THE UNIVERSITY OF MELBOURNE

Department of Economics

ECON30007 Economics of Food Markets
and
AGRI40015 Agricultural Policies and Trade

Co-ordinator: Professor Donald MacLaren
(d.maclaren@unimelb.edu.au; Room 466, FBE Building)
Office hour: Monday 11.00 a.m. – noon

Semester: 2

Instruction: 23 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, including Australia, and identify the policy objectives being pursued;
• critically analyse the economic effects, including the trade and welfare effects, of the policy instruments employed;
• synthesise the current policy issues in the agri-food sectors of the world economy including the newer issues such as trade and the volatility of food prices, and trade and food safety;
• critically analyse the issue of world food security;
• 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, 1 September; it will be held in the lecture room. The deadline for submission of the written assignment is Wednesday, 8 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 with comments at the lecture on Wednesday, 15 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/

The examination period for this semester is Monday 27 October to Friday 5 December.

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 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: Lectures: Monday 3.15 p.m. FBE Theatre 3
Wednesday 11.00 a.m. 757 Swanston St Harold White Theatre
Tutorials: Monday 4:15 p.m. John Medley-216B

Lectures: It is expected that students attend lectures even although the lectures are being recorded. The schedule of lectures (and the associated readings) are 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 tutorials 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 also on Reserve in the Giblin Eunson Library. The content of these readings forms part of the examinable material of the subject.

Let me repeat, 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

Copies of the lecture slides will be distributed at each lecture and will also be placed on the LMS page afterwards and located under the heading "Lectures". It is important to note that these slides are only outlines of the content of the lectures and are no substitute for attending the lectures in person.

PART I: INTRODUCTION TO THE ECONOMICS OF THE AGRI-FOOD SECTOR

1 The economic characteristics of the sector and the reasons for government intervention
2 The objectives and instruments of government intervention and their economic consequences

Part II: ECONOMIC MODELS FOR THE ANALYSIS OF AGRI-FOOD MARKETS

3–4 Production and supply under certainty and uncertainty
5–6 Consumption of food and the demand for food safety
7–9 The international trade and welfare effects of government intervention
10 Empirical measures of assistance
11 Mid-semester test

Part III: EXAMPLES OF AGRI-FOOD POLICIES

12–13 The European Union
14 The USA
15 China
16 India
17 Australia

Part IV: FOOD SECURITY

18–19 World food security: short-run aspects
20–21 World food security: long-run aspects

Part V: AGRICULTURE AND THE WTO

22 Trade rules: the WTO Agreements of most relevance to the agri-food sector
23–24 The current state of the Doha Round negotiations on agriculture

Review of the subject
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 TO THE ECONOMICS OF THE AGRI-FOOD SECTOR

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

PART II: ECONOMIC MODELS FOR THE ANALYSIS OF AGRI-FOOD MARKETS

Tutorial 2 (Week 3): Production under uncertainty
Tutorial 3 (Week 4): Demand for food safety
Tutorial 4 (Week 5): On giving quantitative policy advice to government I
Tutorial 5 (Week 6): On giving quantitative policy advice to government II

PART III: EXAMPLES OF AGRI-FOOD POLICIES

Tutorial 6 (Week 7): Review of the Mid-Semester Test
What, if any, economic sense can be made of the CAP (Part 1)?

Tutorial 7 (Week 8): What, if any, economic sense can be made of the CAP (Part 2);
Aspects of US agricultural policy

Tutorial 8 (Week 9): Aspects of agricultural policies in China and India

Tutorial 9 (Week 10): Australian agri-food policy: SPS issues

PART IV: FOOD SECURITY

Tutorial 10 (Week 11): Food security in poor countries

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. Changes to farm policy in the USA – the Agricultural Act of 2014
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 food commodities 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 and the welfare of farmers
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: an introduction, the 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 main point that you wish to make and ensure that it is brought clearly 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. 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 and a margin of at least 2 cm 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 readership is the examiner. Therefore, you do not need to use up words on providing definitions of terms 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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ADDITIONAL COMMENTS

Feedback from 2013

Q1: Overall, this subject has been intellectually stimulating – 4.50
Q4: Overall, this subject has been well taught – 4.50
Q9: Focusing on my own learning in this subject, I have learnt to apply knowledge to practice – 4.25
Q13: Studying this subject has helped me develop my analytical skills – 4.25

What are the best aspects of this subject?:
- "Interesting content and assignment questions"
- "The application of economic theories to the agricultural sector, an introduction to the political economy and just an appreciation for economics, (both theoretical and applicable) and its applications."
- "The content has been very interesting. I also thought the tutorial content complimented the lecture material well. Overall I was happy with the content of the course."

What aspects of this subject do you believe should be improved?
- "It would be good for the lecture slides to be more detailed. As the lectures are not recorded, it is sometimes difficult to catch important points mentioned by the lecturer."
- "The lecture slides could be improved visually to make them more colorful and aesthetically pleasing. Some tutorials were very time consuming, so they could be cut down a little bit if possible without taking away any of their focus."
- "Tutorial answers could have been typed up when published online to make them more clear."

The changes made for 2014 in response to this feedback are:
- answers to tutorial questions will be typed up
- lectures will be recorded

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 and the Reasons for Government Intervention


2 The Objectives and Instruments of Government Intervention in Agri-Food Markets


PART II: ECONOMIC MODELS FOR THE ANALYSIS OF FOOD MARKETS

3–4 Production and Supply under Certainty and Uncertainty

Lecture notes will be distributed in class

5–6 Consumption of Food and the Demand for Food Safety


The Trade and Welfare Effects of Government Intervention


Empirical Measures of Assistance


Mid-Semester Test

Covers material from Lectures 1 to 8 inclusive.

PART III: EXAMPLES OF AGRI-FOOD POLICIES

The European Union


The USA


China


India


Australia

DAFF (2011). Issues paper to inform development of a national food plan – Summary, Department of Agriculture, Fisheries and Forestry, Canberra.
PART IV: FOOD SECURITY

18–19  World Food Security: Short-Run Aspects


20-21  World Food Security: Long-Run Aspects


PART V: AGRICULTURE AND THE WTO

22  The WTO Agreements affecting the Agri-food Sector


23–24  The Current State of the Negotiations


D. MacLaren  (July 2014)