill** will provide the legislative framework governing agricultural policies for the following 5-7 years. The Administration released a proposal for the new bill on 31 January 2007 (see Box 15.2). The congressional agricultural committees have initiated hearings and internal discussions in preparation for writing the new bill. The process is likely to continue throughout most of 2007, and the Administration proposal will be one of a number of proposals received and considered by the congressional agriculture committees during the process of writing the new law.

Domestic policy

Loan rates for the marketing loan programme were pre-determined for the period 2002-07 (Table 15.2). The **direct payment rates** and the **target prices** used to determine the **counter-cyclical payment** rates are also fixed for all eligible commodities for 2002-07, with target prices for cereals increasing for 2004-07 as scheduled. In 2005, marketing loan benefits increased by 31%, to USD 4.9 billion, but they decreased by 94%, to USD 0.3 billion, in 2006. CCPs also increased by 11% to USD 4.8 billion in 2005, but decreased by two-thirds to USD 1.5 billion in 2006. DPs remained almost stable at USD 5.2 billion in both years. Overall, these payments decreased by more than twofold, to USD 7.1 billion in 2006, mainly due to higher world crop prices.

The **tobacco** quota buy-out legislation terminated the tobacco price support and quota programme effective with the 2005 crop year. In return, tobacco producers and quota

holders will receive transition “buy-out” payments for 10 years of about USD 960 million annually. The transition payments are funded by a levy on tobacco manufacturers and importers. Under the **Trade Adjustment Assistance Program** some USD 0.4 million was paid to lychee nut producers in 2005; in 2006, Concord grape producers received an estimated USD 3 million, avocado producers USD 0.3 million, and snapdragon producers USD 0.1 million.

Box 15.2. The 2007 US Farm Bill: Highlights of the Administration’s Proposal of 31 January 2007

Reform commodity programmes by:

1. Lowering payment rates for commodities under the *Marketing Assistance Loan Program* and linking them to 85% of the average price over the previous five years (excluding the high and low years), with maximum levels rather than the current fixed rates.
2. Increasing *Direct Payment* programmes by USD 5.5 billion over a 10-year period by increasing commodity payment rates, with the largest increase for upland cotton.
3. Converting the current price-based *Counter Cyclical Program* to a crop-revenue-based programme.
4. Tightening payment limits and eligibility requirements to reduce payments received by higher-income producers.
5. Continuing to support the price of milk (and revising the *Milk Income Loss Contract Program*, by basing it on historical payment rates, in line with other commodity CCPs).
6. Continuing the sugar price support programme revised to operate at no net cost to taxpayers.
7. Introducing planting flexibility of fruits and vegetables on acreage receiving payments, making direct payments and CCPs more decoupled.
8. Updating and extending the “circuit breaker” provision introduced in the 2002 Farm Bill, which provides the Secretary of Agriculture with the authority to adjust certain domestic support programmes to ensure that expenditures do not exceed total allowable limits under current and future WTO commitments.

Reform other programmes by:

1. Increasing conservation funding by USD 7.8 billion over 10 years, simplifying and consolidating conservation programmes, creating a newly designed Environmental Quality Incentives Program and a Regional Water Enhancement Program.
2. Providing USD 1.6 billion in new funding for renewable energy R&D and production, targeted for cellulosic ethanol. The proposal includes USD 500 million for a bioenergy and bio-based product research initiative.
3. Investing USD 1 billion over 10 years to establish a Specialty Crop Research Initiative.

The *Crop Insurance Program* has been amended to include insurance for pasture, rangeland and forage risk management that will be available beginning with the 2007 crop year. Livestock producers can purchase insurance protection for losses of forage produced for grazing or harvested for hay. Producers are not required to insure all their acreage or to insure the acreage for the entire crop year. They can elect to insure only the acreage that is important to their grazing programme or hay operation and they may elect to insure their acreage only for the period of greatest risk.

Table 15.2. United States: Payment rates for crops and milk for 2005-06
(USD/t)

Commodity	Loan rate	Direct payment rates	CCP target prices
Wheat	101.1	19.1	144.0
Maize	76.8	11.0	103.5
Grain sorghum	76.8	13.8	101.2
Barley	85.0	11.0	102.9
Oats	91.6	1.7	99.2
Upland cotton	1 146.4	147.1	1 596.2
Rice	143.3	51.8	231.5
Soybeans	183.7	16.2	213.1
Other oilseeds	205.0	17.6	222.7
Peanuts	391.3	39.7	545.6
Sugar cane	396.8	n.a.	n.a.
Sugar beet	504.9	n.a.	n.a.
Milk	218.3	n.a.	n.a.

Rates are predetermined for the 2002-07 period.

n.a.: not applicable.

Source: USDA.

The *Agricultural Disaster Assistance and Emergency Hurricane Supplemental Appropriation Act of 2005* provided more than USD 3 billion to agricultural producers who suffered losses from natural disasters, through a combination of new programmes and additional funding for existing programmes. New programmes include: crop disaster assistance for losses greater than 35% in the years 2003, 2004 or 2005 (the producer can choose the year); livestock assistance for losses in 2003 or 2004; and sugar cane, dairy, and cottonseed assistance for losses caused by the 2004 tropical storms and hurricanes.

The *Emergency Agricultural Disaster Assistance Act of 2006* provided additional emergency assistance to producers who suffered losses due to hurricane disasters in 2005. The total estimated costs of the Act was USD 332.4 million for the following programmes which were initiated during November and December 2006:

- The *2005 Hurricanes Livestock Compensation Program* provided USD 95 million for livestock owners and for certain feed losses resulting from the 2005 hurricanes Katrina, Ophelia, Rita and Wilma.
- The *2005 Livestock Indemnity Program II (LIP II)* provided USD 30 million to livestock owners and contract growers for certain livestock losses resulting from the four hurricanes. Livestock producers may not receive LIP II benefits if they received payments for the same losses through other federal disaster programmes, such as the *Livestock Indemnity Program* or the *federal Aquaculture Grant Program*.
- The *2005 Dairy Disaster Assistance Payment Program* provided USD 17 million to dairy producers who suffered dairy production and milk spoilage losses due to the 2005 hurricanes or a related condition. Dairy producers affected by the hurricanes incurred decreases in income due to herd losses and milk that had to be disposed of because of closed milk plants and damaged containment equipment. The loss of electricity, shortage of fuel, and infrastructure damage also temporarily interrupted the flow of dairy products to markets.
- The *2005 Cottonseed Payment Program* provided up to USD 15 million for assistance to producers and first-handlers of the 2005 cottonseed crop in counties declared natural

disaster areas resulting from hurricanes Katrina, Ophelia, Rita and Wilma in 2005. The payment rate may not exceed the national average price of the 2005 cottonseed crop (or USD 98 per tonne). Payments are based on 2003 cottonseed production data.

- Another USD 95 million was authorised and will be distributed by a combination of the following programmes for specialty crops and nursery crops producers resulting from hurricanes Katrina, Ophelia, Rita and Wilma in 2005: the *2005 Hurricanes Citrus Program* (which provides financial assistance to producers who suffered citrus crop production losses and associated fruit-bearing tree damage, including related clean-up and rehabilitation costs); the *2005 Hurricanes Nursery Program* (which provides financial assistance to qualifying commercial ornamental nursery and fernery producers who suffered inventory losses and incurred clean-up costs); the *2005 Hurricanes Fruit and Vegetable Program* (which provides financial assistance to fruit and vegetable producers who suffered crop production losses, including related clean-up costs); the *2005 Hurricanes Tropical Fruit Program* which provides financial assistance for carambola, longan, lychee and mango producers who suffered crop production losses, including related clean-up costs.

The 2002 Farm Act sharply increased funding for **environmental conservation and protection** programmes. The primary land retirement programmes have retired over 14 million environmentally sensitive hectares, most under 10- to 15-year contracts. In budgetary terms, the largest of these programmes is the *Conservation Reserve Program (CRP)*, estimated at USD 2.1 billion in 2006. Under the CRP, farmers and ranchers can re-enrol or extend their contracts expiring in 2007 until 2010 (Box 15.3). The *Conservation Security Program (CSP)*, which provides payments and technical assistance to producers to promote ongoing conservation stewardship, was extended in 2006. In 2006, CSP was implemented in 220 eligible watersheds across the country and now covers 4.5 million hectares. Budgetary

Box 15.3. United States: Conservation Reserve Program (CRP) general sign-up and re-enrolments

The Environmental Benefits Index (EBI), which was in place when the contracts were first written, is used to determine eligibility for CRP re-enrolment or extensions on the basis of multiple environmental objectives and budgetary costs, giving additional credit for contracts within national CRP conservation priority areas. To determine what form of re-enrollment or extension would be offered to the over 6.1 million hectares of land expiring in 2007, the EBI scores are divided into five ranking tiers. In the first tier, eligible producers ranked in the top 20% of the EBI can re-enrol their land in new 10-year contracts, and farmers and ranchers with wetlands in this ranking are eligible for a 15-year contract. Eligible participants ranked within the second tier (between 61-80%) can extend their contracts for five years. Farmers and ranchers ranking within the third tier (between 41-60%) can extend their CRP contracts by four years. Those ranked in the fourth tier (between 21-40%) can receive 3-year extensions. Eligible participants ranked in the fifth tier can extend their contracts by two years. Fifteen-year contracts expiring on 30 September 2007, are not eligible for extension. Rental rates for land enrolled have been reviewed and updated. For the CRP general sign-up, which ran from 27 March to 28 April 2006, 0.4 million hectares out of the 0.6 million hectares offered were selected, while for re-enrolment and extension contracts set to expire on 20 September 2007, 5.3 million – almost 84% of the 6.3 million hectares set to expire – were selected.

expenditures are estimated at USD 342 million in FY2007. Some USD 400 million was budgeted in FY2007 for the Wetlands Reserve Program and it is estimated that 101 174 hectares will be enrolled in 2007 – 40 469 hectares more than in 2006.

In 2006, there were no changes in USDA's **rural development** programmes. Overall funding was below the estimate for 2005, largely due to lower loan levels for the electric and telecommunications programmes. In the field of **food safety**, the *National Poultry Improvement Program*, a voluntary co-operative federal, state and industry programme designed to prevent the spread of poultry diseases in commercial poultry operations, was expanded. The government provides a 100% indemnity for specified costs associated with eradication of avian influenza (H5 and H7 LPAI) at commercial poultry operations participating in the programme, and offers a 25% indemnity for costs associated with eradication at commercial facilities that choose not to participate in the active surveillance portion of the programme. In 2006, the US Department of Agriculture's Food Safety and Inspection Service issued compliance guidelines regarding *salmonella* control in poultry slaughter. The compliance guideline describes validated controls and outlines best management practices for each step in the broiler slaughter process and targets small and very small poultry plants to help them better comply with regulatory requirements.

Trade policy

The total value of products covered by **export credit guarantees** under the *Export Credit Guarantee Program* decreased by 26% in 2005 and again by 37%, to USD 1.4 billion, in 2006. In FY2005, funding for **foreign food aid** under Titles I and II totalled USD 1.5 billion and provided over 3 million tonnes of commodity assistance. Also in that year, 0.7 million tons (at a value of USD 377 million) were provided under the Bill Emerson Humanitarian Trust (BEHT), mainly to Eritrea, Ethiopia and Sudan. The BEHT is a food reserve programme, administered by the Secretary of Agriculture, and is used for emergency situations. For FY2006, Titles I and II increased slightly over the previous year to USD 1.57 billion due to higher commodity prices, but quantities fell to 2.6 million tons. The BEHT was not used in FY2006. There were no expenditures on **export subsidies** under the *Dairy Export Incentive Program* or the *Export Enhancement Program* for both 2005 and 2006.

In July 2005, the United States announced a number of measures it was taking to comply with a **WTO ruling on the United States – Subsidies on Upland Cotton**, a dispute with Brazil regarding certain US agricultural programmes primarily benefiting cotton. Following these announcements, the United States ceased accepting applications for the long-term *Export Credit Guarantee Program GSM-103* and “risk-based” fees were introduced for two, shorter-term export credit guarantee programmes (the *Export Credit Guarantee Program GSM-102* – the primary export programme – and the *Supplier Credit Guarantee Program*).

On 8 February 2006, the President signed legislation to repeal the *Upland Cotton User Marketing Certificate Program* (known as “Step-2”), which came into effect 1 August 2006. Payments under this programme totalled USD 582 million for the crop year 2004 and USD 312.2 million for 2005. No payments were made for 2006.

Trade agreements

Implementing legislation for the *U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR)* (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) was passed by the US Senate in June 2005 and the House of

Representatives in July 2005 and was signed by the President in August of that year. All but Costa Rica have ratified the agreement. During 2006, the agreement entered into force for El Salvador, Honduras, Nicaragua, and Guatemala. CAFTA-DR is designed to eliminate tariffs on more than 80% of US exports of consumer and industrial products to those countries, phasing out the remaining tariffs over 10 years. More than half of current US farm exports to Central America and the Dominican Republic will become duty-free immediately upon implementation, including high-quality cuts of beef, soybeans, cotton, wheat, many fruits and vegetables, and processed food products. Tariffs on most US farm products will be phased out within 15 years, with all tariffs eliminated in 20 years. Important US sectors will benefit, including maize, beef, pork, poultry, rice, dry beans, dairy and vegetable oil. 80% of CAFTA-DR imports already enter the United States duty-free under the Caribbean Basin Initiative, the Generalized System of Preferences and Most-Favoured Nation programs. The CAFTA-DR agreement makes permanent the existing CBI and GSP duty-free benefits and phases out the remaining tariffs over 10, 15, or – at most – 20 years.

The US-Oman Free Trade Agreement was implemented in 2006, building on existing agreements in the region with Israel, Jordan, Morocco and Bahrain. The agreement eliminates duties and commercial barriers to most bilateral trade in goods and services between the two countries, and the United States provides immediate duty-free access on all current agricultural products from Oman. Oman agrees to the immediate elimination of tariffs on all consumer and industrial products and on 87% of agricultural products. Tariffs on the remaining products will be phased out over 10 years

On 27 July 2006, the United States and Mexico announced an agreement that resolves trade disputes related to each nation's interpretation of the **sweetener provisions** under the North American Free Trade Agreement (NAFTA). Under the Agreement, the United States provides for duty-free access to 250 000 metric tonnes (raw value) of Mexican sugar for FY2007. As of 1 January 2008, no duties or quantitative restraints will be placed on any form of sugar.

