UNIVERSITY OF ALBERTA
Department of Rural Economy
AREC 473 Course Outline
Food and Agricultural Policies

Course Outline – Fall 2007

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Course Objectives:

The focus of this course is the rationale for and economics effects of agricultural policies in developed countries. The objective is to equip students to analyse policies that address the level and stability of farm incomes, marketing, structural adjustment and trade problems, with particular emphasis on Canadian agri-food policies. At the conclusion of this course, students are expected to develop a good understanding of the agri-food policy environment, the policy formulation process and the institutions or groups involved in agri-food policy making. Students should also be able to critically assess current farm programs, evaluate emerging agri-food policy and trade policy issues.

Evaluation:

Midterm (October 25) 20%
Briefing notes 10%
Term Paper (December 4) 30%
Final Exam (Final exam period) 40%

Final grades in this class will be based directly on the grades achieved for the various activities. These percentages will be translated directly into final letter grades based on the University’s grading system. Students required to miss assignment deadlines or examinations should follow the procedures identified in the University of Alberta Calendar 2007-2008, Section 23.4, page 71. Late assignments will be subject to mark deductions based on the number of days that they are late.

Reading Material: Students should acquire a copy of the textbook. Additional reading will be assigned throughout the course. Readings will be made available through the Resource Room (504 GSB) and through the WebCT site where possible. The assigned text is:

Schmitz, A., H. Furtan and K. Baylis, 2002, Agricultural Policy, Agribusiness and Rent-Seeking Behaviour. Toronto: University of Toronto Press. This text is referred to as (SFB) throughout the rest of the syllabus.
Outline of Topics

Topic 1: Introduction to Agriculture & Agri-Food Policy

Developed countries have a long history of intervention and subsidization of the agricultural sector. The course begins with a discussion of alternative views of whether there is farm problem and what it might involve. The introduction includes a brief overview of the Canadian agri-food sector and a discussion of the performance of the sector. Topics include the scope of agricultural policy analysis; the changing nature of agriculture; the role of instability and uncertainty; and the role of the policy process and interest groups.


(SFB) Chapters 1 and 2.

Topic 2: Economic Tools Essential for Agri-Food Policy Analysis

This section provides a brief introduction to economic concepts/tools essential for policy analysis. Topics include: elasticities of demand and the relation to total revenue, elasticities of supply, measures of welfare (producers, consumers, and society); and price determination under different market structures

(SFB) Chapter 4.

Topic 3: Government Intervention in Agriculture

This section examines the rationale for intervention in agriculture and the methods of intervention and their consequences. Rent-Seeking behaviour of various interest groups in the agri-food sector is also discussed in the context of the agri-food policy formulation process.


(SFB) Chapter 3.
**Topic 4: Stabilization and Insurance Programs**

Agriculture is primarily a land-based biological activity susceptible to the effects of natural phenomena. It has unique features that lead to market fluctuations. Lags and rigidities in the production process propagate shocks and cyclical behaviour in both production and prices. This section addresses the impacts of instability on consumers and producers and the reasons for government intervention. Stabilization policies and safety net programs are used to address instability. Some historical perspective is provided on Canadian and US policy interventions that are used to address instability. Other topics include appropriate policy interventions and issues of safety net development. Insurance is risk management that can be used to address instability. The theory of crop insurance is discussed and problems with designing insurance schemes are considered.


(SFB) Chapters 7, 8 and 11

AAFC, Federal-Provincial Crop Insurance Program - An Integrated Environmental-Economic Assessment (Background to Crop Insurance)
http://www.agr.gc.ca/spb/rad-dra/publications/fedprov/fedprov_sect1_e.php

AFSC, “Insurance Programs for Annual Crops”

**Topic 5: Marketing and Market Regulation**

Governments have a long history of involvement in the marketing of agricultural products. We will discuss reasons why governments intervene in marketing, examples of government involvement in marketing (including marketing boards and marketing orders) and consequences of these interventions. Broader issues of the regulation of markets (e.g. grain transportation, rail regulation, and health and nutrition regulations) are also considered.

