THE UNIVERSITY OF MELBOURNE

Department of Economics

ECON30007 Economics of Food
and
AGRI40015 Agricultural Policies and Trade

Co-ordinator: Associate Professor D. MacLaren
(d.maclaren@unimelb.edu.au; Room 466, FBE Building)
Office hour: Mondays 11.00 am – noon

Semester: 2

Instruction: 24 lectures and 11 tutorials

Aims: The overall aim in this subject is to describe the economic characteristics of markets for agricultural and food products and then to explore how economics can be used to explain why governments intervene, how they intervene, and the consequences of that intervention for international trade, food security and food safety.

Objectives: On successful completion of this subject students should be able to:

• explain the reasons for government intervention in the agri-food sectors of several countries and identify the policy objectives being pursued;
• critically analyse the economic effects, including the trade effects, of the policy instruments employed;
• describe and analyse the limitations of applied welfare economics in guiding public policy;
• critically analyse the issue of world food security;
• synthesise the current policy issues in the agri-food sectors of the world economy such as trade policies and the volatility of the prices of food commodities, and trade and food safety;
• explain the position of agriculture in the WTO; and
• critically appraise the current proposals under negotiation in the WTO.

Generic skills: In this subject students will have the opportunity to develop important generic skills. These include:

• high level of development: written communication; problem solving; application of theory to practice; critical thinking
• moderate level of development: collaborative learning; team work; accessing data and other information from a range of sources; receptiveness to alternative ideas
• some level of development: oral communication.

Awareness: At a broader level, studying this subject will increase awareness of the policy issues associated with agri-food markets and students are encouraged to keep up-to-date with them through newspapers and other sources, e.g., various web sites (see p. 8).
Photocopies of such material will be made available as class hand-outs throughout the semester. This material is not examinable but is provided to help with background and to stimulate thought and interest.

**Content:**

The reasons for and means of government intervention in the agricultural and food sectors. The principal agricultural and food policy issues in Australia, China, India, the European Union and the United States. The effects of the policy instruments on international trade in agricultural and food products, on world food security and on poverty reduction in the least-developed countries. Agriculture in the GATT/WTO – the Doha Round negotiations.

**Assessment:**

One, two-hour end-of-semester examination (60%); one mid-semester test (20%); and one written assignment of up to 2000 words (20%).

The date of the mid-semester test is Monday, 2 September and it will be held in the lecture room. The deadline for submission of the written assignment is Wednesday, 9 October. A hard copy should be handed to me at a lecture together with a signed declaration sheet. No extensions will be given for completion of the assignment except where the respective Faculty’s rules have been followed. The marked essay will be returned at the lecture on Monday, 21 October.

The assignment will take the form of an essay based on a topic of your choosing, either from the list provided (see page 6 below) or one that you make up. However, the topic should be discussed with me prior to your beginning it irrespective of which option you choose. The approach must allow you to display your skills in economic analysis; description alone will not be sufficient to obtain a good mark. This element of assessment is to be a piece of work done by each individual alone – collaboration or group work is forbidden.

You are reminded about the issues of plagiarism and collusion, information about which is available at [http://academichonesty.unimelb.edu.au/](http://academichonesty.unimelb.edu.au/)

The examination period for this semester is Monday, 4 November to Friday, 22 November.

The Faculty requires that you are available for the entire examination period. Supplementary exams will not be provided in cases of absence during the examination period, unless the absence is due to serious illness or other serious circumstances. Students who feel that they may be eligible for Special Consideration should consult [http://fbe.unimelb.edu.au/csc/assistance/special_consideration](http://fbe.unimelb.edu.au/csc/assistance/special_consideration) for criteria and the process for making an application.

Copies of recent end-of-semester examination papers will be distributed in lecture later in the semester together with answers to Part A of each paper. Similarly, copies of recent mid-semester tests will be made available together with answers.

**Timetable:**

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<th>Lectures:</th>
<th>Monday</th>
<th>3.15 p.m. Alice Hoy 225</th>
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<td>Wednesday</td>
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<th>Tutorials:</th>
<th>Monday</th>
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<td>Wednesday</td>
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**Lectures:**

It is expected that students attend lectures. The lectures are not being recorded this year because the lecture room does not have the facility to do so. The schedule of lectures and the associated readings is given on pages 10–12.
**Tutorials:** It is expected that students attend tutorials. It is also expected that students will have done the reading associated with the lectures to which the topic of the tutorial relates. The main aim of the tutorial component of the subject is to provide you with the opportunity to analyse and to discuss policy issues of current economic importance to world agriculture and food. In discussion, you are expected to draw on your understanding of the material presented in lectures, on your own reading, and on prior preparation of answers to pre-set questions.

Answers to these pre-set questions will be made available on the LMS after each tutorial and located under the heading "Tutorials". The topic for each tutorial will lag the lecture programme by one week. Tutorials will constitute the main form of feedback in this subject. The content of the tutorial programme is examinable.

A secondary aim of the tutorial programme is to provide the opportunity for you to ask questions about the material of the subject and to determine how well you are mastering that material.