PART III

Summary Tables of Estimates of Support for OECD countries

Table III.1. **OECD: Producer Support Estimate by country**

		1986-88	2004-06	2004	2005	2006p
Australia	USD mn	1 179	1 294	1 150	1 355	1 377
	EUR mn	1 088	1 039	926	1 091	1 100
	Percentage PSE	8	5	4	4	6
	Producer NPC	1.05	1.00	1.00	1.00	1.00
	Producer NAC	1.09	1.05	1.04	1.05	1.06
Canada	USD mn	6 101	6 594	5 720	6 533	7 531
	EUR mn	5 564	5 293	4 603	5 257	6 018
	Percentage PSE	36	22	21	22	23
	Producer NPC	1.40	1.13	1.12	1.12	1.15
	Producer NAC	1.57	1.28	1.26	1.28	1.29
European Union¹	USD mn	100 817	140 473	149 096	134 352	137 970
	EUR mn	91 530	112 787	120 002	108 102	110 258
	Percentage PSE	41	34	36	33	32
	Producer NPC	1.79	1.27	1.33	1.26	1.22
	Producer NAC	1.69	1.51	1.56	1.49	1.48
Iceland	USD mn	195	215	192	239	213
	EUR mn	176	172	155	192	170
	Percentage PSE	77	66	65	67	66
	Producer NPC	4.23	2.60	2.52	2.70	2.60
	Producer NAC	4.39	2.96	2.84	3.07	2.98
Japan	USD mn	49 596	44 661	48 101	45 229	40 652
	EUR mn	44 966	35 865	38 715	36 392	32 487
	Percentage PSE	64	55	56	55	53
	Producer NPC	2.64	2.13	2.19	2.13	2.06
	Producer NAC	2.76	2.21	2.27	2.22	2.14
Korea	USD mn	12 072	23 317	20 646	23 904	25 403
	EUR mn	10 837	18 717	16 617	19 233	20 301
	Percentage PSE	70	63	63	63	63
	Producer NPC	3.34	2.55	2.57	2.52	2.56
	Producer NAC	3.39	2.71	2.68	2.71	2.72
Mexico²	USD mn	8 354	5 520	3 931	5 474	7 154
	EUR mn	6 803	4 428	3 164	4 404	5 717
	Percentage PSE	28	14	11	14	17
	Producer NPC	1.34	1.08	1.04	1.08	1.12
	Producer NAC	1.39	1.17	1.12	1.17	1.21
New Zealand	USD mn	433	109	91	150	87
	EUR mn	414	88	73	121	70
	Percentage PSE	10	1	1	1	1
	Producer NPC	1.02	1.01	1.00	1.01	1.00
	Producer NAC	1.12	1.01	1.01	1.01	1.01
Norway	USD mn	2 802	2 975	2 970	2 989	2 965
	EUR mn	2 535	2 388	2 390	2 405	2 369
	Percentage PSE	71	66	67	66	65
	Producer NPC	4.22	2.35	2.40	2.40	2.25
	Producer NAC	3.42	2.96	3.07	2.98	2.84
Switzerland	USD mn	5 406	5 464	5 811	5 584	4 996
	EUR mn	4 879	4 388	4 677	4 493	3 992
	Percentage PSE	77	66	68	67	63
	Producer NPC	4.88	2.19	2.36	2.26	1.95
	Producer NAC	4.44	2.93	3.11	3.02	2.68
Turkey	USD mn	3 169	11 518	11 165	13 259	10 131
	EUR mn	2 873	9 250	8 986	10 668	8 096
	Percentage PSE	16	24	26	27	20
	Producer NPC	1.17	1.28	1.30	1.35	1.19
	Producer NAC	1.20	1.32	1.35	1.36	1.25

Table III.1. **OECD: Producer Support Estimate by country (cont.)**

		1986-88	2004-06	2004	2005	2006p
United States	USD mn	36 806	38 107	43 104	41 929	29 289
	EUR mn	33 643	30 612	34 693	33 737	23 406
	Percentage PSE	22	14	16	16	11
	Producer NPC	1.14	1.06	1.08	1.07	1.03
	Producer NAC	1.29	1.17	1.19	1.19	1.12
OECD³	USD mn	241 932	280 247	291 976	280 998	267 768
	EUR mn	219 894	225 027	235 001	226 096	213 985
	Percentage PSE	38	29	30	29	27
	Producer NPC	1.51	1.25	1.29	1.25	1.21
	Producer NAC	1.60	1.41	1.44	1.41	1.38

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

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 six non-OECD EU member states.

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

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076044480211>

Table III.2. **OECD: Breakdown of PSE by degree of commodity specificity**

	1986-88	2004-06	2004	2005	2006p
Producer single commodity transfers (SCT):					
Wheat					
USD mn	16 118	3 614	3 792	4 079	2 971
EUR mn	14 728	2 903	3 052	3 282	2 375
Percentage SCT	44	10	9	11	8
Producer NPC	1.68	1.07	1.05	1.10	1.06
Maize					
USD mn	11 013	4 391	5 059	6 364	1 751
EUR mn	10 122	3 531	4 071	5 121	1 400
Percentage SCT	36	11	12	17	4
Producer NPC	1.30	1.12	1.14	1.19	1.03
Other grains					
USD mn	9 828	1 298	1 436	1 509	949
EUR mn	8 995	1 043	1 156	1 214	759
Percentage SCT	48	9	9	11	7
Producer NPC	1.95	1.09	1.09	1.11	1.06
Rice					
USD mn	25 343	21 191	23 035	21 866	18 673
EUR mn	23 035	17 019	18 540	17 594	14 923
Percentage SCT	80	70	72	72	67
Producer NPC	4.91	3.30	3.54	3.44	2.94
Rapeseed					
USD mn	1 833	98	107	95	91
EUR mn	1 833	98	86	76	73
Percentage SCT	47	1	2	1	1
Producer NPC	1.87	1.01	1.01	1.01	1.01
Sunflower					
USD mn	1 154	128	84	138	162
EUR mn	1 154	128	68	111	129
Percentage SCT	47	8	5	10	9
Producer NPC	1.92	1.09	1.05	1.11	1.10
Soybean					
USD mn	1 101	773	1 208	582	530
EUR mn	1 101	773	972	468	423
Percentage SCT	9	4	6	3	2
Producer NPC	1.09	1.04	1.05	1.04	1.03
Sugar					
USD mn	5 502	6 173	7 498	6 719	4 301
EUR mn	5 001	4 959	6 035	5 406	3 437
Percentage SCT	53	45	55	47	32
Producer NPC	2.39	1.97	2.35	2.01	1.53
Milk					
USD mn	45 146	29 603	36 616	27 552	24 641
EUR mn	41 048	23 777	29 471	22 169	19 692
Percentage SCT	59	27	33	25	24
Producer NPC	2.82	1.39	1.52	1.35	1.31
Beef and veal					
USD mn	18 327	24 204	28 330	23 215	21 068
EUR mn	16 730	19 439	22 802	18 679	16 836
Percentage SCT	29	26	31	26	22
Producer NPC	1.43	1.27	1.28	1.27	1.25
Sheepmeat					
USD mn	4 308	3 754	4 306	3 574	3 383
EUR mn	3 859	3 015	3 465	2 876	2 703
Percentage SCT	53	32	35	30	31
Producer NPC	1.86	1.32	1.26	1.30	1.40

Table III.2. **OECD: Breakdown of PSE by degree of commodity specificity (cont.)**

	1986-88	2004-06	2004	2005	2006p
Wool					
USD mn	112	34	32	34	35
EUR mn	104	27	26	27	28
Percentage SCT	3	2	2	2	2
Producer NPC	1.01	1.02	1.02	1.02	1.02
Pigmeat					
USD mn	5 879	12 728	14 938	11 379	11 868
EUR mn	5 325	10 221	12 023	9 156	9 484
Percentage SCT	13	18	22	16	15
Producer NPC	1.26	1.22	1.28	1.20	1.18
Poultry					
USD mn	3 911	6 978	7 477	6 646	6 809
EUR mn	3 496	5 602	6 018	5 348	5 441
Percentage SCT	16	15	16	14	14
Producer NPC	1.33	1.18	1.20	1.17	1.17
Eggs					
USD mn	2 055	1 221	1 110	1 304	1 249
EUR mn	1 869	980	893	1 049	998
Percentage SCT	14	6	5	6	6
Producer NPC	1.22	1.07	1.07	1.08	1.07
Other Commodities					
USD mn	61 207	64 704	69 632	64 908	59 573
EUR mn	55 510	51 959	56 044	52 226	47 608
Percentage SCT	27	19	20	18	17
Producer NPC	1.54	1.27	1.31	1.26	1.23
I. Total producer single commodity transfers (SCT)					
USD mn	212 837	180 893	204 659	179 964	158 056
EUR mn	193 532	145 278	164 722	144 803	126 309
Percentage PSCT	35	21	24	21	18
Share of PSCT in PSE	88	64	70	64	59
II. Group commodity transfers (GCT)					
USD mn	8 999	20 701	29 660	20 190	12 254
EUR mn	8 133	16 637	23 872	16 245	9 793
Share in Total PSE	4	7	10	7	5
III. All commodity transfers (ACT)					
USD mn	17 224	38 357	36 867	38 578	39 627
EUR mn	15 651	30 794	29 673	31 041	31 668
Share in PSE	7	14	13	14	15
IV. Other Transfers to Producers (OTP)					
USD mn	2 872	40 295	20 791	42 265	57 830
EUR mn	2 579	32 319	16 734	34 007	46 215
Share in PSE	1	15	7	15	22
Total PSE (PSE)					
USD mn	241 932	280 247	291 976	280 998	267 768
EUR mn	219 894	225 027	235 001	226 096	213 985
Percentage PSE	38	29	30	29	27

p: provisional. NPC: Nominal Protection Coefficient. SCT: Single Commodity Transfer.

Source: OECD, PSE/CSE database, 2007.

Table III.3. **OECD: Consumer Support Estimate by country**

		1986-88	2004-06	2004	2005	2006p
Australia	USD mn	-343	-167	-169	-163	-168
	EUR mn	-320	-134	-136	-131	-134
	Percentage CSE	-8	-2	-2	-2	-2
	Consumer NPC	1.09	1.00	1.00	1.00	1.00
Canada	Consumer NAC	1.09	1.02	1.02	1.02	1.02
	USD mn	-2 876	-3 017	-2 530	-2 787	-3 732
	EUR mn	-2 605	-2 421	-2 036	-2 243	-2 983
	Percentage CSE	-25	-15	-14	-15	-17
European Union¹	Consumer NPC	1.37	1.18	1.17	1.17	1.21
	Consumer NAC	1.33	1.18	1.17	1.17	1.21
	USD mn	-75 155	-58 369	-66 095	-54 605	-54 407
	EUR mn	-68 287	-46 871	-53 198	-43 936	-43 479
Iceland	Percentage CSE	-37	-17	-20	-16	-16
	Consumer NPC	1.75	1.23	1.28	1.22	1.20
	Consumer NAC	1.59	1.21	1.25	1.20	1.18
	USD mn	-119	-87	-76	-101	-84
Japan	EUR mn	-108	-70	-61	-81	-67
	Percentage CSE	-70	-46	-45	-48	-46
	Consumer NPC	4.36	1.92	1.85	2.00	1.89
	Consumer NAC	3.50	1.87	1.81	1.94	1.85
Korea	USD mn	-61 211	-52 404	-56 536	-52 789	-47 886
	EUR mn	-55 322	-42 082	-45 504	-42 475	-38 268
	Percentage CSE	-62	-48	-48	-49	-46
	Consumer NPC	2.65	1.92	1.93	1.95	1.86
Mexico²	Consumer NAC	2.65	1.91	1.93	1.95	1.86
	USD mn	-11 771	-25 942	-21 471	-26 534	-29 822
	EUR mn	-10 582	-20 821	-17 281	-21 350	-23 832
	Percentage CSE	-66	-59	-57	-60	-61
New Zealand	Consumer NPC	2.93	2.47	2.35	2.48	2.59
	Consumer NAC	2.92	2.47	2.35	2.48	2.58
	USD mn	-6 417	-2 935	-1 824	-2 809	-4 170
	EUR mn	-5 226	-2 354	-1 468	-2 260	-3 333
Norway	Percentage CSE	-25	-8	-5	-8	-11
	Consumer NPC	1.37	1.08	1.05	1.08	1.12
	Consumer NAC	1.33	1.09	1.06	1.09	1.12
	USD mn	-62	-50	-43	-75	-33
Switzerland	EUR mn	-57	-40	-35	-60	-26
	Percentage CSE	-7	-2	-2	-4	-2
	Consumer NPC	1.07	1.02	1.02	1.04	1.02
	Consumer NAC	1.07	1.02	1.02	1.04	1.02
Turkey	USD mn	-1 345	-1 463	-1 435	-1 517	-1 436
	EUR mn	-1 222	-1 175	-1 155	-1 221	-1 148
	Percentage CSE	-56	-52	-53	-53	-50
	Consumer NPC	3.35	2.21	2.26	2.26	2.12
Turkey	Consumer NAC	2.31	2.07	2.12	2.11	1.99
	USD mn	-4 956	-3 569	-3 901	-3 715	-3 092
	EUR mn	-4 468	-2 867	-3 140	-2 989	-2 471
	Percentage CSE	-73	-52	-55	-54	-47
Turkey	Consumer NPC	4.78	2.19	2.34	2.27	1.97
	Consumer NAC	3.76	2.10	2.23	2.17	1.90
	USD mn	-2 446	-7 516	-7 945	-9 245	-5 357
	EUR mn	-2 224	-6 038	-6 395	-7 439	-4 281
Turkey	Percentage CSE	-16	-19	-21	-22	-13
	Consumer NPC	1.21	1.26	1.30	1.31	1.16
	Consumer NAC	1.20	1.24	1.27	1.28	1.15

Table III.3. **OECD: Consumer Support Estimate by country (cont.)**

		1986-88	2004-06	2004	2005	2006p
United States	USD mn	-3 015	19 556	13 464	19 322	25 882
	EUR mn	-2 782	15 689	10 837	15 547	20 683
	Percentage CSE	-3	10	7	10	13
	Consumer NPC	1.12	1.05	1.07	1.05	1.03
	Consumer NAC	1.03	0.91	0.93	0.91	0.88
OECD³	USD mn	-160 933	-135 963	-148 562	-135 019	-124 307
	EUR mn	-146 042	-109 183	-119 572	-108 639	-99 393
	Percentage CSE	-30	-17	-19	-17	-15
	Consumer NPC	1.54	1.26	1.29	1.26	1.23
	Consumer NAC	1.43	1.21	1.24	1.21	1.18

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

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 six non-OECD EU member states.

