



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

**NEW OECD REPORTS ON AGRICULTURE:
Agricultural Policies in OECD Countries 2005
Agricultural Outlook 2005-14**

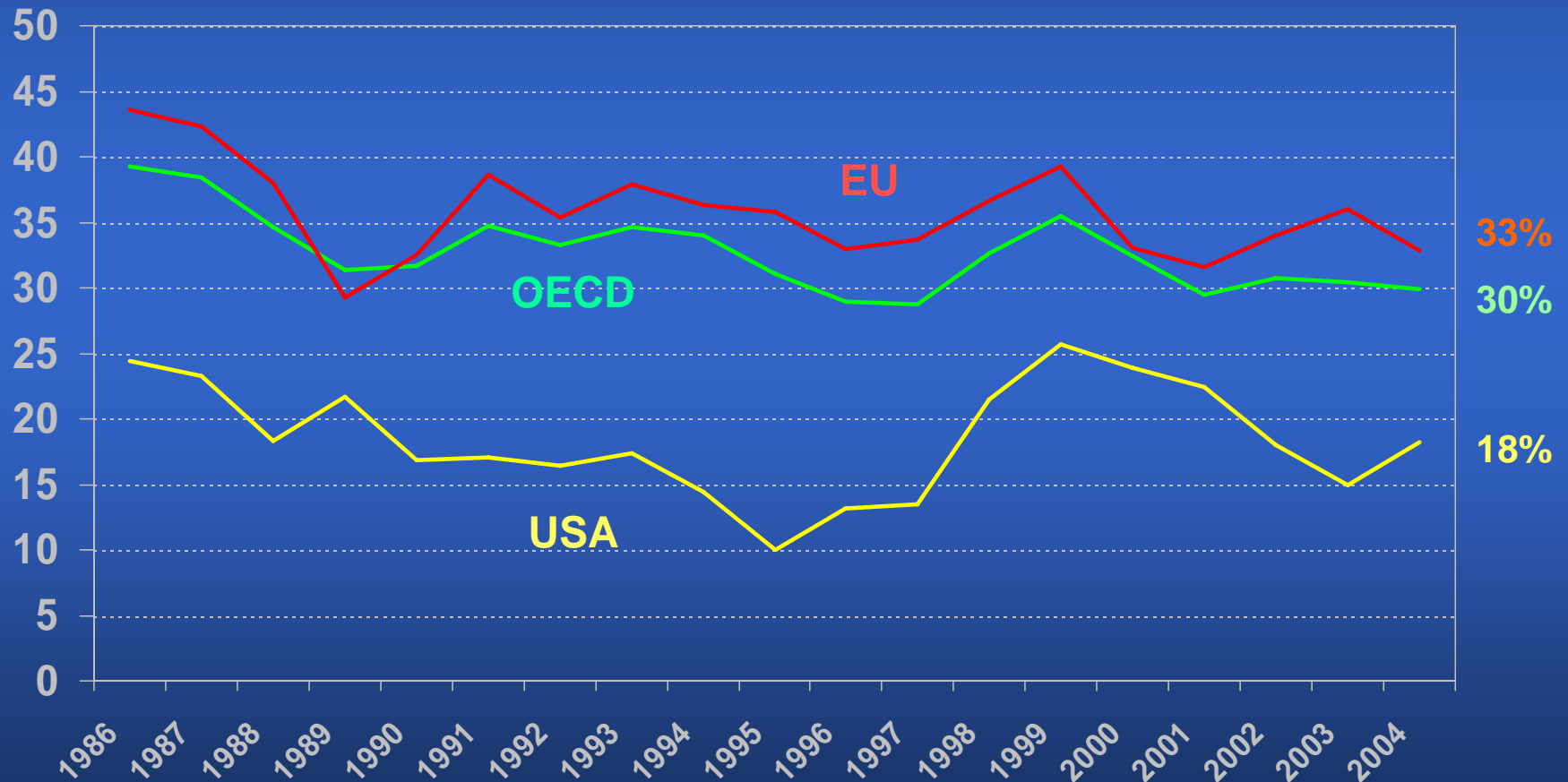
Directorate for Food, Agriculture and Fisheries