**Readings:** The material in this subject is wide-ranging and there is no single textbook that is suitable for the whole subject. Therefore, the key readings from journal articles and from the chapters of monographs have been photocopied and are available for purchase from the Co-op Bookshop as a Reading Pack. A copy of it is on Reserve in the Giblin Eunson Library. The content of these readings forms part of the examinable material of the subject.

You are encouraged to keep up-to-date with policy issues through newspapers and other sources, e.g., various web sites (see p. 8). Photocopies of such material will be made available as class hand-outs throughout the semester. This material is not examinable but is brought to your attention to help with background and to stimulate thought and interest.

**E-mails:** Any e-mail message sent to me must be sent from your University e-mail address and only messages from that address will be answered. If you have a substantive question, please ask it at a lecture, a tutorial or at my office hour.
LECTURE OUTLINE

Hard copies of the lecture slides will be distributed at the lecture and they will also be placed on the LMS page following each lecture and located under the heading "Lectures".

PART I: INTRODUCTION

1  The economic characteristics of the agri-food sector: the supply chain
2  Why governments intervene in the agri-food sector: the principal objectives
3  Instruments of agri-food policy and their consequences: some examples

Part II: ECONOMIC TOOLS FOR ANALYSIS

4–7  Frameworks for economic analysis
8  Empirical measures of assistance

Part III: EXAMPLES OF AGRI-FOOD POLICIES

9–10  The Common Agricultural Policy of the European Union
11  Mid-semester test
12  The agri-food policy of the USA
13–14  Agri-food policies of China and India
15  Australian agri-food policy

Part IV: TRADE, FOOD SECURITY AND FOOD SAFETY

16  The WTO Agreements of most relevance to the agri-food sector
17  An economic framework for the analysis of world food security
18  Evaluation of some policy options
19–20  Volatility of world prices of agri-food commodities: the implications
21–22  Trade and food safety

Part V: AGRICULTURE AND THE WTO

23–24  The current state of the Doha Round negotiations on agriculture
TUTORIAL TOPICS

The question sheet for each week's tutorial will be distributed at the Wednesday lecture in the previous week. Solutions to exercises will be made available after the tutorial and placed on the LMS page located under the heading "Tutorials".

PART I: INTRODUCTION

Tutorial 1 (Week 2): In what sense, if at all, might the agri-food sector be considered a 'special case'?

PART II: ECONOMIC ANALYSIS

Tutorial 2 (Week 3): On giving quantitative policy advice to government I
Tutorial 3 (Week 4): On giving quantitative policy advice to government II
Tutorial 4 (Week 5): Price transmission and market structure

PART III: EXAMPLES OF AGRI-FOOD POLICIES

Tutorial 5 (Week 6): What, if any, economic sense can be made of the CAP?
Tutorial 6 (Week 7): Review of the mid-semester test; and US agricultural policy
Tutorial 7 (Week 8): Aspects of agricultural policies in China and India
Tutorial 8 (Week 9): Australian agri-food policy: SPS issues

PART IV: TRADE, FOOD SECURITY AND FOOD SAFETY

Tutorial 9 (Week 10): Food security in poor countries: commodity price volatility
Tutorial 10 (Week 11): Trade and food safety

PART V: AGRICULTURE AND THE WTO

Tutorial 11 (Week 12): Negotiating further liberalisation in the agricultural sector
SOME SUGGESTED ESSAY TOPICS

The following titles should be regarded as suggestions only. You are free to modify one of them or to choose an entirely different topic. Regardless of which option you choose, you should come to see me during an office hour to discuss the topic and your intended approach to it.

1. An evaluation of the proposals for reform of the CAP post-2013
2. The proposed changes to farm policy in the USA – the 2013 Farm Bill
3. A review of the economics of Australia’s quarantine regime
4. On the need to reform India's food-grain policy
5. The implications for agri-food markets of increasing per capita incomes in China
6. The effects on overall social welfare gains of the proposed modalities for sensitive and special products in the Doha Round negotiations
7. The WTO SPS Agreement and the interests of consumers: should they be taken into account?
8. Policies towards bio-fuels and the effects on food prices
9. Higher real prices for agricultural commodities and for food and the implications for the world's poor
10. The implications of more volatile international prices for food commodities
11. Food aid – useful or useless?
13. The effects of supermarket concentration on farm-gate prices
THE ASSIGNMENT

Purpose:
The purpose of setting the Assignment is to give you the opportunity to review some analytical research in applied economic policy analysis. I stress the word “analytical” by which I mean, in general terms, the use of economic tools to provide some conclusion about a particular problem in agri-food policy.

Approach:
You should begin by identifying an issue by reading the results of other people’s research, using the reading list for this subject as a starting point. You should also make use of the electronic catalogue in the library and a literature database such as EconLit. Then you should define a policy issue and motivate your topic through explaining why the problem or issue is important and interesting. Before closing this Section of your paper, it is always a good idea to explain to the reader what lies ahead. In other words, help the reader to understand your train of thought. This also helps you, the writer, to check that the logic of your organisation of the material is sound. Then you should present the analysis, using diagrams and data whenever appropriate. Finally you should draw your conclusions based only on the evidence that you have already presented: do not introduce new material here and do not express personal opinions (particularly about controversial issues) unless the evidence previously presented supports them.