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

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076140311348>

Table III.4. **OECD: General Services Support Estimate by country**

		1986-88	2004-06	2004	2005	2006p
Australia	USD mn	267	459	449	467	461
	EUR mn	241	368	361	376	368
	Percentage of TSE	18	29	31	28	27
Canada	USD mn	1 464	2 368	1 949	2 577	2 580
	EUR mn	1 328	1 901	1 568	2 073	2 061
	Percentage of TSE	19	26	25	28	26
European Union ¹	USD mn	9 802	14 420	13 850	14 160	15 251
	EUR mn	8 874	11 576	11 147	11 394	12 188
	Percentage of TSE	8	9	8	9	10
Iceland	USD mn	19	21	20	23	20
	EUR mn	17	17	16	19	16
	Percentage of TSE	7	9	9	9	9
Japan	USD mn	8 775	9 464	10 692	9 501	8 200
	EUR mn	7 889	7 601	8 606	7 645	6 553
	Percentage of TSE	15	17	18	17	17
Korea	USD mn	1 069	3 155	2 757	3 136	3 572
	EUR mn	954	2 532	2 219	2 523	2 854
	Percentage of TSE	8	12	12	12	12
Mexico ²	USD mn	1 105	905	823	984	907
	EUR mn	900	726	662	792	725
	Percentage of TSE	11	15	18	16	11
New Zealand	USD mn	119	160	146	164	171
	EUR mn	108	129	117	132	137
	Percentage of TSE	21	60	62	52	66
Norway	USD mn	124	242	241	240	244
	EUR mn	112	194	194	193	195
	Percentage of TSE	4	7	7	7	8
Switzerland	USD mn	438	401	405	393	405
	EUR mn	396	322	326	316	324
	Percentage of TSE	7	7	6	6	7
Turkey	USD mn	309	1 350	664	1 723	1 663
	EUR mn	277	1 083	534	1 387	1 329
	Percentage of TSE	10	10	6	12	14
United States	USD mn	15 869	33 678	31 433	33 658	35 943
	EUR mn	14 507	27 035	25 300	27 082	28 723
	Percentage of TSE	25	33	31	32	37
OECD ³	USD mn	39 484	66 624	63 429	67 027	69 415
	EUR mn	35 837	53 485	51 051	53 932	55 472
	Percentage of TSE	13	18	16	18	19

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

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 six non-OECD EU member states.

p: provisional.

Source: OECD, PSE/CSE database, 2007.

Table III.5. **OECD: Total Support Estimate by country**

		1986-88	2004-06	2004	2005	2006p
Australia	USD mn	1 446	1 592	1 435	1 663	1 677
	EUR mn	1 329	1 278	1 155	1 338	1 340
	Percentage of GDP	0.7	0.2	0.2	0.2	0.2
Canada	USD mn	7 595	8 963	7 668	9 110	10 110
	EUR mn	6 922	7 194	6 172	7 330	8 079
	Percentage of GDP	1.8	0.8	0.8	0.8	0.8
European Union ¹	USD mn	115 500	159 169	167 967	153 088	156 452
	EUR mn	104 804	127 798	135 190	123 177	125 027
	Percentage of GDP	2.7	1.2	1.3	1.1	1.1
Iceland	USD mn	258	241	216	269	238
	EUR mn	232	193	174	216	190
	Percentage of GDP	5.0	1.6	1.7	1.7	1.5
Japan	USD mn	58 264	54 152	58 833	54 749	48 872
	EUR mn	52 758	43 487	47 353	44 052	39 056
	Percentage of GDP	2.4	1.2	1.3	1.2	1.1
Korea	USD mn	13 214	26 559	23 487	27 116	29 073
	EUR mn	11 857	21 319	18 904	21 818	23 234
	Percentage of GDP	9.0	3.4	3.5	3.4	3.3
Mexico ²	USD mn	10 139	6 235	4 563	6 204	7 937
	EUR mn	8 254	5 002	3 673	4 992	6 343
	Percentage of GDP	2.8	0.8	0.7	0.8	0.9
New Zealand	USD mn	552	270	236	315	258
	EUR mn	522	217	190	253	207
	Percentage of GDP	1.6	0.3	0.2	0.3	0.3
Norway	USD mn	3 146	3 229	3 227	3 240	3 219
	EUR mn	2 849	2 592	2 597	2 607	2 572
	Percentage of GDP	3.6	1.1	1.3	1.1	1.0
Switzerland	USD mn	6 539	5 982	6 364	6 095	5 486
	EUR mn	5 902	4 804	5 122	4 904	4 384
	Percentage of GDP	3.9	1.6	1.8	1.7	1.5
Turkey	USD mn	3 478	12 868	11 828	14 982	11 794
	EUR mn	3 149	10 333	9 520	12 055	9 425
	Percentage of GDP	4.0	3.6	3.9	4.1	2.9
United States	USD mn	64 143	101 516	102 320	105 374	96 854
	EUR mn	58 569	81 513	82 354	84 786	77 400
	Percentage of GDP	1.3	0.8	0.9	0.8	0.7
OECD ³	USD mn	298 674	380 774	388 146	382 206	371 970
	EUR mn	271 366	305 730	312 404	307 530	297 257
	Percentage of GDP	2.5	1.1	1.2	1.1	1.0

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

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 six non-OECD EU member states.

p: provisional.

Source: OECD, PSE/CSE database, 2007.

Table III.6. OECD: Composition of Producer Support Estimate by country
(Percentage share in PSE)

	1986-88	2004-06	2004	2005	2006p
Australia					
Percentage PSE	8	5	4	4	6
Support based on commodity output	52	0.4	0.5	0.5	0.2
Payments based on input use	31	60	63	54	63
Payments based on current A/An/R/I, production required	0.2	0.9	1.1	1.0	0.5
Payments based on non-current A/An/R/I, production required	0	0.4	0.9	0.2	0.0
Payments based on non-current A/An/R/I, production not required	17	38	35	44	36
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Canada					
Percentage PSE	36	22	21	22	23
Support based on commodity output	58	46	44	43	50
Payments based on input use	18	8	8	8	7
Payments based on current A/An/R/I, production required	21	29	36	27	25
Payments based on non-current A/An/R/I, production required	0.0	0.5	0.0	0.0	1.6
Payments based on non-current A/An/R/I, production not required	0	16	12	22	16
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	1.9	0.3	0.4	0.3	0.2
European Union¹					
Percentage PSE	41	34	36	33	32
Support based on commodity output	91	52	58	51	46
Payments based on input use	5	10	9	10	10
Payments based on current A/An/R/I, production required	3	24	32	23	16
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	14.6	1.2	14.9	27.7
Payments based on non-commodity criteria	0.3	1.0	0.8	1.0	1.1
Miscellaneous payments	0	0	0	0	0
Iceland					
Percentage PSE	77	66	65	67	66
Support based on commodity output	92	77	78	78	77
Payments based on input use	8	7	6	7	7
Payments based on current A/An/R/I, production required	0.0	0.3	0.0	0.0	1.0
Payments based on non-current A/An/R/I, production required	0	15	15	15	15
Payments based on non-current A/An/R/I, production not required	0.6	0.3	0.4	0.4	0.0
Payments based on non-commodity criteria	0.0	0.3	0.7	0.1	0.2
Miscellaneous payments	0	0	0	0	0
Japan					
Percentage PSE	64	55	56	55	53
Support based on commodity output	93	93	94	93	93
Payments based on input use	4	3	3	3	3
Payments based on current A/An/R/I, production required	0	0.3	0.1	0.6	0.3
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	3	3	3	3	4
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Korea					
Percentage PSE	70	63	63	63	63
Support based on commodity output	99	91	93	89	90
Payments based on input use	1	2	2	2	2
Payments based on current A/An/R/I, production required	0.3	5	4	6	4
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	0.0	1.9	0.0	2.5	3.2
Payments based on non-commodity criteria	0	0.03	0.1	0.02	0
Miscellaneous payments	0	0	0	0	0

Table III.6. OECD: Composition of Producer Support Estimate by country (cont.)
(Percentage share in PSE)

	1986-88	2004-06	2004	2005	2006p
Mexico²					
Percentage PSE	3	14	11	14	17
Support based on commodity output	83	45	34	46	55
Payments based on input use	17	28	30	28	25
Payments based on current A/An/R/I, production required	0.04	2	3	1	1
Payments based on non-current A/An/R/I, production required	0	3	3	3	3
Payments based on non-current A/An/R/I, production not required	0	22	30	21	16
Payments based on non-commodity criteria	0	0.2	1	0	0
Miscellaneous payments	0	0	0	0	0
New Zealand					
Percentage PSE	10	1	1	1	1
Support based on commodity output	19	52	52	54	51
Payments based on input use	48	37	44	26	43
Payments based on current A/An/R/I, production required	12	10	4	20	6
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	71	66	67	66	65
Support based on commodity output	72	52	53	53	52
Payments based on input use	9	5	5	5	5
Payments based on current A/An/R/I, production required	19	29	28	28	30
Payments based on non-current A/An/R/I, production required	0	14	14	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	66	68	67	63
Support based on commodity output	83	57	59	58	53
Payments based on input use	7	3	3	3	4
Payments based on current A/An/R/I, production required	7	15	14	14	16
Payments based on non-current A/An/R/I, production required	0.3	1	1	1	1
Payments based on non-current A/An/R/I, production not required	0	19	18	19	21
Payments based on non-commodity criteria	0	2	2	2	2
Miscellaneous payments	3	3	3	3	3
Turkey					
Percentage PSE	16	24	26	27	20
Support based on commodity output	71	79	81	83	73
Payments based on input use	29	5	3	4	9
Payments based on current A/An/R/I, production required	0	0.2	0.0	0.3	0.4
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	16	16	13	19
Payments based on non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
United States					
Percentage PSE	22	14	16	16	11
Support based on commodity output	45	33	42	37	20
Payments based on input use	19	25	21	23	33
Payments based on current A/An/R/I, production required	34	11	10	9	13
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	25	22	26	26
Payments based on non-commodity criteria	2	6	5	5	8
Miscellaneous payments	0	0	0	0	0

Table III.6. OECD: Composition of Producer Support Estimate by country (cont.)
(Percentage share in PSE)

	1986-88	2004-06	2004	2005	2006p
OECD³					
Percentage PSE	38	29	30	29	27
Support based on commodity output	82	60	64	60	56
Payments based on input use	8	10		10	11
Payments based on current A/An/R/I, production required	8	15	19	14	11
Payments based on non-current A/An/R/I, production required	0.2	0.3	0.2	0.3	0.3
Payments based on non-current A/An/R/I, production not required	1	13	6	14	20
Payments based on non-commodity criteria	0.4	1	1	1	1
Miscellaneous payments	0	0	0	0	0

p: provisional.

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

1. EU12 for 1986-94 including ex-GDR from 1990; EU15 for 1995-2003; EU25 from 2004.
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 six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076210663872>

Table III.7. OECD: Characteristics of policy support by country
(Percentage share in PSE)¹

	1986-88	2004-06	2004	2005	2006p
Australia					
Proportion of support with output constraints	0.0	9.7	13.1	8.3	7.7
Proportion of support with input constraints	0.0	0.0	0.1	0.0	0.0
Proportion of support based on single commodities	52.2	1.5	2.5	1.6	0.5
Proportion of support based on groups of commodities	0.8	8.8	12.1	7.5	6.8
Proportion of support not requiring production	17.0	38.3	34.8	43.9	36.2
Canada					
Proportion of support with output constraints	34.1	34.6	33.5	33.1	37.3
Proportion of support with input constraints	0.4	1.1	0.9	1.5	0.9
Proportion of support based on single commodities	71.7	56.8	60.9	51.7	57.7
Proportion of support based on groups of commodities	13.1	3.7	5.6	3.2	2.2
Proportion of support not requiring production	1.9	16.8	12.1	22.2	16.0
European Union²					
Proportion of support with output constraints	27.7	21.6	31.6	21.1	12.1
Proportion of support with input constraints	1.5	36.4	30.9	36.2	42.2
Proportion of support based on single commodities	93.7	58.2	68.0	57.3	49.4
Proportion of support based on groups of commodities	1.5	10.4	15.8	10.2	5.1
Proportion of support not requiring production	0.3	15.2	1.6	15.5	28.6
Iceland					
Proportion of support with output constraints	0.6	44.2	45.4	42.6	44.6
Proportion of support with input constraints	0.0	0.3	0.7	0.1	0.2
Proportion of support based on single commodities	91.9	92.7	92.9	92.1	93.0
Proportion of support based on groups of commodities	5.2	4.2	4.2	4.5	3.8
Proportion of support not requiring production	0.6	0.6	1.1	0.5	0.2
Japan					
Proportion of support with output constraints	2.1	1.9	1.9	1.9	2.1
Proportion of support with input constraints	0.0	0.0	0.0	0.0	0.0
Proportion of support based on single commodities	92.7	93.3	93.7	93.2	93.1
Proportion of support based on groups of commodities	0.0	0.2	0.2	0.4	0.1
Proportion of support not requiring production	3.1	3.2	2.8	3.2	3.6
Korea					
Proportion of support with output constraints	0.0	0.2	0.3	0.3	0.0
Proportion of support with input constraints	0.0	0.8	2.2	0.2	0.2
Proportion of support based on single commodities	99.0	92.8	93.5	92.6	92.2
Proportion of support based on groups of commodities	0.2	2.3	3.6	1.8	1.4
Proportion of support not requiring production	0.0	1.9	0.1	2.5	3.2
Mexico³					
Proportion of support with output constraints	0.5	11.7	13.7	10.8	10.7
Proportion of support with input constraints	0.0	3.3	3.7	3.4	2.8
Proportion of support based on single commodities	84.6	48.7	38.0	50.0	58.0
Proportion of support based on groups of commodities	8.8	5.5	7.0	5.5	3.9
Proportion of support not requiring production	0.0	22.3	30.1	20.9	16.0
New Zealand					
Proportion of support with output constraints	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	19.4	52.5	52.1	54.0	51.3
Proportion of support based on groups of commodities	67.6	21.5	23.5	15.8	25.2
Proportion of support not requiring production	0.0	0.0	0.0	0.0	0.0
Norway					
Proportion of support with output constraints	31.9	31.8	32.5	31.6	31.2
Proportion of support with input constraints	0.0	9.8	9.3	9.7	10.4
Proportion of support based on single commodities	64.4	54.0	55.2	54.1	52.8
Proportion of support based on groups of commodities	30.9	29.8	29.5	29.9	30.1
Proportion of support not requiring production	0.0	0.0	0.0	0.0	0.0

