



# Comparing U.S. and EU Program Support for Farm Commodities and Conservation

**/name redacted/**

Specialist in Agricultural Policy

**/name redacted/**

Senior Specialist in Agricultural Policy

**/name redacted/**

Specialist in Agricultural Policy

January 26, 2010

Congressional Research Service

7-....

[www.crs.gov](http://www.crs.gov)

R40539

## Summary

The European Union (EU) is one of the United States' chief agricultural trading partners and also a major competitor in world food markets. Both the United States and the EU provide significant government support for their agricultural sectors. In the United States, a large share of support is concentrated on wheat, feed grains, cotton, oilseeds, sugar, and dairy. The EU provides more extensive support to a broader range of farm and food products, including grains, cotton, rice, oilseeds, peanuts, dairy, and sugar, but also fresh and processed fruits and vegetables, and livestock products. In addition, starting in the 1980s, both the United States and the EU introduced policies and programs expanding the type and amount of support for agricultural conservation and so-called "agri-environment" practices on-farm. Compared to support for commodity production, however, support for agricultural conservation still constitutes a very small share of total farm-level support within both the EU and the United States.

According to the Organization for Economic Cooperation and Development (OECD), the EU and the United States together account for more than 60% of all government support to agriculture among the major developed economies. In terms of total spending, EU agricultural support generally is much higher than in the United States, and the EU alone accounts for 50% of the OECD's total estimate. However, comparisons are complicated by significant structural differences between the U.S. and EU farm sectors. The United States has roughly twice the farmland base of the European Union, while the EU has six to seven times the number of farm operators spread across each of its 27 member countries. The EU program also supports a broader range of farm commodities as compared to the United States.

Three general sources of quantitative data and information compare agricultural program support between the United States and the European Union. These include (1) the OECD's annual Producer Support Estimate (PSE); (2) estimates of the Aggregate Measurement of Support (AMS) for agricultural programs, as compiled by individual World Trade Organization (WTO) member countries and notified to the WTO as part of their membership obligations; and (3) annual budget expenditures for agricultural programs, as reported by individual countries.

These data sources are useful in comparing farm program support across countries. The data indicate that, since the mid-1980s, total farm support in the United States and EU has declined as a share of total gross farm receipts. In general, support for commodity programs has decreased, whereas the support for non-commodity programs, such as farmland conservation and certain types of rural development programs, has increased. However, support for non-commodity programs still accounts for a small share (less than 1%) of farm receipts. As a share of overall farm receipts, support for such programs is slightly greater in the United States, where support for non-commodity programs accounts for less than 0.7% of receipts, than in the EU, where it accounts for less than 0.3% of receipts annually. In terms of total spending, however, the data show that the EU provides more support, in aggregate, than does the United States for both production-based programs and non-commodity programs, such as farmland conservation and agri-environmental programs.

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## **Introduction**

The European Union (EU) is one of the United States' chief agricultural trading partners and also a major competitor in world food markets. Both the United States and the EU provide significant government support for their agricultural sectors. In the United States, a large share of support is concentrated on wheat, feed grains, cotton, oilseeds, sugar, and dairy. The EU provides more extensive support to a broader range of farm and food products, including grains, cotton, rice, oilseeds, peanuts, dairy, sugar, fresh and processed fruits and vegetables, and livestock products. According to the Organization for Economic Cooperation and Development (OECD), the EU and the United States together account for more than 60% of all government support to agriculture among the major developed economies.

Although many in Congress have historically defended U.S. farm support programs as a means to ensure that the United States has continued access to the “most abundant, safest, and cheapest food supplies in the world,” long-standing criticisms and continued debate have challenged the extent of and need for government support of farm programs. Some argue that the failure of the United States and EU to reform their respective farm support programs has contributed to delays in the Doha Round of multilateral trade negotiations within the World Trade Organization (WTO). In response to these criticisms, both the United States and the EU have modified their farm programs in part by expanding various types of “non-commodity” support, such as farmland conservation (or so-called “agri-environment”) programs and rural development programs, among other programs. To date, however, non-commodity support still constitutes a very small share of total farm-level support, compared to farm production support, for both the United States and the EU. Information comparing the EU and U.S. farm support programs will continue to be of interest to Congress as the Doha negotiations move forward.

This report compares farm support in the United States and the EU, given available quantitative data and information for these two economies. Three general sources of information include (1) the OECD's annual Producer Support Estimate (PSE); (2) estimates of the Aggregate Measurement of Support (AMS) for agricultural programs, as notified by the United States and the EU to the WTO as part of their member country obligations; and (3) annual EU and U.S. budget expenditures for agricultural programs.

## **Overview of U.S. and EU Farm Programs**

The OECD reports that the EU accounts for the majority—about one-half—of all government support to agriculture among the major developed economies.<sup>1</sup> Total EU agricultural support generally is much higher than in the United States. However, direct spending comparisons are complicated by significant structural differences between the U.S. and EU farm sectors. The United States has roughly twice the farmland base of the European Union, while the EU has six to seven times the number of farm operators spread across each of its 27 member countries. The EU program also supports a broader range of farm commodities as compared to the United States.

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<sup>1</sup> OECD, *Agricultural Policies in OECD Countries, at a Glance*, 2008, Table 1.3. Of reported total 2007 Producer Support Estimate (PSE), four countries accounted for nearly 90% of total farm spending in developed countries: the EU at 50% (\$130 billion), Japan at 14% (\$35 billion), the United States at 13% (\$33 billion), and Korea at 10% (\$26 billion).

Consequently, EU and U.S. farm program support differs in both size and scope, as well as in the manner this support is provided.

## **U.S. Agricultural Policy**

In the United States, federal farm support, food assistance, agricultural trade, marketing, and rural development policies are governed by a variety of separate laws. Although many of these policies can be and sometimes are modified through freestanding authorizing legislation, or as part of other laws, the omnibus, multi-year farm bill provides an opportunity for policymakers to address agricultural and food issues more comprehensively. The most recent omnibus farm bill (P.L. 110-246, the Food, Conservation, and Energy Act of 2008) covers a range of areas, including commodity crops, horticulture and livestock, conservation, nutrition, trade and food aid, agricultural research, farm credit, rural development, energy, forestry, and other programs.<sup>2</sup>

U.S. farm support consists of programs that provide both direct and indirect support to producers and consumers and to the agricultural sector in general. The core programs provide price and income support for selected commodities, including corn, wheat, cotton, rice, soybeans, dairy, and sugar. Grains, cotton, oilseeds, dairy, and peanuts generally are eligible for both fixed “decoupled” payments (payments not tied to production or crop yields) and “counter-cyclical assistance” payments (payments tied to per-bushel or per-pound target prices); the total producer subsidy is based on past production.<sup>3</sup> Producers of these and other commodities also are eligible for crop loans and loan-related subsidies that provide further support. Dairy and sugar are supported through various minimum pricing systems, and some commodities are subject to quotas to limit imports. The Congressional Budget Office (CBO) estimates that the average cost of the commodity programs will be about \$8.3 billion per year under the 2008 farm bill (FY2008-FY2012).<sup>4</sup> Farmers may also be eligible for crop insurance and disaster assistance payments.

