The OECD Producer Support Estimates (PSE)

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What is the PSE?

- The Producer Support Estimate is an indicator of the annual monetary value of gross transfers to farmers
  - Measured at the farm gate
  - Includes policy measures that support farmers regardless of their nature, objective or impact on farm production or income or the environment
Where does the information come from?

- National governments
  - Annual questionnaire
  - OECD members (and some non-members)
  - Through delegations
  - Public/published sources

- OECD Secretariat works in cooperation with respective countries to classify the information and produce the calculations
HOW DOES OECD USE THE PSE?

• To monitor the overall amount of support to farmers over time and across countries
• To identify and track the different ways in which support is delivered
• To evaluate progress in policy reform
• To quantify policy effects on production, trade, farm income and the environment -requires further analysis using models
INTERNATIONAL COMPARISONS

• We apply economic concepts (not negotiated legal definitions, eg. WTO)
• … to measure all transfers to agriculture
• In particular, by adding up across …
  – market price support, based on tariffs, export subsidies and
  – budgetary payments, for example deficiency payments
The PSE covers three broad policy categories

- **market price support** - where policies maintain domestic market prices for farm goods above those at the border
- **payments** - where policies provide budgetary financed payments to farmers
- **budget revenue foregone** – where policies lower the price of inputs paid by farmers
% PSE by Country

- New Zealand
- Australia
- Mexico (2)
- United States
- Canada
- Turkey
- OECD (3)
- European Union (1)
- Japan
- Korea
- Switzerland
- Norway
- Iceland
Classification of policy measures

- Market price support (more than half of PSE), NOT IN GTAP
- Payments based on output
- Payments based on input use (by commodity?)
- Payments based on current area, animals, revenue or income - production required (e.g. crop disaster)
- Payments based on historical criteria : area, animals, revenue or income
  - production required (e.g. Farm Income pmts in Canada)
  - production *not* required (e.g. SPS in EU, PFC in US)
- Payments based on non-commodity criteria
  - stone hedges, buffer strips
- Miscellaneous
## SINGLE COMMODITY TRANSFERS

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On-farm services

MPS not included in GTAP

Output payments

Variable inputs

On-farm services

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Non-current area, production required

Fixed capital formation

Current animal, production required

Non-current animal, production required
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The PSE has always evolved

- PSE calculations were first done in the mid-1980s
- As policies have changed, so has the classification of PSEs - to improve monitoring and evaluation
- Policies increasingly address a wider range of issues (farm incomes, trade, agri-environment, rural...)
  - are less linked to producing specific commodities,
  - are more complex in terms of eligibility criteria,
  - and are part of packages of policy measures
How will policy evaluation be improved?

• Better measurement of **flexibility** of programme requirements for farmers to be eligible for support (decoupling)

• More detail on **attributes** of policies such as payment method and target, production requirements, and scope of application

• Improved measurement of **targeting** of policies, including payments based on **non-commodity outputs**
“Le mieux est l’ennemi du bien”

Voltaire (1764)
WHY DO RICH COUNTRIES SUBSIDIZE?
OECD 2004-06
(~1% of GDP)

TSE 1986-88
2.5% of GDP