Table III.7. OECD: Characteristics of policy support by country (cont.)
(Percentage share in PSE)¹

	1986-88	2004-06	2004	2005	2006p
Switzerland					
Proportion of support with output constraints	31.2	15.5	16.3	16.6	13.6
Proportion of support with input constraints	4.8	38.0	35.6	37.2	41.3
Proportion of support based on single commodities	85.7	57.1	59.9	58.1	53.4
Proportion of support based on groups of commodities	10.2	16.2	15.1	15.8	17.6
Proportion of support not requiring production	2.6	24.1	22.6	23.5	26.1
Turkey					
Proportion of support with output constraints	0.0	0.4	0.3	0.4	0.6
Proportion of support with input constraints	0.0	0.0	0.0	0.0	0.0
Proportion of support based on single commodities	71.6	80.9	81.7	84.4	76.5
Proportion of support based on groups of commodities	17.1	2.9	2.6	2.2	3.9
Proportion of support not requiring production	0.0	15.8	15.6	13.2	18.5
United States					
Proportion of support with output constraints	35.9	0.7	0.6	0.1	1.3
Proportion of support with input constraints	22.3	50.7	49.3	54.6	48.3
Proportion of support based on single commodities	72.4	36.8	45.1	38.7	26.7
Proportion of support based on groups of commodities	7.2	6.8	5.6	7.8	7.1
Proportion of support not requiring production	1.7	30.9	27.2	31.2	34.4
OECD⁴					
Proportion of support with output constraints	19.5	13.0	18.2	12.2	8.7
Proportion of support with input constraints	4.1	26.2	24.1	26.4	28.0
Proportion of support based on single commodities	88.0	64.4	70.1	64.0	59.0
Proportion of support based on groups of commodities	3.7	7.3	10.2	7.2	4.6
Proportion of support not requiring production	1.2	14.6	7.1	15.0	21.6

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 from 2004.
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 from 2004. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076237630876>

Table III.8. Australia: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Total PSE (AUD mn)	1 675	1 726	1 563	1 779	1 834
Total Producer SCT (AUD mn)	939	26	40	28	9
Share of Producer SCT in Total PSE (%)	52	2	3	2	1
Wheat					
Producer SCT (AUD mn)	85	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
Consumer SCT (AUD mn)	-14	0	0	0	0
Consumer NPC	1.05	1.00	1.00	1.00	1.00
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
Consumer SCT (AUD mn)	0	0	0	0	0
Consumer NPC	1.00	1.00	1.00	1.00	1.00
Rice					
Producer SCT (AUD mn)	10	3	2	6	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
Consumer SCT (AUD mn)	-2	-5	-3	-4	-7
Consumer 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
Consumer SCT (AUD mn)	0	0	0	0	0
Consumer 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
Consumer SCT (AUD mn)	0	0	0	0	0
Consumer NPC	1.00	1.00	1.00	1.00	1.00
Soybean					
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
Consumer SCT (AUD mn)	0	0	0	0	0
Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar					
Producer SCT (AUD mn)	66	19	32	20	5
Percentage SCT	10.4	1.8	3.2	1.9	0.4
Producer NPC	1.12	1.00	1.00	1.00	1.00
Consumer SCT (AUD mn)	-16	0	0	0	0
Consumer NPC	1.12	1.00	1.00	1.00	1.00
Milk					
Producer SCT (AUD mn)	546	3	5	0	3
Percentage SCT	40.2	0.1	0.2	0.0	0.1
Producer NPC	1.83	1.00	1.00	1.00	1.00
Consumer SCT (AUD mn)	-333	-217	-225	-209	-215
Consumer NPC	1.83	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
Consumer SCT (AUD mn)	0	0	0	0	0
Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sheepmeat					
Producer SCT (AUD mn)	9	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
Consumer SCT (AUD mn)	-5	0	0	0	0
Consumer NPC	1.01	1.00	1.00	1.00	1.00

Table III.8. Australia: Breakdown of PSE by degree of commodity specificity (cont.)
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Wool	Producer SCT (AUD mn)	25	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
	Consumer SCT (AUD mn)	-1	0	0	0	0
	Consumer 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
	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Producer SCT (AUD mn)	-1	0	0	0	0
	Percentage SCT	-0.2	0.0	0.0	0.0	0.0
	Producer NPC	1.00	1.00	1.00	1.00	1.00
	Consumer SCT (AUD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Eggs	Producer SCT (AUD mn)	36	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
	Consumer SCT (AUD mn)	-36	0	0	0	0
	Consumer NPC	1.18	1.00	1.00	1.00	1.00
Other commodities	Producer SCT (AUD mn)	165	1	1	1	1
	Percentage SCT	3.3	0.0	0.0	0.0	0.0
	Producer NPC	1.10	1.00	1.00	1.00	1.00
	Consumer SCT (AUD mn)	-86	-1	-1	-1	-2
	Consumer NPC	1.09	1.00	1.00	1.00	1.00
Total GCT (AUD mn)		13	149	189	133	125
Share of GCT in Total PSE (%)		1	9	12	7	7
Total ACT (AUD mn)		473	887	791	837	1 035
Share of ACT in Total PSE (%)		30	51	51	47	56
Total OTP (AUD mn)		250	663	544	782	665
Share of OTP in Total PSE (%)		17	38	35	44	36

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075753010546>

Table III.9. Canada: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (CAD mn)		8 047	7 963	7 442	7 916	8 532
Total Producer SCT (CAD mn)		5 789	4 518	4 533	4 094	4 926
Share of Producer SCT in Total PSE (%)		72	57	61	52	58
Wheat	Producer SCT (CAD mn)	1 274	102	148	59	98
	Percentage SCT	33.2	3.2	4.0	1.8	3.6
	Producer NPC	1.32	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	-259	0	0	0	0
	Consumer NPC	1.54	1.00	1.00	1.00	1.00
Maize	Producer SCT (CAD mn)	169	148	243	73	128
	Percentage SCT	20.6	11.3	19.2	6.4	8.3
	Producer NPC	1.13	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	-2	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Other grains	Producer SCT (CAD mn)	536	49	52	40	55
	Percentage SCT	47.4	5.6	6.3	4.3	6.2
	Producer NPC	1.76	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	11	0	0	0	0
	Consumer NPC	1.83	1.00	1.00	1.00	1.00
Rapeseed	Producer SCT (CAD mn)	170	64	78	58	57
	Percentage SCT	17.0	2.5	3.4	2.3	1.8
	Producer NPC	1.11	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	-46	0	0	0	0
	Consumer NPC	1.11	1.00	1.00	1.00	1.00
Soybean	Producer SCT (CAD mn)	8	57	136	12	23
	Percentage SCT	3.1	5.8	13.4	1.5	2.4
	Producer NPC	1.02	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Milk	Producer SCT (CAD mn)	2 504	2 469	2 295	2 318	2 795
	Percentage SCT	71.2	50.1	48.3	46.3	55.8
	Producer NPC	6.11	2.02	1.93	1.86	2.26
	Consumer SCT (CAD mn)	-2 483	-2 816	-2 605	-2 615	-3 229
	Consumer NPC	5.60	2.02	1.93	1.86	2.26
Beef and veal	Producer SCT (CAD mn)	-17	178	280	133	120
	Percentage SCT	-0.5	3.7	6.4	2.5	2.1
	Producer NPC	1.03	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	-62	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Pigmeat	Producer SCT (CAD mn)	-39	29	19	28	40
	Percentage SCT	-1.7	0.8	0.5	0.7	1.2
	Producer NPC	1.02	1.00	1.00	1.00	1.00
	Consumer SCT (CAD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Poultry	Producer SCT (CAD mn)	123	88	52	40	174
	Percentage SCT	12.2	4.9	2.8	2.1	9.7
	Producer NPC	1.19	1.05	1.03	1.02	1.11
	Consumer SCT (CAD mn)	-157	-86	-47	-36	-175
	Consumer NPC	1.19	1.05	1.03	1.02	1.11
Eggs	Producer SCT (CAD mn)	78	167	104	185	212
	Percentage SCT	16.5	29.8	18.4	33.8	37.3
	Producer NPC	1.28	1.44	1.22	1.51	1.60
	Consumer SCT (CAD mn)	-90	-164	-105	-181	-206
	Consumer NPC	1.28	1.44	1.22	1.51	1.60

Table III.9. Canada: Breakdown of PSE by degree of commodity specificity (cont.)
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Other commodities					
Producer SCT (CAD mn)	983	1 166	1 127	1 147	1 223
Percentage SCT	38.3	15.1	14.4	16.3	14.8
Producer NPC	2.83	1.14	1.13	1.14	1.15
Consumer SCT (CAD mn)	-697	-567	-535	-547	-618
Consumer NPC	1.35	1.11	1.10	1.11	1.11
Total GCT (CAD mn)	1 050	286	413	255	191
Share of GCT in Total PSE (%)	13	4	6	3	2
Total ACT (CAD mn)	1 053	1 819	1 595	1 812	2 050
Share of ACT in Total PSE (%)	13	23	21	23	24
Total OTP (CAD mn)	155	1 340	900	1 755	1 365
Share of OTP in Total PSE (%)	2	17	12	22	16

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075755412202>

Table III.10a. **European Union: Breakdown of PSE by degree of commodity specificity (EU25 from 2004)**

(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (EUR mn)		91 530	112 787	120 002	108 102	110 258
Total Producer SCT (EUR mn)		85 826	66 010	81 592	61 922	54 516
Share of Producer SCT in Total PSE (%)		94	58	68	57	49
Wheat	Producer SCT (EUR mn)	7 330	617	1 111	590	149
	Percentage SCT	49.3	4.0	6.3	4.5	1.1
	Producer NPC	2.14	1.00	1.00	1.01	1.00
	Consumer SCT (EUR mn)	-3 955	-12	0	-36	0
	Consumer NPC	2.14	1.00	1.00	1.01	1.00
Maize	Producer SCT (EUR mn)	2 697	735	1 217	827	162
	Percentage SCT	51.0	11.8	17.3	15.0	3.0
	Producer NPC	2.20	1.14	1.21	1.18	1.03
	Consumer SCT (EUR mn)	-721.6	-119.1	-164.4	-158.5	-34.4
	Consumer NPC	2.20	1.14	1.21	1.18	1.03
Other grains	Producer SCT (EUR mn)	4 962	96	142	142	3
	Percentage SCT	55.1	1.5	1.9	2.4	0.0
	Producer NPC	2.42	1.01	1.02	1.02	1.00
	Consumer SCT (EUR mn)	-1 033	-61	-53	-127	-3
	Consumer NPC	2.34	1.03	1.03	1.05	1.00
Rice	Producer SCT (EUR mn)	412	294	438	266	177
	Percentage SCT	58.9	33.3	40.2	36.5	23.2
	Producer NPC	2.62	1.01	1.02	1.01	1.00
	Consumer SCT (EUR mn)	-398	0	0	0	0
	Consumer NPC	2.50	1.00	1.00	1.00	1.00
Rapeseed	Producer SCT (EUR mn)	1 267	2	4	2	1
	Percentage SCT	57.5	0.1	0.1	0.1	0.0
	Producer NPC	2.37	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	15	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sunflower	Producer SCT (EUR mn)	972	1	1	1	0
	Percentage SCT	56.1	0.1	0.1	0.1	0.0
	Producer NPC	2.30	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	12	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Soybean	Producer SCT (EUR mn)	479	0	0	0	0
	Percentage SCT	60.9	0.1	0.1	0.1	0.0
	Producer NPC	2.63	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	4	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Producer SCT (EUR mn)	3 040	3 083	3 887	3 260	2 103
	Percentage SCT	61.4	51.9	64.4	53.8	37.5
	Producer NPC	3.50	2.50	3.15	2.60	1.76
	Consumer SCT (EUR mn)	-3 273	-2 467	-2 709	-2 615	-2 077
	Consumer NPC	3.50	2.50	3.15	2.60	1.76
Milk	Producer SCT (EUR mn)	21 560	12 132	15 995	10 442	9 958
	Percentage SCT	69.8	27.8	35.9	23.5	23.8
	Producer NPC	4.84	1.41	1.60	1.33	1.31
	Consumer SCT (EUR mn)	-17 421	-9 520	-12 519	-7 852	-8 189
	Consumer NPC	4.82	1.37	1.53	1.28	1.29
Beef and veal	Producer SCT (EUR mn)	10 954	15 326	19 048	14 352	12 576
	Percentage SCT	52.9	57.7	66.7	57.7	48.8
	Producer NPC	2.25	1.98	2.14	2.01	1.79
	Consumer SCT (EUR mn)	-10 208	-10 016	-10 065	-10 216	-9 766
	Consumer NPC	2.25	1.98	2.14	2.01	1.79

Table III.10a. **European Union: Breakdown of PSE by degree of commodity specificity (EU25 from 2004) (cont.)**