Starting with the 1985 farm bill,<sup>5</sup> Congress introduced programs intended to help producers adopt farming practices that preserve or enhance the environment. Conservation programs administered by USDA can be broadly grouped into land retirement and easement programs and so-called “working lands” programs. In general, land retirement and easement programs take land out of crop production and provide for program rental payments and cost-sharing to establish longer-term conservation coverage to convert the land back into forests, grasslands, or wetlands. Working lands programs provide technical and financial assistance to assist agricultural producers in improving natural resource conservation and management practices on their productive lands.<sup>6</sup> In addition, aside from some long-standing rural business and community programs, the 1996 and 2002 farm bills,<sup>7</sup> as amended, included several new rural development programs intended for

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<sup>2</sup> For more detailed information about U.S. farm policies and programs, see CRS Report RS22131, *What Is the “Farm Bill”?*, and CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action*.

<sup>3</sup> For more information, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*.

<sup>4</sup> See CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action* (Table 2). Averaged over FY2008-FY2012. These reported costs are mandatory outlays that do not require appropriations actions. The farm bill also authorizes discretionary programs that require appropriators to allocate funds that are not reflected in these costs.

<sup>5</sup> P.L. 99-198, the Food Security Act of 1985.

<sup>6</sup> For more information, see CRS Report RL34557, *Conservation Provisions of the 2008 Farm Bill*, and CRS Report RL31837, *An Overview of USDA Rural Development Programs*.

<sup>7</sup> P.L. 104-127, the Federal Agriculture Improvement and Reform Act of 1996, and P.L. 107-171, the Farm Security And Rural Investment Act of 2002, respectively.

infrastructure improvements, community services, and business development.<sup>8</sup> The 2008 farm bill also expanded upon these overall program areas by creating new farm conservation and rural development programs. CBO estimates that the average cost of the mandatory conservation and rural development programs will be about \$4.8 billion per year under the 2008 farm bill.<sup>9</sup>

## **EU Agricultural Policy**

The Common Agricultural Policy (CAP) governs agricultural policies and programs for the EU's 27 member countries. Established in 1962, the CAP's objectives are to:

- increase agricultural productivity,
- ensure fair living standards for farmers,
- stabilize markets,
- ensure the availability of food, and
- provide food at reasonable prices.<sup>10</sup>

These aims were achieved primarily by the EU intervening in commodity markets to buy farm output when market prices fell below agreed target prices.<sup>11</sup> To prevent imports from undercutting the high internal prices that resulted from the operation of the intervention buying system, the EU levied variable tariffs on imported agricultural products. Export subsidies were used to eliminate the surpluses of agricultural products that resulted from the high internal prices of the intervention buying system. Among the unintended consequences of the CAP were high prices for consumers and high budget expenditures. During the 1970s and 1980s, the CAP accounted for as much as 70% of the total EU budget. The CAP was also criticized by EU trading partners for distorting world markets and interfering with global agricultural trade.

Since 1992, the EU has implemented policy changes that move the CAP toward support that is more market-oriented and decoupled from current production and prices; the changes also reduce the budgetary costs of the CAP and bring EU agricultural policy in line with World Trade Organization (WTO) rules and restrictions. More recently, the evolution of the CAP has been influenced by other objectives (than those mentioned in the Treaty of Rome) such as maintaining the quality of rural life, improving the environment, and protecting animal welfare. Reforms in 1992 (the MacSharry Reforms) and 1999 (Agenda 2000) reduced EU commodity support prices toward market levels and required that some farmland be taken out of production. Budget disciplines designed to reduce the growth in community spending on the CAP were established in 2002. In addition, the receipt of farm income support is contingent upon the farmer meeting an

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<sup>8</sup> For more information, see CRS Report RL34126, *Rural Development Provisions of the 2008 Farm Bill*.

<sup>9</sup> See CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action* (Table 2). The annual amount is averaged over FY2008-FY2012. The farm bill also authorizes discretionary programs that are not reflected in these costs. Funding for conservation represents the majority of this estimate, with funding for rural development estimated at under \$40 million per year.

<sup>10</sup> These were the objectives for a common agricultural policy, enumerated in Article 39 of the 1958 Treaty of Rome, establishing the original six-country European Economic Community.

<sup>11</sup> The system of intervention buying, import levies, and export subsidies was carried out in various common market organizations (CMOs) for bananas, cereals, floriculture, dried fodder, fruits and vegetables, hops, olive oil and table olives, flax and hemp, eggs, pork, milk products, rice, seeds, sugar, tobacco, beef and veal, sheep meat and goat meat, wine, poultry meat, and other agricultural products.

extensive array of agricultural and environmental norms that were introduced in 2003 (the Midterm Review).

### **Chronology of CAP Reforms**

**1992:** Reduced intervention prices; direct payments and set-aside introduced.

**1995:** Rural development programs introduced.

**2000:** Agenda 2000 further reduced intervention prices; made rural development a second pillar of the CAP.

**2002:** CAP budget fixed for the period 2007-2013.

**2003:** Single farm payment (SFP) established and made dependent on environmental and stewardship criteria.

Direct aid to farmers and commodity market support constitute the first pillar of the CAP. Rural development measures, added to the CAP starting in mid-1995, are the second pillar. Total reported spending for the EU's farm programs—including direct aid and support for conservation and rural development—is estimated at nearly \$68 billion (€54 billion) for 2008, and accounts for more than 40% of the EU budget annually.<sup>12</sup>

The major component of the first pillar of the CAP (direct aid and market support) is the single farm payment (SFP). Introduced in 2003, the SFP replaced payments made under various commodity-specific common market organizations (CMOs) and largely decoupled support from current prices or production. EU member countries could opt to maintain a limited link between payments and production (“partial decoupling”), but most chose to move to full decoupling. The recently completed Health Check will eliminate partial decoupling for all but a few (livestock) commodities by 2012.<sup>13</sup> Reported spending for “direct aids,” covering SFP, is estimated at about \$50 billion (€37 billion) for 2008.<sup>14</sup>

In order to receive the SFP, a farmer must comply with certain environmental and agricultural measures. Cross-compliance entails keeping farmland in good agricultural and environmental condition and observing mandatory management requirements. The requirements are included in regulations established for groundwater protection, water pollution from nitrates, pesticide use, and the protection of habitats for flora and fauna. These agricultural and environmental practices, often referred to as “good agricultural practices” or GAPs, are listed below (**Table 1**).

Non-compliance is sanctioned by reductions in direct payments. The reduction may not exceed 5% for one instance of non-compliance, but may increase to 20% in the case of repeated non-compliance. If non-compliance is intentional, the reduction will not be less than 20% and could result in total denial of the SFP for one or more years.

<sup>12</sup> Based on report budget estimates reported by the European Commission (EC): “EU budget” at €125.6 billion for 2008 (Table 3.4.1, at [http://ec.europa.eu/agriculture/agrista/2007/table\\_en/341.pdf](http://ec.europa.eu/agriculture/agrista/2007/table_en/341.pdf)) and “Title 05” programs for 2008 of €54.0 billion (Table 3.4.3.1, at [http://ec.europa.eu/agriculture/agrista/2007/table\\_en/3431s1.pdf](http://ec.europa.eu/agriculture/agrista/2007/table_en/3431s1.pdf)). Converted by CRS from € (euro) to U.S. dollars using annual average nominal exchange rates reported by USDA’s Economic Research Service (ERS), at <http://www.ers.usda.gov/data/exchangerates/>.

