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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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 <u>all</u> 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
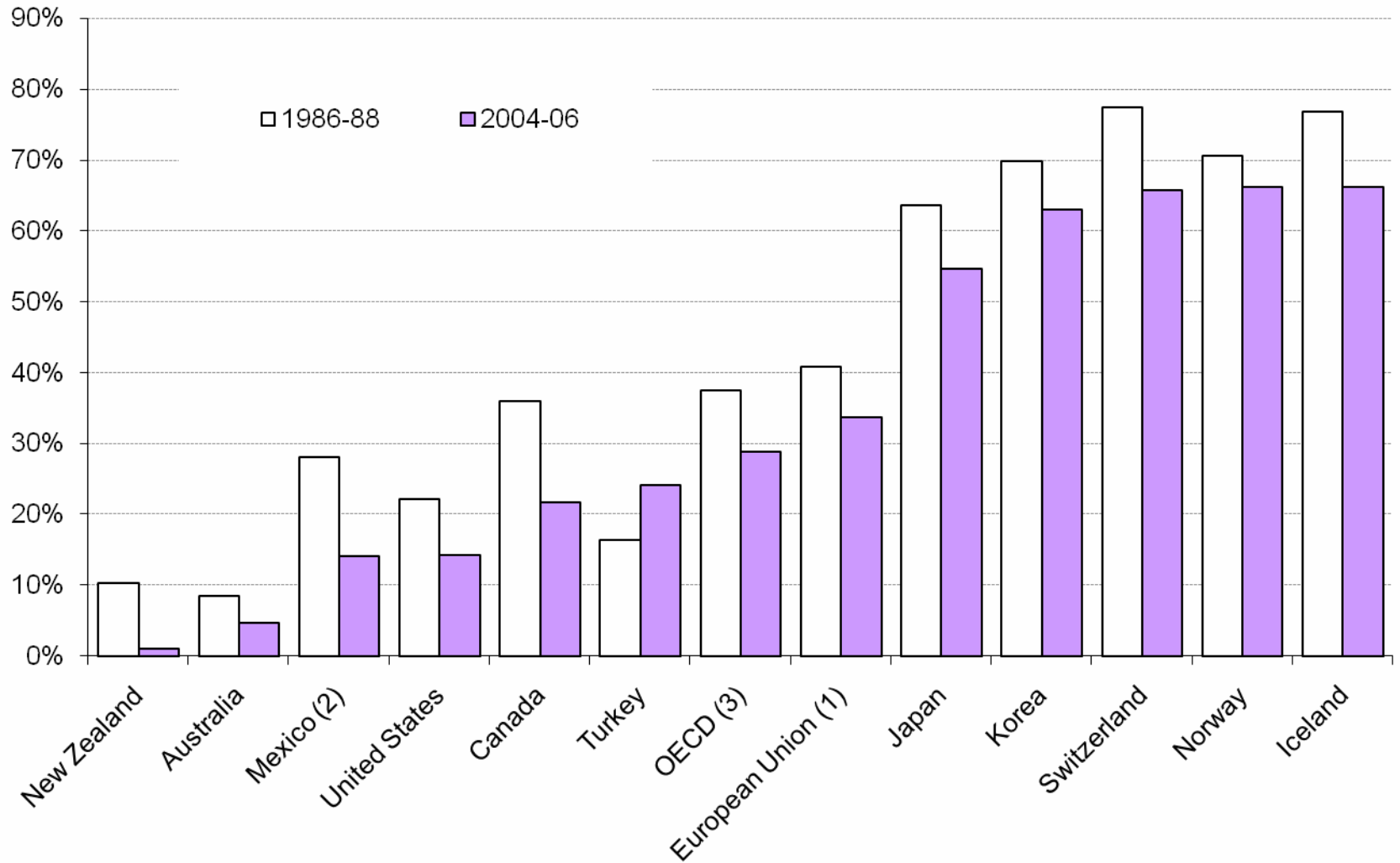
Classification of policy measures

- 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			Wheat	Rice	Grain	Etc.
MPS	not included in GTAP					
Output	Output payments	A2	x	cert	exch	
Input	Variable inputs	B1	0			
	On-farm services	B3	0			
Land	current area, production required	C	xx	crop	disast	
	non-current area, production req'd	D	0			
Capital	Fixed capital formation	B2	0			
	current animal, production required	C				
	non-current animal, production req'd	D				