Structure:
Your paper should have at least three major sections, i.e., introduction, main body and conclusions. The main body may be further split up into sub-sections if that is thought to be necessary. Use headings as signposts to help the reader follow your train of thought and logical development ‘of the story’. Make sure that you number Tables and Figures and refer to the content of them in the text; i.e., take the reader through the the main point(s) that you wish to make is clearly brought to the reader’s attention.

The Literature:
You are expected to show that you have read more widely than the reading lists provided for the Lectures. You should cite appropriate parts of the literature in both the introduction and the main body of the paper but do not be guided too rigidly by that literature in deciding upon the structure and organisation of your own essay.

References:
The literature referred to in the text, and only that literature, should appear in the References section at the end of the paper. A guide on how to refer to literature can be found in any of the journals of economics and agricultural economics. The way in which references are listed at the end of papers varies from journal to journal but you could use the convention in the Australian Journal of Agricultural and Resource Economics as one option. Whichever convention you choose, apply it consistently.

Format:
The assignment must be typed using a font at a size of either 11 or 12 using double line spacing so that the examiner has space to write any comments. The number of words should be stated at the end of the text and before the references and pages should be numbered.

Readership:
It is often difficult to decide who the readership is but the answer is fundamental to the way in which the paper is written and approached. For the purposes of this assignment, you should assume that the audience is the examiner. Therefore, you do not need to use up words on providing definitions and on explaining the basic tools of analysis.

Criteria for Assessing the Paper:
I shall make no attempt to assign marks to the following components because I believe that often the whole may be better than the sum of the parts. The criteria include the technical merit of the analysis, evidence of having read beyond the lecture material and the associated reading list, and the quality of the writing (including logical development of the argument, style, grammar and spelling). Before submitting your assignment, make sure that you proof-read it carefully and also make sure that you are convinced that you have answered the question: what is the main point being made in the paper?
Some useful web sites to visit in preparing for your Assignment

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<td>Foreign Agriculture Service</td>
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ADDITIONAL COMMENTS

Feedback from 2012
Overall, this subject has been intellectually stimulating – 4.60
Overall, this subject has been well taught – 4.40

What are the best aspects of this subject?:
• "The application of the models and theories to the real world unlike many other modules which just use examples not applicable to the real world."
• "Lectures were really good, tutes were of high standard, plenty of reading material and a 360 degrees take on the subject matter. Very inspiring."

What aspects of this subject do you believe should be improved?
• "A condensed version of the reading pack would be very useful."
• "Handouts should be available online for those who were unable to attend some lectures."
• "The answers to the tutorial questions every week should be posted on the LMS."

The changes made for 2013 in response to this feedback are:
• answers to tutorial questions will be put on the LMS
• tutorials will include more discussion and less problem solving on the board
• more guidance will be given with the reading material.

Learning:
Learning is best achieved when it is done actively, which means:
• concentrating and thinking in lectures
• reading the assigned readings and thinking about what you have read, i.e., 'engaging with the material'
• working through the tutorial questions
• integrating the material provided in lectures, tutorials and readings each week, including newspaper clippings, into a consolidated set of notes

Advice about taking notes in lectures:
• concentrate on understanding the material while it is being presented
• take down only the main points
• be prepared to ask questions for clarification or to challenge the lecturer
READING LIST

The following readings form part of the examinable material of the subject. Copies of the material may be purchased as a Reading Pack from the Co-op Bookshop but all this material is also available on Reserve in the Giblin Eunson Library. Additional material may be added to the Reading List as policies change, as new issues appear or as new publications become available. Newspaper clippings on developments in policies and issues of current interest will be distributed in class during the semester.

PART I: INTRODUCTION

1 The Economic Characteristics of the Agri-Food Sector


2 Why Governments Intervene in the Agri-food Sector: the principal objectives


3 Instruments of Agri-Food Policy and their Consequences


PART II: ECONOMIC TOOLS FOR ANALYSIS

4–7 Frameworks for Economic Analysis


8 Empirical Measures of Assistance

PART III: EXAMPLES OF AGRI-FOOD POLICIES

9–10 The Common Agricultural Policy of the European Union

11 Mid-semester test
Covers material from Lectures 1 to 8 inclusive.

12 Agri-Food Policy of the USA

13–14 Agri-Food Policies of China and India

15 Australian Agri-Food Policy
DAFF (2011). Issues paper to inform development of a national food plan – Summary, Department of Agriculture, Fisheries and Forestry, Canberra.

PART IV: TRADE, FOOD SECURITY AND FOOD SAFETY

16 The WTO Agreements affecting the Agri-food Sector

17–18 World Food Security


19-20 Volatility of World Prices of Agri-Food Commodities


21-22 Trade and Food Safety


PART V: AGRICULTURE AND THE WTO

23–24 The Current State of the Negotiations