<sup>13</sup> European Commission (EC), “‘Health Check’ of the Common Agricultural Policy,” [http://ec.europa.eu/agriculture/healthcheck/index\\_en.htm](http://ec.europa.eu/agriculture/healthcheck/index_en.htm). The EU’s Health Check is intended as a blueprint for streamlining and further modernizing the CAP and builds on the 2003 reforms, including simplification of the CAP’s direct aid system, support for newly acceded countries, and other issues.

<sup>14</sup> EC, Table 3.4.3.1, at [http://ec.europa.eu/agriculture/agrista/2007/table\\_en/3431s1.pdf](http://ec.europa.eu/agriculture/agrista/2007/table_en/3431s1.pdf). Converted to dollars by CRS.

**Table I. Good Agricultural and Environmental Practices**

Issue	Practices
Soil erosion: Protect soil through appropriate measures	Minimum soil cover Minimum land management reflecting site-specific conditions Retain terraces
Soil organic matter: Maintain soil organic matter levels through appropriate practices	Standards for crop rotations where applicable Arable stubble management
Soil structure: Maintain soil structure through appropriate measures	Appropriate machinery use
Minimum level of maintenance: Ensure a minimum level of maintenance and avoid the deterioration of habitats	Minimum livestock stocking rates or/and appropriate regimes Protection of permanent pasture Retention of landscape features Avoiding the encroachment of unwanted vegetation on agricultural land

**Source:** Annex IV of Council Directive (EC) No 1782/2003, viewed at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32003R1782:EN:NOT>.

Rural development policy (pillar two) focuses on three identified areas: competitiveness for farming and forestry; environment and countryside; and quality of life and diversification of the rural economy.<sup>15</sup> Activities under the second pillar are designed and co-financed by member countries. Within member states, the EU funds 75% of the cost of rural development activities, and 90% in poorer areas. Increased spending on rural development is financed by reducing the direct payments to larger farmers. From 2007 onward, direct payments to individual farmers of €5,000 and higher are reduced by 5% to finance rural development. The EU refers to this reduction in direct payments and transfer of funds from the first to the second pillar as “modulation.”

Spending on the EU’s “rural development” programs, which include agri-environmental programs, is estimated at about \$14 billion (€10 billion) for 2007 and about \$19 billion (€13 billion) for 2008.<sup>16</sup> Overall, CAP spending for rural development represents about 20% or more of all EU farm spending. Direct farm spending, including the SFP, accounts for about 70% of the CAP. The remaining budget is spent on other farm programs and administration. CAP spending is subject to a financial discipline mechanism designed to keep spending on direct aid and market support (pillar one) in line with budget ceilings agreed to in 2002. If overspending on direct aids is forecast, then direct aids are reduced to ensure that the budget is not exceeded.

## Comparing Support Across Countries

Three general sources of quantitative data and information compare agricultural program support between the United States and the European Union:

<sup>15</sup> See Council Decision of February 20, 2006, on “Community strategic guidelines for rural development (2007 to 2013),” at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006D0144:EN:NOT>.

<sup>16</sup> EC, Table 3.4.3.1, at [http://ec.europa.eu/agriculture/agrista/2007/table\\_en/3431s1.pdf](http://ec.europa.eu/agriculture/agrista/2007/table_en/3431s1.pdf). Converted to dollars by CRS.



1. the annual Producer Support Estimate (PSE) for agricultural programs by country, as calculated and compiled by the OECD;
2. annual estimates of the Aggregate Measurement of Support (AMS) for agricultural programs, as calculated and compiled by individual World Trade Organization (WTO) member countries and notified to the WTO as part of their membership obligations; and
3. annual budget expenditures for agricultural programs, as reported by individual countries.

Each of these information sources provides estimates of support for agricultural commodities. These sources also provide, although to a more limited extent, estimates of support for non-commodity programs, such as agricultural conservation programs, rural development, agro-forestry, bioenergy, and related farm programs. Each of these sources is useful for comparing farm program support across countries, but they also have certain limitations, particularly in the area of non-commodity programs, such as agricultural conservation. The PSE and AMS data are more inclusive across all program areas and more comprehensive overall than reported budgetary information. None of these information sources reflect the most recent reforms to the EU's Common Agricultural Policy (CAP) agreed to by the EU agriculture ministers in late 2008.

These information sources also highlight differences between the United States and the European Union, not only in terms of their respective policy priorities, but also in terms of farm sector differences. For example, the United States' commodity program focuses its support on a few major commodities (mostly corn, wheat, rice, soybeans, cotton, dairy, and sugar), whereas the EU farm program provides commodity support for a much wider range of products, including grains, cotton, rice, oilseeds, peanuts, dairy, sugar, fresh and processed fruits and vegetables, and livestock products. Farm structures and organization are also vastly different: the United States has roughly twice the farmland base of the European Union, with fewer but significantly larger farms than the EU. The EU has less total land in farming, but as many as six to seven times the number of farm operators.<sup>17</sup> Such differences can affect how the available data and information may be interpreted, and caution is needed when comparing any available data translated into a per-unit basis, such as expenditures per acre or per farm, between these countries.

Putting aside limitations of the data, these information sources are useful in comparing farm program support across countries. The data indicate that, since the mid-1980s, total farm support in the United States and EU has declined as a share of total gross farm receipts. In general, support for commodity programs has decreased, whereas the support for non-commodity programs, such as farmland conservation and certain types of rural development programs, has increased. However, support for non-commodity programs still accounts for a small share (less than 1%) of farm receipts. As a share of overall farm receipts, support for such programs is slightly greater in the United States, where support for non-commodity programs accounts for less than 0.7% of receipts, than in the EU, where it accounts for less than 0.3% of receipts annually. However, in terms of total spending, the data show that the EU provides more support, in aggregate, than the United States for both production-based programs and non-commodity programs, such as farmland conservation and agri-environmental programs.

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<sup>17</sup> USDA, Economic Research Service (ERS), *U.S.-EU Food and Agriculture Comparisons*, WRS-04-04, January 2004, <http://www.ers.usda.gov/publications/WRS0404/WRS0404.pdf>.

## OECD's Producer Support Estimates

A widely referenced source of data and information used to compare farm program support is the OECD's long-standing annual publication *Agricultural Policies in OECD Countries*, which describes and evaluates agricultural policies in each of the OECD countries.<sup>18</sup>

### Data Description

The measure used by OECD for its cross-country comparison is the Producer Support Estimate (PSE).<sup>19</sup> The PSE reflects farm support expressed as a percentage of the value of gross output or farm receipts. OECD defines the PSE as “an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers, measured at farm gate level, arising from policy measures, regardless of their nature, objectives or impacts on farm production or income.”<sup>20</sup> This measure is broken down into seven identified farm support categories, including six categories of production-based support (commodity production, input use, payments based on various criteria including area planted, animal numbers, receipts, and income) and a single non-production category (so-called “non-commodity criteria” or “non-commodity outputs”).