ALL , GROUP AND OTHER TRANSFERS			ALL	crops	beef/ sheep	OTHER
			(ACT)			(OTP)
Input	Variable inputs	B1	XX			
	On-farm services	B3	XX			
Land	current area, production required	C		X		
	non-current area, production req'd	D	0	0		
Capital	Fixed capital formation	B2	X			
	current animal, production required	C	0			
	non-current animal, production req'd	D	0			
Labor	current revenue/income, prod req'd	C	Inc. tx			
	non-current revenue/income, prod req'd	D	0			
All Fact	non-current A/An/R/I, prod not req	E				XXX
						Direct p
						C Cyc

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
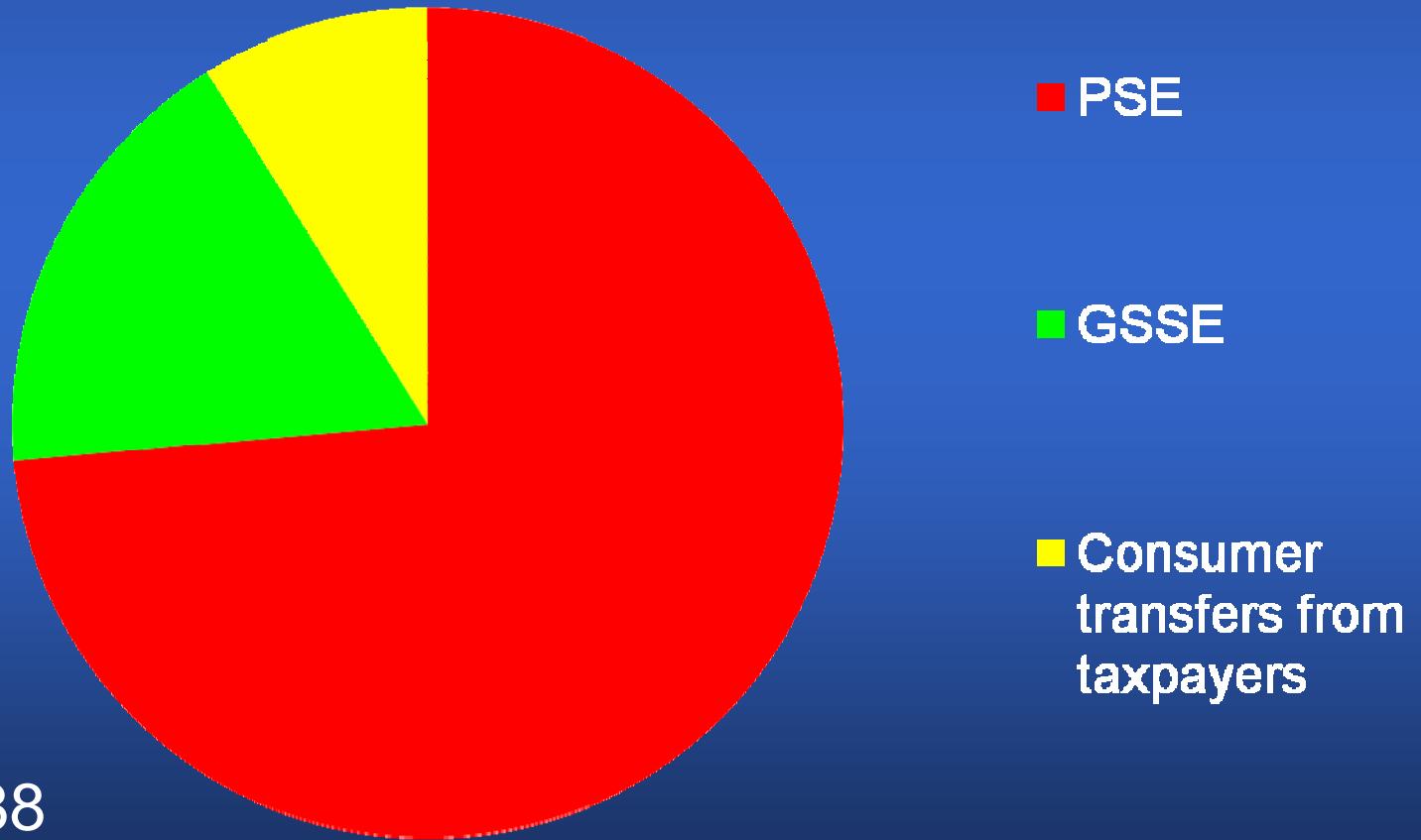
How will policy evaluation be improved?

- 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**

FINAL THOUGHT

"Le mieux est l'ennemi du bien"

Voltaire (1764)

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

PSE

GSSE

Consumer transfers from taxpayers

TSE 1986-88
2.5% of GDP