

New Estimates of EU Agricultural Support

An “Un-Common” Agricultural Policy

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EU agricultural support to member states is a barrier to development in Africa and elsewhere. Support levels vary by member, and remain high internationally, but neither the EU nor the OECD publish comparable figures on support levels in the 28 members. In this note, we publish the first estimates of agricultural support by EU members. We have assembled these estimates from various sources to enhance transparency and scrutiny of this spend.

With the [EU 2021 to 2027 budget discussions](#) about to enter a key phase, our estimates—using the OECD’s established measure—show that current subsidy levels are more than four times higher in several eastern European members than in the Netherlands, where subsidies are lowest. Ireland and Poland are mid-table, but support levels are around double those of Denmark. Countries with higher support are clearly at an advantage despite being part of the EU’s “Common Agricultural Policy” (CAP).

Our estimates also show France, Ireland, and Luxembourg—who support a high agriculture budget—are actually in the bottom half of EU members in terms of support levels. If these [development leaders](#) shifted their position to equalize subsidy levels in a reduced budget, this would even the EU playing field and also support an important reform for development.

Below we explain why EU agricultural spend matters, our approach, and—we think—the first-ever EU member producer support estimates. This is followed by a brief analysis and conclusions.

Does support to agriculture still matter to development?

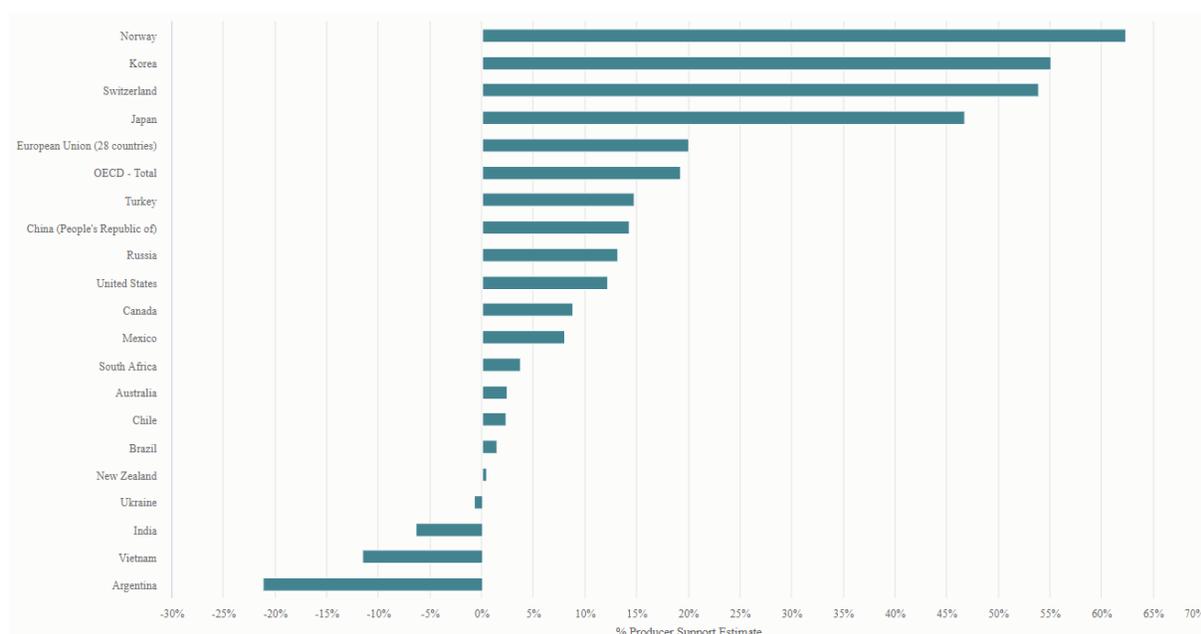
There’s no doubt that agricultural support levels are lower than they were three decades ago. Last year, the EU spent over [37 percent](#) of its budget on agriculture, although the EU’s Multiannual Financial Framework could reduce this to between [28 and 31 percent](#) of the total between 2021 and 2027. At over 50 billion euros a year, this is around [three times](#) the EU’s aid budget, and many times each of [migration](#) and [environment and climate action](#), where annual spend is under a billion.

The effect of agricultural support is largely pernicious: it [increases EU production](#), [lowers global agricultural prices](#), and [makes it harder for importers](#). African agriculture—which accounts for over [15 percent of sub-Saharan Africa’s total GDP](#)—is disadvantaged by lower international prices and because Africa does not have 50 billion euros per year to support it.

HOW HIGH ARE EU SUBSIDIES?