The definition of “non-commodity outputs” is closely related to the concept of “multifunctionality,” which is widely acknowledged in the EU and builds on the idea that agriculture has many functions in addition to producing food and fiber. These positive attributes include environmental protection, landscape preservation, biodiversity, rural viability and employment, animal welfare, food safety and quality, and food security.<sup>21</sup> Typically, non-commodity outputs of agriculture satisfy two conditions: they are jointly produced with commodity outputs, and they provide social value (and impose social costs) not reflected in markets.<sup>22</sup> Because non-commodity outputs still account for a very small portion of total gross farm receipts, the OECD report does not always allow for a thorough analysis of changes in government support for non-commodity programs, such as agri-environmental services.

### Advantages/Disadvantages

The OECD's report includes extensive statistical and historical data broken down by type of support in aggregate and by major commodity. The analysis is comprehensive and accounts for many of the underlying structural issues that would otherwise complicate a comparison of farm programs across countries, such as differences in program priorities, reporting differences, and fluctuations in commodity prices and exchange rates. For commodities, the OECD's reported information is inclusive across all program areas and includes support for all commodities, even

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<sup>18</sup> The 2009 OECD report is *Agricultural Policies in OECD Countries*. For information on how these estimates are compiled, see *Agricultural Policies in OECD Countries: Monitoring and Evaluation 2008*.

<sup>19</sup> Formerly known as the “Producer Subsidy Equivalent (PSE).”

<sup>20</sup> OECD, Glossary of Statistical Terms, “Producer Support Estimate (PSE)”, <http://stats.oecd.org/glossary/detail.asp?ID=2150>.

<sup>21</sup> WTO, Glossary term: Multifunctionality, [http://www.wto.org/english/thewto\\_e/glossary\\_e/multifunctionality\\_e.htm](http://www.wto.org/english/thewto_e/glossary_e/multifunctionality_e.htm).

<sup>22</sup> See, e.g., R. N. Boisvert and D. Blandford, “Multifunctionality and Non-trade Concerns: Implications for Future Agricultural Policy in Asia;” and Peterson et al., “Environmental policies for a multifunctional agricultural sector in open economies,” *European Review of Agricultural Economics*, vol. 29 (4).

those that are supported through price supports and administered prices (such as dairy and sugar in the United States). This allows for a direct comparison of agricultural support between the United States and the EU. Also, for the EU, the OECD report provides information across several levels of EU accession:<sup>23</sup> EU12 (1986-1994, including parts of eastern Europe from 1990); EU15 (1995-2003); EU25 (2004-2006) and EU27 (since 2007). Moreover, the OECD's historical perspective, extending back through the mid-1980s, allows for a complete comparison of the effects of policy reforms over time.

One shortcoming of the PSE is that because it is expressed as a percentage of the value of gross farm receipts and is best suited to reflect general policy trends, it does not readily allow for a direct comparison in terms of budget spending. Within the aggregate category for non-commodity outputs, the PSE does not allow for a direct and detailed comparison of differences in specific programs, such as agricultural conservation. Non-commodity outputs are measured broadly and expressed in terms of long-term resource retirements, along with other specific and non-specific non-commodity criteria as reflected in each country's overall portfolio of agricultural conservation, forestry, and rural development programs. More specific program breakouts within this category are not available.

## **What the Data Indicate**

With respect to developed countries, the 2009 OECD report highlights the following general conclusions, among others:

- producer farm support is at its lowest level since the 1980s;
- there is a continued shift away from most market-distorting supports;
- there is a continued shift toward new policy measures to strengthen the viability of rural areas and improve environmental performance, among other societal concerns; and
- reforms in the area of farm policy are uneven across countries.

**Figure 1** and **Figure 2** compare available PSE estimates since the mid-1980s by level and by support categories for the United States and the EU. As shown, total farm support in the United States has declined from an estimated 24% of gross farm receipts in 1986 to about 7% of receipts in 2008 (**Figure 1**). Of this total, the share of total farm support for commodity programs dropped from 24% to 6% of overall farm receipts; support for non-commodity programs increased but still accounts for less than 1% of receipts.<sup>24</sup> Comparable estimates for the EU show that total farm support has also declined from an estimated 42% of farm receipts in 1986 to about 25% in 2008, including a decrease in the share of total farm support for commodity programs (**Figure 2**). Support for non-commodity criteria has increased, but still accounts for less than 1%.<sup>25</sup>

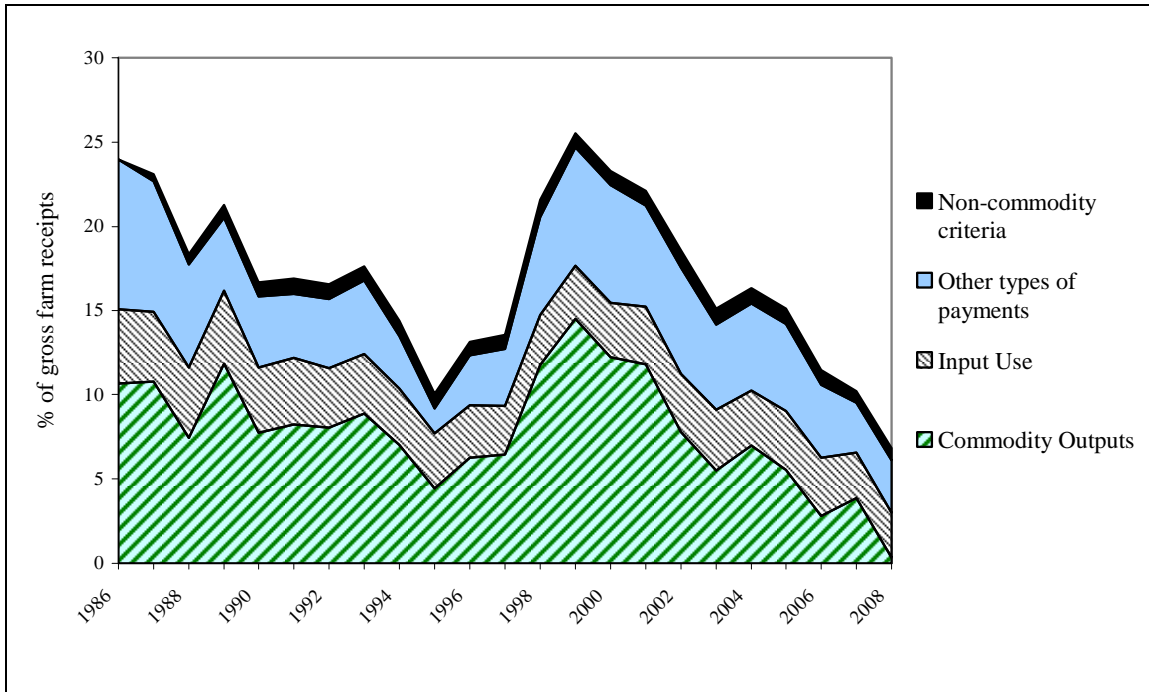
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<sup>23</sup> The EU is currently composed of 27 independent sovereign countries. Before 2004, the EU included 15 countries: Germany, France, Italy, the Netherlands, Belgium, Luxembourg, Denmark, Ireland, United Kingdom, Greece, Spain, Portugal, Austria, Finland, and Sweden. In 2004, 10 countries joined: Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. In 2007, Bulgaria and Romania joined. Three candidate countries are being reviewed for accession: Croatia, the Former Yugoslav Republic of Macedonia, and Turkey.

