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OECD governments gave € 225 billion in support to farmers in 2005

Government support to farmers in OECD countries totalled € 225 billion in 2005, representing 29% of farm receipts. The proportion is unchanged from the previous year and only marginally lower than the 30% reported in 2003, according to a new OECD study.

Agricultural Policies in OECD Countries adds that 59% of government support last year was in the form of measures to boost the prices of farm products. These include import tariffs, export subsidies and domestic output subsidies which, says the OECD, badly distort production, markets and trade.

Government support, measured as the overall Producer Support Estimate (PSE) varies widely across OECD countries. The PSE in the European Union was 32% of farm receipts in 2005 (compared with 33% in 2004). In Australia it was 5% (unchanged from 2004) and in the US 16% (unchanged). The largest proportions of government support are found in Japan (56% in 2005), Korea (63%), Norway (64%) and Switzerland (68%).

The report argues against the view that high levels of support are necessary to ensure the quality of the environment and prosperity in rural areas. Most support goes to those who have the largest farms while government aid often “leaks” out those who are not the intended beneficiaries such as suppliers or people who own, but do not farm, land, it says. Policies to improve the environment are often ineffectual because they mainly offset pressures on natural resources from subsidies that stimulate production. Rural development is more effectively fostered by measures such as investment in infrastructure, education and social services.

Presenting the report in Brussels, Ken Ash, the OECD’s deputy director of food, agriculture and fisheries said, “If governments break the link between support and production and establish better links between support and what they are trying to accomplish – for instance, environmental sustainability or rural community well-being, they will improve the performance of domestic policies and avoid negative impacts on world markets.”

Agricultural Policies in OECD Countries at a Glance, is available to journalists from the OECD’s Media Division (tel.+ 33 1 45 24 97 00) or through the password-protected website. The report can be purchased in paper or electronic form through the OECD’s Online Bookshop. Subscribers and readers at subscribing institutions can access the online version via SourceOECD.

Further information about the OECD’s work on agriculture policies can be found on www.oecd.org/agr.

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