Geneva and Washington, 21 June 2005



Farm support remains high... (USD 280 billion)

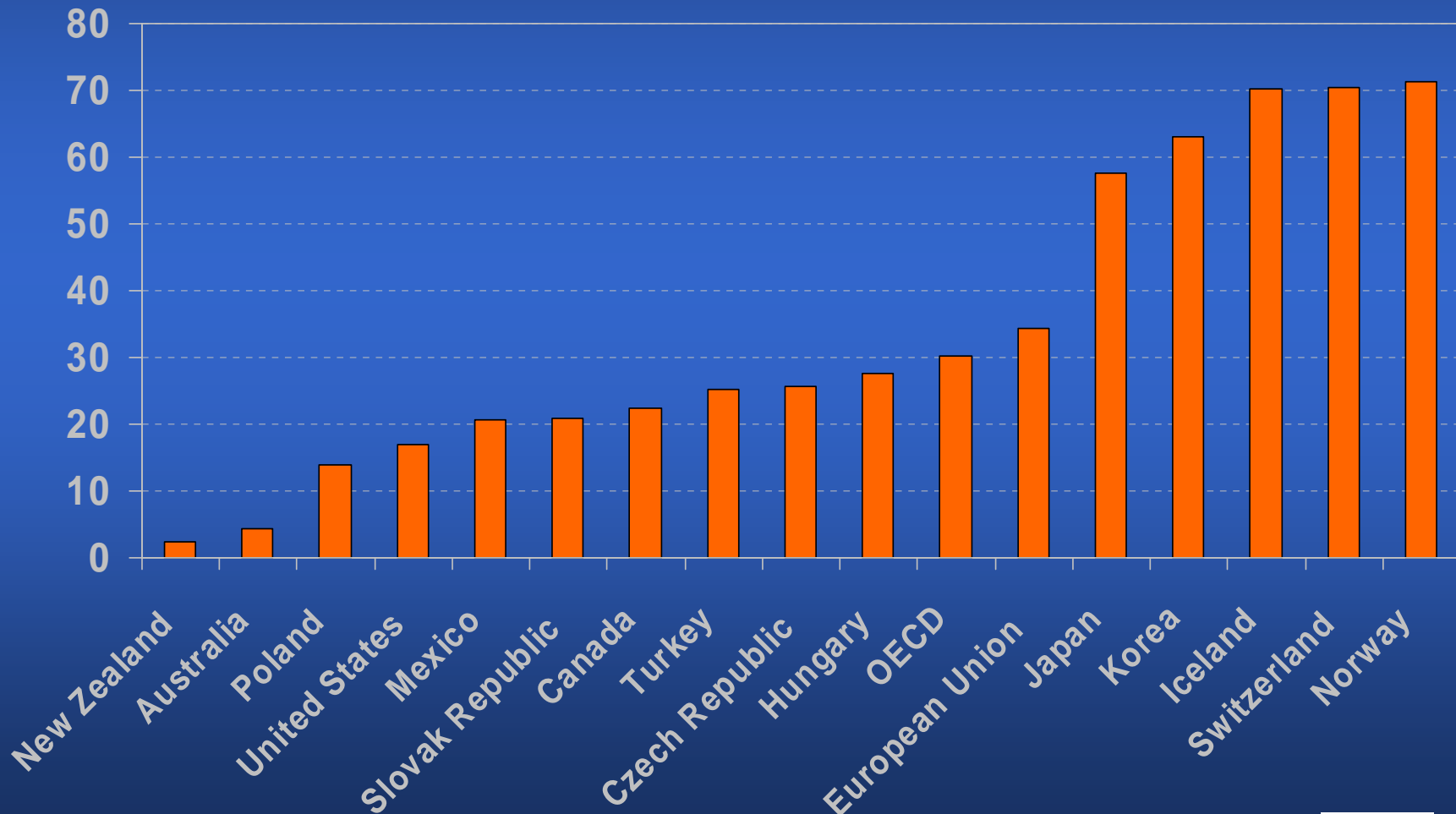
Producer support (PSE) in % of farm receipts