<sup>24</sup> OECD, *Agricultural Policies in OECD Countries*, 2009. Data are at <http://dx.doi.org/10.1787/356284205026>.

<sup>25</sup> OECD, *Agricultural Policies in OECD Countries*, 2009. Data are at <http://dx.doi.org/10.1787/355801710542>.

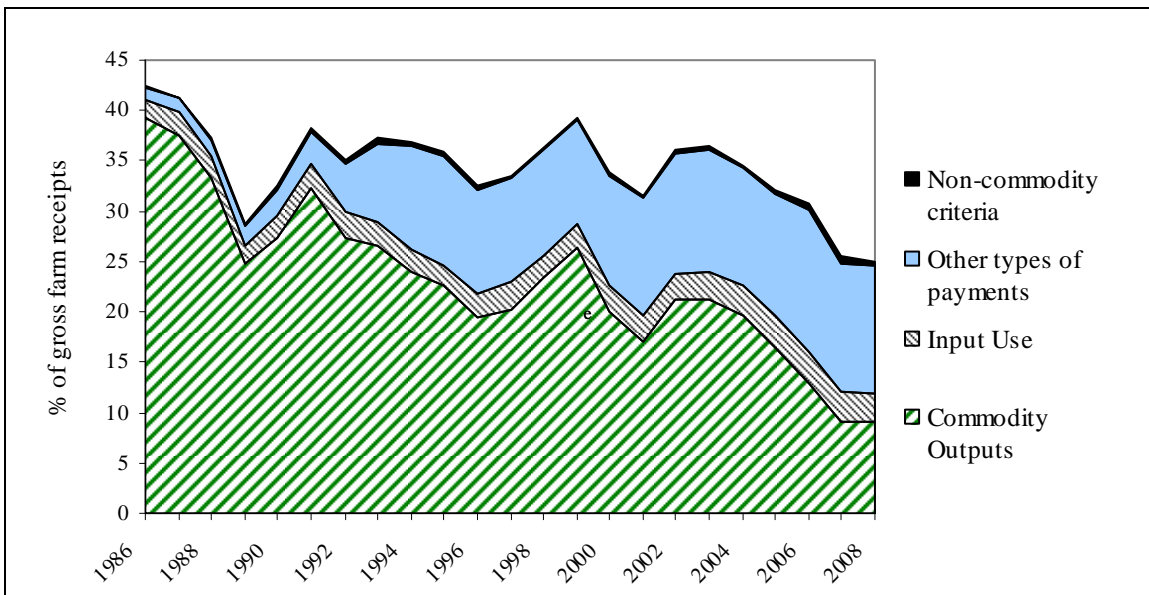
**Figure 1. U.S. PSE Level and Composition by Support Categories**  
(percentage of gross farm receipts, 1986-2008)



Source: OECD, *Agricultural Policies in OECD Countries*, 2009, <http://dx.doi.org/10.1787/655104668324>.

Notes: "Other types of payments" include payments (current and non-current) based on area planted, animal numbers, receipts, and income, both production-required and production-not-required, and miscellaneous.

**Figure 2. EU PSE Level and Composition by Support Categories**  
(percentage of gross farm receipts, 1986-2008)



Source: OECD, *Agricultural Policies in OECD Countries*, 2009, <http://dx.doi.org/10.1787/653464045880>.

Notes: EU12 for 1986-94; EU15 for 1995-2003; EU25 for 2004-2006; and EU27 from 2007. "Other types of payments" include Payments (current and non-current) based on area planted, animal numbers, receipts, and income, both production required and production not required, and miscellaneous.

This trend is also reflected by data showing decreases in total support payments for commodity programs in both the United States and the EU during the time period. The data are based on breakouts of production-based support, grouped according to commodity production; input use; payments based on various criteria including area planted, animal numbers, receipts, and income; and miscellaneous. Non-commodity outputs are measured broadly and do not allow for more specific breakouts to isolate, for example, support for agricultural conservation.

## **WTO-Reported Aggregate Measurement of Support**

Another source of information that allows for a comparison of farm program support across countries is the annual country compilations of the so-called “Aggregate Measurement of Support”<sup>26</sup> or AMS for a country’s agriculture sectors. Countries periodically provide (“notify”) these compilations to the WTO, as part of each country’s WTO obligations agreed to at the time of the Uruguay Round Agreement on Agriculture.<sup>27</sup> Although these data allow for comparisons across countries, their primary purpose is to monitor how countries are doing in terms of meeting their WTO commitments to reduce domestic support for their agricultural sectors.<sup>28</sup>

### **Data Description**

The AMS reflects the monetary value of domestic or “internal” publicly funded farm support, and is generally grouped into three colored boxes and two “de minimis” exclusion categories:<sup>29</sup>

1. **Green box programs** are payments that are only minimally trade-distorting. Examples are research programs, direct payments to farmers that are not contingent on production, environmental program payments, or disaster assistance. Green box payments do not require WTO disciplines or reductions, and do not count against the country’s subsidy ceiling.
2. **Blue box programs** are direct payments made under a production-limiting program. Examples are EU direct payments to producers based on fixed areas or yields or a fixed number of livestock. There are currently no U.S. blue box programs. Blue box programs are not subject to WTO disciplines or reductions.
3. **Amber box programs** are contingent on participation in agricultural production. Examples are U.S. price supports for dairy and sugar; U.S. loan deficiency payments or marketing loans for grain, oilseed, and cotton producers; and EU

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<sup>26</sup> Also commonly referred to as the “aggregate measure of support.”

<sup>27</sup> The most recent U.S. notification is WTO, Committee on Agriculture, “Domestic Support: United States,” G/AG/N/USA/66, January 19, 2009. The most recent EU notification is WTO, Committee on Agriculture, “Domestic Support: European Communities,” G/AG/N/EEC/59, March 2, 2009.

<sup>28</sup> The Uruguay Round Agreement on Agriculture commits countries to discipline their domestic farm subsidies primarily by establishing an annual dollar limit on those policies determined to have the greatest potential to distort markets, while allowing exemptions for less distortive policies. Reduction commitments are expressed in terms of a “Total Aggregate Measurement of Support” (Total AMS) which includes all product-specific support and non-product-specific support in one single figure. See WTO’s website at [http://www.wto.org/english/tratop\\_e/agric\\_e/ag\\_intro03\\_domestic\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/ag_intro03_domestic_e.htm), and also CRS Report RS20840, *Agriculture in the WTO: Limits on Domestic Support*, by (name redacted).