The EU's support levels are high by international standards. The OECD's “producer support estimate” (PSE) calculates support as a share of total farm income. The latest figure for the EU is 20.0 percent (2018)—above the OECD average and well ahead of China, the US, Russia, Canada, Brazil, and Australia (see figure 1). The EU's subsidies are not all linked to production levels, and so are likely to be less distortionary than some, though this is difficult to quantify.

Figure 1. % Producer Support Estimate as share of gross farm receipts by country (%PSE, 2018)



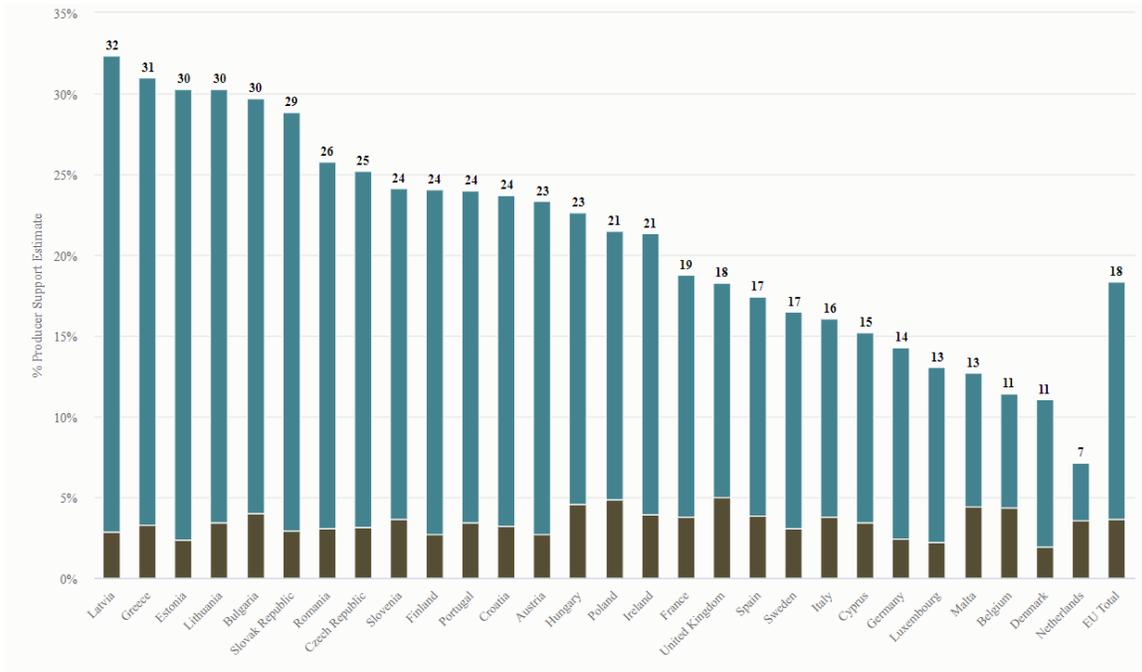
Source: OECD Producer and Consumer Support Estimate Database. Link to data [here](#).

These subsidies are known to vary by member state—but which EU members are receiving the highest and lowest subsidy levels? We have collated, combined, and analysed the latest available information (2017) on EU agricultural payments, and have allocated trade-related support by sector, to produce the first member-level estimates of producer support.

EU members support levels

Figure 2 sets out our estimates of producer support, expressed as a proportion of farm income by EU member state. The full calculations are [here](#).

Figure 2. Producer Support Estimate as share of gross farm receipts by EU member (%PSE, 2017)



Source: Author’s analysis of data from OECD, Eurostat, and European Commission. Link to data [here](#).

This highlights that, using the standard international measure (%PSE), there is wide variation in the support provided to agriculture within the “Common” agriculture policy:

- Six EU members receive more than four times the support of the Netherlands
- Traditional supporters of agriculture spend like Ireland, Luxembourg, Italy, and Poland are all below the EU average
- Despite being a vocal critic of the CAP (and receiving a separate rebate) UK support is broadly the same as the EU average
- France’s support is only just above average, while Germany’s is in the bottom quarter
- In terms of the “market price support” element—which inflates EU food prices—Belgium, Hungary, Malta, Poland, and UK producers benefit most

The variation seen here reflects a combination of factors, few of which relate to a policy objective. Most payments are **distributed on the basis of** a farm’s size in hectares—though per hectare rates vary and were often based on the historical value of production. Other payments relate to sustainability of farming methods, numbers of young farmers, or how much farms produce.

Method and caveats

We have estimated the two main elements of the PSE: subsidies and market support. On the former, we look at the subsidies provided by the EU under its [two European agricultural funds](#)—the Guarantee Fund and the Fund for Rural Development. For rural spend, EU countries match funding, so we’ve added that. On the latter, market support, the estimate incorporates the benefits to producers from prices above (world) market levels. We’ve used the EU figure for market support and allocated it among member states according to their share in the sectors that benefit (for example, beef producers benefit from EU-level trade protection, and we’ve allocated that benefit according to each country’s share of EU beef production).