(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Sheepmeat	Producer SCT (EUR mn)	3 622	2 882	3 387	2 748	2 512
	Percentage SCT	70.1	47.1	50.5	45.2	45.6
	Producer NPC	2.86	1.57	1.47	1.54	1.72
	Consumer SCT (EUR mn)	-3 089	-2 219	-1 850	-2 185	-2 622
	Consumer NPC	2.86	1.57	1.47	1.54	1.72
Pigmeat	Producer SCT (EUR mn)	1 376	6 342	8 358	5 099	5 569
	Percentage SCT	7.9	18.1	25.1	15.2	14.0
	Producer NPC	1.28	1.23	1.34	1.18	1.16
	Consumer SCT (EUR mn)	-3 517	-4 619	-6 217	-3 845	-3 796
	Consumer NPC	1.28	1.23	1.33	1.18	1.16
Poultry	Producer SCT (EUR mn)	1 579	4 402	4 989	4 086	4 131
	Percentage SCT	22.0	40.4	45.1	37.7	38.3
	Producer NPC	1.79	1.75	1.93	1.68	1.64
	Consumer SCT (EUR mn)	-2 950	-4 438	-5 089	-4 218	-4 008
	Consumer NPC	1.79	1.75	1.93	1.67	1.64
Eggs	Producer SCT (EUR mn)	526	-55	-84	-68	-13
	Percentage SCT	11.2	-0.9	-1.3	-1.2	-0.2
	Producer NPC	1.24	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	-900	0	0	0	0
	Consumer NPC	1.24	1.00	1.00	1.00	1.00
Other commodities	Producer SCT (EUR mn)	25 050	20 153	23 098	20 174	17 186
	Percentage SCT	26.9	16.8	19.0	16.5	14.8
	Producer NPC	1.55	1.23	1.28	1.22	1.19
	Consumer SCT (EUR mn)	-21 727	-14 361	-15 435	-13 667	-13 983
	Consumer NPC	1.44	1.14	1.16	1.14	1.13
Total GCT (EUR mn)		1 361	11 861	18 999	10 974	5 610
Share of GCT in Total PSE (%)		1	10	16	10	5
Total ACT (EUR mn)		4 077	18 176	17 503	18 430	18 595
Share of ACT in Total PSE (%)		4	16	15	17	17
Total OTP (EUR mn)		266	16 741	1 908	16 777	31 537
Share of OTP in Total PSE (%)		0	15	2	16	29

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075818704846>

Table III.10b. **European Union: Breakdown of PSE by degree of commodity specificity (EU15)**

(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (EUR mn)		91 530	99 617	106 053	96 166	96 632
Total Producer SCT (EUR mn)		85 826	57 450	71 177	54 714	46 458
Share of Producer SCT in Total PSE (%)		94	57	67	57	48
Wheat	Producer SCT (EUR mn)	7 330	639	1 110	657	148
	Percentage SCT	49.3	4.9	7.4	5.9	1.3
	Producer NPC	2.14	1.01	1.00	1.02	1.00
	Consumer SCT (EUR mn)	-3 955	-21	0	-63	0
	Consumer NPC	2.14	1.00	1.00	1.01	1.00
Maize	Producer SCT (EUR mn)	2 697	884	1 356	902	394
	Percentage SCT	51.0	17.5	23.1	20.4	9.0
	Producer NPC	2.20	1.22	1.30	1.26	1.10
	Consumer SCT (EUR mn)	-722	-171	-200	-196	-118
	Consumer NPC	2.20	1.22	1.30	1.26	1.10
Other grains	Producer SCT (EUR mn)	4 962	105	129	150	36
	Percentage SCT	55.1	1.9	2.1	3.1	0.7
	Producer NPC	2.42	1.02	1.02	1.03	1.01
	Consumer SCT (EUR mn)	-1 033	-35	-22	-64	-19
	Consumer NPC	2.34	1.03	1.02	1.04	1.01
Rice	Producer SCT (EUR mn)	412	294	438	266	177
	Percentage SCT	58.9	33.3	40.2	36.6	23.2
	Producer NPC	2.62	1.01	1.02	1.01	1.00
	Consumer SCT (EUR mn)	-398	0	0	0	0
	Consumer NPC	2.50	1.00	1.00	1.00	1.00
Rapeseed	Producer SCT (EUR mn)	1 267	2	4	2	1
	Percentage SCT	57.5	0.1	0.2	0.1	0.0
	Producer NPC	2.37	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	15	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sunflower	Producer SCT (EUR mn)	972	1	1	0	0
	Percentage SCT	56.1	0.1	0.2	0.1	0.0
	Producer NPC	2.30	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	12	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Soybean	Producer SCT (EUR mn)	479	0	0	0	0
	Percentage SCT	60.9	0.1	0.2	0.1	0.0
	Producer NPC	2.63	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	4	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Producer SCT (EUR mn)	3 040	2 832	3 527	2 959	2 010
	Percentage SCT	61.4	53.4	66.0	54.5	39.7
	Producer NPC	3.50	2.65	3.38	2.72	1.85
	Consumer SCT (EUR mn)	-3 273	-2 252	-2 605	-2 335	-1 816
	Consumer NPC	3.50	2.65	3.38	2.72	1.85
Milk	Producer SCT (EUR mn)	21 560	9 943	13 022	8 641	8 166
	Percentage SCT	69.8	26.7	34.2	22.9	23.1
	Producer NPC	4.84	1.40	1.56	1.33	1.31
	Consumer SCT (EUR mn)	-17 421	-8 333	-10 932	-6 884	-7 184
	Consumer NPC	4.82	1.35	1.50	1.27	1.28
Beef and veal	Producer SCT (EUR mn)	10 954	14 186	17 954	13 355	11 250
	Percentage SCT	52.9	58.2	67.4	58.1	49.1
	Producer NPC	2.25	1.98	2.14	2.01	1.79
	Consumer SCT (EUR mn)	-10 208	-9 696	-9 713	-9 909	-9 467
	Consumer NPC	2.25	1.98	2.14	2.01	1.79

Table III.10b. European Union: Breakdown of PSE by degree of commodity specificity (EU15) (cont.)
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Sheepmeat	Producer SCT (EUR mn)	3 622	2 758	3 280	2 630	2 365
	Percentage SCT	70.1	47.3	51.0	45.4	45.4
	Producer NPC	2.86	1.57	1.47	1.54	1.72
	Consumer SCT (EUR mn)	-3 089	-2 213	-1 844	-2 179	-2 615
	Consumer NPC	2.86	1.57	1.47	1.54	1.72
Pigmeat	Producer SCT (EUR mn)	1 376	4 423	5 878	3 606	3 786
	Percentage SCT	7.9	18.2	25.0	15.0	14.7
	Producer NPC	1.28	1.23	1.33	1.18	1.17
	Consumer SCT (EUR mn)	-3 517	-4 041	-5 364	-3 311	-3 449
	Consumer NPC	1.28	1.23	1.33	1.18	1.17
Poultry	Producer SCT (EUR mn)	1 579	3 521	4 108	3 330	3 126
	Percentage SCT	22.0	38.2	43.6	36.1	34.8
	Producer NPC	1.79	1.72	1.92	1.66	1.58
	Consumer SCT (EUR mn)	-2 950	-3 784	-4 396	-3 639	-3 318
	Consumer NPC	1.79	1.72	1.92	1.66	1.58
Eggs	Producer SCT (EUR mn)	526	-75	-101	-86	-39
	Percentage SCT	11.2	-1.4	-1.8	-1.7	-0.7
	Producer NPC	1.24	1.00	1.00	1.00	1.00
	Consumer SCT (EUR mn)	-900	0	0	0	0
	Consumer NPC	1.24	1.00	1.00	1.00	1.00
Other commodities	Producer SCT (EUR mn)	25 050	17 936	20 471	18 301	15 037
	Percentage SCT	26.9	14.8	16.8	15.2	12.5
	Producer NPC	1.55	1.18	1.21	1.19	1.14
	Consumer SCT (EUR mn)	-21 727	-13 487	-14 279	-12 911	-13 270
	Consumer NPC	1.44	1.15	1.16	1.15	1.13
Total GCT (EUR mn)		1 361	10 934	18 382	9 979	4 441
Share of GCT in Total PSE (%)		1	11	17	10	5
Total ACT (EUR mn)		4 077	16 258	15 927	16 583	16 265
Share of ACT in Total PSE (%)		4	16	15	17	17
Total OTP (EUR mn)		266	14 975	567	14 889	29 469
Share of OTP in Total PSE (%)		0	16	1	15	30

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

Table III.11. Iceland: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Total PSE (ISK mn)	7 963	14 453	13 499	15 016	14 845
Total Producer SCT (ISK mn)	7 312	13 390	12 539	13 832	13 800
Share of Producer SCT in Total PSE (%)	92	93	93	92	93
Milk					
Producer SCT (ISK mn)	2 579	7 035	6 867	7 097	7 141
Percentage SCT	86.5	75.5	75.1	77.2	74.3
Producer NPC	9.07	4.25	4.19	4.58	3.98
Consumer SCT (ISK mn)	-1 621	-2 886	-2 749	-3 055	-2 854
Consumer NPC	9.07	2.37	2.35	2.51	2.24
Beef and veal					
Producer SCT (ISK mn)	323	464	376	555	460
Percentage SCT	57.7	43.7	39.9	49.8	41.4
Producer NPC	2.47	1.85	1.72	2.07	1.76
Consumer SCT (ISK mn)	-292	-513	-397	-592	-550
Consumer NPC	2.47	1.85	1.72	2.07	1.76
Sheepmeat					
Producer SCT (ISK mn)	2 078	2 229	2 027	2 208	2 451
Percentage SCT	71.6	50.6	51.1	49.4	51.5
Producer NPC	3.81	1.05	1.00	1.03	1.10
Consumer SCT (ISK mn)	-910	-94	7	-64	-226
Consumer NPC	3.81	1.05	1.00	1.03	1.10
Wool					
Producer SCT (ISK mn)	26	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
Consumer SCT (ISK mn)	0	0	0	0	0
Consumer NPC	1.00	1.00	1.00	1.00	1.00
Pigmeat					
Producer SCT (ISK mn)	344	669	495	666	846
Percentage SCT	74.2	48.1	42.6	50.9	50.8
Producer NPC	4.01	1.98	1.78	2.08	2.07
Consumer SCT (ISK mn)	-315	-586	-435	-611	-713
Consumer NPC	3.77	1.98	1.78	2.08	2.07
Poultry					
Producer SCT (ISK mn)	233	1 331	1 024	1 386	1 582
Percentage SCT	86.4	84.1	82.9	85.0	84.5
Producer NPC	7.65	6.97	6.34	7.48	7.09
Consumer SCT (ISK mn)	-199	-710	-603	-765	-761
Consumer NPC	7.07	6.97	6.34	7.48	7.09
Eggs					
Producer SCT (ISK mn)	300	327	266	371	344
Percentage SCT	80.2	67.8	62.2	73.1	68.0
Producer NPC	5.24	3.28	2.74	3.88	3.23
Consumer SCT (ISK mn)	-283	-368	-302	-416	-387
Consumer NPC	5.02	3.28	2.74	3.88	3.23
Other commodities					
Producer SCT (ISK mn)	1 429	1 185	1 340	1 397	819
Percentage SCT	73.1	53.2	50.2	53.9	55.5
Producer NPC	17.50	1.61	3.77	4.74	-3.69
Consumer SCT (ISK mn)	-1 325	-892	-1 024	-1 113	-538
Consumer NPC	4.36	1.92	1.85	2.00	1.89
Total GCT (ISK mn)	419	602	565	676	565
Share of GCT in Total PSE (%)	5	4	4	5	4
Total ACT (ISK mn)	183	379	253	436	450
Share of ACT in Total PSE (%)	2	3	2	3	3
Total OTP (ISK mn)	48	82	143	73	31
Share of OTP in Total PSE (%)	0.6	0.6	1.1	0.5	0.2

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

Table III.12. Japan: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (JPY bn)		7 245	4 972	5 202	4 980	4 735
Total Producer SCT (JPY bn)		6 718	4 642	4 876	4 642	4 408
Share of Producer SCT in Total PSE (%)		93	93	94	93	93
Wheat	Producer SCT (JPY bn)	135	103	105	104	100
	Percentage SCT	84.7	81.7	83.0	82.5	79.7
	Producer NPC	6.56	5.51	5.87	5.72	4.93
	Consumer SCT (JPY bn)	-897	-61	-72	-70	-42
	Consumer NPC	6.56	1.37	1.46	1.44	1.22
Other grains	Producer SCT (JPY bn)	52	16	17	17	15
	Percentage SCT	84.1	74.5	74.9	75.6	73.1
	Producer NPC	6.30	3.94	3.99	4.11	3.72
	Consumer SCT (JPY bn)	-304	-62	-59	-75	-53
	Consumer NPC	6.18	2.08	2.06	2.27	1.90
Rice	Producer SCT (JPY bn)	2 720	1 588	1 697	1 625	1 442
	Percentage SCT	82.6	79.3	79.6	81.7	76.5
	Producer NPC	5.81	4.85	4.89	5.42	4.23
	Consumer SCT (JPY bn)	-2 559	-1 587	-1 723	-1 576	-1 462
	Consumer NPC	5.61	4.69	4.72	5.26	4.08
Soybean	Producer SCT (JPY bn)	29	27	28	26	26
	Percentage SCT	64.7	49.3	51.2	52.6	44.0
	Producer NPC	2.96	1.98	2.05	2.11	1.78
	Consumer SCT (JPY bn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Producer SCT (JPY bn)	81	56	63	56	51
	Percentage SCT	65	56	60	54	53
	Producer NPC	2.88	2.26	2.50	2.16	2.14
	Consumer SCT (JPY bn)	-267	-160	-164	-160	-156
	Consumer NPC	2.50	2.21	2.35	2.08	2.20
Milk	Producer SCT (JPY bn)	611	365	383	378	333
	Percentage SCT	84.7	55.0	56.5	56.2	52.3
	Producer NPC	7.13	2.23	2.30	2.28	2.10
	Consumer SCT (JPY bn)	-771	-519	-549	-533	-473
	Consumer NPC	6.77	2.14	2.21	2.20	2.02
Beef and veal	Producer SCT (JPY bn)	356	126	135	127	117
	Percentage SCT	71.3	28.9	30.7	28.2	27.9
	Producer NPC	3.65	1.41	1.44	1.39	1.39
	Consumer SCT (JPY bn)	-558	-272	-265	-288	-263
	Consumer NPC	3.65	1.39	1.39	1.39	1.39
Pigmeat	Producer SCT (JPY bn)	283	307	303	318	300
	Percentage SCT	41.2	62.5	61.3	63.7	62.6
	Producer NPC	1.73	2.67	2.59	2.75	2.67
	Consumer SCT (JPY bn)	-356	-597	-594	-617	-579
	Consumer NPC	1.73	2.67	2.59	2.75	2.67
Poultry	Producer SCT (JPY bn)	44	20	20	20	20
	Percentage SCT	11.1	10.5	10.5	10.5	10.5
	Producer NPC	1.13	1.12	1.12	1.12	1.12
	Consumer SCT (JPY bn)	-51	-26	-26	-25	-25
	Consumer NPC	1.13	1.12	1.12	1.12	1.12
Eggs	Producer SCT (JPY bn)	68	60	56	66	58
	Percentage SCT	16.7	14.6	14.5	14.6	14.6
	Producer NPC	1.21	1.17	1.17	1.17	1.17
	Consumer SCT (JPY bn)	-71	-63	-58	-70	-60
	Consumer NPC	1.20	1.17	1.17	1.17	1.17

