A WIDER PERSPECTIVE: DISTRIBUTION OF SUPPORT AND INCOME IN OECD COUNTRIES

Catherine Moreddu
Trade and Agriculture Directorate

EU FADN: 50 years informing the CAP and much more
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A users’ point of view

• The OECD Directorate for Trade and Agriculture

• monitors and evaluates agricultural policy developments in member countries and key partners against their objectives and reform principles (including equity)

• analyses policy issues (e.g. risk management, innovation, productivity, sustainability)

• and provides policy recommendations
Farm-level information increasingly important for agricultural policy analysis

• Move away from price support towards payments, which can be traced and better targeted:
  – rising concerns about distributional impacts of policies
  – and requiring identification of intended recipients
• More heterogeneous farms with different response to policy incentives
• Farm-level information allows to explore:
  – whether support goes to intended recipients
  – the linkages between farm characteristics and performance, e.g. determinants of productivity growth
Facilitating access to individual data would increase potential use

- Using average information is useful but access to individual data increasingly needed
- Some analysis require time series (panel)
- OECD set up a farm-level analysis network, which meets twice a year, to promote farm-level analysis by:
  - exchanging experience in using farm-level data to develop indicators and analyse policy issues
  - Undertaking common projects allowing for cross-country comparison
Distribution of support and income

• **Question:** who receives support? Are recipients those intended by policy objectives (cost-effectiveness)? Is distribution of support acceptable to society (equity)?

• **Measurement issues:** Which support (inclusion of price support)? Which income measure? Which indicator of distribution (quartile, Gini, ha-weighted median)?

• **Comparability issues:**
  – Cross-country: different definition of farms, exclusion or small or large corporate farms
  – Cross-sector: farm vs other households
The 25% largest farms produced 70-80% of gross receipts and received \( \frac{2}{3} \) to \( \frac{3}{4} \) of total support in 2007.

Support differs by farm size and farm type

- Large farms receive most support
- But smaller farms rely more on support
- Payments were more equally distributed than output, price support and income by farm size
- Support was concentrated on a few farm types (crop, dairy and cattle)
- Distribution of support changes with:
  - Changes in farm structure
  - Reforms in the EU change the distribution of support directly (convergence, regional implementation) and indirectly (reduction of price support, decoupling, abolition of quotas)
- but only direct targeting can improve cost-effectiveness.
Farm-level productivity

• Development of an index method to measure total factor productivity (TFP) at the farm level and aggregate to sector level

• Distribution of TFP by farm size

• Drivers of TFP
  – Decomposition of productivity growth (within farm, resource reallocation, farm exit and entry)
  – Farm characteristics (size, management, operator, investment, innovation, region, payments) for low, middle and high productivity farm classes
Further reading

- Dynamics of dairy farm productivity growth: Cross country comparison
For more information

• Visit our website: www.oecd.org/agriculture

• Contact me: catherine.moreddu@oecd.org

• Follow us on Twitter: @OECDagriculture