

# China's farm subsidies soar but OECD states' at record low

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China's subsidies to farmers soared six-fold between 2008 and 2010 to \$147 billion, making it the global leader, OECD data showed Wednesday, in what could complicate trade liberalisation talks.

Conversely, support to [farmers](#) in developed countries that are OECD members including the United States and the European Union, fell to a record low in 2010 as high [commodity prices](#) lessened the need for price [subsidies](#).

In the United States, for instance, producer support reached just \$25.5 billion, down from \$31.4 billion a year ago, said the Organisation for [Economic Cooperation](#) and Development.

Farm subsidies are a major part of the so-called Doha negotiations at the [World Trade Organisation](#) for a global free trade deal.

In negotiations, [emerging economies](#) have been pushing the United States to lower its subsidies, saying that support to US farmers were overly high and distorting market prices.

However, the OECD report suggests that in absolute figures, China's subsidies to farmers were far higher than those of the [United States](#).

Even in terms of the proportion that subsidies contributes to farm income, China's was at 17 percent in 2010, over twice that of the United States' 7 percent.

"The number and scope of programmes providing budgetary support to agriculture has been increasing" in China, said the OECD.

"To an increasing extent, they take the form of direct income support payments," added the organisation, which noted that this could help to enhance farmers' pay more effectively.

However, a significant part of the subsidies are still allocated for farming tools such as chemical fertilisers.

"Such payments not only are distortive but also have negative impacts on the environment," warned the organisation in a statement, calling on them to be discontinued.

The OECD's agricultural policy analyst Vaclav Vojtech noted that the main factor for the increase is that "China isolates domestic prices from world prices."

"The isolation was translated into increasing price gap and support. That isolation in prices is the key driver of this rise," he said.

China is a net food importer, particularly of soybeans.

The share that agriculture contributes to output in China has halved from 20 percent in 1995 to 10.3 percent in 2010, said the report, which looked at the agriculture policies in OECD countries as well as five major emerging economies.

While China is increasing its support to farmers, among OECD member states, subsidies for producers are falling.

In 2010, support to producers across the bloc reached \$227 billion, a historic low, the OECD said.

The European Union's \$101.4 billion made up nearly half of that sum. Nevertheless, the EU support marked a fall to about a fifth -- 22 percent of the bloc's farm income in 2010.

The highest proportion of farm support was recorded in Norway, where 60 percent of farm receipts came from subsidies, followed by Switzerland with 56 percent and Japan with 49 percent for the year.

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