This is not as rigorous as the approach taken by the OECD in producing its estimates, and we reach a slightly different overall EU figure of 18.4 percent (the OECD calculates 19.1 percent for 2017). We’ve made some simplifying assumptions, in particular in allocating which sectors benefit from market support and assuming all rural spend is matched. Still, we think it is a good guide to what the OECD would estimate (if EU members would allow it to!). We’ve described our method in annex C, and attached our [calculations](#)—we welcome feedback.

Conclusions for EU’s Common Agricultural Policy

Within the EU, our estimates suggest an “Un-common” rather than a “Common” agriculture policy which undermines the EU’s level playing field.

Countries with below-average subsidy levels like Denmark, Germany, the Netherlands, and Sweden should continue to push for lower subsidy levels overall.

Other development leaders, like [France, Ireland, and Luxembourg](#), are defending agriculture subsidies as “[friends of the farmers](#).” Our estimates show that their support levels are actually in the bottom half of members, and they could shift their position to suggest an alternative approach where producer support is equalised between members, and lowered overall—supporting development and levelling the EU playing field.

The EU’s next Financial Framework is being discussed and agreed over the coming months. In a world where the challenges are about fragility, climate, and migration, there are much better uses for the hundreds of billions of euros spent on agricultural subsidies which hold back development and accelerate climate change. We hope these new estimates improve understanding of EU agricultural spend and accelerate progress in reform.

We are very grateful for advice on our approach from Alan Matthews, Professor Emeritus, Trinity College Dublin. We’re also very grateful for advice, data manipulation, and QA from Lee Robinson; and for initial data collection from Hannah Timmis. All views and any errors are the authors.

ANNEX A. EU MEMBER PRODUCER SUPPORT ESTIMATE (PSE) (2017)

Country Name	ISO	Millions EUR		
		Subsidy	MPS	PSE
Austria	AUT	1,679	224	1,903
Belgium	BEL	667	409	1,076
Bulgaria	BGR	1,201	188	1,389
Croatia	HRV	510	79	589
Cyprus	CYP	86	25	112
Czech Republic	CZE	1,384	195	1,579
Denmark	DNK	1,065	222	1,287
Estonia	EST	323	28	351
Finland	FIN	1,176	147	1,324
France	FRA	11,513	2,878	14,391
Germany	DEU	6,950	1,436	8,386
Greece	GRC	3,528	416	3,944
Hungary	HUN	1,706	433	2,139
Ireland	IRL	1,741	389	2,131
Italy	ITA	6,025	1,876	7,901
Latvia	LVA	544	53	596
Lithuania	LTU	958	122	1,079
Luxembourg	LUX	52	11	63
Malta	MLT	10	5	15
Netherlands	NLD	937	918	1,855
Poland	POL	4,630	1,348	5,978
Portugal	PRT	1,819	302	2,120
Romania	ROU	4,967	671	5,638
Slovak Republic	SVK	780	89	868
Slovenia	SVN	305	54	359
Spain	ESP	7,025	1,982	9,007
Sweden	SWE	916	212	1,128
United Kingdom	GBR	4,248	1,591	5,839
EU Total	EUU	66,743	16,303	83,046

Source: author's analysis of data from OECD, Eurostat, and European Commission

ANNEX B. EU MEMBER %PSE AND PSE/ GDP (2017)

Country Name	ISO	% Gross Farm Income			% GDP
		Subsidy	MPS	%PSE	PSE/ GDP
Austria	AUT	20.6%	2.7%	23.4%	0.5%
Belgium	BEL	7.1%	4.3%	11.4%	0.2%
Bulgaria	BGR	25.7%	4.0%	29.7%	1.1%
Croatia	HRV	20.5%	3.2%	23.7%	0.6%
Cyprus	CYP	11.7%	3.5%	15.2%	0.4%
Czech Republic	CZE	22.1%	3.1%	25.2%	0.4%
Denmark	DNK	9.1%	1.9%	11.1%	0.5%
Estonia	EST	27.9%	2.4%	30.3%	0.9%
Finland	FIN	21.4%	2.7%	24.1%	0.6%
France	FRA	15.0%	3.8%	18.8%	0.5%
Germany	DEU	11.8%	2.4%	14.3%	0.2%
Greece	GRC	27.8%	3.3%	31.0%	1.4%
Hungary	HUN	18.1%	4.6%	22.6%	0.9%
Ireland	IRL	17.4%	3.9%	21.3%	0.6%
Italy	ITA	12.3%	3.8%	16.1%	0.4%
Latvia	LVA	29.5%	2.9%	32.4%	1.2%
Lithuania	LTU	26.9%	3.4%	30.3%	1.3%
Luxembourg	LUX	10.9%	2.2%	13.0%	0.1%
Malta	MLT	8.3%	4.4%	12.7%	0.1%
Netherlands	NLD	3.6%	3.5%	7.2%	0.2%
Poland	POL	16.6%	4.8%	21.5%	0.6%
Portugal	PRT	20.6%	3.4%	24.0%	0.7%
Romania	ROU	22.8%	3.1%	25.8%	1.2%
Slovak Republic	SVK	25.9%	3.0%	28.9%	0.6%
Slovenia	SVN	20.5%	3.6%	24.1%	0.5%
Spain	ESP	13.6%	3.8%	17.4%	0.6%
Sweden	SWE	13.4%	3.1%	16.5%	0.2%
United Kingdom	GBR	13.3%	5.0%	18.3%	0.2%
EU Total	EUU	14.8%	3.6%	18.4%	0.4%