<sup>29</sup> For more background, see WTO’s website at [http://www.wto.org/english/tratop\\_e/agric\\_e/ag\\_intro03\\_domestic\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/ag_intro03_domestic_e.htm). Also see CRS Report RL30612, *Agriculture in the WTO: Member Spending on Domestic Support*.

intervention purchases of farm products at administratively maintained prices above market prices. Such payments are considered market-distorting and are subject to WTO reduction commitments.

4. **De minimis exemptions** pertain to “small” levels of domestic support, no matter what their nature, that are deemed sufficiently benign (i.e., not likely to distort trade) to be excluded from the AMS calculation. They include commodity-specific support (i.e., support that applies to a specific product such as wheat, sugar, etc.) and non-product-specific support (e.g., irrigation). If total non-product-specific subsidies are below 5% (10% for developing countries) of the value of a developed country’s total agricultural production, then they do not have to be included in the AMS calculation.

### **Advantages/Disadvantages**

The AMS data provide a comprehensive accounting of farm programs, grouped together by major categories, and originally were reported by each country in its local currency. The OECD’s reported information is inclusive across all program areas and includes support for all commodities, even those that are supported through price supports and administered prices (such as for dairy and sugar in the United States). However, these data reflect annual conditions and are therefore subject to year-to-year fluctuations in commodity markets. Once these data are converted to a common currency value, such as U.S. dollars, for comparison purposes, these annual data also may be affected by fluctuations in foreign exchange rates.

An advantage of the AMS data is that they are aggregated across all commodities to reflect the monetary value of domestic agricultural support, even for those programs that do not receive annual budgetary outlays. For example, the U.S. dairy and sugar programs do not receive commodity support payments, but are instead covered through other support mechanisms, such as government purchases (dairy) and marketing quotas and import barriers (sugar). Yet the AMS captures this support as part of its overall estimate. As reported in the U.S. notification, dairy and sugar programs accounted for 40% and 9% of the U.S. “Current Total Aggregate Measurement of Support” in 2005, along with corn (35%) and cotton (13%).<sup>30</sup> In contrast, the most recent EU notification reports that total fresh and processed fruits and vegetables represented about one-third of EU “Current Total Aggregate Measurement of Support” in 2005/2006, along with another roughly 50% for dairy products, sugar, and most grain products.<sup>31</sup>

The principal limitation of the AMS data is its substantial reporting lag. The most recent U.S. notification reflects agricultural support through the 2007 marketing year. The most recent EU notification covers marketing year 2005. Accordingly, the only period available to compare data on the United States and the European Union is 1995 through 2005. A more recent EU submission is reportedly delayed because of accounting issues surrounding EU country accession.<sup>32</sup>

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<sup>30</sup> WTO, Committee on Agriculture, “Domestic Support: United States,” G/AG/N/USA/66, January 19, 2009.

<sup>31</sup> WTO, Committee on Agriculture, “Domestic Support: European Communities,” G/AG/N/EEC/59 March 2, 2009.

<sup>32</sup> WTO, Committee on Agriculture, “Notification review, and Related Questions,” meeting notes, December 4, 2008, [http://www.wto.org/english/news\\_e/news08\\_e/agric\\_4dec08\\_e.htm](http://www.wto.org/english/news_e/news08_e/agric_4dec08_e.htm).

The available AMS data are also limited because of differences in policy priorities, as well as reporting and accounting differences in farm programs between the United States and the EU. For example, the United States “green box” payments differ from the EU’s in that the U.S. includes “domestic food aid,” which includes food stamps, and other domestic food and child nutrition programs (**Table 1**). In addition, internal shifts among categories between reporting periods also complicate a direct or historical comparison. For example, in recent years the U.S. notification has classified the farmland long-term retirement program, the Conservation Reserve Program (CRP), as an “environmental payment,” whereas previously it was classified under “resource retirement programs.” This type of change can distort historical trends and period averaging of the available data, understating U.S. spending on conservation programs, as further described in the next section.

## **What the Data Indicate**

Available AMS information for the United States and the EU, averaged over the 1995-2005 period, indicate that the United States provides less support than the EU for both production-based “amber box” programs and environmental programs under the “green box,” but substantially more for domestic food aid and decoupled direct payments (**Table 2**). These data suggest that the bulk (about 77%) of U.S. farm payments are green box (i.e., not subject to WTO disciplines), while about 27% of EU payments are green box.

However, these data are not directly comparable across all reported categories and, in some cases, do not reflect current conditions. For example, the U.S. notification classifies “domestic food aid” as a sizable part of its green box support (\$38.3 billion), whereas the EU does not. In addition, in the United States, direct payments are notified as decoupled, total roughly \$5 billion per year, and have ranged from about 25% to 44% of total commodity payments in recent years. The U.S. classifies these farm payments as “green box” when reporting agricultural subsidies to the WTO; thus these payments do not count against their subsidy ceiling.<sup>33</sup> The EU data reflect changes since the 2003 CAP reforms. As part of these reforms, EU farm production payments were largely decoupled with the establishment of “single farm payments” (SFP).<sup>34</sup>

Comparing available AMS data (**Table 2**) on environmental payments also requires additional clarification. As already discussed, the recent U.S. notification reclassified the CRP as an “environmental payment” whereas previously it was classified under “resource retirement programs.” Given that these data are averaged over the 1995-2005 period, this indicates that average environmental payments in the United States (\$1.2 billion) are substantially lower than in the European Union (\$5.3 billion) (**Table 2**). However, U.S. payments for “resource retirement programs” (\$1.0 billion), reflecting the inclusion of CRP in earlier years, are more than twice similar payments in the European Union (\$0.5 billion). Although total environmental payments under the “green box” classification are generally higher in the EU than in the United States,

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<sup>33</sup> Some WTO member countries criticize the EU and U.S. green-box payment claims. See, e.g. Bhaskar, A., and J.C. Beghin, “How coupled are decoupled farm payments? A review of coupling mechanisms and the evidence,” Iowa State University, Working Paper # 07021 August 22, 2007, [http://www.econ.iastate.edu/research/webpapers/paper\\_12841\\_07021.pdf](http://www.econ.iastate.edu/research/webpapers/paper_12841_07021.pdf).

<sup>34</sup> SFPs are fixed farm payments that were based on 2000-2002 historical farm payments and replaced the compensation payments of the 1992 CAP reforms. For information on decoupled support, see the text on the Uruguay Round Agreement, Agreement on Agriculture, Annex 2.6 (decoupled income support), available at the WTO’s website, [http://www.wto.int/english/docs\\_e/legal\\_e/14-ag\\_02\\_e.htm#ann1f6](http://www.wto.int/english/docs_e/legal_e/14-ag_02_e.htm#ann1f6).

more recent data show this difference is less stark: U.S. environmental payments were \$3.8 billion in 2007, compared to the EU's \$5.6 billion in 2005.

**Table 2** also shows that EU payments for rural development programs are much greater than in the United States (for example, compare “payments under regional assistance programs,” and “investment aids”), whereas U.S. payments are higher for USDA research, regulatory, and technical services (“general services”).