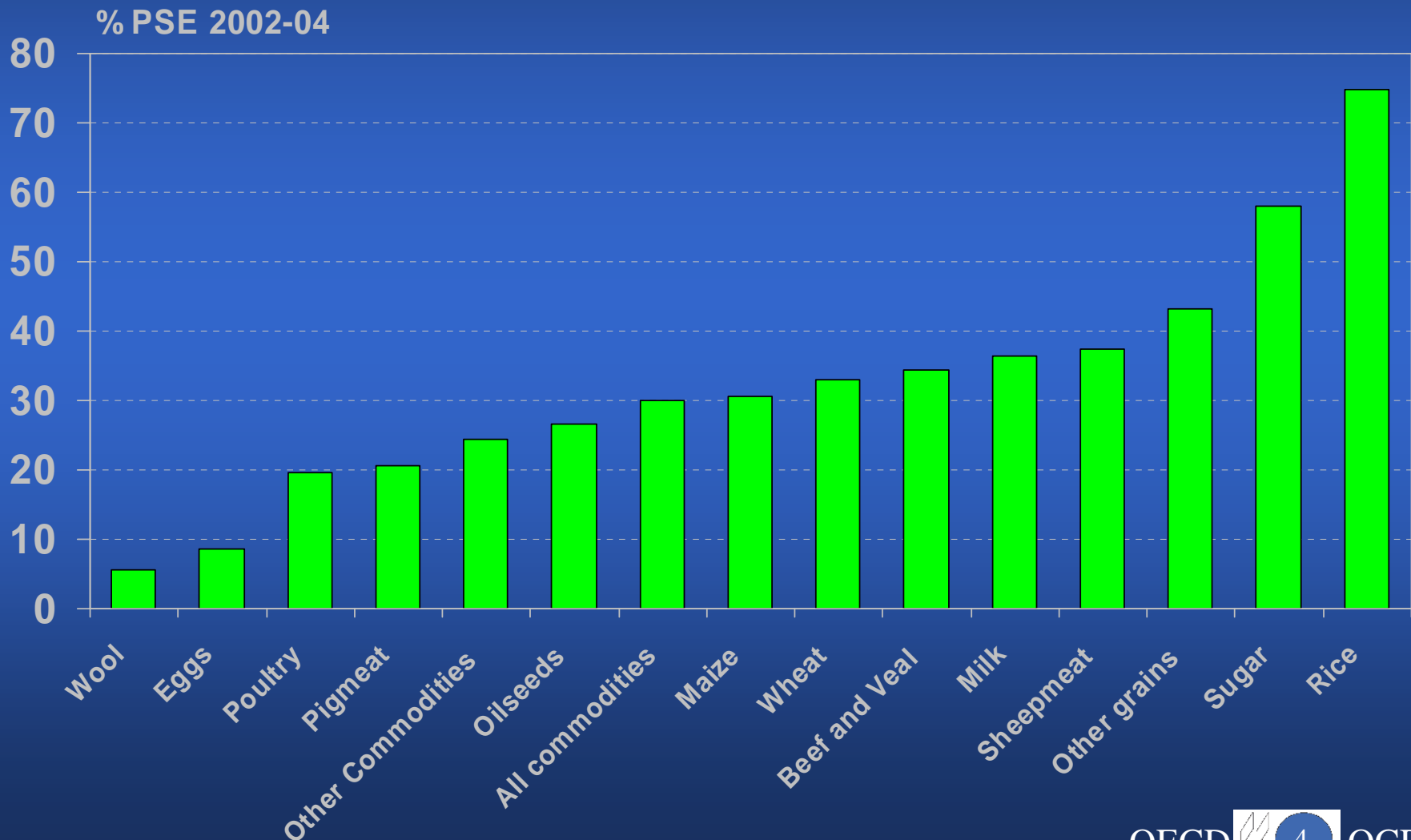
...with much variation across countries

% PSE 2002-04



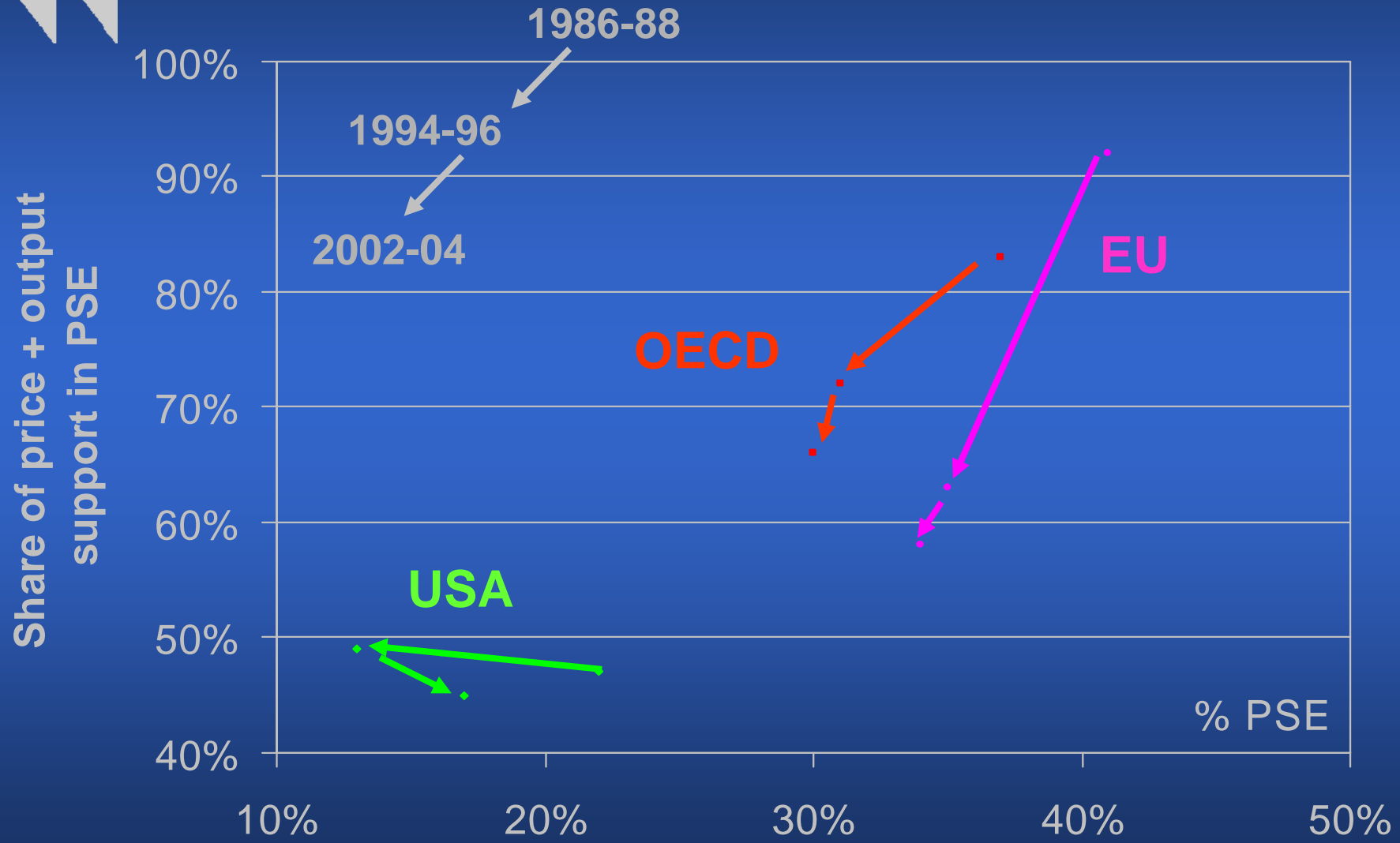


....and across commodities





....but bigger changes in types of support





EU enlargement: Impact on markets and trade in new MS

- Price increases (sugar, beef)
- Some output increase expected (pig, poultry)
- Milk (and beef), sugar production constrained by quotas
- Modest trade increase within EU
- Large increases in farm income in 2004



EU enlargement: Impact on support levels in the EU

- Prices in new MS still lower than in EU15
- Area payments in new MS 50% below EU15
- %PSE in new MS 24% in 2004
- But little change for EU25
(33% for EU25, 34% for EU15)