(SFB) Chapter 6.

**Topic 6: Food Safety and Other Food Regulations**

Since the turn of the 21st Century food safety has been at the centre of the media spotlight. Most developed countries have regulations that cover the inspection, grading and labelling of food products. This section examines the rationale for government involvement in regulation of food safety and the types of interventions it used. Topics include: the relation between public and private food safety control systems, the economics of information and the role of regulations in assuring quality, government approaches to food safety (inspection, monitoring, risk assessment and grading, HAACP, and traceability
programs. As well international institutions that oversee domestic food regulations (Codex Alimentarius, International Office of Epizotics (OIE), and International Plant Protection Convention (IPPC)) are also considered.

(SFB) Chapter 15


**Topic 7: Supply Management and Other Production Controls**

With inelastic demand it is possible to increase revenues by restricting supply. Governments in Canada and the US have tried to manage prices with formalized supply restrictions. This section discusses the history of and motivation for supply management, the mechanics of supply restrictions, the institutions that are used, and the economic consequences of the system across vertical markets. The implications of trade liberalization on supply managed systems are considered.

(SFB) Chapters 9 and 10.


**Topic 8: Environmental Regulation**

Agriculture both affects and is affected by the environment. Topics include: environmental externalities, rationales for government intervention, the discussion of application of policy instruments in Alberta, nationally, and globally.

(SFB) Chapters 14.

**Topic 9: Trade Policy**

Trade has always been integral to agriculture development in Canada. This section presents a simple model of international trade. The gains from trade are examined. Trade policies are examined from the importer’s perspective, from the exporter’s perspective, and with respect to each other’s domestic policies that have trade implications. Trade remedy laws with respect to anti-dumping and countervailing duties are considered. Institutions of multilateral and regional trading systems are examined and the prospects for further reform are considered.
including: the World Trade Organization, the Doha Development Round, the costs and benefits of regional trade agreements, and the implications of NAFTA and the European Union.

Reed, M., 2000, International Trade in Agricultural Products, (gains from trade) chapter 2


Anita Regmi and David Skully, Trade Remedy Laws & Agriculture, ERS-USDA Agricultural Outlook, August 2002

WTO, “Agriculture negotiations backgrounder: the issues, and where we are now”,
http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd00_contents_e.htm

ERS Briefing Room European Union: policy

David Kelch, EU Revisits Ag Reform with Bold New Proposals,

**Topic 10: Canada’s Agricultural Policy Framework**

This section examines Agriculture and Agrifood Canada’s recent Agriculture Policy Framework (APF). This section attempts to bring together all the elements of this course to examine the APF and the Canadian Agricultural Income Stabilization (CAIS) Program. We will examine the development of the recent Canadian agricultural policy in the context of broader policy considerations where future policy changes are likely to occur.

Agriculture and Agri-food Canada, *The Agricultural Policy Framework*,
http://www.agr.gc.ca/index_e.php?s1=info&s2=t&page=apf-csa
http://www.agr.gc.ca/pol/consult/index_e.php


**Term Paper**

The term Paper is worth 30% of the course. The term paper is an important vehicle for students to demonstrate their ability to systematically study a policy issue/topic that will be assigned in class. The term paper must be submitted before December 4, 2007
Exams

Two exams will be given in the course. The midterm exam will be October 25, 2007. The final exam will be comprehensive and set during the final examination period. Students who miss an exam without a doctor’s note will receive a grade of zero on the exam. Students who miss the mid-term test with a doctor’s note will complete a research paper (in addition to the term paper) in lieu of the exam. The research paper topic will be assigned by the instructor.

University of Alberta Policies

The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the Code of Student Behaviour (online at http://www.uofaweb.ualberta.ca/secretariat/studentappeals.cfm,) and avoid any behaviour that could potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offense. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.