**Table 2. Total Domestic Support and “Green Box” Payments for Agriculture, United States and European Union**  
(average 1995-2005, in U.S. \$ millions)

Domestic Agriculture Support Category	U.S.	EU
Amber box	10,721	44,627
Amber de minimis <sup>a</sup>	5,099	1,244
Blue box	639	23,699
<b>Overall Total Domestic Support (OTDS)</b>	<b>16,459</b>	<b>69,569</b>
Green box	55,550	25,261
General services	8,745	6,133
Public stockholding for food security	0	25
Domestic food aid	38,274	334
Decoupled income support	4,999	1,893
Income insurance and safety-net programs	0	3
Payments for relief from natural disasters	1,180	473
Structural adjustment: producer retirement programs	0	799
Structural adjustment: resource retirement programs	1,034	480
Structural adjustment: investment aids	103	6,291
Environment payments	1,215	5,346
Payments under regional assistance programs	0	3,079
Other		406
<b>OTDS + Green box</b>	<b>72,010</b>	<b>94,520</b>

**Source:** CRS calculations from EU and US notifications: WTO, Committee on Agriculture, “Domestic Support: United States” (G/AG/N/USA/60, Oct. 2007) and “Domestic Support: European Communities” (G/AG/N/EEC/59 March 2, 2009).

**Notes:** EU values are converted by CRS using euro exchange (nominal) rates compiled by the USDA's Economic Research Service (ERS), at <http://ers.usda.gov/Data/ExchangeRates>.

a. Includes both product-specific and non-product-specific de minimis amber support.

## Budget Expenditures

Annual budget expenditures/outlays for agricultural programs, reported by the United States and the EU, provide another source of comparative data. Data presented here are for the 2006 (execution or actual) and 2007 (budget) period.



## **Data Description**

Annual data are reported by each country in its local currency. Because of general reporting differences among countries, the data originate from a variety of sources. Budget data for the United States are generally from USDA, derived from information from the Commodity Credit Corporation (CCC), USDA's *2008 Budget Summary and Annual Performance Plan*, and other data and information from USDA's Office of Budget & Program Analysis and other USDA agencies.<sup>35</sup> The EU budget data are from European Commission (EC) agricultural reports and statistics.<sup>36</sup>

## **Advantages/Disadvantages**

The main advantage of annual budget data is that they are more timely and more readily understood than other available information sources. As with other monetary data, annual budget data reflect annual conditions and are therefore subject to year-to-year fluctuations in commodity prices. Once these data are converted to a common currency value, such as U.S. dollars for comparison purposes, these annual data may also be affected by fluctuations in foreign exchange rates. These data are also limited for use in comparing historical changes, given recent reforms and country accession to the European Union.

Perhaps the main shortcoming of available budget data is that they are not always comprehensive and inclusive of all support areas. Budget data only reflect support for those programs that receive annual budgetary outlays. As a result, budget data do not reflect support for the U.S. dairy and sugar programs, since these programs do not receive commodity support payments, but are instead covered through government purchases (dairy) and marketing quotas and import barriers (sugar). The OECD and AMS data account for all program areas. Major differences in the scope of supported farm commodities between the United States and EU also complicate a direct comparison. As a result, U.S. budget data cover mostly five crops—corn, wheat, cotton, rice, and soybeans—since these commodities account for over 90% of government program payments to farmers. Many products, including meat and livestock products, and fruits and vegetables, do not receive farm support payments. In contrast, the EU farm program provides commodity support for a much wider range of products, including these same grain products, dairy, sugar, fruits and vegetables, and livestock products. Most (about 70%) of the EU's budget outlays for commodity production are in the form of direct aid (i.e., decoupled farm payments).<sup>37</sup>

Available budget data are also limited by reporting and accounting differences between the United States and the EU. Although annual budget data provide more updated information on farm program spending, they are not grouped into similar categories, as are the OECD and AMS data. In most cases, aggregated budget data are not directly comparable. This makes it difficult to

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<sup>35</sup> USDA, *CCC Net Outlays by Commodity & Function*; USDA, *Conservation Reserve Program: Summary and Enrollment Statistics, FY2007*; USDA's *2008 Budget Summary and Annual Performance Plan* and other data from USDA's Office of Budget & Program Analysis; and USDA's *Farms, Land in Farms, and Livestock Operations 2007 Summary*, February, 2008.

<sup>36</sup> European Commission, *Agriculture in the European Union—Statistical and Economic Information 2007*, and *Rural Development in the European Union—Statistical and Economic Information—Report 2007*. 2008 appropriations data are at [http://eur-lex.europa.eu/budget/data/D2008\\_VOL4/EN/nmc-titleN123A5/index.html](http://eur-lex.europa.eu/budget/data/D2008_VOL4/EN/nmc-titleN123A5/index.html)

<sup>37</sup> EC's Agriculture and Rural Development, *Agriculture in the European Union—Statistical and Economic Information 2007*.

directly compare values across different countries, without first closely examining each of the budget categories line by line, and combining and/or removing various budget subcategories.

## **What the Data Indicate**

Despite the aforementioned difficulties in making direct comparisons, **Table 3** shows available budget data for the United States and the EU compiled into two main groupings: commodity and non-commodity support. Non-commodity support includes selected agricultural conservation, rural development, and forestry programs. These groupings include

### **Commodity support**

- **European Union:** Available EU budget data reflect reported budget outlays for two categories: “Interventions in agricultural market” (budget item 05 02) and “Direct aids” (budget item 05 03, including decoupled direct aids).<sup>38</sup>
- **United States:** Available U.S. data reflect the total of commodity payments and crop insurance (premium subsidy and net indemnity payments).<sup>39</sup>

### **Non-commodity support**

- **European Union:** Available EU budget data are reported across an aggregate category, “Rural development” (budget item 05 04), and there is limited information providing a detailed breakout of current budget outlays for individual conservation, rural development, and forestry activities across all EU27 countries.<sup>40</sup>
- **United States:** Available U.S. data are compiled building up from comparable subcategories and excluding some categories. Included are reported budget outlays for all U.S. conservation programs administered by both USDA’s Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA), select rural development programs (rural utilities loans and grants) and forestry programs (research, and state/private forest lands funding). Excluded are some programs listed under total U.S. rural development and forestry programs, including wildfire activities, the National Forest Service system, and rural housing. These subcategories do not appear to have comparable budget lines as part of the EU farm accounting.

Compiled in this manner, **Table 3** shows available U.S. and EU budget data for select farm program areas, with total expenditures broken out by farm commodities and selected rural development, conservation, and forestry programs. These data show that between 2006 and 2007, EU spending for non-commodity support increased. Budget data for farm commodity support are

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<sup>38</sup> EC’s *Agriculture in the European Union—Statistical and Economic Information 2007*. Direct farm aid accounted for nearly 70% of all commodity payments (average 2006-2007).

<sup>39</sup> USDA’s *CCC Net Outlays by Commodity & Function*, Table 35, and other CCC reported data. Commodity payments accounted for nearly 80% of this total (average 2006-2007).

<sup>40</sup> EU Directorate-General for Agriculture and Rural Development, *Rural Development In The European Union Statistical and Economic Information Report 2007*, November 2007, [http://ec.europa.eu/agriculture/agrista/rurdev2007/RD\\_Report\\_2007.pdf](http://ec.europa.eu/agriculture/agrista/rurdev2007/RD_Report_2007.pdf).

less straightforward, since commodity prices were generally low in 2007, which complicates a comparison of the trends in overall commodity program spending.