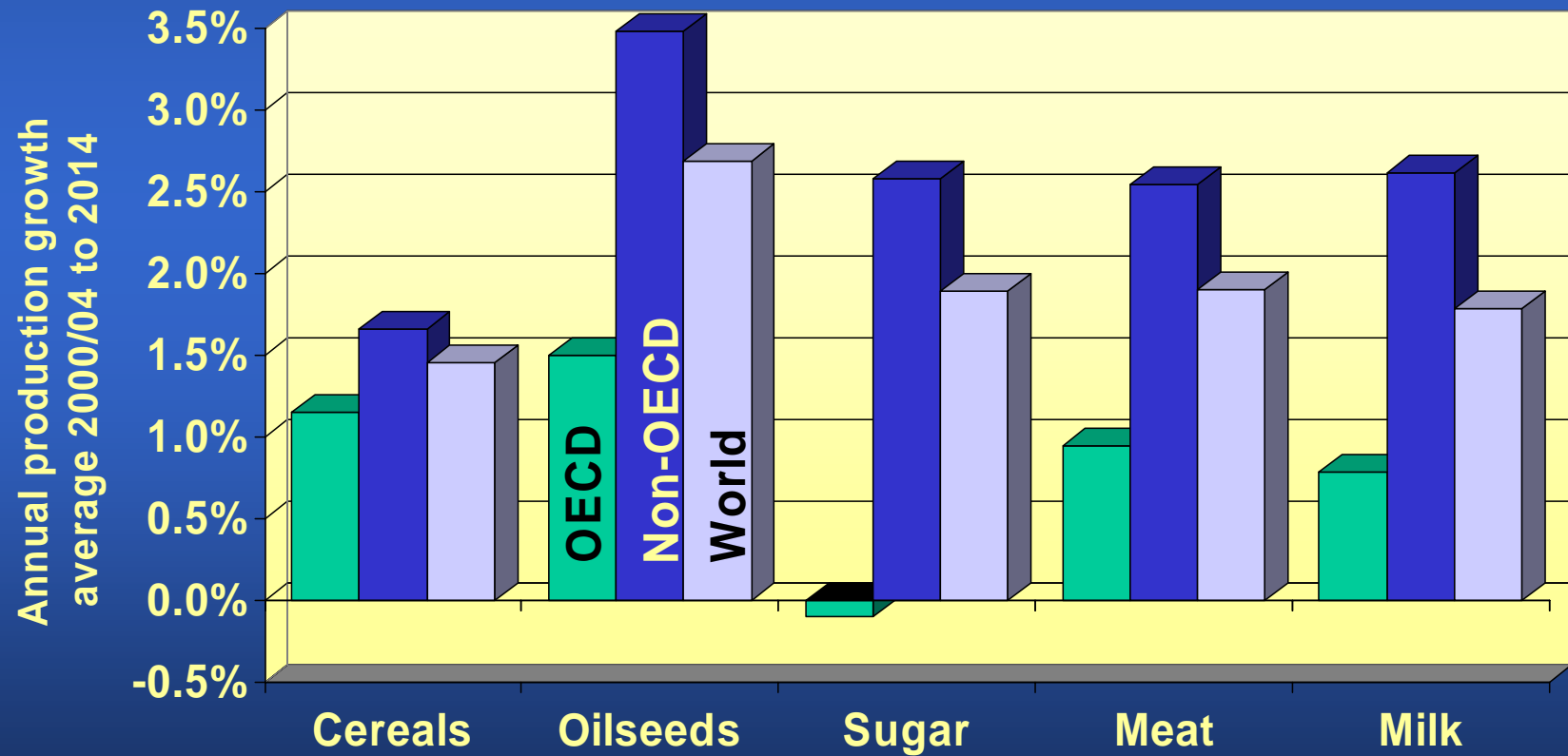


OECD-FAO Outlook 2005-14: Main trends

- Population, income growth stimulate consumption and imports in developing countries
- ... and South-South trade
- Competition, productivity growth put pressure on prices
- Changes in food chain affect trade