Table III.12. Japan: Breakdown of PSE by degree of commodity specificity (cont.)
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Other commodities					
Producer SCT (JPY bn)	2 338	1 974	2 070	1 904	1 947
Percentage SCT	52.8	46.3	47.6	45.6	45.8
Producer NPC	2.16	1.86	1.91	1.84	1.84
Consumer SCT (JPY bn)	-3 069	-2 489	-2 604	-2 397	-2 465
Consumer NPC	2.21	1.86	1.89	1.87	1.83
Total GCT (JPY bn)	2	11	9	18	6
Share of GCT in Total PSE (%)	0	0	0	0	0
Total ACT (JPY bn)	297	161	172	159	151
Share of ACT in Total PSE (%)	4	3	3	3	3
Total OTP (JPY bn)	228	159	145	161	170
Share of OTP in Total PSE (%)	3	3	3	3	4

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075874130024>

Table III.13. Korea: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Total PSE (KRW bn)	9 635	24 109	23 644	24 483	24 199
Total Producer SCT (KRW bn)	9 541	22 367	22 099	22 682	22 319
Share of Producer SCT in Total PSE (%)	99	93	93	93	92
Other grains					
Producer SCT (KRW bn)	220	159	168	183	127
Percentage SCT	72.8	76.7	77.0	76.2	77.1
Producer NPC	3.69	4.30	4.34	4.20	4.36
Consumer SCT (KRW bn)	-210	-160	-170	-184	-128
Consumer NPC	3.42	2.94	2.89	3.17	2.74
Rice					
Producer SCT (KRW bn)	4 509	6 720	7 620	6 783	5 759
Percentage SCT	82.0	72.2	75.0	72.2	69.3
Producer NPC	5.59	3.45	4.00	3.26	3.08
Consumer SCT (KRW bn)	-4 452	-6 487	-7 190	-6 533	-5 737
Consumer NPC	5.59	3.45	4.00	3.26	3.08
Soybean					
Producer SCT (KRW bn)	156	393	379	437	362
Percentage SCT	78.7	88.3	86.6	88.8	89.5
Producer NPC	4.75	8.63	7.47	8.91	9.52
Consumer SCT (KRW bn)	-175	-441	-412	-486	-423
Consumer NPC	1.72	1.97	1.57	2.13	2.21
Milk					
Producer SCT (KRW bn)	299	913	912	898	929
Percentage SCT	66.7	59.8	60.2	57.9	61.2
Producer NPC	3.04	2.49	2.51	2.37	2.58
Consumer SCT (KRW bn)	-295	-1 240	-1 229	-1 201	-1 290
Consumer NPC	3.04	2.49	2.51	2.37	2.58
Beef and veal					
Producer SCT (KRW bn)	496	1 536	1 004	1 784	1 819
Percentage SCT	53.8	61.2	53.2	63.8	66.6
Producer NPC	2.23	2.63	2.14	2.76	2.99
Consumer SCT (KRW bn)	-495	-3 265	-2 275	-3 382	-4 138
Consumer NPC	2.23	2.63	2.14	2.76	2.99
Pigmeat					
Producer SCT (KRW bn)	307	1 461	1 141	1 567	1 675
Percentage SCT	32.2	47.1	36.5	49.8	54.9
Producer NPC	1.50	1.93	1.58	1.99	2.22
Consumer SCT (KRW bn)	-303	-1 733	-1 307	-1 898	-1 994
Consumer NPC	1.50	1.93	1.58	1.99	2.22
Poultry					
Producer SCT (KRW bn)	132	325	303	333	339
Percentage SCT	49.4	37.3	32.3	39.4	40.0
Producer NPC	2.09	1.60	1.48	1.65	1.67
Consumer SCT (KRW bn)	-132	-366	-337	-422	-339
Consumer NPC	2.09	1.60	1.48	1.65	1.67
Eggs					
Producer SCT (KRW bn)	1	241	289	253	180
Percentage SCT	0.5	25.8	29.4	24.5	23.3
Producer NPC	0.92	1.35	1.42	1.33	1.30
Consumer SCT (KRW bn)	28	-241	-289	-253	-180
Consumer NPC	0.92	1.35	1.42	1.33	1.30
Other commodities					
Producer SCT (KRW bn)	3 421	10 618	10 281	10 444	11 129
Percentage SCT	70.9	60.2	60.9	59.7	59.9
Producer NPC	4.56	2.53	2.61	2.48	2.50
Consumer SCT (KRW bn)	-3 436	-12 866	-11 462	-12 879	-14 257
Consumer NPC	2.73	2.45	2.34	2.46	2.56
Total GCT (KRW bn)	24	543	862	431	334
Share of GCT in Total PSE (%)	0.2	2	4	2	1
Total ACT (KRW bn)	70	728	657	751	777
Share of ACT in Total PSE (%)	1	3	3	3	3
Total OTP (KRW bn)	0	471	26	619	769
Share of OTP in Total PSE (%)	0	2	0	3	3

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075880457223>

Table III.14. Mexico: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

	1991-93	2004-06	2004	2005	2006p
Total PSE (MXN mn)	25 741	60 661	44 348	59 608	78 028
Total Producer SCT (MXN mn)	21 813	30 652	16 872	29 828	45 254
Share of Producer SCT in Total PSE (%)	85	49	38	50	58
Wheat					
Producer SCT (MXN mn)	492	557	261	733	676
Percentage SCT	22.0	10.2	6.2	13.6	10.7
Producer NPC	1.29	1.11	1.07	1.16	1.12
Consumer SCT (MXN mn)	-461	-114	-135	-205	0
Consumer NPC	1.24	1.02	1.02	1.03	1.00
Maize					
Producer SCT (MXN mn)	5 225	4 856	1 331	2 196	11 042
Percentage SCT	42.9	11.6	3.9	8.0	22.9
Producer NPC	1.75	1.14	1.04	1.09	1.30
Consumer SCT (MXN mn)	-4 659	-2 468	0	0	-7 404
Consumer NPC	1.70	1.06	1.00	1.00	1.17
Other grains					
Producer SCT (MXN mn)	601	572	755	543	416
Percentage SCT	28.0	5.9	6.6	6.9	4.2
Producer NPC	1.39	1.06	1.07	1.07	1.04
Consumer SCT (MXN mn)	-147	-40	0	0	-119
Consumer NPC	1.21	1.02	1.05	1.00	1.01
Rice					
Producer SCT (MXN mn)	17	85	72	91	91
Percentage SCT	6.9	13.0	12.5	14.4	12.2
Producer NPC	1.08	1.15	1.14	1.17	1.14
Consumer SCT (MXN mn)	-30	0	0	0	0
Consumer NPC	1.06	1.00	1.00	1.00	1.00
Soybean					
Producer SCT (MXN mn)	75	61	4	76	102
Percentage SCT	14.4	16.0	1.3	14.7	32.0
Producer NPC	1.17	1.22	1.01	1.17	1.47
Consumer SCT (MXN mn)	-307	0	0	0	0
Consumer NPC	1.19	1.00	1.00	1.00	1.00
Sugar					
Producer SCT (MXN mn)	2 114	5 423	5 249	6 351	4 671
Percentage SCT	56.1	28.9	30.5	31.3	25.0
Producer NPC	2.07	1.41	1.44	1.46	1.33
Consumer SCT (MXN mn)	-1 699	-8 969	-9 303	-9 608	-7 996
Consumer NPC	1.98	1.74	1.80	1.83	1.61
Milk					
Producer SCT (MXN mn)	2 124	4 456	1 379	5 138	6 852
Percentage SCT	33.6	14.1	4.9	16.7	20.6
Producer NPC	1.59	1.18	1.06	1.20	1.27
Consumer SCT (MXN mn)	-901	-3 928	-1 170	-4 536	-6 079
Consumer NPC	1.48	1.16	1.05	1.17	1.24
Beef and veal					
Producer SCT (MXN mn)	1 795	1 994	1 607	2 175	2 201
Percentage SCT	24.6	6.5	5.2	8.2	6.3
Producer NPC	1.33	1.00	1.00	1.00	1.00
Consumer SCT (MXN mn)	-1 816	0	0	0	0
Consumer NPC	1.32	1.00	1.00	1.00	1.00
Pigmeat					
Producer SCT (MXN mn)	25	-133	-133	-18	-248
Percentage SCT	0.6	-0.8	-0.8	-0.1	-1.4
Producer NPC	1.06	1.00	1.00	1.00	1.00
Consumer SCT (MXN mn)	-275	-22	-65	0	0
Consumer NPC	1.07	1.00	1.00	1.00	1.00
Poultry					
Producer SCT (MXN mn)	1 685	2 657	744	2 890	4 335
Percentage SCT	33.1	7.1	2.0	7.5	11.7
Producer NPC	1.62	1.08	1.03	1.08	1.14
Consumer SCT (MXN mn)	-1 955	-2 822	-957	-2 909	-4 601
Consumer NPC	1.58	1.07	1.02	1.07	1.12

Table III.14. Mexico: Breakdown of PSE by degree of commodity specificity (cont.)
(Including SCT by commodity)

		1991-93	2004-06	2004	2005	2006p
Eggs	Producer SCT (MXN mn)	88	-78	-100	-9	-125
	Percentage SCT	2.5	-0.4	-0.5	-0.1	-0.7
	Producer NPC	1.05	1.00	1.00	1.00	1.00
	Consumer SCT (MXN mn)	-152	0	0	0	0
	Consumer NPC	1.05	1.00	1.00	1.00	1.00
Other commodities	Producer SCT (MXN mn)	7 572	10 202	5 702	9 661	15 241
	Percentage SCT	18.6	5.4	3.1	5.0	8.0
	Producer NPC	1.22	1.06	1.03	1.06	1.09
	Consumer SCT (MXN mn)	-9 995	-15 803	-10 980	-14 892	-21 537
	Consumer NPC	1.33	1.08	1.05	1.08	1.12
Total GCT (MXN mn)		2 239	3 151	3 120	3 254	3 079
Share of GCT in Total PSE (%)		9	5	7	5	4
Total ACT (MXN mn)		1 689	14 106	11 012	14 059	17 247
Share of ACT in Total PSE (%)		7	24	25	24	22
Total OTP (MXN mn)		0	12 753	13 344	12 466	12 448
Share of OTP in Total PSE (%)		0	22	30	21	16

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075881348770>

Table III.15. New Zealand: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (NZD mn)		782	162	137	214	136
Total Producer SCT (NZD mn)		111	85	71	115	69
Share of Producer SCT in Total PSE (%)		19	52	52	54	51
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
	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	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
	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer 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
	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
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
	Consumer SCT (NZD mn)	-21	0	0	0	0
	Consumer NPC	1.09	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
	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer 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
	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer 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
	Consumer SCT (NZD mn)	0	0	0	0	0
	Consumer 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
	Consumer SCT (NZD mn)	-2	0	0	0	0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Poultry	Producer SCT (NZD mn)	19	32	18	52	25
	Percentage SCT	18.4	8.8	5.3	14.5	6.7
	Producer NPC	1.27	1.10	1.06	1.17	1.07
	Consumer SCT (NZD mn)	-17	-30	-17	-49	-24
	Consumer NPC	1.27	1.10	1.06	1.17	1.07
Eggs	Producer SCT (NZD mn)	36	31	34	34	27
	Percentage SCT	44.2	32.1	35.0	34.2	27.2
	Producer NPC	1.81	1.48	1.54	1.52	1.37
	Consumer SCT (NZD mn)	-38	-25	-31	-30	-14
	Consumer NPC	1.81	1.48	1.54	1.52	1.37

Table III.15. **New Zealand: Breakdown of PSE by degree of commodity specificity**
(cont.)