Source: author's analysis of data from OECD, Eurostat, European Commission, and World Development Indicators

ANNEX C. METHOD FOR ESTIMATING PSE AND %PSE

The producer support estimate (PSE) is a well-established measure agreed by members of the OECD for assessing the level of support to agricultural producers from taxpayers and consumers. The full method is set out here. The OECD does not calculate an estimate for individual EU members, mainly because some of those members have not agreed to the OECD doing so. However, it is possible to estimate the PSE for individual EU members using publicly available data. We explain this below, and all of our data and calculations are available [here](#).

Basic equation

The producer support estimate (full definition [here](#)) is the “annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income.”

It includes payments to agricultural producers based on inputs, outputs (subsidies), as well as income which arises due to market price support (that is, measures which lift the price of agricultural goods about world market levels). To produce our estimate of PSE, we therefore collate data on the subsidy and market price support elements.

PSE is usually expressed as a share of total income from farming (including subsidies). This is written as %PSE. So

Percentage producer support estimate is calculated as:

For the EU, subsidies are all contained within the two programmes of the European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD). The latter is co-funded by EU members and we have assumed that they match the EU payment (typically member states co-fund equally but members could co-fund at a higher rate, which may explain why we reach a lower overall figure than the OECD). Gross farm receipts—total farm income—is calculated as the total value of production measured at the farm gate, plus subsidies. Market price support is implicitly included in the value of production. So the complete equation for any EU member is as follows:

Below we set out how we estimate the individual elements of this calculation.

Subsidies

Country level data on EAGF¹ and EAFRD² are published by the European Commission in PDF format. EAFRD is co-funded by the member states, who match the EU contribution. We therefore double the value of EAFRD to get the full subsidy value.

We then sum EAGF and (double the) EAFRD recipients to get a total subsidy level for each country.

1 Annexes to the Report from the Commission to the European Parliament and the Council, 11th Financial Report from the Commission to the European Parliament and the Council on the European Agricultural Guarantee Fund, 2017 Financial Year, available at: https://eur-lex.europa.eu/resource.html?uri=cellar:68fb4e01-b804-11e8-99ee-01aa75ed71a1.0020.02/DOC_2&-format=PDF

2 Report from the Commission to the European Parliament and the Council, 11th Financial Report from the Commission to the European Parliament and the Council on the European Agricultural Fund for Rural Development (EAFRD), 2017 Financial Year, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0629&from=EN>

Market price support

Market price support (MPS) is calculated and published for the whole EU 28 by the OECD, and broken down by sector.³ The main sectors benefiting from this support are beef, poultry, and wheat; 11 sectors are listed in the OECD data (including “other”—see below).

We distribute the overall MPS to individual EU countries, proportionate to their production (at basic prices) as a percentage of the EU total. So, if support to beef is 4 billion euro overall, and Spain produces 10 percent of the EU’s beef, then we allocate 400 million euros of MPS to Spain, and repeat this process for all other sectors.

One limitation is that a portion of MPS is categorised by the OECD as “other.” We allocate this according to all the “other” categories of production not covered in the above approach. This contains, for example, fruit, equine, and other sectors. “Other” is around a quarter of total MPS, which is itself only a fifth of PSE.

Production

To ensure consistency with OECD %PSE estimates, we estimate each EU member’s value of production by allocating the OECD’s figure according to the share of EU production according to Eurostat.

Specifically, country-level data on total output at basic value is published by Eurostat, broken down by sector. Total value of production at farm gate for the whole EU 28 is published by the OECD. We use each country’s share of the EU total using Eurostat data and use that to allocate the OECD total value of production for each EU member.

3 OECD Producer and Consumer Support Estimates database <http://stats.oecd.org/wbos/fileview2.aspx?IDFile=b19a487e-0c57-4e5d-8d37-911afad77ba5>



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