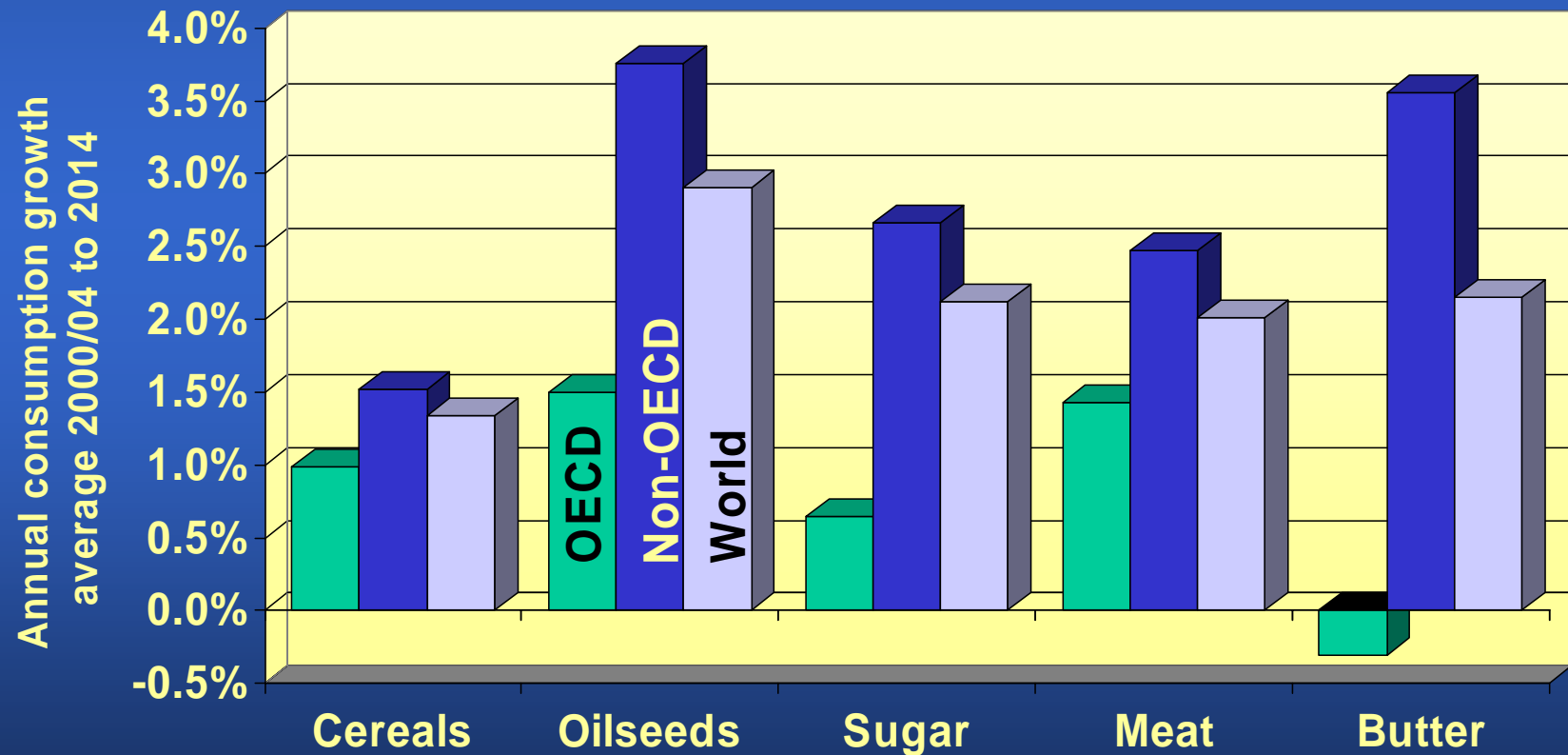


Production growth in developing countries outpaces OECD



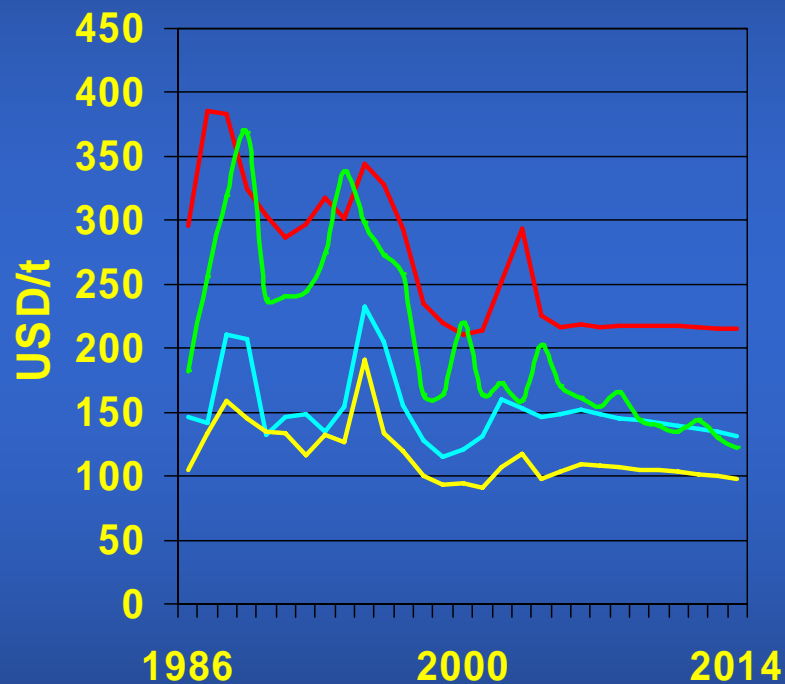


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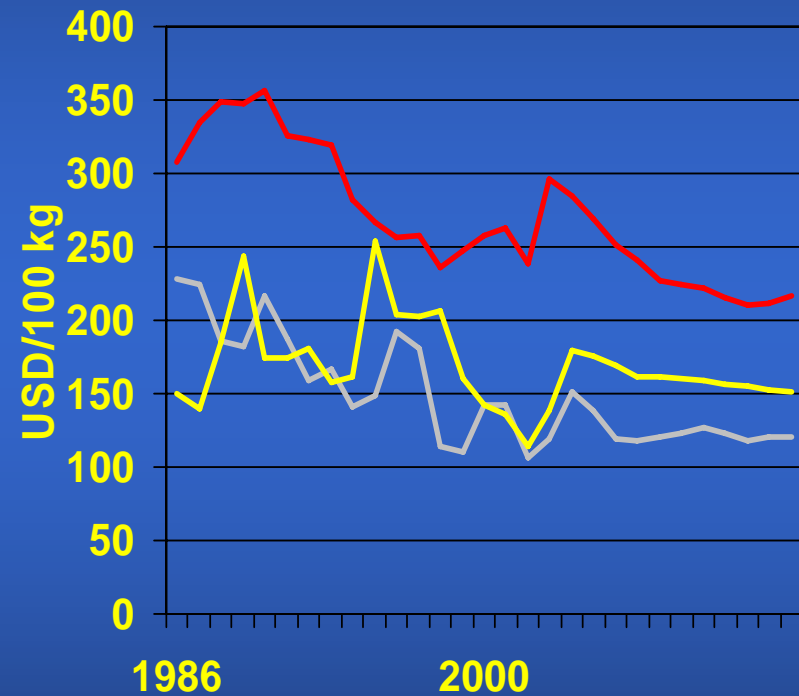




World prices remain low in real terms



— Wheat — Coarse grains
— Oilseeds — Sugar



— Beef — Pork — Butter



Policies matter

- Many markets remain heavily protected
- Many producers shielded from world price signals
- Renewed export subsidy use in EU (weak USD)
- Relaxation of Chinese self-sufficiency policy to allow greater grain imports



What needs to be done

- Greater efforts to decouple support from production
- Better targeting of policies to clearly defined, changing priorities (e.g. environment, rural development)
- More policy transparency, flexibility
- Speedy and successful conclusion of the Doha trade negotiations



Quotes from Chair Franz Fischler's summary of the OECD High Level Meeting, 14-15 June 2005

"It is increasingly necessary to decouple support from commodity production and from prices...allowing markets to guide production decisions. We recognize that policies that directly target specific objectives...can achieve better results..."

"...policies which perform best domestically also tend to distort trade the least. Opening up markets and reducing trade distorting subsidies...does not undermine countries' ability to achieve their domestic aims..."