	1986-88	2004-06	2004	2005	2006p
Other commodities					
Producer SCT (NZD mn)	31	22	19	30	18
Percentage SCT	1.6	0.6	0.5	0.8	0.4
Producer NPC	1.02	1.01	1.01	1.01	1.01
Consumer SCT (NZD mn)	-31	-19	-17	-28	-13
Consumer NPC	1.07	1.02	1.02	1.04	1.02
Total GCT (NZD mn)	621	33	32	34	34
Share of GCT in Total PSE (%)	68	22	24	16	25
Total ACT (NZD mn)	51	43	33	64	32
Share of ACT in Total PSE (%)	13	26	24	30	24
Total OTP (NZD mn)	0	0	0	0	0
Share of OTP in Total PSE (%)	0	0	0	0	0

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076011407865>

Table III.16. Norway: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Total PSE (NOK mn)	19 203	19 451	20 013	19 255	19 083
Total Producer SCT (NOK mn)	12 364	10 508	11 039	10 413	10 072
Share of Producer SCT in Total PSE (%)	64	54	55	54	53
Wheat					
Producer SCT (NOK mn)	292	398	400	453	341
Percentage SCT	70.3	51.9	48.1	58.8	48.7
Producer NPC	3.47	2.21	2.00	2.58	2.04
Consumer SCT (NOK mn)	-121	-385	-325	-477	-353
Consumer NPC	2.05	2.28	2.02	2.72	2.11
Other grains					
Producer SCT (NOK mn)	1 515	729	768	752	666
Percentage SCT	73.2	47.8	47.6	52.7	43.2
Producer NPC	3.85	2.01	1.98	2.23	1.83
Consumer SCT (CUR mn)	-609	-268	-279	-338	-188
Consumer NPC	4.07	2.02	1.98	2.24	1.84
Milk					
Producer SCT (NOK mn)	4 507	4 006	4 207	3 976	3 836
Percentage SCT	69.8	56.5	58.4	56.1	55.1
Producer NPC	5.98	2.20	2.28	2.18	2.14
Consumer SCT (NOK mn)	-605	-2 613	-2 677	-2 632	-2 529
Consumer NPC	3.23	2.03	2.10	2.01	1.97
Beef and veal					
Producer SCT (NOK mn)	1 466	1 731	1 776	1 797	1 620
Percentage SCT	61.3	61.0	64.5	62.4	56.1
Producer NPC	3.71	2.99	3.24	3.09	2.63
Consumer SCT (NOK mn)	-1 703	-2 004	-2 053	-2 042	-1 917
Consumer NPC	3.71	2.99	3.24	3.09	2.63
Sheepmeat					
Producer SCT (NOK mn)	247	38	4	-9	120
Percentage SCT	36.1	4.9	0.5	-1.2	15.2
Producer NPC	2.69	1.18	1.11	1.11	1.31
Consumer SCT (NOK mn)	-369	-117	-76	-77	-197
Consumer NPC	2.69	1.18	1.11	1.11	1.31
Wool					
Producer SCT (NOK mn)	104	158	159	157	158
Percentage SCT	48.7	66.0	63.9	65.8	68.3
Producer NPC	2.01	2.95	2.77	2.93	3.15
Consumer SCT (NOK mn)	-55	0	0	0	0
Consumer NPC	2.01	1.00	1.00	1.00	1.00
Pigmeat					
Producer SCT (NOK mn)	1 146	1 083	1 236	1 045	969
Percentage SCT	48.7	44.4	51.5	42.6	39.2
Producer NPC	3.37	2.38	2.55	2.41	2.17
Consumer SCT (NOK mn)	-1 586	-1 407	-1 438	-1 476	-1 308
Consumer NPC	3.37	2.38	2.55	2.41	2.17
Poultry					
Producer SCT (NOK mn)	160	602	609	552	645
Percentage SCT	52.3	69.4	72.5	65.3	70.4
Producer NPC	5.64	4.86	5.69	4.14	4.74
Consumer SCT (NOK mn)	-286	-688	-681	-668	-714
Consumer NPC	5.64	4.86	5.69	4.14	4.74
Eggs					
Producer SCT (NOK mn)	425	184	178	178	196
Percentage SCT	50.3	33.8	31.8	34.4	35.1
Producer NPC	4.27	1.96	1.83	2.07	1.99
Consumer SCT (NOK mn)	-573	-260	-245	-264	-272
Consumer NPC	4.02	1.96	1.83	2.07	1.99
Other commodities					
Producer SCT (NOK mn)	2 502	1 578	1 700	1 512	1 521
Percentage SCT	53.9	47.0	48.8	47.3	45.0
Producer NPC	5.56	3.06	3.21	3.07	2.91
Consumer SCT (NOK mn)	-3 337	-1 822	-1 899	-1 800	-1 766
Consumer NPC	3.35	2.21	2.26	2.26	2.12

Table III.16. Norway: Breakdown of PSE by degree of commodity specificity (cont.)
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Total GCT (NOK mn)	5 938	5 800	5 908	5 750	5 741
Share of GCT in Total PSE (%)	31	30	30	30	30
Total ACT (NOK mn)	901	3 143	3 066	3 092	3 270
Share of ACT in Total PSE (%)	5	16	15	16	17
Total OTP (NOK mn)	0	0	0	0	0
Share of OTP in Total PSE (%)	0	0	0	0	0

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075888370417>

Table III.17. Switzerland: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (CHF mn)		8 474	6 820	7 221	6 958	6 280
Total Producer SCT (CHF mn)		7 258	3 906	4 323	4 042	3 354
Share of Producer SCT in Total PSE (%)		86	57	60	58	53
Wheat	Producer SCT (CHF mn)	417	95	95	91	100
	Percentage SCT	76.0	34.5	32.6	33.8	36.9
	Producer NPC	4.02	1.53	1.48	1.51	1.59
	Consumer SCT (CHF mn)	-538	-132	-135	-120	-141
	Consumer NPC	4.02	1.53	1.48	1.51	1.59
Maize	Producer SCT (CHF mn)	102	35	36	40	30
	Percentage SCT	70.9	45.2	43.8	47.6	44.2
	Producer NPC	3.46	1.83	1.78	1.91	1.79
	Consumer SCT (CHF mn)	-139	-24	-22	-24	-26
	Consumer NPC	3.46	1.83	1.78	1.91	1.79
Other grains	Producer SCT (CHF mn)	173	49	54	44	49
	Percentage SCT	77.7	46.7	45.8	44.7	49.7
	Producer NPC	4.53	1.88	1.84	1.81	1.99
	Consumer SCT (CHF mn)	-265	-39	-38	-36	-43
	Consumer NPC	4.02	1.53	1.48	1.51	1.59
Rapeseed	Producer SCT (CHF mn)	80	52	52	55	49
	Percentage SCT	83.9	71.1	70.1	74.4	69.0
	Producer NPC	6.45	3.49	3.34	3.90	3.22
	Consumer SCT (CHF mn)	-313	-233	-219	-249	-231
	Consumer NPC	6.45	3.49	3.34	3.90	3.22
Sugar	Producer SCT (CHF mn)	95	110	126	116	87
	Percentage SCT	72.9	68.3	73.6	71.5	60.0
	Producer NPC	4.51	3.26	3.79	3.51	2.50
	Consumer SCT (CHF mn)	-143	-235	-239	-246	-219
	Consumer NPC	4.51	3.26	3.79	3.51	2.50
Milk	Producer SCT (CHF mn)	2 729	1 062	1 177	1 158	852
	Percentage SCT	84.2	45.0	49.0	49.8	36.2
	Producer NPC	8.51	1.88	2.00	2.04	1.59
	Consumer SCT (CHF mn)	-1 863	-628	-718	-718	-448
	Consumer NPC	8.39	1.61	1.73	1.75	1.36
Beef and veal	Producer SCT (CHF mn)	1 311	754	765	717	781
	Percentage SCT	75.0	65.9	67.0	65.5	65.1
	Producer NPC	4.21	2.97	3.07	2.94	2.90
	Consumer SCT (CHF mn)	-1 382	-817	-826	-781	-844
	Consumer NPC	4.21	2.97	3.07	2.94	2.90
Sheepmeat	Producer SCT (CHF mn)	36	17	18	16	18
	Percentage SCT	68.7	35.1	35.6	31.9	37.6
	Producer NPC	5.42	1.64	1.65	1.56	1.70
	Consumer SCT (CHF mn)	-107	-37	-40	-33	-38
	Consumer NPC	5.42	1.64	1.65	1.56	1.70
Pigmeat	Producer SCT (CHF mn)	860	574	699	532	490
	Percentage SCT	53.9	55.7	63.4	53.8	49.8
	Producer NPC	3.12	2.64	3.22	2.48	2.22
	Consumer SCT (CHF mn)	-1 066	-645	-782	-595	-559
	Consumer NPC	3.12	2.64	3.22	2.48	2.22
Poultry	Producer SCT (CHF mn)	116	89	100	90	76
	Percentage SCT	76.0	79.6	81.8	78.6	78.5
	Producer NPC	7.28	6.05	6.80	5.67	5.69
	Consumer SCT (CHF mn)	-311	-203	-229	-208	-170
	Consumer NPC	7.28	6.05	6.80	5.67	5.69

Table III.17. **Switzerland: Breakdown of PSE by degree of commodity specificity**
(cont.)

		1986-88	2004-06	2004	2005	2006p
Eggs	Producer SCT (CHF mn)	182	93	88	99	93
	Percentage SCT	77.6	69.1	67.6	71.2	68.4
	Producer NPC	6.41	3.60	3.43	3.89	3.47
	Consumer SCT (CHF mn)	-395	-196	-184	-209	-194
	Consumer NPC	4.02	1.53	1.48	1.51	1.59
Other commodities	Producer SCT (CHF mn)	1 157	975	1 112	1 084	729
	Percentage SCT	74.0	50.2	53.8	52.0	44.7
	Producer NPC	13.91	2.13	2.30	2.21	1.89
	Consumer SCT (CHF mn)	-1 518	-1 278	-1 429	-1 421	-983
	Consumer NPC	4.78	2.19	2.34	2.27	1.97
Total GCT (CHF mn)		863	1 099	1 092	1 100	1 105
Share of GCT in Total PSE (%)		10	16	15	16	18
Total ACT (CHF mn)		136	178	175	178	181
Share of ACT in Total PSE (%)		2	3	2	3	3
Total OTP (CHF mn)		216	1 637	1 632	1 638	1 640
Share of OTP in Total PSE (%)		3	24	23	24	26

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075777105383>

Table III.18. Turkey: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Total PSE (TRY mn)	3	16 073	15 921	17 784	14 514
Total Producer SCT (TRY mn)	2	13 040	13 010	15 001	11 108
Share of Producer SCT in Total PSE (%)	72	81	82	84	77
Wheat					
Producer SCT (TRY mn)	1	1 749	1 167	2 695	1 386
Percentage SCT	23.9	28.3	19.2	43.2	22.5
Producer NPC	1.36	1.43	1.24	1.76	1.29
Consumer SCT (TRY mn)	0	-1 387	-1 025	-2 097	-1 040
Consumer NPC	1.36	1.40	1.24	1.71	1.24
Maize					
Producer SCT (TRY mn)	0	339	371	393	252
Percentage SCT	13.6	35.4	40.9	39.7	25.6
Producer NPC	1.16	1.56	1.69	1.66	1.34
Consumer SCT (TRY mn)	0	-89	-150	-96	-22
Consumer NPC	1.16	1.45	1.69	1.56	1.08
Other grains					
Producer SCT (TRY mn)	0	615	584	751	510
Percentage SCT	21.6	27.9	27.2	34.2	22.4
Producer NPC	1.34	1.39	1.37	1.52	1.29
Consumer SCT (TRY mn)	0	-63	-64	-75	-50
Consumer NPC	1.34	1.38	1.37	1.51	1.27
Sunflower					
Producer SCT (TRY mn)	0	178	118	184	231
Percentage SCT	10.4	29.1	22.1	31.7	33.5
Producer NPC	1.14	1.42	1.28	1.46	1.50
Consumer SCT (TRY mn)	0	-100	-79	-122	-100
Consumer NPC	1.14	1.15	1.12	1.19	1.14
Sugar					
Producer SCT (TRY mn)	0	556	638	769	261
Percentage SCT	12.3	46.3	63.4	54.2	21.5
Producer NPC	1.11	2.03	2.67	2.16	1.26
Consumer SCT (TRY mn)	0	-377	-563	-424	-144
Consumer NPC	1.11	2.03	2.67	2.16	1.26
Milk					
Producer SCT (TRY mn)	0	1 459	1 746	1 449	1 181
Percentage SCT	48.2	26.8	31.8	25.8	22.7
Producer NPC	2.28	1.45	1.56	1.45	1.35
Consumer SCT (TRY mn)	0	-1 595	-1 939	-1 640	-1 206
Consumer NPC	2.26	1.42	1.54	1.42	1.31
Beef and veal					
Producer SCT (TRY mn)	0	1 788	1 842	1 757	1 765
Percentage SCT	6.6	49.8	53.1	50.5	45.7
Producer NPC	1.19	2.23	2.40	2.32	1.97
Consumer SCT (TRY mn)	0	-1 919	-1 934	-1 923	-1 900
Consumer NPC	1.19	2.20	2.34	2.28	1.97
Sheepmeat					
Producer SCT (TRY mn)	0	102	-2	102	204
Percentage SCT	11.4	7.5	-0.1	7.9	14.8
Producer NPC	1.17	1.16	1.07	1.18	1.23
Consumer SCT (TRY mn)	0	-179	-76	-199	-262
Consumer NPC	1.17	1.16	1.07	1.18	1.23
Poultry					
Producer SCT (TRY mn)	0	667	746	737	517
Percentage SCT	4.1	30.6	34.0	32.1	25.6
Producer NPC	1.11	1.60	1.75	1.65	1.39
Consumer SCT (TRY mn)	0	-790	-931	-882	-556
Consumer NPC	1.11	1.60	1.75	1.65	1.39
Eggs					
Producer SCT (TRY mn)	0	364	359	335	398
Percentage SCT	5.2	30.7	29.4	29.2	33.5
Producer NPC	1.14	1.73	1.77	1.78	1.64
Consumer SCT (TRY mn)	0	-496	-525	-501	-462
Consumer NPC	1.14	1.73	1.77	1.78	1.64

Table III.18. Turkey: Breakdown of PSE by degree of commodity specificity (cont.)
(Including SCT by commodity)

	1986-88	2004-06	2004	2005	2006p
Other commodities					
Producer SCT (TRY mn)	1	5 224	5 441	5 830	4 403
Percentage SCT	8.7	13.6	15.6	15.0	10.0
Producer NPC	1.13	1.16	1.18	1.20	1.09
Consumer SCT (TRY mn)	-1	-3 473	-4 044	-4 442	-1 933
Consumer NPC	1.17	1.12	1.16	1.16	1.05
Total GCT (TRY mn)	1	461	420	394	570
Share of GCT in Total PSE (%)	17	3	3	2	4
Total ACT (TRY mn)	0	64	10	36	147
Share of ACT in Total PSE (%)	11	0	0	0	1
Total OTP (TRY mn)	0	2 508	2 481	2 353	2 689
Share of OTP in Total PSE (%)	0	16	16	13	19

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076014006631>

Table III.19. United States: Breakdown of PSE by degree of commodity specificity
(Including SCT by commodity)