Limited information is available within the EU's aggregate "rural development" budget category to estimate the EU's so-called agri-environmental payments. Other available budget data for the EU15 countries indicate that, on average, agri-environmental payments have accounted for about 75% of the total rural development budget item (2000-2006).<sup>41</sup> EU outlays for agri-environmental programs are currently estimated at roughly \$11-\$12 billion per year. This compares to an average of about \$5 billion in outlays for U.S. conservation programs during the same period, or less than one-half of total spending in the European Union. The EU requires its farmers to meet certain conditions related to environmental protection, food safety, and animal welfare before receiving these direct payments, whereas there are limited similar requirements of U.S. farmers regarding conservation payments.

### **Per-Unit Budget Estimates**

Caution is needed when comparing these data as translated to a per-unit basis, such as per-acre or per-farm. Previously, the OECD reported its compiled data on a per-unit basis, but it stopped presenting data this way because it was considered too misleading, given underlying differences in farm structures.

Comparing data on a per-acre or per-farm basis is complicated by the significant structural differences between the U.S. and EU farm sectors: namely, the United States has roughly twice the farmland base of the EU but less than 15% of the total number of farms.<sup>42</sup> These reported land-use values reflect all farmland, including working lands and retired farm lands, as well as lands that produce crops and animals that are not supported by, for example, the U.S. commodity programs.

Comparing budget data on a per-unit basis affects a simple inter-country comparison and may result in vastly different interpretations of the data. As an example, when expressed on a per-acre basis, the budget data show that farm expenditures are roughly five to six times greater in the EU than in the United States. When these same data are expressed on a per-farm basis, the outcome is reversed, indicating that U.S. expenditures per farm are about two to three times greater than in the EU (**Table 3**).

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<sup>41</sup> European Commission, *Rural Development in the European Union—Statistical and Economic Information—Report 2007*, December 2007, Tables showing Financial Implementation of EAGGF-Guarantee by Member State, EU15, 2000-2006, [http://ec.europa.eu/agriculture/agrista/rurdev2007/index\\_en.htm](http://ec.europa.eu/agriculture/agrista/rurdev2007/index_en.htm). Conservation programs are assumed to include "less-favoured areas and areas with environmental restrictions," and all agri-environmental and forestry measures.

<sup>42</sup> Data from USDA's *Farms, Land in Farms, and Livestock Operations 2007 Summary*, February, 2008 ("land in farms") and the EC's *Agriculture in the European Union - Statistical and Economic Information 2007* ("utilized farm area").

**Table 3. Comparison of Budget Outlays for Agricultural Programs, United States and European Union**  
(2006 and 2007)

Budget Category	United States		European Union <sup>a</sup>	
	2006	2007	2006	2007
	(U.S. \$ million) <sup>b</sup>			
Commodity Support <sup>c</sup>	20,155	11,325	51,974	57,077
Non-commodity Support <sup>d</sup>	7,606	7,130	14,723	16,610
	(\$ per acre)			
Commodity Support	\$22	\$12	\$116	\$127
Non-commodity Support	\$8	\$8	\$33	\$37
	(\$ per farm)			
Commodity Support	\$9,700	\$5,600	\$3,600	\$4,000
Non-commodity Support	\$3,640	\$3,440	\$1,100	\$1,200
Land in Farms (1000 acres) <sup>e</sup>	932,000	931,000	450,000	450,000
Number of farms (1000s) <sup>f</sup>	2,090	2,080	14,500	14,500

**Source:** Compiled by CRS from primary U.S. and EU data. Data expressed on a per-acre and per-farm basis are intended mainly for illustrative purposes.

U.S. data: USDA's *CCC Net Outlays by Commodity and Function* (Table 35) at <http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=bap-bu-ce>; *Conservation Reserve Program: Summary and Enrollment Statistics, FY2007*, at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=copr&topic=crp-st>; USDA's *2008 Budget Summary and Annual Performance Plan*, at <http://www.obpa.usda.gov/budsum/fy08budsum.pdf>, and other data from USDA's Office of Budget & Program and *Farms, Land in Farms, and Livestock Operations 2007 Summary*, Feb. 2008.

EU data: EC's Agriculture and Rural Development, *Agriculture in the European Union—Statistical and Economic Information 2007*, and *Rural Development in the European Union—Statistical and Economic Information—Report 2007*, and agricultural statistics and data tables, at <http://ec.europa.eu/agriculture/agrista/>.

**Notes:**

- a. Where available, covers all EU-27 member states.
- b. EU values are converted by CRS using euro exchange (nominal) rates compiled by the USDA's Economic Research Service (ERS), at <http://ers.usda.gov/Data/ExchangeRates>. Fluctuations in exchange rate may explain in part changes in converted EU budget outlays.
- c. U.S. includes commodity payments and crop insurance (premium subsidy and indemnity payments); EU includes direct aid (decoupled farm payments and other support) and "interventions in agricultural markets." Fluctuations in commodity prices may explain in part changes in budget outlays for commodity support.
- d. Includes selected agricultural conservation, rural development, and forestry programs. US covers all conservation programs administered by both USDA's Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA), select rural development (rural utilities loans and grants) and forestry (most programs, excluding National Forest Service, Wildland Fire Activities, and capital improvement) programs. The EU "Rural Development" category includes agri-conservation areas ("less-favoured areas and areas with environmental restrictions" and total agri-environmental and forestry), rural development, beginning farmer and related farm-based programs.
- e. Reported EU hectares are for 2006 (EU-27) and are converted to acres (1 acre = 0.4047 hectares). Covers total "land in farms" (U.S. data) and "utilized farm area" (EU data), which includes both working lands, as well as retired land areas.
- f. Reported EU data of farm holdings are for 2005 (EU-27).

## **Conclusions and Policy Implications**

The EU is one of the United States' chief agricultural trading partners and also a major competitor in world food markets. Both the EU and the United States heavily support their agricultural sectors. Although many in Congress have historically defended U.S. farm support programs as a means to ensure that the United States has continued access to the "most abundant, safest, and cheapest food supplies in the world," long-standing criticisms and continued debate have challenged the extent of and need for government support of farm programs. In response to these criticisms, both the United States and the EU have modified their farm programs in part by expanding various types of "non-commodity" support, such as farmland conservation and rural development programs, among other programs. To date, however, non-commodity support still constitutes a very small share of total farm-level support, compared to farm production support.

Some argue that the failure of the United States and EU to reform their respective farm support programs has contributed to delays in the Doha Round of multilateral trade negotiations within the World Trade Organization (WTO). Information comparing the EU and U.S. farm support programs will continue to be of interest to Congress as the Doha negotiations continue to move forward.

### **Author Contact Information**

(name redacted)  
Specialist in Agricultural Policy  
#redacted#@crs.loc.gov, 7-....

(name redacted)  
Specialist in Agricultural Policy  
#redacted#@crs.loc.gov, 7-....

(name redacted)  
Senior Specialist in Agricultural Policy  
#redacted#@crs.loc.gov, 7-....

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