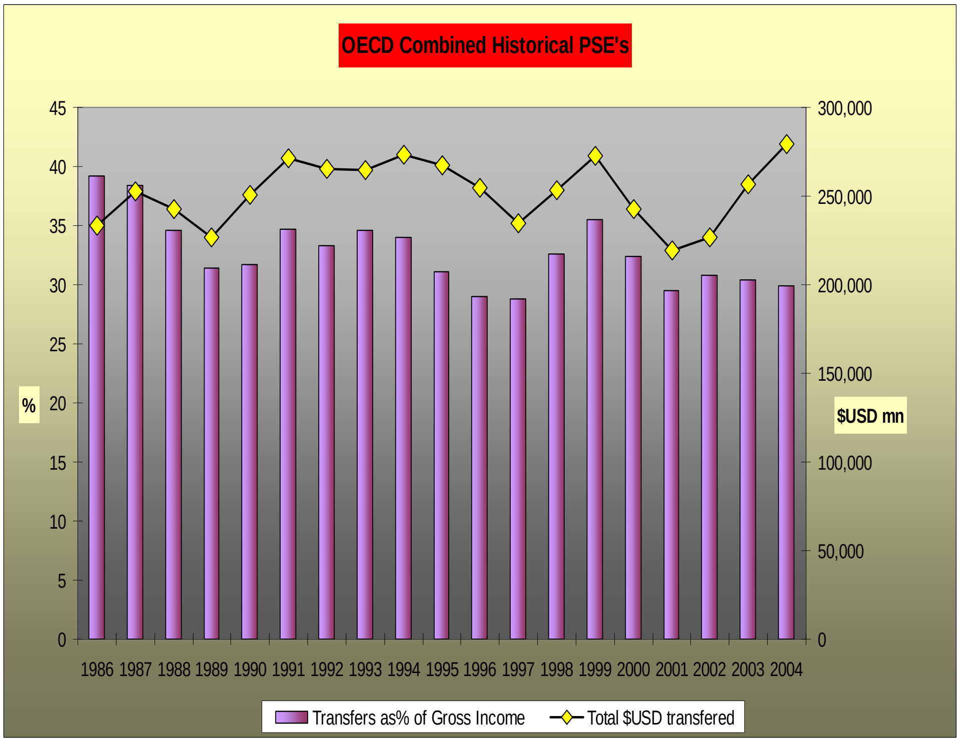
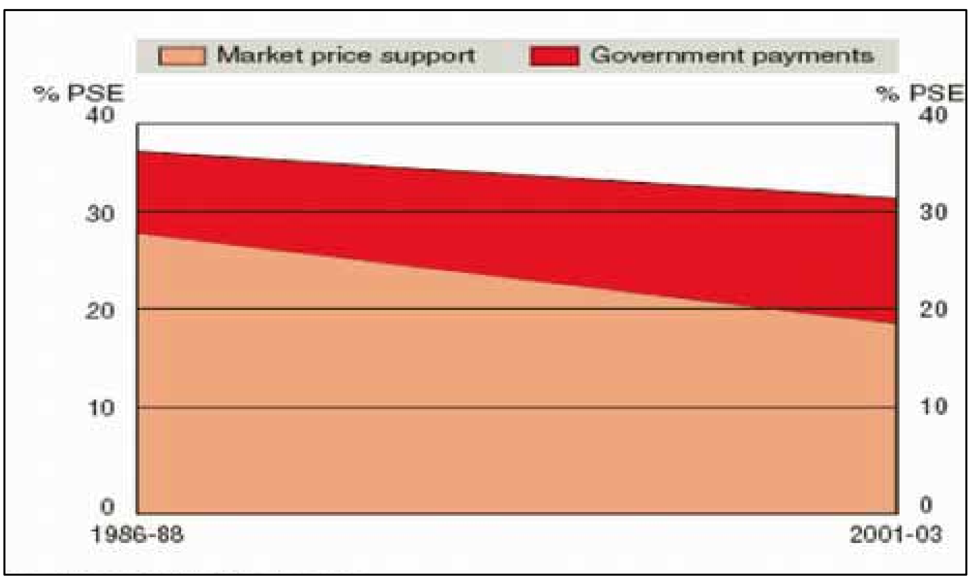
Subsidies at Root of Farm-Income Crisis





In the last nineteen years, OECD countries transferred a combined $US 4.79 trillion in subsidies to farmers. These payments have distorted incentives to growers and encouraged them to produce more than they otherwise would or produce what they otherwise wouldn't. The resulting distortions in the global marketplace have caused a downward spiral in overall prices, with negative consequences across Canada's farm belt.

- The recent trend, from 2001 to 2004, is also discouraging. Overall spending on subsidies has increased dramatically, culminating in a record-breaking $US280 billion in 2004, even while the percentage of gross income farmers receive from these supports has been declining. It is costing countries more and more to support their farmers while, at the same time, accomplishing less.
- Almost 70% of these transfers come in the form of price supports like import tariffs, which artificially raise the price domestic consumers pay for products. These tariffs levels are sometimes set so high that they keep all foreign competition out of the marketplace, as is the case for dairy products in Canada.
- Ninety percent of Canadian farmers export eighty percent of everything they produce. With almost half of its GDP generated by exports, Canada is the third most trade-dependent country in the world. That exposure makes it all the more imperative that Canada's negotiators in world trade talks concentrate on the elimination of subsidies, particularly support mechanisms like import tariffs.
- In World Trade Organization negotiations, Canada supports free trade yet vigorously defends our supply-managed marketing boards, a contradiction quite apparent to other nations. A credible plan would move us away from these trade-distorting institutions and open up opportunities to the vast majority of Canadian farmers who will benefit from open global markets.

Note: PSE stands for "Producer Support Estimate," the OECD's measurement of the value of subsidies.

Source: OECD Secretariat

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