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## Government support to farmers falls slightly amid higher world food prices

Government support to farmers in OECD countries represented 27 % of total farm receipts in 2006, a slight fall from the 29% share the previous year, according to a new OECD report. The drop was due mainly to rising world food prices rather than changes in policies, as less support was provided to prop up domestic prices.

The OECD's latest **Agricultural Policies in OECD Countries: Monitoring and Evaluation** says farm support remains high. Nearly US \$268 billion were provided to farmers across OECD countries last year, although levels of support varied widely – from 1% of farm receipts in New Zealand to more than 60% in Iceland, Norway, Korea and Switzerland. Crop and livestock prices in OECD countries were on average 21% higher than world market prices.

But some progress is being made in the way support is being provided, the report says. In many countries recent policies are beginning to weaken the link between payments and production and are giving farmers more flexibility in what they produce.

In the European Union, the percentage of farm receipts provided by governments fell only slightly in 2006, to 32 percent from 33 percent in 2005. But the EU's Single Payment Schemes for farmers introduced over the past two years are an important step in reducing the production and trade distortions caused by high levels of support, the report adds.

In Japan and Korea, where farmers are among the most highly protected of all OECD countries, reforms are beginning to be introduced. The Japanese government is gradually reducing its role in setting agricultural prices. Administered prices are now abolished for rice, wheat and barley. However, support to Japanese farmers provides an estimated 53 percent of farm receipts. In Korea, despite the abolition of government purchasing of rice in 2004, price support still dominates policy.

Support to US farmers fell to 11% of farm receipts last year from 16% in 2005. The report says further reforms are needed to reduce price support of commodities such as sugar and milk and to use payments to achieve other goals such as protecting the rural environment.

Launching the report, Stefan Tangermann, the OECD's Director of Trade and Agriculture said "Further reform is needed – both to improve the domestic performance of farm policies and to contribute to more open markets for trade in agriculture and food products."

**Agricultural Policies in OECD Countries: Monitoring and Evaluation 2007**, is available to journalists from the OECD's [Media Division](#) (tel.+ 33 1 45 24 97 00) or through the [password-protected website](#).

Further information about the OECD's work on agriculture policies can be found on [www.oecd.org/agr](http://www.oecd.org/agr).

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