		1986-88	2004-06	2004	2005	2006p
Total PSE (USD mn)		36 806	38 107	43 104	41 929	29 289
Total Producer SCT (USD mn)		26 898	14 491	19 424	16 217	7 832
Share of Producer SCT in Total PSE (%)		72	37	45	39	27
Wheat	Producer SCT (USD mn)	4 337	386	353	129	675
	Percentage SCT	46.5	4.8	4.6	1.8	8.0
	Producer NPC	1.33	1.01	1.01	1.00	1.00
	Consumer SCT (USD mn)	-353	0	0	0	0
	Consumer NPC	1.20	1.00	1.00	1.00	1.00
Maize	Producer SCT (USD mn)	7 217	2 642	2 952	4 750	224
	Percentage SCT	34.8	9.7	10.8	17.6	0.7
	Producer NPC	1.13	1.11	1.12	1.21	1.00
	Consumer SCT (USD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Other grains	Producer SCT (USD mn)	1 177	195	280	204	99
	Percentage SCT	37.7	12.0	15.7	13.9	6.4
	Producer NPC	1.35	1.10	1.14	1.14	1.00
	Consumer SCT (USD mn)	-100	0	0	0	0
	Consumer NPC	1.22	1.00	1.00	1.00	1.00
Rice	Producer SCT (USD mn)	816	98	135	138	20
	Percentage SCT	50.2	5.3	7.4	7.5	1.0
	Producer NPC	1.45	1.05	1.08	1.08	1.00
	Consumer SCT (USD mn)	-5	0	0	0	0
	Consumer NPC	1.01	1.00	1.00	1.00	1.00
Soybean	Producer SCT (USD mn)	172	105	517	-102	-100
	Percentage SCT	1.7	0.6	2.8	-0.6	-0.5
	Producer NPC	1.01	1.01	1.02	1.00	1.00
	Consumer SCT (USD mn)	0	0	0	0	0
	Consumer NPC	1.00	1.00	1.00	1.00	1.00
Sugar	Producer SCT (USD mn)	1 036	833	1 053	896	549
	Percentage SCT	55.9	41.6	54.2	44.4	26.2
	Producer NPC	2.31	1.73	2.17	1.67	1.36
	Consumer SCT (USD mn)	-1 995	-1 595	-2 049	-1 687	-1 048
	Consumer NPC	3.18	2.22	2.95	2.12	1.60
Milk	Producer SCT (USD mn)	6 678	5 271	7 623	5 144	3 047
	Percentage SCT	36.1	19.9	27.6	19.2	12.8
	Producer NPC	1.56	1.25	1.38	1.24	1.15
	Consumer SCT (USD mn)	-6 181	-5 189	-7 632	-5 196	-2 739
	Consumer NPC	1.56	1.25	1.37	1.24	1.13
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
	Consumer SCT (USD mn)	-377.8	0.0	0.0	0.0	0.0
	Consumer NPC	1.02	1.00	1.00	1.00	1.00
Sheepmeat	Producer SCT (USD mn)	5	40	55	36	29
	Percentage SCT	1.1	10.3	12.8	9.0	9.0
	Producer NPC	1.01	1.10	1.10	1.10	1.10
	Consumer SCT (USD mn)	-5.6	-62.2	-69	-67	-51.0
	Consumer NPC	1.01	1.10	1.10	1.10	1.10
Wool	Producer SCT (USD mn)	79	7	7	7	8
	Percentage SCT	47.8	21.4	18.1	22.1	24.0
	Producer NPC	1.01	1.27	1.22	1.28	1.32
	Consumer SCT (USD mn)	-2	0	0	0	0
	Consumer NPC	1.01	1.01	1.01	1.01	1.01

Table III.19. **United States: Breakdown of PSE by degree of commodity specificity**
(cont.)

		1986-88	2004-06	2004	2005	2006p
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
	Consumer SCT (USD mn)	0	0	0	0	0
	Consumer 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
	Consumer SCT (USD mn)	-727	0	0	0	0
	Consumer 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
	Consumer SCT (USD mn)	-140	0	0	0	0
	Consumer NPC	1.06	1.00	1.00	1.00	1.00
Other commodities	Producer SCT (USD mn)	4 328	4 915	6 448	5 016	3 280
	Percentage SCT	9.6	6.4	8.3	6.3	4.5
	Producer NPC	1.12	1.06	1.08	1.06	1.03
	Consumer SCT (USD mn)	-4 586	-3 023	-3 977	-3 195	-1 897
	Consumer NPC	1.12	1.05	1.07	1.05	1.03
Total GCT (USD mn)		2 484	2 585	2 408	3 257	2 090
Share of GCT in Total PSE (%)		7	7	6	8	7
Total ACT (USD mn)		6 838	9 404	9 548	9 368	9 296
Share of ACT in Total PSE (%)		19	25	22	22	32
Total OTP (USD mn)		585	11 627	11 724	13 087	10 071
Share of OTP in Total PSE (%)		2	31	27	31	34

p: provisional; PSE: Producer Support Estimate. CSE: Consumer Support Estimate. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient. SCT: Single Commodity Transfer. GCT: Group Commodity Transfer. ACT: All Commodity Transfer. OTP: Other Transfers to Producers.

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/076028352517>

Table III.20. Australia: Payments made on the basis of area, animal numbers, receipts or income

(AUD million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	3	15	17	18	10
Share in total PSE (%)	14	1	1	1	1
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	3	15	17	18	10
Payments based on non-current A/An/R/I production required (category D)	0	6	14	4	0
Share in total PSE (%)	0	0	1	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	6	14	4	0
Payments based on non-current A/An/R/I production not required (category E)	250	663	544	782	665
Share in total PSE (%)	17	38	35	44	36
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	228	227	231	227
<i>Payment based on farm income</i>	250	435	316	551	438

Source: OECD, PSE/CSE database 2007.

1 2 <http://dx.doi.org/10.1787/075461104161>

Table III.21. Canada: Payments made on the basis of area, animal numbers, receipts or income

(CAD million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	1 787	2 307	2 642	2 106	2 173
Share in total PSE (%)	21	29	36	27	25
<i>Payment based on area</i>	1 149	766	998	607	695
<i>Payment based on animal numbers</i>	6	84	218	34	0
<i>Payment based on farm receipt</i>	632	45	89	43	5
<i>Payment based on farm income</i>	0	1 412	1 338	1 423	1 474
Payments based on non-current A/An/R/I production required (category D)	0	44	0	0	133
Share in total PSE (%)	0	1	0	0	2
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	44	0	0	133
Payments based on non-current A/An/R/I production not required (category E)	0	1 314	868	1 729	1 345
Share in total PSE (%)	0	16	12	22	16
<i>Payment based on area</i>	0	18	0	0	53
<i>Payment based on animal numbers</i>	0	250	598	151	0
<i>Payment based on farm receipt</i>	0	589	226	1 543	0
<i>Payment based on farm income</i>	0	457	44	35	1 292

Source: OECD, PSE/CSE database 2007.

1 2 <http://dx.doi.org/10.1787/075473284813>

Table III.22. European Union: Payments made on the basis of area, animal numbers, receipts or income

(EUR million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	3 041	26 870	38 440	24 767	17 402
Share in total PSE (%)	3	24	32	23	16
<i>Payment based on area</i>	550	20 988	28 293	19 999	14 672
<i>Payment based on animal numbers</i>	2 280	4 933	8 343	4 103	2 354
<i>Payment based on farm receipt</i>	211	949	1 804	665	377
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production required (category D)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	16 039	1 449	16 088	30 580
Share in total PSE (%)	0	15	1	15	28
<i>Payment based on area</i>	0	16 039	1 449	16 088	30 580
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075508408463>

Table III.23. Iceland: Payments made on the basis of area, animal numbers, receipts or income

(ISK million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	0	48	0	0	145
Share in total PSE (%)	1	0	0	0	1
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	48	0	0	145
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production required (category D)	0	2 174	2 072	2 183	2 268
Share in total PSE (%)	0	15	15	15	15
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	2 174	2 072	2 183	2 268
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	48	39	52	65	0
Share in total PSE (%)	1	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	48	39	52	65	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database 2007.

1 2 <http://dx.doi.org/10.1787/075535071485>

Table III.24. Japan: Payments made on the basis of area, animal numbers, receipts or income

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	0	15	4	30	13
Share in total PSE (%)	2	0	0	1	0
<i>Payment based on area</i>	0	9	4	18	5
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	6	0	12	8
Payments based on non-current A/An/R/I production required (category D)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	228	159	145	161	170
Share in total PSE (%)	3	3	3	3	4
<i>Payment based on area</i>	228	159	145	161	170
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075556737058>

Table III.25. Korea: Payments made on the basis of area, animal numbers, receipts or income

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	28	1 199	1 038	1 548	1 009
Share in total PSE (%)	0	5	4	6	4
<i>Payment based on area</i>	0	665	562	982	452
<i>Payment based on animal numbers</i>	0	14	12	16	13
<i>Payment based on farm receipt</i>	16	25	40	26	11
<i>Payment based on farm income</i>	13	494	424	525	534
Payments based on non-current A/An/R/I production required (category D)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	464	10	614	769
Share in total PSE (%)	0	2	0	3	3
<i>Payment based on area</i>	0	464	10	614	769
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075580061627>

Table III.26. Mexico: Payments made on the basis of area, animal numbers, receipts or income

(MXN million)

	1991-93	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	10	861	1 121	739	724
Share in total PSE (%)	0	2	3	1	1
<i>Payment based on area</i>	10	861	1 121	739	724
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production required (category D)	0	1 833	1 425	2 004	2 070
Share in total PSE (%)	0	3	3	3	3
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	1 833	1 425	2 004	2 070
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	12 630	13 116	12 466	12 308
Share in total PSE (%)	0	22	30	21	16
<i>Payment based on area</i>	0	12 630	13 116	12 466	12 308
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075710867604>

Table III.27. New Zealand: Payments made on the basis of area, animal numbers, receipts or income

(NZD million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	42	19	6	43	8
Share in total PSE (%)	12	10	4	20	6
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	42	19	6	43	8
Payments based on non-current A/An/R/I production required (category D)	315	0	0	0	0
Share in total PSE (%)	21	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	315	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075726710481>

Table III.28. Norway: Payments made on the basis of area, animal numbers, receipts or income

(NOK million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	3 577	5 563	5 592	5 412	5 684
Share in total PSE (%)	19	29	28	28	30
<i>Payment based on area</i>	974	1 811	1 704	1 747	1 981
<i>Payment based on animal numbers</i>	2 603	3 224	3 346	3 152	3 176
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	528	543	513	527
Payments based on non-current A/An/R/I production required (category D)	0	2 722	2 882	2 715	2 568
Share in total PSE (%)	0	14	14	14	13
<i>Payment based on area</i>	0	1 635	1 670	1 647	1 590
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	1 086	1 212	1 067	979
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075726681410>

Table III.29. Switzerland: Payments made on the basis of area, animal numbers, receipts or income

(CHF million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	612	991	983	992	998
Share in total PSE (%)	7	15	14	14	16
<i>Payment based on area</i>	259	222	222	222	221
<i>Payment based on animal numbers</i>	338	769	761	770	777
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	15	0	0	0	0
Payments based on non-current A/An/R/I production required (category D)	28	91	91	92	91
Share in total PSE (%)	0	1	1	1	1
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	28	91	91	92	91
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	1 319	1 318	1 320	1 320
Share in total PSE (%)	0	19	18	19	21
<i>Payment based on area</i>	0	1 319	1 318	1 320	1 320
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075476820012>

Table III.30. Turkey: Payments made on the basis of area, animal numbers, receipts or income

(TRY million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	0	37	5	47	60
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	37	5	47	58
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	1	0	0	2
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production required (category D)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	2 508	2 481	2 353	2 689
Share in total PSE (%)	0	16	16	13	19
<i>Payment based on area</i>	0	2 508	2 481	2 353	2 689
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075736832557>**Table III.31. United States: Payments made on the basis of area, animal numbers, receipts or income**

(USD million)

	1986-88	2004-06	2004	2005	2006p
Payments based on current A/An/R/I production required (category C)	12 569	3 918	4 106	3 952	3 696
Share in total PSE (%)	34	11	10	9	13
<i>Payment based on area</i>	11 391	2 178	2 090	2 255	2 189
<i>Payment based on animal numbers</i>	267	49	17	130	0
<i>Payment based on farm receipt</i>	0	8	14	2	8
<i>Payment based on farm income</i>	912	1 683	1 984	1 565	1 499
Payments based on non-current A/An/R/I production required (category D)	0	0	0	0	0
Share in total PSE (%)	0	0	0	0	0
<i>Payment based on area</i>	0	0	0	0	0
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	0	0	0	0
<i>Payment based on farm income</i>	0	0	0	0	0
Payments based on non-current A/An/R/I production not required (category E)	0	9 420	9 586	10 917	7 757
Share in total PSE (%)	0	25	22	26	26
<i>Payment based on area</i>	0	8 779	9 576	9 968	6 793
<i>Payment based on animal numbers</i>	0	0	0	0	0
<i>Payment based on farm receipt</i>	0	641	10	949	964
<i>Payment based on farm income</i>	0	0	0	0	0

Source: OECD, PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/075737358860>

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(51 2007 05 1 P) ISBN 978-92-64-02746-6 - No. 55715 2007

Agricultural Policies in OECD Countries

MONITORING AND EVALUATION 2007

Support to farmers in OECD countries accounted for 27% of farm receipts in 2006, a drop of 2 percentage points from 2005. However, for the OECD as a whole, there has been little change in the level of producer support since the late 1990s. In the most recent period, there was progress in the way support is provided to producers, via a noticeable shift away from measures linked to the production of specific commodities. But despite a sizeable reduction, production-linked measures still dominate producer support in most countries. In addition, there has been only limited progress towards policies that target clearly defined objectives and beneficiaries. Better targeting of policies would increase their effectiveness in meeting domestic objectives, enhance efficiency, and improve transparency.

This book is a unique source of up-to-date estimates of support to agriculture. Separate chapters describe and evaluate agricultural policies in each OECD country, including such important developments as the introduction of the single-payment scheme in the EU. This edition also includes a special chapter describing the revised method of estimating support to agriculture used for the first time in this report.

Agricultural Policies in OECD Countries: Monitoring and Evaluation is published every other year, alternating with *Agricultural Policies in OECD Countries: At a Glance*.

The full text of this book is available on line via this link:

www.sourceoecd.org/agriculture/9789264027466

Those with access to all OECD books on line should use this link:

www.sourceoecd.org/9789264027466

SourceOECD is the OECD's online library of books, periodicals and statistical databases. For more information about this award-winning service and free trials ask your librarian, or write to us at

SourceOECD@oecd.org.